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 ("Fund"). Our purpose is to generate compelling compound returns for our investors, measured over decades. This Policy outlines why responsible investment matters to us, and details how meaningful consideration of environmental, social and corporate governance ("ESG") issues and regular engagement are embedded in our investment philosophy and process, and why we believe that our approach to responsible investment plays an important role in delivering our purpose.

Our approach to responsible investment

There are three key reasons for why responsible investment is core to our investment approach.

1. **Our purpose guides us towards sustainable businesses**

Our purpose is to generate compelling compound returns for our investors, measured over decades. We believe that sustainable businesses are best placed to generate compound returns. The financial sustainability of a business increasingly depends on all aspects of sustainability – including environmental and social elements.

We do not invest in stocks where we have concerns with their financial stability, including businesses where social or environmental issues threaten financial sustainability.[1] We aim to invest in great businesses, and back those that deliver value for their key stakeholders.

2. **Our Investment Philosophy embeds ESG factors**

The integration of ESG factors into our investment process is guided by our Investment Philosophy. This is grounded by the belief that we can generate higher compound returns for investors by taking *less* risk.

Consideration of ESG issues is key to this investment approach of identifying opportunities and mitigating business risk in order to compound returns over time.

Several questions on our Investment Philosophy checklist address ESG issues, including whether we like a firm's purpose and culture.

3. **Our culture and focus enables effective stewardship**

Teamwork is integral to our culture, and responsible investment is a team-wide responsibility.

We do not believe responsible investment can be effectively outsourced. We undertake our own research and have a proprietary ESG framework – our Responsible Investment Gauge ("RIG") – which we use to prioritise, assess and explain relevant ESG issues for each stock in the Fund.

By focusing on one Fund we are able to delve into detail and spend time engaging with management. We engage on areas most relevant to each company, and make active voting decisions.

We recognise that some sustainability factors are not yet fully priced in the real economy. Monitoring and engaging on these issues can be an opportunity for active managers with a long-term time horizon.

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

[1] Controversial businesses tend not to fit our investment philosophy, and we have formal restrictions on investments in a limited number of activities which we believe create undue financial and reputational risk. Findlay Park does not invest in companies (i): which are likely in breach of controversial weapons conventions; or (ii) with over 10% of revenues generated from: either coal fired power and coal mining, oil sands, or the production or distribution of tobacco. Please see our 'Exclusions Policy' below for details.

Our style of responsible investment

The three key reasons highlighted above lead us to implement a particular approach to responsible investment, which we believe is differentiated. As a reference for Fund investors we outline below the 'style' of responsible investment which best characterises this approach, with reference to key bodies such as the UN PRI, UK Stewardship Code and EU's Sustainable Finance regulations[6] ("SFDR").

Style	Traditional investment	ESG Integration[2]	Stewardship[3]	Sustainability characteristics[4]	Sustainability or Impact Objective[5]
Definition	Little to no consideration of ESG issues	Assessing ESG issues to improve return	Being active owners & good stewards of capital	Formalised sustainability characteristics	Objective to positively impact the environment or society
Our approach	×	✓	✓	✓	×
Rationale	We have long considered ESG issues central to our investment process.	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 monitor and engage on sustainability issues & avoid firms with severest negative impacts	We have one objective aligned to our purpose. We do not exclusively invest in companies with environmental or social solutions

Our commitment to ESG integration, voting and engagement, is reflected in our signatory status to the United Nations Principles of Responsible Investing ("UNPRI"), and to the UK Stewardship Code. We report annually in accordance with these Principles. More information on our approach to sustainability is outlined below.

Our investment process

We have a clear Investment Philosophy that is aligned to our purpose and is rigorously applied through all market conditions. This philosophy 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, including:

- Is the business susceptible to shifting consumer preferences?
- Does the business / industry face regulatory headwinds?

