2024

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IMPACT REPORT

Our commitment to sustainability began with the founding of our firm

COHO PARTNERS, LTD.

Where protection and participation meet®

OUR INVESTMENT PHILOSOPHY AND PROCESS

At Coho Partners, our commitment to sustainability began with the founding of the firm and our philosophy and process that focuses on durable and predictable business models.

Our premise is simple: companies that have delivered strong and consistent shareholder returns over multiple market cycles have done so because they have built enduring and sustainable business models. They embody an organizational culture that is a true competitive advantage and not easily replicated. We believe these companies can produce strong returns consistently over time as they balance the interests of all stakeholders: shareholders, communities, employees, and the environment. We are staunch advocates of integrating material and financially relevant ESG metrics in business practices as a long-term strategy. Only when company management teams and investors view sustainability as a material driver of long-term business performance and risk will there be a real and lasting commitment.

In this year's edition of our Impact Report, we reflect on the progress at our portfolio companies as we continue to expand engagement on material ESG risks and opportunities. We also touch on regulatory developments in the U.S. and Europe. We also address the steps Coho is taking to ensure compliance for the European UCITS fund.

Coho's Investment Team continues to enhance our proxy voting guidelines, and we highlight

Progress Examples

U.S. BANCORP (USB)

USB is one of the largest commercial banks in the U.S. and provides a wide range of financial services to its customers. USB is relatively early in its ESG journey, but management has made a clear commitment to corporate social responsibility and sustainability through many initiatives which have been in progress for years. In 2023, USB began to formally report against The Task Force on Climate-Related Financial Disclosures (TCFD). From a social perspective, the company has established internal DEI goals for gender and racial diversity. Across all employees, both female and racial diversity improved over the past few years, with 58% female employment and 39% diverse employment among U.S. employees. USB also began disclosing its EEO-1 report in 2022.

MARSH & MCLENNAN (MMC)

MMC is a leading global professional services firm which provides advice and solutions in the areas of risk, strategy, and human capital. MMC has made good progress on ESG initiatives over recent years. The company became carbon neutral in 2021 and got Science Based Targets initiative (SBTi) validation for both the short-term carbon reduction targets as well as long-term net-zero target across the value chain by 2050. Management incorporates ESG into product strategy, with offerings in Oliver Wyman and Mercer on the consulting side and Marsh and Guy Carpenter on the insurance side.

our analysis and shareholder votes for the 2023/2024 season. We also provide an update on our environmental impact efforts, as companies continue to commit to Scope 1, 2, and/or 3 emissions reduction targets and net-zero commitments. Additionally, we highlight our research efforts into the Taskforce on Nature-related Financial Disclosure (TNFD) and Diversity, Equity, and Inclusion (DEI), which were the basis of two ESG insight papers we published this year. Finally, we highlight our community involvement through our Coho Cares events.

These examples provide insight into the cultural DNA of the companies in which we invest and support our belief that the full integration of ESG issues enriches fundamental research analysis. Additionally, they highlight how we walk the talk on our ESG engagement with companies through our own internal ESG initiatives.

Progress Examples

UNITEDHEALTH GROUP (UNH)

UNH is one of the largest health insurers in the U.S. UNH has meaningfully increased its attention to sustainability over the past three years. This has included the creation of a corporate sustainability business unit that establishes the company's areas of focus, sets goals, and monitors progress. The company remains committed to achieving net-zero emissions across operations by 2035 and to validating its interim and long-term carbon reduction targets by SBTi. UNH is targeting the use of 100% renewable electricity by 2030. UNH discloses its EEO-1 report and has also engaged in pay equity studies.

MONDELEZ INTERNATIONAL (MDLZ)

MDLZ is one of the world's largest snack companies. MDLZ has shown steady improvement on its ESG journey. MDLZ formally aligns with Sustainability Accounting Standards Board (SASB) and TCFD, and discloses Carbon Disclosure Project (CDP) climate, water, and forest reports. The company committed to SBTi in 2022 and was approved for both short-term carbon reduction targets including Scope 1, 2, & 3 and long-term net-zero targets in 2024. The company also discloses its EEO-1 Report and links compensation to ESG. We continue to have an ongoing dialogue with the company on plastic usage, healthy snacking, and sustainable sourcing.

01 OUR MANAGEMENT APPROACH TO ESG INTEGRATION

ESG INTEGRATION MODEL

We apply a fully integrated approach to ESG research. All Coho investment professionals engage in identifying key ESG risks and opportunities. Our company research notes highlight the material financial and sustainability drivers, including the gaps and strengths for relevant environmental, social and governance factors. Our customized proxy voting process is overseen by our Chief Compliance Officer. Coho's Board of Directors works closely with the Investment Team to ensure holistic ESG integration across our Investment Team. The Board monitors various ESG risks and opportunities for our business and receives regular updates on our ESG process and integration activities.

Our ESG process is anchored by four main pillars:

- **Proprietary scores:** Our proprietary quantitative model provides a baseline assessment for each company. We look at a wide range of metrics, both numeric and policy based. Rate of change is an important driver of shareholder value; hence, we focus on multi-year trends.
- **Materiality maps:** We employ forward-looking, materiality-based qualitative assessments to supplement the backward-looking quantitative data.
- **Engagement:** We regularly engage with companies to inform inputs for our qualitative assessments and to advocate for positive progress on key ESG metrics and enhanced data disclosure.
- **Active ownership:** We believe thoughtful and responsible voting promotes board and management behaviors that should, over the long term, minimize risks for our portfolio companies and translate into strong shareholder returns. We vote all proxies using our customized ESG proxy voting guidelines.

We seek to provide perspective and knowledge sharing through our monthly commentary and quarterly ESG Insight pieces. We also collaborate with other organizations such as the Principles for Responsible Investment (PRI), Task Force on Climate-Related Financial Disclosures (TCFD), Access to Medicine Foundation, and the Investor Stewardship Group (ISG).

REGULATORY UPDATE

We are constantly tracking the ever-evolving regulatory environment in both the U.S. and the European Union (EU) as new rules are put forward and old rules are modified. While resource intensive, keeping a close eye on the regulatory environment helps protect our investors and maintain the integrity of Coho's ESG products.

In the EU, the European Securities and Markets Authority (ESMA) released its final guidelines in May 2024 on the use of ESG or sustainability related terms in fund names. These new guidelines technically go into effect in May 2025 for existing funds and the rules will enforce new requirements in addition to the existing Sustainable Finance Disclosure Regulation (SFDR) for funds operating in EU.

The rules impose quantitative thresholds and mandatory exclusions on funds in scope. Affected funds will need to either meet requirements or change their names. For funds with E, S, or G related terms, the Guidelines establish that to be able to use these terms, a minimum threshold of 80% of investments should be used to meet specific ESG characteristics. Funds with sustainability-related names must invest "meaningfully" in sustainable investments as defined in SFDR Article 2(17), and at least 80% of investments should be used to meet the sustainable investment objectives.

According to MSCI, roughly 32% of the SFDR Article 8 and 9 funds universe, representing two trillion in assets in euros, could be affected by ESMA's fund-naming guidelines due to their use of sustainability-related terminology. Specifically, MSCI estimates that 25% of Article 8 funds and 74% of Article 9 funds had names that could be affected by the new guidelines.

Coho falls in scope of the regulation as we have a UCITS fund that operates in EU with a name that has ESG in it. We are ready to comply with the requirements to have at least 80% investments that meet the environmental, social and governance characteristics we promote.

Additionally, investment funds that use ESG or environmental related terms in their names like Coho does will be required to apply exclusions according to the rules applicable to Paris Aligned Benchmarks (PAB) as shown in Figure 1.

Figure 1: PAB Exclusion Criteria

(a) companies involved in any activities related to controversial weapons;

(b) companies involved in the cultivation and production of tobacco;

(c) companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;

(d) companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;

(e) companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;

(f) companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels;

(g) companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO_2 e/kWh.

Investment funds that only use social, governance, or transition related terms only need to meet criteria "a-c" of the above list according to the rules applicable to Climate Transition Benchmarks (CTB).

Fortunately, none of the new rules impact the current UCITS ESG fund holdings therefore no divesture is required. It will, however, shrink the current Coho 250 investment universe by 11 companies, noting that the 11 companies are weighted heavily to the Energy sector. This is a sector that we have historically found limited investment opportunities.

In the U.S., the Securities and Exchange Commission (SEC) issued its final ruling in March 2024 (originally expected in Q4'23) on the adoption of climate disclosure rules.

The SEC's rules are largely based on recommendations by the Task Force on Climate-Related Financial Disclosure (TCFD) as well as requiring the disclosure of emissions and other climate-related financial data in a company's annual financial statements and registration statements. These new requirements will be phased in, starting with annual reports for the year ending December 31, 2025, for companies with market capitalizations over $700 million and for all companies by 2027.

A company's annual financial statement footnotes will need to provide information on 1) financial statement effects of severe weather events, 2) carbon offsets and renewable energy certificates, 3) material impacts on financial projections and assumptions as a result of severe weather events, and 4) provide climate-related targets or transition plans.

Companies in scope will also need to provide qualitative and quantitative information outside of its financial statements, including: 1) Scope 1 and Scope 2 GHG emissions, 2) company governance and oversight of material climate related risks, 3) the material climate risks on the company's business model, strategy and outlook, 4) a risk management process for the material climate risks, 5) the company's climate goals and targets, and 6) material expenditures needed to mitigate climate related risks.

The final rules contain several substantial changes from the originally proposed rules, especially regarding requirements on Scope 3, due to significant pushback from investors and pending legal challenges facing the SEC in courts. Some of the high-profile changes include the removal of all requirements pertaining to Scope 3 emission reporting, the narrowing of Scopes 1 & 2 disclosure requirements to only larger registrants and only when material. However, this new rule is still expected to improve the climate disclosures for U.S. companies and provide financially material information for investors.

02 ACTIVE OWNERSHIP

DRIVING POSITIVE OUTCOMES THROUGH ENGAGEMENT AND ACTIVE OWNERSHIP

A key pillar of our ESG investment strategy is to drive positive and meaningful change in corporate behavior. This is accomplished through engagement and active ownership, which are fully integrated into our ESG framework and investment process.

Board of directors' accountability in focus

Through engagement and proxy activities, Coho looks for a company's board of directors to expand oversight beyond traditional corporate governance activities, such as shareholder voting matters and executive compensation decisions, to include sustainability considerations. This has been an increased focus for the Investment Team in the last few years, and a trend we have seen with other investors and proxy voting service providers. Social and environmental issues like diversity, equity, inclusion, public health, environmental footprint management, and waste and pollution are the most topical.

For the 2024 proxy season, social and environmental shareholder proposals represented 30% and 31%, respectively, of all resolutions filed, compared to 39% for governance[1]. We believe directors should act in the best interest of shareholders and be held accountable for corporate results and sustainability.

