Baron Capital Stewardship Policy

Engagement

We are committed to fully integrating environmental, social and governance ("ESG") or collectively referred to as sustainability factors into our research process and to monitoring how the risks and opportunities related to these factors impact our portfolios. As a long-term investor and active owner, we believe that our fiduciary duty to our clients is paramount, and that the consideration of financial and extra-financial risks and opportunities enhances our ability to fulfill that duty. An important and integral part of our commitment to integrating sustainability into our investment process and fulfilling our fiduciary duty is our engagement with the companies in which we seek to invest or are already invested and our proxy voting.

Our investment philosophy is rooted in our deep, proprietary fundamental research that helps us identify and select a limited number of high-quality companies that we believe can benefit from sustainable competitive advantages and generate long-term growth in revenues and profits. These investments should provide superior risk-adjusted returns over the long term for our clients, and simultaneously act as a force for positive change in corporate behavior and help address some of the complex issues facing our society, including generations to come.

As part of our ongoing research process, our portfolio managers and research analysts are primarily responsible for engaging with a company's executives, members of its board of directors, as well as suppliers, customers, and competitors. These interactions provide us with an opportunity to not only assess a company's strategy, competitive positioning, and capital allocation plans, but also enable us to identify and manage risks and opportunities related to sustainability issues. These engagements are a key element in our ability to make informed judgments about the quality of management and the value and sustainability of a business.

In addition to our regular analyst and portfolio manager led engagements, which may also include the participation of members of our responsible investment team, our Head of Sustainability Policy, our Counsel, and our Proxy Reviewer will also engage with companies throughout the year with a specific focus on sustainability issues. These meetings are either initiated by our portfolio companies, or by us, and often combine analysis and discussion of sustainability policies, initiatives, and disclosures with a review of material proxy and governance related issues. We may also use these meetings to promote our views on best practices related to board structure and composition, executive compensation, shareholder proposals, shareholder rights, sustainability disclosures/transparency, and disclosure frameworks among other items.

As long-term investors, we have a vested interest in making sure that our portfolio companies are doing the "right things" to build long-term value, and we believe that sustainability is an important aspect of value creation. As part of our investment process, when our investment teams identify a material issue that we believe is relevant to the long-term value of the company, we will engage with the management and/or the board directly to express our view. However, we also recognize that we do not live in a one-size-fits-all world, and that what is right or material for one company may not be the same for another company. For example, governance and disclosure standards and best practices may vary by geographic region; or companies at different stages of their lifecycle may have different governance needs, or varying resources to commit to their sustainability efforts. As such, we will often seek to work with management and the board, where possible, through a series of direct discussions and other forms of direct, private

communication including in-person meetings, conference calls, and e-mails to make sure that our views are conveyed and well-understood. If our views conflict with those of management, and we are unable to agree on what is an appropriate posture or policy on a particular issue, we may vote against management proposals involving these issues on the proxy and/or, on rare occasions, collaborate with other investors and engage publicly on these discreet issues. However, our belief and our experience are that we can generate the most value by engaging privately with our portfolio companies.

The frequency and level of engagements on sustainability related issues will vary depending on factors that include the size of the investment, the relevance of the investment to our portfolios, and the extent to which such engagements are necessitated by issues that are raised through our research process. As a general matter, we will meet with any portfolio company that wants to engage with us on sustainability issues.

To enhance our engagement activities on sustainability-related issues and provide greater transparency on our efforts to our clients, we have developed an internal survey tool to track our engagements. This tool was implemented in May 2020 and allows us to collect information about meeting participants and the extent to which environmental, social, governance, and risk management topics are part of the conversation. It also provides some insight as to whether our teams used these meetings to advocate for a specific position or policy related to sustainability. We believe that the data collected from this tool is not only important for documenting our interactions, but also creates a positive feedback loop that encourages our investment teams to be more proactive in addressing sustainability issues during their meetings.

We have been signatories to the Principles of Responsible Investment (PRI) and associated with The International Sustainability Standards Board (ISSB) of the IFRS Foundation (a successor to the Sustainability Accounting Standards Board (SASB)) since 2019. These entities have helped guide us in our responsible investment journey. We also utilize third-party sources such as MSCI and ISS to assist with our research into sustainability issues and corporate governance practices. Furthermore, while we remain long-standing members of the Investment Company Institute (ICI), and the International Corporate Governance Network ICGN), both of which enhance our insights into corporate governance best practices and responsible investment regulatory and disclosure developments, as well as our ability to participate in shaping these developments in the future.

Proxy voting

Proxy voting is another key component of the Firm's stewardship practices. Proxy voting provides us an additional avenue for expressing our views and support for what we believe are important sustainability policies, in particular governance policies, with the objective of maximizing long-term returns for our clients. We have our own independent policies for voting proxies and evaluating governance and compensation structures, and while we subscribe to third-party research to assist in our evaluation of proxies, we do not follow voting recommendations provided by such services.

At Baron, we often use the phrase "we invest in people, not buildings" and this highlights how critical we believe management is to the success of our investments. As a result, we will generally seek to be supportive of management and the companies in which we invest when it comes to proxy voting, as long as their governance practices or support for particular proposals does not conflict with our own policies or compromise our commitment to fulfilling our fiduciary responsibility.

Our Proxy Voting Policy is designed to support good governance policies, and our Proxy Review Committee reviews these policies on a regular basis. Our proxy analysis and voting process is conducted independently by our proxy team but does receive input from our portfolio managers and analysts. We analyze each shareholder proposal on a case-by-case basis and make recommendations to our Chief Operating Officer as to how we should vote. If a portfolio manager wishes to recommend voting against the Proxy Voting Guidelines, they or their designee must provide the rationale for that request to the Chief Legal Officer in writing. The Chief Operating Officer, in consultation with the Chief Legal Officer, will make the final decision with respect to how the matter will be voted. All our proxy votes are publicly available and published to our website annually (linked here).

Stewardship Priorities

As global risks and opportunities evolve, so too will the analysis of those risks and opportunities, and the priorities that investors place on their stewardship practices. As a result, we plan to evaluate our priorities on an annual basis and will communicate these revised priorities to our investors and to our portfolio companies. We continue to advocate for expanded disclosures around environmental factors including climate risks, GHG emissions, and other material items. For those companies where environmental risks and climate change impacts are significant, we are seeking more data to understand these risks and more action plans on how they either intend to manage these risks or capture opportunities related to solving these problems.

We actively invest in a myriad of businesses in which human capital is a key component of value creation and therefore understanding how companies attract and retain human capital and protect the health and safety of their employees remains a key priority. In addition, in the looming age of Artificial Intelligence (AI), how companies are working to enhance product safety and managing risks related to data privacy, and cybersecurity are even more important than ever.

From a governance perspective, our main focus is ensuring that management incentives align with shareholder/stakeholder priorities. This includes evaluating executive and board performance and pay structures to make sure that they are focused not only on long-term value creation, but also on linking sustainability performance metrics to a portion of long-term incentive compensation.