Statement on principal adverse impacts of investment decisions on sustainability factors

Financial Market participant: Findlay Park Partners LLP [LEI 213800LYWFZT5XMZ5842]

SUMMARY

Findlay Park Partners considers principal adverse impacts of its investment decisions on sustainability factors as part of its investment due diligence process. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Findlay Park Partners LLP.

The publication of this statement on principal adverse impacts on sustainability factors coincides with the first reference period of 1 January 2022 to 31 December 2022. Reporting over that reference period on the indicators for adverse impacts of Table 1, and any relevant indicators of Table 2 and 3 of Annex I of the SFDR Delegated Act will take place in 2023, following the measurement of the first reference periods (Q1 2022 – Q4 2022).

Principal Adverse Indicators (PAI) considered by Findlay Park Partners LLP

Theme	Mandatory PAI indicator	Metric
Climate and other environment-related indicators	1. GHG emissions	Scope 1 GHG
		Scope 2 GHG
		Scope 3 GHG emissions
		Total GHG emissions
	2. Carbon footprint	Carbon footprint
	3. GHG intensity of investee companies	GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where their activities negatively affect those areas
	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average

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	9. Hazardous waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average
Social and employee, respect for human rights, anti-corruption and anti-bribery	10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in companies that have been involved in violations of the UNGC or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	14. Exposure to controversial weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Theme	**Additional PAI indicator**	**Metric**
Climate and other environment-related indicators	Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
Social and employee, respect for human rights, anti corruption and anti bribery	Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)

DESCRIPTION OF PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Indicators applicable to investments in investee companies

Adverse Sustainability Indicator		Metric	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period.
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Green-house gas emissions	1. GHG emissions	Scope 1 GHG emissions	188,955	We use MSCI for Scope 1 & 2 data, as this is more timely, S&P Trucost for Scope 3 given longstanding environmental modelling capabilities. Some of our higher carbon names included our energy companies (EOG, and latterly ConocoPhillips). Industrials and chemical companies were also higher contributors.	Our research, engagement and voting are informed by climate indicators such as corporate climate targets and alignment with the Paris Agreement, among other metrics. We engaged with all companies in the Fund to encourage them to set science-based climate targets. In Q4 2021 we contacted all companies in which we were then invested which had not yet committed to science-based climate targets (specifically those recognised by the Science Based Targets initiative (SBTi)). In Q4 2022 we sent letters to the CEOs of all the companies then in the Fund, encouraging progress on ESG issues, including the establishment of science-based climate targets (SBTs). Over 2022, several companies that we have contacted as part of these efforts have committed to SBTs, comprising: Alphabet, Marsh & McLennan, MSCI and United Healthcare. Others have disclosed public support for this initiative, and the desire to work towards setting an aligned target (such as Ferguson and Air Products and Chemicals). In 2022 we committed to an interim target for 60% of the companies in the Fund by AUM to have committed to science-based targets by 2025, rising to 90% by 2030. We are members of the Net Zero Asset Managers Initiative - an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. We
		Scope 2 GHG emissions	47,070		
		Scope 3 GHG emissions	3,287,827		
		Total GHG emissions	3,523,852		
	2. Carbon footprint	Carbon footprint	342		
	3. GHG intensity of Investee companies	GHG intensity of investee companies	955		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	11%	This metric includes railroad and waste companies which transport fossil fuels.	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-	69% Consumption	We use CDP disclosures, which cover c.60% of the Fund.	

		renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources		For context, US electricity is c.20% renewable[1]	are also members of CDP, and in 2022 led CDP's climate-related engagements with all companies highlighted by CDP as high climate priorities, in which we were then invested. These companies comprised Berkshire Hathaway, Martin Marietta and Waste Connections – all significant contributors to our carbon footprint and GHG intensity metrics. We intended to vote for all reasonable climate resolutions and voted for these at Charter's annual general meeting (AGM). Due to an operational error we did not vote for these at Berkshire Hathaway, although we did write to the company highlighting our voting intentions before the AGM. This event is explained in greater detail in our 2H Responsible Investment & Engagement Report. We have binding exclusions on investment in companies deriving 10% of revenue from: coalfired power and coal mining or oil sands. We see these activities as among the most damaging to the environment, including with respect to climate change.
			65% Production	This relates solely to Berkshire Hathaway's utility subsidiary, which we are scaling up to the parent level for this calculation	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0.8	AECOM significantly contributed towards the end of the period given its relatively high energy consumption but low exposure to high climate impact revenues.	
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where their activities negatively affect those areas	18%	We make our own assessment of our companies' impacts on biodiversity. We have taken a precautionary approach to this data point, requiring a high bar for companies showing their adherence to biodiversity impact management which none met in the period.	We recognize the growing importance of biodiversity and assess the companies in the Fund with the greatest potential for impact based on the nature of their activities. Based on this monitoring we take a risk-based approach to firm engagement, generally to encourage greater disclosure or to address specific shortcomings. In extreme cases we have avoided investments largely on the grounds of biodiversity impact. This occurred in 2021 in the case of a mining-related company, where management showed lack of concern for potentially severe impacts related to the firm's

[1] In 2021, renewable energy sources accounted for about 19.8% of total utility-scale electricity generation. https://www.eia.gov/tools/faqs/faq.php?id=92&t=4

					business model. In 2022 we bought a peer which we believe has better ESG credentials. We support CDP's Forests programme. We were also co-signatories to CDP Forests requests at Amazon, Berkshire Hathaway, Home Depot, Ross Stores and Sherwin Williams. The CDP Forests survey includes numerous questions on biodiversity. In 2022 we voted for a deforestation-related resolution at Home Depot's AGM (the only one put before us) and corresponded with the company on this issue. In 2022 we became members of the Taskforce on Nature-related Financial Disclosures (TNFD) and intend to use this as a forum to help develop and share best practice on nature-related risk and impact. This framework relates to many areas highlighted by the PAIs, including biodiversity, water and waste.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, as a weighted average	0.07	This data is all estimated by S&P Trucost given their environmental modelling capabilities and lack of consistent company reporting.	We support CDP's water programme, which covers water risks and impacts across areas including pollution, stress and usage. In 2022 we were co-signatories to the CDP Water survey request for Alcon, Amazon, Fortive and Ross Stores.
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, as a weighted average	7.2	We use company reported data given difficulties of estimation.	We have undertaken more limited research and engagement on hazardous waste per se – as there is a compliance-related component to this category (for instance Health Care firms may be required to treat waste as hazardous). But we have engaged more widely on the topic of waste. This includes a focus on plastic waste (some of which may be hazardous but is unlikely in these cases). We encouraged both Amazon and McDonald's to consider expanding their plastics policies, and voted for related resolutions in 2022.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	4.3%	We use a third party assessment from ISS, although we may disagree with their conclusions.	We continue to monitor all potentially serious controversies on at least a monthly basis. Any companies flagged by our data provider as potentially in breach of these norms are highlighted in our internal ESG report. Such changes must be investigated and discussed with the PMs. Ultimately, determining whether a company's actions are materially misaligned with these norms is a matter of judgement. Amazon has been flagged by our data provider ISS for anticompetitive conduct, in breach of these norms. However, the case is being contested, and our research and engagement with both Amazon and the data provider has led us to a different determination – that it is not in breach of these norms. This is more fully explained in our 1H Responsible Investment & Engagement Report.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	46%	We carry out manual checks for corporate commitments and policies related to UN Global Compact pillars.	In general, we encourage greater transparency on ESG issues and their oversight – which considerably overlaps with UN Global Compact Principles. This is perhaps especially important for smaller companies. One example from 2022 was a Board level discussion with TopBuild highlighting a path forward on ESG strategy and disclosure. Likewise, much of our research, voting and engagement activities focus on the four core themes highlighted in the 10 UN Global Compact Pillars, which comprise: Human Rights, Labour, Environment and Anticorruption. We are also seeking to share best practice on encouraging the monitoring of, and adherence to, these core principles. Examples of this include our membership of CDP and TNFD, outlined above. In addition, in 2022 we joined the Investor Alliance on Human Rights, which has aims aligned to pillars 1 & 2 of the UN Global Compact.

