RESPONSIBLE INVESTMENT & ENGAGEMENT POLICY

Findlay Park Partners LLP (Findlay Park) is an independent investment partnership based in London. We invest primarily in US equities on behalf of investors in the Findlay Park American Fund. Our purpose is to generate compelling compound returns for our investors, measured over decades. We have a clear Investment Philosophy that is aligned to our purpose. This Investment Philosophy helps us identify businesses that should generate sustainable returns. We believe we can achieve this by taking *less* risk.

This Policy outlines why responsible investment matters to us. It details how meaningful consideration of environmental, social and corporate governance ("ESG") issues and regular engagement are embedded in our investment process, and why we believe that responsible investment practices play an important role in delivering our purpose. It also outlines the structure and culture which underpins our approach.

Why responsible investment matters to us

The integration of ESG factors into our investment process is guided by our Investment Philosophy and is applied to all stocks in the portfolio. Several questions on our Investment Philosophy checklist address ESG issues. 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 this investment approach of identifying and mitigating business risk in order to compound returns over time.

We aim to invest in great businesses, and believe that responsibly managed companies are best placed to provide superior long-term investment opportunities. We invest in businesses that generate strong free cash flow and management teams that are effective allocators of capital. We back companies that deliver value for their key stakeholders, and look to support corporate cultures that create an environment for employees to thrive and grow.

Engagement is essential to our investment strategy. We typically invest in only forty to sixty companies, and get to know them extremely well. We hold hundreds of meetings with them each year, and vote at every shareholders' meeting. We challenge companies where we see scope for improvement that delivers long-term value.[1]

Our approach to responsible investment

Our approach to responsible investment is differentiated, grounded in our Investment Philosophy which addresses, amongst other matters, ESG issues. We do not believe responsible investment can be effectively outsourced to ESG rating, engagement or voting providers. Some of the most important qualities of a business, such as culture, are the hardest to quantify.

By focusing on one Fund we are able to delve into detail and spend time engaging with management, which enhances our understanding. We look at material ESG factors, and engage on areas most relevant to each company.

We do not invest in businesses where we have concerns with the financial stability of the business. Controversial businesses tend not to fit with our Investment Philosophy, although we do not have mandatory exclusions. Our philosophy questions guide us away from such companies by addressing matters around heightened regulatory risk, questions over their long-term outlook, and susceptibility to changing consumer preferences.[2]

[1] See the Financial Reporting Council's (FRC) definition of stewardship as "the responsible allocation and management of capital… to create sustainable value for beneficiaries, the economy and society. *Building a regulatory framework for effective stewardship,* FRC, January 2019, pp.11.

[2] It would therefore be highly unusual for us to invest in tobacco, coal, weapons, gambling, and pharmaceuticals, for example. Indeed we have never invested in many of these areas.

Our commitment to ESG integration, and to voting and engagement, are reflected in our signatory status to the United Nations Principles of Responsible Investing ("UNPRI"), and to the UK Stewardship Code. We will report annually in accordance with these Principles.

Our style of responsible investment

Below we outline the style of responsible investment which best characterises our approach, with reference to the Stewardship Code and EU Sustainable Finance regulations.

Style	ESG Integration[3]	Stewardship[4]	Sustainable Investment[5]
Definition	Assessing ESG issues to improve return	Being active owners & good stewards of capital	Targeting specific ESG characteristics or outcomes
Our approach	ESG issues present important risks for us to assess in our investment process.	We take active voting decisions and engage heavily with our companies.	We do not target specific ESG outcomes or characteristics in their own right– such as 'greener' companies.

Our investment process

We have a clear Investment Philosophy that is aligned to our purpose and rigorously applied through all market conditions. This philosophy was written by our founder, James Findlay, and has guided our research intensive process since the Fund's launch in 1998. We implement our philosophy by assessing each stock (both new ideas and existing holdings) against a checklist of twenty-nine questions which analyse key aspects of a business, including its financial and competitive position, management and valuation. This checklist includes several questions which consider 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 purpose and culture?

The integration of ESG in our Investment Philosophy means this forms part of each Investment team member's thinking, and is included in regular discussion and debate. Our Responsible Investment Lead is a member of the Investment team. This helps us address these issues, rigorously and consistently, within a culture of teamwork.

