

Baron Capital's Exclusion Policy

Aligned with our values, our Exclusion Policy currently covers tobacco, firearms, and adult entertainment.

Tobacco

Baron portfolio managers will not purchase stocks of businesses engaged in the production of tobacco and tobacco- and nicotine-related products, including e-cigarettes. We also limit our exposure to tobacco retailers that sell these products.

Firearms

Baron portfolio managers will not purchase securities of businesses engaged in the manufacturing and distribution of firearms, including certain types of ammunition. We do not exclude businesses whose products are sold to governments or are for military or police use.

Adult entertainment

Baron portfolio managers are prohibited from purchasing securities of businesses engaged in adult entertainment. We do not consider casinos and other gaming companies as adult entertainment.

If we can reasonably determine that 10% or more of a business' revenue is derived from the above activities, that business will be added to our Exclusion List.

Implementation

A key element of our policy is identifying publicly traded businesses engaged in the above activities. For this, we primarily use Fact Set Research System's Revere Business Industry Classification System (RBICS). RBICS is a comprehensive structured taxonomy, which offers single sector mapping of approximately 48,000 publicly traded companies across 78 countries and 27 global indexes based on their primary lines of business. The RBICS matrix structure is twelve-by-six, consisting of 12 anchor sectors, each with five additional and increasingly detailed layers of sub-sectors. RBICS offers a high level of precision through a bottom-up approach of classifying companies first according to the products and services they sell. FactSet RBICS contains three subsidiary products—RBICS Focus, RBICS with Revenue, and RBICS with Tradenames.

To assemble the firmwide Exclusion List we first identify RBICS sub-industries associated with the above activities. We then screen publicly traded securities using RBICS Focus¹ sub-industry assignments and RBICS with Revenue's² revenue percentages. In this step we can distinguish between companies that derive the majority of their revenue from the above activities and those that may have some exposure. The List is further culled by reviewing detailed business descriptions using applicable keywords. We may also use FactSet's proprietary industry classification system³ and GICS to identify these securities. Using this information, we add businesses to the Exclusion List if we reasonably

¹RBICS Focus offers a single-sector mapping of about 48,000 of the most liquid and publicly-traded companies based on their primary lines of business; it uses revenues as the key factor in determining a company's primary line of business, by mapping a company to the lowest-level sector from which it derives 50% or more of its revenues.

²RBICS with Revenue offers a multi-sector mapping of about 46,000 of the most liquid and publicly traded companies; the revenue percentages associated to each reported business segment are standardized into the most granular sectors of the RBICS taxonomy.

³In this system, FactSet classifies companies into industries and sectors. Its goal is to identify patterns of economic and industrial change that may not be readily discernable elsewhere.



believe they have more than 10% revenue exposure to tobacco, nicotine, firearms, or adult entertainment. This List is updated quarterly. Depending on issuers' business descriptions and FactSet's classification of these businesses, we may add companies to our Exclusion List or remove them each quarter. Compliance enters them into our trading compliance system (Charles River) to prevent them from being purchased. Our Exclusion List includes primary and secondary listings.

The third-party system we use may not identify every company involved in activities we seek to avoid, and we recognize that different systems may estimate exposures using different methods and assumptions, producing disparate results.

If an existing holding begins to conduct business in any of these industries, or if a business in which we invest acquires a business engaged in these activities, the research analyst covering the company, the portfolio manager who invested in the business, and our ESG Committee will evaluate the activity and exposures collaboratively and will determine if continuing to own the company complies with this Policy.

We occasionally invest in private companies. In these instances, it is the responsibility of the analyst covering the stock and the portfolio manager who wants to invest in it to provide research and analysis supporting their assessment that an investment in the private business would comply with this Policy prior to initiating security set up.

ESG Committee

In 2018, we formed the ESG Committee to focus on ESG matters. We expect the Committee to monitor trends in ESG research and investing. The Committee will help formulate and implement our ESG policies as they evolve and assist with client requests and reporting.

Members of the Committee include investment, portfolio risk, product, and legal & compliance professionals.

Baron Exclusion List

The following FactSet RBICS information is used to identify companies for our Exclusion List.

Tobacco

Tobacco- and nicotine-related businesses include publicly traded securities classified by RBICS Focus or RBICS with revenue >10% under the following sub-industries:

- Cigarette Manufacturing (5015201010)
- General Tobacco Manufacturing (5015201510)
- Other Tobacco Products Makers (5015202010)
- Electronic Cigarette Manufacturing (5015202510)
- Tobacco Product Retail (5010102530)

Firearms

Firearms-related businesses include publicly traded securities classified by RBICS Focus or RBICS with revenue >10% under the following industry group/sub-industries if the business descriptions specify the manufacturing or distribution of firearms commercially, and contain “firearms,” “small arms,” “guns,” “rifles,” “pistols,” “handguns,” “hunting,” “bullets” or “ammunition”.

- Defense Manufacturing (40101015)
 - ▶ Other Small Arms and Security Manufacturing (4010101515)
 - ▶ Security and Safety Equipment Manufacturing (4010101515)
 - ▶ Advanced Combat and Support Systems Manufacturing (4010101510)
 - ▶ Defense Contractors (4010101510)
 - ▶ Defense Electronics Equipment Manufacturing (4010101510)
 - ▶ Aerospace and Defense IT Services (4010101515)
- Sporting and Athletic Goods (20101520)
 - ▶ Other Hunting, Fishing, and Camping (2010152020)

Adult Entertainment

Adult entertainment-related businesses include publicly traded securities classified by RBICS Focus or RBICS with revenue >10% under the following sub-industries if the business descriptions contain “adult entertainment,” “adult content,” “adult film,” “adult products,” “gentleman’s club,” “gentleman’s nightclub,” “erotic(a),” or “pornography”.

- General Amusement and Recreation Centers (1510101510)
- General Publishing (1515102020)
- Magazine Publishing (1515102020)

Using the same key words, we also screen for businesses classified by FactSet's proprietary classification system under:

Publishing: Books/Magazines (3425).