	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	22%	We use UK gender pay gap reporting. This data set is consistent and can be checked against UK averages (around 14% for mean pay gap)[2] but may not represent a global view. Around 40% of companies report this.	Given limited data quality on this issue, we have seldom used this as a particular data point in our engagement. However, it may be used to "sense check" our views. We also systematically monitor perceptions around gender equality using US based rating firm InHerSight. Poorly scoring firms receive a lower weighting in our internal ESG report to prompt further research and engagement. We voted for select diversity, equity and inclusion-related proposals this AGM season, noting the performance of the company among other factors in our decision making – we voted for related resolutions at Charter's AGM, for instance. Our rationale is described in full in our 1H 2022 Responsible Investment & Engagement Report.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	32%	Board gender diversity in the US is around 30% for the Russell 1000.[3]	We consider Board gender diversity when making voting decisions, which may influence our voting on diversity related resolutions, or more generally inform our view on the quality of governance at a company. As per the above, we explain related voting in our 1H 2022 Responsible Investment & Engagement Report. We have also made some more specific recommendations to enhance Board diversity – for instance during our engagement with Formula One, which has made good progress on expanding the diversity of its audience and talent pipeline. In 2022, we also voted for alternative Board candidates at McDonald's - who would have enhanced both the company's sustainability expertise and Board gender diversity.

[2]Source ONS – see 2022 provisional edition of this dataset. Total Table 1.12 (cell D6)
https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/annualsurveyofhoursandearningsashegenderpaygaptables
[3] Woman on Boards. *2022 Gender Diversity Index Report*, p.13. https://5050wob.com/wp-content/uploads/2022/11/5050-wob-annual-report-11142022.pdf

	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	We have binding exclusions on investments in such companies.	N/A

OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Table 2

Additional climate and other environment-related indicators

Adverse Sustainability impact		Metric	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period.
Indicators applicable to investments in investee companies					
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	50%	We use companies without SBTi commitments or targets for our assessment.	As described above, we engage with all companies in the Fund to encourage them to set science-based climate targets.

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Adverse Sustainability impact		Metric	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period.
Indicators applicable to investments in investee companies					
Social and employee matters	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	19%	We manually check all the companies in the Fund for public supplier codes of conduct covering these key issues.	We have begun to engage with companies which have not disclosed their supplier code of conduct, or where this is lacking reference to key human rights issues. We believe these gaps are generally due to lack of transparency as opposed to poor supplier standards. For instance, we understand that CoStar, which does not have a public supplier code of conduct, will publish this in 2023. In addition, in 2022 we joined the Investor Alliance on Human Rights, which we hope will help us develop our approach to supply chain related engagement.

DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITIZE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Identification and prioritization

Our impact engagement priorities draw on both the UN SDGs as well as the PAIs framework. Our core themes are climate, employees, nature, supply chains and the economy. These are described in more detail in our Responsible Investment & Engagement Policy.

We prioritise issues that are either most material from a risk and reward perspective, or from an impact perspective. We believe this can best protect and enhance the value of our investments. Low performance on either our internal Responsible Investment Gauge (RIG), or on these PAI metrics, may catalyse engagement.

We consider the scope and severity of risk, and negative sustainability impacts, in our engagement. Relevant factors here might include the number of people-related impacts, whether damage is irreversible, and the probability of future occurrence or recurrence.

Governance

The Board of Findlay Park Partners LLP has overall responsibility for approving our approach to sustainability and approves our Responsible Investment and Engagement policy at least annually. It is supported by the Responsible Investment Committee which develops and proposes sustainability policies. The RIC reviews PAIs on a quarterly basis and approves the annualised data underpinning the Principal Adverse Impact Statement on a yearly basis.

Data sources and methodologies

We follow the definitions and formulae as set out in the Regulatory Technical Standards (RTS) and supplemental guidance to the best of our ability. For instance, where specified, we use the definition of weighted average: "ratio of the weight of the investment by the financial market participant in an investee company in relation to the enterprise value of the investee company". In some other cases we have chosen the more typical measure of portfolio exposure, as a weighting in the Fund (ex-cash, as explained below).

