1. Purpose, Strategy & Culture

Findlay Park Partners LLP ("Findlay Park") is an independent investment partnership based in London. We invest primarily in US equities on behalf of investors in the Findlay Park American Fund ("Fund" or "American Fund"). Our purpose is to generate compelling compound returns for our investors, measured over decades.

We have a clear Investment Philosophy, aligned to our purpose. This helps us identify businesses that should generate sustainable returns. We believe we can achieve this by taking *less* risk. Increasingly ESG issues, from cyber threats to climate change, present important risks for us to assess in our investment process. Our Investment Philosophy also enables effective stewardship through the inclusion of ESG considerations (see also Principle 7 below). In 2020 we expanded our Investment Philosophy checklist question "do we like the corporate culture" to include both "purpose *and* culture", and doubled its score.

This has helped us focus on the purpose of companies in which we invest, the stakeholders they prioritise, and how this links with their culture. In 2021 we issued new, internal, guidance on how this question should be scored, and more specifically linked culture with the theme of diversity and inclusion, which we consider an important lens on culture.

Our own culture underpins our endeavour to achieve our purpose. Culture means a number of things to us, including: openness and honesty, pursuit of continuous improvement, and collaboration. The investment process for the Fund is team-based: our experienced Investment team uses a 'co-coverage' model whereby existing and prospective holdings are researched by at least two members of the team. New investment ideas and existing holdings are then reviewed by the entire team. We encourage each other to share views and invite constructive and respectful challenge and feedback. We believe that continual learning and a readiness to evolve are essential to success. We always want to learn from our successes, mistakes, and from each other. We are open and honest with each other and with our investors in the Fund. We continually look to improve the way we do things across our entire business, including our approach to investment.

Our collaborative culture supports effective stewardship through its focus on collaboration and improvement. Responsible investment is not a silo, it's a key aspect of our approach and one we believe helps mitigate risk and identify companies capable of generating sustainable returns. For instance, the Investment Philosophy checklist assessment outlined above is undertaken by the co-coverage team, rather than our dedicated Responsible Investment Lead ("RI Lead"), emphasising the team-wide importance of responsible investment. As well as including a question on purpose and culture, this checklist includes questions on other areas critical to ESG assessment, such as whether we believe that management compensation is aligned with shareholders' interests. In 2021 we added an overtly environmental question to this checklist, given the growing importance of climate change to business and investment. We are now asking the following of each company in the Fund, and on our watchlist: "Is it a net beneficiary of climate economics?"

Our structure and strategy also underpin our purpose. Findlay Park is 100% owned by its partners. We have intentionally kept our business focused: with one team, managing one strategy, available through one fund. We don't manage separate accounts. This creates an environment where the entire Investment team can focus their efforts on research, investment, and engagement: getting to know our companies and their management teams extremely well, and making well-informed investment decisions. We've been entrusted to look after the savings of our investors in the American Fund, and have always put their interests first in everything we do. This focused model also enables effective stewardship.

We have one fund, and we typically invest in forty to sixty companies. Our consistent approach to stewardship is important in addressing a number of principles below; our approach does not vary between asset class or geography. Our focus also means that we actively engage, and take our own voting decisions.

In 2021 we engaged or discussed ESG issues, with over 90% of all companies held in the Fund over the year, and with all but one company held at the end of the year, which we view as a strong ESG performer. We actively voted at all AGMs where we had a current holding.

Outcomes

We aim to serve the best interests of investors and beneficiaries primarily through the long-term returns we generate on their behalf. Our approach to responsible investment supports this goal. The Fund has delivered 13.4% CAGR since its inception in 1998.[1]

We are transparent about our responsible investment activities, and invite feedback from investors. For instance, in 2021 this feedback helped accelerate our decision to transition to an Article 8 fund pursuant to the Sustainable Finance Disclosure Regulation ("SFDR").

2. Governance, Resources & Incentives

As far as possible, we take a 'keep it simple' approach, including to our governance and process.[2] This simplicity supports effective oversight, and helps us identify areas for improvement. We generally embed responsible investment within existing structures and responsibilities rather than numerous parallel frameworks; one exception is that we have developed an ESG working group to help with the implementation of ESG regulation.

Our governance and management have overseen and undertaken a number of ESG related activities in 2021. These are summarised below.

Governance & Management		
Focus	**Body**	**Climate Related Actions**
Business Strategy & Oversight	**Findlay Park Board** (the "Board") is responsible for the strategic development of Findlay Park, and the approval of its internal policies and procedures. This Board's members include our co-Founder James Findlay, our CIO, CEO, and General Counsel.	This Board approves our Responsible Investment and Engagement Policy. In 2021 we elaborated on our approach to climate change from an investment perspective in this policy, as well as noting our commitment to offsetting our operational emissions.

