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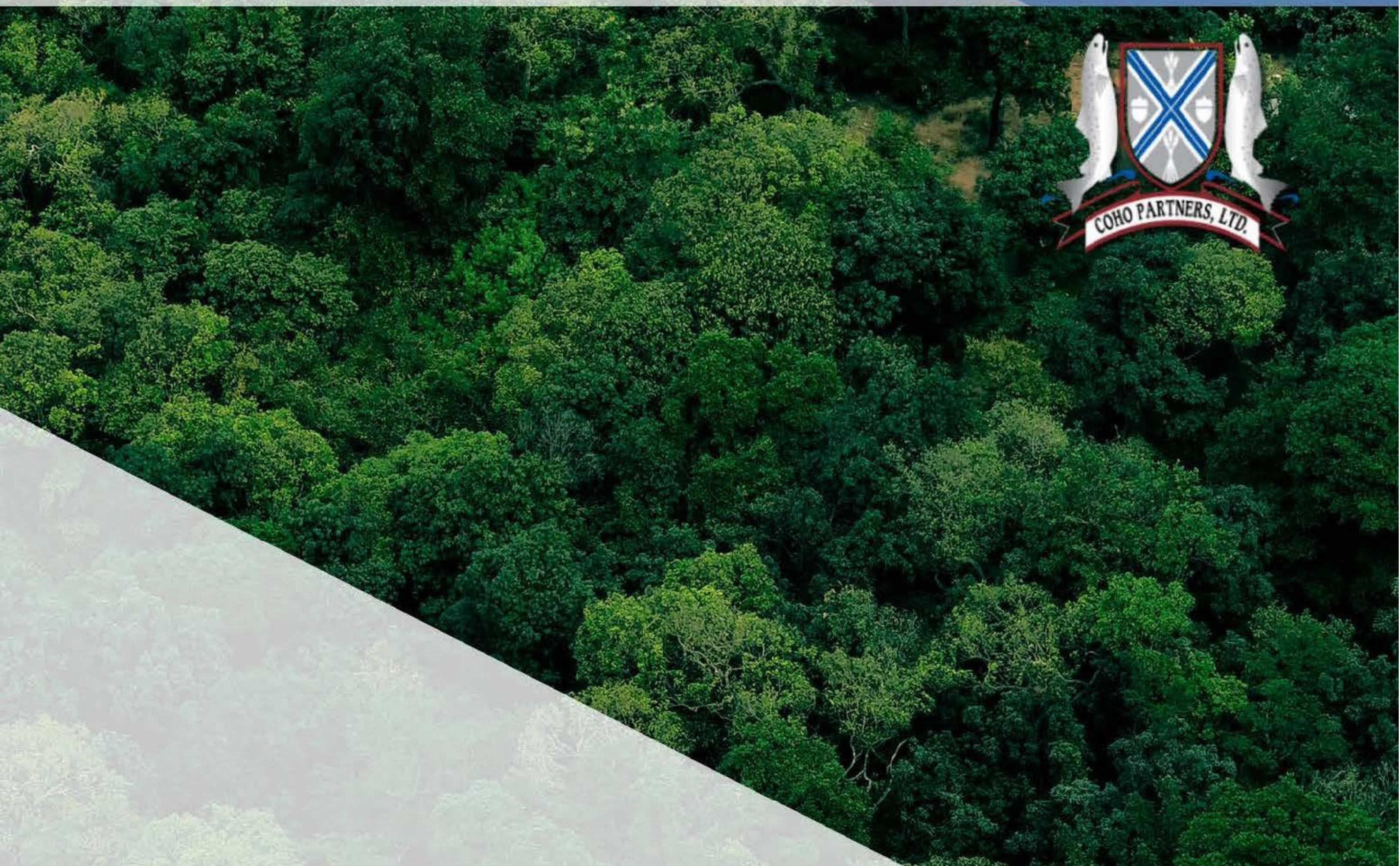


Coho Partners

IMPACT REPORT

2023

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 managements 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 within the U.S. and EU and the steps Coho is taking to ensure compliance. Coho’s Investment Team continues to enhance our proxy voting guidelines, and we highlight our analysis and shareholder votes for the 2022/2023 season. This year, we provide an

Progress Examples

BAXTER INTERNATIONAL (BAX)

BAX develops, manufactures, and markets products and technologies related to hemophilia, immune disorders, infectious diseases, kidney disease, trauma, and other chronic and acute medical conditions. BAX has made great strides in its ESG journey in recent years. In July 2021, Baxter launched its 2030 Corporate Responsibility Commitment and Goals, a decade-spanning framework to create lasting social, environmental, and economic value across three critical pillars: Empower Patients, Protect the Planet, and Champion Our People and Communities. BAX completed a fresh materiality assessment in 2022 to account for its acquisition of Hill-Rom. BAX also published its first Sustainability Accounting Standards Board (SASB) Index in 2020.

SYSCO (SYY)

SYY is a leading foodservice distributor in the U.S. that also has international operations. SYY’s biggest ESG improvements relate to environmental goals. SYY has committed to having 35% of its truck fleet comprised of EVs by 2030, with orders in place with Freightliner, Tesla, and Volvo. Additionally, it is on pace to reach its goal of having suppliers representing 67% of Scope 3 emissions set science-based targets by 2026. SYY has commitments from 27% of suppliers so far, with its larger and more sophisticated suppliers making greater progress.

expanded look into our environmental impact efforts. We note that portfolio companies continue to expand beyond greenhouse gas (GHG) emissions disclosure to set Scope 1, 2, and 3 emissions reduction targets and net-zero commitments. We also highlight our research efforts into renewable hydrogen and the circular economy, which were the basis of two Coho ESG Insights papers this year. Finally, we highlight our efforts on diversity, equity, and inclusion (DEI) training and 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

NIKE (NKE)

NIKE is the largest seller of athletic footwear and apparel in the world. The company has done a great job on DEI. Women represent 51% of employees (up 1% vs. 2022) and 44% of leadership, while racial and ethnic minorities represent 39% of employees (up 4% vs 2022). The company invests 2% of pre-tax income in community impact and the total investment was $149M last year. Finally, compensation plans include sustainability metrics with a “People & Planet" modifier for the long-term incentive plan from 2021-2023 and this will continue with the 2022-2024 period.

JOHNSON & JOHNSON (JNJ)

JNJ is one of the largest health-care companies in the world with diversified exposure to pharmaceuticals, medtech, and other offerings. JNJ has been responsive to our feedback on multiple areas, including increased transparency on litigation charges and their effect on executive compensation as well as over-boarding issues, with two board members stepping down from one outside board each. Management is also exploring adding a formal sustainability metric to executive compensation calculations.

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

Protecting the investor is embedded in our culture and investment philosophy at Coho. To that end, we continually monitor regulatory developments in both the U.S. and the European Union (EU) as new rules are implemented. We note that there are key differences between the regulatory environments in these regions. One of these differences is the determination of what constitutes “materiality” with respect to ESG issues. U.S. regulators focus solely on “financial materiality” (issues that impact a company’s financial value) while EU regulators focus more on “dual materiality” (both financial materiality and the company's impact on the world at large). These differences are apparent when comparing the reporting requirements of the two regions.

In the EU, the marketplace has implemented a relative ranking system in the wake of the Sustainable Finance Disclosure Regulation (SFDR) that illustrates the appropriate level of “greenness” of each investment strategy. These rankings range from Article 9 (dark green) to Article 8 (light green) to Article 6 (not green). On January 1, 2023, Level 2 (product-level disclosures), also known as SFDR Level 2 Regulatory Technical Standards (RTS), became effective. Level 2 requires detailed pre-contractual and annual reporting disclosures. These disclosures are made in regulatory annex filings which outline the ESG characteristics promoted by the product, along with the sustainable investment criteria used, if applicable. These annex filings also assess how funds performed on those characteristics and criteria.

In the U.S., the ESG Fund Disclosure Rule (for investment managers) and the SEC Climate Rule (for corporate issuers) are expected in 4Q23.

The ESG Fund Disclosure Rule, also known as the “Names Rule,” currently requires funds with certain names to adopt a policy to invest 80 percent of their assets in the investments suggested by that name. More specifically, it requires ESG funds to be categorized into three types based on the extent to which funds advertise or utilize ESG factors in investment decision-making.

The first type, the Integration Fund, is defined as a fund that considers one or more ESG factors along with other, non-ESG factors in investment decisions where those ESG factors are generally no more significant than other factors in the investment selection process. These Integration Funds will not be allowed to use “ESG” or similar terminology in their names.

The second type, the ESG-Focused Fund, is defined as a fund that focuses on one or more ESG factors by using them as a significant or main consideration in selecting investments or in engagement with portfolio companies.

The third type, the ESG Impact Fund, is a subset of ESG-Focused Funds and is defined as a fund that seeks to achieve one or more specific ESG impacts.

In terms of disclosure requirements, Integration Funds would be required to explain how they incorporate ESG factors into their investment selection processes and, if they consider GHG emissions, the methodology and data sources the fund may use as part of its consideration of GHG emissions.

ESG-Focused Funds would be required to provide more detailed disclosure than Integration Funds, including a standardized "ESG Strategy Overview Table" in the fund's prospectus, which would indicate specific ESG strategies the fund employs and require brief narrative descriptions of the ESG factors that are the focus of the fund's strategy; how the fund incorporates these ESG factors into its investment decisions; how the fund votes proxies or otherwise engages with portfolio companies on ESG issues; and any participation in third-party ESG frameworks (e.g., UN PRI, UN SDG).

