Findlay Park

1H 2023

Responsible Investment & Engagement Report

Foreword

The US is the world's largest oil producer by a wide margin.[1] The top 10 oil producing countries make up around three-quarters of total oil production globally. Of the top 10, the US, Canada, and Brazil, are the only countries that are classified as "free" countries by Freedom House.

This context is important for two reasons. An increasing advantage that America has over other countries is its large domestic supply of cheap energy. Those opposed to net zero investing see complete and immediate divestment as not just impracticable, but a threat to American industry.

More broadly, this context is important when we think about pragmatic and realistic solutions for transitioning to a net zero global economy.

Is it productive to target American oil and gas companies in divestment campaigns? Could there be unintended consequences, with respect to geopolitics, human rights, and indeed global progress on the energy transition?

We don't have all the answers.

Our own approach is to be discerning when investing in the oil and gas sector, and to distinguish between higher and lower carbon fossil fuels. This has led us to exclude businesses with 10% or more exposure to oil sands or coal, and invest selectively in oil and gas companies which we believe to be responsible operators, that are taking action to minimise their environmental footprint.

[1] U.S. Energy Information Administration, International Energy Statistics, Total oil (petroleum and other liquids) production, as of (September, 2023).

Making progress on the energy transition is a collective issue – one that spans across both private and public markets, across all industries and sectors. Progress can at times be slow and frustrating, but the direction of travel remains positive. America is making huge advancements in low carbon energy and technology, and we believe the American Fund is well positioned for this.

Estimates vary as to the total amount of funding deployed as part of the Inflation Reduction Act. Latest official government estimates amount to half a trillion in investment, with almost $400bn of this relating to energy and climate change. We're now beginning to see the impact of this in the real economy. Clean energy and electric vehicle ("EV") jobs represented 40% of total energy jobs in 2022 – an impressive bipartisan feat that extends across both Republican and Democratic states.[2]

Examples of companies in the American Fund which stand to benefit from the Inflation Reduction Act include design, engineering and construction firms such as Aecom and Jacobs. The former classifies over 45% of its revenues as low-carbon in its CDP report and is focussed on renewable energy and low-carbon building projects. In comparison, 27% of Jacob's revenue is classified as low carbon, and around 56% as sustainable.[3]

Other likely beneficiaries of climate and sustainable infrastructure funding include semiconductors, industrial gases, railroads and insulation related companies – all of which are well-represented in the American Fund.

While we are excited about the opportunities at hand, we are not complacent about the challenges ahead. We continue to engage with companies, and have supported various climate, human rights and diversity-related resolutions this voting season. Those we did, and did not support are outlined in this report, along with the rationale for each decision. We hope this report evidences our ongoing commitment to responsible, thoughtful and engaged investment.

[2] 'United States Energy & Employment Report 2023', U.S. Department of Energy (June, 2023) p. viii.

[3] Aecom, Carbon Disclosure Project Report (2023) and Jacobs, Carbon Disclosure Project Report (2023).

Sustainability Risks & Metrics

Below we outline our progress as at 30th June 2023 against key indicators which we consider when assessing our performance against certain sustainability criteria. For additional context, we have provided a comparison with our year-end 2022 metrics. Changes are explained in the following sections.

METRIC	ENVIRONMENTAL			SOCIAL & GOVERNANCE		ESG
	Science-Based Targets [4]	Implied Temperature Rise [5]	Weighted Carbon Intensity (WACI) [6]	Glassdoor Score	UN Global Compact	MSCI ESG Fund Rating [7]
1H 2023	**45%**	**2.2°C**	**Above benchmark**	**3.9 / 5 star rating**	**No ISS identified breach**	**A**
2H 2022	**47%**	**3.2°C**	**Below benchmark**	**3.9/5 star rating**	**One ISS identified breach**	**AAA**

A notable difference relates to our MSCI ESG rating, but this was a result of a change in MSCI's rating methodology.

Prior to the change in methodology, 19.9% of funds in MSCI's ratings universe achieved a AAA rating, following the change, this reduced to 0.2%.[8] One of the changes they made to their methodology included removing the benefit applied to companies improving their ESG ratings. As many of our investors know, we like companies that continue to improve, and we engage with businesses in a constructive way to help them improve further. It is therefore perhaps unsurprising that our rating was materially impacted by this change in methodology.

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[4] 45% of invested AUM has committed or set Scienced-Based Targets, validated by SBTi, as at 30th June 2023.

