Findlay Park Partners LLP | 2022

Taskforce For Climate-Related Financial Disclosures Report

Findlay Park Partners LLP (Findlay Park)

An independent investment partnership based in London

Findlay Park Partners LLP (Findlay Park) is an independent investment partnership based in London. The Investment team manages a single fund launched in 1998: the Findlay Park American Fund (Fund).

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; increasingly, the financial sustainability of a business is dependent on all aspects of sustainability – including environmental elements such as climate change. Integrating ESG factors into our investment process is fully aligned with our purpose.

Key to the pursuit of our purpose is our **Investment Philosophy**. This is grounded in the belief that we can generate higher compound returns for investors by taking less risk. This philosophy has been articulated in our Investment Philosophy checklist. The checklist forms an essential part of our risk management process, highlighting the attributes of businesses which we believe make them special and sustainable. It consists of a series of primarily qualitative questions, several of which specifically address ESG factors.

One question that we ask: "Is the company a net beneficiary of climate economics?" is indicative of the integration of ESG factors into our investment process, in this case highlighting companies benefiting from climate-related opportunities,

The **Taskforce for Climate-Related Financial Disclosures** (TCFD) framework offers a useful way of describing our approach to integrating climate-related risks and opportunities. As an asset manager we number among the 3,400+ official supporters of TCFD, which now covers over $195 trillion in assets. This report, covering the 2022 calendar year, builds on our inaugural TCFD report published voluntarily in 2021. We expect to build upon it in line with the UK's mandatory reporting regime.

I. Governance

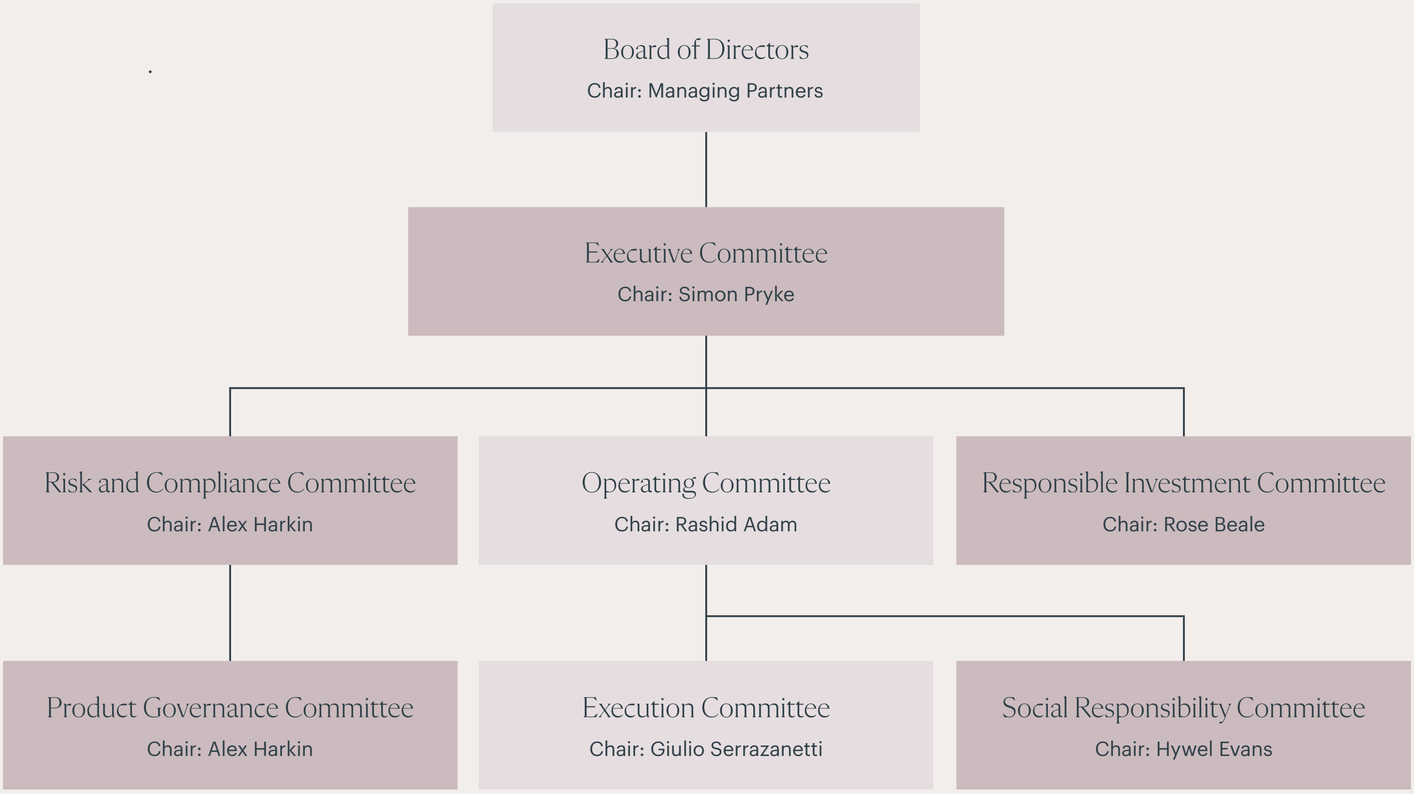
The Board of Findlay Park Partners ('The Board') is responsible for ensuring that our business is compliant and managing the risks involved with carrying out our investment activities. The Board is responsible for the strategic development of Findlay Park Partners, and oversees the development of our policies, including our policy covering responsible investment and climate change. We have established an organisational culture with clear accountability that ensures our partners and employees are risk aware, act with honesty and integrity, and always put our investors' interests first.

The Board determines our risk profile and risk appetite, taking into consideration climate risk. It meets at least four times a year and reviews ESG and climate-related matters as they arise. Reporting to the Board, the Executive Committee, supports the Managing Partners in the day-to-day management of Findlay Park. Reporting to the Executive Committee, the Responsible Investment Committee, established in Q1 2022, convenes every quarter, and monitors progress against the climate targets made as part of our commitment to the Net Zero Asset Managers initiative (NZAM).

The Chief Investment Officer ("CIO") and the portfolio managers also play a central role in the implementation of our investment strategy and the integration of relevant ESG and climate considerations. The diagram below outlines the key governance committees within the firm. Those with a particular responsibility for ESG and climate-related matters are highlighted.

The Board of Findlay Park Funds ICAV (the "Fund Board") is accountable to investors ('unit holders') for how the Fund is managed and has oversight of the Fund's commitments to sustainability and related reporting. The Fund Board has received regular ESG and climate-related reporting since 2021.

The role that various Boards and Committees have in governing and managing climate risk, as well as other broader ESG risks are described in more detail in the table overleaf.



[1] We will continue to review our governance arrangements in 2023. Committee structures and memberships are current at the time of publication.

