Findlay Park

2H 2023

Responsible Investment & Engagement Report

Reflections on 2023

In 1987 the UN defined sustainability as meeting *"the needs of the present without compromising the ability of future generations to meet their own needs"*.[1] That definition remains as important today, arguably more so. Sustainability is a challenge, especially in the face of aggravated climate change and a growing population. It's not just an environmental and social challenge, but a financial one which companies and investors must navigate.

Whilst the scale of the challenge is greater in 2023 than it was in 1987, we should also recognise the progress which has been made. Technological development is one of the key areas of progress and potential. In 2023 we recognised the importance of AI to a new range of technologies, which will help shape the economy, society and the environment.

Whilst it's early days, we started to spend more time on AI in our engagement and discussion with companies – alongside long-standing areas of engagement such as climate change. We were also curious to gauge the "mood music" from North American companies on this theme – a key area of discussion during our sustainability visit to the West Coast in December 2023. We're of course mindful of the 'corporate jets flying to Davos problem' but felt we could justify this in terms of cost and carbon (and will be offsetting this trip using a credible third party). We met with twenty companies – many of them in the technology sector - including five current holdings; **Microsoft**, **Nvidia**, **Autodesk**, **Charles Schwab** and **Agilent**.

Many companies were vocal about the benefits of AI. We were reminded of AI's potential to solve real challenges – from labour shortages in key areas needed for the energy transition, to drug and advanced material discovery (**Alphabet's** DeepMind has made amazing additions here, as we highlighted in a re-review of the company in December). A meeting with **Synopsys** also stood out to us on our trip. The company has partnered with **Microsoft** to identify potential applications of Copilot for chip design, given the predicted 30% workforce gap in semiconductor engineering by 2030. This could be a key bottleneck in the energy transition, as well as wider industry and technology. Chip design engineering still works as a traditional apprentice model; becoming really proficient can take up to 10 years. Copilot is enabling greater productivity of design engineers and junior engineers to develop more quickly – this can ultimately mitigate a potentially key bottleneck, and aid the energy transition.

[1] G. Brundtland, 'Report of the World Commission on Environment and Development: Our Common Future' *United Nations General Assembly document A/42/427* (1987).

It would of course be naive to dismiss the potential risks relating to AI; privacy, job losses, misinformation and disinformation, energy and water consumption. Putting in place the right governance and regulation for AI will be a critical challenge for the next several years. We will be engaging more widely with companies on the topic of responsible AI in 2024, looking for appropriate governance and risk management processes.

Climate change was another area of focus for the trip. We were largely encouraged by the perspectives of companies. Over half of the companies we visited had science-based climate targets or commitments (SBTs). We encourage all companies in which we invest to adopt SBTs – indeed this is one of our core KPIs on which we made progress in 2023, as shown overleaf.

The trip also acted as a vivid reminder of physical environmental risk. We knew that California had the fifth largest economy in the world but were struck by the sheer concentration of largest American companies in the small region between San Franscico and San Jose. Travelling along the San Andreas fault line, we couldn't help but wonder about the potential impact of the (overdue) 'Big One' - one USGS study looking at the southern fault models a significant $191bn economic loss.

Overall, we were encouraged by the majority of meetings, the ambition of companies to leverage new technologies to purpose, and the focus on climate change. We ended the year increasingly mindful of both the risks and benefits of AI, and the need to consider climate and physical risk as we invest for the long-term.

Sustainability Risks & Metrics

We have outlined below our progress as at 31st December 2023 against key indicators which we consider when assessing our performance against certain sustainability-related criteria. For additional context we have included a comparison with our previous half-yearly metrics, as a demonstration of progress.

	ENVIRONMENTAL			SOCIAL & GOVERNANCE		ESG
METRIC	Science-Based Targets [2]	Implied Temperature Rise [3]	Weighted Carbon Intensity [4]	Glassdoor Score	UN Global Compact	MSCI ESG Fund Rating [5]
2H 2023	**55%**	**2.3 °C**	**Above benchmark (higher carbon)**	**3.9 / 5 star rating**	**No ISS identified breach**	**A**
1H 2023	**45%**	**2.2 °C**	**Above benchmark (higher carbon)**	**3.9 / 5 star rating**	**No ISS identified breach**	**A**
2H 2022	**47%**	**3.2 °C**	**Below benchmark (lower carbon)**	**3.9 / 5 star rating**	**One ISS identified breach**	**AAA**

We saw significant traction in the latter half of 2023 with companies signing on to the Science Based Targets initiative (SBTi). As a key engagement priority for us, we have continued to engage heavily with our companies over the last year on this issue, as can be seen in our engagement statistics later in the report. **Waste Connections**, **Martin Marietta Materials**, **Tractor Supply Co**, and **Waters** (as detailed below) were notable additions to the ranks of companies deciding to support SBTi over the last six months. We have engaged with all of these companies on the topic, and for some, this involved sustained engagement over a span of years. This forms part of our commitment to the Net Zero Asset Managers initiative (NZAM) and we are pleased with our progress towards this goal – namely, 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. Further information on our NZAM commitment can be found in our Responsible Investment and Engagement Policy, available on our website.