[5] 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 = indirect emissions from the purchase of electricity, Scope 3 = all other indirect emissions in a company's 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. Source: MSCI.

[6] A type of commonly referenced carbon footprint that focuses on weighted average carbon intensity (tonnes Scope 1 & 2 CO_2 / $USD revenue) and can be compared to the benchmark. As at 30th June 2023 this was 111 tonnes / million USD vs 102 tonnes / million USD for the Russell 1000. Source: MSCI.

[7] Although Findlay Park's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

[8] 'MSCI downgrades ESG ratings of 31,000 funds', ESG Investing (April, 2023).

The proportion of the Fund's AUM covered by science-based targets and commitments (ex-cash) fell slightly from 47% to 45%. This was not because companies reneged on their science-based targets during the period, A key driver of this was our increased exposure to mid-cap companies, which do not always have mature sustainability strategies and targets. We see significant opportunity to engage with these companies, and encourage them to consider SBTis.

A characteristic of a typical mid-cap company is that its environmental reporting and target setting is likely to be at an earlier stage. Such companies often lack large corporate sustainability teams, which are more common in larger companies. Whilst we found many of our new mid-cap holdings to be familiar with the Science-Based Targets Initiative (SBTi), they are more likely to have not yet set a target or committed to doing so. The period was not without its successes, however. In May, CoStar Group became the newest Fund holding to commit to setting a science-based target.

Implied Temperature Rise ("ITR") is a forward-looking metric which converts a portfolio's estimated emissions trajectory into a temperature score. Our ITR declined from 3.2°C at the end of December 2022, to 2.2°C at the end of June 2023. This was the result of slightly reduced weightings in oil and gas companies, and other companies with higher ITR ratings, such as industrial gas company Air Products and Chemicals. The number of companies in the American Fund also increased by over 25% during the period, many of which have low or medium ITR ratings.

We ended the period with a slightly higher Scope 1 and 2 GHG footprint, compared to the benchmark. We recorded a weighted carbon intensity of 111 tonnes per million USD vs. 102 tonnes per million USD for the Russell 1000. Despite scoring above the benchmark, this was a decrease from the 133 tonnes per million USD recorded at the end of December 2022, which was below the benchmark at the time.

Following the sale of Amazon, we no longer have any holdings which are flagged by ISS to be in breach of the UN Global Compact – a series of ten fundamental principles relating to human rights, labour, environment and anti-corruption. We continue to closely monitor our companies for their adherence to these principles. Further information on our assessment of Amazon's possible breach can be found in our 1H 2022 report.

ESG Integration case study

STERIS

One new company that we invested in this year is Steris, a global provider of infection prevention and sterilisation solutions to a broad range of customers including hospitals, medical device manufacturers, and research laboratories. Steris reports its mission as being to *"help our customers create a healthier and safer world"*.[9]

We had followed Steris for a while, and deferred investing in 2022 while ongoing litigation related to the use of ethylene oxide, a sterilant gas, affected the industry. Ethylene oxide, or EO, is a colourless gas used in a wide variety of industrial applications including producing other chemicals like antifreeze, as well as household items such as fragrances, cosmetics and shampoos. It is used particularly by the medical device industry as it remains the only viable technology for sterilising certain devices, particularly those made from fragile plastics/resin, metals/glass, or with multiple layers of packaging. In the US alone, it is used to sterilise over 20 billion medical devices each year.

Although produced naturally by the body when metabolising ethylene, as well as in ripening fruit, EO is classed by the EPA as carcinogenic. It had been on the EPA's Toxic Release Inventory since the 1980's but was reviewed in 2016 and found to be carcinogenic at lower exposure levels than previously thought. This reclassification was a trigger for many lawsuits against peer companies, which operated facilities where the level of EO detected in the surrounding air was above the new levels deemed to be safe. All of Steris' plants were found to be compliant. Whilst the bulk of litigation focused on peer companies, we wanted to take more time to understand the risks and the extent of any potential liabilities. Following the settlement of peer litigation in late 2022, we were satisfied that Steris was unlikely to be implicated significantly in any further action.

Through research conducted on Steris, we liked its limited exposure to EO compared to peers (through engaging with the company we believe it makes up ~25% of its contract sterilisation business, compared to 50%+ for the industry as a whole).[10] As well as the company's market-leading efforts to reduce the use of EO, its 'Sustainable EO' initiative aims to optimise the use of sterilant inputs and reduce the use of EO by 50% over five years to 2023, bringing the company well ahead of the EPA's efforts to tighten requirements. Multiple expert calls with both former employees and outsiders attested to Steris' culture of health and safety being second to none.