[2] According to the UN PRI a "key component of ESG integration is lowering risk and/or generating returns" (https://www.unpri.org/fixed-income/what-is-esg-integration/3052.article). This is aligned with the EU's focus on sustainability risks, and expectation that asset managers understand and disclose these.
[3] 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".
[4] This is outlined in Sustainable Finance Disclosure Regulation, 2019/2088, Article 8.
[5] This is outlined in Sustainable Finance Disclosure Regulation, 2019/2088, Article 9.
[6] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector

- Is it a net beneficiary of climate economics?
- Will it be a stronger business in 3-5 years' time?
- Does it have trusted brands that are getting stronger?
- Is management compensation aligned with shareholders?
- Do we like the corporate purpose and culture? (a double scored question)

The integration of ESG considerations into our Investment Philosophy checklist means this analysis is applied by each member of the Investment team when researching and engaging with companies, and is included in regular discussion and debate regarding all existing and potential Fund holdings. Our Responsible Investment Lead is a member of the Investment team. Detailed ESG analysis is conducted for every company review, led by the Responsible Investment Lead and in collaboration with the co-coverage team. This helps us address these issues, rigorously and consistently, within a culture of teamwork.

We collate and monitor a range of factors using our proprietary RIG This combines external data with our voting, engagement and ESG research notes, and helps us simplify complex information to better prioritise, assess and explain relevant ESG issues. The RIG is included in Investment Committee meetings and team discussions. It provides detailed information on five areas, relevant to all our companies: Human Capital, Climate & Environmental, Corporate Governance, Cyber Security & Data Privacy and Business Ethics & Reputation. These reflect the realities of the changing world 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 and nature related risks are increasing and systemic[7]	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.[8] Additional issues we assess for industrials, for instance, are shown below.

	Environmental Issues	Social Issues	Business Opportunities

[7] As outlined by the Taskforce on Nature Related Financial Disclosure, there is increasing evidence of financial risks and impacts related to issues such as biodiversity and water, See "Proposed Technical Scope for TNFD", 4 June 2021. https://tnfd.global/publication/proposed-technical-scope-for-tnfd/
[8] 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.

Industrials	Water use and risk	Raw materials, waste and pollution[9]	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 employee reviews to assess human capital management; InHerSight reviews to gauge a firm's approach to diversity and inclusion; CDP (formerly the Carbon Disclosure Project) and S&P Trucost for environmental data; SecurityScorecard for cyber risk; and Institutional Shareholder Services ("ISS") ESG for business integrity research. We also draw on human expertise and knowledge across industries and sectors. We will often speak not only with management teams, but former employees of companies, as well as a company's competitors, customers, and suppliers. This helps us assess corporate culture and integrity, among other issues.

We have developed a number of mechanisms to ensure that ESG issues are integrated into the entire investment decision making process. Companies which score poorly on our Investment Philosophy checklist – which includes ESG questions such as those outlined above – are rarely included in the Fund. On the occasions when they are included, the risk-reward must be asymmetric, and the firms are subject to a higher degree of scrutiny, particularly with respect to ESG issues. A good example is our investment in commodities companies, which have all undergone particularly intensive ESG research and engagement. In addition, portfolio managers are prompted to consider all companies' ESG scores when making investment decisions. Our portfolio valuation sheet includes firms' scores on our RIG.

Furthermore, when we see firms as fundamentally misaligned with our expectations of a responsible business, we have acted to protect our own reputation and the interest of our investors. We have a number of examples where responsible investment issues – including those related to biodiversity, business conduct, and human capital – have driven our decisions to avoid or sell a stock[10]. In addition, we have introduced some targeted exclusions. These are focused on companies with activities that are a poor fit to our Investment Philosophy, often with the severest negative impacts on society and the environment, These are detailed on page X below.