FOCUS	BODY	CLIMATE-RELATED ACTIONS
BUSINESS STRATEGY & OVERSIGHT	**The Findlay Park Board** (the "Board") is responsible for the strategic development of Findlay Park, and the approval of its material policies such as the Responsible Investment & Engagement Policy. The Board's members include our co-Founder James Findlay, two independent non-executive directors, our CIO, CEO, and COO. Details of Board membership in full can be found on our website.	The Board has final approval of our Responsible Investment and Engagement Policy. In 2022 we further elaborated on our approach to climate change from an investment perspective in this policy, and published our plan for transitioning towards net zero through our stewardship efforts.
FUND OVERSIGHT	**The Board of Directors of Findlay Park Funds ICAV** (the "Fund Board") is ultimately responsible to shareholders for how the American Fund is managed and for the supervision of the Fund's delegates. The Fund Board approve the Fund's investment objective, policies and updates to the Prospectus or Constitution. There are five Directors on this Board, four of whom are independent non-executive directors. The Fund's management company, Bridge Fund Management Limited, also provides independent oversight of Findlay Park and the Fund's other delegates.	The Fund Board approved the transition of the Fund to an Article 8 fund under the EU's Sustainable Finance Disclosure Regulation ("SFDR") requiring greater articulation of the approach to climate-related risks and consideration of climate-related impacts. The Fund Board receives quarterly information relating to the oversight of the Fund. ESG and climate-related information has been included as part of the Fund Board's quarterly updates since 2021.
BUSINESS STRATEGY	**The Executive Committee** is responsible for implementing the strategy and decisions taken by the Board and supporting the Managing Partners in the day-to-day management of Findlay Park. The RI Lead is a member of this Committee.	This body oversaw the development of our approach to Article 8 along with Responsible Investment and Engagement reporting. The Committee considers all risks and opportunities that could have a potentially material financial impact on the Fund.
INVESTMENT STRATEGY	**The CIO and portfolio managers** are responsible for ensuring that the Fund is invested in a manner consistent with its objective and with our Investment Philosophy.	The CIO and portfolio managers oversee the implementation of our investment strategy, of which responsible investment is an integral part. Any key changes to the ESG performance of our companies is formally relayed to them on a monthly basis.
RESPONSIBLE INVESTMENT	**The Responsible Investment Committee** ("RIC") oversees RI and ESG-related matters at Findlay Park.	The RIC approves and oversees the implementation of the Responsible Investment policy, monitors portfolio ESG characteristics and reviews and approves ESG-related policies and reporting. It is also the body which monitors our principal adverse impact reports and net zero commitment.

FOCUS	BODY	CLIMATE-RELATED ACTIONS
RISK & COMPLIANCE	**The Risk and Compliance Committee** ("RCC") is responsible for compliance matters, oversight and risk management relating to Findlay Park.	The RCC monitors developments in sustainable finance regulation, including those related to climate. It helps ensure that related deadlines are met, and that related risks are monitored.
PRODUCT GOVERNANCE	**The Product Governance Committee** must approve significant changes to the Fund's status.	The approval of transition to an Article 8 fund was approved by this Committee and then proposed to the Fund Board for approval. Article 8 fund status involves the promotion of environmental and social characteristics, measured by Principal Adverse Impact ("PAI") indicators, many of which are climate-related and are tracked quarterly.
CORPORATE SOCIAL RESPONSIBILITY	**The Social Responsibility Committee** co-ordinate Findlay Park's policies and activities related to social impact and the environment.	This Committee recommended carbon neutral accreditation for our operations which was attained in 1Q 2022.

II. Strategy

Our Investment Philosophy is grounded in the belief that we can generate higher compound returns for investors by taking less risk. This means that consideration of ESG issues – including climate risks and opportunities – are central to our investment strategy, and business strategy. Climate-related risks and opportunities we consider include: economic shifts and technological disruption, regulatory risk, reputational and legal risk, physical risk, and market risk.

We see climate change as strategically important to our business, primarily due to the investment risks and opportunities it presents, not only across the short- and medium-term (1-5 years) but in the longer-term as well (up to 10 years and beyond).

Risks can be categorised into physical risk, as well as transition risk (related to areas such as regulation, shifts in demand and technological disruption). We have taken a number of steps to prepare for and mitigate related risks, including: engaging with companies on climate change, managing position sizing in higher climate risk/impact stocks, and acting collectively with others in our industry to encourage systemic change. The following investment risks and opportunities are highlighted as those that are most material. We also note the steps taken to mitigate / prepare for these risks and opportunities.

PHYSICAL CLIMATE RISK VS. TRANSITION RISK

Climate risks fall into two categories: physical risks related to the physical impacts of a changing climate, such as more frequent extreme weather events, and transition risks related to the transition to a low-carbon economy, like policy changes such as the introduction of a carbon tax.

TYPE	DESCRIPTION	PREPARATION & MITIGATION
TRANSITION	Companies in the Fund may be negatively impacted by regulatory changes, impacting Fund performance. These could unfold over the near or longer term, or evolve over that period, for instance through an escalating carbon price. Climate-related regulation could also present opportunities, for beneficiaries (e.g. through subsidies or tax credits like those included in the Inflation Reduction Act).	Regulatory risk features in our Investment Philosophy ("IP") checklist, and we consider climate-related regulation when investing. We assess long-term alignment with the Paris Agreement, which is incorporated into our core ESG ranking and monitoring system – the Responsible Investment Gauge ("RIG"). RIG scores feature on our valuation sheet and may influence portfolio construction. We also engage with companies around climate performance, including emissions reduction targets and regulatory risk.
TRANSITION	Companies in the Fund may be negatively impacted by shifts in demand or technological disruption, leading to a fall in demand, growth prospects and profitability. Others could benefit from these trends, for instance due to green innovation. This could unfold over the near or longer term, or evolve over that period, for instance as clean technology improves.	The newest question in our IP29 checklist examines whether a company is a net beneficiary of climate economics. A related question is included in the RIG. We also question a firm's exposure to shifting consumer preferences, competitive advantage, and long-term prospects, which may be impacted by sustainability factors. Companies which do not score well on these questions experience lower IP scores.