[1] Source: Findlay Park. Fund performance net-of-fees. Past performance for the Fund is calculated using the USD share class, inclusive of any distributions, on a NAV to NAV basis. Past performance is not a reliable indicator of future results. Data as at 31st December 2021.
[2] Our governance structures and process are outlined in our responsible investment policy. Below we detail how we enable oversight and accountability for stewardship, and why we have chosen these. We will continue to review our governance arrangements in 2022. Committee structures and memberships are current at the time of publication.

Fund Oversight	The **Board of Directors of Findlay Park Funds Plc** (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 six Directors on this Board, five 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 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 was included as part of the Fund Board's packs with effect from Q4 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 the firm's approach to Article 8, and the new Responsible Investment and Engagement Report. The firm's climate strategy was discussed by the Executive Committee in Q4 2021, including the approval of a new offset / carbon accreditation scheme.
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 development of our Investment Philosophy checklist, which was evolved to include a climate specific question in Q4 2021.
Risk & Compliance	The **Risk and Compliance Committee** ("RCC") is responsible for compliance matters 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	**Product Governance Committee** must approve significant adaptations to the Fund.	The approval of transition to an Article 8 fund was approved by this Committee and then proposed to the Fund Board for approval.
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 in Q4 2021. This was attained in Q1 2022.

Responsible investment is aligned with core investment workflows and processes. For instance, the RI Lead investigates new candidates for the Fund alongside other analysts and portfolio managers, and her analysis is presented within the overall presentation to the Investment team. This helps ensure the relevance of this work, emphasises its importance, and underscores our belief that a collaborative approach enables better decisions.

Resources

As an active manager, we take an active approach to responsible investment, which includes utilising external ESG data and research. We believe that a differentiator of our approach is the level of involvement of our Investment team, and senior leadership, in our responsible investment approach. Our Investment team of thirteen people, all focused on one fund, are critical to our ESG process. They undertake Investment Philosophy scoring of companies and regularly monitor companies, through questioning them on ESG and material strategic issues. However four particularly key profiles are described below:

- **Simon Pryke**, our CEO, had oversight and accountability for responsible investment in his statement of responsibilities until mid-2021, when this was transferred to the RI Lead. Before joining Findlay Park, Simon was CIO of Newton Investment Management, which has a long history of embedding responsible investment in their investment approach. Simon has led the development of responsible investment policy, reporting and communication at Findlay Park. The RI Lead reports directly to Simon.

- **Anthony Kingsley**, our CIO, is a founding member of Findlay Park. He leads the Investment Committee, which oversees investment decision making and proxy voting. This year Anthony oversaw the development of an improved way to view responsible investment information on companies, and the incorporation of 'purpose' into our Investment Philosophy checklist. The RI Lead is mentored by Anthony.

- **Rose Beale**, our RI Lead, has seven years' experience in responsible investment. Before joining Findlay Park she worked at Columbia Threadneedle in various roles spanning ESG integration and coverage of social and environmental themes. She has received a certificate in Sustainable Finance from Oxford's Smith School of Enterprise and the Environment, alongside CFA Level 1 and the Investment Management Certificate. In 2021 the formal responsibility for ESG oversight as per the Senior Managers and Certification Regime ("SM&CR") was transferred from the CEO to the RI Lead. The RI Lead also became a partner in the business, and a member of the Executive Committee. This underlines the firm-wide commitment to this critical area, and the centrality of it to our governance and strategy.

- **Sello Lekalakala** joined Findlay Park in 2021 as an equity analyst. He has been working closely with Rose on ESG issues, including culture and diversity and inclusion. Previously Sello spent over four years as a global equity research analyst at Ninety One. He began his investment career as a credit analyst at Seaport Global in 2013.

The above indicates an element of the diversity of profile, background and experience which we bring to our responsible investment approach. We believe this combination of wider investment experience and dedicated ESG expertise is appropriate for our business. For most of 2021 we were also aided by the work of a Sustainability Associate, with a masters in the intersection between the environment and finance. She returned to the US towards the end of the year. We are hoping to find a team member with environmental experience, to complement and add to our team, in 2022.