Our approach to climate change

We believe that climate change is an economic as well as an environmental issue; and that any rigorous approach to investment must be climate aware.[11]

We recognise the importance of both climate risks and opportunities – whether arising from physically changing climate, or a transition to a more sustainable economy. 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 implied temperature rise of a firm's carbon emissions, which is compared with the Paris Agreement, among other environmental indicators.[12] It also includes a view of physical climate risk and of corporate reporting against

[9] Depending on the type of company additional issues may be considered such as biodiversity, packaging and plastics when these are core risks or impacts.

[10] Examples are available in the Firm's twice yearly Responsible Investment & Engagement reports, available on the Firm's website https://www.findlaypark.com/responsible-investment/

[11] We firmly acknowledge the importance of other areas of natural capital. Over time we may evolve more specific policies related to these areas, which currently inform monitoring, engagement and integration where they present material risks or impacts.

[12] As at June 2021, we use MSCI ESG's work on Climate Warming Potential. We also look at corporate reporting in light of TCFD recommendations, exposure to physical climate risk, and water and forest related issues.

Taskforce on Climate Related Financial Disclosure ("TCFD") recommendations. This information is incorporated into our portfolio-wide Responsible Investment Gauge. Our support of CDP – which has aligned its climate survey with TCFD requirements – further underlines our support for quality disclosures and action on this issue.

For some sectors we undertake additional climate-related analysis, and extensive engagement. For instance, commodities businesses tend to fit poorly with our Investment Philosophy, however we have from time to time invested in this sector. We expect companies in this sector to have prepared for climate change, and thoroughly considered their resilience to different scenarios. To support data obtained from companies themselves, we may consider our own climate-related scenarios or pathways to an energy transition, or those of third-parties with ESG expertise. [13]

We believe selective investment, and active ownership, can align with a transition to a more sustainable economy. We prefer an engaged approach, which we believe can catalyse real-world improvements. However, we see a certain subset of activities as likely incompatible with a sustainable transition – particularly when there is a poor fit with our philosophy – and entailing a high degree of financial and reputational risk. We therefore do not invest in firms which derive over 10% of revenue from coal fired power and coal mining or oil sands. Otherwise, we remain open to investing in commodities companies which demonstrate excellence in both financial prudence and ESG matters, including climate.

Importantly, we also look for opportunities from climate change. For instance, we have exposure to the US' largest producer of wind energy, and the world's largest green hydrogen project.[14] We have also created a specific question in our Investment Philosophy checklist, addressing whether a company is a net beneficiary from climate economics. We anticipate that this will increasingly help us identify companies with viable green solutions that fit with our Investment Philosophy.

We publish portfolio-wide climate metrics and will continue to develop our approach. We will be mindful of TCFD guidance for investment firms as we develop our reporting. We anticipate setting a firm-wide climate related target – appropriate to our purpose – by the end of 2022. . To signal this intention, we have joined 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.

As interim steps we commit to the following stewardship targets:

> We commit to engage with all companies which have not formally set, or formally committed to set, verified science based targets. This will be undertaken at least annually. Our long-term aspiration is for all companies in the Fund to have realistic and achievable climate targets.
>
> Similarly, we also commit to vote for all reasonable climate-related resolutions, unless the company in question has: already set a verified science based target in line with a pathway to net zero, and already undertakes best-in-class climate reporting.

[13] Our investment in the energy sector considers future oil price demand scenarios - based on factors such as electric vehicle penetration, aviation and plastic recycling.
[14] 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.

Our approach to sustainability impacts

Our purpose is to generate compelling compound returns for our investors, measured over decades. We believe that sustainable businesses are best placed to create compound returns. The financial sustainability of a business increasingly depends on all aspects of sustainability – including environmental and social elements.