In addition to the disclosure requirements applicable to ESG-Focused Funds, Impact Funds would be required to disclose in their investment objectives the ESG impact the fund seeks to generate with its investments, as well as (1) how the fund measures progress toward the stated impact, (2) the time horizon used to measure that progress, and (3) the relationship between the impact the fund is seeking to achieve and the fund's financial returns.

Finally, the SEC proposed amendments that would require funds to include additional ESG-related information in annual shareholder reports. Requirements would vary based on whether funds use proxy voting, ESG engagement, or environmental factors as a significant means of implementing an ESG strategy.

Turning to corporate issuers, the SEC Climate Rule's intention is to enhance and standardize the climate-related disclosures provided by publicly traded companies. Among other things, the Rule will standardize financial statement footnote disclosures (such as for the impact of severe weather events), GHG emission disclosures, qualitative disclosures (climate risk materiality, etc.), and governance disclosures. These rules could require potential investment manager compliance within one year of rule issuance; however, they will likely also face legal challenges which may limit the scope of the final requirements.

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 in 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 2023 proxy season, social and environmental shareholder proposals represented 34% and 32% of all resolutions filed, compared to 30% for governance[1]. We believe directors should act in the best interest of shareholders and be held accountable for corporate results and sustainability.

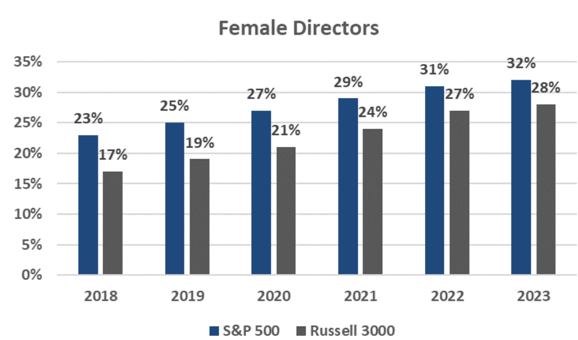
As part of our ESG framework, we have engaged with companies about promoting board and workplace diversity through policies and programs, improved disclosure, and goal setting. We also review and request board-level oversight of environmental and social issues. When casting votes for directors in the 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 included two additional factors considered in voting for director elections: sustainability and disclosure of board racial/ethnic minority demographic information.

Every board of directors is charged with oversight and establishment of corporate policies, but its own diversity composition is also a reflection of the organization. Gender

[1] Data sourced from PRI Association.

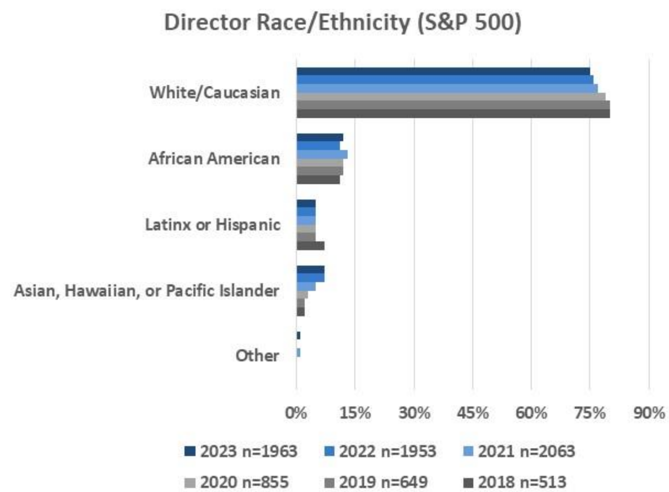
diversity has been a focus in recent years which resulted in consistent increases in female representation. More recently, ethnic diversity has taken center stage because there has been less progress there. Figure 1 below shows the percent of women directors for the S&P 500 Index has increased from 23% in 2018 to 32% in 2023. Figure 2 shows the percent of ethnic minority directors for the S&P 500 Index has only increased from 20% in 2018 to 25% in 2023. One way to address this issue is through increased disclosure. While only 11.4% of S&P 500 Index companies disclosed the racial composition of their boards in 2018, 71.3% did so in 2023. During the 2023 proxy season, we also saw the expansion of board diversity policies with an increasing focus on board racial/ethnic diversity, including the board evaluation and nomination process.

Figure 1: Director Gender by Index



Source: The Conference Board and ESGAUGE.

Figure 2: Director Race/Ethnicity, S&P 500 Index



Source: The Conference Board and ESGUAGE.

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 2023, we voted against 12% of directors who did not meet the tenure requirements, who serve on more boards than the limits specified in our proxy voting guidelines, or who have other unique issues. As shown in Table 1 on the following page, last year, we were pleased to report that in the first quarter 2022, 100% of Coho ESG companies had 20% or more women on the board for the first time. That 100% has been maintained as of 2Q23. When we first started reporting statistics in 2Q18, those numbers were 81%

for the Coho ESG portfolio companies and 65% for the S&P 500 Index and MSCI ESG Index. Table 2 shows 35.2% of Coho ESG companies' directors are ethnically diverse and 27.0% of directors are women, which are both above levels for the S&P 500 Index.

Table 1: Companies with 20% or More Women on Boards as of 2Q 2023

	Coho ESG Portfolio	iShares Trust iShares ESG MSCI USA ETF	ISHARES CORE S&P 500 ETF
Companies with 20% or More Women on Boards	100%	97%	95%

Source: Bloomberg.

Table 2: Board Diversity

	ESG Portfolio	S&P 500 Index
% Female	35.2%	32%
% Ethnic Minority	27.1%	25%

Sources: Bloomberg for % Female for ESG Portfolio. Glass Lewis for % Ethnic Minority for ESG portfolio. Data for ESG portfolio is as of 6.30.2023. The Conference Board for % Female and % Ethnic Minority for S&P 500 Index.

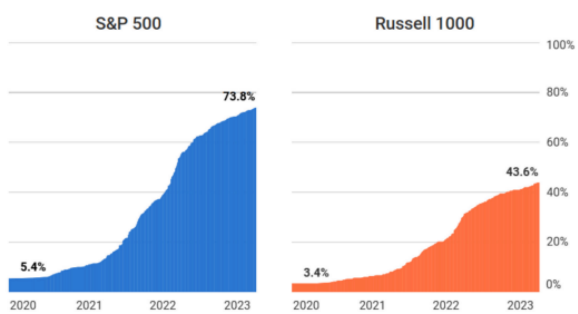
Company progress and action taken

As it relates to the workforce, we are working to improve diversity and pay equity by actively engaging with companies in our portfolio and investable universe about the importance of publicly disclosing Equal Employment Opportunity Reports (EEO-1). Among Coho's ESG portfolio holdings, 89.3% have disclosed or plan to disclose data from these reports, compared to 80% 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.

We are pleased to see progress for our portfolio companies, as well as companies in our universe and U.S. benchmarks. As shown in Figure 3 below, EEO-1 disclosures by S&P 500 Index companies nearly doubled between 2021 and 2022, while disclosures by Russell 1000 Index companies more than doubled over that same period. The U.S. Equal Employment Opportunity Commission began mandating the reporting and filing of these reports in 1966. These reports are required 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. Public release of this information is optional, so we are pleased more companies are now voluntarily releasing more data or the entire EEO-1 document.

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 compare data across companies. Best practice is to disclose unadjusted pay equity data. Coho will begin advocating for disclosure of this information, even in countries where it is not required by law.

Figure 3: % Companies Disclosing EEO-1 Data



Source: DiversIQ.

In our ESG research and proxy reviews, we look for explicit disclosure regarding board of director 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. 100% of Coho companies (as of June 30, 2023) have designated board committees charged with oversight 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. For example, this year we voted against the chair of the Nominating & Governance Committee at Perrigo for failing to disclose the entire EEO-1 report. We also voted against the chairs of the Governance Committees at Colgate-Palmolive and Mondelez International because the companies adopted forum selection clauses without shareholder approval.

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, dedicated-ESG meetings and at various ESG conferences.

Our goal is to influence and advocate for best practices which 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 **27** in calendar year 2022.*

Engagement meetings reflect a three-year period ending 12.31.22.

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 percent of Coho's portfolio companies and S&P 500 Index companies that include total shareholder return (TSR), 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. The percent of S&P 500 Index companies with sustainability metrics jumped from 37% in 2022 to 44% in 2023 while Coho companies also showed progress, increasing from 34% in 2022 to 46% in 2023. This is something we actively seek through engagement, and we were pleased to see that in fiscal year 2023, AmerisourceBergen will incorporate an ESG metric into its 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.

Table 3: Compensation Metrics to Shareholder Value Creation

	TSR	Return metric	Sustainability
Coho Companies	71%	49%	46%
S&P 500 Companies	69%	35%	44%

Sources: Bloomberg and Coho Partners. Holdings as of 6.30.23.

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 2021 incentive compensation plan. Then in 2023 the company adopted the SBTi framework for verification of its 2027 carbon reduction goals, another major ESG enhancement for which we advocated. We also encouraged the company to establish a net-zero goal beyond its carbon-neutral goal. In addition, 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 its 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 couple of years, the company made meaningful progress on improving its corporate governance. Through board turnover, the average board tenure was reduced from 12 years to 8.6 years, well below our 10-year threshold. Additionally, an over-boarded director dropped one board reducing his commitment to three boards, therefore no longer considered as over-boarded according to Coho's customized guidelines. Lastly, the company made significant improvements to its executive compensation plan by adding a

TSR modifier[2] and including an ESG metric. The company noted Coho was instrumental in helping raise the level of scrutiny on board tenure and a sustainable compensation metric.