TRANSITION	Companies in the Fund could be subject to reputational or legal risk related to climate change, for instance through concerns over 'greenwashing'. Other companies could experience enhancements to their brands, for climate commitments and product offerings.	Our IP checklist includes a focus on strong and trusted brands, as well as a question on corporate purpose and culture. In addition, we monitor firms for controversies, including issues related to climate change, which feed into our engagement, RIG monitoring and scores. We have committed not to invest in some companies subject to severe climate-related reputational risk – those with over 10% of revenue from coal-fired power, coal mining, or oil sands.
PHYSICAL	Companies in the Fund could experience operational, supply or demand disruption due to increased incidents or severity of extreme weather. Conversely, some companies in the Fund may benefit from this disruption, for instance through providing climate adaptation solutions, being less exposed to extreme weather events than peers, or through exerting pricing power which compensates for physical risk. Longer term, we also expect chronic changes in the climate (e.g. heating, cooling), which likewise could provide a risk or opportunity, for instance depending on the location of operations.	We have been monitoring physical risk for all companies in the Fund since 2020 and this feeds into our engagement, monitoring and RIG scores. The RIG score features on our valuation sheet, and may influence portfolio construction. Our approach to physical risk will be a focus in 2023.
MARKET	Financial markets could misprice climate-related risk and opportunity. This could be under or overpriced (e.g. overvaluing assets which become stranded, or the overvaluing of companies with unproven green technologies). This could lead to prolonged divergence between fundamental value and share prices, and market shocks. Conversely, anticipating financial market dynamics with respect to climate is an opportunity. We see factors to be more likely over the short to medium term. Greater experience with ESG and climate integration, as well as improved disclosure, may reduce this risk over time.	Climate-change presents systemic, market risk, and as such we are open to collective action on this matter. We are active signatories of CDP (formerly the Climate Disclosure Project) and have led investor engagements on their behalf. Ahead of COP26 and COP27, we also signed the Global Investor Statement to Governments on the Climate Crisis, calling for governments to develop clear and credible transition plans, which we see as enablers of a more stable market environment. At the end of 2021 we joined the Net Zero Asset Managers initiative and submitted our initial target disclosure in Q4 2022.

Our core ESG ranking and monitoring system – the Responsible Investment Gauge ("RIG") – also includes a number of climate-related metrics. These include an assessment of implied temperature rise resulting from a firm's carbon emissions, which is compared with the Paris Agreement, an indicator of a firm's exposure to physical climate risk, and an overview of corporate reporting against TCFD recommendations. Likewise, from an investment risk perspective, we also regularly monitor the Fund's carbon footprint and exposure to companies committed to science-based targets.

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.

THEMATIC EXPOSURE

In 4Q 2022 the Investment team conducted an exercise aimed at understanding the Fund's thematic exposure across multiple investment themes, the first of which relates to climate economics, as can be seen below. Initially each company has been mapped to the relevant themes to gain an overview of the Fund's longer-term exposure to overarching opportunities and risks. In gauging a company's exposure to climate economics we can better understand its risk profile and engage with management on how a company is realising the opportunities presented by climate change.

Climate Economics

How might climate change impact the returns of the business?

Fairer Society

Digital Intensity

Reshoring Beneficiary

SCENARIO ANALYSIS

To help explore our Fund's current exposure to transition and physical risk over the long-term, as well as the resilience of our strategy, we have undertaken fund-wide scenario analysis. We used MSCI's Climate Value-at-Risk ("VaR") tool to assess this. Climate Value-at-Risk is a weighted aggregation of each securities' Climate VaR – which seeks to combine future policy risk costs, technology opportunity profits, and extreme weather event costs and profits which may unfold over this century.

WHAT IS SCENARIO ANALYSIS?

Scenario analysis is a key tool for assessing the risks and opportunities presented by climate change. It allows companies to understand and quantify the potential climate impacts faced under different hypothetical warming pathways. It is important to note that scenarios are not predictions; rather, they are descriptions of plausible future states of the world.

The scenarios chosen were based on those developed by a group of central banks and supervisors – the Network for Greening the Financial System ("NGFS").[2] They distinguish between orderly and disorderly transitions. In the former, climate policies are introduced early and become gradually more stringent. In the latter, there is higher transition risk due to policies being delayed or divergent (for instance carbon prices increase abruptly after a period of delay). There is also a distinction between scenarios based on level of policy ambition, for instance those working towards 1.5°C or more in line with a 2°C future.

MSCI also models more average or aggressive physical risk for each scenario, largely based on the location of corporate assets, overlaid with climate hazard models (for instance related to extreme heat, or coastal flooding).

Three variables were therefore considered in selecting transition scenarios.

1. Whether transitions in line with the Paris Agreement were **orderly or disorderly**

2. Whether transitions were likely in line with **1.5°C or 2°C ambition, or unsuccessful and leading to 3°C**

3. Whether assumptions around levels of **physical risk were average or aggressive**

Outcomes from this analysis indicated that disorderly scenarios were worse for the Fund than orderly scenarios. The optimal scenario for the Fund was found to be an orderly transition to 2°C assuming an average level of physical risk.

Numerical values are available as part of the output of scenario analysis, however we have chosen to not include them below as we believe they can lend a false sense of precision to what is at heart, a nascent methodology. For instance, the Fund was shown to be little impacted by the 3°C scenario with aggressive physical risk. We believe there is considerable uncertainty around outcomes over 3°C – for instance given the possibility of harder to model climate tipping points, supply chain risks and potential systemic failures. A heat-map below visualises scenarios where we believe the Fund may be better and worse positioned.

[2] The underlying climate/economic model used is that developed by the Potsdam Institute for Climate Impact Research, called the Regional Model of Investment and Development (REMIND). REMIND models the future evolution of world economies with a special focus on the development of the energy sector and the implications for world climate.

	CLIMATE VAR SCENARIO SUMMARY				
	1.5°C Orderly	1.5°C Disorderly	2°C Orderly	2°C Disorderly	3°C
AVERAGE PHYSICAL RISK					Less likely
AGGRESSIVE PHYSICAL RISK	Less likely				

Climate VaR as a metric is continuously being enhanced by data providers. As well as monitoring developments in its methodology, we closely follow developments in the latest climate science outputs of the IPCC (including the most recent Sixth Assessment Report[3]) with a view to gaining a better understanding of the Fund's exposure and an up-to-date assessment of physical risk. The results of scenario analysis are considered as part of a suite of climate-related metrics that we track (see section IV. Metrics & Targets below for further details) and are one of many inputs into the decision-making process that informs both our responsible investment efforts and wider investment strategy.

INTERNAL SUSTAINABILITY

As an independent investment partnership with under 50 employees, we understand that our direct footprint is limited, which is why we focus our efforts on our investment portfolio. Nevertheless, we aim to be as mindful as possible of our own emissions and as a signatory to NZAM, we agree to only use offsets that involve long-term carbon removal where there are no technologically and/or financially viable ways to eliminate emissions. To this end, we offset a proportion of our emissions related to operations and air travel through donations to a charity rewilding the Scottish Highlands. In 2021 we engaged Climate Impact Partners (formerly Natural Capital Partners) to help us further develop our carbon measurement and verification, and we received a carbon neutral verification in Q1 2022 based on the Carbon Neutral Protocol.[4]

The two projects we selected to benefit reflect, on the one hand, our investment focus in North America and on the other hand our employee-led support for social impact. We are supporting the conservation of grasslands in Colorado and Montana, which has both carbon and biodiversity benefits as the project is home to rare, threatened, and endangered species.[5] We are also supporting biomass based cookstoves as an alternative to wood, these are 60% more energy efficient and facilitate an 80% reduction in smoke within the household.[6]

[3] '2022 IPCC Sixth Assessment Report', *Intergovernmental Panel on Climate Change* (April 2022).

[4] 'The carbon neutral protocol: the global standard for Carbon neutral programmes', *Natural Capital Partners* (January 2022).