We spend time engaging with management on a variety of ESG issues. We recognise that some sustainability factors are not yet fully priced in the real economy, nor adequately reflected in today's share prices. Some of these have been defined by SFDR as "principal adverse sustainability impacts". These cover a wide range of areas, including emerging areas of focus such as biodiversity, and water pollution. We consider these issues, for instance in our due diligence, engagement and voting practices, and encourage companies to appropriately address their salient impacts.[15] More widely, we support CDP's climate, water and forestry programmes – signalling support for greater disclosure and action on salient environmental issues, including those currently less well reflected in financial markets.[16]

We aim to invest in great businesses, and back those that deliver value for their key stakeholders. We do not invest in businesses where we have concerns with the financial stability of the business, including businesses were social or environmental issues severely risk financial sustainability.

We monitor and engage with companies on a range of ESG issues including sustainability impacts.[17] Major changes are investigated internally, and discussed with the company where significant. We track our ESG related engagement, and will further map our engagement and voting to sustainability indicators from 2022.

Our environmental and social characteristics

Our environmental and social characteristics stem from our thorough, engaged and long-term approach to responsible investment. This is built on rigorous ESG integration, active engagement, voting, consideration of sustainability impacts, and exclusions of areas with the most severe impacts on society and the environment.

> **Environmental characteristics.** We believe our approach of selective investment, and active ownership, can align with a transition to a more sustainable economy. We see this transition as an economic theme – resulting in meaningful opportunities, as well as risks. Our research, engagement and voting is informed by climate indicators such as corporate climate targets and alignment with the Paris Agreement, among other issues. We voted for all climate related resolutions put before us in 2020 and 2021, and expect to develop an appropriate climate target within the next few years. We have binding exclusions on investment in companies deriving 10% of revenue from: coal fired power and coal mining or oil sands. These activities are among the most damaging to the environment, and their continuation out of step with international climate agreements. Relatedly, we believe they have limited economic prospects, and entail financial risk.
>
> **Social characteristics.** We prefer companies with great purposes and cultures – a question 'double-scored' on our investment philosophy checklist – and avoid those were we have concerns around their societal value. We closely monitor and engage on social factors such employee engagement. We pay attention to corporate controversies, particularly those that risk companies breaching international norms such as the UN Global Compact and OECD guidelines. Controversial companies tend to score poorly against our investment

[15] Salient impacts can include those with the greatest scope of impact, or severest harm to the environment or society – among other factors. Although there is sometimes a distinction between the extent of impact and short-term materiality - we see the two potentially converging in the long-term. For instance, though carbon does not currently have a price in many parts of the world relevant to our investments, we still engage with high emitters, considering this issue to be important in the long-run. This aligns with our long-term approach to investment and thorough consideration of risk.
[16] For instance we view water, deforestation and biodiversity as issues less well understood by investors, but increasingly important.
[17] Data enabling ESG integration is updated monthly, from 2022 sustainability impact data will be updated quarterly.

philosophy. Moreover, we have binding exclusions of companies deriving 10% of revenue from tobacco production and distribution, and those likely in breach of international conventions of controversial weapons. These areas cause significant social harm, leading to financial or reputational risk.

Our exclusion policy

Companies with severe ESG risks and controversies would not meet our Investment Philosophy's strict criteria, which addresses matters around heightened regulatory risk, questions over long-term outlook, and susceptibility to changing consumer preferences.

Below we detail our formal policy with respect to exclusions, which are the binding aspects of our environmental and social characteristics. For inclusion in the Fund, in addition to our own in-depth research, corporate securities[18] will be screened against binding exclusion criteria using third-party data.[19]

Theme	Product	Exclusion criteria	Rationale
Environmental	Coal	Companies deriving >10% of revenue from coal fired power and coal mining.	These activities are among the most damaging to the environment, and their continuation is out of step with the Paris Agreement. We also believe these businesses have limited economic prospects, and fit poorly with our Investment Philosophy.
	Oil sands	Companies deriving >10% of revenue from oil sands.	
Social	Tobacco	Companies deriving >10% of revenue from tobacco production and distribution	Tobacco is a cause of significant social harm given its impact on human health. Related businesses are at risk of further regulatory scrutiny and are a poor fit with our Investment Philosophy.
	Controversial weapons	Companies deriving >0% of revenue from controversial weapons (cluster munitions, antipersonnel mines, biological, chemical weapons or nuclear weapons for countries not recognised under the Non-Proliferation Treaty).[20]	Certain weapons have disproportionate and indiscriminate impacts on civilians, even years after a conflict has ended. Investing in businesses associated with these weapons entails reputational, and in some contexts legal, risk.