Continuous improvements on environmental and social disclosure

We were pleased to see that ConAgra (CAG) was ranked #1 by the Access to Nutrition Initiative (ATNI) in percent of sales from healthier products and remained #1 in the product profile, a ranking based on the health star rating of the portfolio. While product sustainability is a priority for CAG, we continue to engage on food safety and product recalls. In terms of environmental disclosure, it was encouraging to see more companies, including ConAgra, begin to report against the TCFD framework, which standardizes climate reporting. We encouraged the company to set a net-zero goal to further its environmental commitment beyond TCFD and SBTi alignment. Additionally, the company started to disclose its EEO-1 report, which is an important topic we engaged on previously.

Improving ESG practices

We began engaging with Global Payments a few 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 Carbon Disclosure Project (CDP) as promised, and we likely will see Science Based Targets initiative (SBTi) alignment in 2024. In terms of social aspects, we

[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. In the case of Cencora, the TSR modifier represents that TSR is listed as a modifier under the long-term incentive compensation plan of the company.

advocated for disclosure of the EEO-1 report during prior engagement and the company publicly disclosed its EEO-1 report for the first time in 2022.

MICROCHIP

Advancing environmental and governance efforts

We expressed our support for Microchip's environmental and social sustainability efforts. The company has set renewable energy goals in addition to carbon reduction targets. Microchip expects electricity sourced from renewable sources to be 25% by 2025, 40% by 2030, and 100% by 2040. Additionally, while still above our 10-year threshold, the company made good progress on lowering the average non-executive board tenure, which was reduced from 21 years to 12 years.

NIKE, Inc.

Integrating ESG into business strategy

ESG strategy is fully integrated into Nike's corporate plan and commitment starts at the top of the organization with senior leadership setting objectives and leading sustainability efforts. The company includes the sustainability metric "People & Planet" as a modifier to the long-term compensation plan, which includes consideration on engagement, inclusion, leadership diversity, and sustainability. The company has performed well in certain diversity, equity, and inclusion (DEI) metrics and has achieved adjusted gender pay parity globally. Furthermore, we engaged with Nike regarding the controversy on allegations of forced labor. The company stated it will continue working to ensure that no cotton is sourced from the Xinjiang Uyghur autonomous region in China. The company is deploying isotope testing technology to help identify the material source and ensure that no cotton is sourced from this region. It also has a human rights policy in place to mitigate adverse human rights impact.

SERVICE CORPORATION INTERNATIONAL

Enhanced social and governance practices

Service Corporation (SCI) is early on in its ESG journey and has been focused on enhancing social and governance practices. The company has a diverse workforce, and more than half of the employees are female. Social considerations are a priority ESG topic for SCI. We encouraged SCI to publish its EEO-1 report as diversity is a strength for the company. Additionally, we advocated for reducing the average board tenure to 10 years. The company acknowledged that it is working to reduce the average board tenure and refresh the board with new members, but for now its target is average board tenure of 15 years, which is still above our customized guidelines. We will continue to monitor and engage on this topic. We also communicated that we would like to see the separation of the CEO and Chairman positions.

Sysco™

Adopting sustainability metrics into compensation plan

Sysco Corporation, the #1 food distributor in the U.S., has a sustainability strategy anchored on three pillars: People, Planet, and Product, with discrete goals for each. The material objectives for the company are product stewardship and sourcing. The company is driving sustainability throughout the organization from the top. Sysco added a sustainability metric to its short-term compensation plan including social and environmental factors. The company is also making progress on its goal to have 35% of its truck fleet to be electric vehicles by 2030. As a food distributor, addressing its trucking fleet will go a long way toward reaching the company's Scope 1 GHG emissions targets. As for Scope 3 emissions, the company is also making progress against its target to have suppliers representing 67% of scope 3 emissions set science-based targets by 2026. Sysco is on track to achieve this goal with commitments from 27% of suppliers so far.

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.

2023 ESG proxy voting guidelines update

We completed the annual update of our guidelines at the end of 2022 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 2022 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 additional sustainability and diversity factors that will be considered to strengthen board accountability for these matters. Sustainability performance was added as a specific metric evaluated in votes for an individual director responsible for oversight, noting this could extend to a board committee or other directors on the board depending on the materiality of the issue. Disclosure of board racial/ethnic minority demographic information will also be formally considered.

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

The Investment Team continues to review incentive metrics and scrutinize pay practices. We included additional specific compensation metrics for say-on-pay proposals to continue to promote a strong link between pay and performance.

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

To further expand shareholder rights, we lowered our threshold when voting against shareholder proposals concerning the right to call special meetings from 25% to 20%.

This was a result of understanding that in recent years, we have seen more companies introduce this right for shareholders as well as companies lower existing thresholds.

Sustainability: supporting environmental and social shareholder proposals to benefit stakeholders

Coho continues to encourage incorporation of sustainability into corporate strategy and support proposals concerning environmental impact, labor and human rights, and diversity and inclusion. We added a review of the nature and prescriptive requirements for sustainability related proposals to ensure proposals are in the best interest of shareholders. This is in response to both increasingly prescriptive proposals received as well as an increase in the number of anti-ESG proposals.

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 percent may compromise auditor independence, presenting a risk to shareholders who rely on those opinions and the corporate financial statements.

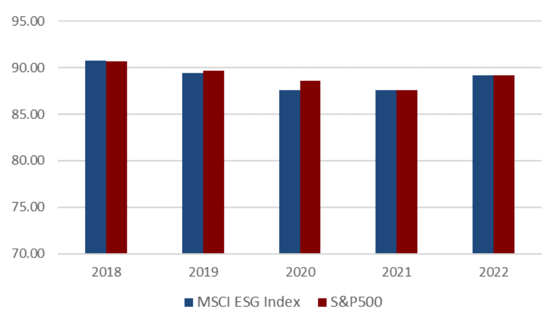
Key takeaways from 2023 proxy season

Through our research and review of proxies, we highlight five key takeaways from the 2023 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
3. Additional focus on board oversight of environmental and social risks 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. As shown in Figure 4 on the following page, support levels have declined as shareholders further evaluate the link between pay and performance. During the 2021 and 2022 proxy seasons, support levels decreased further, partially due to a decision made by boards to adjust incentive compensation metrics in response to the COVID-19 pandemic. 2022 had a record number of failures, with 19 for the S&P 500 Index alone. Companies responded with expanded disclosure and in some cases commitments to not repeat this negative pay practice. As a result, say-on-pay support levels improved in 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.

Figure 4: Average Say-on-Pay Support Level by Year for the Market

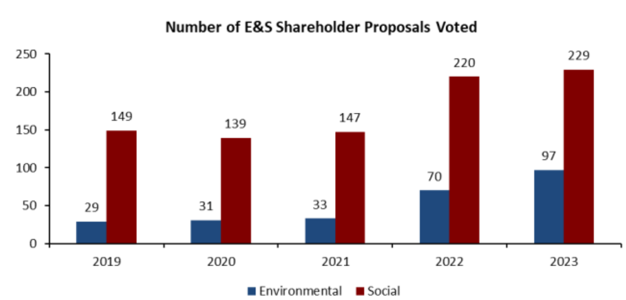


Source: Bloomberg say-on-pay support data.

When we evaluate say-on-pay proposals, we review 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 2019 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. That trend continued during the 2023 proxy season, partially driven by an increase in the number of anti-ESG proposals. Figure 5 shows that for Russell 3000 Index companies, the total number of environmental and social shareholder proposals increased 11% from 295 in 2022 to 326 in 2023.

Figure 5: The Number of Environmental and Social Proposals Voted

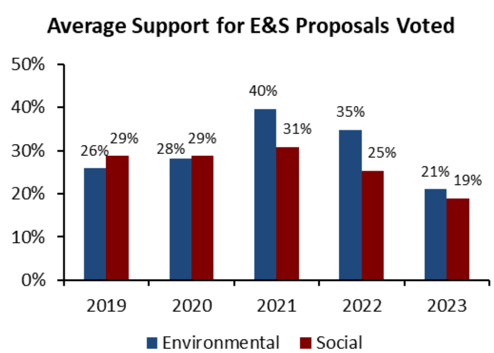


Sources: Bloomberg Proxy Tracker, Bernstein Analysis. The coverage universe is Russell 3000 Index companies in the US +

Bloomberg's BESGPRO Index. For each year, the data runs from 7/01 of prior year to 6/30 of current year.

Average support levels decreased again this year as shown in Figure 6, reflecting both pushback against more prescriptive and goal-oriented proposals as well as proposals submitted by anti-ESG proponents. The last two years reversed the trend of increasing support as shareholders became more active in the evaluation of shareholder proposals, especially those that related to environmental and social issues.

Figure 6: Average Support Level for Environmental and Social Proposals

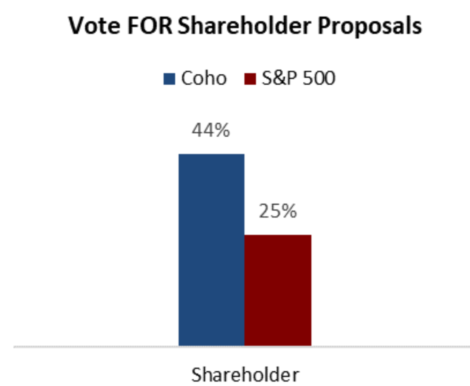


Source: Bloomberg Proxy Tracker, Bernstein Analysis. For each year, the data runs from 7/01 of prior year to 6/30 of current year.

Our voting records

In the 2023 proxy season, we voted on 29 proxies, including 323 individual directors and 55 shareholder proposals. We evaluate each proposal for our portfolio companies based on our customized guidelines. Figure 7 shows for the 2023 proxy voting period, Coho's support of ESG-related shareholder proposals was 44% compared to 25% among the S&P 500 Index. Our support level for environmental and social shareholder proposals was higher at 49%. The higher percentage results from excluding votes against select governance shareholder proposals, reflecting our view that existing practices and policies are sufficient and/or proposals are not always supportive of long-term shareholder value creation.

