

# Sustainability-Related Disclosures

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## 1. SUMMARY

This disclosure is made by MJ Hudson Fund Management (Ireland) Limited (“MJ Hudson”) and Findlay Park Partners LLP (“Findlay Park”), on behalf of the Findlay Park American Fund (the “Fund”) – a sub-fund of Findlay Park Funds ICAV (the “ICAV”) - pursuant to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (“SFDR”). The ICAV and MJ Hudson have appointed Findlay Park as the Fund’s Investment Manager.

The Fund is classified as an “Article 8” product under SFDR and as such, the Fund promotes environmental and social characteristics. The Fund does not have a sustainable investment objective.

Findlay Park’s investment philosophy is grounded in the belief that Findlay Park can generate higher compound returns for investors by taking less risk. Findlay Park further believes that responsibly managed companies (i.e., companies run in the long-term interests of all stakeholders, including shareholders, customers, employees and society) are best placed to achieve a sustainable competitive advantage and should provide superior long-term investment opportunities.

All the Fund’s equity exposure is managed in line with Findlay Park’s Responsible Investment & Engagement policy and therefore aligned with environmental or social characteristics. The Fund is actively managed; relatedly, a reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

The Fund’s environmental and social characteristics stem from a thorough, engaged, and long-term approach to responsible investment. This is built on rigorous Environmental, Social and Governance (“ESG”) integration, active engagement, voting, consideration of sustainability impacts, and exclusions of areas with the most severe impacts on society and the environment.

Promotion of environmental and social characteristics is primarily understood in terms of the ambition to help advance environmental and social improvements in investee companies. In this context, the Fund promotes the aim of progression by investee companies on sustainability issues over time through stewardship and engagement. Monitoring of factors defined as Principle Adverse Impacts (PAIs) informs Findlay Park’s engagement priorities. Findlay Park has likewise adopted a climate target which is aligned with its membership of the Net Zero Asset Managers Initiative to supporting investing ultimately aligned with net zero emissions by 2050 or sooner. The Fund also promotes its limited exposure to the severest impacts of certain products on society and/ or the environment through the use of exclusion criteria.

Seven indicators are currently used to monitor the attainment of the environmental and social characteristics promoted by the Fund. These relate to climate, human capital, business conduct and the Fund’s overall ESG rating. A variety of data sources and methodologies are employed in this regard. For instance, climate related metrics are sourced from the Science-based targets initiative (pertaining to climate targets) and MSCI (pertaining to Scope 1 and 2 emissions, and an Implied Temperature Rise metric describing a firm’s alignment with global climate commitments). The human capital metric comes from Glassdoor’s aggregation of employee reviews, the business norms metric from ISS ESG’s norms rating, and the Fund’s overall ESG score from MSCI. In addition, the adherence of the Fund to its exclusion policy is also monitored.

There are various limitations to methodologies and data – for instance some rely on estimates, and many of them are backward looking. Mitigants to these limitations include supplemental engagement and internal research.

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When considering new additions to the Fund, due diligence on ESG and sustainability issues is undertaken in the research phase. Internal research, covering these factors, is undertaken, and may be supplemented with engagement or discussion with potential investee companies.

In addition, Findlay Park has developed a comprehensive portfolio-wide responsible investment report (the RIG) which combines external data sources with its own corporate voting, engagement and ESG research notes. This is updated quarterly and discussed with Findlay Park's portfolio managers. Findlay Park also undertakes PAI assessments on a quarterly basis; this process is overseen by Findlay Park's Responsible Investment Committee.

Engagement is central to the attainment of the Fund's environmental and social characteristics. Findlay Park's long term engagement priorities cover: climate, nature, employees, supply chains and human rights, and sustainable economic solutions.

A complete overview of Findlay Park's approach to responsible investment can be found in its Responsible Investment & Engagement Policy, and its approach to the consideration of sustainability impacts in its Principal Adverse Impacts Statement.

The rest of this document sets out more detail on how the Fund promotes environmental and social characteristics in practice and key metrics for measuring the attainment of environmental and social characteristics. In addition, the information aims to make transparent the ESG research methodologies, data sources used and any inherent limitations to these.

