



Jackson Square Partners, LLC
ESG & Stewardship Policy

Effective January 1, 2023

Core Beliefs

At Jackson Square Partners (“Jackson Square”), we believe that a principles-based approach to evaluating material Environmental, Social and Governance, (“ESG”) factors for all investments enhances our stock selection, portfolio risk management, and, ultimately, returns for our clients. As active owners with a long history of enacting positive Governance changes, we also believe that influencing our companies to enhance their performance on ESG issues is a key source of sustainable alpha generation.

Principles-Based Approach

ESG issues require careful evaluation on a company-level. Our concentrated investment strategies ensure that Jackson Square’s investment analysts can perform deep, proprietary research on all material fundamental and ESG factors that are relevant to our investment decisions. As such, we eschew strict rules and rubrics in favor of a more time- and resource-intensive, principles-based approach to evaluating ESG factors.

Our key principles are:

- **Environmental:** a company’s business practices, supply chain, and go-to-market structure should seek to minimize its own carbon footprint and other ecological impacts, and should contribute positively to the carbon and ecological footprint of its industry as a whole
- **Social:** a company’s growth and competitive moat are inextricably linked to its ability to attract and retain top talent, which in turn is linked directly to best-in-class labor practices and a positive public and industry reputation
- **Governance:** a company’s management team should have incentives aligned with those of financial investors in order to maximize value over the medium- and long-term

ESG factor evaluation involves significant nuance. A packaging company’s carbon footprint can be large on an absolute basis, but far smaller than those of alternatives. A healthcare company’s medical device can have rare side effects that spur litigation, but which are completely outweighed by the device’s overall clinical benefit. A controlled company can have highly shareholder-friendly governance policies. A principles-based approach allows us to take these nuanced views, which in many cases can be counter-consensus, better reflecting ESG-linked risks and opportunities in our investment framework.

Integration into the Investment Process

We are active owners, carefully analyzing ESG issues for all pipeline and portfolio ideas, playing both offense and defense.

On offense, we work to identify ideas where an ESG issue contributes to a company’s sustainable growth or competitive moat. Positive management, Board, compensation, or other Governance changes have played a role in many of our portfolio ideas – often changes informed by Jackson Square’s proactive engagement. On defense, we seek to ensure that a company’s cost of capital reflects material ESG issues – both positive and negative – in our Intrinsic Business Value (“IBV”) framework. Our methodology is to adjust a company’s cost of equity by analyzing the impact of each company-specific ESG factor on its beta. The adjustments are evidenced and supported by our ESG risks and opportunities analysis, which is based on SASB, the TCFD and our nuanced, proprietary approach to ESG, capturing both positive and negative externalities.

Analysis of ESG factors can heavily influence our IBV estimate for a company, both in our assessment of a company's sustainable free cash flow growth rate, and in the cost of capital we apply. We believe that this integration of ESG analysis into our quantitative IBV-setting exercise is a simple and effective way to incorporate these issues into our investment process.

Jackson Square ensures a consistent approach to evaluating ESG factors through bottoms-up and top-down mechanisms. For new investment ideas, our analysts assess the factors we believe to materially impact a company's IBV. Over time we work to complete a rigorous, consistent, bottoms-up set of analyses on material ESG issues, explaining how ESG factors play a role in our assessment of a company's IBV and laying out key ESG engagement priorities (if any) to push with the company. From a top-down perspective, Jackson Square's ESG Working Group – composed of several members of the investment and broader team – meets monthly to review all new investment ideas, update best practices, and discuss macro or other ESG issues which could affect existing holdings (e.g., new regulations, United Nations Principles for Responsible Investment (“UNPRI”) Sustainable Development Goals, etc.). We believe that this combined approach leads to a consistent integration of our ESG principles into the investment process.

Company Engagement

Since its founding, Jackson Square has consistently engaged with management and stakeholders of many portfolio companies to enhance shareholder value. We are not activists, but we are active owners engaging where we believe we can have impact and drive positive change. These engagements have different aims tailored to each situation, but key examples of where we have had influence include:

- advocating for improved capital allocation,
- supporting changes in management or in a management team's compensation structure,
- shifting a company's core strategic focus, and
- optimizing investor communication, disclosures, and target setting.

ESG factors are core to our view of a company's IBV, so we believe that helping a company enhance its performance against these factors can create significant value. To that end, we proactively identify ESG-linked engagement priorities – when relevant and material – for all new investment ideas as part of our investment process. We draw on these sets of priorities during management touchpoints. And we use the full range of tools at our disposal to influence Boards and management teams over time. Jackson Square will continue to practice active ownership on ESG issues, engaging with a subset of our portfolio companies on an annual basis to improve practices.

Oversight, Reporting, and Ecosystem

Two groups at Jackson Square work to ensure the consistent application and execution of our principles-based approach to ESG.

- 1) The ESG Working Group includes several investment team members and portfolio managers and meets monthly to review ESG research on new and existing positions, keep the entire firm apprised of best practices, and oversee our reporting of activities to our clients.
- 2) The Proxy Committee oversees our analysis of material proxy issues and determines active votes for all proposals put forth by our portfolio companies.

We offer transparency to our clients on ESG-related engagements as well as on selected proxy voting decisions. This information details the progress of key engagements with portfolio companies and demonstrates the depth of our commitment to ESG issues as well as chronicles our successes and failures so that we, and our clients, can learn from these activities in the future.

Based on client preference and feedback, we will produce a proxy vote summary report that includes all proxy voting decisions relevant to the requesting client. This report includes Jackson Square's vote, management's recommendation, and our designated proxy advisory firm's (Institutional Shareholder Services Inc.) recommendation. The vote summary report is provided to requesting clients on a quarterly and/or annual basis.

We continue to support the ESG ecosystem that has increasingly pushed investors and companies to focus on these issues, as we believe a healthier ecosystem will enable us to be more effective in our engagements with companies in the future. To that end, we became a signatory of the UNPRI as of 2018 and have committed to evaluate our investments in light of the UN's Sustainable Development Goals. Further, we joined the Sustainability Accounting Standards Board in support of this group's efforts to standardize and increase the prevalence of transparent reporting of ESG Key Performance Indicators ("KPIs"). We expect to continually evaluate new ways to further support the ESG ecosystem.