[18] This screening does not apply to other assets in the portfolio, including T-Bills or cash

[19] The data used to determine the percentage of revenue deriving from the relevant exclusion is sourced from external data providers, and although a qualitative review is performed, the Firm is therefore not responsible for the accuracy of this data.

[20] In breach of international conventions of controversial weapons comprising the following: Convention on Cluster Munitions, Anti-Personnel Mine Ban Treaty, Biological and Toxin Weapons Convention, Chemical Weapons Convention. We do not currently exclude all companies involved in nuclear weapons; as a UK based firm investing in US companies we are aware that both countries have nuclear programmes, which we recognised under the Non-Proliferation Treaty. By contrast, firms involved in the programmes of countries defined as non-nuclear weapons states under the Non-Proliferation Treaty, would present excessive risk to us and our investors.

Affiliated companies will be excluded only if they derive revenue from these excluded products, in a manner which breaches these criteria. For instance the parent company of a firm producing controversial weapons would be excluded, but a different subsidiary of the parent – not undertaking excluded activities - would not be excluded.

Where a company held in the Fund is identified to have revenues from coal, tobacco or oil sands which approach these thresholds, but do not breach them, we will seek to engage with the company. This will help us understand future plans, for instance to exit or reduce exposure to these lines of business. We will clarify our policy to such companies and encourage them not to increase exposure to these areas.

The exclusion lists are reviewed on a six monthly basis. Where an investment is identified as no longer meeting the Fund's exclusion criteria, we will seek to sell the investment as soon as reasonably practicable taking into account the interests of the investors.

Our approach to engagement and monitoring

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 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 sustainability impacts.[21] 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[22]. This included extended engagement specifically on purpose and culture, as we continue our investigation of these as a source of competitive advantage. A summary of these discussions is logged centrally, for all Investment team members to access. The outcomes of such discussions are also noted, and scored as part of the RIG framework.

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 Investment Committee 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[23]. The Investment Committee also reviews this process, including being alerted to key changes.

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

Our purpose is to create compelling compound returns for our investors, measured over decades. We therefore prioritise issues according to their materiality, including how this may develop over a long time horizon.[24] We believe this can best protect and enhance the value of our investments.

[21] See also the discussion of particular ESG issues in 'Our investment process' above.

[22] https://www.findlaypark.com/wp-content/uploads/2021/08/Findlay-Park-Partners-LLP-Responsible-Investment-and-Engagement-Report-1H-2021.pdf

[23] These align with the principal adverse impacts under SFDR.

[24] We believe that – over time - major sustainability impacts can become salient ESG risks.

ESG discussions are generally 'bottom up' in nature, although on occasion we have thematically engaged with a wide range of companies on a particular topic of interest (such as cyber security). 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 also consider the scope and severity of negative sustainability impacts in our engagement.[25] Finally, we respond to short-term events such as upcoming voting decisions, company requests, management changes, and 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. 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.

One notable exception to our bottom up approach to engagement is our focus on climate change. We increasingly see this as a systemic issue for which all of our companies should swiftly prepare. As such, we will engage with all companies in the Fund to encourage them to set science based climate targets.

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).[26]
- 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.

