Responsible Investment & Engagement Report 2019

Findlay Park Partners LLP's (Findlay Park) purpose is to generate compelling compound returns for our investors, measured over decades. Our Investment Philosophy is grounded by the belief that we can generate higher compound returns for investors by taking *less* risk. Consideration of ESG issues, thorough engagement, and voting are key to our investment approach.

2019 highlights

- 100% voting record.
- Over 250 one-on-one meetings with companies.
- Over 100 engagements with our companies where ESG issues were a focus.

Overview

In 2019 we dedicated more resource to responsible investment, expanding our Investment Team to include a Responsible Investment Lead, and using new data providers to deepen our understanding of specific ESG factors. This has allowed us to evolve the way we look at ESG issues at the company and portfolio level, with new areas of portfolio-wide focus including climate change, human capital, and business ethics.

We also spent more time engaging on ESG issues with companies in which we invest. This included over 100 meetings where ESG issues formed all or part of the discussion. We had an intensive focus on culture. One question we ask ourselves about every company we consider for investment is, 'do we like the corporate culture?'

Our voting principles are underpinned by our Investment Philosophy, and we have summarised these in our Responsible Investment & Engagement Policy. Without resorting to a 'tick box' approach, these principles help guide our thinking when approaching a voting decision. We also became a signatory to CDP (formerly the Carbon Disclosure Project) to encourage corporate disclosure of material sustainability risks and impacts.

We have had a range of discussions with our investors regarding responsible investment, explaining our approach, answering questions. Whilst cautious about the use of third-party ratings to precisely 'measure' ESG quality, we recognise their value in informing an initial view and generating questions. We were interested to see Morningstar expand their analysis to include new ESG and carbon risk factors. We have been rated with 4/5 Sustainability Globes and well above average relative to Morningstar peers, and highlighted as a 'Low Carbon' Fund.[1]

Our reporting

This report provides more detail on, and examples of, our approach to ESG integration, engagement and voting. We encourage investors to read it in conjunction with our Responsible Investment & Engagement Policy. We reported on our voting and engagement for the first half of the year, and this is available on our website (www.findlaypark.com). We are signatories to the Stewardship Code, which was revised in October 2019 with a reporting deadline of March 2021. We will also be reporting in line with our commitment to the UN Principles for Responsible Investment (UNPRI). This will be made available on their website in 2020.

[1] As at 31st December 2019. Our data is provided to Morningstar on a two month lag. Morningstar sustainability assessments are based on research from Sustainalytics. Morningstar Sustainability Rating Methodology (31st October 2019, Version 2.1) may be found at www.morningstar.co.uk.

ESG Integration

Our Investment Philosophy helps us identify businesses that should generate sustainable returns. Our starting point when looking at any company is not 'how much can we make if we get it right?' but 'how much could we lose if we're wrong?' We have a comprehensive list of questions that we ask ourselves about every company that we invest in. This includes questions which explicitly address ESG issues:

- Does the business / industry face regulatory headwinds?
- Will it be a stronger business in 3-5 years' time?
- Is the business susceptible to shifting consumer preferences?
- Does it have strong and trusted brands?
- Is management compensation aligned with shareholders?
- Do we like the corporate culture?

This year we hired a Responsible Investment Lead, and began using new data providers to deepen our understanding of specific issues. This enabled us to undertake proprietary and systemic ESG analysis in all our company reviews.[2] We made use of ESG specific tools, analysis, and insights to address the philosophy questions addressed above.

We have evolved a portfolio-wide responsible investment view of all our companies, for discussion at Investment Team meetings, and review by the Investment Committee. This report focuses on five areas, relevant to all our companies, and on which we combine external and internal analysis for all companies in the portfolio. They relate to five key themes, shown below:

Human Capital	Climate	Corporate Governance	Cyber Security & Data Privacy	Business Ethnics & Reputation
Rationale				
All businesses are people-driven	Climate change risks are increasing and potentially systemic	Robust oversight is key to financial sustainability	Rapid digitalisation poses new challenges	Business conduct is under scrutiny in an age of transparency

In addition to the above, when assessing individual companies, we also review specific issues that are material to a sector or company. Additional issues we assess for industrials, for instance, are shown below.