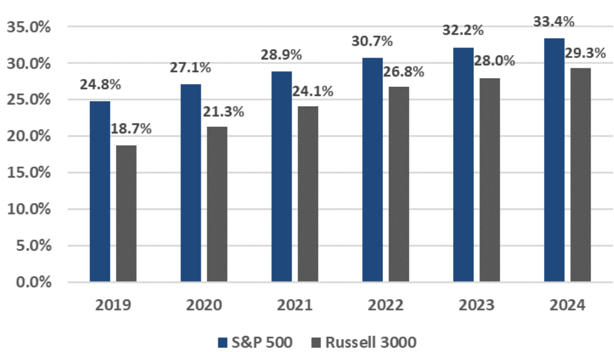
As part of our ESG framework, we have engaged with companies about promoting board and workplace diversity through policies and programs, improved disclosure, and goal setting. We also review and request board-level oversight of environmental and social issues. When casting votes for directors in the proxy voting process, we review diversity, skills, and experience along with our assessment of board committee performance on governance and sustainability. To strengthen Coho's commitment to these issues, as part of our annual proxy voting guidelines last year, we introduced a 30% threshold for female board representation and tightened board commitment threshold for executive directors by limiting non-CEO executive directors to one external board, similar to CEOs.

Every board of directors is charged with oversight and establishment of corporate

[1] Data sourced from PRI Association.

policies, but its own diversity composition is also a reflection of the organization. Gender diversity has been a focus in recent years which resulted in consistent increases in female representation. Figure 1 below shows the percentage of women directors for the S&P 500 Index has increased from 24.8% in 2019 to 33.4% in 2024.

Figure 1: Director Gender by Index



Source: The Conference Board and ESGAUGE.

Table 1: Companies with 20% or More Women on Boards

	Coho Relative Value ESG	S&P 500 Index
Companies with 20% or More Women on Boards	100%	95%

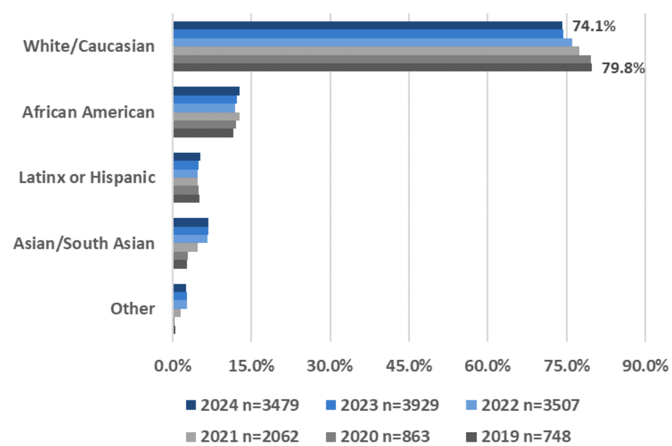
Source: MSCI. As of 6/30/2024.

As shown in Table 1, we are pleased to report that we have maintained 100% of Coho ESG portfolio companies with 20% or more women on the board since the first quarter of 2022. Our percentage is higher than the current 95% for the S&P 500 Index.

When we first started reporting the statistics in the second quarter of 2018, those numbers were 81% for the Coho ESG portfolio companies and 65% for the S&P 500 Index.

More recently, ethnic diversity has taken center stage. Figure 2 below shows the percentage of ethnic minority directors for the S&P 500 Index has only increased from 20.2% in 2019 to 25.9% in 2024. One way to address this issue is through increased disclosure. While only 11.5% of S&P 500 Index companies disclosed the racial diversity matrix of their boards in 2019, 72.8% did so in 2024.

Figure 2: Director Race/Ethnicity (S&P 500)



Source: The Conference Board and ESGUAGE.

Table 2 shows 36.9% of directors at Coho ESG portfolio companies are women and 27.6% of directors are ethnically diverse, which are both higher than the S&P 500 Index.

Table 2: Board Diversity

	Coho Relative Value ESG	S&P 500 Index
% Female	36.9%	33.4%
% Ethnic Minority	27.6%	25.9%

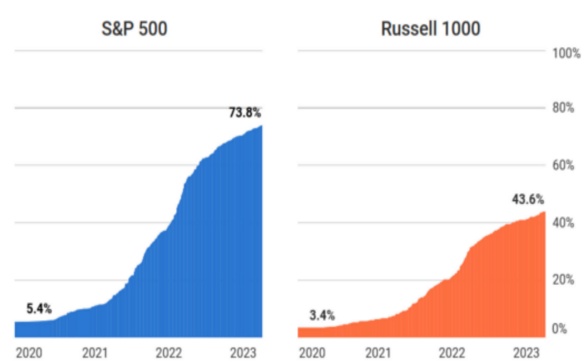
Sources: MSCI and the Conference Board and ESGAUGE. As of 6/30/2024.

Company progress and action taken

As it relates to the workforce, we are working to improve diversity and pay equity by actively engaging with companies in our portfolios and the investable universe. Among Coho's ESG portfolio holdings, 92.0% have disclosed or plan to disclose Equal Employment Opportunity Reports (EEO-1), compared to 89.3% last year. This compares favorably to the S&P 500 Index at 73.8% and to the Russell 1000 Index at 43.6% as of May 31, 2023, the date of the most recent benchmark data published. We also utilize proxy voting to communicate the importance of publicly disclosing EEO-1. This year, we voted against the chair of the Nominating & Governance Committee at Sysco, Service Corporation International, and Perrigo for failing to disclose the EEO-1 reports.

We are pleased to see progress for our portfolio companies, as well as companies in our universe and U.S. benchmarks. The U.S. Equal Employment Opportunity Commission (EEOC) began mandating the reporting and filing of these reports in 1966. These reports are mandatory for all firms with 100 or more employees and for federal contractors with 50 or more employees and include disclosure on both gender and ethnicity across 10 broad job categories. In 2024, the EEOC has made significant updates to the EEO-1 report. The changes include revised nomenclature for report types, guidelines for remote employees, and the inclusion of non-binary employees. Public release of this information is still optional, so we are pleased to see more companies are voluntarily disclosing more data and the EEO-1 reports.

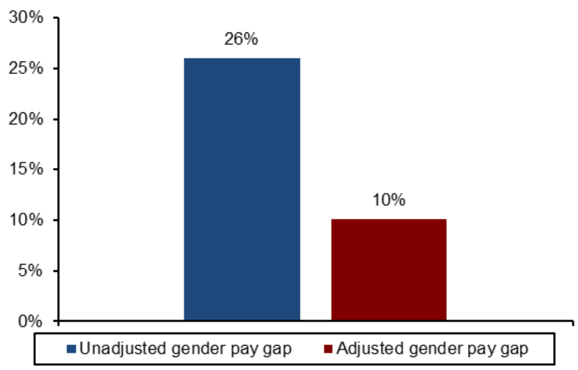
Figure 3: % Companies Disclosing EEO-1 Data



Source: DiversIQ.

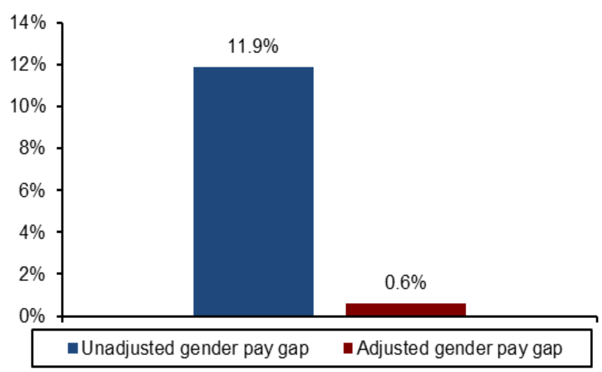
With significant progress on EEO-1 disclosures, investor attention has turned to pay equity as an emerging ESG topic. Coho has started to review corporate disclosure of pay equity data and to compare data across companies. The industry best practice is to disclose unadjusted pay equity data, which does not adjust data for role, experience, location, or performance. More companies initiated disclosure of adjusted pay equity data as a first step. As shown in Figure 4, 26% of S&P 500 companies disclosed unadjusted gender pay gap data while only 10% disclosed adjusted data.

Figure 4: % of S&P Companies Disclosing Gender Pay Gap



Source: Bernstein Analysis 2024.

Figure 5: Average Gender Pay Gap of S&P companies



Source: Bernstein Analysis 2024.

Figure 5 illustrates that the disparity is greater for the unadjusted gender pay gap data, with an 11.9% average gap reported, compared to a 0.6% average gap reported for the adjusted pay gap.

Coho continues to advocate for the disclosure of unadjusted gender pay gap data disclosure, even in countries where it is not required by law. We have also started to see more shareholder proposals that request the disclosure of unadjusted gender pay gap data. Last year, we voted for a shareholder proposal at Nike requesting disclosure of this important information.

In our ESG research and proxy reviews, we also look for explicit disclosure regarding the board oversight of environmental and social issues. As more companies formally integrate sustainability into corporate strategy, board involvement is increasingly necessary to supervise management, offer strategic advice, and establish corporate policies. As of June 30, 2024, 100% of Coho companies have designated board committees with oversight responsibilities of sustainability. We actively engage with companies where this is not provided because we believe this is an important indication of management's commitment to corporate social responsibility and the ultimate effectiveness and success of the programs.

Our efforts do not stop with promoting board oversight of ESG. We believe directors are responsible to shareholders for their performance on governance and sustainability. In director elections, we evaluate individual performance and accountability for specific issues on the committees they serve.

To promote board refreshment and diversity, Coho uses strict criteria for average board tenure and director board commitments, along with a holistic and multi-factor approach to assess diversity across gender, ethnicity, culture, industry, and academic experience. In 2024, we voted against 11% of directors who did not meet the tenure requirements, who served on more boards than the limits specified in our proxy voting guidelines, who did not promote our board diversity requirements, or who had other unique issues. We continue to promote high standards for directors as part of our emphasis on strong corporate governance and sustainability in our ESG research and proxy voting processes.

ENGAGEMENT ACTIVITY

Our engagement activity starts with an in-depth assessment of a company's sustainability profile which is used as a basis for discussions with executives on relevant metrics for their business models. The Investment Team engages with companies in the portfolio and the Coho 250 universe during regularly scheduled and dedicated ESG meetings. We also engage with companies at various ESG conferences.

Our goal is to influence and advocate for best practices that enhance long-term shareholder returns. Research has shown that commitment to material environmental and social drivers, and good corporate governance practices contribute toward this goal. During these meetings with company executives, we collect insights for proxy voting and gain a deeper understanding of the culture, which informs our fundamental and sustainability research.

We share our research and views on best practices with the companies and encourage them to improve disclosure and policies, establish discrete and time-bound targets, and report on progress toward these goals.

In the last three years, Coho has completed more than 100 ESG engagement meetings, including 29 in calendar year 2023.

Engagement meetings reflect a three-year period ending 12.31.23.

Improving the link between pay and performance

In addition to social and environmental issues, another area of focus for our engagement efforts is executive compensation. Strong pay practices properly align executive interests with the creation of long-term shareholder value while enabling a company to attract and retain talent. When evaluating compensation packages, Coho believes there should be evidence of a clear and successful link between pay and performance.