[5] Grasslands Portfolio, USA [accessed: https://www.climateimpact.com/news-insights/insights/grasslands-like-upside-down-rainforests/].

[6] Improved Cookstoves, India [accessed: https://www.climateimpact.com/explore-projects/health-and-livelihoods-projects/clean-cooking/].

III. Risk Management

FPP's Risk Management Framework (RMF) starts with the articulation of the Board's risk appetite which is supported by a comprehensive operational risk register The risk register is maintained in a third-party enterprise risk management, which includes functionality for risk hierarchy, heat maps, risk assessments and reporting and analytics.

The RMF is supported by the committee structure detailed above that provides appropriate oversight and challenge of any risk metrics and material. FPP's committee structure and risk management reporting framework are designed to provide assurance to the Board that risks, including climate-related risk, are taken within the articulated risk tolerances, managed effectively and internal control processes are operating as required. The RMF is reviewed periodically by the Board and updated to reflect any significant changes within FPP that may impact our risk assessments. In addition, any issues arising from monitoring during the previous year may result in revisions to the risk appetite and risk register on an ad hoc basis.

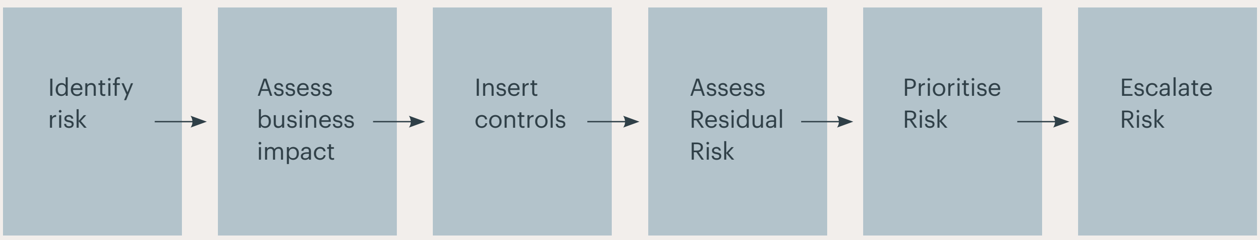
Overall, FPP has a cautious risk appetite in respect of operational issues as demonstrated by its history of a low number of material risk events and breaches. The Board recognises that it is not possible to eliminate all risks inherent in its activities and it accepts that some residual risk is necessary to facilitate its business.

The Board's cautious appetite for risk ensures that there is a focus on maintaining a well-resourced and properly functioning framework of systems and controls around FPP's own processes as well as those of the Fund. FPP has in place systems to monitor the Fund's limits and tolerances as well as multiple points of independent third-party oversight and reporting as required by regulators.

RISK IDENTIFICATION, ASSESSMENT, AND MANAGEMENT

The RMF starts with identifying the multiple risks associated with the firm's systems and processes, assessing the controls in place to mitigate those risks and creating proportionate and relevant monitoring and oversight. A risk to the firm's business is any threat that could prevent or limit the success of the firm. Each business area has an Appointed Risk Owner. Each Risk Owner is a Senior Manager/Certified staff member responsible for identifying and assessing risk. Senior management must therefore understand the types of risk and level of exposure that could impact the firm's business objectives. One example of a Responsible Investment-related risk that has been identified is the need to maintain adequate Responsible Investment and Engagement policies and procedures to minimise any potential risk of 'green washing'.

The firm has developed the following process in order to identify and assess risk, which is facilitated through an online risk management system.



CLIMATE-RELATED RISK AND OPPORTUNITY

We monitor each company in our Fund for environmental risk, with a particular focus on climate change. As detailed above, our Investment Philosophy checklist was evolved to explicitly include a question on whether a company is a net beneficiary from climate economics. We believe this will help highlight companies benefiting from climate-related opportunities, as well as those most at risk from it.

Our investment process, as depicted below, incorporates the consideration of ESG factors (including climate-related factors) from the earliest stages of identifying a potential investment candidate.

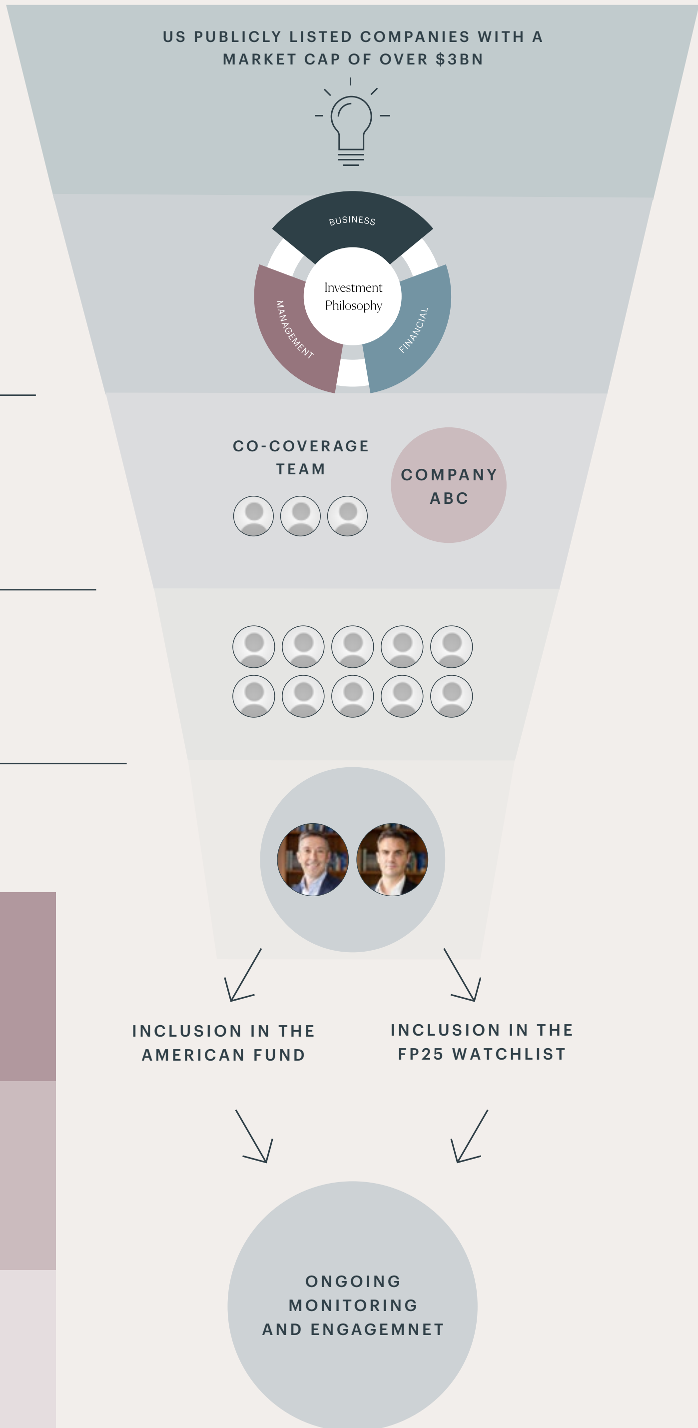
WE IDENTIFY A COMPANY THAT POTENTIALLY FITS OUR PHILOSOPHY