We hold a relatively high proportion of cash relative to many equity Funds (up to 20%), and this can change meaningfully over time. Therefore, we have excluded cash in some cases, for instance when we have normalised metrics based on the percentage weighting in the Fund, to improve comparability over time. We note that ESMA guidance stipulates inclusion of cash and related instruments "especially" for GHG emissions and carbon foot-printing metrics. We have included cash and related instruments in these carbon assessments.[4]

We invest in U.S.-domiciled companies and had to convert revenues and investment values to Euros. In general, many of the environmental indicators have a 1-2 year time lag given lack of timely reporting. One exception is the assessment of companies committed to science-based targets, which is a more regularly updated data set (it is typically updated monthly by SBTi). Other social and governance metrics, such as Board diversity, are more timely, with the exception of gender pay gap reporting, which is typically on a 1-2 year time lag.

Environmental Indicators

Most of our disclosed figures for the environmental indicators come from S&P Trucost. One exception relates to Scope 1 & 2 emission; here we use MSCI's data given the more timely nature of their reporting cycle. By contrast, for Scope 3 data, we use S&P Trucost's modelling capabilities, given their longer history of value-chain emissions modelling. No company reported data is used in this category – given lack of consistent reporting. Another exception relates to renewable and non-renewable energy,

[4] P4 https://www.esma.europa.eu/sites/default/files/library/jc_2022_62_jc_sfdr_qas.pdf

for which we use CDP given the more timely nature of the data, and better coverage. This data is self-reported by companies, in a consistent format. We have also supplemented some data gaps with our own analysis.

1. GHG emissions

$$\sum_{n}^{i}\left(\frac{\textit{current value of investment}_i}{\textit{investee company's enterprise value}_i} \times \textit{investee company's Scope}(x)\ \textit{GHG emissions}_i\right)$$

2. Carbon footprint

$$\frac{\sum_{n}^{i}\left(\frac{\textit{current value of investment}_i}{\textit{investee company's enterprise value}_i} \times \textit{investee company's Scope 1, 2 and 3 GHG emissions}_i\right)}{\textit{current value of all investments } (€M)}$$

3. GHG intensity

$$\sum_{n}^{i}\left(\frac{\textit{current value of investment}_i}{\textit{current value of all investments } (€M)} \times \frac{\textit{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\textit{investee company's €M revenue}_i}\right)$$

4. Fossil fuel exposure

The regulation defines 'companies active in the fossil fuel sector' as: "companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council".

We primarily rely on S&P Trucost to make this assessment for us. However, we have added some companies which we consider in scope given the definition – although we agree that they are not intuitively 'fossil-fuel' companies. Specifically, as transportation of fossil fuels is in scope of this definition, we have manually added Union Pacific and Canadian National to this calculation, as these companies transport coal.

Cash is excluded from this calculation to aid comparability over time, and we report exposure as a percentage of the Fund, by position size.

5. Non-renewable energy

This metric requires us to report 'share of non-renewable energy consumption and non-renewable energy production of inv estee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage.' We are using the SFDR RTS' definition of weighted average. We use CDP as the data source for energy, which covers around 60% of the companies in the Fund. This data is self-reported by companies.

Energy production only applies to one of our companies – Berkshire Hathaway, and specifically its utilities subsidiary - and we split this out in reporting. We have not amended the EV to Berkshire Hathaway Energy, as it is hard to apportion ownership across a conglomerate.

6. Energy consumption intensity

This metric requires us to report 'energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.' We are currently taking a portfolio aggregated approach rather than splitting this out per NACE sector.

S&P Trucost estimates the percent of revenue derived from high impact climate sectors for each company, and the CDP dataset provides the energy data. We are reporting the weighted average of these numbers, as per the SDFR RTS definition outlined above, and adjusting this to exclude null values, and non-high impact companies.

7. Biodiversity

This metric requires us to determine companies with operational biodiversity impacts, the location of corporate sites/operations relative to biodiversity sensitive areas, and whether companies have undertaken specified measures to mitigate their impact of biodiversity which would render them out of scope for reporting.

We focus our analysis on those companies in sectors whose activities prove most likely to negatively impact biodiversity. This list of companies is informed by MSCI's corporate assessment and by OECD and UN Environment Programme sector guidance.

We have not been able to obtain accurate, comprehensive precise location data points for companies. Had we had more information, we intended to assess these locations against the Integrated Biodiversity Assessment Tool (IBAT) which contains maps of Key Biodiversity Areas (KBAs), UNESCO World Heritage sites, and Natura 2000 network of protected areas, as well as sites protected at a national level.