Although the company's sustainability reporting was initially limited in scope, we noted that hiring efforts were ongoing to build out its corporate sustainability team – a forward-looking indicator of more expansive disclosure over time. In a later call with Steris the company confirmed the growth of its team, as well as the significant ongoing effort to comply with the future requirements of the EU's Corporate Sustainability Reporting Directive (CSRD), as a result of its incorporation in Ireland. We now expect considerable progress regarding the company's reporting.

We also want to highlight the positive impact of Steris' products and services, which address challenges related to infection control and prevention, including the prevalence of healthcare-associated infections (HAIs). HAIs develop during, or soon after, a person has been in a healthcare facility and are often associated with the use of medical

[9] Steris website, 'About Us: Our Values' [accessed: https://www.steris-ast.com/our-values/].

[10] Steris, Findlay Park estimate.

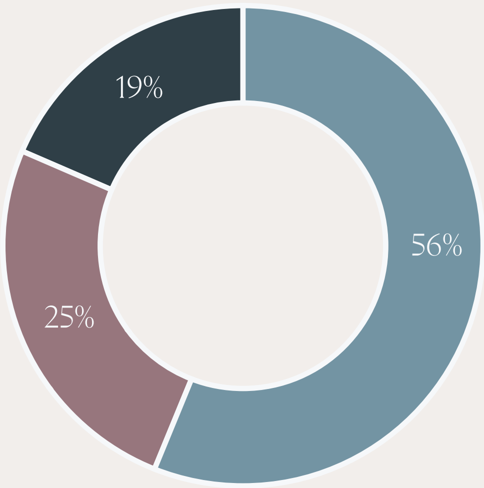
devices such as catheters and ventilators, or surgical procedures. The U.S. Centers for Disease and Control Prevention (CDC) for estimates that 5% of all hospital admissions result in a HAI, culminating in approximately 722,000 infections and 75,000 deaths each year. Steris helps to reduce the burden on the healthcare system, in terms of both minimizing costs and ensuring hospital capacity is not taken up by HAI cases.

Overall, we see Steris as a good example of a company that has a meaningful and positive impact on society. There is of course room for improvement, and we look forward to engaging further with the company as it continues to improve its ESG performance.

Engagement & Monitoring

Engagement lies at the heart of our stewardship efforts and remains crucial to our investment process. We define engagement as purposeful dialogue to set specific and targeted objectives for a company. We believe these objectives will help reduce its ESG risk, create opportunities and improve its positive impact on people and the planet.

In the first half of 2023 we held 35 company engagements, the vast majority of which multiple topics were raised for engagement. Below we list key ESG topics discussed across our company engagements, which have been divided by theme – Environmental, Social, and Governance.[11] 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 are a breakdown of all SDG and PAI tagged topics on which we engaged companies during the period. This gives a sense of the wide variety of issues discussed.



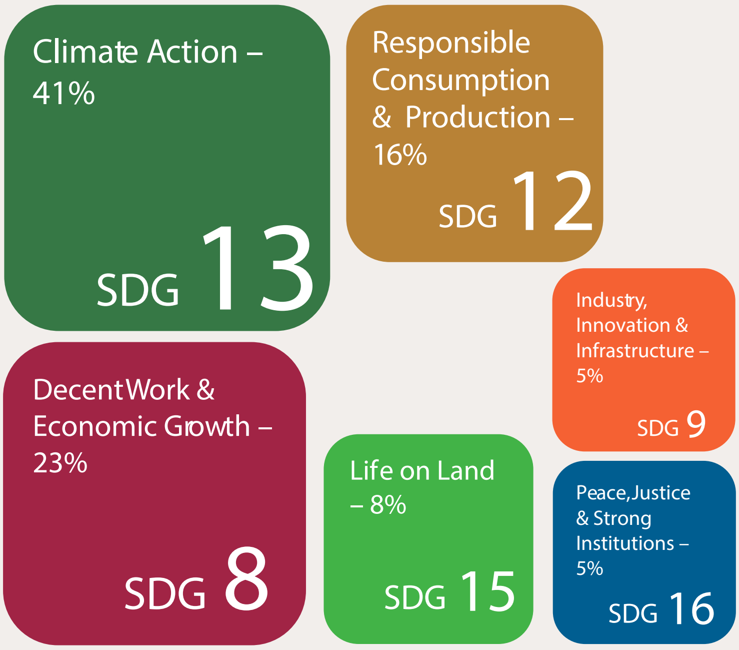
Environmental Issues: Science-based emission reduction targets were the environmental issue on which our companies were most frequently engaged. Other topics include biodiversity, waste and pollution, and sustainable economic opportunities.