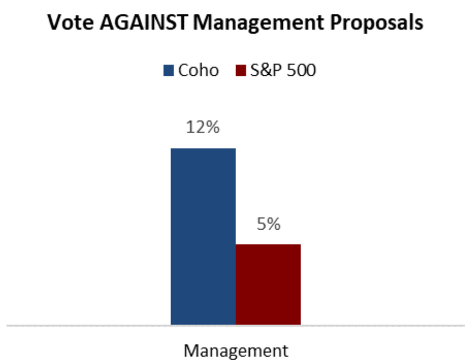
Figure 7: 2023 Coho Proxy Voting Record



Source: Voting records between 6/30/2022 – 6/30/2023.

Figure 8 on the next page shows our vote against management proposals was 12% compared to 5% for the S&P 500 Index components. In 2023, within the management proposals, we voted against 24% of say-on-pay proposals. We also voted against 12% of directors who did not meet our tenure requirements, who serve on more boards than the limits specified in our proxy voting guidelines, or who have other unique issues.

Figure 8: 2023 Coho Proxy Voting Record



Source: Voting records between 6/30/2022 – 6/30/2023.

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 2023 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.

Shareholder Proposals: Sustainability

Report on the reliability of methane emission disclosures

In the 2022 proxy season, we supported a shareholder proposal requesting Chevron report on the reliability of methane emission disclosures. The company supported the proposal, and it received the support of approximately 98% of votes cast. In response, we were pleased to see that management published a methane strategy update report in October 2022. The report included information about how the company is working to reduce methane emissions for current and future projects.

Establish emissions targets aligned with the Paris Agreement

In the 2022 proxy season, we supported a shareholder proposal requesting Sysco disclose short-, medium-, and long-term greenhouse gas targets aligned with the Paris Agreement. We believed adoption of the proposal would allow shareholders to assess material risks to the business model presented by climate change more fully. In a 2023 proxy statement, the company stated that it has substantially implemented this proposal through its announcement of a climate goal to reduce emissions across its global operations and the company's entire value chain.

CVS

Provide paid sick leave for all employees

We supported a shareholder proposal requesting paid sick leave for all employees. Adoption could help mitigate human capital management-related risks.

DOLLAR GENERAL

Provide reporting on political contributions

In the 2022 proxy season, Dollar General received 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. We were pleased to see that the proposal received majority support and management agreed to annually report on all direct political contributions and indirect company political contributions of greater than $10,000.

Management Proposals: Say-on-pay Advisory Vote

globalpayments

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 Global Payments' 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 believed performance targets were not clearly defined under the long-term incentive plan.

Disney

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 bonuses, severance payments, and short performance periods for long-term incentives.

Management Proposals: Election of Directors

Improve board independence

We voted for shareholder proposals at both companies requesting an independent board chairman. Coho will generally vote 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.

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 directors provide proper management oversight, during the 2022 proxy season we adopted a lower 10-year threshold for maximum average non-executive board tenure. 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 14 years.

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.

Reduce director commitments

In the 2022 proxy season, we voted against one director at AmerisourceBergen and two directors at Johnson & Johnson who serve on three additional public company boards. 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 and two total for executives of the company. In the 2023 proxies, we were pleased to see that following engagement about director commitments and votes cast last year, all three directors stepped down from other boards and are no longer considered over boarded per our guidelines.

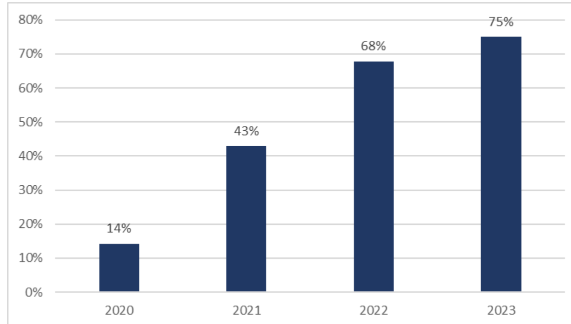
03 CLIMATE STRATEGY AND RISK MANAGEMENT

FRAMEWORKS ALIGNING

In last year's Impact Report, we lamented the lack of cohesion among the disclosure rules and regulatory requirements facing reporting companies. While much of that still exists, meaningful progress has been made in coalescing around a central framework, particularly as it relates to climate reporting.

We have long been proponents of the TCFD. It became a central topic of our engagement more than five years ago as we encouraged our portfolio holdings to adopt its framework. We have been delighted to see its uptake within our portfolio with the percentage of companies reporting against TCFD rising to 75% this year (Figure 9). The adoption has been rapid given just 14% of portfolio companies aligned with TCFD in 2020 and 43% in 2021. That swift uptake will be well rewarded as virtually all major regulatory bodies are structuring their climate reporting policies around the TCFD framework.

Figure 9: TCFD Disclosure of Coho ESG Portfolio (2020 – 2023)



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

In Europe, the Corporate Sustainability Reporting Directive (CSRD) was accepted in January 2023 and will become effective January 1, 2024. Reporting will begin in 2025. Under the CSRD, the European Sustainability Reporting Standards (ESRS) were adopted 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.

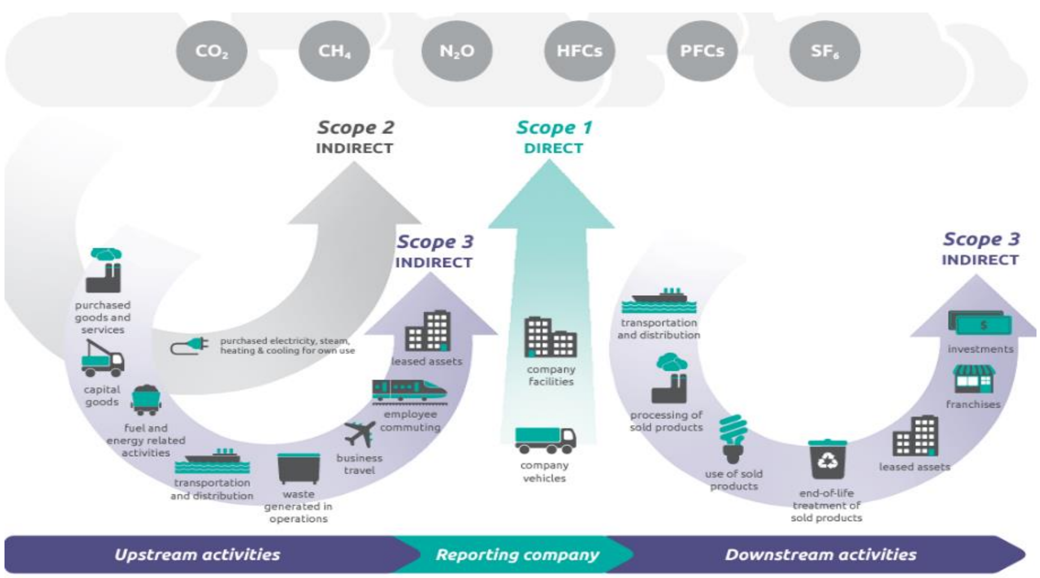
The International Sustainability Standards Board (ISSB) also recently released its climate reporting standards on June 26, 2023. The ISSB sits within the International Financial Reporting Standards (IFRS) Foundation which sets accounting standards used widely across the globe. Its IFRS S2 directive establishes specific climate-related disclosures that, like the CSRD, are based on TCFD. In fact, beginning in 2024, TCFD will be absorbed into ISSB which will take over the responsibility of maintaining the framework and monitoring adherence. In a further melding of alignment, beginning in 2024, the CDP will incorporate the ISSB climate disclosure standard into its disclosure system.

In the U.S., the SEC is also working to finalize its climate disclosure requirements. Initially expected to be issued in December 2022, the SEC is expected to publish its final rule by October 31, 2023. Consistent with the other standards discussed above, the foundation of the SEC disclosures is also TCFD. Based on the draft proposal, companies will be required to report Scope 1 and 2 emissions as well as Scope 3 if they are material to the company or if the company has set an emissions target that includes Scope 3. There is some question as to whether the Scope 3 language will make it into the final rule, highlighting a key metric that remains an area of debate globally.

SCOPE 3 – A POINT OF CONTENTION

Scope 3 as defined by the U.S. Environmental Protection Agency (EPA) are emissions that are “the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly affects in its value chain. Scope 3 emissions include all sources not within an organization’s Scope 1 and 2 boundaries. The Scope 3 emissions for one

Figure 10: Overview of Scope 1, 2, and 3 scopes and emissions across the value chain

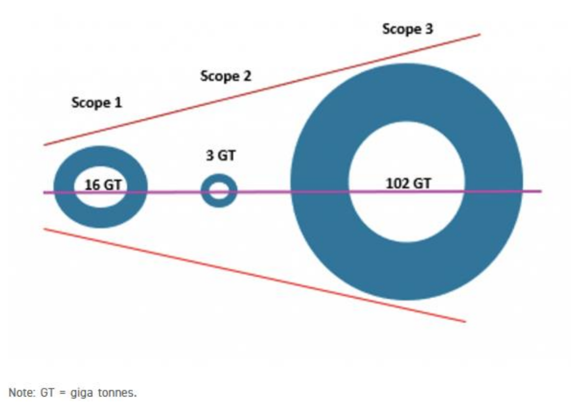


Source: World Resources Institute GHG Protocol organization are the Scope 1 and 2 emissions of another organization."

The CDP estimates Scope 3 represents 75% of companies' GHG emissions on average. Institutional Shareholder Services (ISS) estimates Scope 3 represents five times the emissions level of Scopes 1 and 2 combined (Figure 11) making it a critical metric to understand, measure, and disclose.