	Environmental Issues		Social Issues		Business Opportunities
Industrials	Water use and risk	Raw materials, waste and pollution	Supply chain standards	Product safety and quality	Innovation and sustainable opportunities

[2] This took place from Summer 2019 onwards.

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Sources

We make use of a wide range of sources to aid our research. We will often speak not only with management teams, but former employees of companies, its customers or suppliers. This helps us assess corporate culture, and integrity, among other issues.

In addition, some of the key providers which we used this year, and open sourced data which we have found helpful to our systematic analysis, are listed below:

- **Bloomberg** – a source of company analytics (including ESG data), climate research and analysis.
- **Boardex** – for management and Board changes, background and connections.
- **CDP** (formerly the Carbon Disclosure Project) – for detailed environmental disclosure.
- **Institutional Shareholder Services (ISS)** – used to coordinate voting and research; voting decisions are taken by the Findlay Park team.
- **ISS-Ethix** – for controversies and 'norm-based' research (company adherence to global standards across a range of issues including human rights, labour standards environmental and corruption).
- **Glassdoor** – for human capital management insights.
- **MSCI ESG Research** – provides a third-party view of corporate ESG performance, and now (with the acquisition of **Carbon Delta**) will provide climate risk and impact data.
- **SecurityScorecard** – provides an overview of exposure to cyber risk.

Examples: Investment opportunities

Companies which are responsibly managed are, in our experience, best placed to sustain financial performance. We've found that strong cultures enhance productivity, operational efficiencies create cost savings, and drive growth from products and services which have the potential to solve ESG challenges.

Microsoft and **Autodesk**, two technology-driven companies, both illustrate the value of these characteristics, which has in turn increased our confidence in their financial sustainability.

Microsoft has been our largest holding for almost the entire period since it was added to the Fund in 2015. Its culture has played a key role in supporting remarkable growth over this time period. As its CEO Satya Nadella sees it, "ultimately what any company does when it is successful is merely a lagging indicator of its existing culture." He has helped create a great place to work, a significant advantage in 'a war for talent', placing emphasis on building trust between employees and with wider society. Internal engagement surveys and external indicators such as Glassdoor,[3] where current and former employees rate working at Microsoft, have evidenced the positive shift in the company's culture under Nadella.

[3] An online service that provides scores based on employees assessments of their own companies.

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Microsoft has also pioneered renewable-powered data centres, so that its cloud offerings are a ‘greener’ alternative. Compared to on-premises datacentres, Microsoft’s cloud is up to 93% more energy efficient and as high as 98% more carbon efficient, due to its extensive investments in efficiency, as well as renewable energy.[4] Given its existing commitments to sustainability we were encouraged, though not surprised, to hear its landmark targets from the start of 2020: to become a truly ‘net zero’ company by offsetting all emissions throughout its history, to commit $1 billion to firms with carbon eliminating technologies, and to create more sustainable solutions for its customers.[5] This presents a fascinating opportunity; harnessing the power of new data and technology to meet climate challenges. As it continues to pursue growth, focusing on environmental issues can help increase Microsoft’s relevance to its customers and pioneer new markets or enterprises, enhancing the financial sustainability of the business.

Autodesk produces software predominantly for the architecture, engineering, construction and manufacturing industries.

Its focus on employee satisfaction is again evidenced in feedback from employees, with a Glassdoor rating of 4/5 compared to an average of 3.4.[6] It is also one of the few tech firms to have a gender balanced Board, comprising of five men and five women.

The firm is embedding sustainability in its strategy, products and services. It has found that around 50% of its customers have sustainability targets (for larger customers this rises to 90%) and is committed to helping them meet these. At the Autodesk University conference – its largest annual event, which we attended in 2019 – its CEO Andrew Anagnost spoke of the opportunity for the business in the face of population and resource pressures, “to create a more sustainable, equitable, and more prosperous future.”

One example of this is the NoMad Hotel in New York, which will be the world’s tallest modular hotel. The stackable room units are designed using Autodesk software. They can be manufactured in Poland, then shipped together, and assembled onsite. Overall the project, which uses modular design, will generate significantly less waste and greenhouse gases than traditional construction processes.

Another application was highlighted by the CEO of Build Change, an organisation which designs disaster-resistant houses and schools in emerging nations. It codes in proven retrofit rules using one Autodesk service, while another application produces designs and drawings. Over the past fifteen years this has enabled four to five days of work for a team of three, to become an hour of work for one person.