THE COMPANY IS ASSESSED AGAINST OUR INVESTMENT PHILOSOPHY CHECKLIST AND INITIAL RESPONSIBLE INVESTMENT CHECKS

DETAILED FUNDAMENTAL AND RESPONSIBLE INVESTMENT ANALYSIS BY CO-COVERAGE TEAM

CO-COVERAGE TEAM PITCHES THE COMPANY TO THE WIDER TEAM AND SOLICITS FEEDBACK

CIO & DEPUTY CIO PORTFOLIO SHAPING



E *"Is it a net beneficiary of climate economics?"*

S *"Do we like the corporate purpose and culture?"*

G *"Is management compensation aligned with shareholders?"*

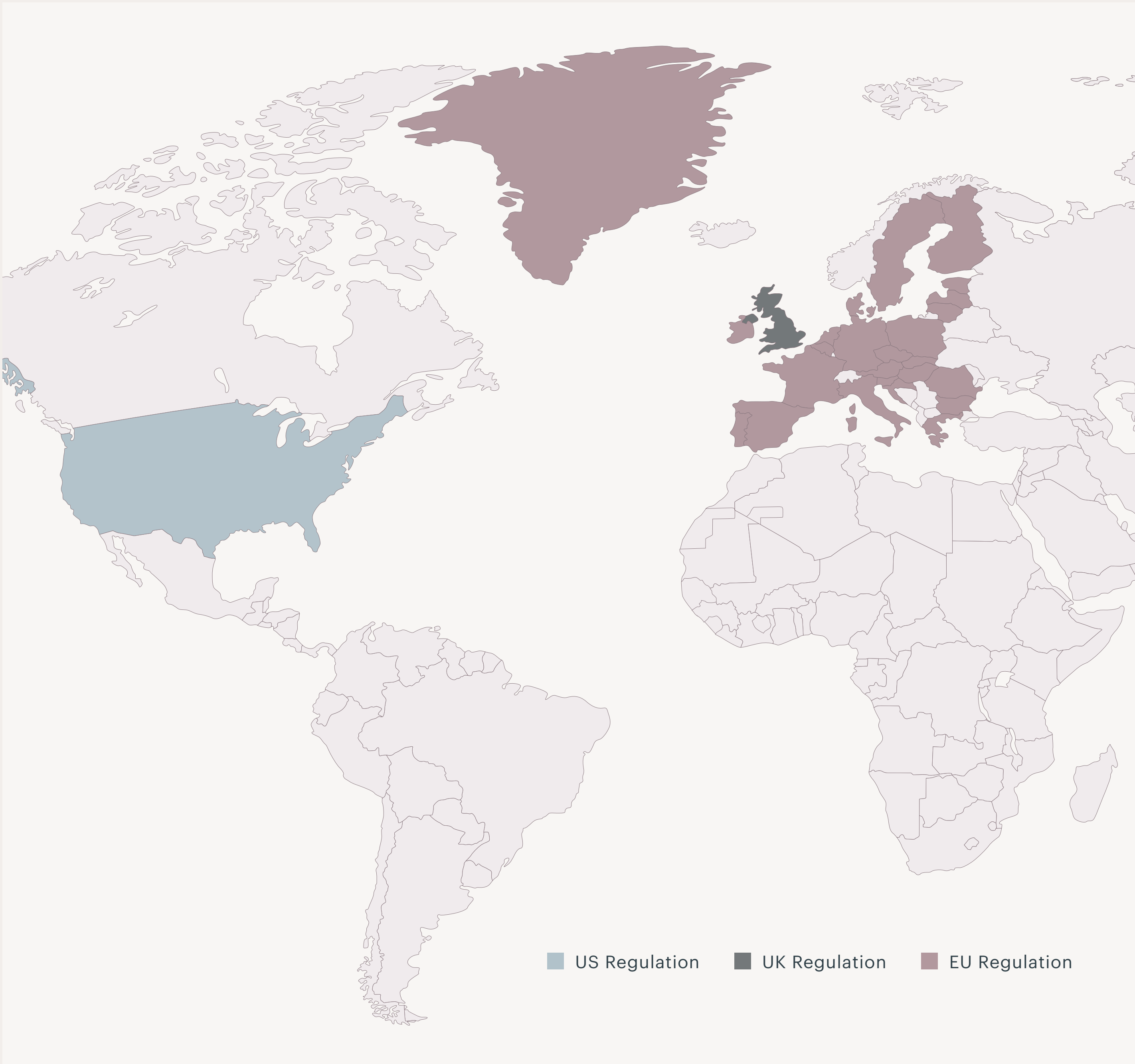
For illustrative purposes only.

More in-depth risk analysis is conducted from time to time in response to emerging regulation across the US, UK and Europe. In the latter half of 2022 a significant focus was devoted to understanding the implications of the passage of the Inflation Reduction Act ("IRA"), the historic US climate legislation package. This policy development represents an example of transition risk, and we engaged with many of our investee companies to better understand the risks they faced and their potential to capitalise on opportunities raised by the legislation.

We have similarly spent time tracking the development of the SEC's Climate Risk Disclosure Rule, first proposed in March 2022 and consulted upon over the summer period. This would impact all of our investee companies, requiring them to disclose information on Scope 1 & 2 emissions, and where material, Scope 3 emissions (with safe harbour provisions), as well as the climate-related risks they are exposed to. This would build on our engagement efforts with many of our companies where we have encouraged enhanced climate-related disclosure. We continue to monitor the progress of the proposed rule and expect a final version to be published by the SEC in 2024.

In the EU we track ongoing developments in both the EU Taxonomy, and the Sustainable Finance Disclosure Regulation ("SFDR").

In the UK, the FCA's response to SFDR was the launch of the proposal relating to the Sustainability Disclosure Requirements ("SDR") at the end of 2022. This is currently still under active consultation and we will closely monitor future developments.