[2] 55% of invested AUM has committed or set Science-Based Targets, validated by SBTi, as at 31st December 2023.

[3] Source: MSCI.

[4] Weighted average carbon intensity (tonnes Scope 1 & 2 CO2 / $USD revenue). This is a Scope 1& 2 measure, for which data coverage is better. This is a point-in-time measure. By contrast the forward looking, implied temperature rise metric takes Scope 3 projections into account.

[5] 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.

In the coming year we expect this number to fluctuate in line with changes to the portfolio, but overall, we are encouraged by the consistent progress made by our companies over the last year. As more and more companies commit to producing a science-based target and subsequently have these validated by SBTi, our focus within engagements will naturally evolve towards how targets are being implemented and company progress towards meeting them.

We ended the period in a similar place to the last for our other key indicators. Implied Temperature Rise (ITR) was marginally above the 2.2°C recorded in June 2023 but significantly below the 3.2°C recorded this time last year. Our weighted Scope 1 & 2 carbon intensity remains above the benchmark, at 108 tonnes per million USD vs. 98 tonnes per million USD for the Russell 1000. In June 2023 it stood at 111 tonnes per million USD vs 102 for the benchmark. Although still above the benchmark, this marks the second consecutive period in which our carbon intensity has declined in absolute terms.

As noted in our previous Responsible Investment and Engagement report for 1H 2023, the difference in our MSCI rating over the last year related to a material update to MSCI's rating methodology rather than any significant changes made to the Fund. **The Findlay Park American Fund is rated at the 84th percentile of MSCI ESG's peer group of funds.**[6]

[6] MSCI ESG, holdings data as at 30th November 2023 (the latest available).

Avoiding Risk

We are often asked by clients about instances when we have divested from a company due to responsible investment-related concerns. Whilst this has happened on occasion, the depth of our due diligence prior to making an investment means that these occasions are thankfully few and far between. Should the question be framed in a slightly broader manner, considering also whether we have ever avoided making an investment due to responsible investment-related concerns, then that would yield a longer list of companies where we ultimately decided that the risk was not worth the reward. Our ethos of controlling the downside risk in each individual investment is centred within this approach.

Earlier in 2023 we decided to investigate some potential investments in the oil and gas sector. One of the US based listed companies we scrutinised closely derived considerable revenue from its ownership stake in the Stabroek Block 100 miles off the coast of Guyana. As the largest new oil discovery found in the last decade, the Block is expected to attain significant levels of production, with recoverable resources in excess of 10 billion barrels of oil equivalent (BBOE) identified. The implications for Guyana are noteworthy. Oil production is expected to expand the Guyanese economy fivefold in the coming decade, and production per capita by 2027 will eclipse even that of the leading Middle East producers, Kuwait, UAE and Saudi Arabia.

As part of our due diligence, we engaged extensively with management of the company. We had concerns about political risk as well as issues raised by the World Bank related to the environmental regulatory capabilities of the local regulator. We also discussed regional political risk with an expert in Latin American E&P operations, specifically the likelihood of the incursion of the Venezuelan navy into the Block given its proximity to Guyana. Management highlighted Guyana's status as a former British colony with a parliamentary democracy and robust judicial system, but we had lingering concerns about the potential for unforeseen consequences associated with the expected vast influx of oil and gas wealth to this small country of just 800,000 people.

Ultimately, we decided not to proceed with further research into the idea for a number of reasons, not least the risk associated with the company's future production in Guyana. In late 2023 Venezuela rekindled a territorial dispute, holding a referendum on Venezuelan sovereignty over the Essequibo, a region encompassing over two-thirds of Guyana in close proximity to the Stabroek Block. Venezuela has also issued offshore producers with notices to stop operations in the disputed waters within 90 days. The potential for escalation towards a military conflict remains low, but tensions are unlikely to be resolved soon and may yet affect the timely completion of the acquisition of the company in question.

This example is highlighted as just one instance of how acting on concerns related to sustainability help us to preserve our clients' long-term value.

Case Studies

WATERS CORPORATION

A new purchase made in the latter half of the year, Waters is a vendor of analytical instruments alongside associated consumables and services. It sells instruments to two key markets – liquid chromatography and mass spectrometry. Waters reports its mission as unlocking *"the potential of science by providing the tools, technology and insights to enable scientific breakthroughs in labs across the globe"*.[7] From a sustainability angle, we like that Waters' most significant end markets are those served by the pharmaceutical and life sciences industries, which use their instruments in drug discovery and development, as well as for environmental, clinical, and nutritional safety testing. The company's strong record on health and safety and product recalls is also impressive.

We held a constructive engagement with Waters in November 2023, during which we discussed several salient topics, such as its impressive focus on product R&D and innovation. Product vitality, which measures the percentage of sales from new instruments in the last 3 years or the last 5 years for consumables, has accelerated from 9% in 2019 to 15.5% in 2022.