We also assess corporate disclosures for demonstration of significant mitigation measures as outlined in the regulation, with a particular focus on any companies reporting respect for IFC Performance Standard 6 and giving evidence that the mitigation hierarchy is being followed. We found limited evidence of this among our companies, although some did give examples showing aspects of the mitigation hierarchy being followed for certain sites.

Ultimately, we have taken a precautionary approach and listed all the companies with operational activities likely to negatively impact biodiversity, as having such negative impacts. Cash is excluded from this calculation to aid comparability over time, and we report exposure as a percentage of the Fund, by position size.

8. Emissions to water

The mandatory environmental indicator relating to emissions to water requires that we report 'tonnes of emissions to water generated by investee companies per million EUR invested expressed as a weighted average.' In this case: "'emissions to water' means direct emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council and direct emissions of nitrates, phosphates and pesticides".

The referenced Article 2(30) of Directive 2000/60/EC defines 'Priority substances' as: substances identified in accordance with Article 16(2) and listed in Annex X. The corresponding Annex lists 45 priority substances with relevance to water policy. However, firm-level data for the emission of all 45 priority substances does not exist. S&P Trucost provides modelled data for four types of emissions to water, all in tonnes per year: nutrients and organic pollutants, acid emissions, metal emissions, and pesticides and fertilizers for all of our holdings. There is overlap between these categories and those requested by the regulation. For instance, pesticide emissions are required, and nitrates and phosphates come from fertilizers. Further, some of priority substances listed in the table are metals or acids.

We are reporting the sum of organic pollutants, acid emissions, metal emissions, and pesticides for each of our companies as given by our data provider, per million EUR invested, expressed as a weighted average of our portfolio holdings, as per the final SFDR RTS definition. We believe S&P Trucost's estimation methods to be particularly robust and the most feasible method to comply with the intention behind the regulatory text.

9. Hazardous waste

The mandatory environmental indicator relating to hazardous waste requires that we report 'tonnes of hazardous waste generated by investee companies per million EUR invested expressed as a weighted average.' The RTS defines hazardous waste as: hazardous waste as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council and radioactive waste as per Article 3(7) of Council Directive 2011/70/Euratom.

S&P Trucost gives firm-level data for companies that have explicitly reported producing 'hazardous waste', with the latest data set coming from 2020. We supplement this with our own research. We use some judgement as to whether or not to count lack of reporting on this metric as a null value. We exclude some companies from the calculation where we consider them likely to produce hazardous waste, although they do not report it (such as in the case of oil and gas company EOG). We use the weighted average of our portfolio holdings, as per the final SFDR RTS definition.

Social Indicators

1. Violations of UN Global Compact principles and OECD Guidelines

This data is provided by ISS ESG and is produced by assessing material controversies against these frameworks and engaging with companies where possible. We have chosen the threshold for reporting as levels 9 and 10 on this methodology, representing ISS ESG's assessment of: Imminent Failure to Respect Established Norms (9) and Verified Failure to Respect Established Norms (10).

Cash is excluded from this calculation to aid comparability over time, and we report exposure as a percentage of the Fund, by position size.

2. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines

We note that there is limited guidance as to how to approach this metric, and that the additional definition provided is somewhat ambiguous in requiring disclosure of the: "Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises".

We have chosen to exclude only companies where we have reasonable, publicly disclosed evidence, of policies and procedures in line with the UN Global Compact (UNGC). This framework was chosen over the OECD guidelines as companies can sign up to the former, not the latter, and it is easier to evidence alignment with the UNGC.

We excluded all UNGC signatories with recent, credible reports to the UNGC, as well as evidence of a grievance or complaints mechanism. This meant that those recently committed to the UNGC, or with reports to the UNGC in the 'learner' phase, were not automatically included on this basis.

In addition, we assess whether companies which have not signed the UNGC nevertheless have made commitments in line with all of its principles, and had an aligned grievance or complaints mechanism. Only publicly available documents are considered. The most common gap is companies not specifically indicating respect for Principle 3 of the UN Global Compact, covering freedom of association and collective bargaining.

The final reported metric is the weighted total of investments in the Fund which does not meet the criteria outlined above, demonstrating policies and procedures aligned with the UNGC. Cash is excluded from this calculation to aid comparability over time, and we report exposure as a percentage of the Fund, by position size.