Table 3 shows the percentage of Coho's portfolio companies and S&P 500 Index companies that include total shareholder return (TSR[2]), return measures such as return on invested capital (ROIC), and sustainability metrics in compensation plans. We believe these metrics are important because they align management compensation with shareholder value creation and help benefit all stakeholders. Through engagement, we encourage companies in our portfolio and universe to incorporate these metrics into compensation plans. We also consider these metrics when voting on say-on-pay proposals.

In recent years, we have seen a positive trend with companies adding sustainability metrics to their compensation plans. This is something we actively seek through engagement, and we were pleased to see two companies add metrics in fiscal year 2023 following our requests in recent years.

Cencora incorporated an ESG metric into its short-term executive compensation plan, including three quantifiable components focused on driving female representation in leadership roles globally, employee inclusion and engagement, and business resiliency planning for climate-driven events. Grainger introduced an ESG modifier under its short-term compensation plan that is based on total absolute scope 1 and scope 2 emissions and diverse leadership representation results.

Table 3: Compensation Metrics to Shareholder Value Creation

	TSR	ROIC	Sustainability
Coho Companies	76%	44%	44%
S&P 500 Companies	72%	36%	48%

Source: Bernstein Analysis. Holdings as of 6/30/2024.

[2] Total shareholder return (TSR) is the total amount returned by an investment to the investor. TSR is a common performance metric employed by companies in executive compensation plans.

Engagement Examples

Below are additional examples of our recent engagement over the past year.

AMGEN

Integrating sustainability across operations

We encouraged Amgen to integrate sustainability across its operations. We were pleased when Amgen added a sustainability metric to its incentive compensation plan in 2021. A sub-metric of ESG is included in the annual priorities' metric under the short-term incentive plan. Then in 2023, the company adopted the Science Based Targets initiative (SBTi) framework for verification of its 2027 carbon reduction goals, another major ESG enhancement for which we advocated. In 2024, we applauded AMGN for making progress toward addressing overboarding issues and adding female representation to the Board. Finally, Amgen has adopted eight solutions to improve pharmaceutical pricing, access, and affordability. These include 1) responsible pricing; 2) value-based contracts; 3) biosimilars; 4) access to medicine and patient support programs; 5) investments in innovation; 6) health system solutions; 7) personalized medicine; and 8) digital health solutions. AMGN is committed to the responsible pricing of medicines by considering their economic and social value and the clinical and economic burden of diseases. Since 2018, the average net price for Amgen medicines has declined every year.

cencora

Improved corporate governance

After engaging with Cencora (formerly known as AmerisourceBergen) for the past few years, the company made meaningful progress on improving its corporate governance. Through board turnover, the average board tenure was reduced from 12 years to 7 years, well below our 10-year threshold. The company has also worked on addressing overboarding issues and made great progress by having no overboarded directors according to Coho's customized proxy voting guidelines for the past two years. During our most recent engagement, the company informed us that they have conducted a new global materiality assessment and have released the results in their 2024 report. Finally, the company made significant improvements to its executive compensation plan by adding a TSR modifier to the long-term incentive plan. It also linked sustainability to compensation by adding an ESG metric under the short-term incentive plan, which includes considerations of business resiliency planning, global female representation, and global employee inclusion. The company noted Coho was instrumental in helping raise the level of scrutiny on board tenure and adding a sustainable compensation metric.

COLGATE-PALMOLIVE

An ESG leader committed to continuous improvement

We believe Colgate is an ESG leader, with excellent disclosure, alignment with recognized industry reporting standards, and robust goals. We have had a productive ongoing dialogue with the Chief Sustainability Officer Ann Tracy since her appointment in February 2020. There has been good progress on key environmental goals for emissions reductions, packaging, and zero waste. From a governance perspective, we were pleased to see Colgate introduce a sustainability metric into executive compensation in 2022 following a few years of engagement on this subject. ESG goals are included in the strategic initiatives' metric under the short-term incentive plan. We continue to advocate for additional corporate governance improvements, including considerations on independent chairperson and director commitments. From a social perspective, the company has achieved statistical pay equity for gender and race, with less than 1% unexplained difference in pay globally on an adjusted basis. We continue to promote disclosure of the unadjusted pay gap as the best practice.

globalpayments

Improving ESG practices

We began engaging with Global Payments many years ago when the company was still early in its ESG journey. The company has been responsive to investor feedback and criticism, and it has consistently improved its ESG practices. This was evident this year along multiple lines, but particularly in the company's response to the low say-on-pay approval of 41% that it received in 2022. The company indicated it would no longer provide one-time special awards and would reduce the maximum payout of performance share units (PSUs) under the long-term incentive plan from 400% to 200%. On the environmental side, the company began reporting against TCFD and the Carbon Disclosure Project (CDP) as promised. We continue to advocate for disclosure of interim targets and SBTi validation as well as detailed plans to achieve the long-term emissions targets to reach net zero by 2040. Additionally, the company disclosed Scope 3 emissions for the first time this year. On the social side, we advocated for disclosure of the EEO-1 report during prior engagements and the company publicly disclosed its EEO-1 report for the first time in 2022. We also encouraged disclosure regarding pay equity.

Clear commitment to and delivery on ESG targets

CEO Marvin Ellison has helped Lowe's rapidly improve on ESG and has guided the company to emphasize associate performance/safety, improve data tracking, implement robust reporting, and set aggressive yet realistic goals. Management also appears willing to listen to and incorporate suggestions. Lowe's is one of only a handful of companies that have shared unadjusted pay gap statistics. On the environmental front, we were pleased to see that Lowe's expanded their previous carbon 2030 target reduction goals to include Scope 3 emissions and provided a path to net zero by 2050 (both targets are SBTi aligned). We have also engaged on expanding sales of energy saving products, which will allow Lowe's to get credits from the U.S. Inflation Reduction Act (IRA). In terms of governance, we suggested including a sustainability component to the compensation plan, communicated our director commitment threshold, and advocated for the separation of CEO and Chairman.

Improved compensation practices and new environmental targets

TMO's ESG disclosures have improved markedly over the past few years and the company has been open about areas for future improvement during our engagements. We strongly advocated for adding a TSR or a ROIC component to the compensation plan during prior engagements and we were pleased to see that they added a TSR modifier to the long-term incentive plan last year. On the environmental front, we were pleased to see that the company had both short-term and long-term emissions reduction targets aligned with SBTi after prior engagement. TMO has also set an ambitious Scope 3 supplier target and expects to set a renewable energy target in 2024. On the social front, TMO has disclosed pay equity analysis in the U.S. and will expand the study globally.

Strong environmental and social progress

W. W. Grainger has comprehensive sustainability reporting, which aligns with the SASB, Global Reporting Initiative (GRI), and TCFD frameworks. Grainger also discloses CDP and EEO-1 reports. On the

Environmental front, the company has Scope 1 and 2 emissions reduction targets and is currently considering Scope 3 along with a formal SBTi commitment. We continue to encourage management to set other environmental goals for other areas such as sustainable packaging, water, and waste. We continue to track and engage on EPP (Environmentally Preferable Products). In terms of social initiatives, the firm recognizes DEI as a top priority and the company intends to publish a formal human rights policy. In terms of governance, we were pleased to see that Grainger formally incorporated an ESG modifier metric into executive compensation in 2023, which is based on total absolute scope 1 and scope 2 emissions and diverse leadership representation results. Coho was invited to participate in Grainger's ESG materiality assessment in 2024 as one of the few shareholders that contributes the most to the company's advancement in its ESG efforts.

ACTIVE PROXY VOTING

Promoting accountability, diversity, and sustainability to create shareholder value and benefit stakeholders

Coho continues to take an active role in the proxy voting process by leveraging its ESG analysis and engagement. We make decisions that we believe are in the best interest of shareholders and benefit all stakeholders, including employees, society, and the environment.

At Coho, proxy voting is fully integrated into the investment process. In 2019, the Investment Team formally adopted customized ESG proxy voting guidelines that include best practices for governance and sustainability that are additive to base Glass Lewis ESG policy recommendations. We developed these based on in-depth research, years of experience in voting proxies, and engagement with corporate officers, directors, and governance experts. The guidelines reflect our proprietary views and are used as a framework for decision-making by portfolio managers when voting proxies. Proxy reviews performed for each of our portfolio companies include governance and sustainability research using a materiality lens and are supplemented by engagement with management. Engagement meetings help us influence and advocate for commitment to environmental and social responsibility, discuss corporate governance practices, and collect insights for proxy voting and sustainability research.

2024 ESG proxy voting guidelines update

We completed the annual update of our guidelines at the end of 2023 to further reflect our proprietary corporate governance views, new proxy voting topics, and best practices. As part of this process, we reviewed our voting results for the 2024 proxy season and believe they are consistent with intended outcomes to improve board accountability, strengthen the link between pay and performance, and promote sustainability.

Our guidelines cover topics such as director elections, executive compensation, auditor ratification, shareholder rights, and sustainability. For the annual update, we made several guideline enhancements, some of which are highlighted below.

Director elections: increasing accountability for corporate results, including performance on sustainability, and improving board diversity

For director elections, we introduced a 30% threshold for female board representation and tightened the board commitment threshold for executive directors. The investment team continues to review and consider diversity and representation across the following elements when voting for the chair of the Nominating Committee: diversity with respect to gender, ethnicity, culture, industry, and academic experience.

Executive compensation: aligning management interests with the creation of shareholder value

The Investment Team continues to review incentive metrics and scrutinize pay practices. We added two negative pay practices when evaluating say-on-pay proposals to continuously promote a strong link between pay and performance.

Shareholder rights: Promoting shareholder interests through the expansion of shareholder rights

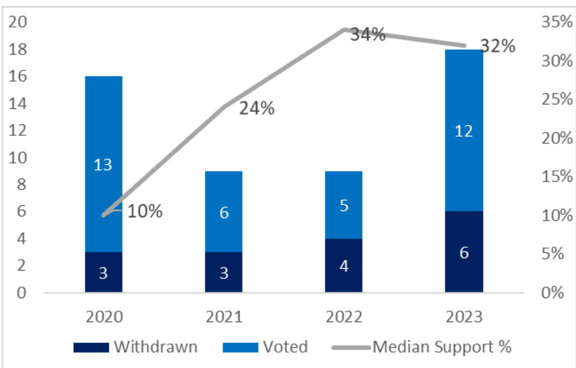
To promote shareholder interests, Coho continues to support shareholder proposals that request the expansion of shareholder rights.

Sustainability: supporting environmental and social shareholder proposals to benefit stakeholders

Coho continues to encourage the incorporation of sustainability into corporate strategy and support proposals concerning environmental impact, labor and human rights, and diversity and inclusion. We formally adopted support of shareholder proposals focusing on pay equity. This is a topic that is gaining increasing importance. According to ISS voting analytics, US companies have experienced an increase in shareholder proposal campaigns on pay equity in recent years. The support levels have increased steadily, from a median of 10% of votes cast in 2020 to 32% in 2023, including several proposals that received majority support.

For the same period, 32% of proposals on pay equity reporting were withdrawn on average, possibly due to agreements reached between the proponents and companies.

Figure 6: Pay Equity Shareholder Proposals Support Level and Volume in the US



Sources: ISS-Corporate Voting Analytics.