Unfortunately, understanding and measuring Scope 3 emissions is not a straightforward process. Therefore, even though global regulatory standards are coming closer into alignment, the requirements around Scope 3 remain varied.

Figure 11: Scale of Scope 1, 2, and 3 emissions



Source: ISS ESG

As noted, the SEC may choose to forego Scope 3 reporting altogether even though it is the largest source of emissions. The two major political parties in the U.S. can't even agree on whether the SEC has jurisdiction to require reporting. Twenty-four state attorneys general from Republican-led states have argued that the SEC does not have the authority to implement its proposed climate disclosure rule and have threatened to sue if it tries. In turn, 20 Democratic state attorneys general have stated the opposite and argued Scope 3 emissions disclosure is necessary to prevent companies from gaming the system by off-loading higher emission activities to third parties, so they are not captured in their Scope 1 and 2 figures. If Scope 3 is excluded from the SEC's final rule, the belief is that the SEC's motivation would be to avoid what seems like inevitable litigation.

While the political and legal wranglings may be uniquely American, many of the underlying issues are not. The ability to collect Scope 3 data is a primary reason the implementation of standards has been delayed in almost every region. ISSB's S2 includes a temporary exemption from Scope 3 reporting in part due to this concern. The 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.

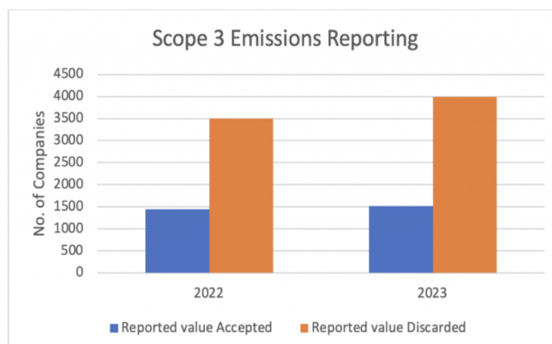
The expense of complying with the new climate disclosure regulations is not immaterial. This is tacitly acknowledged by regulators via exemptions for smaller businesses. The U.S. Chamber of Commerce estimates that the cost to comply with the proposed SEC climate rule would be 2.5x the total cost of compliance for all other SEC regulations currently in place. If true, how does that fit with ISSB's declaration that its Scope 3 disclosure rules should be reportable using "reasonable and supportable information without undue cost or effort"?

ISSB Vice-Chair, Sue Lloyd stated, "We recognize that companies need help, as best practice develops, in measuring Scope 3 GHG emissions and the guidance to support this disclosure." We have found that to be the case through our direct company engagement. In discussions with Johnson & Johnson (JNJ), it acknowledged that its Scope 3 goals are constantly reevaluated as it continues to assess its comfort with the data's accuracy. It admitted that the information is difficult to get from its upstream and downstream value chain partners and when it does obtain it, it is difficult to ensure its veracity.

To address the "undue cost or effort" issue, the ISSB 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. ISS assessed the quality of Scope 3 disclosures and stated that it discarded >70% of the data provided (Figure 12). It also noted that data quality did not improve from 2022 to 2023. While pursuing a goal of greater disclosure, SEC Chairman Gary Gensler has cautioned that Scope 3 calculations "are not well developed."

Figure 12: Scope 3 Emissions Quality



Source: ISS ESG

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, as noted earlier, Sysco (SYY) established a target to require 67% of its suppliers to have set science-based targets, including Scope 3 by 2026, but this appears quite ambitious relative to the 27% that do so today.

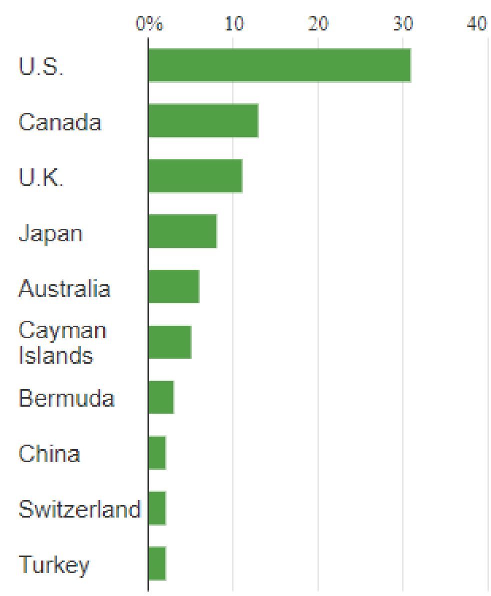
A SELF-SOLVING PROBLEM?

While data collection, quality, and cost are all legitimate concerns, companies may have no choice but to overcome these obstacles as disclosure regulations come into force. While the SEC may ultimately drop Scope 3 from its rule, that doesn't mean U.S. companies that operate 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. It is estimated that as many as 3,000, or >30%, of U.S. companies will fall under the scope of CSRD, meaning they will be required to disclose Scope 3 emissions data (Figure 13).

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. As United Healthcare CEO, Andrew Witty, put it to us, "Scope 3 eventually solves itself because everyone will require disclosure from everyone else."

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 Walmart, Amazon, or Apple requires it to do business with them?

Figure 13: Non-EU Companies Expected to be Subject to EU Sustainability Reporting



Notes: Includes foreign companies with EU stock listings and those that have more than €150 million in local revenue. Excludes foreign companies bound by the rules due to other conditions.

Source: Refinitiv

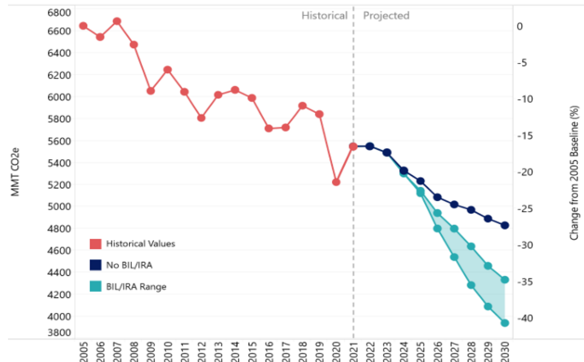
And how might this affect other areas of importance to sustainability like diversity? Could de-facto reporting requirements raise the hurdle to working with smaller minority- or women-owned suppliers? These are questions that need to be considered as the world seeks to hold companies accountable for reducing GHG emissions.

THE MARCH GOES ON

While the push toward clarity and consistency of climate-related disclosures continues, it should be noted that progress is being made on reducing emissions. The European Green Deal and the U.S. Inflation Reduction Act (IRA) both provide increased funding and incentives to further the battle against climate change.

A recent report from the U.S. Department of Energy (DOE) concluded that the Bipartisan Infrastructure Law combined with the IRA will meaningfully accelerate the reduction of GHG emissions in America. It estimates that from a 2005 baseline, GHG emissions will decline between 35% and 41% by 2030 (Figure 14).

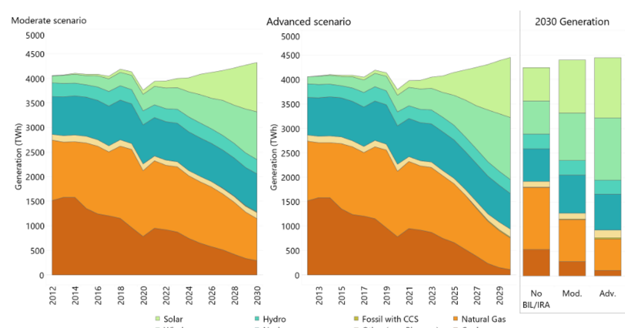
Figure 14: Net GHG Emissions Scenarios



Source: Energy Information Administration, Department of Energy

It also estimated that incentives in the bills will drive electricity generation from clean energy sources to 72% to 81% of the total by 2030 (Figure 15).

Figure 15: Net GHG Emissions Scenarios



Source: Energy Information Administration, Department of Energy

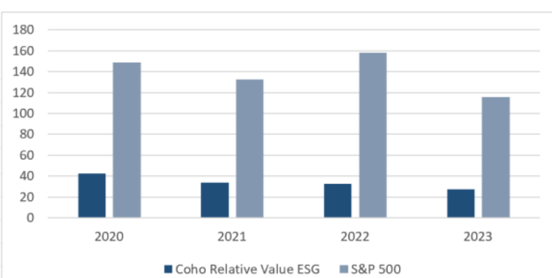
The reductions in GHG emissions are admirable, but they still fall short of the goal set by the Biden administration to reduce emissions by 50-52% by 2030.

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.

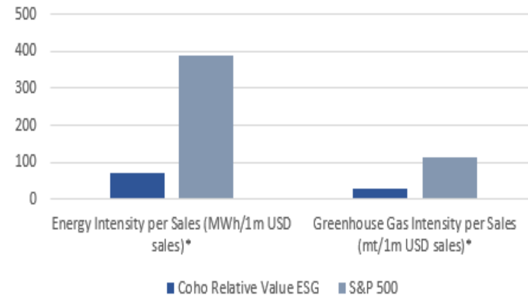
That desired predictability eliminates many cyclical and highly capital-intensive industries from the Coho 250, our investable universe. As a result, we naturally avoid many high emitting industries such as mining, heavy industrials, and airlines. Therefore, our philosophy and process naturally provide a low emissions investment portfolio. The favorable comparison to the S&P 500 Index can be seen in Figures 16, 17, and 18.