We also explored the scale of the opportunity represented by PFAS identification and remediation. PFAS, or per- / polyfluoroalkyl substances, are known as 'forever chemicals' because they do not naturally break down in the environment. A large, complex group of synthetic chemicals, they have been used in consumer products around the world since the 1950s for their anti-stick, water-repellant and heat-resistant qualities. A growing body of evidence suggests they are harmful to human health in even small concentrations. Waters instruments help its customers to identify PFAS, even at very low levels, allowing them to study their persistence and toxicity. Some public health laboratories use Waters instruments exclusively for the purpose of PFAS testing in water and environmental samples due to their greater sensitivity than alternatives on the market. The company has publicly estimated the potential increased revenue from testing water for PFAS-related compounds to be in the range of $200-$250m in the near-term.

In keeping with our own climate commitments, we further engaged with Waters on the topic of science-based targets, discussing the potential for building on its existing GHG reduction efforts and providing an overview of the Science Based Targets initiative's (SBTi) target validation process. **Waters is now listed as committed to SBTi, having signed up to the initiative following our engagement in November 2023.**[8]

POOL CORPORATION

Pool Corp is the largest North American distributor of pool products, ranging across equipment, chemicals and hardscapes. With over one third of the US wholesale pool market, the company has the largest distribution footprint in the country and the best product availability. It has grown considerably in the last few years, with its market capitalisation almost tripling from ~$5.9bn in December 2018 to ~$14.5bn today.[9] For companies that have been on similar trajectories, we have seen how it can be a challenging process to move towards sustainability programs and reporting expected of larger companies.

---

7 Waters website, 'Investor Relations, Corporate Profile' [accessed: https://ir.waters.com/investors/default.aspx].

8 We are mindful that the adoption of this commitment may not have been due to our engagement alone, but we certainly encouraged them to pursue this. The full list of companies committed to SBTi's can be found here: https://sciencebasedtargets.org/companies-taking-action.

9 Data as at 31st December 2018 and 7th February 2024.

The company has made some efforts in this regard – although we see room for improvement. It is undertaking a fleet modernisation programme with an emphasis on alternative fuel and electric vehicles, and its approach to health and safety is to strive to reach goal zero i.e. zero employee injuries, zero preventable vehicle accidents, and zero roadside violations. It launched a new Safety Challenge in 2022 to highlight and reward best practice, with employees asked to nominate colleagues that they think are embodying the firmwide culture of health and safety.

We met with the company in July to discuss its recently released Corporate Responsibility Report and highlight some areas that could be the focus of future efforts. Climate was a large focus of the engagement, including the applicability of recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD). We also discussed the merits of reporting to CDP (previously the Carbon Disclosure Project) and the potential for developing a science-based target.

As a company whose fortunes are often subject to prevailing weather conditions, we also took time to understand its approach to physical climate risk and plans for building this out. To this end, we shared a few examples of the reporting of other companies with a similar footprint to Pool Corp. We look forward to engaging with the company more closely in the future and monitoring its progress.

CONOCOPHILLIPS

We invested in ConocoPhillips in 2022 after considerable discussion and research. Over the past year we have engaged consistently with the company, with a strong focus on climate. At the time of investment, the firm's hard climate targets related to scope 1 & 2 emissions, with an aim to reduce GHG intensity 40-50% by 2030 and reach zero Scope 1 & 2 emissions by 2050. Encouragingly, in 2023 the company reported that it had already achieved a 40% emissions intensity reduction, and upgraded its goal to target a 50-60% reduction in GHG intensity by 2030. In the Lower 48 region of the US – which represents the largest part of total production – the company achieved even greater progress, with operational emissions down 50% since 2019 and associated gas flaring down 80%.

Other areas which we have raised in our engagement and discussion include water, biodiversity and community engagement. We were pleased by the firm's approach to water stewardship, having mapped its exposure to water stress and disclosed impressive key metrics; fresh water accounts for just 7% of source water globally given the strong focus on reused and recycled water. We learned through our engagement that the company has also closely monitored the development of the Taskforce on Nature-related Financial Disclosures (TNFD), and provided input into its recommendations through its membership of IPIECA (the industry association committed to E&S issues, founded at the request of the United Nations Environment Programme).

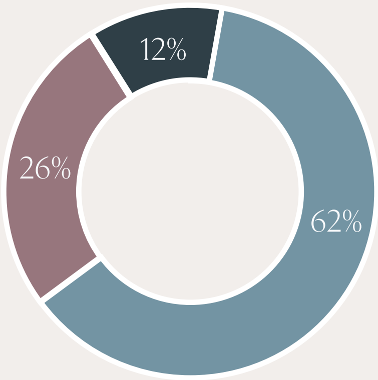
On oil sands in particular, we have highlighted the sensitivities of many European and UK investors – ourselves included – to this product (as a more carbon intensive form of oil). We have also discussed with Conoco its ongoing work as part of the Oil Sands Pathways Alliance alongside the other five largest operators in Canada. The ultimate objective of the Alliance is to reach net zero by 2050 and COP has been trialling and piloting new measures on its oil sands assets, including solvent technologies and electromagnetic heating methods, with the aim of reducing their carbon intensity.