We are particularly focused on diversity of thought and equal opportunity, and this is reflected in recruitment processes. For instance, in the final stages of the interview process, each member of the Investment team is interviewed to establish their different motivations in decision-making processes and approaches to teamwork, using a system called movement pattern analysis. From an inclusion perspective, we make efforts to ensure that all team members are able to contribute, no matter their experience. For instance, following Investment team stock reviews we undertake a feedback process, where views from all team members are sought on a 1-1 or small group setting. We also monitor gender diversity of candidates in our recruitment process. In terms of gender diversity within our firm, 23% of our Investment team and 45% of employees across our business are female.[3] Diversity and inclusion is an important and multifaceted topic, and this theme has been an active part of Executive Committee discussion in 2021. We are a learning organisation, and hope to continue to evolve our approach to this area in the years to come.

We have developed our approach to training staff to include responsible investment sessions for new joiners. In 2021 the Investment team was given training on our transition to become an Article 8 fund. More widely, our core responsible investment data (compiled in our Responsible Investment Gauge or RIG) is updated monthly, and key changes are presented to the Investment Committee, followed by the entire Investment team. As part of the Investment team, the RI Lead attends each weekly meeting, and this provides an opportunity to update the team on any wider ESG news or developments. For instance, this included a summary of COP26 in November 2021.

Although we do not outsource any area of responsible investment, we recognise the value of specific data and expertise. We more than doubled spend on ESG data and research over the past few years, and also use free sources of information where these add value on particular metrics. For instance we use Glassdoor scores for human capital insights. We use a variety of third party and internal metrics to aid our approach. Currently 19 factors are used in our RIG, which combine internal and external sources. Our relationship with two of the providers most critical to market perceptions of ESG and stewardship is noted below.

- **MSCI ESG Research:** We use MSCI's core ESG research and climate-specific research. We do not rely on MSCI's conclusions or final ESG assessments, but use it to enhance our own ESG research and monitoring process. We recognise that MSCI is the largest provider of ESG research, and therefore influences market perceptions of ESG quality. This provides us with the ability to sense check our views against a market standard, and indicates where our views are differentiated. We explored MSCI's climate offering when this was still part of Carbon Delta, which was subsequently bought by MSCI. We were attracted by the climate related valuation capabilities and the ability to translate emissions into a forward looking temperature (e.g. 1.5') to ease comparison with the Paris Agreement. This implied temperature rise metric is part of our RIG assessment and a key indicator which we use when assessing a firm's climate risk and impact. We also monitor Fund wide MSCI ESG and implied temperature rise metrics.

- **ISS Proxy Research:** We take ISS's proxy research and voting execution services. Similarly to MSCI, we are not bound by ISS recommendations, and undertake a detailed voting analysis assessment for every AGM. We instead use ISS' voting conclusions as a sense check, and an indication of where we have a differentiated approach. This also forms part of our view as to where we have a controversial or significant vote, which must be signed off by our CIO and reported to our investors in our Responsible Investment and Engagement Report.

[3] Findlay Park, as at 31st December 2021.

A broader overview of core ESG providers is noted below, according to their thematic focus.[4]

Climate & Environmental	Human Capital	Corporate Governance	Business Ethics & Reputation	Cyber Security & Data Privacy
MSCI S&P Trucost CDP	Glassdoor (free) InHerSight (free)	ISS Governance BoardEx	ISS Norms RepRisk	SecurityScorecard

Incentives

Findlay Park is 100% owned by its partners and the Fund has not been marketed to new investors since 2000. Our interests are fully aligned with our investors: we're entirely focused on delivering performance and a high level of service to them. Our partnership model means we are intensively invested in the success of our firm, and its reputation. The RI Lead became a partner in the business in 2021, further aligning her with the long-term success of the business.

We do not have specific quantitative ESG targets or objectives for staff; however, all Investment team members are incentivised according to three pillars: quality of work, performance, and collaboration. One of the questions under quality of work is, "Have you considered ESG factors in your research?" which leads to discussion around how the team member has incorporated these issues into their research and analysis.

Effectiveness & improvement

Evidence of the effectiveness of our governance and processes includes the involvement of our senior leadership in responsible investment issues, and the engagement of the Investment team reviewing responsible investment issues related to the companies which they cover.

We are committed to continuous improvement, which extends to our governance and processes. At the start of 2022 the RI Lead noted an error in a voting static chart outlined in our H1 2021 report, whereby the labels were incorrect. An operational incident report was undertaken, and processes put in place to minimise the risk going forward. As a result the explicit ownership of graph production has been transferred to our data analytics team.

As noted above, we are also looking to add to the environmental experience of our team, and this will be a focus of recruiting efforts in 2022.