Figure 16: Historical Trend of Greenhouse Gas Intensity Per Sales (mt/1m USD sales) vs S&P 500



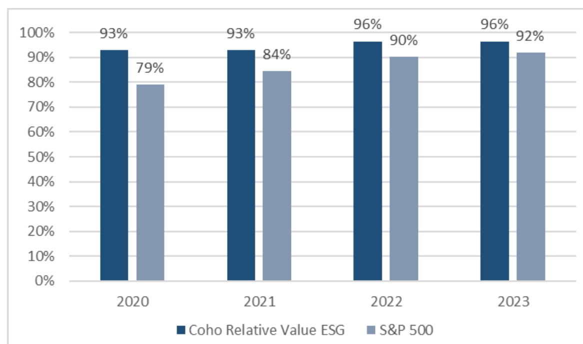
Source: Bloomberg. The Greenhouse Intensity includes Scope 1 & 2. For each year, the data runs from 07/01 of prior year to 6/30 of current year.

Figure 17: Energy and Greenhouse Intensity per Sales as of Q2 2023



Source: Bloomberg. The Greenhouse Intensity includes Scope 1 & 2.

Figure 18: Companies that disclose total GHG Emissions (Scope 1 & 2) for Coho ESG and S&P 500 Index



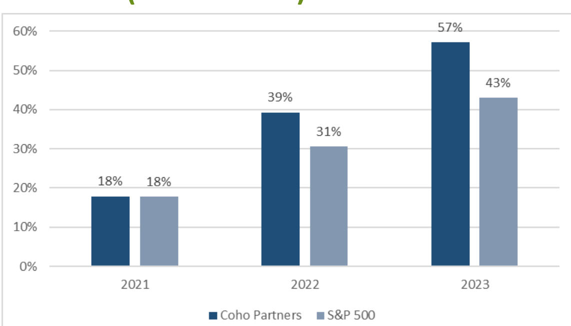
Source: Bloomberg.

While we are proud of the stark gap between the Coho ESG portfolio and the S&P 500 Index across all measures tracked in the charts, we would be prouder to see the broader market close that gap as that is what will be required to reach the Paris Agreement goals. That is why our engagement is not limited to our portfolio companies.

Even with the low emission levels of the portfolio we will continue to encourage our companies to continuously improve and enhance disclosures. To that end, while regulatory frameworks and disclosure requirements continue to evolve, we intend to persist in our effort to have our companies' climate goals validated by the SBTi which requires a Scope 3 target if a company's Scope 3 emissions are 40% or more of total Scope 1, 2, and 3 emissions (i.e., the vast majority of companies).

Regarding SBTi, we believe external validation implies an enhanced level of commitment to disclosure, reporting and progress.

Figure 19: SBTi Disclosure of Coho ESG Portfolio (2021 – 2023)



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

Like TCFD, we have made SBTi a point of emphasis in our engagement efforts and we have been pleased with the level of progress. The percent of portfolio companies that have made commitments to, or had targets approved by, SBTi reached 57% at the end of the second quarter 2023 as shown in Figure 19, which again compares favorably to the S&P 500 Index in terms of both absolute percentage and annual growth rate. We expect to see SBTi alignment within the portfolio to continue to increase meaningfully in the years ahead.

PATH TO NET-ZERO

This year, we are pleased to see more companies join the net-zero journey.

2050 net-zero emissions target

Lowe's (LOW) established crucial environmental targets in recent years and is acting consistently to exceed its goals. Since 2016, the company has successfully reduced its Scope 1 and 2 emissions by 49%. In December 2022, LOW announced its goal to reach net-zero emissions across the company's value chain including Scope 1, 2, and 3 GHG emissions by 2050, in accordance with SBTi guidelines. To meet interim SBTi targets, it has also committed to decreasing Scope 1 and 2 emissions by 40% and reducing Scope 3 emissions by 22.5% below 2021 levels by 2030. LOW is also a member of the Business Ambition for 1.5°C campaign, which was launched in the lead-up to the 2019 Climate Action Summit in an effort to raise the ambition on climate action and push companies to set science-based targets aligned with 1.5°C as opposed to 2°C or well-below 2°C.

Medtronic

2045 net-zero emissions target

Medtronic (MDT) has been recognizing the risks that climate change poses to human health and long-term global financial stability and has set an ambition to achieve net zero emissions across scopes 1, 2, and 3 by fiscal year 2045 that align with SBTi. Additionally, Medtronic provided a decarbonization roadmap which includes achieving carbon neutrality in its operations (Scope 1 & 2) by fiscal year 2030, engaging suppliers in emissions reduction initiatives and net zero ambitions, as well as executing continuous logistics improvements.

As noted previously, we view the validation of net-zero targets in alignment with TCFD/SBTi as a crucial prerequisite for emission reduction goals since the process of disclosure and reporting equips us with better understanding of the objectivity of these goals.

GRAY, BLUE, AND GREEN HYDROGEN: WHY DOES IT MATTER FOR ENERGY TRANSITION AND SECURITY?

As our companies contemplate their pursuit of emissions reductions and SBTi validated net-zero targets, we remain ever mindful of the need for a broad energy transition. The global shift from fossil forms of energy such as oil, natural gas, and coal, to renewable energy sources, will occur. The glide path, however, may be longer in duration than many expected just a few years ago. Geopolitical developments between Russia and Ukraine have heightened awareness around energy security and while hydrocarbons will continue to be needed for many years, we believe hydrogen (H2) will play an increasing role in the energy transition and ultimately energy security.

Hydrogen: a key building block in the energy transition

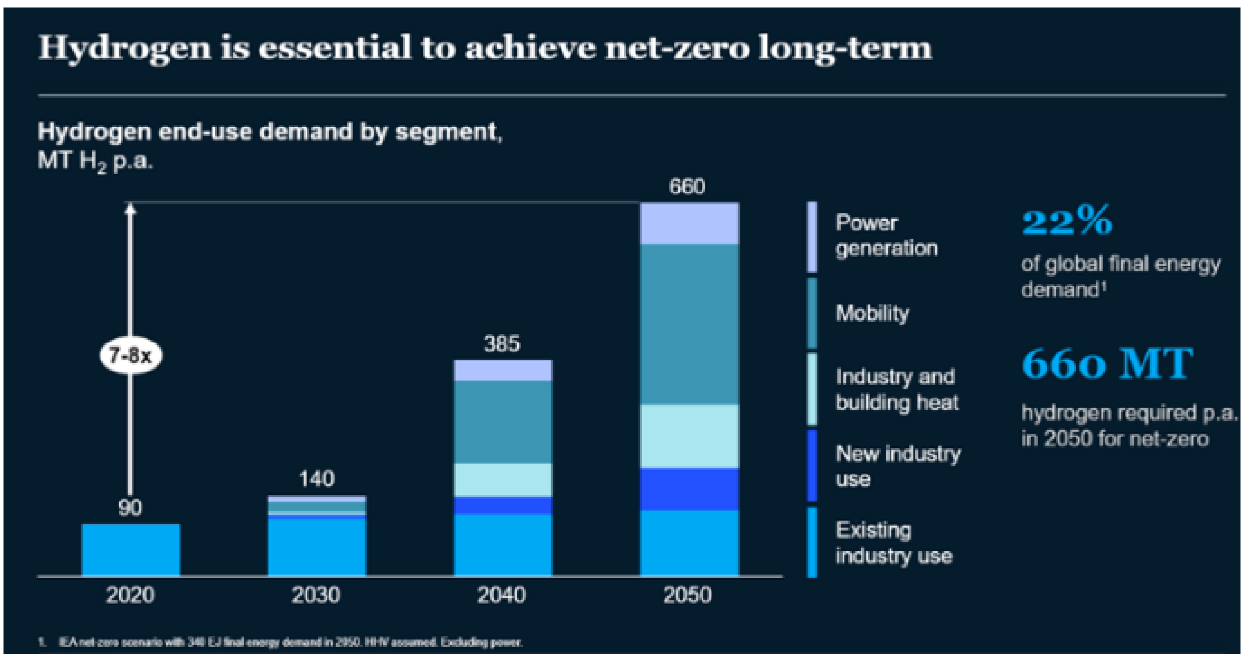
Globally, countries are increasingly looking at low- or no-emission forms of energy to decrease reliance on hydrocarbons and meet climate objectives. Achieving the goal of many developed nations to reach net zero by 2050 will require a meaningful increase in energy produced from renewables such as hydrogen as shown in Figure 20. The beauty of hydrogen is that it is abundant and emits no carbon dioxide (CO2) when used to generate energy.

However, hydrogen only exists naturally as a compound combined with other elements such as water (H_2O) and natural gas (CH_4). As such, separating H2 from the other molecules requires energy, which leads us to gray, blue, and green forms of hydrogen.

Gray, blue, and green hydrogen

Today, more than 94% of all H2 is what is known as gray hydrogen. Gray is mainly made from natural gas in a process called reforming, where natural gas is mixed with steam at high temperatures to separate the gas into hydrogen and carbon dioxide. Unfortunately, the CO2 byproduct gets released into the atmosphere.

Figure 20: Hydrogen is essential to achieve net-zero long-term

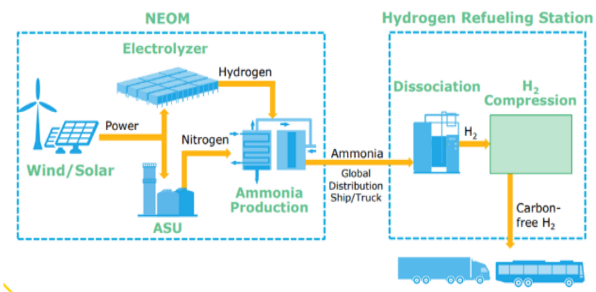


Source: IEA Net Zero by 2050

Blue hydrogen uses the same manufacturing methods as gray; however, the CO2 produced is captured and stored rather than being released. The challenge with blue hydrogen is the carbon capture and storage element of the process remains costly. Nonetheless, carbon capture technologies will improve over time making blue hydrogen a key steppingstone in the move to green.