We held our most recent engagement with the company in November 2023. Building on our previous discussions, Conoco divulged more about its roadmap to improving the environmental profile of its oil sands assets, its ongoing investment in CCS and hydrogen capabilities, as well as its wider approach to nature and biodiversity. We encouraged the company in its progress to meet its zero routine flaring goal and minimise its exposure to the methane penalties introduced as part of the Inflation Reduction Act 2022. Overall, we are encouraged by the developments we've seen in Conoco's emissions reductions ambition, and remain firmly committed to continued engagement on climate change and other matters.

Engagement & Monitoring

Engagement lies at the heart of our stewardship efforts and remains an essential part of our investment process. Responsible investment and sustainability are embedded within our Investment Philosophy, and our frequent interactions with companies on a wide range of topics means that isolating purely 'ESG' engagements is not always simple, but over the last year we have moved towards a more narrow definition of what we consider to be engagement. 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 risk, create opportunities, or improve its positive impact on the environment and society.

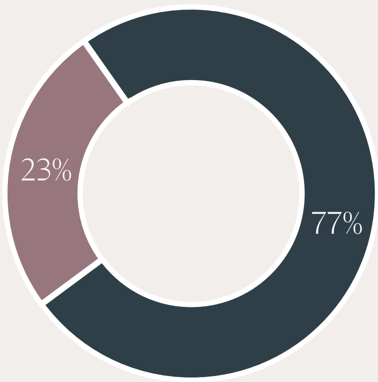
Below we list key topics discussed across our company engagements, which have been divided by theme – Environmental, Social, and Governance. In most meetings multiple themes and topics were raised for engagement, and where issues were cross-cutting across 'E', 'S', or 'G', we have highlighted the most relevant category in the knowledge that there are strong linkages between them. We also include our method of engagement for each company during the year. Our preference is to engage directly with management via a meeting or call, as can be seen below, but where this is not possible or we seek to engage on a single issue for example, we are happy to put our request in writing. We have 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. In total, we had formal engagement with approximately 75% of the companies held in the Fund during the course of 2023.



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.

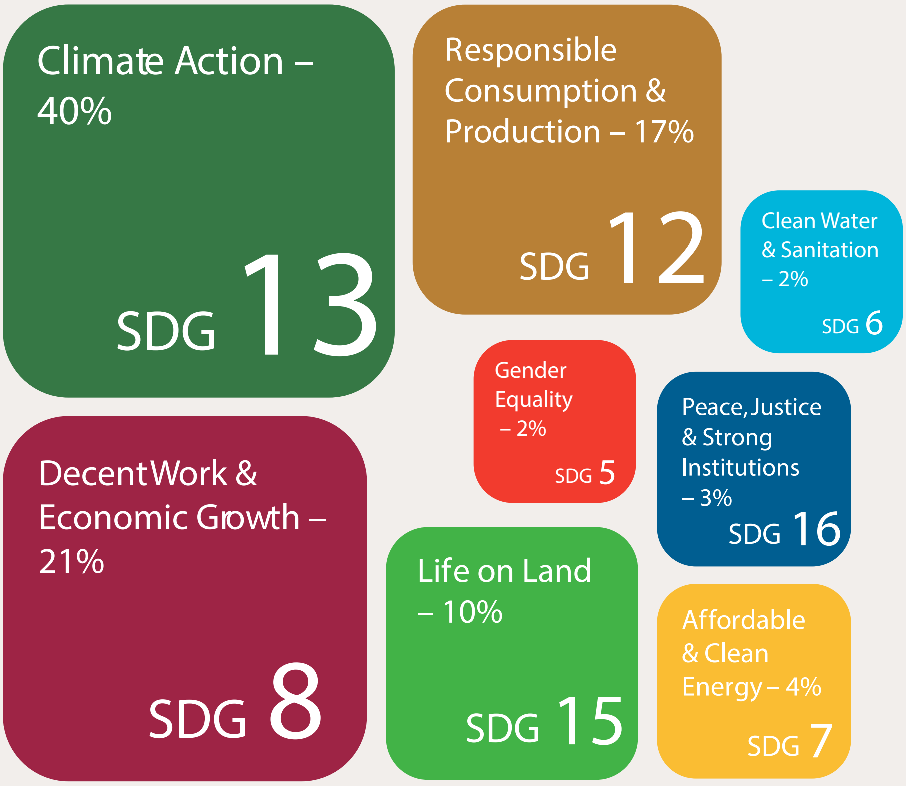
Governance Issues: Reputation and business ethics featured most frequently in governance-related engagements, along with management-related issues, compensation, and tax.