[3] According to the UN PRI a "key component of ESG integration is lowering risk and/or generating returns" (link). This is aligned with the EU's focus on sustainability risks, and expectation that asset managers understand and disclose these.
[4] The FRC defines Stewardship in the new Stewardship Code as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society".
[5] The EU have defined these types of sustainable investment under Article 8 and 9 of the regulation of Sustainability Related Disclosure (link).

We have developed our own portfolio-wide responsible investment report. This combines external data with our voting, engagement and ESG research notes, and is included in Investment Committee meetings and team discussions. It provides detailed information on five areas, relevant to all our companies. These reflect the realities of the changing world – whether via the impact of technology or climate change – and include issues which we have long considered central to a company's culture and performance.

Human Capital	Climate & Environmental	Corporate Governance	Cyber Security & Data Privacy	Business Ethics & 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

When analysing individual companies, we also assess specific issues that are financially material to the sector or company in question.[6] 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

We make use of a wide range of sources to aid our research. These include ESG ratings, such as MSCI ESG, but also specialist sources such as Glassdoor for employee reviews to assess human capital management, CDP for environmental data, SecurityScorecard for cyber risk, and Institutional Shareholder Services ("ISS") ESG for business integrity research. We draw on human networks and expertise. 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.

Our approach to climate change

We recognise the importance of climate and environmental risks. We are supportive of the Paris Agreement to keep global warming below critical levels, which would not only impact our environment, but also financial markets.

We monitor each company in our Fund for environmental risk. This includes an assessment of the warming potential of their carbon emissions, which is compared with the Paris Agreement, among other environmental indicators.[7]

[6] This is our in-house view, although the framework has been informed by academic evidence, research and external frameworks – such as that of the Sustainability Accounting Standards Board.

[7] As at December 2021, we use MSCI ESG's work on Climate Warming Potential. We also look at corporate reporting in light of Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, exposure to physical climate risk, and water and forest related risks.

This information is incorporated into our portfolio-wide responsible investment report. We will publish climate related reporting in 2021.

For some sectors we undertake additional climate-related analysis. Commodities businesses tend to fit poorly with our Investment Philosophy, however we have from time to time invested in these sectors. Relatedly, we have analysed pathways to the Energy Transition, compatible with the Paris Agreement.[8] We remain open to investing in energy companies which demonstrate excellence in both financial prudence and ESG performance. We also look for opportunities from the Energy Transition. For instance, we have exposure to the US' largest producer of wind energy, and the world's largest green hydrogen project.[9]

We believe selective investment, and active ownership, can align with a transition to a more sustainable economy.

Our approach to sustainability impacts

Our purpose is to create compelling compound returns for investors, measured over decades. We assess sustainability risks (such as climate change, outlined above) to support this goal. Such risks are increasingly shaping our world, and may impact corporate and financial performance. We further believe that corporates with a clear purpose, focused on key stakeholders, are at a competitive advantage.

As a result we assess a range of ESG factors. These include a company's potential impact on the climate, as well as on important social and governance issues. We also monitor corporate controversies as a means of tracking potential investment risk. [10] We do not, however, look at sustainability impacts in their own right – for instance to achieve sustainability outcomes alongside our goal, or to systematically avoid certain practices or sectors.

Therefore, according to definitions outlined by EU Sustainable Finance Disclosure Regulation, we do not currently consider our Fund to be a sustainable investment fund.[11] Likewise, we do not systemically consider all the principle adverse impacts suggested in this regulation and supplementary materials.[12]

Proposed sustainability impact disclosures currently cover numerous indicators, many of which are not disclosed by companies, and are difficult to estimate. In addition, we primarily invest in North American companies, which are unlikely to follow EU disclosure standards in the short-term. We will be mindful of future developments in regulatory clarity and data quality.

Our approach to engagement and monitoring

Our experienced Investment team consists of six portfolio managers, six analysts and two associates focused on a single Fund. We typically hold around forty to sixty companies in the portfolio. This means we're able to get to know our companies and their management teams extremely well and hold hundreds of meetings each year with them.

We pay careful attention to corporate strategy, financial risk, and capital structure; considering dividend and share buyback policies, employee stock plans and the use of debt finance. We also focus on a range of specific ESG risks and impacts.[13] In 2020 we held around 300 meetings with companies, including over a hundred meetings in which we discussed ESG issues with companies in which we invest. This included extended engagement specifically on purpose and culture, as we continue our investigation of these as a source of competitive advantage.