3. Conflicts of Interest

As a small, focused business we believe the potential for conflicts is minimal. We aim to limit the scope for conflicts – for instance by prohibiting investment in single securities in personal account dealing. We manage a single fund, with no segregated mandates or separate accounts. Therefore, we do not split voting according to different needs or preferences.[5] Split voting has not been an area of focus for our investors.

[4] We also use Bloomberg, for instance to aggregate data and in some cases for its analytical capabilities, FactSet as an engagement recording system, and we monitor the high level scores of Sustainalytics as a sense check to our conclusions and input to the RIG.
[5] Split voting is where a portion of votes are cast under the direction of underlying clients of investment managers, proportionate to their AUM in a pooled Fund.

Following a review of our conflicts of interest policy, which was undertaken with the Stewardship Code in mind, we enhanced our policy and register to include consideration of Stewardship. We identified the risk that voting, engagement, and other activities may be conducted in the interests of one particular group. In 2021 we newly identified the risk of 'greenwashing' – particularly in light of our Article 8 transition. This has been added to our risk register as well as our conflicts policy; the oversight of the Risk and Compliance Committee is important in reducing this potential conflict. We have now made our conflicts policy public, in line with FRC expectations.[6] The principal conflicts, and the steps we take to prevent or mitigate them, are summarised below:

- Personal Transactions – specific policies around permitted personal account transactions.
- Gifts & Entertainment – restrictions and recording.
- Inducements – premise that no monetary / non-monetary benefits will be received.[7]
- Outside Business Interests – written approval required, and annual monitoring undertaken.
- Order Execution, Aggregation and Allocation – best execution policy and regular monitoring.
- Remuneration – incentives to act in the best interest of clients, qualitative and quantitative criteria.
- Responsible Investment – escalations processes, Risk & Compliance Committee oversight of greenwashing risk, remuneration of Investment team which embeds ESG factors.

In 2020 we identified one potential conflict related to voting at the AGM of **Fiserv**. The CEO, CIO, Investment Committee, Head of Compliance and Risk and Compliance Committee were made aware of this conflict. One of the members responsible for the stock under our co-coverage model declared that he was acquainted with FISERV's Head of the Compensation Committee. He was not involved in the final voting decision or related engagement in 2020 or 2021. In both cases, initial voting research was undertaken by the RI Lead. Engagement with management was undertaken by the RI Lead, the CIO and the other team member co-covering the stock.

As this conflict was of an individual nature, rather than firm-wide, we did not default to ISS' recommendation to vote against compensation. This was due to the leadership transition underway at that business. Shortly after acquiring First Data in 2020, the CEO of that business took over from Fiserv's longstanding CEO. This led to two years where compensation looked very high for either the incoming CEO in 2020, or the outgoing CEO this year, and ISS recommended a vote against compensation in both years. Given Yabuki's long history of service to the company – with almost 15 years as CEO creating great returns for shareholders and seemingly well regarded by employees – we thought generous compensation in 2020 was appropriate. This is detailed on page 16 of our 1H 2021 Responsible Investment & Engagement Report.[8] This decision was signed off by the CIO and monitored by the Investment Committee.

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[6] Our Conflicts of Interest Policy is available here: https://www.findlaypark.com/wp-content/uploads/2021/12/Conflicts-of-Interest-Policy-20th-December-2021.pdf.

[7] Unless these qualify as an acceptable minor non-monetary benefit i.e.: they are capable of enhancing the quality of service provided to a client and are of a scale and nature that they could not be judged to impair compliance with Findlay Parks duty to act in the best interests of the client.

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

4. Promoting Well-Functioning Markets

We do not forecast macro issues; however, we do look at macro and global risks in terms of the risks posed to the companies we hold in our portfolio. Similarly, we see a few areas of market-wide and potentially systemic risk related to ESG issues. Climate change and human rights risk in supply chains are areas on which we have focused in 2021.

Climate change

2021 highlighted both the importance of climate change and the complexity of the Energy Transition. At the start of the year the US State of Texas, among others, experienced extreme weather and a power crisis. Towards the end of the year, global climate commitments and consensus around COP26 coincided with a surge in oil and gas demand, and lively debate around the 'greenness' of gas and nuclear energy.

An overview of our approach to climate change may be found in our TCFD report.[9] Certain climate related developments we undertook in 2021, outlined in chronological order, are highlighted below:

- Developed a shadow carbon price, against which we assessed all companies in the Fund, catalysing additional engagement and research.
- Evolved an in-house system for tracking physical climate risk based on corporate locations, historic incidents of disruption and wider value chain considerations (business model, supply chain).
- Undertook climate related engagement with Berkshire Hathaway as part of CDP's non-disclosure campaign
- Voted for all climate related resolutions in proxy season.
- Excluded companies with some of the severest climate and environmental related activities, related to coal and oil sands.
- Developed a new Investment Philosophy checklist question, asking whether businesses were net beneficiaries of climate economics.
- Became signatories to the Net Zero Asset Managers Initiative ("NZAM").
- Informed all companies in which we invest without Science-Based Targets ("SBT") commitments of our NZAM commitment, and encouraged them all to set verified SBTs.