Examples: Investment risk

Just as our analysis helps us identify investment opportunities, responsible investment perspectives are also key in helping to identify and avoid risk.

We identified an **electronic company**, as a potential fit with our Investment Philosophy. The preliminary ESG analysis revealed that there was cause for concern on a few issues. When assessing health and safety we found that its rate of injuries that were material enough to warrant time off work was higher than the rate of all incidents – both major and minor – recorded by similar companies in which we invest. Its Glassdoor rating had also been below average in the past year.

But it was through speaking to former employees of the company, as we typically do as part of our fundamental research, that we found issues which could destabilise our investment thesis. A picture of cutting corners, and misleading customers, emerged. This inherently unsustainable behaviour undermined our confidence in the business and guided us away from investment in the company. A business which not only has a disadvantaged culture, but also systematically puts its reputation at risk, will not fit with our philosophy.

[4] https://news.microsoft.com/2018/05/17/the-microsoft-cloud-can-save-customers-93-percent-and-more-in-energy-and-carbon-efficiency/.
[5] https://blogs.microsoft.com/blog/2020/01/16/microsoft-will-be-carbon-negative-by-2030/.
[6] https://www.glassdoor.co.uk/Reviews/Autodesk-Reviews-E1155.htm. Data as at 3rd February.

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In another case this year, we found high risk of potentially substantial environmental liabilities. This related to **3M**, who are significant manufacturers of a family of chemicals with fire retardant properties (Per- and Polyfluoroalkyl Substances, or PFAS). Concern has been raised about the environmental and health impacts of these chemicals, and the firm is defending a growing number of cases against it on this basis.

We engaged with management on this issue on multiple occasions. But as the cases mounted, we still could not quantify or predict the final impact, and so 3M became a company where we could no longer be certain about the inevitability of the outcome. Meaning that it failed our checklist question, 'is it a company that's easy to make the right decision on?' This was ultimately why we decided to exit the position last year.

Engagement

Engagement is essential to our investment strategy. Meeting frequently with company management teams on a range of topics, whether capital structure, corporate strategy, or incentives has always been key to our process. Increasingly we have spent time on specific ESG topics, and this year we began to track such engagements. We have identified over 100 engagements in 2019 where ESG issues formed all or part of the discussion.

For most of these meetings, this was alongside engagement on more traditional financial and business topics, and involved the whole Investment Team. These conversations are not separate to, but an important part of, our investment approach. As we typically invest in around fifty companies in the Fund, we are able to delve into detail and spend time engaging with management. This helps us better understand our companies and better demonstrate our integrated approach to ESG.

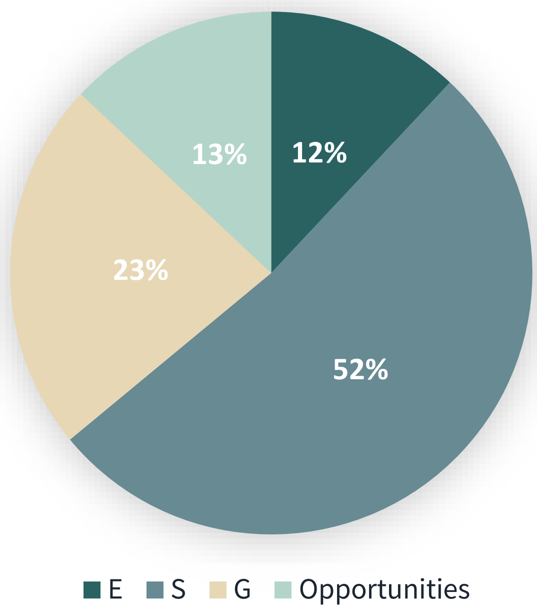
Below we list key ESG topics discussed in meetings with our companies this year. These are shown in order of frequency, highlighting that culture was our most frequently discussed topic for the year. In seven cases we held meetings with firms focused on culture, spending hours with executives on this topic. Naturally, the interpretation of 'what makes a positive corporate culture?' varies from business to business, and we continue to work to improve our understanding of what makes the good ones work.