IV. Metrics & Targets

We monitor the following environmental and climate-related metrics at the fund level, in line with our classification as an Article 8 product under SFDR. These metrics, or Principal Adverse Impact (PAI) indicators, are updated and reported on quarterly, on a best efforts basis. For carbon metrics related to our investments, data availability is a limiting factor for Scope 3 emissions in particular; Scope 1 and 2 data is more widely disclosed and therefore more reliable.[7]

GHGS	METRICS	2022
GHG EMISSIONS	**Scope 1 GHG emissions**	**188,976 tCO2e**
	Scope 2 GHG emissions	**47,070 tCO2e**
	Scope 3 GHG emissions	**3,287,827 tCO2e**
	Total GHG emissions	**3,523,873 tCO2e**
CARBON FOOTPRINT	**Carbon footprint**	**342 tCO2e / €m invested**
GHG INTENSITY OF INVESTEE COMPANIES	**GHG intensity of investee companies**	**955 tCO2e / €m revenue**

The above indicators are further complemented by the following metrics and ratings, most of which combine both point-in-time and forward-looking elements:

- Climate Value-at-Risk (as detailed above)
- Implied Temperature Rise
- Exposure to companies with/without science-based climate targets
- Engagement and voting with respect to climate change

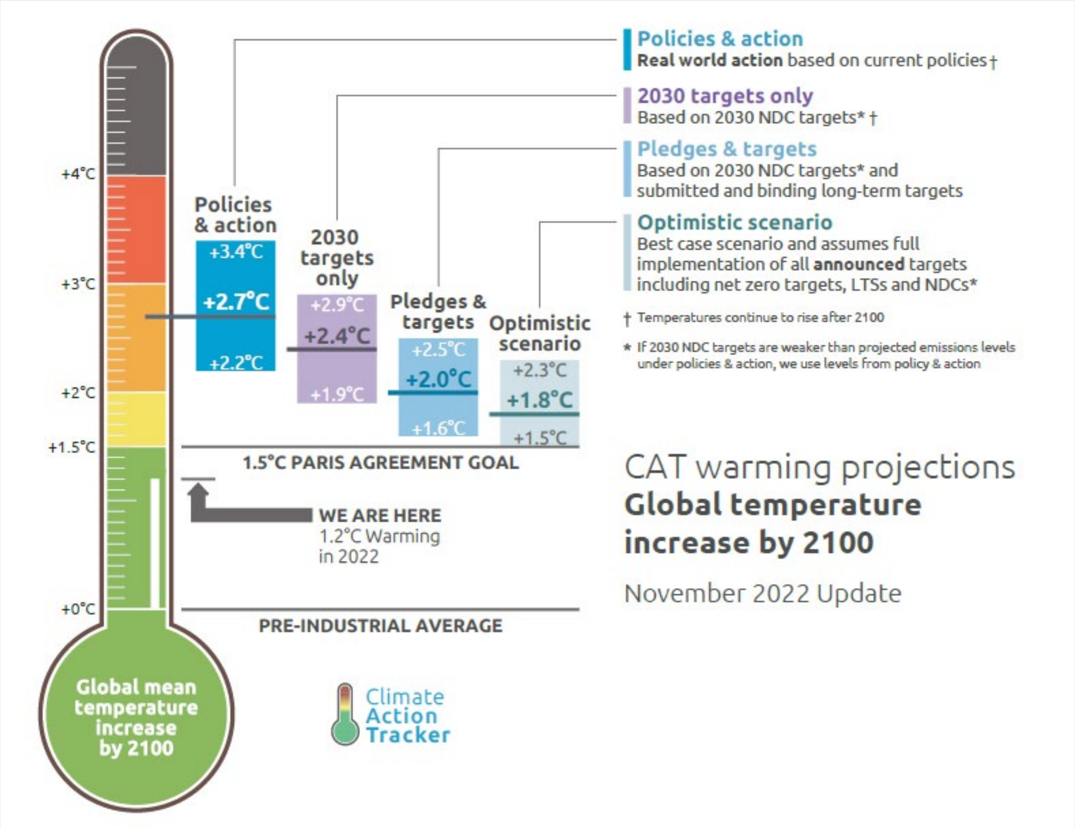
[7] We have used S&P Trucost for Scope 3 emissions data, given their longstanding Scope 3 modelling capabilities. Copyright © 2023, S&P Global Market Intelligence (and its affiliates, as applicable).

Implied Temperature Rise (ITR) is a type of portfolio alignment metric that estimates an answer to the following question: What is the additional warming if the whole economy over or undershoots the global 2°C carbon budget at the same proportion as the company or portfolio analysed? It considers scope 1, 2 and 3 emissions. This is expressed on an ownership basis – relative to our share of the enterprise value of businesses.[8] The Fund's ITR at the end of the year stood at 3.2°C, as provided by MSCI ESG Research.[9] This temperature pathway is consistent with Climate Action Tracker's assessment of the range of likely temperatures given current policies, as can be seen below.[10] We hope to see this metric improve over time, and will continue to engage on this topic.

Another important forward-looking metric is the percentage of the Fund invested in companies which have set or committed to Science Based Targets, verified by the Science Based Targets initiative (SBTi). This stands at 47% by AUM (ex-cash), consisting of 32% covered by a validated target and 15% with a formal commitment to SBTi.[11]

WHAT IS A PORTFOLIO ALIGNMENT METRIC?

Portfolio alignment metrics are tools used to evaluate the alignment of investment activities with the goals of the Paris Agreement. There are four types of alignment metrics in use today: binary metrics, maturity scale alignment metrics, benchmark divergence metrics, and Implied Temperature Rise metrics.



[8] ©2022 MSCI ESG Research LLC. Reproduced by permission. This metric is the successor to MSCI's previous warming potential metric. The latter was developed to better align with best practice on forward looking climate metrics. The measure we are using includes all emissions scopes (Scope 1 = direct emissions, Scope 2 = purchased through electricity, Scope 3 = other value chain e.g. products, investments, supply chain), whereas the metric we previously used focused on Scope 1 alone. Implied temperature rise is also focused on financed emissions overshoot of carbon budgets, rather than a weighted average temperature rise. MSCI as a stock has been excluded from this calculation, as the firm's ESG arms does not provide metrics for itself given conflict of interest concerns.

[9] Data as at 30th December 2022.

[10] 'The CAT Thermometer', *Climate Action Tracker* (November 2022). Copyright © 2022 by Climate Analytics and NewClimate Institute. All rights reserved.

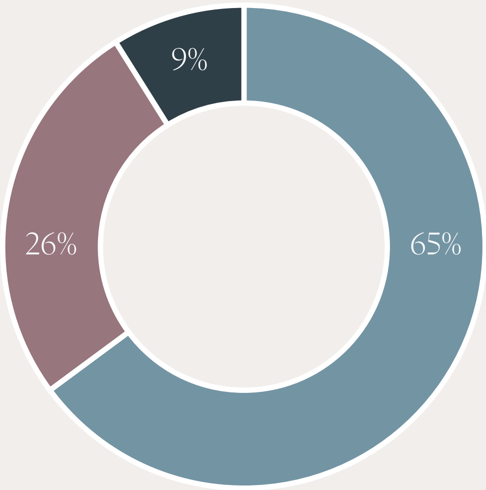
[11] Data as at 30th December 2022.