## **2. DOES THIS FUND HAVE A SUSTAINABLE INVESTMENT OBJECTIVE?**

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

## **3. WHAT ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS ARE PROMOTED BY THE FUND?**

Promotion of environmental and social characteristics is understood in terms of both the processes in place to ensure rigorous consideration of ESG and sustainability issues, and the wider ambition to help advance environmental and social improvements in investee companies through engagement.

The environmental and social characteristics promoted by the Fund are summarised as follows:

The Fund promotes the encouragement of corporate progress on sustainability issues over time through stewardship and engagement. Monitoring of topics defined as Principle Adverse Impacts informs the Investment Manager's engagement priorities.

Within this, the Fund specifically promotes the assessment of corporate exposure to climate risk. The Investment Manager has adopted a related target, aligned with the Investment Manager's membership of the Net Zero Asset Managers Initiative, to support investing ultimately aligned with net zero emissions by 2050 or sooner.

The Fund also promotes the careful consideration of employee relations and corporate cultures, and the encouragement of companies to improve these where relevant. Likewise, the Fund monitors and encourages adherence to good standards of business practice, as outlined in the UN Global Compact including human rights, labour, environment and corruption.

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The Fund promotes limiting the severest impacts of certain products on society and/ or the environment that the Investment Manager believes are incompatible with its investment philosophy, through the use of exclusion criteria.

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

## 4. DESCRIPTION OF THE INVESTMENT STRATEGY OF THE FUND

Key to the Fund's promotion of environmental and social characteristics is Findlay Park's ambition to help companies progress on sustainability issues over time. Stewardship efforts, particularly engagement, are the primary methods to achieve this ambition. This is complemented by the application of the Investment Manager's investment philosophy and rigorous ESG analysis, as well as being underpinned by select exclusions of companies with some of the most severe negative impacts on society and the environment.

### ESG integration

The integration of ESG factors, including the ESG characteristics detailed above, into the investment process is guided by Findlay Park's investment philosophy of identifying and mitigating business risk in order to compound returns over the long-term. Consideration of these ESG issues, including a company's purpose and culture, is key to this – the financial sustainability of a business increasingly depends on all aspects of sustainability, including environmental and social elements.

Findlay Park believes that responsibly managed companies (i.e. companies run in the long-term interests of all stakeholders, including shareholders, customers, employees and society) are best placed to achieve a sustainable competitive advantage and should provide superior long-term investment opportunities.

Findlay Park has developed a comprehensive portfolio-wide responsible investment report which combines external data sources with its own corporate voting, engagement and ESG research notes. As part of its investment process, Findlay Park seeks to include all relevant financial risks in its investment decisions and seeks to evaluate these on an ongoing basis. In doing so, relevant sustainability risks, including the ESG characteristics detailed above and/or other ESG events or conditions (relating to items such as Human Capital, Climate and Environmental, Corporate Governance, Cyber Security and Data Privacy, and Business Ethics and Reputation) that could have an actual or a potential material negative impact on the investment, are taken into account.

### *Environmental Characteristics - Climate transition*

Findlay Park encourages companies to transition towards a lower carbon economy. Findlay Park is part 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, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing ultimately aligned with net zero emissions by 2050 or sooner. Findlay Park assesses a company's alignment to, or commitment to align to, 'science-based' climate targets. Targets are considered 'science-based' if they are in line with what climate science suggests is necessary to meet the goals of the Paris Climate Agreement – limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. Findlay Park will seek to engage with companies in which the Fund invests, or is seeking to invest, which have failed to commit to setting a science-based target. Findlay Park has developed a target that, by 2025, 60% of companies by weight in the Fund – excluding cash – will have committed to science-based targets validated by the Science-Based Targets Initiative (SBTi). By 2030 the aim is that this will be increasing to 90%.

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## *Social characteristics - Corporate culture*

The Fund also seeks to promote investee companies to progress against social issues including employee relations. Findlay Park encourages companies to develop cultures where employees can thrive, and engages with companies on this topic. There is particular focus on companies flagged as underperforming on corporate culture and employee engagement – for instance as measured by external employee review sites.

## *Stewardship*

Engagement is key to Findlay Park's ESG strategy. Findlay Park has a focused team, which meets with both potential and current investee companies each year. This activity includes a significant number of ESG discussions relating to the environmental and social characteristics being promoted by the Fund, good governance practices, ESG risks and sustainability impacts.