We also show the type of topic we addressed in tracked discussions where ESG issues featured. These are divided into Environmental, Social and Governance topics, as well as revenue opportunities from sustainable products, services and innovation.[i]

Key ESG topics

- **Environmental Issues:** Climate was the most frequently discussed environmental issue, and featured in the top ten topics of all ESG engagement.
- **Social Issues:** Culture was the most frequently discussed area, with related issues including human capital and diversity. Cyber security and data privacy, and product safety and quality were also among the top ten topics discussed.
- **Governance Issues**: Compensation featured most frequently in governance-related discussion, followed by management quality and matters of business ethics and reputation.
- **Innovation & Sustainability Opportunities:** These discussions covered a range of sustainability related opportunities, from pollution prevention technology to access to healthcare.

Topic type



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Example: Understanding culture to build conviction

One of the most comprehensive discussions we had this year was with a waste collection company, **Waste Connections**. We went to visit the company at its headquarters in Texas, in order to meet a range of team members, and to see its leadership training facilities. The half-day we spent there was devoted to the culture of the firm, and related topics such as health and safety.

We learnt how a few years ago, in the face of rising accidents and issues, the firm had taken an active decision to transform its culture. At the heart of this was a new approach to leadership, away from a command and control model, to one which put employees and their development at the centre: a style termed 'Servant Leadership'. This made for tough decisions, including losing some top performers who did not share this new vision. But the initial results – increased productivity, retention, and lower accidents – were so overwhelmingly positive that Waste Connections deepened its commitment to embedding this across the company.

We asked about the results of this change, and for specific examples where it had altered a business decision. The company highlighted improved safety and staff retention, in turn improving margins, and expanding market access. For instance in New York, a notoriously difficult market which company management had considered exiting, Waste Connections managed to more than triple EBITDA margins and halve the incident rate using its new approach. The principles of Servant Leadership also impacted M&A – both when the company was able to improve results, or in some cases where management walked away from prospective deals due to significant concerns over safety and culture.

Another element which really stood out to us, and one hard to gauge without interacting face-to-face with a company, was the team dynamic. Representatives from different regions, safety and human resources specialists, as well as senior leadership, were all gathered in a room with us for the entirety of the meeting. No one individual dominated the conversation; all had the opportunity to share their insights. The mutual respect and alignment this demonstrated increased our confidence in the management team, and the talent pipeline.

Overall our discussion of culture increased our confidence in the long-term outlook of the business.

Example: The value of an active approach

We have found in a number of cases that poor ESG ratings from third-party research firms are **inconsistent with the conclusions we have drawn from our own research and regular engagement with companies**. This is particularly our experience with **Fairfax Financial**, a Canadian insurance and investment company, where a failure to proactively disclose relevant information seems to have led to 'worst in class' ratings.

We have long been impressed by the company's positive culture, focus on integrity and intelligent approach to investing in emerging markets. Fairfax stands for 'fair and friendly acquisitions', reflecting the partnership approach taken towards the companies it has invested in and acquired. During our interaction with management last quarter we learned more about its rigorous approach to a range of material ESG issues.

The effective management of natural catastrophe and climate related risk is particularly important for insurance companies. Fairfax explained its process to reprice this risk annually which helps it adjust for the emerging impact of climate change. The company also 'stress test' by examining the regions where the business has the highest underwriting exposure, and run a simulated hurricane or earthquake through these areas to see what the outcomes are (even if they do not lie in "at risk" zones). Fairfax explained how it avoids exposure to corruption in India, where it is heavily invested. The first question it asks of a potential investment's management team and owners is, 'are they honest?' the second is, 'do they have a long-term track record?', and the third is, 'do they repay their loans?' The company's on-the-ground presence, experience, and contacts in India helps it to address these questions. Fairfax have strong employee retention, and the company has one of the highest ratings on Glassdoor.[7] We have encouraged Fairfax to formally disclose its approach to these issues to help enhance wider market understanding of its approach to ESG.

[7] https://www.glassdoor.com/Overview/Working-at-Waste-Connections-EI_IE7903.11,28.htm. Data as at 3rd February.

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Example: Engaging in light of the Energy Transition

Commodities businesses tend to fit poorly with our Investment Philosophy due to their high leverage, capital intensity, and exposure to volatile commodities pricing; however we have found a few exceptional firms in this sector.[8] **EOG Resources (EOG)**, a US focused E&P company, is one such firm. It has a conservative balance sheet and demonstrates capital discipline, whilst having low geopolitical risk and a strong, innovative culture.