We also continue to review the nature and prescriptive requirements for sustainability-related proposals to ensure proposals are in the best interest of shareholders.

Auditor ratification: ensuring independent and effective external audits for financial transparency

We continue to review and engage on non-audit fees when they are high relative to total fees paid to auditors. A high percentage may compromise auditor independence, presenting a risk to shareholders who rely on those opinions and the corporate financial statements.

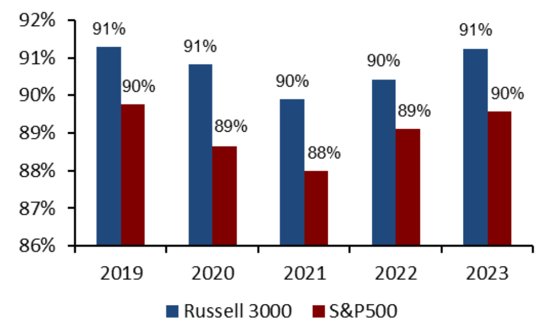
Key takeaways from the 2024 proxy season

Through our research and review of proxies, we highlight five key takeaways from the 2024 proxy season as it relates to both company disclosure and voting trends. We will focus our commentary on the first two subjects after covering the last three in prior sections of our report.

1. Improved support for executive pay
2. Increased number of shareholder proposals related to environmental and social issues but decreased shareholder support levels
3. Additional focus on board oversight of sustainability and related accountability
4. Improved board disclosure of racial diversity, with increased racial and gender diversity
5. Expanded adoption of ESG metrics in executive compensation

Shareholders have increased scrutiny of executive pay practices in recent years.

Figure 7: Average Say-on-Pay Support Level by Year for the Market



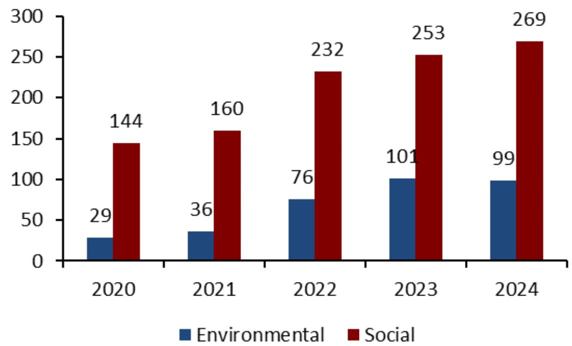
Source: Bernstein Analysis.

As shown in Figure 7, support levels declined from 2019 to 2021 as shareholders further evaluated the link between pay and performance. Companies have since responded with expanded disclosure and in some cases commitments to not repeat the negative pay practices. As a result, say-on-pay support levels have gradually improved in 2022 and 2023. A high say-on-pay support rate generally reflects shareholder confidence in management's compensation practices and the view that appropriate incentives are provided for management to perform in the best interests of shareholders. Support rates also illustrate a report card on how investors rate management's execution of corporate strategy, the ability to create shareholder value, and progress on sustainability initiatives.

When we evaluate say-on-pay proposals, we review the disclosure of financial and sustainability targets and perform an analysis of compensation levels, trends, and performance compared to peers. Through management engagement and voting proxies on behalf of our clients, we focus on strengthening compensation practices. Our goal is to align executive interests with long-term shareholder value creation and sustainability advancement.

As it relates to shareholder proposals on environmental and social issues, the number of proposal filings has increased over the past decade but held relatively steady from 2020 through 2021. That changed in 2022 as the number of filings increased significantly following revised SEC guidance which made it more difficult for companies to exclude climate and human capital-related shareholder proposals from ballots. The trend continued during the 2023 and 2024 proxy seasons, partially driven by an increase in the number of anti-ESG proposals.

Figure 8: The Number of Environmental and Social Proposals Voted

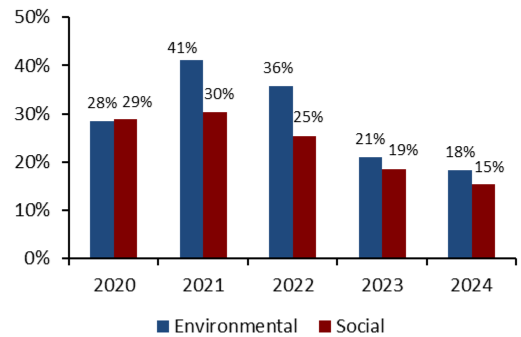


Sources: Bernstein Analysis. The coverage universe is Russell 3000 Index companies. For each year, the data runs from 7/1 of the prior year to 6/30 of the current year.

Figure 8 shows that for Russell 3000 Index companies, the total number of environmental and social shareholder proposals increased by 4% from 354 in 2023 to 368 in 2024. Notably, the number of environmental-related proposals slightly decreased in 2024 due to continuing ESG scrutiny.

The average support level for these environmental and social proposals decreased again this year as shown in Figure 9, reflecting both pushback against more prescriptive and goal-oriented proposals as well as proposals submitted by anti-ESG proponents. In the last few years, the trend of decreasing support demonstrates that shareholders became more active and adopted a "case-by-case" approach when evaluating shareholder proposals, especially those that related to environmental and social issues.

Figure 9: Average Support Level for Environmental and Social Proposals

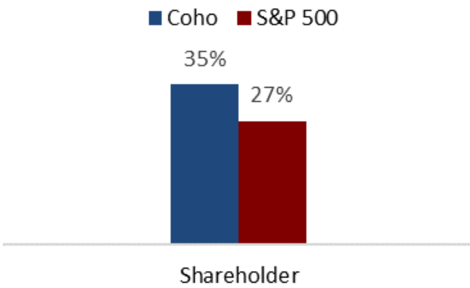


Source: Bernstein Analysis. The coverage universe is Russell 3000 Index companies. For each year, the data runs from 7/1 of the prior year to 6/30 of the current year.

Our voting records

In the 2024 proxy season, we voted on 31 proxies, including 343 individual directors and 37 shareholder proposals for Coho Companies. We evaluate each proposal for our portfolio companies based on our customized guidelines. Figure 10 shows for the 2024 proxy voting period, Coho's support of shareholder proposals was 35% compared to 27% for the S&P 500 Index.

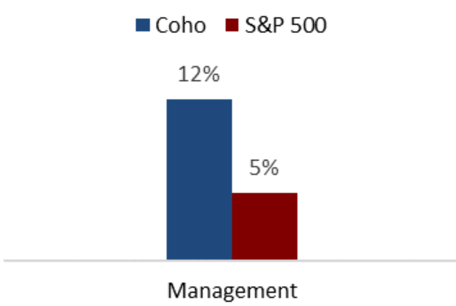
Figure 10: Vote FOR Shareholder Proposals



Source: Coho voting records. S&P Voting Records from Bernstein Analysis. For each year, the data runs from 7/1 of the prior year to 6/30 of the current year.

Our support level for environmental and social shareholder proposals was similar at 33%. We have a slightly higher support rate for governance shareholder proposals at 38%.

Figure 11: Vote AGAINST Management Proposals



Source: Coho voting records. S&P Voting Records from Bernstein Analysis. For each year, the data runs from 7/1 of the prior year to 6/30 of the current year.

Figure 11 shows our vote against management proposals was 12% compared to 5% for the S&P 500 Index. In 2024, we voted against 19% of say-on-pay proposals, and we voted against 11% of directors who did not meet the tenure requirements, who served on more boards than the limits per our proxy voting guidelines, who did not promote our board diversity requirements, or who had other unique issues.

The following are case studies to highlight our active ownership approach in the proxy voting process, including specific examples of success. Votes are for the 2024 proxy season unless otherwise noted.

Shareholder Proposals: Shareholder Rights

Grant equal shareholder rights

As part owners of a company, shareholders have voting rights that provide the ability to influence management and determine policies through director elections and approval of corporate matters. Coho believes equal voting rights for all shareholders strengthen corporate governance by providing additional management oversight. We voted for a shareholder proposal that requests the company reduce the voting power of Class A stock from 10 votes per share to one vote per share.

Improve board independence

We voted for shareholder proposals at Mondelez and Colgate requesting an independent board chairman. Coho generally votes for shareholder proposals requesting separation of chairman and CEO positions because we believe an independent chair is better able to provide executive oversight and set a pro-shareholder agenda.

Shareholder Proposals: Sustainability

Establish emissions targets aligned with the Paris Agreement

Coho generally votes for shareholder proposals that request companies provide disclosures, adopt policies, and establish goals related to mitigating climate change-related risks and a company's environmental footprint. In the 2024 proxy season, we supported a shareholder proposal requesting Quest Diagnostics to issue near and long-term science-based greenhouse gas reduction targets aligned with the Paris Agreement's ambition of limiting global temperature rise to 1.5°C and plans to achieve them. We believe the adoption of the proposal would allow shareholders to assess and mitigate environmental impact and potential climate risks.

Provide supplemental pay equity disclosure

Coho continues to encourage the incorporation of sustainability into corporate strategy and support proposals concerning environmental impact, human rights, diversity and inclusion, as well as pay equity.

We supported a shareholder proposal requesting Nike to disclose the global median pay gap across race and gender. We believe the increased disclosure would allow shareholders to fully understand the steps that the company is taking to ensure equitable compensation. We specifically support the additional disclosure on unadjusted gender pay gap globally.

Provide reporting on political contributions

Coho Partners generally votes for shareholder proposals requesting that companies review and report on political or associated activities. In the 2024 proxy season, we supported a shareholder proposal requesting the company provide semi-annual reporting on political contributions and expenditures. We supported the proposal because we believed increased disclosure would allow shareholders to more fully assess risks presented by political spending activities.

Management Proposals: Say-on-pay Advisory Vote

Strengthen the link between pay and performance

When evaluating say-on-pay proposals, Coho seeks to align management interests with the creation of shareholder value. In support of this approach, this year we again voted against Johnson and Johnson's compensation plan as we identified a disconnect between pay and performance. This was based on a review of total shareholder return, trend in CEO pay, and level of CEO pay relative to peers. We also identified two material negative pay practices, and we didn't believe that legislation settlement charges should have been excluded from the compensation payout evaluation.

Eliminate negative pay practices

We voted against The Walt Disney Company's advisory vote to approve executive compensation this year. In addition to identifying a disconnect between pay and performance, we identified three negative pay practices per our customized proxy voting guidelines concerning non-performance-based and excessive bonuses, as well as short performance periods for long-term incentives.

Management Proposals: Election of Directors

Improve board accountability

Coho believes directors should act in the best interest of shareholders. Our guidelines promote independence, accountability for corporate results, and diversity. To help ensure the boards have proper succession plans and directors provide proper management oversight, we adopted a lower 10-year threshold for maximum average non-executive board tenure in 2022. In alignment with this guideline, we voted against a Ross Stores board member who had served on the board for 40 years because the average board tenure is 16 years.

Medtronic

Maintain independent key committees

We voted against a Medtronic director serving on the company's Compensation Committee because we considered him to be a non-independent director as a result of his daughter's employment at Medtronic. While the company considered him to be independent using New York Stock Exchange (NYSE) standards, we use more strict criteria to evaluate potential conflicts of interest. We also require all key committees (compensation, audit, and nominating) to consist exclusively of independent directors and vote accordingly.