ENGAGEMENT & VOTING

Engagement, monitoring and voting are essential to our investment process in several different ways. We have come to define engagement as purposeful dialogue with a specific and targeted objective for a company regarding issues which we believe will help reduce its ESG risk, create opportunities, or improve its positive impact on people and planet. Monitoring interactions tend to feature discussions of ESG matters and questioning, for instance to inform our own decision making. This is a critical part of stewardship, but less specifically focused on corporate improvement.[12]

Throughout the course of 2022 we held around 120 recorded interactions with our investee companies where ESG-related topics were discussed. Around 40% of these entailed more specific engagement asks – for instance the recommendation to adopt a science-based climate target. This figure excludes the above CEO letter we sent to all companies as a general encouragement of continued progress on ESG issues. If these were included, the figures would be around 160 interactions, 55% of which entailed engagement-related asks.

Below we list key ESG topics discussed across our company engagements, which have been divided by theme – Environmental, Social, and Governance. In most meetings multiple ESG themes and topics were raised for engagement. We have also further categorised our engagements against the Sustainable Development Goals (SDGs) and Principal Adverse Impact (PAI) indicators under SFDR where relevant. These visualisations help to give a sense of the spread of the issues discussed.



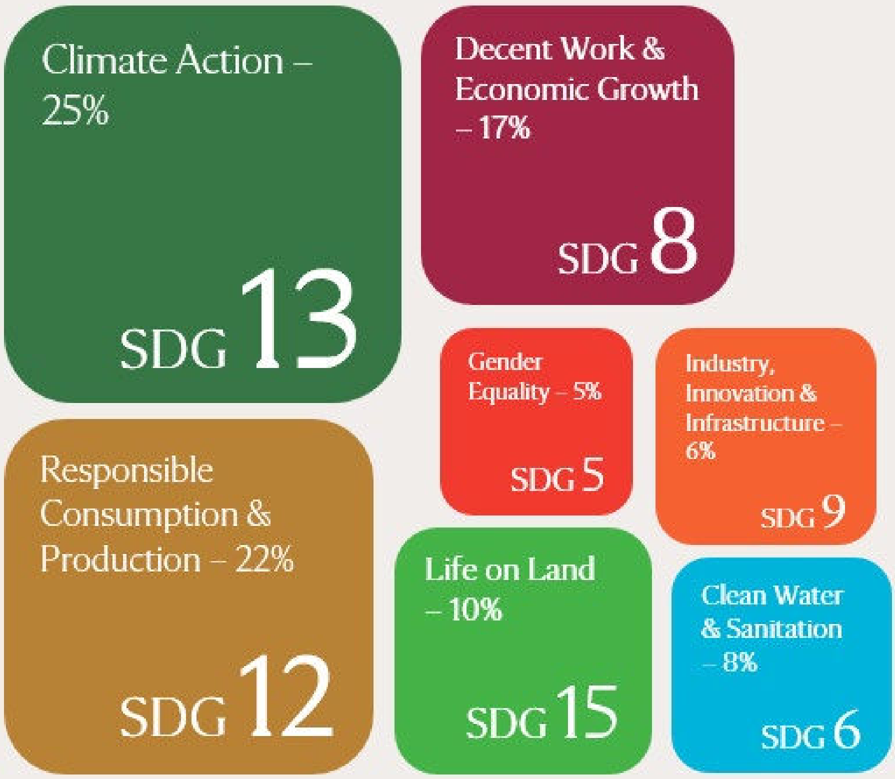
Environmental Issues: Climate related matters were the issue on which our companies were most frequently engaged. Other topics include biodiversity, water, waste, plastic, and sustainable opportunities.

Social Issues: Human capital was the most popular topic for engagements, followed by supply chain issues, and diversity and inclusion.

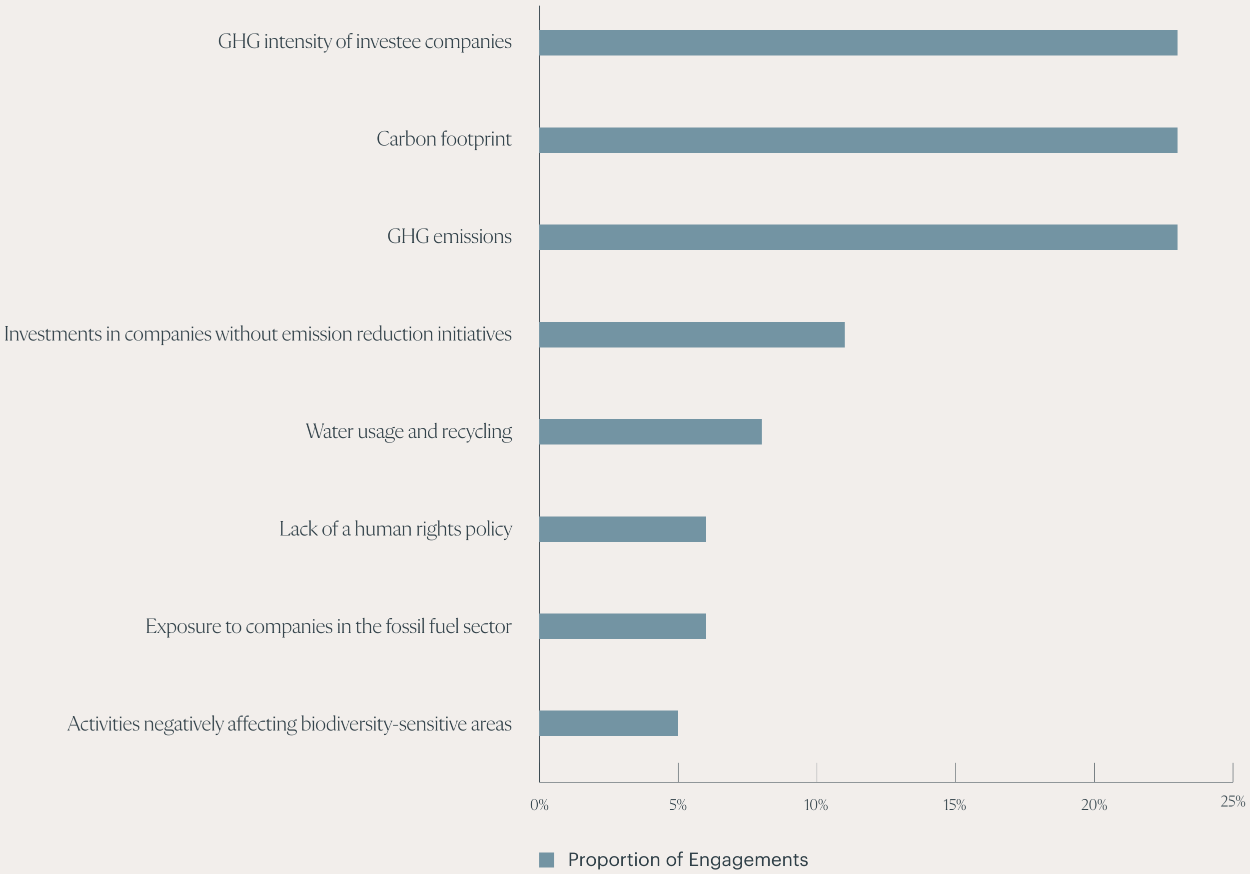
Governance Issues: Reputation and business ethics featured most frequently in governance-related engagements, along with management-related issues, compensation, and tax.