However, the Energy Transition to a low carbon economy raises important questions about the company's long-term outlook and the degree of confidence we can have in its ultimate success as an investment: the inevitability of the outcome. In order to explore this, we have taken time to understand EOG's position. This has included engaging heavily to learn more about, and encourage further development of, its approach to climate change and other material ESG issues.

We attended a two day ESG tour hosted by EOG where they outlined a number of projects to reduce operational GHG emissions: from a plan to develop solar power to generate energy, to innovative ways of detecting and preventing methane leakage. By way of context, 15% of global energy-related GHG emissions come from the process of getting oil and gas out of the ground and to consumers, and the International Energy Agency (IEA) has identified reducing methane leaks to the atmosphere as "the single most important and cost-effective way for the industry to bring down these emissions." [9]

On the question of the company's resilience in a future where climate change has stronger financial implications – for instance through robust carbon pricing, or a fall in demand for oil – we were interested to see its scenario analysis. This helped assessing whether EOG would remain profitable in a scenario which met the UN level climate goal: to limit increase in global temperature to well below 2 °C above pre-industrial levels, ideally 1.5 °C.

EOG's chosen scenario was the IEA Sustainable Development Scenario, and its analysis under this showed significant positive net present value of future cash flows.[10] This held true under an additional stress test using a flat commodity price of $50 per barrel of oil and $2.75 per Mcf of natural gas.

Just as importantly, spending time with the company has helped us better understand its culture, including its capacity for innovation. It is a company passionate about applying technology to find the best solutions, and is adaptable and flexible in its approach. This is also reflected in its history, through which it pivoted from a majority gas to oil company when pricing for the former collapsed.

Finally, alongside our engagement with the business, and in our company analysis, we also sought to help clarify the assessment by a leading ESG service provider who flagged it as a laggard. We believed that this analysis was not reflective of its position, and engaged with the service provider to identify some areas where its analysis was incomplete or outdated. As a result, at the end of the year, this service provider refreshed its analysis of the firm. Largely driven by an improved assessment of the firm's approach to climate change; its assessment moved to an average rating.

[8] We have written about our engagement with the firm in the first half of the year in our previous Voting & Engagement Report. Due to the extent of our engagement in the second half of the year, and the salience of the issue, we continue to report on our engagement with this firm.
[9] IEA https://www.iea.org/reports/the-oil-and-gas-industry-in-energy-transitions.
[10] Details of the IEA's Sustainable Development Scenario can be found at https://www.iea.org/reports/world-energy-model/sustainable-development-scenario.

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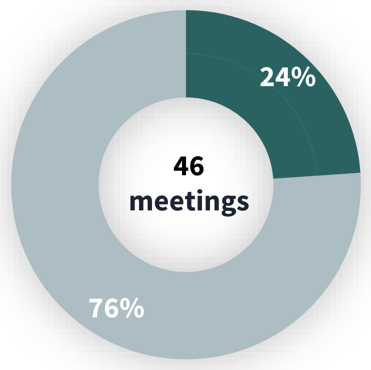
Voting

Over the year we have opposed management on at least one resolution at one in four meetings. In 2019 there were 46 meetings where we were eligible to vote as shareholders: 43 annual and three special. In the second half of 2019 we voted in one annual and two special meetings. We voted against management on one resolution in the annual meeting.



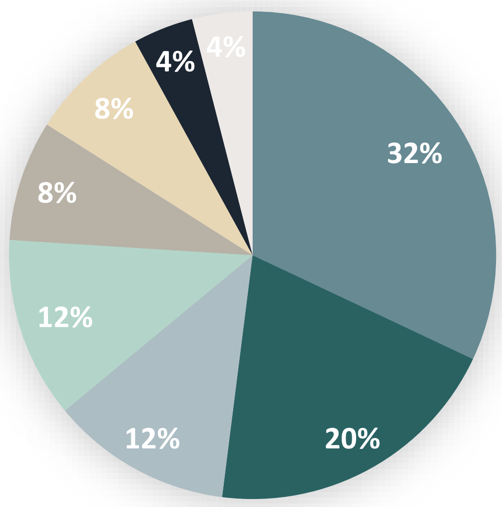
- Voted against management on one or more resolutions
- Voted in favour of management on all resolutions

In line with our policy to abstain only in exceptional circumstances, we voted on all resolutions at all meetings this year.