Green hydrogen may be the holy grail of sustainable energy in the years ahead as it emits no carbons in the manufacturing process and has a zero-carbon footprint. The manufacturing process for green hydrogen is completely different than gray and blue but is also more costly. Essentially, hydrogen is separated from water using electrolysis. Renewable energy sources including wind and solar power are used to generate the electricity required for the electrolysis. In the Figure 21 below, we show the example of the world's largest green hydrogen project, which involves Air Products Ltd. (APD), a company in the Coho 250 investment universe. This is a joint venture between APD, a power generation company, and NEOM (a sustainable green city in Saudi Arabia). The power company is supplying 100% wind and solar power, which Air Products uses for the electrolysis of water to produce hydrogen. APD also uses its air separation capabilities to produce nitrogen, which will be combined with the hydrogen to produce green ammonia. This liquid ammonia will then be transported around the globe and disassociated into green hydrogen at refueling stations located at bus and truck terminals, which ultimately use the hydrogen. The green ammonia is solely a means of transporting the hydrogen as it is cheaper and easier to transport across the globe than pure hydrogen.

Figure 21: Carbon-free hydrogen produced and delivered with proven, world-class technology



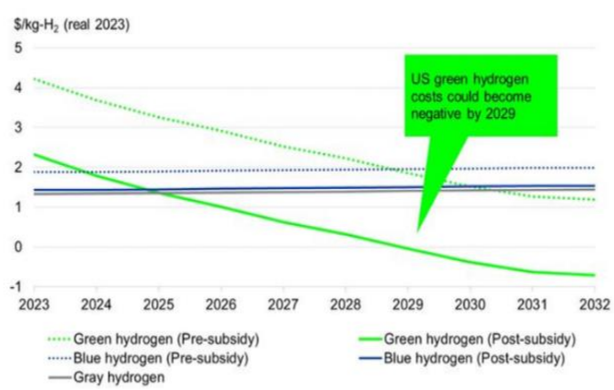
Source: Air Products Ltd.

The challenge on the green hydrogen side centers on the current high costs of the electrolyzers which run at about $1,000/KW today but are expected to decline to $300/KW by 2030 according to most industry experts. The Air Products project is large in scale (650 million tons of hydrogen per day or more than 100x the current largest production plant) and capable of eliminating CO2 and other emissions from the equivalent of over 700,000 cars annually. Another company in the Coho 250 investment universe, Linde, the largest liquid hydrogen producer in the U.S., recently announced plans to increase its green hydrogen production capacity in California and New York. Last month Linde also announced plans to supply blue hydrogen to OCI N.V, a global leader in the initiative to decarbonize energy-intensive industries, at its 1.1 million ton-per-annum blue ammonia plant in Beaumont, Texas.

Why does green hydrogen matter?

Green hydrogen holds the potential to completely decarbonize the global economy including end markets such as electricity generation, transportation, and many other industrial uses. We are clear-eyed and recognize the hydrogen economy is still in its infancy and will take many years to fully mature; however, the wheels are in motion and irreversible. Cost and scale are clearly an issue today, yet both are expected to improve materially in the years ahead as production technologies improve. While regulations are always a wildcard, there is growing support by governments in the developed world to incentivize the production of sustainable energy sources (Figure 22 showing the effect of IRA tax credits on the cost of hydrogen in the U.S.), while ensuring the transition is smooth as the world steadily moves to decarbonize the economy.

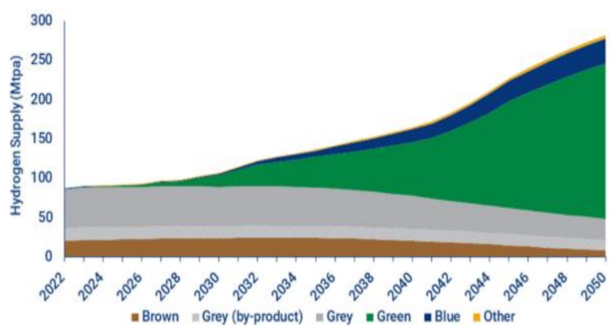
Figure 22: Effect of IRA tax credits on levelized costs of hydrogen in the U.S.



Source: BloombergNEF

Traditional hydrocarbons such as oil and gas will play an important role in the energy transition for years to come as many countries look to avoid the problems caused by energy poverty. Nonetheless, we expect hydrogen to play a meaningful role in the move to decarbonize the global economy and meet climate objectives as shown in Figure 23 below.

Figure 23: The rapid rise of green hydrogen will dwarf fossil hydrogen



Source: Wood Mackenzie

As the CEO of Air Products recently stated, “If the world is truly to move forward with the energy transition and build a cleaner, more sustainable future, hydrogen must play a key role.” The Coho Investment Team will continue to monitor hydrogen’s progress and investment implications for the energy transition in the years ahead.

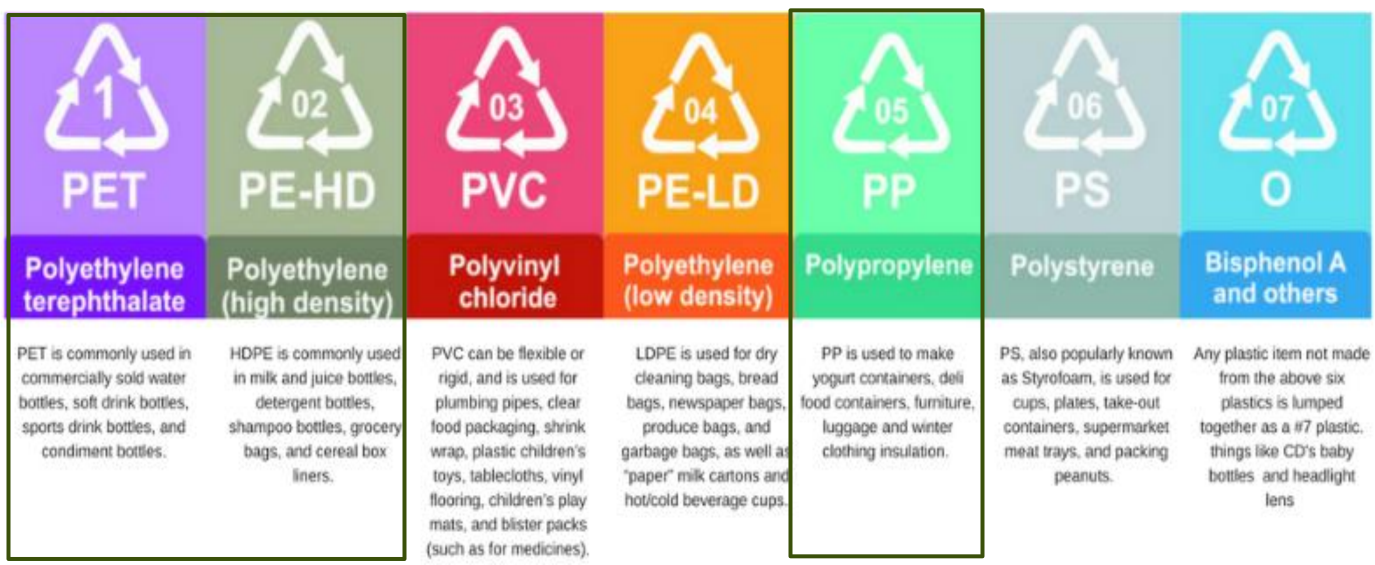
GLOBAL PACKAGING IN THE FOOD AND BEVERAGE INDUSTRIES

Another area the team is focused on is packaging waste, particularly in the food and beverage arena given our portfolio exposures in this space. The growing global population and expanding middle class have put upward pressure on the need for global food consumption. As produce and animal proteins are rarely ever truly farm-to-table, food manufacturers must use packaging for easy distribution and storage. The global food and beverage packaging industry had estimated sales of approximately $500 billion in 2022, of which plastic was the largest packaging material at around 30%, followed by paper-based, glass, metal, and other[3]. For this reason, we will be focusing our comments on plastic packaging, the challenges of expanding the circular economy within this category, and how Coho portfolio companies are facing these challenges head on.

All plastics are not created equal

The food and beverage industries largely utilize Polyethylene Terephthalate (PET or 1), High Density Polyethylene (HDPE or 02), and Polypropylene (PP or 05). Fortunately,

Figure 24: The plastics universe



Source: Greenpeace

[3] Data sourced from Beverage Packaging Market Size to Hit US$ 241.3 Bn by 2030 (precedenceresearch.com) and Food Packaging Market Size to Hit US$ 464.98 Billion by 2027 (precedenceresearch.com).

these are the most easily recyclable plastics; therefore, recycling them should be easy, right? Not necessarily. Food wrappers, plastic bottles, plastic bottle caps, grocery bags, and plastic straws and stirrers are the second most common group of plastic items found in the environment (#1 is cigarette butts). It has been estimated that only between 12-35% of HDPE and PET are recycled each year, with the remaining ending up in the environment or in landfills[4]. To prevent this, structural changes are needed.

The circular plastics economy

The holy grail of plastic packaging is the creation of a sustainable, circular economy of waste plastic being repurposed for new goods. Figure 25 is from portfolio company, Mondelez International, showing what a circular packaging economy means to them.