Chevron

The Coca-Cola Company

Abbott

Reduce director commitments

Serving on public company boards is a significant time commitment, and we believe directors must devote attention to these responsibilities to benefit corporate strategy and provide oversight of management. Hence, our proxy voting guidelines limit board commitments to three total for non-executives. We tightened our board commitment threshold for executive directors to promote focus and accountability for corporate results. In the 2024 proxy season, we voted against board directors at Chevron, Coca-Cola, and Abbott Laboratories who are executives of public companies and sit on more than one outside public company board. We continue to promote high standards for directors as part of our emphasis on strong corporate governance and sustainability in our ESG research and proxy voting processes.

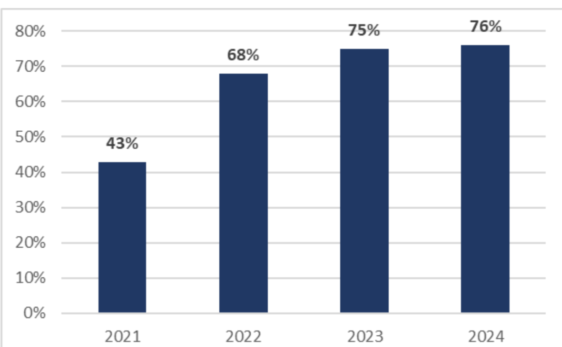
03 CLIMATE STRATEGY AND RISK MANAGEMENT

FRAMEWORKS ALIGNING

The Task Force on Climate-related Financial Disclosures (TCFD) has been a well-recognized framework for companies to develop effective climate-related disclosures and it now has evolved into a foundation that helps align existing climate disclosure regimes across the globe.

At Coho Partners, we have long been proponents of the TCFD. It became a central topic of our engagement more than five years ago. As we continuously encourage our portfolio companies to adopt the TCFD framework, we have been delighted to see the steady progress of TCFD alignment within the portfolio.

Figure 12: TCFD Disclosure of Coho ESG Portfolio



Source: TCFD Indexes and Corporate Sustainability Reports. For each year, the data runs from 07/01 of the prior year to 6/30 of the current year.

The percentage of portfolio companies reporting against TCFD recommendations has rapidly increased from 43% in 2021 to 76% in 2024 as shown in Figure 12.

According to the data provided by Institutional Shareholder Services (ISS), 78% of companies in the S&P 500 Index provide climate disclosures informed by TCFD. Our progress keeps pace with the market. We continue to believe that the swift uptake will be well rewarded as all major regulatory bodies across the globe have leveraged the TCFD framework in their climate reporting policies.

In Europe, the Corporate Sustainability Reporting Directive (CSRD) became effective in January 2023 and industry-specific reporting standards were published in January 2024. Reporting will begin in 2025 based on FY2024 activities of in-scope companies. Under the CSRD, the European Sustainability Reporting Standards (ESRS) were adopted on July 31, 2023, providing supplementary guidance for companies within the scope of CSRD. The ESRS is based on the TCFD framework and is an effort to ensure that climate-related information is reported in a consistent manner that is reliable and comparable across businesses and countries.

As an indication of its success, TCFD has been absorbed into the International Sustainability Standards Board (ISSB) which will take over the responsibility of maintaining the framework and monitoring adherence. In a further melding of alignment, CDP has incorporated the ISSB climate disclosure standard into its disclosure system.

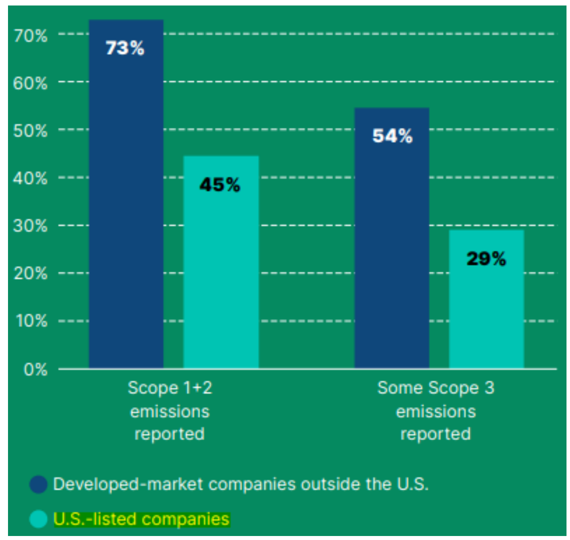
In the U.S., the SEC formally adopted its final Climate Disclosure Rules on March 6, 2024, which is designed to standardize disclosure of climate-related information available to investors. Similar to the other standards discussed above, portions of the final rules are closely modeled on the TCFD recommendations. The finalized rules require companies to report Scope 1 and 2 emissions if material. Although the final climate rules would not require companies to disclose their Scope 3 emissions, the disclosures they do mandate could equip investors with additional information about financially material climate risks.

EMISSIONS REPORTING PROGRESS

According to the 2024 MSCI Net-Zero Tracker, only 45% of U.S.-listed companies (represented by the MSCI USA IMI Index) disclosed their Scope 1 and 2 carbon emissions, compared with 73% of listed companies in other developed markets globally, as shown in Figure 13. This is consistent with the ISS Corporate ESG data which also indicates that only 45% of Russell 3000 companies presently report Scope 1 and Scope 2 GHG emissions, with disclosure levels significantly lower among smaller-sized firms.

The SEC estimates that approximately 2,800 companies will be required to disclose GHG emissions under the new requirements and the new rules are expected to help narrow the disclosure gap in the U.S.

Figure 13: Emissions Disclosure Gap in US



Source: MSCI ESG Research, data as of 01/31/2024.

SCOPE 3 – ONGOING DEBATE

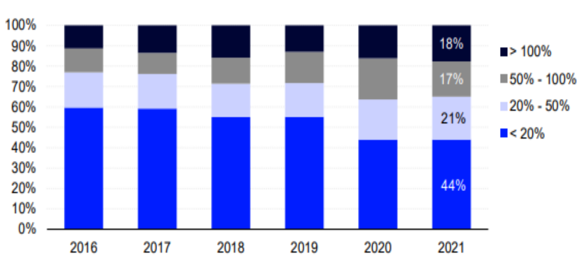
The CDP estimates Scope 3 represents 75% of companies' GHG emissions on average. ISS estimates Scope 3 represents five times the emissions level of Scopes 1 and 2 combined, making it a critical metric to understand, measure, and disclose.

However, because Scope 3 emissions are outside a company's direct control, understanding and correctly measuring them can be challenging.

Scope 1 and 2 emissions originate from a company's direct activities, making them relatively easy to measure. In contrast, Scope 3 emissions arise from a company's broader value chain, which can extend worldwide and involve numerous external parties. This complexity makes it significantly more challenging to gather accurate data consistently each year. Consequently, Scope 3 data often lacks completeness due to inconsistent reporting practices among companies, complicating comparisons between similar companies in the same sector or region, as well as tracking a single company's data over time.

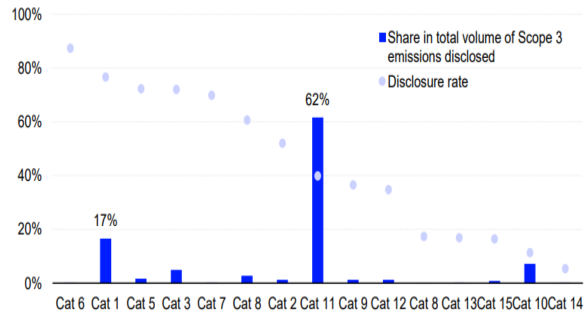
As shown in Figure 14, disclosed Scope 3 data remains volatile, with 18% of reported Scope 3 data changing more than 100% year-over-year. Among reported data, two out of 15 categories (Category 1: Purchased goods and services and Category 11: Use of sold products) account for almost 80% of total reported emissions as indicated in Figure 15.

Figure 14: Share of reported Scope 3 data within YoY variation thresholds



Source: FTSE Russell All-World Index, January 2024.

Figure 15: Breakdown of total reported FTSE All-World Index emissions



Source: FTSE Russell All-World Index, January 2024.

This explains why the requirements around Scope 3 remain varied, even though global regulatory standards are coming closer into alignment.

In the U.S., the disclosure requirements of Scope 3 emissions have been eliminated from the final rules due to significant pushback from some market participants as well as legal challenges facing the SEC.

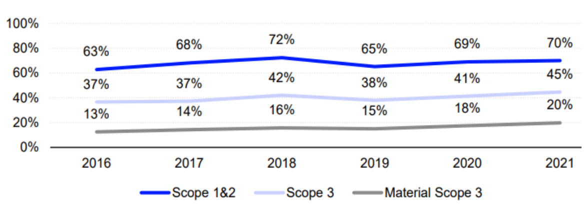
Outside the U.S., the ability to collect Scope 3 data is also a primary reason the implementation of standards has been delayed in almost every region. ISSB's S2 standard includes a temporary exemption from Scope 3 reporting in part due to the same concern. CSRD has a phased rollout of reporting requirements for similar reasons. The prospect of having to solicit and collect data from hundreds and possibly thousands of suppliers is daunting and expensive.

The expense of complying with the new climate disclosure regulations is not immaterial. This is tacitly acknowledged by regulators via exemptions for smaller businesses. The U.S. Chamber of Commerce estimates that the cost to comply with the proposed SEC climate rule would be 2.5 times the total cost of compliance for all other SEC regulations currently in place.

To address the cost issue, the ISSB's guidance framework for measuring Scope 3 incorporates the use of estimation. This aligns with techniques used by most third-party data providers to approximate Scope 3 emissions. In our analysis, we have found the same issues with Scope 3 third-party data that we have found with items like ESG ratings – i.e., a lack of comparability and often wide disparities. Using estimates may lessen the burden and cost of collection, but it does not necessarily increase accuracy.

As shown in Figure 16, FTSE Russell assessed FTSE All-World constituents disclosing Scope 1, 2 and 3 emissions and found the quantity and quality of Scope 3 disclosures significantly lagging those of Scope 1 and 2.

Figure 16: Quantity and Quality of Scope 3



Source: FTSE Russell All-World Index, January 2024.

Even if one assumes the data collected is correct, the task of obtaining it remains challenging. Nike (NKE) has a goal of reducing Scope 3 emissions by 30% by 2030. However, in our conversations with the company, it has been open about the difficulty in collecting data from suppliers spread across numerous countries with vastly different resources and motivations to reduce emissions or even measure them. Similarly, Sysco (SYY) established a target to require suppliers that represent 67% of its Scope 3 emissions to set science-based targets by 2026, but this appears quite ambitious relative to the 27% that do so today. The company also admits that it hasn't set a net zero goal mainly due to the challenges of Scope 3 collection and reporting. All these results continue to highlight Scope 3 emissions as a key metric that remains an area of debate globally.