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[8] This has included the assessment of future oil price demand scenarios - based on factors such as electric vehicle penetration, aviation and plastic recycling.
[9] As at December 2020, Berkshire Hathaway Energy is the largest US operator of wind. Air Products has announced the world's largest green hydrogen project.
[10] As at December 2020, we use data from ISS ESG, monitoring corporate alignment with global norms covering: human rights, labour rights, environmental degradation and corruption. We also monitor a wide range of controversies using RepRisk.
[11] We do not currently consider our Fund to fall under either Article 8 or Article 9 of the Sustainable Finance Disclosure Regulation, 2019/2088.
[12] ESMA, Draft regulatory technical standards, 22 April 2020.
[13] See also the discussion of particular ESG issues in 'Our investment process'.

We monitor a number of ESG related data points which can inform us of changes, such as altered employee satisfaction or new controversies. Changes are captured in our portfolio-wide responsible investment report, which is included in Investment Committee and Investment team discussions. Where appropriate, issues may also be raised in our Risk & Compliance Committee, of which our Responsible Investment Lead is a member.

How we prioritise engagement and seek to influence behaviour

Engagement is prioritised to best protect and enhance the value of our investments. Relevant factors include the size of our position in a company, the extent of the holding in our Fund, and the importance of an issue to the investment thesis. We also respond to short-term events such as upcoming voting decisions, company requests, management changes, and escalation of ESG risks.

Our preferred outcome is typically to positively influence a company's behaviour. Where necessary we engage many times on the same issue to help drive this change. Our objectives and actions may differ dependent on the context. These could include enhanced corporate disclosure, improved voting decisions, changes to our investment thesis or portfolio construction. We give examples of engagement, and related outcomes, in our reporting.

How we escalate issues

We engage on issues of concern with a positive mindset, hoping to clarify management's intentions or change behaviour. 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, which meets weekly and consists of the CIO, the CEO, and two portfolio managers.

Our approach to cooperation

We are open to collaboration and collective action on responsible investment issues. We are participants in the UNPRI's shareholder collaboration programme, through which we may join thematic working groups and sign letters on topics of concern.[14]

Our status as signatory to CDP (formerly the Carbon Disclosure Project) signals our support for better corporate disclosure on material climate and environmental issues. We recognise this issue poses potential systemic risk, and welcome better information to enhance understanding of the financial implications.

In addition, where we see issues or room for improvement with service providers; we have actively engaged with them to improve common understanding of responsible investment issues.

[14] As targets are often businesses in higher risk sectors, which typically fit poorly with our Investment Philosophy, we have as yet had little occasion for such collaboration.

Our approach to voting

We see voting as an opportunity to either signal support for companies, or to challenge them, acting in the long-term interest of our investors. We do not participate in stock lending arrangements and retain voting rights across all holdings. We aim to achieve a 100% voting record, abstaining only in exceptional cases, which we always explain in our reporting.

Importantly, we consider the specific circumstances of each company in which we invest and the detail of the individual resolutions. Although we subscribe to the services of a third-party proxy voting provider, ISS, we make independent decisions based on our own research and engagement with management teams. We also seek to engage with management when we intend to vote against them.

Our voting approach draws on our Investment Philosophy, forming principles which inform our voting decisions. These are outlined below:

- **Remuneration should align management with shareholder interests**

We expect management teams to think like owners, and remuneration is a powerful means to encourage this.[15] It can also help companies focus on long-term value creation which aligns with our focus on whether the business will be a better one in five years' time. We assess issues including level of CEO equity holding, long-term structures, and links between quantum and performance. We are mindful of how we rationalise our decisions to investors, and consider the long-term value a company has created for society.

- **Our philosophy is focused on less risk for reward: we want companies with strong risk oversight**

We look for companies to demonstrate effective oversight and risk management. Whilst we're not prescriptive about structures, we want Boards to understand potential limitations to their approach, and to put appropriate mitigants in place. We are interested in issues including Board composition, the quality of a Lead Director, audit and accounting robustness, and management of ESG issues.

- **Culture and purpose are key to long-term success**

We believe that companies with a strong purpose[16] and culture are better placed for long-term performance. Our view of a company's purpose and culture may influence our voting on a number of issues, including ESG related shareholder proposals. In voting on these we carefully assess the issues at hand, alongside the culture and conduct of the company. We support any motions designed to increase transparency in a company's political contributions, as well as reasonable proposals to enhance shareholder rights by lowering the threshold required to call special meetings.[17]

How we conduct voting

Coordination by the Responsible Investment Lead and oversight by the Investment Committee ensures consistency of voting and reporting.