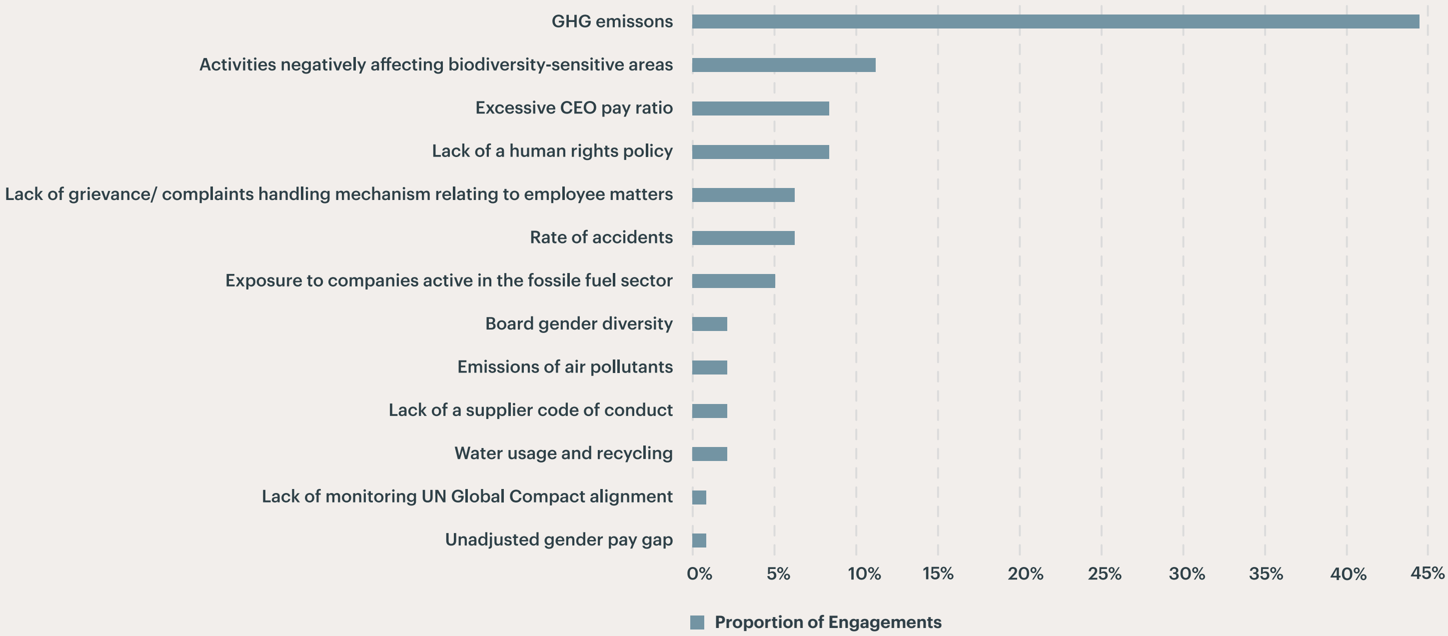
Meeting or call

Email

SDGs linked to engagements [10]



PAIs linked to engagements



[10] Please note that we have recently updated our methodology for classifying engagements against SDGs to improve consistency and reduce overlap where multiple SDGs are relevant e.g. both SDG12 and 13 are relevant for climate reporting. This slightly impacts our H1 2023 reporting and the updated figures are available on request. Most common SDGs shown, so figures may not add up to 100%.

Engagement Survey

As we did last year, we surveyed the companies in which we invest to help gain feedback on the impact of our engagement. We believe we can use our influence to help catalyse change, which will ultimately enhance shareholder and stakeholder value. But we are also aware of the wider context in which companies operate, and the importance of considering a range of perspectives when developing a robust sustainability strategy.

Therefore, we asked companies about the impact of our contribution, as well as the type (for instance, creating internal buy-in, enhanced transparency, target setting, improvement of positive outputs/impacts). We also asked respondents to estimate a counterfactual – whether without our engagement, change would have taken place.

Importantly, the investment team did not see whether or how companies responded, and this was communicated to the companies. The aim was to guard against overly positive feedback – for instance companies thinking that a response overstating the impact of our engagement might gain them goodwill, or that not responding to our survey may be viewed negatively. One drawback of this approach is that over half the companies surveyed did not respond. On balance we would rather have fewer, but potentially more candid, responses, than an approach which lacked appropriate anonymity.

RESULTS OF OUR ENGAGEMENT SURVEY [11]

Respondents noted a range of ways in which they thought we had positively impacted them. Climate was the single most prevalent area of focus, reflecting its importance to our engagement efforts, but other topics were also highlighted:

- **53%** of respondents said we helped improve their focus on climate commitments.
- **21%** said we helped improve their focus on sustainable economic solutions.
- **16%** singled out nature, and **16%** employees.

Over half of respondents said we made a moderate or significant impact on their efforts.[12] Many said we helped enhance transparency, raise awareness of sustainability initiatives and standards, or create internal buy in.[13] Over 25% of respondents said that we helped them improve positive outputs or impacts.[14]

Comments varied in nature. One company was at pains to explain that our impact was limited because it was already so engaged in these matters at a Board level – but that it appreciated our input and thoughtfulness on these issues.

Another company described these matters as in their early stages, and noted our input as a valuable perspective on emerging issues. From our experience size is often a factor here. While larger companies have well established programmes, we can sometimes add more value via our engagement with smaller companies, which typically have less mature programs.