Figure 25: The Circular Packaging Lifecycle

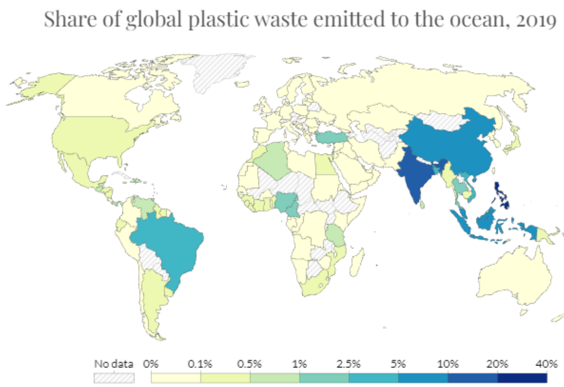
Source: Mondelez Snacking Made Right ESG Report (2021)

As of 2019, Asian nations were the largest contributors to litter and plastic pollution (approximately 81%), with the Philippines being the single largest contributor at almost 36% of global waste emitted into the ocean. As the middle class expands in these emerging nations, plastic use and pollution will only get worse unless there is a concerted effort to change. For example, India contributed about 2% of global plastic

[4] Calculations based on data sourced from HDPE Plastic Recycling - How is HDPE Recycled? (plasticexpert.co.uk) and Researchers Engineer Microorganisms to Tackle PET Plastic Pollution | News | NREL.

waste that flowed into oceans in 2010 but now makes up almost 13%[5].

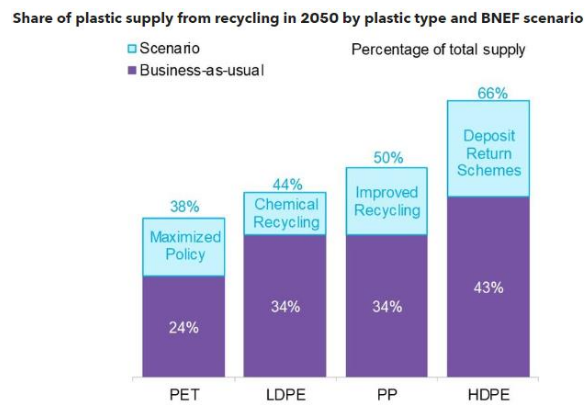
Figure 26: Plastic Waste by Country



Source: Meijer et al. (2021). More than 1000 rivers account for 80% of global riverine plastic emissions into the ocean. Science Advances. OurWorldInData.org/plastic-pollution – CC BY

Similar to electric vehicles and solar power, government intervention might be needed to spur wide-scale recycling initiatives. Recycled plastic resin has historically been more expensive than virgin plastic resin (“green premium”), and at the same time plastic recovery has typically been unprofitable. This combination has reduced both demand and supply. Without long-term economic profitability, it is unlikely a circular economy will work unless beverage and packaged goods companies, or governments, step in to subsidize or mandate recycling initiatives. Bloomberg estimates that government intervention could increase the use of plastic feedstock from recycled materials by 53-58% for HDPE and PET by 2050.

Figure 27: Share of Plastics Supply from Recycled Material in 2050



Source: BloombergNEF

How are Coho’s Portfolio companies helping?

All of Coho’s food and beverage companies have stated goals and initiatives to promote a circular economy of recycled packaging. Within the packaged food and beverage industry sector of the Coho Relative Value ESG portfolio, Coca-Cola uses the most packaging at approximately 5.3 million metric tons (plastics make up 49% of total

[5] Data sourced from: Where does the plastic in our oceans come from? - Our World in Data

packaging)[6]. Step one in circular packaging is to actually make the packaging out of materials that can be recycled. To that end, and to continue improving its stewardship of the environment, Coca-Cola set a goal of making all product packaging recyclable by 2025. All Coho ESG food and beverage companies have a goal of making all packaging recyclable, compostable, or reusable by 2025.. Separately, Coca-Cola has set a goal to have 25% of all beverages sold in refillable/returnable glass or plastic by 2030, up from about 10.4% in 2022. Another good example from within Coho's portfolio is ConAgra Brands. Since 2017, ConAgra has avoided approximately 35 million pounds of plastic altogether by utilizing plant-base packaging.

Step two in circular packaging is committing to using recycled material in product manufacturing. This will provide confidence to suppliers that there will be a profitable end-market for their recycled feedstock. In that regard, Coca-Cola has the most ambitious goal among our holdings of utilizing 50% recycled materials in all packaging by 2030. Other targets among our food and beverage holdings range between 5% to 30% by 2025 or 2030.

Step three, which is partially out of the industry's control, would be to collect reusable plastics/packaging to create a closed-loop system. Government intervention will be needed to promote, push, and incentivize all stakeholders to actually recycle their used goods. Coca-Cola partners with businesses, governments, and citizens across the world to collect recycled material. The company's goal is to collect and recycle a bottle/can for each one it sells by 2030, and in 2021 it collected and refilled/recycled 61% of its bottles, up from 56% in 2018.

We recognize that consumer packaged goods companies are currently large contributors to single-use plastics waste, but we remain focused on companies with robust goals to reduce the environmental impact of packaging. We also engage with our portfolio companies to monitor and encourage progress towards their stated goals. While there is no quick and easy solution to eliminating plastic waste, the Coho Investment Team will continue to study the advancements that industry and government participants make around the world, and the implications that it has on current and future investments.

[6] Coca-Cola Business and Sustainability Report (2022)

04 COHO CARES

DIVERSITY, EQUITY, AND INCLUSION MAKE US STRONGER

Diversity, equity, and inclusion 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.

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. Coho continues to strive for diversity in our hiring process, and we have been advertising our positions with organizations such as Women in Investing of Philadelphia ("WIN") and the Tiogo Foundation. Tiogo is a new source for us, and the foundation focuses on diverse populations and women in our industry. Coho continues to be a sponsor of WIN and pays for WIN memberships for employees who would like to participate in networking and education events.

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 COMMITTED TO THE DEI JOURNEY

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 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 the firm's 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 recognize that we may not have all the answers and this effort is a work in progress. We at Coho intend to be an agent for positive change in our industry and in our local communities.

WE WALK THE TALK

We believe there is no "one size fits all" approach to giving back. We strive to put our values into action through both corporate giving and hands-on employee engagement with volunteer opportunities throughout the year. Our hope is we will continue to make a positive impact on our surrounding communities in every way we are able.

THE RESULTS ARE IN

Every year Coho hosts an internal competition called the Coho Cares Cup. Employees are asked to donate five hours of time during the year toward volunteering for a charity of their choice. We are pleased to report that we have surpassed our goal again this year. Our employees collectively served 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 hosted several firm-wide volunteer events. Some of these events include Coho employees committing to the 28 Miles in February campaign for the American Cancer Society, sorting and packaging donations for the children who benefit from the Cradles to Crayons organization, hosting a year-round donation drive for The Grace Project, taking part in the annual Main Line Animal Rescue Tails & Trails event, and organizing a donation drive for The Salvation Army.

Coho colleagues catch their breath after a 5k run/2k walk for the Main Line Animal Rescue.

In addition to the friendly contest for volunteerism, we continued our tradition of corporate holiday giving this year. We made a donation in our clients' honors to two non-profit organizations: The Grace Project and the American Parkinson Disease Association. The Grace Project aims to bring hope through acts of kindness to children and adults impacted by sickness, poverty, or addiction in the Philadelphia area. Its Kensington Outreach program brings supplies to the homeless, its Give a "Little" Hope Program is designed solely to support at-risk children, and its Hope for the Holidays program brings a memorable holiday to families in need. The American Parkinson Disease Association (APDA) is the largest grassroots network dedicated to fighting Parkinson's disease (PD) and works tirelessly to help the approximately one million individuals with PD in the United States live life to the fullest in the face of this chronic, neurological disorder. 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.

SERVICE SPOTLIGHT: LEADING BY EXAMPLE

One of the employees in the winners' circle of this year's Coho Cares Cup is John Musser, a member of Coho's Client & Consultant Relations Team. John donated nearly 40 hands-on hours of his time in the 2022/2023 giving season toward various non-profit organizations such as Carry the Load which supports the U.S. military, veterans, first responders, and their families, and Cradles to Crayons which provides children from birth through age 12, living in poverty, low-income, or homeless situations, with the essential items they need to thrive.

John also volunteers his time coaching youth soccer for elementary school kids looking to develop their skills. While wrangling a group of seven-year-olds isn't always easy, he embraces the opportunity to lead by example and serve as a role model for his team (and his own children) both on and off the field. As a disciplined athlete, John knows first-hand that a coach can be one of the most influential figures in the life of a child. By leading with positivity and encouragement, the children on his team are motivated to do their best, to follow through on their commitments, and to have fun along the way. John, in turn, is rewarded with priceless smiles and even a few well-earned goals.

John believes in the end you get back more than you give when you donate your time and your skills. While financially supporting a cause is always helpful, the impact you can make by getting involved and lending a hand can be profound. We, at Coho, couldn't agree more.

Mr. Musser is pictured above (third from the right) as he and colleagues spent the day sorting donations at Cradles to Crayons.

We know that the relationships we build within our community, and certainly with our clients, are fundamental to the success of our business. They require integrity, focus, collaboration, and humility which happen to be a few of Coho's core values. We are mindful that the decisions we make as a firm impact our employees, our clients, and our communities. We strive to help all our employees live out their values as we encourage social responsibility at the firm-level and within each member of the Coho family. We will continue to provide all employees with Coho Cares days that offer paid time off for volunteering and to organize group volunteer projects to help strengthen the connection between employees and their communities and fortify their sense of pride in Coho Partners.

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

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

2021/2022 PROXY VOTING RECORD

Voted against 12% of say-on-pay proposals and 13% of directors who did not meet the tenure requirements on board commitments

Supported 47% of shareholder proposals compared to 33% for the S&P 500 Index

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

UN PRI 2021 Scores

Active Fundamental Incorporation & Investment Stewardship & Policy

★ ★ ★ ★ ☆

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 INVESTOR STEWARDSHIP GROUP

Sources: UN PRI, Coho Partners. Engagement meetings reflect a three-year period ending 12.31.22.

COHO PARTNERS, LTD.

Where protection and participation meet®