While data collection, quality, and cost are all legitimate concerns, some companies may have no choice but to overcome these obstacles as global disclosure regulations come into force. While the SEC has dropped Scope 3 from its mandatory requirements, it doesn't mean that U.S. companies operating on a global scale are exempt. The CSRD will apply to non-EU companies operating within the European Union that meet certain size and revenue thresholds, and those thresholds are not high. LESG analysis estimated that as many as 3,000, or

>30%, of U.S. companies, would fall under the scope of CSRD and would be required to disclose Scope 3 emissions data.

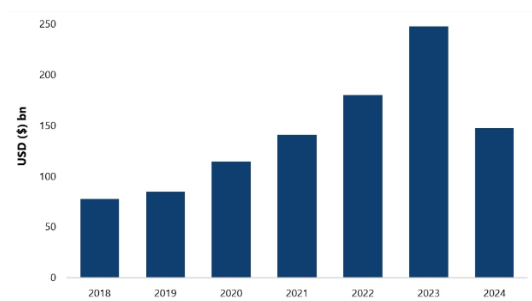
If those companies are required to disclose Scope 3 emissions data, then they must require disclosure from their value chain partners. At some point, it becomes one large circular reference. That outcome appears inevitable. Yet that also raises the question of practicality and unintended consequences. All the standards discussed here include some level of relief or exemption from Scope 3 reporting for smaller companies. While considerate in theory, does it matter in practice if large companies like Walmart, Amazon, or Apple require it to do business with them?

PROGRESS TOWARD NET ZERO

While the push toward clarity and consistency of climate-related disclosures continues, it should be noted that progress is being made on emissions reduction. Some significant legislative steps have been taken by the U.S. government over the past couple of years. The Inflation Reduction Act (IRA), along with the Infrastructure Investment and Jobs Act (IIJA) and the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act, all provide increased funding and incentives to further the battle against climate change.

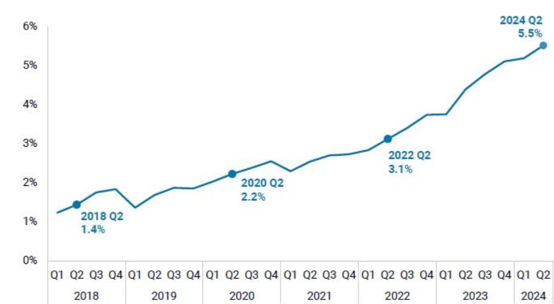
According to Jefferies ESG research, clean investment (energy, transportation, and manufacturing) is currently one of the largest contributors to U.S. private investment. Despite initial implementation challenges and administrative bottlenecks, these regulations are effectively reducing projected emissions and boosting US industrial capabilities.

Figure 17: Total Private Investments into Clean Technologies Since IRA Passed



Source: Jefferies Clean Investment Monitor.

Figure 18: Clean Investment as a Share of All US Private Investment Since IRA Passed



Source: Jefferies Clean Investment Monitor.

Clean investments over the last two years added up to $493 billion, accounting for 4.5% of all private investments as shown in Figure 17 and Figure 18. The IRA's Clean

Electricity Tax Credits alone offer $161 billion for clean power generation and investment, in addition to funds for technologies like green hydrogen, carbon capture, and energy storage. Jefferies highlighted how the combined larger than $500 billion in federal grants, rebates, loans, and tax credits effectively change the economics of the transition and accelerates emissions reductions. As a result, the average pace of US decarbonization through 2030 has doubled to 4% per year. Despite this progress, to meet the US's goals under the Paris Agreement, decarbonization would need to hit 6% per year, which means further work is still required to alter the current pathway.

Looking forward, the question of reaching net zero in the US is now one of timing (i.e., 2050 or much later). Due to major events such as Covid and geopolitical tensions, the pathway to the 1.5 °C scenario of net zero has indeed narrowed, but clean energy growth is keeping it open.

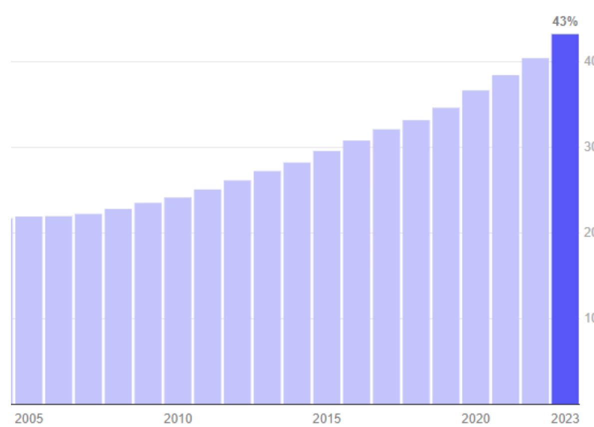
FOCUS ON RENEWABLES

A very important way to reduce GHG emissions is to increase the use of renewable energy and increase energy efficiency. Per data estimated by the United Nations Development Program (UNDP) Sustainable Energy Hub, 70% of annual energy-related CO_2 emissions need to decline 70% below today's level for the world to reach net zero by 2050. Renewables, energy efficiency and electrification can provide more than 90% of the necessary reduction.

There are two important measures to understand renewable electricity. One is capacity, which refers to the maximum amount of electricity that can be produced at any one time. The other is generation, which is the amount of electricity that is actually generated over a period of time.

Data from the International Renewable Energy Agency (IRENA) shows that in 2023, renewable energy contributed over 43% of the global electric capacity, up from 40% in 2022 (Figure 19). The growth highlights the global pivot towards more sustainable energy resources.

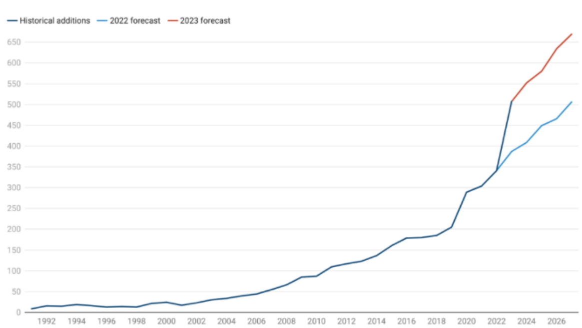
Figure 19: Renewables as a Share of Total Global Electricity Capacity



Source: IRENA - International Renewable Energy Agency.

The world is on course to add more renewable capacity in the next five years than all that ever has been installed since the first commercial renewable energy power plant was built. As a result of this growth, the IEA has again significantly raised its forecast for renewables capacity expansion in 2023. It now sees a 33% increase in additions of renewable capacity to be built by 2027 compared to its forecast from 2022 (Figure 20). This reflects the impact of more favorable policy conditions and faster-than-expected cost reductions.

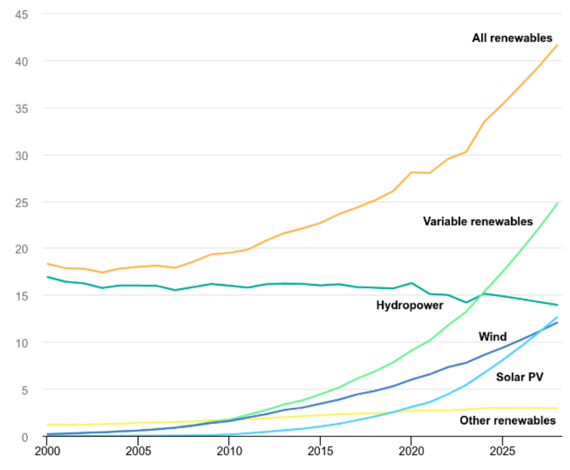
Figure 20: Annual Additions of Renewable Capacity in GW (Net of Retirements)



Source: International Energy Agency (IEA).

According to the Renewable Energy Progress Tracker provided by the IEA, in the U.S., 22% of global electricity was generated from renewables in 2022 and the number increased to 30% in 2023. IEA expects that mix to rise to 42% by 2028, with the share of wind and solar PV doubling to 25% (Figure 21). By 2025, renewables are expected to surpass coal to become the largest source of electricity generation.

Figure 21: Share of Global Renewable Electricity Generation by Technology



Source: International Energy Agency (IEA).

We believe the use of renewable energy along with other carbon reduction efforts will make it more probable for companies to reach their long-term net zero targets.

Four companies in Coho's ESG portfolio have set ambitious targets to source 100% renewable electricity by 2030 or earlier, including Colgate, Johnson & Johnson, Nike, and UnitedHealth. In order to reach these targets, virtual power purchase agreements (VPPA) are commonly used. A VPPA is a long-term power contract where a company pays a renewable energy supplier an agreed-upon price for the energy produced. This means companies can match their energy consumption with energy from renewable sources, helping to reduce their emissions. The company keeps the Renewable Energy Certificates (RECs) — proof that renewable energy was produced and purchased — for each megawatt of energy produced. In return, suppliers get funding that helps them “green the grid" by increasing total renewable energy capacity.

For example, Colgate announced that it has signed a 20-year VPPA with the developers of a planned solar energy farm outside of Waco, Texas. The solar farm is expected to produce the equivalent of 100% of the company’s U.S.-based operational electrical requirements. As of December 31, 2022, approximately 52% of Colgate’s global electricity consumption was sourced from renewable energy. Through the VPPA, Colgate will garner clean energy credits that will propel the company closer to its carbon emissions goals of reaching net zero by 2040. It was the first large multinational company in the Consumer Durables, Household and Personal Products sector to have its Net Zero Carbon targets approved by The Science Based Targets Initiative (SBTi).

UnitedHealth Group has also launched two new renewable energy initiatives to support emissions reduction targets: a 15-year VPPA and a separate investment in a renewable solar project. These two investments will match almost 90% of the company's US electrical load.

In addition to the companies mentioned above, most of our Coho ESG portfolio companies have set renewable energy/electricity targets and are well on track to achieve those targets as shown in Table 4 below.