[11] Results based on 21 responses, out of 58 companies invited. Please see our H2 2022 reporting for the outcome of our previous surveys. Figures are not compared with the above given the relatively small sample sizes of each survey, some changes in the companies held in the Fund, and some changes between questions moving from single to multiple choice.

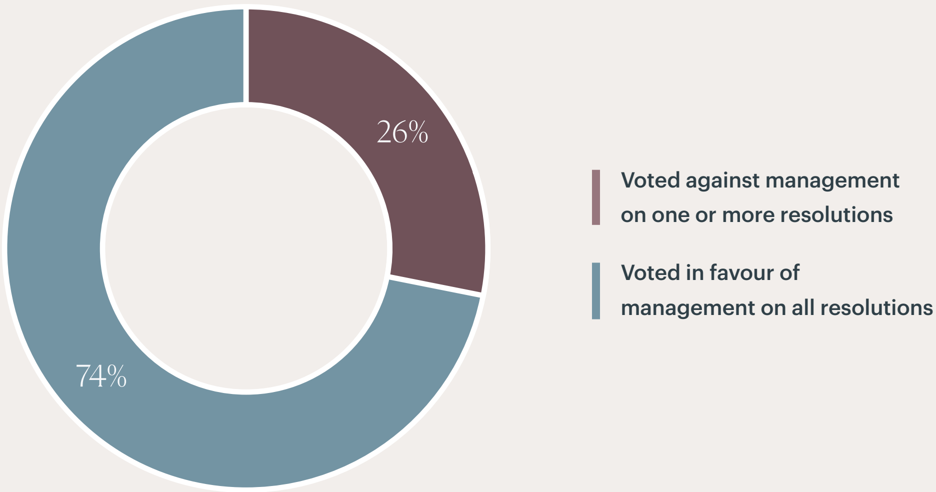
[12] 52%.

[13] 47%, 41% and 42% respectively.

[14] 26%.

Voting

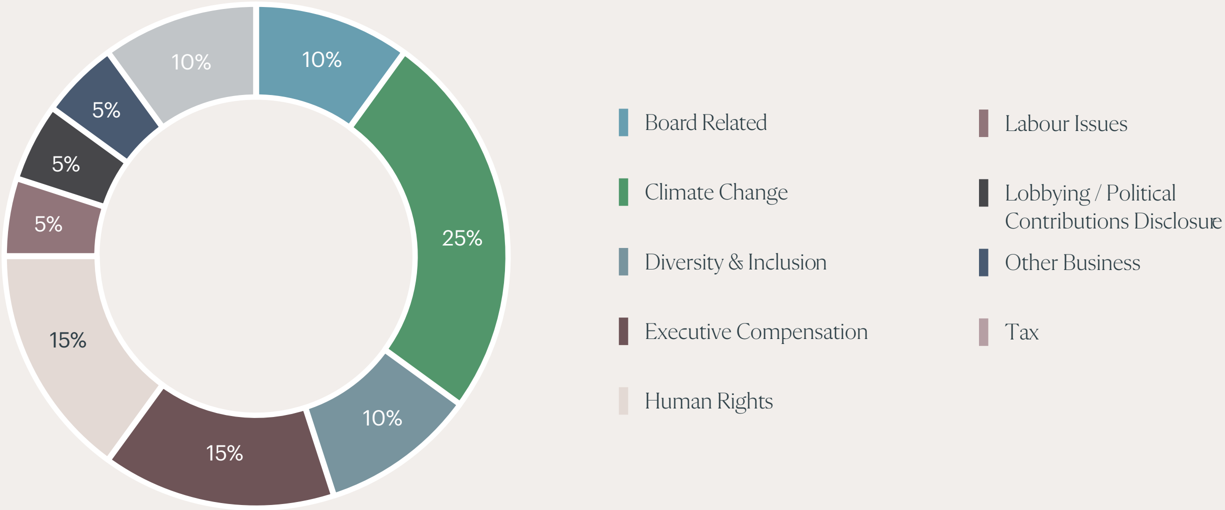
During the course of 2023 we voted at 53 annual meetings. We opposed management on at least one resolution at just over a quarter of these meetings.[15] On an individual resolution basis, we voted against the recommendation of management on 3% of occasions. In line with market standards around voting disclosure, we also report that in 2023, on 5% of occasions we voted against the recommendation of ISS. As outlined in our Responsible Investment and Engagement Policy, although we subscribe to the services of ISS, we make independent decisions based on our own research and engagement with management teams, and a full, proprietary voting report is drawn up in advance of every annual meeting.



METRIC	OUTCOME
MEETINGS ELIGIBLE TO VOTE	53
MEETINGS VOTED	100%
MEETINGS VOTED AGAINST MANAGEMENT	26%
RESOLUTIONS VOTED AGAINST MANAGEMENT	3%
RESOLUTIONS VOTED AGAINST ISS RECOMMENDATIONS	5%

Overleaf we show how we voted against management during 2023 by resolution, categorised by topic. Climate change was the most common issue on which we voted against the recommendation of management, most frequently in support of setting a science-based target. This is consistent with our voting policy, in which we commit to support any reasonable shareholder resolution on the topic, unless the company in question has already set a validated science-based target in line with a pathway to net zero, and already undertakes best-in-class climate reporting aligned with the recommendations of the TCFD. Other topics included executive compensation, human rights, and diversity and inclusion.

