

Statement on the UK Stewardship Code

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 investors.

This engagement is a central pillar of our approach: to control the downside risk in each investment that we make and so produce a compelling risk-adjusted compound rate of return over time. We believe that we can generate higher compound returns for our investors by taking less risk.

The Findlay Park Investment Philosophy helps us to identify businesses that should generate sustainable returns while advancing the interests of their customers, employees and shareholders.

We aim to invest in businesses that generate strong free cash flows with management teams that are effective allocators of capital. We back companies that deliver value for their customers through great products and services. We look to support corporate cultures that create an environment for employees to flourish and grow. We see our stewardship activity, as well as a serious obligation, as an opportunity to improve our understanding of the businesses we own, and so refine our investment theses and drive superior performance.

This document describes how Findlay Park integrates each of the seven principles of the UK Stewardship Code into our business practices. It should be read in conjunction with our Responsible Investment Policy, our Voting and Engagement Policy, and our biannual reports on our Voting and Engagement activity – all available on our website.

Principle 1: “Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities”

Our approach to stewardship is guided by our investment philosophy, the framework for our research intensive process since the Fund’s launch. The philosophy manifests itself in a comprehensive list of questions that we ask ourselves about every company that we invest in. Each stock is marked against a 29 point checklist, designed to steer us towards a particular kind of company – and a particular, long-term-focused mode of ownership – without imposing outright restrictions. Debate and challenge will be focused on those points where the company falls short of our expectations, and these are also our starting points for engagement or analysis of upcoming opportunities to vote. Material factors – including environmental, social and governance issues (ESG) – will be specifically addressed with company management by our portfolio managers and equity analysts.

Principle 2: “Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed”

Our Personal Account Dealing Policy prohibits partners, employees and other connected persons from investing in direct listed equities. Moreover, we are in the privileged position of managing just 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.

All reasonable steps are taken to prevent conflicts of interest. Should a potential conflict of interest arise, we require that the staff involved notify our Compliance team, who will take appropriate steps to ensure fair treatment. In particular, the Firm’s Market Conduct Policy requires that any member of staff coming into the possession of material non-public information reports to the Compliance Officer immediately.

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, Institutional Shareholder Services (“ISS”).

Our full conflicts of interests policy is available on request.

Principle 3: “Institutional investors should monitor their investee companies”

Our co-coverage model ensures that every company we invest in is researched and monitored constantly by at least two of our portfolio managers and analysts. Current positions are re-pitched regularly to the rest of the investment team and their scores against our investment philosophy criteria are updated. A decision to invest in a new company will only be made after sustained engagement with management and rigorous, wide-ranging analysis. All pitches address ESG risks and opportunities, and we routinely arrange one-on-one meetings with senior management to cover these issues.

Our investment monitoring process aims to identify problems at an early stage. Any concerns we have will be raised with the relevant company’s board or management if we believe it to be appropriate to do so.

Principle 4: “Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities”

We engage on issues of concern with a positive mindset, hoping to clarify management’s intentions or to 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, portfolio managers will engage with the company and, if appropriate, non-executive directors to discuss our concerns.

Principle 5: “Institutional investors should be willing to act collectively with other investors where appropriate”

While our investment approach guides 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.

Principle 6: “Institutional investors should have a clear policy on voting and disclosure of voting activity”

We make available on our website both our Voting and Engagement Policy, which outlines our priorities and procedures, and our biannual Voting and Engagement reports, which explain our voting over the previous 6 months and provide engagement case studies.

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 reports. We evaluate resolutions on a case-by-case basis, paying due attention to each company's particular circumstances and the wording of the proposal. Research by the Responsible Investment Lead is supplied to the Investment Committee as well as the portfolio managers responsible for the stock. Following engagement with management, the portfolio managers require the countersignature of our CIO to take their voting decision on contentious issues. We maintain a record of all votes cast and our rationale.

Principle 7: "Institutional investors should report periodically on their stewardship and voting activities"

More detail on our stewardship activities can be found in our Voting and Engagement Policy together with our biannual Voting and Engagement reports. Reports covering voting prior to 2019 were made available to investors on request; future reports will be publicly accessible via our website. We are also committed to reporting annually in accordance with the UNPRI. Our first report explaining our implementation of the Principles will be published in March 2020 during the voluntary reporting period.

We will review this Stewardship Code statement on an annual basis and update it as necessary to ensure that it reflects best practice and any changes to Financial Reporting Council guidance.

For further information regarding our approach to stewardship please contact the Investor Relations team at info@findlaypark.com

Approved by the Board of Findlay Park Partners LLP

August 2019

Important Information

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