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 UNPRI's shareholder collaboration programme, through which we may join thematic working groups and sign letters on topics of concern.[27]

Our status as 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.[28] We recognise that

[25] Relevant factors here might include the number of people impacts, whether damage is irreversible, and the probability of future occurrence or reoccurance.
[26] 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.
[27] 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.
[28] The latter of which includes biodiversity considerations.

climate change - and increasingly broader natural capital degradation - poses systemic risk, and welcome better information to enhance understanding of the financial implications. We may directly support and participate in CDP's efforts; for instance in 2021 we became a lead investor on a CDP engagement with Berkshire Hathaway, and had a personal response from Warren Buffett.

Ahead of COP 26, we became signatories to the Investor Agenda's Global Investor Statement to Governments on the Climate Crisis. Through this we joined over 700 peers in calling on governments to significantly strengthen their climate commitments, and endeavour to transition to net-zero emissions by 2050.

We are also members of the Investment Association, and our CEO and Responsible Investment Lead are Board members of the Independent Investment Management Initiative ("IIMI"). These bodies provide resources on responsible investment, related events, networking and training in some cases. They also give us access to informal responsible investment networks, and also facilitate engagement with governments and other bodies on responsible investment issues. We have led the development of an ESG forum within IIMI to discuss responsible investment topics and share best practice. Our significant involvement in IIMI means that we can guide such activities, ensuring alignment with the interests of members, including ourselves and our end investors; throughout which we remain mindful of our commitment to promote responsible investment.

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.

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,[29] 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. A full, proprietary voting report is drawn up in advance of every annual general meeting. Inputs into this analysis typically include: proxy voting materials, annual and sustainability reports, recent engagements with the company, third party ESG data, and research providers such as ISS. Factors we consider during voting go well beyond traditional governance elements, and include wider ESG issues including sustainability impacts. 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.

Our voting policy draws on our Investment Philosophy, forming principles which inform our voting decisions. These principles 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.[30] 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 often look favourably on returns-based metrics and those related to cash flow, as well as areas of strategic importance to a business including salient ESG issues. However, we are aware that different structures may be appropriate for different companies, for instance due to their particular industry, growth phase, or strategy. 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.

- **Purpose and culture are key to long-term success**

We believe that companies with a strong purpose[31] 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 such as compensation, Board membership or ESG related shareholder proposals – including those focused on sustainability impacts.[32]

[29] We only vote when we have a current investment in a company. There may be cases when we are technically allowed to vote but have sold out of a company; although we have this technical right we believe in the principle that voting should correspond with share ownership. We do not believe that those who are not owners should influence the future of a company.
[30] We look beyond a narrow view of shareholder interest, and consider other stakeholders where relevant – e.g. when assessing ESG metrics in remuneration proposals.
[31] i.e. companies with both clear goals, and those prioritizing key stakeholders such as employees, customers, society or the environment.
[32] We carefully consider proposals linked to sustainability impacts such as climate change, diversity, and human rights matters.

Topics on which we have supported shareholder proposals include: climate, diversity, health and human rights matters. When voting on these topics we carefully assess the issues at hand, alongside the culture and conduct of the company. We also examine the resolution itself and consider whether the changes would themselves be additive – i.e. would the request of the resolution help mitigate material ESG risks or salient impacts? Where we see material risks or impacts insufficiently addressed by a company, and additive shareholder resolutions, we will not hesitate to vote against management.

Climate disclosure and action is a particular theme which we have supported in voting in recent years; we supported all climate related resolutions put before us in 2020 and 2021. Given the salience of this issue to all companies, we commit to support any reasonable shareholder resolution on this topic, unless the company in question has: already set a verified science based target in line with a pathway to net zero, and already undertakes best-in-class climate reporting.

In addition, we systematically 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.[33]

How we conduct voting

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

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 membership, 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 seek to 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 governance structure supports 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, covering matters such as: ESG integration, climate change, sustainability impacts, engagement and voting.

Anthony Kingsley (CIO) and Simon Pryke (CEO) are Managing Partners and members of the Board. An Executive Committee reports to the Board and supports the Managing Partners in delivering against the strategy approved by the Board, and in the day to day management of the partnership.