[12] 'Effective Stewardship Reporting', *Financial Reporting Council* (November 2021) p. 58.

SDGs linked to engagements



PAIs linked to engagements



Climate disclosure and action is a particular theme which we have supported in voting in recent years; we supported all reasonable climate-related resolutions put before us in 2020 and 2021.[13] We voted for almost all such climate-related resolutions in 2022 – an operational error prevented our voting at the Berkshire Hathaway AGM, which is explained in our H1 2022 Responsible Investment and Engagement Report.

Given the salience of this issue to all companies, we commit to support any reasonable shareholder resolution on this topic. We may not consider such resolutions reasonable if the company had made substantial commitments in this regard, for instance related to a science-based climate target. In addition to voting for almost all climate-related resolutions in 2022, during the year we also contacted all companies in the Fund without a science-based target commitment to reiterate our support. We welcomed the endorsement of the methodology by the US Administration in its announcement in November of its *proposed Federal Supplier Climate Risks and Resilience Rule*.[14] Examples and case studies profiling our engagement and voting activity throughout 2022 is available on our website.

At the start of 2023 we also surveyed all the companies in which we invested in 2022, asking for feedback on the impact of our engagement. This was completely anonymized, to minimize any bias in responses. Almost half the companies we surveyed responded – and the results were highly encouraging, particularly with regards to climate.

83% of respondents said we have a moderate or significant impact on their efforts on sustainability

70% said we helped improve their focus on climate commitments

[13] Our full voting records are available on our website: https://www.findlaypark.com/responsible-investment/.

[14] 'FACT SHEET: Biden-Harris Administration Proposes Plan to Protect Federal Supply Chain from Climate-Related Risks', *The White House Brefing Room* (November 10th, 2022).

TARGET SETTING

As a business we aim to be mindful of our own emissions. As part of our own efforts to reach net zero emissions, in December 2021 we became a signatory to the Net Zero Asset Managers (NZAM) initiative requiring us to set interim targets for the proportion of AUM managed in line with the attainment of net zero emissions by 2050 or sooner. In Q4 2022 we submitted our proposed target (disclosed below) to NZAM which was subsequently accepted and published on the initiative's website.[15]

60% of AUM (ex-cash) covered by company science-based targets by 2025, reaching 90% by 2030

Through our commitment to active ownership, we believe we can positively influence the companies in which we invest to commit to science-based targets, with the intention to have these subsequently validated by the Science Based Targets initiative (SBTi). It also based on the Portfolio Coverage Approach within one of the methodologies formally endorsed by NZAM – the SBTi's Target Setting Guidance for Financial Institutions.[16] This guidance was developed in line with Paris-aligned emissions reduction pathways to limit warming to well below 2°C.

In setting this target, 100% of our AUM (ex-cash) is in scope to be managed in line with the attainment portfolio SBT coverage by 2040. As referenced above, our primary focus will be on encouraging the companies in which we invest to commit to science-based targets. Importantly, this approach will lead to emissions reductions in the real economy as companies take action to decarbonise their operations and supply chain in a manner consistent with the recommendations of the Intergovernmental Panel on Climate Change (IPCC). In this way we believe active ownership and engagement will support the transition towards a net zero global economy.

Our longer-term ambition is to support investing aligned with the transition towards net zero emissions by 2050 and efforts to limit warming to 1.5°C. In the shorter-term, for 2023, our targets will be:

1 To engage with all companies in the Fund without a science-based target commitment, asking them to develop one, and particularly highlighting the need for validated targets

2 To vote for all reasonable climate-related resolutions, as a matter of policy

[15] https://www.netzeroassetmanagers.org/signatories/findlay-park-partners/.

[16] See SBTi's Financial Sector Science-Based Targets Guidance v1.1, August 2022.

As well as encouraging our companies to set credible targets, we will also support and scrutinise the development of corporate climate transition plans. This will include assessing material social implications of their/or investee companies' transition plans. We support the concept of a Just Transition: ensuring that those most affected by climate change, including workers and communities, must not be left behind in the transition to a net zero global economy. We will also consider any material biodiversity-related impacts when assessing such plans, as well as operational biodiversity impacts, which are increasingly being exacerbated by climate change.

We intend for our targets to be primarily achieved through our own stewardship activities, those of the wider investment industry, supportive regulation, and the initiative of companies within the Fund. We do not see divestment as the best means to achieve the transition towards a net zero economy, nor is this in the interest of our investors.

In setting these ambitious medium- to long-term targets, we must recognise the need for flexibility, depending on certain circumstances. These could include the following:

- Another credible target might be used in select cases, for instance where a sector-based SBTi approach does not exist or if another science-based framework is used.
- SBTi commitment may be treated as a proxy for a set target in some cases, for instance where there are continued bottlenecks in the SBTi validation system.
- In cases where companies are providing climate solutions which are not reflected in climate target setting protocols, allowances may be made for lack of SBTi-aligned targets.

In addition, we would note that these are targets, rather than an investment objective. If we believe that these cannot be achieved without compromising our investment objective, we will prioritise the latter. The rationale will be clearly explained in our reporting. We would also note that net zero portfolio alignment methodologies are in their infancy and as such are likely to be further expanded upon in the future, which may lead to a change in our approach.

Risk Warnings: The value of investments and the income received from them may go down as well as up, and you may not get back the original amount invested. Capital is at risk. Past performance is not a reliable indicator of future results. The base currency of the Fund is US Dollar. The Fund may invest in assets which are denominated in other currencies; therefore changes in the exchange rate between the base currency and these currencies will affect the value of the Fund. Where an investor's own currency is not the US Dollar then, due to exchange rate fluctuations between this and the US Dollar, the performance of the investment may increase or decrease further as a result.

The Fund is also subject to certain specific risks including: Investment Risk, Market Fluctuations, ESG Risk. Further details of these and other risks associated with an investment in the Fund are described in the Fund's Prospectus, Key Investor Information Document (KIID) and applicable local offering documents.

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This is a marketing communication. Please refer to the Fund's Prospectus and KIID before making any final investment decisions. The Fund Board may, at any time, take a decision to stop marketing the Fund in any EEA Member State in which it is currently marketed. In this situation, those shareholders affected will be notified and provided an opportunity to redeem their holding in the Fund, in accordance with the terms of the Fund's Prospectus, for at least 30 working days from the date of being notified.

Any investment in the Fund will be subject to the terms, including a list of risk factors and conflicts of interest, set out in the Fund's Prospectus, KIID, Summary of Investor Rights and Supplementary Information Document. These documents (including Dutch, French, German, Italian, Spanish and Swedish translations of the KIID and Summary of Investor Rights) are available at www.findlaypark.com/resources/ and upon request.

The American Fund is categorised as an Article 8 Fund under the European Union Sustainable Finance Disclosure Regulation (SFDR). Please see the website for more details: https://www.findlaypark.com/responsible-investment/

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