Human rights

One of the more sensitive matters on which we have undertaken engagement and research this year relates to human rights, and specifically the risk of corporate links to the oppression of Uyghur peoples. We note that there is an increasing body of credible evidence that Uyghurs, as well as other Muslim minorities, are facing systemic discrimination, repression and abuse in Xinjiang.

Companies could be implicated in this evolving controversy through their supply chains. Alternately, corporate technology or other services might be misused to oppress these communities. We noted that corporate statements on this issue have been divisive – for instance H&M has been effectively blacklisted from China for a particularly condemnatory statement against the use of cotton from the Xinjiang region.

[9] Our TCFD report is available here: https://www.findlaypark.com/responsible-investment/.

In 2020 we spoke to one life sciences firm on this issue. In 2021 we undertook research, unearthing a few companies in the Fund subject to allegations of potential links to this issue. We were encouraged to see all but one company had refuted their involvement, and reemphasised their policies which prohibit forced labour. We contacted the one company in this group which had seemingly not made such a statement; and also spoke with one leading technology company and one consumer facing company who had already made statements on this issue.

We asked these companies for greater clarity over their approach, and efforts to de-risk themselves. Although difficult, we see ways to work towards this, for instance through collaborating with peers to share knowledge and best practice on how to identify and avoid this issue. We were pleased that the company we contacted which had not made a statement – a company which is very cautious and rarely forthcoming with shareholders – responded to our request. It noted that it was collaborating with peers through the Responsible Business Alliance on this issue, and had reemphasised its prohibition on forced labour to its suppliers. We will continue to closely monitor developments on this important matter.

In October 2021 we also voted for a related resolution at Nike's AGM. This asked for increased disclosure around the human rights impacts of cotton sourcing. Cotton as a commodity is associated with human rights risk, with a particularly acute aspect of this relating to sourcing in China. Nike has released a statement on this particular issue, which has led to commercial difficulties in China. However, we agree with the filers of the resolution that greater disclosure around human rights is merited.

In tandem, largely due to the difficulties this company has faced in China, and the geopolitical significance of this human rights controversy, we decided to sell out of the company. While we recognise that the company is making efforts to navigate a sensitive situation, we do not see a stable path towards long-term resolution of these concerns. As a result we decided it was in the best interests of our investors to focus on investing in companies where we have less uncertainty due to these geopolitical headwinds.

Collaboration on systemic issues

We acknowledge that the systemic nature of these issues mean that appropriate, collaborative action may be suited to address them. Under Principle 10 we outline our approach to collaboration, and the initiatives in which we are involved, which link to the two themes highlighted above.

- We became signatories to the NZAM. We raised the profile of this initiative to other independent managers, through hosting an event with the Institutional Investors Group on Climate Change / NZAM as part of an ESG network run by the Independent Asset Management Initiative (IIMI). This highlighted the benefits of collaboration, and sharing of best practice, in relation to climate change.

- We also led a CDP-non-disclosure campaign effort to engage with Berkshire Hathaway. The firm has no Investor Relations function, and we decided to write to Warren Buffett directly. We included a personalised cover letter, as well as the formal CDP request. We were encouraged that Warren personally responded to us, outlining the rationale for the current strategy of delegating climate related reporting to subsidiaries on a voluntary basis. He outlined that subsidiary companies assess climate among a variety of risks and conduct themselves in a very climate-conscious manner. Whilst this provided evidence that leadership at Berkshire

Hathaway takes this issue seriously, we do still consider firm-wide reporting on climate an important issue. We will continue to engage on this issue.

- We spoke to the lead investor on a PRI coordinated engagement on China-related human rights risk. We are aware that this is a sensitive issue, and will continue to explore whether this avenue of collaborative engagement is appropriate to our firm.

Although we have been more collaborative and engaged on systemic issues in 2021 than ever before, we still aim to improve in this area. We will continue the identification of appropriate avenues to collaborate in 2022.

5. Review & Assurance

Overall we aim to provide meaningful information to our investors, mindful of regulatory requirements. Keeping this fair, balanced and understandable aligns well with our 'keep it simple' approach.