Findlay Park promotes greater awareness and action by investee companies on a range of sustainability issues. For instance, Findlay Park closely monitors investee companies' adherence to the UN Global Compact – with principles covering a range of issues across human rights, labour, environment and corruption. Companies assessed by a designated third-party as in breach of these principles are flagged by Findlay Park's risk management processes and identified as high priority for engagement.

More broadly, Findlay Park promotes awareness and management of topics defined as principle adverse impacts – which are used to inform Findlay Park's engagement priorities.

Engagement is typically prioritised according to the materiality of issues at hand, including how they may develop over a long-time horizon. Factors influencing this include the size of a position in a company, the extent of the holding in the Fund, and the importance of an issue to the investment thesis. The scope and severity of negative sustainability impacts is also considered in engagement. Short-term events such as upcoming voting decisions, company requests, management changes, and escalation of ESG risks or impacts, are also addressed.

Findlay Park engages on issues of concern hoping to clarify management's intentions or change behaviour. Should this not be possible, Findlay Park will follow an escalation strategy, which may lead to a variety of outcomes, including adjusting or exiting a position.

## *Exclusions*

Findlay Park applies additional binding restrictions relating to direct investment in companies and activities that are deemed incompatible with its approach to responsible investment with respect to environmental or social harms.

For inclusion in the Fund, in addition to Findlay Park's in-depth research, corporate securities will be screened against binding exclusion criteria using third-party data. These binding restrictions are set out in the table below.

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THEME	PRODUCT	EXCLUSION CRITERIA	RATIONALE
ENVIRONMENTAL	<b>Coal</b>	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. Findlay Park also believes these businesses have limited economic prospects, and fit poorly with Findlay Park's Investment Philosophy.
	<b>Oil sands</b>	Companies deriving >10% of revenue from oil sands.	
SOCIAL	<b>Tobacco</b>	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.
	<b>Controversial weapons</b>	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). <sup>1</sup>	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.

Where a company held in the Fund is identified as having revenues from coal, tobacco or oil sands which approach these thresholds, but do not breach them, Findlay Park will seek to engage with the company. This will help Findlay Park understand future plans, for instance to exit or reduce exposure to these companies. Findlay Park will clarify its 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, Findlay Park will seek to sell the investment as soon as reasonably practicable taking into account the interests of the investors.

## 5. PROPORTION OF INVESTMENTS

The Fund is actively managed and primarily invests directly in the securities of companies in North America. A maximum of up to 20% of the portfolio can be held in cash and cash equivalents for ancillary purposes where this is required for the efficient operation of the Fund or is considered to be in the best interests of the Fund; for example, during periods of market uncertainty where such investment is deemed appropriate for defensive purposes.

<sup>1</sup> More information on this treaty can be found here <https://www.un.org/disarmament/wmd/nuclear/npt/>.

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Therefore, in theory all corporate securities (comprising a minimum of 80% of the Fund's AUM) are managed in line with Findlay Park's Responsible Investment & Engagement policy and therefore aligned with environmental or social characteristics.

The Fund does not use derivatives for investment purposes however the Fund may employ techniques and instruments for the purposes of efficient portfolio management and hedging.

## 6. MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

Findlay Park undertakes research and has a proprietary ESG framework – the Responsible Investment Gauge. This is used to continuously prioritise, assess and explain relevant ESG issues for each stock in the Fund.

Findlay Park implements its Investment 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?
- 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 Findlay Park's 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. Findlay Park's Responsible Investment Lead is a member of the Investment team. Detailed ESG analysis is conducted for every company review (the pertains to every new company entering the Fund, as well as some existing holdings). This is led by the Responsible Investment Lead and involves collaboration with the co-coverage team. This helps Findlay Park address these issues, rigorously and consistently, within a culture of teamwork.

Findlay Park's portfolio managers meet on a regular basis and review key ESG concerns related to specific companies (including reviewing the responsible investment report mentioned above), both when considering an investment in a company and on an ongoing basis in respect of companies forming part of the Fund's portfolio. These key ESG concerns are one of many factors that will form part of Findlay Park's overall decision to acquire, divest and/or continue to invest in these companies. The Responsible Investment Committee will also monitor progress made in resolving or mitigating any such ESG concerns. This body also oversees the monitoring of Principal Adverse Impacts, which are monitored on a quarterly basis.