3. Unadjusted gender pay gap

Given the lack of aligned reporting requirements in the US, none of the companies in the Fund report a mean gender pay gap in terms of hourly earnings. Data availability for this metric is therefore a challenge, and we understand that approaches will differ. One choice was to leave this as a gap. However, we wanted to start collecting information on this point to help inform our understanding of firm's diversity and inclusion efforts, which might feed into our engagement.

The UK Gender Pay gap reporting framework was chosen due to the consistency of information provided through this, and the degree of applicability to companies in the Fund relative to other jurisdictions with similar pay gap disclosure frameworks. Around 40% of companies in the Fund report this metric at a UK subsidiary level. These figures provide a consistent, although partial, approach to the question.

SFDR specifies use of average gender pay gap. We chose the most common interpretation of average, as being the mean. We understand that median is often the preferred metric in gender pay gap reporting, as mean values can be skewed by the profile of the highest earners in a company. On the other hand, the diversity of the senior leadership team is also of interest from an ESG perspective. Ultimately, mean has been chosen as the average in this case.

Cash is excluded from this calculation to aid comparability over time, and we report exposure as a percentage of the Fund, by position size.

4. Board gender diversity

The gender of currently serving Board directors is provided by BoardEx. This is the timeliest provider of Board information to which we have access. The firm requires two external news / data points before updating its database, to ensure reliability. The final reported metric is the average female to total Board members in the Fund. We report Fund exposure as a percentage of the Fund, by position size.

5. Exposure to controversial weapons

Data for this metric is provided by ISS ESG, which has one of the best known and longest standing controversial weapons research teams (formerly part of Swedish firm Ethix SRI Advisors, which was bought by ISS in 2015). The firm researches controversial weapons programmes and related contracts, as well as engaging with companies where possible for clarification around potential involvement.

The Fund does not invest in manufacturers of such weapons, nor those deemed potentially in breach of related weapons conventions covering cluster munitions, antipersonnel mines, biological or chemical weapons. Given the severity of these impacts, we have taken additional caution and classified anything categorized by ISS ESG as “amber” or “red” (score 6-10) as out of scope, at least until further clarification. These scores range from “Fragmentary information about involvement - enabling equipment” to “Verified involvement - controversial weapons”.

Additional Environmental - Investments in companies without carbon emission reduction initiatives

We regularly monitor how many of our companies have set a science-based target. For this metric we focus on companies that have failed to set or commit to Science Based Targets Initiative targets, as this is the clearest way to judge “Paris-alignment” (which is specifies in the regulatory definition”). Cash is excluded from this calculation to aid comparability over time, and we report exposure as a percentage of the Fund, by position size.

Additional Social - Lack of a supplier code of conduct

As the regulation indicates a supplier code of conduct should cover “unsafe working conditions, precarious work, child labour and forced labour”, only supplier codes which referenced safety, child labour and forced labour were considered in scope. Only publicly available documents were considered. The final reported metric is the weighted total of investments in the Fund which did not meet the criteria outlined above. Cash is excluded from this calculation to aid comparability over time, and we report exposure as a percentage of the Fund, by position size.

Statement on principal adverse impacts of investment decisions on sustainability factors

ENGAGEMENT POLICIES

Engagement is essential to our investment strategy and is a collaborative effort involving all team members. Our experienced investment team is focused on a single fund. We typically hold around forty to sixty companies in the portfolio. This means that we are able to get to know our companies and their management teams extremely well and hold hundreds of meetings each year with them.

Our engagement with companies spans a number of areas – both traditional and ESG-related. 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 sustainability impacts.

We monitor a number of ESG-related data points which can inform us of changes, such as altered employee satisfaction or new controversies. Such changes are captured in the RIG, which is also accompanied by a report noting key changes. These changes are highlighted monthly, and in portfolio managers' meetings and Investment team discussions. In addition, a dedicated focus on sustainability impacts – which we consider as long-term risks – is undertaken on a quarterly basis. This comprises a focus on PAIs, as defined under SFDR. The Responsible Investment Committee reviews this process, including being alerted to key changes.

How we prioritise engagement and seek to influence behaviour

We prioritise issues that are either most material from a risk and reward perspective, or from an impact perspective. We believe this can best protect and enhance the value of our investments. Therefore areas which we most closely monitor, and are likely to engage on, include those outlined under "our investment process" and "our approach to impact" in our Responsible Investment & Engagement Policy.