Social Issues: Human rights and labour were the most popular social topics of our company engagements, followed by human capital, health and safety, and supply chains.

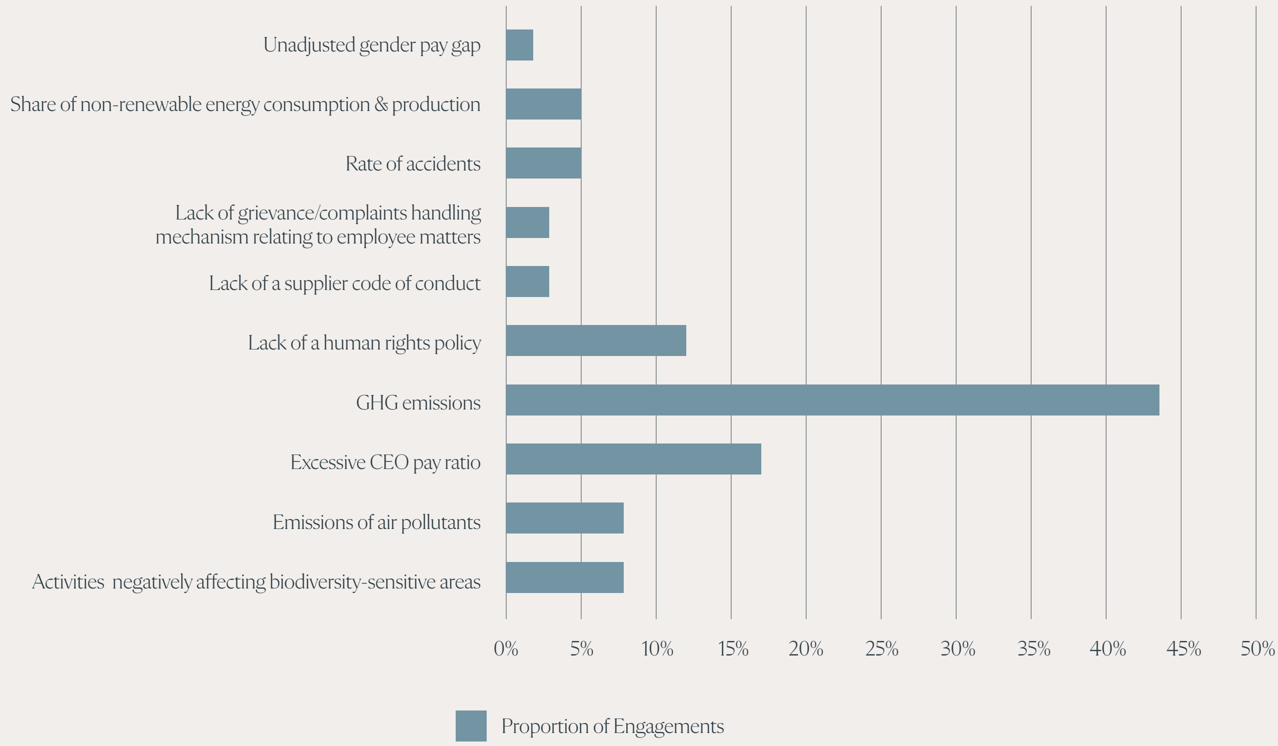
Governance Issues: Executive compensation and Board independence were the most frequently raised topics in our governance-related company engagements.

[11] Although specific engagement asks can often cover multiple aspects of 'ESG', we have assigned each under the most relevant heading, which can be seen above. Each meeting or interaction with a company may have more than one ask, for instance one E and one S ask. This breakdown is determined by Findlay Park Partners, for indicative purposes only.

SDGs linked to engagements [12]



Principal Adverse Impacts (PAI)s linked to engagements [13]



[12] We attribute each of our specific engagement asks or recommendations towards an SDG target, if one is deemed to be relevant. We note aligned engagement asks, which may not match the letter of the SDGs, but give an indicator of how engagement aligns with this important global framework. This chart shows the breakdown at the overarching SDG level, as determined by Findlay Park Partners, for indicative purposes only. Each meeting or interaction with a company may have more than one ask, therefore numbers may not add to 100%.