Table 4: Companies Progress Toward Net-Zero

Ticker	*Interim Goal*	*Long-term Ambition*	*Renewable Energy Targets*	*Aligned with*
CL	42% GHG emissions reduction across Scope 1, 2 & 3 by 2030 vs 2020 baseline	Net-zero by 2040 (Scope 1, 2 & 3)	100% renewable electricity sourced by 2030 (Progress: 52%)	TCFD, SBTi
DIS	46.2% absolute GHG emissions reduction in Scope 1 & 2 and 27.5% reduction in Scope 3 by 2030, against 2019 baseline; 20% suppliers set SBTi by 2027	Net-zero by 2030 (Scope 1 & 2)	100% zero carbon electricity purchased or produced by 2030 (Progress: 37%)	TCFD, SBTi
JNJ	44% absolute GHG emissions reduction in Scope 1 & 2 by 2030 vs 2021 baseline; 80% suppliers set SBTi by 2028	Net-zero by 2045 (Scope 1, 2 & 3)	100% renewable electricity sourced by 2025 (Progress: 87%)	TCFD, SBTi
KO	25% absolute GHG emissions reduction across Scope 1, 2 & 3 by 2030 vs 2015 baseline	Net zero by 2050 (Scope 1, 2 & 3)	No Renewable energy targets set but 24% of renewable electricity sourced	TCFD, SBTi
LOW	40% absolute GHG emissions reduction in Scope 1 & 2 and 22.5% reduction in Scope 3 by 2030 vs 2021 baseline	Net zero by 2050 (Scope 1, 2 & 3)	50% renewable energy for Lowe's facilities by 2030 (Progress: 9%)	TCFD, SBTi
MCHP	50% absolute GHG emissions reduction in Scope 1 & 2 by 2030 vs 2018 baseline	Net-zero by 2040 (Scope 1, 2 & 3)	40% renewable electricity sourced by 2030, 100% by 2040 (Progress: 16%)	TCFD
MDLZ	35% absolute GHG emissions reduction across Scope 1, 2, & 3 by 2030 vs 2018 baseline	Net-zero by 2050 (Scope 1, 2 & 3)	No Renewable energy targets set but 48% of renewable electricity sourced	TCFD, SBTi
MDT	Carbon neutral in Scope 1 & 2 by 2030 vs 2020 baseline	Net-zero by 2045 (Scope 1, 2 & 3)	50% of energy from renewable and alternative sources by 2025 (Progress: 31%)	TCFD, SBTi
MMC	50% GHG emissions reduction in Scope 1 & 2 and 55% (per million USD of operating profit) reduction in Scope 3 by 2030 vs 2019 baseline	Net-zero by 2050 (Scope 1, 2 & 3)	No Renewable energy targets set but 62% of renewable electricity sourced	TCFD, SBTi

NKE	65% absolute GHG emissions reduction in Scope 1 & 2 and 30% reduction in Scope 3 by 2025 vs 2015 baseline	Net zero by 2050 (Scope 1, 2 & 3)	100% renewable electricity and fleet electrification by 2025 (Progress: 96%)	SBTi
TMO	50% GHG emissions reduction in Scope 1 & 2 by 2030 vs 2018 baseline; 90% suppliers set SBTi by 2027	Net-zero by 2050 (Scope 1, 2 & 3)	80% renewable electricity by 2030 (Progress: 41%)	TCFD, SBTi
UNH	60% GHG emissions reduction in Scope 1 & 2 by 2030 vs 2021 baseline	Net-zero by 2035 (Scope 1 & 2)	100% of renewable electricity by 2030 (Progress: 0%)	SBTi

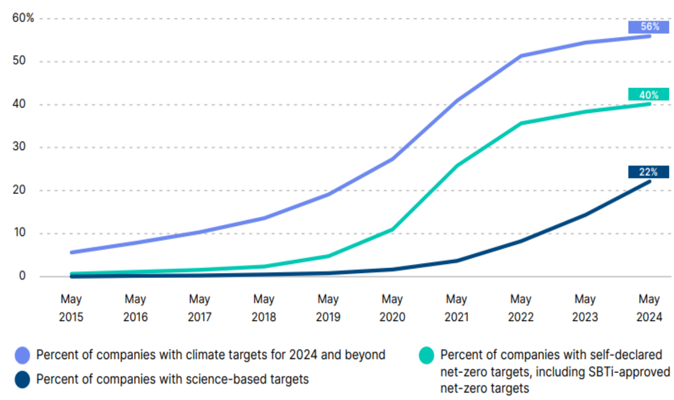
Source: Company Sustainability Reports & SBTi website.

CARBON REDUCTION TARGETS

To measure the effectiveness of a company's carbon reduction target, SBTi has become the "gold standard." It is currently one of the most commonly used frameworks to provide a clearly defined path for companies to reduce GHG emissions in line with the Paris Agreement goal of limiting global warming to 1.5°C above pre-industrial levels.

According to MSCI, 56% of the world's listed companies have disclosed carbon reduction targets, among which 40% of companies have self-declared targets aiming to reach net zero. However, only 22% of these listed companies have published an SBTi-approved or committed target. The number of companies setting science-based climate targets has ticked up, but the overall share remains low as shown in Figure 21.

Figure 21: Share of Listed Companies with Climate Targets by Type

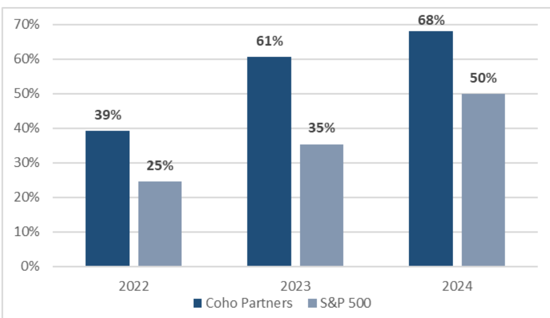


Source: MSCI ESG Research, data as of 05/ 31/2024.

We believe external validation implies an enhanced level of commitment to disclosure, reporting and progress. While regulatory frameworks and disclosure requirements continue to evolve, we intend to persist in our effort to advocate for getting our companies' climate goals validated by the SBTi. Like TCFD, we have made SBTi a point of emphasis in our engagement efforts and we have been pleased with the level of progress.

As shown in Figure 22, the percent of portfolio companies that have made commitments to, or had targets approved by, SBTi rose to 68% in 2024 from 39% in 2022.This compares favorably to the S&P 500 Index and is consistent with trends in the past few years. We expect to see SBTi alignment within the portfolio to continue to increase in the years ahead.

Figure 22: Coho ESG Portfolio vs S&P 500 SBTi Disclosure (Committed or Approved)



Source: SBTi dashboard. For each year, the data runs from 07/01 of the prior year to 6/30 of the current year.

OUR PHILOSOPHY AND PROCESS YIELD A LOW EMISSIONS PORTFOLIO

At Coho Partners, we seek to provide a consistent pattern of returns with strong downside protection during market corrections while also participating meaningfully in the upside during periods of market growth. To do this, we seek to identify business models that deliver consistent revenue, earnings, and cash flow growth through both good times and bad. That desired predictability eliminates many cyclical and highly capital-intensive industries from the Coho 250, our investable universe. As a result, we naturally avoid many high-emitting industries. Therefore, our philosophy and process naturally provide a low emissions and low energy intensity investment portfolio. The favorable comparison to the S&P 500 Index is displayed in Table 5.

Table 5: Greenhouse Gas Intensity, Energy Intensity, and Water Intensity

Environmental Factors	Coho ESG Portfolio	S&P 500 Index
Energy Intensity per Sales (MWh/1m USD sales)	63.15	323.49
Greenhouse Gas Intensity per Sales (mt/1m USD sales)	23.34	92.74
Water Intensity per Sales (cbm/1m USD sales)	0.27K	28.97K

Source: MSCI ESG Data as of 6/30/2024. The Greenhouse Intensity only includes Scope 1 & 2.

We are proud of the stark gap between the Coho ESG portfolio and the S&P 500 Index across all measures tracked in these charts, and we will continue to engage on these key metrics to encourage improving environmental characteristics of our portfolio companies.

04 THE TASKFORCE ON NATURE-RELATED FINANCIAL DISCLOSURES (TNFD)

Society, as well as business and finance, depend on nature's assets and services. The accelerating universal loss of nature is diminishing its ability to provide powerful benefits to the global community. The Taskforce on Nature-related Financial Disclosures (TNFD) was created to help organizations report and act on evolving nature-related issues with the goal of supporting a shift toward nature-positive outcomes. The TNFD looks to provide businesses and capital markets with better information through corporate reporting on nature. Better reporting could lead to a better understanding of where lie the nature-related risks and opportunities. Improved information for businesses and capital providers could help steer capital toward more positive outcomes for nature and thereby extension to society.

NATURE

Our society is at the center of nature which is made up of four realms – land, ocean, freshwater, and atmosphere. Biodiversity, or the variability among living organisms across these realms, is an essential and integral component of nature. Environmental assets, such as forests, rivers, wetlands, coral reefs, and agricultural areas provide benefits to economic and human activity. The TNFD framework facilitates the identification and measurement of business activities' impacts and dependencies on nature.

RECOMMENDATIONS AND DISCLOSURES

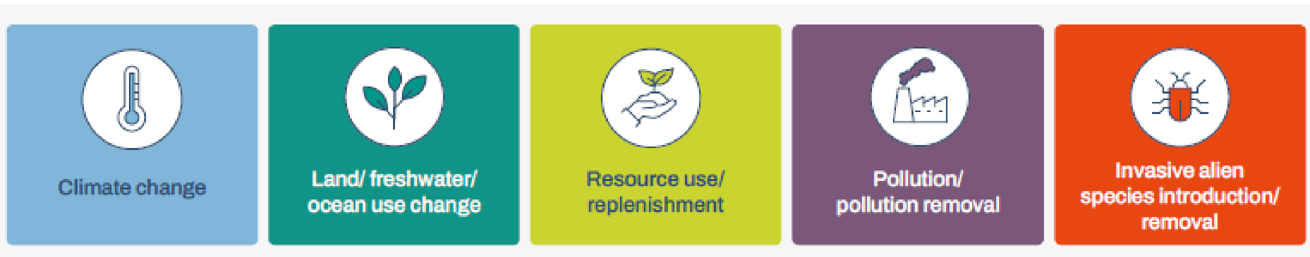
The TNFD was launched in June 2021 with endorsements from the G7 and G20 and supported by governments, businesses, and financial institutions globally.

Recommendations and guidance from the TNFD are designed to help organizations identify, assess, manage, and disclose their nature-related issues. After two years of design and development, TNFD published its final Recommendations for Nature-related Risk Management and Disclosure in September 2023. The final recommendations build on those of the Task Force on Climate-related Financial Disclosures (TCFD) and are consistent with the global sustainability standards of the ISSB and the impact materiality approach

used by the GRI and incorporated into the new European Sustainability Reporting Standards. This provides reporting organizations with a set of nature-related guidance regarding reporting requirements across jurisdictions with the different approaches to materiality now in use. The finalized recommendations from the TNFD consist of three main components: four disclosure pillars; 14 recommended disclosures; and six general requirements.

- **Metrics & targets** – Disclose the metrics and targets to assess and manage material nature-related dependencies, impacts, risks, and opportunities.

Under the four disclosure pillars, the TNFD recommends 14 core disclosures relating to dependencies and impacts on nature and nature-related risks and opportunities. This additional disclosure centers around the five drivers of nature change.



The TNFD recommended disclosures are structured around four pillars:

- **Governance** – Disclose governance of nature-related dependencies, impacts, risks, and opportunities.
- **Strategy** – Disclose the effects of nature-related dependencies, impacts, risks, and opportunities.
- **Risk & impact management** – Describe the processes to identify, assess, prioritize, and monitor nature-related dependencies, impacts, risks, and opportunities.

Additionally, the recommendations include six general requirements that users of the TNFD framework are expected to apply when preparing for the disclosure.

1. **The application of materiality** – Users of the framework are to select and state the materiality approach used, although the TNFD recommend that the ISSB's definition of material information is used.
2. **The scope of disclosures** – The TNFD has acknowledged the challenge with Scope 3 equivalent disclosures for biodiversity and therefore asks

users to disclose the extent to which disclosures are made against a company's direct operations; upstream value chain(s); and/or downstream value chain(s).

3. **The location of nature-related issues** – The TNFD stresses the importance of location-specific reporting and warns against the aggregation of data from operations in different areas with dissimilar nature-related issues.