In addition, Findlay Park has selected certain sustainability indicators which help it assess the Fund's environmental and social characteristics. These are described in full in the section below. All exclusions are monitored by the Findlay Park Compliance team, which runs reports from our screening provider, ISS, to update

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stop lists with changes every six months. The exclusions are coded in Findlay Park’s Order Management System, through which investing in an excluded stock is not possible.

The other sustainability indicators are monitored monthly and reviewed by Findlay Park’s Responsible Investment Committee and Risk and Compliance Committee on a quarterly basis. Findlay Park has developed certain flags (green, amber, red) for when metrics reach certain specified thresholds, or show change over time, depending on the nature of the metric. These flags help catalyze internal discussion.

## 7. METHODOLOGIES FOR ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The following indicators are currently used to measure the attainment of the environmental and social characteristics of the Fund.<sup>3</sup> Findlay Park actually monitor a much wider range of factors in Findlay Park’s Responsible Investment Gauge, but the indicators below are particularly important to us, and help evidence Findlay Park’s ESG characteristics.

	ENVIRONMENTAL			SOCIAL & GOVERNANCE		ESG	EXCLUSIONS
METRIC	Science Based Targets	Implied temperature rise	Carbon Footprint - Intensity	Glassdoor	ISS – ESG / Norms	MSCI overall rating	Exclusion compliance
RATIONALE	Climate is a material risk and strongly reflected in the principal adverse impacts framework.			Human capital is a core Findlay Park theme	Business ethics and reputation are a core Findlay Park theme & principle adverse impact.	Investors assess us on MSCI ratings & this is a RIG input	We avoid investing in certain activities which have some of the most negative environmental and social impacts.
DETAILS	Companies which have set or committed to SBTIs on the platform	Financed implied temperature rise <sup>2</sup>	Portfolio weighted average carbon intensity (\$, Mcap, scope 1 & 2)	Portfolio Weighted average Glassdoor Score	ISS assessment of controversies against the UN Global Compact and OECD guidelines for multinational enterprises	Portfolio weighted average MSCI rating relative to the Fund	Our exclusions relate to coal, oil sands, controversial weapons and tobacco

<sup>2</sup> This is as per MSCI ESG methodology. This allocates a 2’ degree carbon budget to companies based on their sector and country; projects a company’s future Scope 1, 2 & 3 emissions to 2070; compares this to the companies’ given budget and then converts this overshoot / undershoot into a warming factor. The last step uses a Transient Climate Response to Cumulative Emissions (TCRE) approach. The TCRE factor of 0.000545°C warming per Gt CO2 which is based on the Intergovernmental Panel on Climate Change’s 2013 “The Physical Science Basis” report.

<sup>3</sup> Once data becomes available on further indicators by data providers, Findlay Park will assess whether to include those indicators in the process to assess the attainment of the environmental and social characteristics. Hence please note that based on the ongoing developments in the area of ESG data, Findlay Park reserves the right to expand, amend or replace the above-mentioned indicators and/or metrics.

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## *Environmental characteristics*

One of the most important metrics regularly assessed by Findlay Park, is alignment of the companies in which the Fund invests, and in turn the Fund, with the Paris Agreement. MSCI ESG provides data on implied temperature rise metrics. This seeks to project future corporate emissions, and assess the expected alignment to the Paris Agreement, considering the sector and location of a company. The most timely and rigorous climate targets are also directly sourced by Findlay Park from the Science Based Targets initiative – which helps develop and verify corporate targets aligned with the Paris Agreement, across Scope 1 (direct) and Scope 2 (electricity related) emissions, and Scope 3 (value chain related) emissions for some sectors.

## *Social characteristics*

Among the social metrics monitored is the state of employee engagement, for instance as expressed on employee review site Glassdoor. Violations of UN Global Compact and OECD guideline norms are monitored through research from ISS ESG. This organisation maps controversies to these norms, and assesses whether a company is likely in breach of these on a rating scale.

## *Principal adverse impacts*

In the course of Findlay Park's due diligence, Findlay Park also make a provisional assessment of a firm's sustainability impacts, aligned with the EU's Principal Adverse Impacts framework. This framework largely focuses on the negative environmental externalities produced by businesses (e.g. their carbon footprint, water pollution, hazardous waste, biodiversity impact), as well as some social and governance factors (e.g. Board diversity). This provides an additional lens through which to view companies, highlighting any additional areas for research or engagement.