[13] We attribute each of our specific engagement asks towards a PAI indicator if one is relevant. The chart shows their breakdown. We note aligned engagement asks, which may not match the letter of the PAI framework, but give an indicator of how engagement aligns with this important EU framework. This alignment is determined by Findlay Park Partners, for indicative purposes only.

Engagement case studies

WEST PHARMACEUTICAL

West is a mid-cap company serving an important niche - it is a dedicated provider of containment equipment (such as stoppers) for pharmaceuticals, biologics, and vaccines.

Like many mid-cap companies, its ESG reporting was limited. We engaged with the company to better understand its approach to ESG issues, and recommended improvements where necessary. We found the team to be highly engaged and open to suggestions. The Board had just met to discuss how they can better integrate ESG considerations into their operations, and were in the process of adopting an SBTi-aligned approach. Part of the impetus for this was demand from their customers – many of whom have their own SBTi-aligned targets.

West also talked us through the importance of safety and quality of its products, and the wider implications of this in the safety of other healthcare related products further down the supply chain. They continue to take market share based on their reputation for safety and high quality. We were also updated on the company's diversity, inclusion and responsible supply chain initiatives.

Subsequently, the company produced an ESG report which echoed much of our conversation with them and adds to our confidence in West as an innovative and engaged company.

EOG RESOURCES

We have long engaged with EOG Resources on environmental topics, including climate change, pollution, nature and biodiversity. Following a series of constructive engagements in 2022, at the request of EOG, we held a deep-dive session with the company on nature and biodiversity.

The past 12 months have seen a raft of developments globally on nature, including the 'Paris Agreement for Nature' at COP15 – the Kunming-Montreal Global Biodiversity Framework (GBF) that sets targets for countries to work towards.[14] We've also seen the finalisation of the Taskforce for Nature-related Financial Disclosures (TNFD), a reporting framework modelled on TCFD which encourages companies to identify and mitigate nature-related risks. One of the key 2030 targets that emerged from the GBF is relevant for companies, and financial institutions, in particular:

> *"Ensure that large and transnational companies and financial institutions: regularly monitor, assess, and transparently disclose their risks, dependencies, and impacts on biodiversity through their operations, supply and value chains, and portfolios."* [15]

Our engagement with EOG covered these latest developments, and the evolution of potential reporting requirements. Building on our previous engagements, we explored the overlap between the issues of climate and nature. We also took time to discuss our own experience of working on nature and biodiversity, including our membership of the TNFD Forum, and our efforts to report on biodiversity and the difficulties associated with this.[16]

EOG uses a third-party biologist to assess the ecological impact of its operations. We learned more about its efforts to relocate drilling pads away from the nesting sites of vulnerable species, and the restoration and reclamation work undertaken once production activities are completed. We also shared our knowledge of some of the biodiversity tools we have found useful, including the Integrated Biodiversity Assessment Tool (IBAT) as well as WWF's new Biodiversity Risk Filter.

[14] 'Kunming-Montreal Global Biodiversity Framework' Convention on Biological Diversity (April, 2023).
[15] Target 15: 2030 Targets, Convention on Biological Diversity (September, 2023).
[16] This specifically relates to a mandatory principal adverse impact indicator, specified under SFDR - our share of investments in companies with operations located in or near to biodiversity-sensitive areas where activities of those companies negatively affect those areas.