Signals which aid our engagement include changed data points in the RIG (for instance a worsening Glassdoor score, or implied temperature rise score). Another likely catalyst for engagement includes low performance on PAI metrics (for instance the companies producing the most water pollution in the Fund, or with the greatest potential for negative biodiversity impact).

ESG discussions may either be 'bottom up' or thematic in nature. Stock-specific factors which may influence how we prioritise engagement 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 consider the scope and severity of risk, and negative sustainability impacts, in our engagement. Finally, we respond to short-term events such as upcoming voting decisions, company requests, management changes, and any escalation of ESG risks or impacts.

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. Goals include enhanced corporate disclosure or action on ESG factors, including sustainability impacts – with a particular focus on our impactful engagement themes highlighted above. Outcomes may also include improved. voting decisions, changes to our investment thesis or portfolio construction. We give examples of engagement, and related outcomes, in our biannual reporting.

How we escalate issues

We engage on issues of concern with a positive, constructive 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, and we think this will help clarify or highlight the issue at hand). Although rare, in some cases we may determine that the issue is so severe, and/or entails such significant risk that we should act before engaging with a company. Similarly in some cases where we engage once with an individual at a company, we may decide that this individual is sufficiently representative of the organisation that escalating it to a more senior executive or Board member is unnecessary.

- Take appropriate voting action where necessary (which may include voting against Board members, supporting ESG resolutions, voting against management pay).
- Determine whether the failure to resolve the issue compromises our investment thesis, or poses an unacceptable level of risk, including reputational risk, to the underlying company or our Fund. This may be due to the existence of severe ESG risk, and/or salient and persistent negative impacts, which management are unwilling to resolve.
- 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 in portfolio manager and Investment team meetings on at least a monthly basis, and may be escalated to the Responsible Investment Committee where appropriate. There are a number of occasions where we have divested from a position due to responsible investment issues. This typically occurs when issues are severe in terms of risk or impact, and we see insufficient willingness to change.

Our approach to cooperation

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

Our status as a signatory to CDP signals our support for better corporate disclosure on material climate and environmental issues. We are signatories to CDP's climate, water and forestry programmes.

Ahead of COP26, and again ahead of COP27, we became signatories to the Investor Agenda's Global Investor Statement to Governments on the Climate Crisis. Through this we joined peers in calling on governments to significantly strengthen their climate commitments, and endeavour to transition to net zero emissions by 2050.

In 2022 we also joined the Taskforce on Nature-related Financial Disclosures and the Investor Alliance on Human Rights, signalling our willingness to help share best practice in these important areas.

Our voting policy

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.

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. A full, proprietary voting report is drawn up in advance of every annual general meeting.

We also seek to engage with a company when we intend to vote against items at annual general meetings. This helps us clarify a company's approach to ESG matters, coming to a more informed decision, and also signals to companies where they might improve.

Statement on principal adverse impacts of investment decisions on sustainability factors

Findlay Park

REFERENCES TO INTERNATIONAL STANDARDS

We are a member of the United Nations Principles for Responsible Investment ("UN PRI"), signalling our commitment to ESG issues. We report in line with these principles, including on their climate and sustainable outcomes models which overlap with aspects of principal adverse impact disclosures.

Our Responsible Investment & Engagement Policy notes our support for the Paris Agreement, and we assess companies' implied temperature rise with this agreement in mind. We have signed the Global Investor Statement to Governments on the Climate Crisis for two years, encouraging government action on the commitments of the Paris Agreement. We have also formally become a supporter of the Task Force on Climate-related Financial Disclosures (TCFD), which is itself becoming an international reference for various national standards on climate reporting.

In becoming members of the Investor Alliance on Human Rights we committed to strive to implement the responsibility to respect human rights, as outlined in the UN Guiding Principles on Business and Human Rights.

Our avoidance of certain controversial weapons investments references a number of international standards. These include The Convention on Cluster Munitions, Anti-Personnel Mine Ban Treaty, Biological and Toxin Weapons Convention, Chemical Weapons Convention.

HISTORICAL COMPARISON

The earliest historical comparison will be provided in June 2024.