Principal adverse impacts are monitored through a number of data providers. MSCI ESG is used for Scope 1 (direct) and Scope 2 (electricity related) emissions, given their timelier approach to emissions reporting relative to peers assessed for this exercise. Most other environmental metrics, such as those on water pollution and Scope 3 (value chain related) emissions, are provided by S&P Trucost given their long-standing environmental modelling experience. Biodiversity metrics are developed by Findlay Park, informed by third party research on biodiversity, including from the UN, and use of the Integrated Biodiversity Assessment Tool (IBAT). Paris Agreement-aligned targets are monitored by Findlay Park, with recourse to the database of the Science Based Targets initiative.

ISS ESG provides social and governance data points related to UN Global Compact / OECD guidelines violations, and controversial weapons, given its considerable experience in this field. Board gender diversity is monitored using BoardEx given the timelier information that it provides on this point. Gender pay gap reporting is available for some UK based subsidiaries of companies in which the Fund invests, which may be used as a proxy, and the UK government website is used to assess this information. Corporate policies and procedures are monitored by Findlay Park to assess alignment with the UN Global Compact and the quality of supplier codes of conduct.

## **8. DATA SOURCES AND PROCESSING**

Findlay Park makes use of a wide range of sources to aid Findlay Park's research and to attain the environmental or social characteristics promoted by the Fund. These include ESG ratings, such as MSCI ESG, but also specialist sources on specific E, S and G topics. Examples include the following:

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**Environmental sources:** CDP scores, data and strategic insights across climate, water and forest themes; MSCI's climate value at risk and implied temperature rise metrics; S&P Trucost's climate and SFDR-related environmental data.

**Social sources:** Glassdoor employee reviews to assess human capital management; InHerSight reviews to gauge a firm's approach to diversity and inclusion.

**Governance sources:** SecurityScorecard for cyber risk; and Institutional Shareholder Services (ISS) ESG for corporate governance and norms-based research.

**Combined sources:** RepRisk for controversies across E, S and G themes; GIST for impact data and alignment with the UN Sustainable Development Goals (SDG) across social, environmental and economic topics.

Findlay Park draws on human expertise and knowledge across industries and sectors. The investment team will often speak not only with management teams, but also former employees of a company, as well as a company's competitors, customers, and suppliers. This helps Findlay Park assess corporate culture and integrity, among other issues.

Measures taken to ensure data quality include careful review of new data providers, and feedback to existing providers where issues are identified. Findlay Park's own engagement and research also supplements third-party data in some instances.

## 9. LIMITATIONS TO METHODOLOGIES AND DATA

There are clear limitations to the methodologies and data sources that are currently available to investment managers across the industry. Material limitations include:

- Lack of common methodology across ESG data providers.
- Lack of standardized reporting by investee companies;
- Difficult to quantify and/or subjective factors;
- Backward looking information that fails to capture direction of travel.

In order to ensure that these limitations do not materially affect how the environmental or social characteristics promoted by the Fund are met, these limitations are addressed by:

- Company engagement to understand data at source;
- Reliance on internal research and analysis, thereby using third party data as complementary data;
- Focus on 40-60 stocks enabling thorough analysis on a concentrated set of companies;

New data and research providers are assessed by Findlay Park's Responsible Investment Lead and approved by the Research and Oversight Panel before they are procured and used. This ensures they fit the needs the investment team and any limitations are known and understood.

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## 10. DUE DILIGENCE

As outlined above, the integration of ESG factors, including the ESG characteristics detailed above, into the investment process is guided by Findlay Park's Investment Philosophy of identifying and mitigating business risk in order to compound returns over the long-term.

Findlay Park has developed a comprehensive portfolio-wide responsible investment report which combines external data sources with its own corporate voting, engagement and ESG research notes. As part of its investment process, Findlay Park seeks to include all relevant financial risks in its investment decisions and seeks to evaluate these on an ongoing basis. In doing so, relevant sustainability risks, including the ESG characteristics detailed above and/or other ESG events or conditions (relating to items such as Human Capital, Climate and Environmental, Corporate Governance, Cyber Security and Data Privacy, and Business Ethics and Reputation) that could have an actual or a potential material negative impact on the investment, are taken into account.