[15] ISS ProxyExchange and Findlay Park analysis.


10%
25%
10%
15%
15%
5%
5%
5%
10%
Board Related
Climate Change
Diversity & Inclusion
Executive Compensation
Human Rights
Labour Issues
Lobbying / Political Contributions Disclosure
Other Business
Tax

2H23 Voting Activity

CINTAS

We voted for all management proposals on the ballot. There was one shareholder proposal asking for more D&I reporting, but we believe the company already has adequate disclosure in this regard. We supported a shareholder resolution asking the company to set a science-based climate target. We also engaged with the company on these topics prior to our voting.

MICROCHIP

We supported all management proposals. We did vote for a shareholder proposal asking for greater reporting and due diligence related to the end use of Microchip's products. We see the human rights, and financial, argument for companies in the semiconductor value chain to better trace the end use of their products (noting that this is very challenging).

FERGUSON, KLA, STERIS, LIBERTY MEDIA

We voted for all proposals at the Ferguson, KLA and Steris AGMs, and there were no shareholder proposals on the ballot this year. We were not eligible to vote at the Liberty Media shareholder meeting, given their structure.

MICROSOFT

At this year's shareholder meeting we voted for all management resolutions. In keeping with the pattern of recent years, Microsoft received a significant number of shareholder resolutions to be voted on. At a meeting with the company in Seattle prior to the AGM, we learned that it attributed this uptick to proponents being more unwilling to withdraw resolutions, as well as its greater degree of comfort in letting resolutions proceed to a vote.

There were various types of shareholder resolution on the ballot, and not all of them could be classified as "ESG" per se. At our meeting with the company just before the vote, we discussed many of the topics highlighted in the resolutions, which we highlight below along with our voting decisions.

Report on risks related to AI Generated Misinformation and Disinformation. This resolution asked for an update on the financial and reputational risks related to the promulgation of AI-generated misinformation and disinformation. The proponent cited several points, including the possibility that generative AI is not covered under Section 230 protections.[16] Microsoft promised the US government that it will prepare an annual report on AI governance by June 2024 – but there was uncertainty over whether this would cover the wider financial and reputational risks associated with this topic. We felt that shareholder support for this resolution could possibly help ensure more substance to the proposed report, particularly in light of high-profile changes at Microsoft-backed OpenAI in December 2023. At our meeting with the company, it agreed that more transparency on this would be forthcoming, and that the planned report would cover this topic (in a more timely manner than suggested by the resolution). With this reassurance from Microsoft we decided to vote with management on this resolution.

---

[16] Senator Wyden, who wrote the law, says Section 230 "has nothing to do with protecting companies from the consequences of their own actions and products" [Source: 'AI Chatbots won't enjoy tech's legal shield, Section 230 authors say', *The Washington Post* (March, 2023)].

Report on risks on operating in countries with significant human rights concerns, and strategies to mitigate risk. Although this resolution was broadly-worded, the issue discussed in the supporting statement for the resolution is Microsoft's proposed datacentre in Saudi Arabia. The argument put forth was that it was unclear how cloud provision in this country could align with human rights principles given Saudi Arabia's human rights record, restrictive freedom of speech laws, and new data protection law.[17] Microsoft has published a statement on operating in high-risk regions, and outlines the kinds of mitigants it has in place to address this.[18] It has also had a private discussion with Human Rights Watch, requesting details are not made public.[19] We questioned whether the company could disclose any specific steps taken to mitigate human rights-related risk relevant to Saudi Arabia before finalising our voting decision, but although it was recognised that disclosure could be improved, no commitment was made to do so. Upon reflection we decided to vote against management on this proposal.

Request detailed report on tax transparency. Similar proposals have come up at Microsoft AGMs in previous years, and on those occasions, we did not vote in favour of this resolution. We felt at the time that this standard may be overly prescriptive and recognised that Microsoft will be in scope of more detailed EU reporting rules in 2025. However, it was announced in October 2023 that the company had received Notices of Proposed Adjustment from the IRS for the tax years 2004-2013. The IRS is seeking an additional tax payment of $28.9 billion plus penalties and interest – primarily due to swing pricing. Tax transparency is a complex area for technology companies but we felt that Microsoft was in a good position to take the lead here. We suggested that the company could incrementally improve its reporting ahead of 2025. Although it indicated that it was well-prepared for the new rules, it preferred to wait until it was compelled to publish alongside peers. In light of this year's IRS controversy, we decided to support more detailed tax transparency.

Require all third-party affiliates to report lobbying, and post to Microsoft's website. We have committed to support any "reasonable motions designed to increase transparency in a company's political contributions" but we felt that this request went well beyond the company's political contributions. Microsoft already discloses widely on its own activities and affiliations. It also publishes a lobbying alignment report. It may not be practical for all third-party affiliations to report in detail, and as there is no precedent for all this information to be recorded on one company's website, we decided against supporting this resolution.[20]

Report on gender-related health benefits and compensation. This asked for a report on "median compensation and benefits gaps across gender as they address reproductive and gender dysphoria care".[21] The company noted that it already provides transparency as to compensation, and benefits. We did not vote in favour of this proposal.