We were consistent in voting to secure:

- Executive compensation aligned with shareholders' interests.
- Transparency on lobbying and political contributions.
- Effective boards with appropriate independent representation.

Below we show how we have voted against management over the year by issue. Votes related to director independence were the most prevalent, followed by those relating to executive remuneration.



- Director independence
- Executive pay
- Committee decision
- Lobbying/political contributions disclosure
- Action by written consent
- Diversity disclosure
- Meeting adjournment
- Share repurchase

***Executive pay**: Where we did not have the option to directly vote against pay but voted against the Compensation Committee on this basis (at **T-Mobile**), this is included under 'Executive Pay'. The same applies when we voted against a Compensation Committee Chair (at **SS&C**) for compensation related concerns.*

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Votes against management by issue

Significant voting

Below, we outline all significant votes. Our primary criteria for assessing significance, is whether votes are contentious. Proxy voting provider Institutional Shareholder Services (ISS) has considerable influence over global voting practices. As such, their recommendations against management are key to how we deem votes to be contentious. However, as outlined in our Responsible Investment & Engagement Policy, we conduct our own research and voting decisions. In addition, this year we have enhanced our transparency to include our voting on all shareholder resolutions.

Director independence

We look for Boards who consider risk as seriously as we do, with the right composition and skill-set to achieve this. There were two companies where we had concerns with overall Board independence, leading to us voting against a number of Board members at **T-Mobile**, and for a shareholder resolution calling for an independent chairperson at **Comcast**. Full rationale for both votes are given in our 1H 2019 Report.

Executive pay

There were 41 meetings in which we were given an advisory vote on executive compensation. In one case, at **SS&C Technologies**, we directly opposed executive compensation and voted against the compensation committee chair in this case. At **T-Mobile** we were not given this option, but had substantial concerns with pay. This resulted in us voting against the entire compensation committee. Full rationale for both votes are given in our 1H 2019 Report.

Shareholder resolutions

We supported over one third of shareholder resolutions, including all those relating to lobbying or political contribution transparency (at **American Tower**, **Fiserv** and **Comcast**). We vote for these issues by policy given the benefit they provide in increasing corporate transparency to shareholders, and the public. On other issues we examine the particularities of each case, and we explain our voting on such resolutions below.

Diversity

We voted for two in seven resolutions related to diversity disclosure. We supported those at **Microsoft** and **Charles Schwab**. As outlined above, we see Microsoft as a leader in building a great culture. This includes one embracing of diversity, an area where they have strong initiatives and undertake detailed reporting. However, as with all 'big-tech' firms, Microsoft have experienced some recent accusations of discrimination. To encourage continued focus and leadership in this area, going above and beyond peers, we supported a motion for enhanced disclosure.

Independent Chair

We supported one in four of the resolutions calling for an Independent Chairman; we supported that at **Comcast**, but did not support those at **Coca-Cola**, **American Tower** or **Danaher**. In the case of the former we had concerns with the Lead Director, and the degree of the CEO/Chair's voting power. For Coca-Cola and American Tower, the Board already had high independence and a strong Lead Director. In the case of Danaher, the Chairman was the Founder whom we believe remains an asset to in providing strategic direction and oversight.

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Action by written consent

We voted for two of three resolutions regarding action by written consent, for at **Deere & Co** and **NASDAQ**, but against at **American Express**. This was due to a shift in our approach. Action by written consent allows shareholders to pass motions by circulating 'consent solicitations' to each other. However, we learned before the American Express vote that it is usually possible for proponents with the support of a few shareholders to pass a resolution without notifying the others. There is also no time for proxy research or for management teams to respond. As such, shareholding calling special meetings is a preferable alternative. When engaging with American Express we were pleased to learn they were reviewing whether to lower the threshold to call special meetings. Going forward we assess rights to call special meetings before making decisions on action by written consent.

Other matters

There were six other shareholder resolutions on various matters, none of which we supported.

- **3M** was asked to take other employee salaries into account when setting executive pay targets. This seemed vague and it was unclear how this would be additive given: the company's strong disclosure around pay structure, annual say on say vote, and the required disclosure of CEO to median pay ratio.