ESG focused research and engagement is undertaken by the whole investment team, coordinated by its Responsible Investment Lead analyst, in accordance with strategies developed by Findlay Park's Responsible Investment Committee. Findlay Park's portfolio managers meet on a regular basis and review key ESG concerns related to specific companies (including reviewing the responsible investment report mentioned above), both when considering an investment in a company and on an ongoing basis in respect of companies forming part of the Fund's portfolio. These key ESG concerns are one of many factors that will form part of Findlay Park's overall decision to acquire, divest and/or continue to invest in these companies.

The Responsible Investment Committee will also monitor progress made in resolving or mitigating any such ESG concerns. The Responsible Investment Lead monitors progress on impact-related engagement. Findlay Park also runs Fund-level PAI assessments on a quarterly basis; this process is overseen by the Responsible Investment Committee.

The Board of Findlay Park Partners LLP approves Findlay Park's Responsible Investment & Engagement policy.

The Compliance function conducts monitoring on a regular basis to ensure the policy is being integrated into Findlay Park's investment process on a continuous basis.

## 11. ENGAGEMENT POLICIES

Engagement is key to Findlay Park's ESG strategy. Findlay Park has a focused team, which meets with both potential and current investee companies each year. This activity includes a significant number of ESG discussions relating to the environmental and social characteristics being promoted by the Fund, good governance practices, ESG risks and sustainability impacts.

Engagement is typically prioritised according to the materiality of issues at hand, including how they may develop over a long time horizon. Factors influencing this include the size of a position in a company, the extent of the holding in the Fund, and the importance of an issue to the investment thesis. The scope and severity of negative sustainability impacts is also considered in engagement. Short-term events such as upcoming voting decisions, company requests, management changes, and escalation of ESG risks or impacts, are also addressed.

Findlay Park engages on issues of concern hoping to clarify management's intentions or change behaviour. Should this not be possible, Findlay Park will follow an escalation strategy, which may lead to a variety of outcomes, including adjusting or exiting a position.

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ESG discussions may either be 'bottom up' or thematic in nature. The preferred outcome is typically to positively influence a company's behaviour. Where necessary Findlay Park will engage many times on the same issue to help drive this change. Objectives and actions may differ dependent on the context.

Engagement is central to the attainment of the Fund's environmental and social characteristics. Findlay Park's

long term engagement priorities cover: climate, nature, employees, supply chains and human rights, and sustainable economic solutions. Findlay Park has set a specific climate-related target, underpinned by engagement. The target is for 60% of the companies in the Fund by AUM (ex-cash) to have committed to

science-based targets by 2025, rising to 90% by 2030. Findlay Park has committed to engage with all companies in the Fund which have not yet committed to such targets, encouraging them to set science-based climate targets.

**Findlay Park's approach to cooperation.** Findlay Park are open to collaboration and collective action on responsible investment issues. Findlay Park 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. Findlay Park also support CDP's climate, water and forestry programs. Findlay Park have joined the Taskforce on Nature-related Financial Disclosure (TNFD) Forum, and the Investor Alliance on Human Rights, to help build and share best practice on these important areas.

**Findlay Park's voting policy.** Findlay Park see voting as an opportunity to either signal support for companies, or to challenge them, acting in the long-term interest of Findlay Park's investors. Findlay Park generally vote on a case-by-case basis, based on Findlay Park's voting related research, supplemented by engagement where necessary. We have, however, made commitments to support lobbying resolutions, and reasonable resolutions calling for climate disclosure and target setting.

Findlay Park do not participate in stock lending arrangements and retain voting rights across all holdings. Findlay Park aim to achieve a 100% voting record, abstaining only in exceptional cases, which Findlay Park always explain in its reporting. Although Findlay Park subscribe to the services of a third-party proxy voting provider, ISS, Findlay Park make independent decisions based on Findlay Park's own research and engagement with management teams. A full, proprietary voting report is drawn up in advance of every annual general meeting.

A complete overview of Findlay Park's approach to responsible investment can be found in its Responsible Investment & Engagement Policy available at [Findlaypark.com](https://www.findlaypark.com)

## Date

January 1, 2023