Report on risks omitting reference to ideological viewpoint from equal employment opportunity policy. This asked for a specific protection for ideological views in Microsoft's equal employment policy. Microsoft's policy is already expansive, and covers political affiliation, so we did not support the resolution.

Report on takedown requests. This resolution requested a more detailed report on takedown requests than those already provided by the company, including naming officials involved. Disclosing the named individual behind the request could expose the company to legal risk, so we did not vote in favour.

---

[17] 'Saudi Arabia: Microsoft should hold off on data centre' *Human Rights Watch*, (April, 2023).

[18] Microsoft, 'Operating datacentres in countries or regions with human rights challenges', [accessed: https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RWWHvp].

[19] 'Saudi Arabia: Microsoft should hold off on data centre' *Human Rights Watch*, (April, 2023).

[20] Microsoft, 'Lobbying Alignment Report' [accessed: https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RW161Hx].

[21] Microsoft AGM (7th December, 2023).

Report on risk of weapons development. Microsoft has limited exposure to related technology, and has explained its position that it will not: "withhold technology from institutions that we have elected in democracies to protect the freedoms we enjoy".[22] We accordingly voted against this proposal.

Climate risk & choice in retirement plans. Microsoft has adopted best practice in terms of climate disclosure and target setting. Participants have a choice of retirement plans, including sustainable investment-related plans. We voted against this proposal, in keeping with our approach last year and the year before.

[22] K. Finley, 'Microsoft CEO Defends Army Contract for Augmented Reality' *Wired* (February, 2019).

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.

This document is for information only, it does not constitute investment, tax, legal or accounting advice or a solicitation of any offer to buy, any interests or shares in any investment. It does not consider an investors personal investment objectives or financial situation. Investors should discuss their own circumstances with an investment professional before making a decision.

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. Investors in Europe should read the KID and Summary of Investor Rights. The KIDs (including Dutch, French, German, Italian, Spanish and Swedish translations) are available at findlaypark.com and upon request. Investors in the UK should read the KIIDs and the Supplementary Information Document available at findlaypark.com 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.

Important Information for all Readers:

This document has been prepared by Findlay Park Partners LLP (FPP) and relates to the Findlay Park American Fund, a sub-fund of Findlay Park Funds ICAV (Fund) which is an open-ended investment company authorised by the Central Bank of Ireland. The information provided herein is not directed at or intended for distribution to any person or entity who is a citizen, resident or located in any jurisdiction where the distribution of these materials and/or the purchase or sale of shares in the Fund would be contrary to applicable law or regulation or would subject the Fund to any regulation or licencing requirements in such jurisdiction. Unless otherwise indicated, all figures are sourced from FPP. Fund performance is shown net of fees in US Dollars, inclusive of dividends, on a NAV to NAV basis.

The information contained in this document is believed to be accurate at the date of publication. No representation or warranty is made as to its continued accuracy after such date and the information, including the holdings and allocations disclosed, is subject to change without notification. FPP accepts no liability for any loss or damage arising from the use or misuse of, reliance on, the information provided including, without limitation, any loss or profits or any other damage, whether direct or consequential. The document may include information derived from third parties. All rights for third party data is reserved. Whilst FPP believes such sources to be reliable and accurate, no assurance is given in this regard. FPP does not warrant the accuracy, adequacy or completeness of the information and data contained herein.

For investors in Guernsey: In Guernsey this material is only made available to licensees or persons licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 2020.

For investors in Singapore: The Fund has been entered into the list of restricted schemes maintained by the Monetary Authority of Singapore ("MAS") and is not authorised or recognised by the MAS. Accordingly, this document may only be distributed in Singapore to (i) institutional investors within section 4A of the Securities and Futures Act (Cap. 289) of Singapore ("SFA"), (ii) a relevant person within section 305(5) of the SFA or (iii) any person pursuant to section 305(2) of the SFA. This document is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. This document is distributed solely to institutional investors, a relevant person or any person pursuant to section 305(2) of the SFA for information and shall not be published, circulated, reproduced or distributed, in whole or in part, or to any other person without FPP's prior written consent.

For investors in Spain: The Fund is registered in the CNMV Registry of Foreign Collective Investment Institutions marketed in Spain under number 1905.

For investors in (or via) Switzerland: Pursuant to Swiss law and regulations only, this is an advertising document. The state of the origin of the fund is Ireland. In Switzerland, the representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, whilst the paying agent is Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zürich. The prospectus, the key information documents or the key investor information documents, the articles of association as well as the annual and semi-annual reports may be obtained free of charge from the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units.

For investors in the UK: The ICAV is a recognised collective investment scheme for the purposes of Section 264 of the Financial Services and Markets Act 2000 (the "FSMA") of the United Kingdom. This information is approved by Findlay Park Partners LLP, which is regulated by the United Kingdom Financial Conduct Authority.

Findlay
Park