4. **Integration with other sustainability-related disclosures** – Organizations should be careful to integrate nature-related disclosures with other frameworks – especially climate-related disclosures.

5. **The time horizons considered** – Organizations should define what is meant by short-, medium-, and long-term analysis. The TNFD does not recommend any specific time periods.

6. **The engagement of Indigenous Peoples, Local Communities and affected stakeholders in the identification and assessment of the organization's nature-related issues** – There has been increasing focus on the social aspects of biodiversity with each iteration from the TNFD working group. The final draft of the TNFD is no different, with the working group encouraging companies to have 'effective and meaningful engagement with people' – specifically indigenous people and local communities.

COHO PORTFOLIO ON THE FRONT LINE

A portfolio holding in our flagship strategy, Coho Relative Value Equity, Philip Morris International Inc. (PM), has signed on to be an early adopter of the TNFD framework. PM believes that having a clear understanding of the impacts and dependencies on nature will strengthen the company's nature-related risk management. Climate change already has and is expected to continue to impact rainfall patterns which introduces risk and variability of water use among tobacco farmers in PM's supply chain. Better risk mitigation and resource optimization in line with TNFD recommendations could lead to improved water management practices at PM while mitigating the risk to nature.

CONCLUSION

The TNFD aims to enhance financial transparency and accountability in the face of nature-related risks and opportunities. Nature-related risks are significant, including climate change, deforestation, and biodiversity loss. These risks not only can cause harm to nature and society but also can adversely impact investors, companies, and economies. The TNFD provides a framework to help identify and disclose these risks which could then be managed more effectively. Adoption of the TNFD could promote sustainable practices and drive investments towards nature-positive solutions.

05 DIVERSITY, EQUITY, AND INCLUSION MAKE US STRONGER

Diversity, equity, and inclusion ("DEI") are core to our mission of providing exceptional equity investment performance and client service. We believe a culture that values differences and creates a deep sense of belonging and togetherness allows everyone to fully contribute and perform to their highest potential.

Maintaining a strong foundation in DEI principles allows us to make more informed decisions, manage risks and opportunities more effectively, hire top talent, and increase creativity, innovation, teamwork, and employee engagement. Combined, these factors make us stronger and allow us to achieve greater results for our investment strategy, our business, and ultimately for the clients we are fortunate to serve.

EMPLOYEE EDUCATION AND EMPOWERMENT

Our DEI Committee, a diverse group of employees representing each business unit, is responsible for creating and executing Coho's DEI policies and implementing a firm-wide DEI education program. We actively seek out educational opportunities that span topics such as unconscious bias and nurturing an inclusive culture in order to raise our awareness, evolve our understanding, and engage and collaborate with our employees to regularly refine and update our processes and policies.

In December 2022, we had a DEI workshop for all employees titled, "Applying DEI Foundations". We worked with Just Wright Consulting which is a woman- and minority-owned firm as an outside facilitator. The workshop was designed to help us take the next step in our foundational understanding of DEI from intellectual and introspective to practical and interpersonal. The session included a focus group with a cross-section of employees with representation at all levels including senior management at the firm. The focus group reviewed results of the firm's DEI survey and discussed our DEI policy and goals. As a result of the focus group's efforts, we had a subsequent session with Just Wright Consulting in July 2023 that focused on examining and enhancing our culture including aspects of diversity and inclusion.

We plan to continue working toward bettering our workplace and community through further education on DEI issues.

BUILDING A DIVERSE TEAM

One of the ways we strive for diversity is through our commitment to form a diverse team of talented individuals that considers different perspectives and collaborates to achieve excellence, while remaining focused on finding the right candidates.

Coho continues to strive for diversity in recruitment with sourcing strategies for each open role designed to reach a wide audience and includes diversity sources where possible. Recruitment firms are vetted for their diversity sources and networks prior to commencing a search, and diversity in the candidate pool is communicated as an important criterion in the search process. In addition, we have been advertising our positions with organizations such as Women in Investing of Philadelphia ("WIN") and the Tiogo Foundation which focuses on women and diverse populations in our industry.

We acknowledge the structural diversity challenge inherent in our industry and we believe our student co-op program provides an opportunity to promote positive change. In addition to our recruitment efforts for full-time positions, we create opportunities for college students in the Philadelphia area to gain exposure to the investment management industry early in their academic careers. Diversity is prioritized in the recruitment process as an important consideration and thus far, four out of the five participants have been from historically underrepresented groups. We are hopeful that the co-op program will serve as a steppingstone for the students as well as for our own progress toward nurturing a diverse workplace.

RESPONSIBLE INVESTING - A DRIVER FOR SOCIAL CHANGE

While we reflect on how we can make changes within, we also look outward. Key pillars of our ESG investment strategy include engagement and active proxy voting to drive positive and meaningful change in corporate behavior.

We conduct engagement calls with portfolio holding companies on material ESG issues to obtain additional research insights, encourage positive change for the ESG characteristics promoted, and discuss any material controversies. Through regular meetings and discussions with companies, we actively seek increased transparency by encouraging more frequent and robust disclosure and the establishment of tangible ESG goals such as enhanced corporate governance.

In 2023, we participated in 29 engagement meetings with portfolio companies to influence and advocate for commitment to sustainability. Key engagement topics related to DEI include the percentage of women on boards, employee DEI statistics, DEI initiatives, DEI targets and progress including EEO-1 (Equal Employment Opportunity) report disclosures, workplace safety, labor rights, and human rights related issues.

Additionally, we continue to take an active and responsible approach to proxy voting by using customized ESG proxy voting guidelines for casting votes. We believe thoughtful and responsible voting promotes board and management behaviors which should, over the long term, minimize risks for our portfolio companies and translate into strong shareholder returns. We make decisions that we believe are in the best interest of shareholders and benefit stakeholders including employees, society, and the environment.

In 2023, we completed proxy reviews and voted proxies for 27 portfolio companies. We supported shareholder proposals related to DEI policies and impact, workers' rights, workers' safety audits, racial equity audits, and pay equity disclosures.

We recently updated our customized proxy voting guidelines to include enhanced corporate governance perspectives. For director elections, we raised our female board diversity threshold to 30% from 20% to strengthen board accountability. In line with our commitment to promote sustainability in the proxy voting process, we formally adopted support of shareholder proposals focusing on pay equity, a topic gaining increasing importance, following support of our first proposal received last year. Lastly, we will now consider an absence of designated board oversight of sustainability issues, including DEI initiatives, when voting during director elections.

Specific to director elections, we seek increasing accountability for corporate results, including performance on sustainability, and improving board diversity. We introduced additional sustainability and diversity factors that will be considered to strengthen board accountability for these matters. Disclosure of board racial/ethnic minority demographic information will also be formally considered.

We firmly believe that thoughtful and responsible voting promotes board and management behaviors that, over the long term, mitigate risks for our portfolio companies and have the potential to translate into superior shareholder returns.

WE ARE COMMITTED TO THE DEI JOURNEY

The key to success in our diversity, equity, and inclusion efforts is measuring our impact. We deeply value and consistently seek feedback from our employees and continue to solicit their thoughts and experiences about our efforts through formal surveys and informal discussions.

We are not perfect and there is much work to be done. We will learn and evolve. We recognize that we may not have all the answers, and this effort is a work in progress; however, we intend to be an agent for positive change in our industry and in our local communities.

06 COHO CARES

WE WALK THE TALK

We are committed to making a difference in a way that aligns with our mission and values. Balancing corporate giving with active employee engagement not only amplifies our impact but also fosters a strong sense of community and purpose within our organization.

A CONTINUED TRADITION OF GIVING

Our employees collectively serve non-profit organizations in a variety of ways including serving meals to the homeless and food insecure, participating in blood drives, and offering their professional expertise on various local non-profit boards. The Coho Cares Team, a diverse group of employees, also hosts several firm-wide volunteer events. Some of the events over the past year include Coho employees serving as a cleaning crew at The Ronald McDonald House in Philadelphia, taking part in the annual Main Line Animal Rescue Tails & Trails event, and organizing a holiday donation drive for The Salvation Army. We also continued to support The Grace Project with year-round donation drives, most recently making 150 sack lunches to donate to the cause.

All-hands in for Operation Lunch Bag Love for The Grace Project. We care and we make a great PB&J!

This year, we proudly continued our tradition of corporate holiday giving. We made a donation in our clients' honors to two non-profit organizations: Home of the Sparrow and Doctors without Borders. Home of the Sparrow's mission is to partner with women (and their children) facing homelessness to secure housing, achieve long-term stability, and chart new paths for their futures. The Home brings people and organizations together to solve the problem of homelessness and to create better futures for women and their children.

Coho colleagues 'clowning around' before their clean-up crew work at The Ronald McDonald House began.

Doctors without Borders offers medical humanitarian assistance to people based solely on need, irrespective of race, religion, gender, or political affiliation. These doctors, nurses, logisticians, and other frontline workers are often among the first on the scene when peoples' lives are upended by conflict, disease outbreaks, or natural or human-made disasters. We were pleased to give back on both a local and national level to these deserving organizations that are doing such beneficial and fundamentally imperative work.

Our commitment to giving back is more than just a program—it's a deeply ingrained tradition that reflects our core values and purpose. By integrating corporate philanthropy with active employee involvement, we strive to create a meaningful impact on the communities we serve. Through various volunteer opportunities and thoughtful donations, we aim to support and uplift those around us, reinforcing our dedication to positive change. As we move forward, we remain steadfast in our mission to contribute to society in every way we can, ensuring that our tradition of giving continues to thrive and make a difference.

We will continue to provide all employees with Coho Cares days that offer paid time off for volunteering and organize group volunteer projects to help strengthen the connection between employees and their communities and fortify their sense of pride about where they work.

The right actions, the right way

100+ ENGAGEMENT MEETINGS

Actively engage with companies to better understand their commitment to ESG issues and to advocate for positive change

2022/2023 PROXY VOTING RECORD

Voted against 24% of say-on-pay proposals and 12% of directors who did not meet our strict criteria for board tenure and board commitments

Supported 44% of shareholder proposals compared to 25% for the S&P 500 Index

Our vote against management proposals was 12% compared to 5% for the S&P 500 Index

UN PRI 2023 Scores

Policy Governance and Strategy, Direct – Listed Equity – Active Fundamental, and Confidence Building Measures modules

★ ★ ★ ★ ☆

COHO CARES

Diversity, Equity, and Inclusion Committee

Coho Cares Cup

Earth Day

Community outreach

ESG INSIGHTS

Annual impact reports

Quarterly white papers

Monthly portfolio commentary

LOWER CARBON FOOTPRINT

Significantly lower Energy Intensity and Greenhouse Gas Intensity vs. S&P 500 Index+

As signatories, we collaborate with outside organizations such as:

PRI | TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES | access to medicine index | isg

Sources: UN PRI, Coho Partners. Engagement meetings reflect a three-year period ending 12.31.23. Our 2023 PRI Assessment Report is available upon request.

COHO PARTNERS, LTD.

Where protection and participation meet®