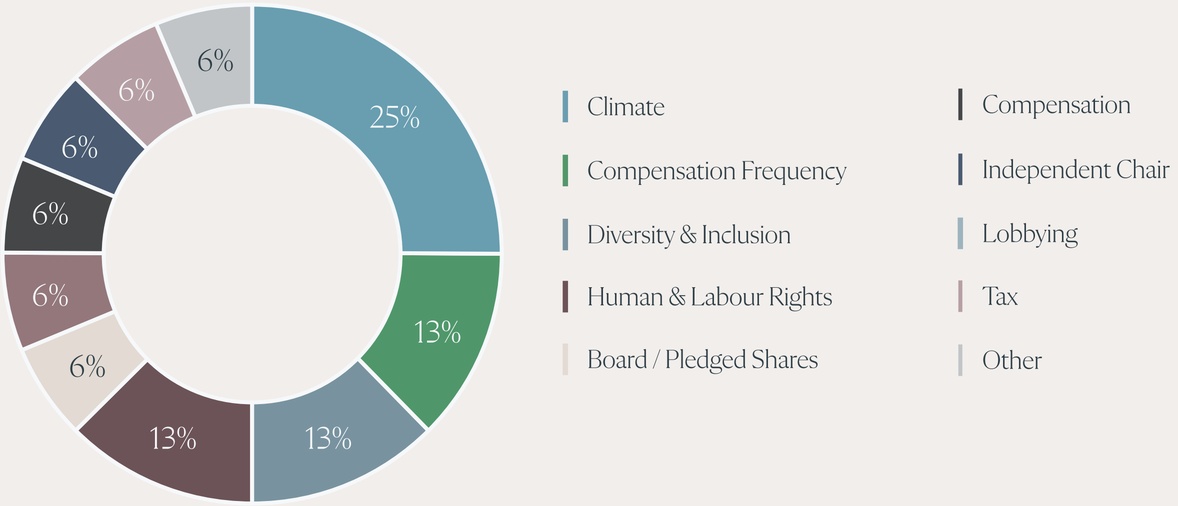
Voting

We voted in 46 annual meetings, and voted against management in 11 meetings (around 24% of meetings).

There were 635 resolutions – many of which were routine and uncontentious. We voted against management on 16 of these individual resolutions (under 3% of the total).

In 25% of cases where we voted against the recommendations of management, this was due to climate-related resolutions. We have committed to support all reasonable climate resolutions. The one exception to this is described in more detail later, where the company had already actioned the request before the AGM took place.

Other topics which we voted against management on more than once, related to diversity & inclusion, frequency of votes on compensation ("say-on-pay" frequency), and human & labour rights.



We are sometimes asked by shareholders for the percentage of votes we cast which do not align with the recommendations of ISS.

As a reminder, we do not use ISS' recommendations for decision-making. Rather we look at their recommendations as a guide – more like a conventional view on governance, and a likely indication of wider shareholder voting outcomes. This also helps us gauge contentious votes, ensuring we have enhanced diligence and oversight on these resolutions.

In 1H 2023 we did not align with ISS' recommendations on 34 cases (5% of resolutions). In most of these cases we voted with management – which is unsurprising given our active management approach, the selective nature of our investments, and the extensive due diligence we undertake on companies. But this was not universally the case. We voted against management, and against the recommendations of ISS, on four resolutions.

Below we list all significant votes, according to our classification. We classify these as votes on any shareholder resolution, against management, or which do not align with the recommendations of ISS. We also disclose special meetings, but did not have any such meetings in 1H.

CLIMATE CHANGE

We supported three shareholder resolutions related to **Berkshire Hathaway's** climate-related oversight, strategy and mitigation plans. This is consistent with our previous engagement with the company. Berkshire Hathaway is a decentralised business, and some subsidiaries have climate plans and targets. However, this is uneven, and we would welcome more centralised guidance and ambition in relation to climate change.

We supported a climate-related resolution at **Martin Marietta** asking the company to develop a science-based climate target. We encourage all businesses in which we invest to adopt such targets. The company is an aggregate and cement business, with a relatively high carbon profile. In conversation with the CEO, they informed us that the company aimed to set an SBTi target within the next two years. However, they could not officially commit to one at this stage. We are very pleased with the intention but, in the absence of official commitment, we voted for the resolution.

By contrast, we decided to not support the shareholder resolution asking **CoStar** to develop climate targets. The company had already responded quickly to the request of the filer by announcing an SBTi commitment in advance of the AGM. This was visible on the SBTi website, and the company communicated their intention to us. We therefore felt it unnecessary to support the resolution. CoStar is a commercial real estate information company and has a relatively low carbon footprint. While the real-world impact of CoStar reducing its carbon footprint will be modest relative to Martin Marietta – we continue to encourage the company to set an SBT and were pleased with this announcement. While we have committed to supporting all reasonable climate-related resolutions, we caveat that we may not always consider the resolution reasonable. In this case we determined that CoStar had taken appropriate action on this topic, to the best of its ability, between the filing of the resolution and the AGM.

SOCIAL

Human & Labour Rights

We voted for a resolution at **Texas Instruments** asking for a formal report on its efforts to reduce the risk of human rights abuses that occur through use of the company's products. There are ongoing reports that American semiconductor components are being used in conflicts, including the Russia-Ukraine war. Whilst we appreciate the nuanced position of companies in the sector, and the impossibility of entirely eliminating the risk of product misuse, we do think that industry-wide transparency and proactivity on this issue is essential. Escalating geopolitical risks related to semiconductor use is not only a human rights imperative, but could also be financially material.