The Findlay Park Board, or executive sub-committees acting under delegated authority, reviews and approves all policies related to Findlay Park. Our CEO, had oversight and accountability for responsible investment in his statement of responsibilities until mid-2021 when this was transferred to the RI Lead. However, the process of responsible investment policy development and reporting is a collaborative one, and includes active review of these documents by a number of stakeholders in the business. The CEO retains ultimate accountability for leading the executive team in implementing Findlay Park's overall commercial strategy, including related sustainability elements, as agreed by the Findlay Park Board.

Input from our CIO has helped ensure these best reflect our investment approach, our Investor Relations team also helped assess their clarity and presentation, and the data and operations team reviews the data. Importantly, our Head of Compliance and General Counsel play significant roles in their development, helping to ensure that they meet regulatory requirements, as well as being fair, balanced and understandable.

Due to the size and nature of our firm, external assurance has not been sought. However we have worked with our compliance consultants, to ensure that our approach aligns with regulatory requirements. In 2021 these consultants interviewed the RI Lead as part of a compliance monitoring process, and this will be an area of focus for 2022. We have also sought advice from a sustainability focused compliance firm, based in the Netherlands, particularly with respect to our approach to SFDR. This included their review of our Responsible Investment Policy, and approach to principal adverse impacts. The firm was comfortable with our approach, and suggested areas for improvement over time, some of which have been implemented (e.g. clarity around ESG integration in the whole investment process).

Although responsible investment has always been part of our process, our policies and reporting on responsible investment issues were materially enhanced from 2019. This was further updated in 2020 and 2021. For instance, our policy includes additional information on climate and environmental risk, our style of responsible investment, and approach to sustainability impacts. Our reporting has also evolved to detail our approach to sustainability risk and impact.

Our Fund-specific documents have also begun to address responsible investment. This was first referenced in the Fund's Prospectus in June 2020, and updated in 2021 as part of our transition to an Article 8 fund. The Fund's

Prospectus is overseen by the Funds' Board of Directors and produced with guidance from the Fund's legal advisers, McCann Fitzgerald. These advisors have also aided us with our ESG disclosures.

6. Client & Beneficiary Needs

We run one fund which invests primarily in North American companies. At the end of 2021, the American Fund's AUM stood at US$16.4bn.[10] We're proud of the long-term partnerships that we've built with our investors since the Fund was launched in 1998. Most of these investors are wealth managers and advisors in the UK, the remainder being in Switzerland, other areas of Europe, or Asia. Together they look after the savings of thousands of individuals.

Our investment horizon is longer term. We look to deliver compelling compound returns, measured over decades. We are mindful that our clients, and their underlying beneficiaries, may be investing across generations, and we look to invest in great companies which are generally well positioned for long-term success. One of the questions we ask of all companies relates to the inevitability of the outcome. That being said, we do not take a 'buy-and-hold' approach. Dynamics evolve and extremely long holding periods do not always lead to the best long-term investment outcomes. Another question in our Investment Philosophy relates to whether a business will be better in the next 3-5 years, and this time horizon is reflected in most of our financial modelling. Our average holding period is four years.[11]

Activity

Responsible investment is a topic of increasing importance to many of our investors. Our CEO and RI Lead liaise closely with our Investor Relations team to understand evolving investor interest, and any potential feedback into policy, reporting or communication.

We seek and receive investor views through meetings, questionnaires, communication of responsible investment materials, requests for feedback and informal dialogue. This year around 45% of the investor due diligence questionnaires which we completed were heavily or solely focused on responsible investment, representing around 52% of the Fund's total assets. 17% of questions related to climate, aligning with our view that this should be a core thematic area of focus this year.

Responsible investment was also a key or sole focus in over 40% of investor meetings. In addition, we ran three investment seminars with responsible investment content; one of these was focused solely on responsible investment.

In 2021 we put more processes in place to capture data on investor queries with respect to responsible investment, and have enhanced this process for 2022. The aim is to have an even more granular understanding of investor needs with respect to responsible investment.

Another development in 2021 was the formalisation of a Product Governance Committee, which oversees issues including target market identification and suitability. This was an important development as we transitioned to becoming an Article 8 fund, and helps us to ensure alignment with investor interests.

[10] As at 31st December 2021.
[11] Findlay Park, as at 31st December 2021.

Outcomes

Our investors' interests and wishes have helped inform our approach to responsible investment.

Our transition to Article 8 was informed by client feedback, for instance indicating that they considered us best suited to this classification. As we reviewed this move, specific comments from clients were quoted in the rationale.