- **American Express** was asked to exclude share buy backs from EPS-based compensation. We see many cases where share buy backs are rational and additive. Should we have concerns with compensation in any given year, including related to overuse of buy backs to inflate numbers, we can vote against this.

- **Coca-Cola** was asked to prepare a report on the health impacts and risks of sugar in its products. Whilst an important issue, we are pleased by the firm's progress towards lowering the sugar content in its portfolio, promoting low and no sugar alternatives, and diversifying into a 'total beverages' company.

- **Microsoft** was asked to consider adding employees to the Board. We currently see exceptional employee satisfaction at the firm; should material human capital issues arise we could vote against Board members.

- **T-Mobile** was asked to limit accelerated vesting upon a change in control. But its current vesting is not automatic after such a change: equity awards vest only upon a qualifying termination of employment.

- **Wells Fargo** was asked report on how incentives within the company may be linked to excessive risk-taking. We saw current disclosures on incentive-based schemes and risk oversight as very comprehensive.

M&A related voting

Over the year we voted at three special meetings supporting M&A activity. The companies involved were **Fiserv**, which acquired **First Data**, **Prosperity Bancshares**, which acquired **LegacyTexas**, and **Fidelity National Information Services**, which acquired **Worldpay**. The latter occurred in the second half of the year and was the most significant deal. We undertook a thorough review, including ESG analysis, in connection with the merger. In this we noted complementary cultures, and a shared focus on cybersecurity.

Annual general meetings – 2H 2019

Microsoft, who held its AGM on the 4th December, was the only AGM in the second half of the year. Three resolutions were potentially contentious: executive pay, a shareholder resolution on diversity reporting, and another on appointing an employee representative to the Board.

We undertook detailed analysis, in line with our voting principles on these matters, and engaged with the company to understand management's perspective. Our voting on the two shareholder resolutions are detailed above; below we give a detailed account of how we approached executive pay.

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At a time of concern with inequality, questions have been raised over increased CEO pay. We expect management compensation to be aligned with shareholders. This means more than meeting short-term targets. We ask ourselves whether quantum is justified.

In the case of Microsoft, the absolute amount of CEO compensation was substantial, at $38.75 million. But this coincided with a period of very strong performance and growth. Moreover, we see pay plan structured towards long-term value creation. A third of 'short-term' metrics are in fact based on factors with long-term, social implications comprising progress with customers, stakeholders, and on culture. The full pay package includes metrics with long periods for judging performance (up to 5 years), and for awards to be realised (up to 4 years).

Finally, the company has created wider benefits through its business model, policies, and charitable giving. For instance, in 2019 they granted $1.5B in products and services via donation or discount to non-profits, and in 2018 began to require its suppliers to also offer paid parental leave. The firm is also carbon neutral. As we discuss in our ESG analysis above, we are also excited by the new opportunity for Microsoft to contribute to, and benefit from, solutions to climate change.

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i Engagement data does not include the routine engagement we have with companies, as a matter of policy, when we are voting against them.

ii Voting data includes both annual and special meetings, and excludes meetings were we did not vote because we no longer held a position at the time of the meeting. We have included special meetings because of the important role shareholders play in approving special measures such as M&A; we have excluded meetings where we were not owners because although technically eligible to vote, this is a right of ownership. In such circumstances we do not consider it proper to use a right without the foundation of ownership underpinning it. We intend to report consistently on this basis going forward. This is an update to the disclosure in our previous voting and engagement report, which excluded special meetings, and included meetings where we did not vote for lack of ownership.

iii Director voting: We have included 'Withhold' votes on directors as votes against management, where companies have not given the option to vote against them. As this is common practice in the US, a withhold vote is generally considered the equivalent to an opposing vote. In our H1 2019 report we did not include withheld votes in our analysis, but will do so going forwards. We have divided our votes into voting on directors into voting due to independence concerns, including shareholder calls for an independent chair, and voting due to a committee decision (other than related to pay, see below).

iv Executive pay: Where we did not have the option to directly vote against pay but our voting reflected dissatisfaction with it (at T-Mobile) we have included our vote against the Compensation Committee under 'Executive Pay'. Where we voted against a Compensation Committee Chair as an extension of our dissatisfaction with remuneration decision (at SS&C) this has also been included.