We voted for a resolution at **Union Pacific** asking for a policy on sick pay. While the company explained that sick pay is negotiated with individual unions, we believe that a more consistent stance from Union Pacific on this topic would be helpful. Union Pacific has had resistance from unions in the past few years, which likely contributed to lower-than-anticipated operational and financial performance.

Diversity, Equity & Inclusion

We vote on a case-by-case basis, taking into consideration the practices adopted by companies and our own judgement.

We voted for a resolution asking for a report on **Berkshire Hathaway's** diversity and inclusion efforts. The company does not publish group wide ESG reports, nor does it, or its subsidiaries, inform on its approach to this topic. In general, we continue to support more ESG reporting by this company.

We voted for a resolution at **Charles Schwab** asking for pay gap reporting. In the past we have questioned the accuracy of the firm's communication on diversity and inclusion. We also continue to track the gender pay gap of its UK subsidiary, in line with our commitment to consider a list of "principle adverse impact" indicators under SFDR (gender pay gap being a mandatory indicator). We noted a relatively high gap in Schwab's UK subsidiary, and as such any additional reporting pertaining to the wider global business may provide useful additional context on this point.

We did not support a diversity and inclusion related resolution at **Danaher**, noting the company's substantial existing reporting on these topics, as well as relatively strong human capital and Glassdoor scores.

We did not vote for a racial equity audit at **UnitedHealth**, given the company's existing efforts to help improve health equity. By the end of 2023 the company aims that 75% of its Medicaid plans will receive health equity accreditation from the National Committee for Quality Assurance, which will benefit those on lower incomes. The company also has a highly diverse workforce and strong reporting on D&I initiatives.

GOVERNANCE

Compensation

We voted against executive compensation at **Marsh & McLennan**, given the special treatment of the outgoing CEO in terms of vesting shares. This contributed to a total payout assessed by ISS at £32 million, which was outsized relative to peers. We also considered that this special treatment was not consistently applied to others in the company.

We voted for executive compensation at **Martin Marietta**, which was not in line with the recommendation of ISS. ISS noted significant room for discretion in terms of awarding compensation. In discussion with the company, we were assured that there would be considerable improvements in disclosure next year which will be more in line with market practice. We also discussed the link between safety performance and remuneration.

We voted for executive compensation at **Berkshire Hathaway**, which was not in line with the recommendation of ISS. Warren Buffett and Charlie Munger take a token base salary ($100,000) and no bonus. The two other most senior executives have large base salaries and a small, judgement-based bonus. Buffett and Munger's interests are aligned with shareholders given their considerable financial and personal stakes in the firm. As Buffett outlined in his letter to us: *"You can be sure that I also think as much as any CEO about all risks to Berkshire... I also have 99% of my net worth in the company. My commitment is life-long."*

We voted for executive compensation at **Fortive**, despite ISS' recommendation against it. We voted against executive compensation last year (which ISS recommended) due to a lack of transparency on the structure of compensation as well as size. We also noted a large sign-on bonus for one incoming executive last year. In discussion with the company this year, we learned that it had responded to shareholder feedback - increasing the at-risk part of the long-term award and committed to more granularity around attainment of individual objectives. There were also no large onboarding awards in 1H 2023.

Say-on-pay frequency

We generally consider an annual vote on pay to be best practice, giving shareholders the ability to express any concerns with executive pay every year. Management compensation is an area we pay particular attention to, and forms part of our Investment Philosophy checklist. Two companies, **Berkshire Hathaway** and **T-Mobile**, recommended a say-on-pay once every three years. We voted for an annual say-on-pay.

Independent Chair

We do not have a blanket policy for whether the roles of CEO and Chair should be separated. It is common for these roles to be combined in the US, the argument being that this makes for effective leadership and decision-making. We also appreciate the risks involved in this. We vote on a case-by-case basis, considering a range of factors.

We voted for a resolution asking for an independent Chair at **ConocoPhillips**, in part due to the high-profile nature of the industry and the strategic risks involved. We did not vote for this resolution at **Union Pacific**, as the company was in the midst of a CEO transition and assured us that they would not be looking to combine the role in the near future, though did not want to fully eliminate the possibility of doing so. We did not vote for this resolution at **Danaher,** as the Chair is a co-founder of the business, and not the current CEO. We believe he adds considerable value to the business.