The growing interest from our investors in climate risk and impact has also influenced our approach. For example, we first became aware of the growing traction of NZAM at the start of the year through engagement with one of our investors. The firm's commitment to this organisation helped raise its profile internally, and contributed to our decision to join this initiative. We also tracked the broader percentage of our investors who had joined NZAM, considering our wider investor base rather than just one investor.

Our exclusions policy was developed mindful of investor current and future needs. For instance we aligned our policy on controversial weapons, which we were in the process of formalising, with that of an investor who had particularly requested such alignment. Our environmental and social exclusions were also inspired by that of another investor, with an underlying client which is a leader in sustainability related education. Wider investor policies and questions were also reviewed and considered in the development of our own.

In 2021 we also enhanced the clarity of Fund-wide ESG data in our reporting, to better enable investor scrutiny of our process. This has been further enhanced in the Responsible Investment report, where we have voluntarily issued a detailed reported on our approach to principal adverse impacts, ahead of regulatory requirements.

7. Stewardship, Investment & ESG Integration

We have a clear Investment Philosophy that is aligned to our purpose and is rigorously applied through all market conditions. This philosophy has guided our research intensive process since the Fund's launch in 1998. We implement our philosophy by assessing each stock (both new ideas and existing holdings) against a checklist of twenty-nine questions which analyse key aspects of a business, including its financial and competitive position, management and valuation. This checklist includes several questions which consider ESG issues, including:

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

The integration of ESG considerations into our Investment Philosophy checklist means this analysis is applied by each member of the Investment team when researching and engaging with companies, and is included in regular discussion and debate regarding all existing and potential Fund holdings. Our RI Lead is a member of the Investment team. Detailed ESG analysis is conducted for every company review, led by the RI Lead and in collaboration with the co-coverage team. This helps us address these issues, rigorously and consistently, within a culture of teamwork. We collate and monitor a range of factors using our proprietary RIG. This combines external data with our voting, engagement and ESG research notes, and helps us simplify complex information to better prioritise, assess and explain relevant ESG issues. The RIG is included in Investment Committee meetings and team discussions. It provides detailed information on five areas, relevant to all our companies: Human Capital, Climate & Environmental, Corporate Governance, Cyber Security & Data Privacy and Business Ethics & Reputation. These reflect the realities of the changing world and include issues which we have long considered central to a company's culture and performance.

The RIG helps us to monitor developments on a regular basis. For instance, if a company's external ESG rating changes from average to poor, this is scrutinized by the RI Lead and summarised for the Investment team. Most information is updated monthly, but this can change depending on the nature of the information: more dynamic information is updated weekly (e.g. RepRisk related to live controversies), engagement quarterly, and some change only on an annual basis (e.g. voting outcomes). As part of our transition to becoming an Article 8 fund, we have also adopted the principal adverse impacts framework as a monitoring tool – enabling us to identify and engage on sustainability impacts. These are formally monitored on a quarterly basis.

Please see Principles 2 and 8 for a more detailed overview of our relationship with, and monitoring of, data providers.

Activity – Approach

We understand that ESG integration may often differ according to asset class, geography and investment time horizon. Given our sole focus on one fund we do not have differing approaches.

