

Voting and Engagement Policy

Policy overview

Findlay Park Partners LLP (“Findlay Park”) is a UK Investment Management Company that invests primarily in US equities on behalf of investors in the Findlay Park American Fund.

We are committed to being active stewards of our clients’ assets. We challenge companies – through engagement with management and the exercise of our voting rights – where we see scope for improvement that will deliver long-term value to shareholders.

This policy describes how Findlay Park exercises its voting rights and engages with management, directors and other stakeholders on behalf of investors in the Findlay Park American Fund. It should be read in conjunction with:

- Our Statement on the UK Stewardship Code
- Our Responsible Investment Policy
- Our biannual Voting and Engagement Report

All three documents are available on our website.

Monitoring and engagement

We conducted 600 one-on-one meetings with current and potential investee companies in 2018 alone. Our regular dialogue focuses on business strategy, performance, and financial and non-financial risks. Our Investment Philosophy, which manifests itself in a twenty-nine point checklist of questions we ask ourselves about every investment we consider, focuses our team on identifying companies with sustainable returns linked to strong customer value propositions; we believe that the assessment of environmental and social factors is an essential part of an investment process. We pay careful attention to capital structure, considering dividend and share buyback policies, employee stock plans and the use of debt finance. We challenge management teams where we identify room for improvement in corporate governance, addressing the role of the Board and its committees as well as executive compensation arrangements. In 2019 we have expanded our dialogue on ESG-specific issues, including environmental stewardship, data privacy, and diversity disclosure.

We are transparent with company management teams about our voting intentions; while our approach is to avoid holding positions in companies that are managed out-of-line with our preferences, we almost always find that senior executives are receptive to our engagement. We were pleased to record, in our 2018 Voting and Engagement Report, a number of occasions on which new information revealed through engagement with management – or new commitments that management subsequently made – led to a change in our initial voting decision. In addition to exercising our voting rights and participating in constructive dialogue, as an active investor we may determine that the best course of action for the investors in our Fund is to sell a stock if our concerns are not resolved.

Voting approach

We do not participate in stock lending arrangements and therefore retain voting rights across all holdings in the Fund. We aim to achieve a 100% voting record, abstaining only in exceptional cases (which we always explain in our reporting).

We consider the specific circumstances of each company we invest in and the detail of the individual resolutions. Although we subscribe to the services of a third-party proxy voting provider, Institutional Shareholder Services ('ISS'), we make independent voting decisions based on our own research and engagement with management teams.

Our process begins with our ESG analyst reviewing upcoming AGMs and identifying contentious motions. Research is then provided to the Investment Committee and the portfolio manager(s) responsible for the stock concerned. Following Committee review, dialogue between our portfolio managers and engagement with company management, the portfolio managers propose our voting decision in relation to the contentious motions and record their rationale. Finally, the countersignature of the CIO is required.

Executive pay plans are reviewed by the portfolio managers and the ESG analyst irrespective of whether they have been flagged as contentious. AGMs also provide our Investment Team with an opportunity to reflect on board composition and governance structure.

Coordination by the ESG analyst and oversight by the Investment Committee ensures consistency of voting and reporting. On most issues, we believe that evaluating resolutions on a case-by-case basis – rather than imposing portfolio-level rules – makes the most of our highly research-intensive process.

However, we support by policy any motions designed to increase transparency in companies' political contributions, as well as any proposals to enhance shareholder rights by lowering the threshold required to call special meetings (unless the proposed threshold would empower one large shareholder to call a meeting unilaterally). We will oppose executive compensation schemes that fail to demonstrate a clear alignment between the interests of shareholders and management.

Escalation

We engage on issues of concern with a positive mindset, hoping to clarify management's intentions or change behavior.

Should this not be possible, we will:

- Raise the issue further up the management/governance hierarchy (if there is further to go).
- Determine whether the failure to resolve the issue compromises our investment thesis.
- If we conclude that it does, exit the position.
- If not, make any appropriate adjustments to current and/or maximum position sizes, and note the issue for high-priority monitoring.

Material issues are reviewed by the Investment Committee. The Committee meets weekly and consists of the CIO, the CEO, and two portfolio managers.

Before voting against management, portfolio managers will engage the company and, if appropriate, non-executive directors to discuss our concerns.

Conflicts

Our Personal Account Dealing Policy prohibits partners, employees and other connected persons from investing in direct listed equities. We manage one investment strategy, available via one fund. We do not manage separate accounts. As such, our commercial situation presents limited scope for conflicts of interest.

In the unlikely event that a conflict of interest arises with regard to a voting decision, our policy is to vote in line with the recommendation from our independent voting service provider, ISS.

Our Conflicts of Interest policy is available on request.

Stakeholder communications and collective action

We are participants in the UNPRI's shareholder collaboration programme, which presents opportunities to join thematic working groups and sign open letters related to topics of concern. Although the principles of our approach (as crystalized in the Investment Philosophy checklist) guide us towards exiting positions in companies that we deem to be failing to act in the best interests of their shareholders and stakeholders, in serious and unusual cases we would not hesitate as active owners to collaborate with other investors to press for changes.

As part of our research efforts to assess company culture, we engage, where appropriate, with current and former employees of investee companies. We also call individuals and companies in other parts of our holdings' supply chains where we believe that this has the potential to add value. On specific and material governance problems, we arrange to meet independent board members if necessary.

Reporting

We consider transparency an essential part of our stewardship responsibilities. We maintain a record of all votes cast recording detailed rationale for all decisions made relating to contentious proposals. Twice a year, we explain significant votes and supply engagement case studies in our Voting and Engagement Report, which is available to clients via our website.

For the purposes of our reporting obligations, we define a 'significant' vote as a vote on a contentious issue, which will usually include any vote against management's recommendation and any vote on a shareholder resolution. Though we expect to abstain rarely, if ever, we always explain abstentions in our reporting.

Approved by the Board of Findlay Park Partners LLP

June 2019

Important Information

This document has been prepared by Findlay Park Partners LLP (“**FPP**”), the investment manager of Findlay Park American Fund, a sub-fund of Findlay Park Funds Plc (“**Fund**”).

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