Director-related

We voted against the Head of the Audit Committee at **Danaher**. As explained in previous reports, the firm historically allowed pledged shareholding, and the founding brothers still hold pledged shares. The firm explained some of its processes for overseeing related risks, and we also noted that many Audit Committee members had not been on the Board when this practice was allowed. As such, rather than voting against the whole Audit Committee, as recommended by ISS and undertaken in previous years, we took this more targeted action.

Bylaw-related

There were several resolutions related to bylaw amendments around the nomination of candidates. We did not vote for these, given the lack of concern on related bylaws with the companies in question: **Mastercard, West Pharmaceutical,** and **Union Pacific**.

Severance votes

There were two resolutions asking for separate votes on change-in-control or severance packages – at **Fortive** and **UnitedHealth**. We see this as part of compensation and do not see a need for a separate vote on this matter. We did not vote for these resolutions.

Share retention policy

Two shareholder resolutions called for an increased share retention policy, at **CBRE** and **ConocoPhillips**. Whilst we agree that high CEO stock ownership aligns their interest with shareholders, we noted that both companies had robust share retention requirements, and CEOs had adequate stock ownership. We decided not to support these resolutions.

Transact other business

In some European markets it is common to ask shareholders to vote for other matters which may arise in the meeting. **Alcon**, headquartered in Switzerland but with core operations in the US, had such a resolution. The content to be voted on is not known in advance, so we do not support these resolutions.

Right to call special meeting – 10%

There were four shareholder resolutions requesting that the right to call special meetings should be lowered to 10% of company ownership. These were filed at **Intercontinental Exchange, Texas Instruments, United Rentals** and **Zoetis**. Whilst we see value in this right - and have committed to supporting this for a 15% or higher threshold of ownership - we see substantial risk in lowering the threshold to 10%. Across our holdings, there are several cases where one shareholder owns over 10% of the company; we consider that a threshold this low risks overly advantaging one shareholder. This is consistent with our voting in previous years.

Tax

We supported a shareholder resolution at **ConocoPhillips** asking for enhanced tax transparency. In most cases, we trust that management teams – on whom we do extensive due diligence – will prudently manage the tax affairs of the businesses in which we invest. We expect management to approach tax in line with their fiduciary responsibility to shareholders and their legal requirements. However, given the higher risk nature of the sector we thought such reporting would be appropriate. We noted that the company has been less transparent on this topic than some of its peers.

Lobbying disclosure

We supported a routine lobbying disclosure resolution at **Mastercard**, in line with our policy on this issue.

Lobbying ideology, political speech & other governance

This year we saw several resolutions with a subtext asking companies to take a stance for, or against, highly politicised issues. These issues span across a wide range of ideologies.

At Findlay Park, we avoid political endorsement, and see advantages in public companies doing the same. Equally, we appreciate the delicate situation in which larger US companies find themselves, especially in the run up to elections. We also assess the culture and purpose of the firms in which we invest, and the quality of their management teams. In general, we chose to trust management's recommendations on these issues.

Two resolutions at **Berkshire Hathaway** encouraged the company to ban politicised speech across Berkshire Hathaway businesses – one took the form of a resolution ostensibly calling for an independent chair. We believe Warren Buffett to be one of the more measured business leaders in the US. We did not support these resolutions.

A lobbying ideology resolution at **ConocoPhilips** questioned the company's involvement in industry groups considered by the filer to be too stringent on climate change. These groups have also been criticised as too lax. We did not support this resolution.

Two resolutions at **Mastercard** called for them to perform a cost-benefit analysis on their work on diversity and inclusion, while another asked for a report on potential discrimination based on religion. Mastercard has long been an advocate of "decency", and we do not have concerns with its diversity and inclusion efforts and see no red flags in terms of discrimination. **Charles Schwab** was also subject to a resolution on discrimination, which we did not support for similar reasons.

Another resolution at **Mastercard** called for them to implement a planned classification of gun and ammunition stores. This has been the subject of much political debate, and different states have taken varying stances on this. The company has delayed its implementation of this until there is clearer legal guidance, as have peers.[17] We understood the rationale for this approach.

A lobbying ideology resolution filed at **UnitedHealth** accused them of making donations to certain Republican candidates, which is against their policy. Objections to these candidates were raised in relation to their stance on healthcare reform and abortion. Having engaged with the company on this topic, we were assured that they were within policy, and did not see merit in supporting this resolution.

[17] R. Kerber, 'Amex, Mastercard, Visa pause work on new firearms merchant code' Reuters (March, 2023).

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