[15] We look beyond a narrow view of shareholder interest, and consider other stakeholders where relevant – e.g. when assessing ESG metrics in remuneration.
[16] By purpose we mean both companies with clear goals, and those prioritizing key stakeholders such as employees, customers, society or the environment.
[17] An exception to this is where the proposed threshold would empower one large shareholder to call a meeting unilaterally.

Our process begins with the Responsible Investment Lead compiling and coordinating voting analysis. Recommendations aligned with our voting principles are then provided to the Portfolio Manager(s) responsible for the company concerned. All items are assessed, typically including: executive pay, Board members, auditors, and any shareholder resolutions. Supported by this advice, the Portfolio Manager(s) make an initial voting decision.

The Investment Committee, chaired by our CIO, receives an overview of our analysis and reviews voting decisions. When we identify issues as meriting engagement; we undertake this before finalising a decision. This includes all cases where we are strongly considering a vote against management. Other examples might be where a shareholder resolution raises questions around corporate behaviour, or which our proxy advisor has flagged as contentious.

Following Investment Committee review, internal dialogue and engagement where merited, we finalise our voting decisions and record our rationale. For contentious motions, the countersignature of the CIO is required.

How our structures support responsible investment

The Partners of Findlay Park have delegated certain responsibilities to a partnership Board, which includes independent membership and meets quarterly. The Board reviews and approves our approach to responsible investment, including engagement and voting. The CEO, who is a Board member, has responsible investment and engagement included in his statement of responsibilities.

The Responsible Investment Lead reports directly to the CEO, and is also a member of the Investment team. This reflects our commitment to integrate ESG within the investment process and embed responsible investment throughout our firm.

As outlined above, decisions on contentious votes and escalated issues, are overseen by the Investment Committee. They also monitor portfolio-level ESG issues, and discuss our internal responsible investment report. This helps ensure that responsible investment issues are fully integrated within our investment process.

The Responsible Investment Lead is a member of our Risk and Compliance Committee, chaired by the Head of Compliance. This enables detailed discussion of responsible investment regulation, and risks. Our General Counsel and Compliance department review our policies, including this Responsible Investment and Engagement Policy.

How our approach to conflicts and incentives support responsible investment

We aim to remove barriers to, and create incentives for, investment decisions in the best interest of investors.

Our Personal Account Dealing Policy prohibits all Findlay Park employees, and connected persons, from investing in listed equities. We manage one investment strategy, available via one fund, and do not manage separate accounts. As such, our business structure presents limited scope for conflicts of interest. In the unlikely event that a conflict arises with regard to a voting decision, our policy is to vote in line with the recommendation from our proxy advisor, ISS. Our Conflicts of Interest Policy and Register, which includes consideration of engagement and voting, is available on request.

All Investment team members are incentivised according to three pillars: quality of work, performance, and collaboration. One of the questions under quality of work is: ‘Have you considered ESG factors in your research?’

How we report on responsible investment and interact with investors

We report our activities on a semi-annual basis, including voting decisions and examples of engagement. We maintain a record of every vote cast recording detailed rationale for all decisions made relating to contentious proposals.

We are a signatory of the UN PRI, and are committed to reporting annually in accordance with these Principles. Our first report explaining how we have complied with UN PRI was submitted in March 2020 during the voluntary reporting period. We will also be reporting with reference to the new UK Stewardship Code, and EU sustainable finance regulations, in 2021.

We carefully consider investor needs, requests, and questions on responsible investment issues. We monitor investor priorities, and policies, and integrate awareness of these into our strategic planning. We are happy to conduct meetings with a focus on responsible investment.

How our culture and purpose aligns with responsible investment

As we have emphasised throughout this Policy, we believe that responsible investment practices play an important role in delivering our purpose: to generate compelling compound returns for our investors, measured over decades.

Our culture is key to the achievement of our purpose, and supports our approach to responsible investment. Culture means a number of things to us, including: openness and honesty, pursuit of continuous improvement, collaboration, and teamwork. Underpinning this is a commitment never to risk our reputation.

We also believe the financial benefit inherent in this purpose can create further benefits. Firstly this enables our investors to secure their futures and those of the next generation, and may enhance their charitable giving. Secondly, it gives our team rewarding work. Finally we see this as having wider implications. We believe investing capital in great companies, which deliver value to their stakeholders, can benefit both our investors and society.

Approved by the Findlay Park Board of Directors

22 January 2021

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