[33] An exception to this is where the proposed threshold would empower one large shareholder to call a meeting unilaterally. In general we see a 10% threshold of ownership as too low, on this basis.

The Responsible Investment Lead is a Partner of Findlay Park, reports directly to the CEO, and is also a member of the Executive Committee and the Investment team. This reflects our strong commitment to responsible investment as a firm.

As outlined above, decisions on contentious votes and escalated issues, are overseen by the Investment Committee. This body also monitors portfolio-level ESG issues, and discusses our internal responsible investment reports. 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.

We benefit from the independent oversight and input of the Board of Directors of the Fund ("Fund Board"), which has been increasingly active in overseeing our approach to ESG issues. The Fund Board approve the Fund's investment objective, policies and any updates to the Prospectus or Constitution in accordance with Central Bank of Ireland requirements. They were instrumental in the Fund being classified as having sustainability characteristics under SFDR (i.e. 'Article 8'). The Fund Board receive ESG information quarterly to enable their oversight.

Finally, we have sought external legal, regulatory and consulting expertise as we have developed our approach to responsible investment. For instance, our approach to 'Article 8' has been refined in discussion with consultants specialising in sustainability and regulation.

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 responsible investment issues, 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, examples of engagement and key ESG and sustainability metrics. 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 also report with reference to the new UK Stewardship Code, and SFDR – the latter will entail detailed reporting against sustainability impacts and related actions.

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 spend time answering detailed questions on responsible investment, and welcome meetings with a focus on responsible investment.

Feedback from investors has been important to the development of our responsible investment strategy. For instance in 2021 a number of investors suggested that our approach to investment might best be classified as having sustainability characteristics under SFDR (i.e. Article 8); this strongly influenced our decision to formalise how our approach aligns with sustainability issues and to make the related commitments required in order to meet the requirements of this regulation.

How our culture aligns with responsible investment

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 being 'one team'. Underpinning this is a commitment never to risk our reputation.

Our emphasis on continuous improvement and teamwork means that we constantly learn, and challenge each other. All new members of the firm are given an introductory training session on Responsible Investment at Findlay Park. Additionally Findlay Park teams undertake ESG training as part of their annual professional development. We recommended and required third-party training for certain team members in 2021 – initially focusing on those newer to the business.

The focus on being 'one team' also means that everyone's views matter. We aim to foster an inclusive environment, welcoming diverse views and perspectives. Our hiring processes includes a focus on cognitive diversity, and we monitor the gender diversity of candidates short-listed for all positions.

Operationally, we aim to model behaviours expected of responsible companies. Our Social Responsibility Committee oversees our progress on environmental stewardship as well as community giving. Our partnership with the charity Trees for Life supports the revitalisation of wild forests in the UK. Our building uses electricity generated from 100% renewable sources; and within the office we have switched to biodegradable and eco-friendly products and worked with our suppliers to reduce plastic packaging. We are also working towards carbon neutral verification for our business .

We support a number of charities – with a particular focus on social inclusion. Current charitable partners include the Resurgo Trust, which runs several initiatives including the Spear Programme. The Spear Programme equips unemployed young people to enter employment or progress into further training and education.

We also support individual giving. Each year, every member of the Findlay Park team can select a charity or charities of their choice to receive a donation from Findlay Park. In our experience, almost all of us have a charitable cause that we are passionate about, across areas including education, health care and human services. Over the past eight years this giving effort has donated to more than 120 different charities.

Finally, we are all working together towards one purpose – to create compelling compound returns for our investors, measured over decades. We also believe in the wider benefits of this purpose, and the impact it can have on the lives of our investors and society – whether enabling support for future generations, enhancing charitable giving or allocating capital to great businesses which add value to society.

Approved by the Findlay Park Board of Directors[34]

With effect from 17th January 2022

[34] This policy is regularly reviewed and approved by the Board.

Important Information

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