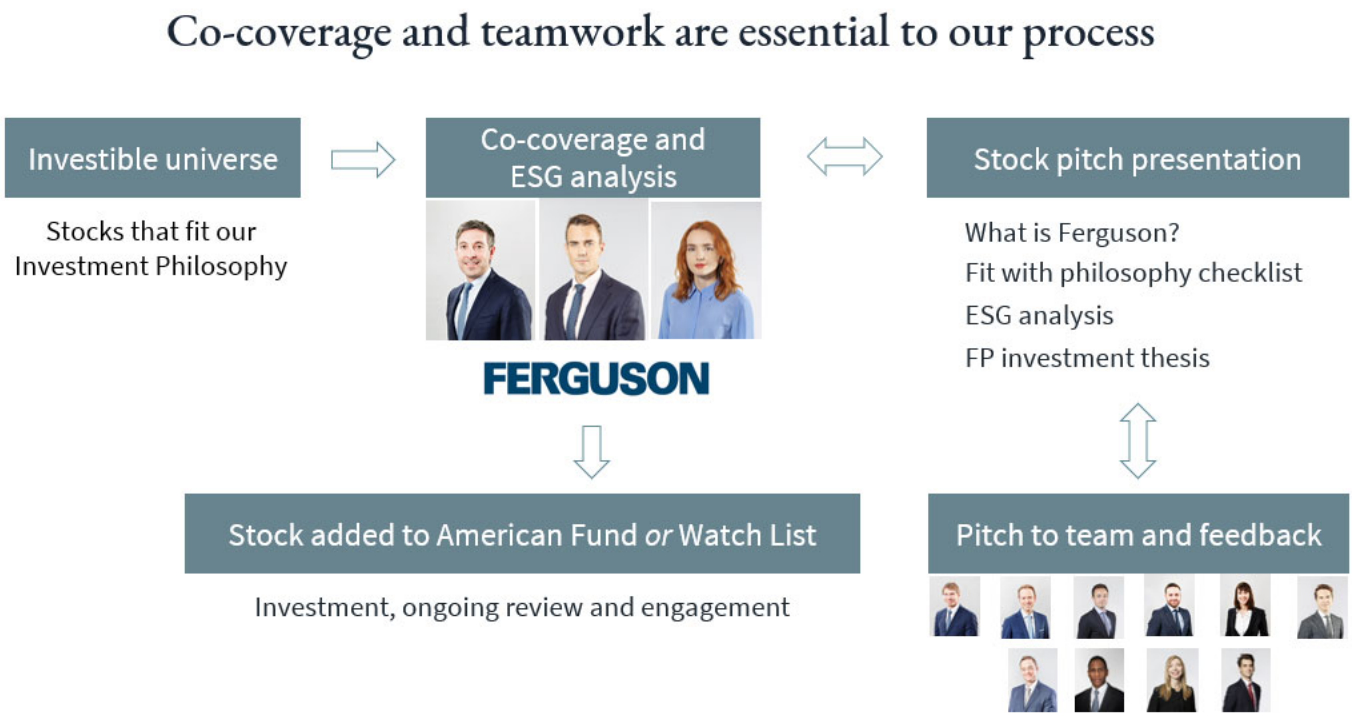
Our investment horizon is longer term in nature, and we believe a number of ESG risks can materialise over a variety of time periods. Issues such as Business Ethics & Reputation can have shorter term impacts, if new issues escalate quickly. By contrast, issues such as Human Capital may be longer term in nature, as motivated employees give companies an edge, and ability to acquire top talent over time. Climate change and environmental risk are examples of a long-term issue; however there are of course short-term related shocks (e.g. from wildfires, rapid policy changes).

As an active fund with an active approach to responsible investment, we do not outsource responsibilities to providers. However we do maintain active dialogue with them and offer suggestions where we see potential for enhancements to their methodology (see Principle 8 for further details).

Activity – Example

Investors sometimes ask us what this model of ESG integration means in practice – for instance who does what, and when, with respect to assessing companies? A brief overview of how a company comes to be in the Fund is described below using Ferguson, a company which we bought in 2021, as an example.

Ferguson is the US's largest plumbing & heating distributor – a scaled, dominant player in its markets. Its corporate purpose is "to act as a trusted supplier and partner to our customers, providing innovative products and solutions to make their projects better".[12] It operates across a variety of markets related to buildings and their associated requirements (water, heating, resilience, hygiene etc).



i. Idea generation

Idea generation is led by our Investment Philosophy. Our philosophy checklist includes a number of ESG related questions such as those on culture and purpose, climate, regulation and management incentives. This is, therefore, certainly not an ESG-agnostic assessment, but is led by the co-coverage team as they assess a company against all 29 philosophy checklist questions. As we initially assessed Ferguson, the strong philosophy fit became apparent; we were particularly struck by the firm's returns, capital structure, history of capital allocation, and commitment to purpose and culture.

ii. Dedicated ESG research

As an idea progresses towards a viable prospect, dedicated ESG and sustainability analysis becomes key and fundamental and ESG analysis is thus conducted in parallel. The latter always touches on the key ESG themes highlighted in our RIG, but may also include other areas relevant to a particular industry or business.[13] There are cases where an idea has failed to reach team-wide discussion due to ESG concerns at this stage. Conversely, in the case of Ferguson, a number of compelling ESG attributes were identified.

[12] Ferguson website, [accessed: https://www.fergusonplc.com/en/who-we-are/purpose-vision-mission-and-values.html].
[13] These core themes are: Climate & Environmental, Human Capital, Cyber Security & Data Privacy, Business Ethics & Reputation, Corporate Governance. From 2022 we are trialling an initial assessment of alignment with principal adverse sustainability impacts.

One area which stood out to us was Ferguson's approach to two stakeholder groups – employees and customers – and the relationship between the two. Ferguson prides itself on its strong and service-focused culture, whereby strong employee engagement leads to better customer experience and increased market share. We believe this to be a core source of competitive advantage.

The firm places significant emphasis on training, for instance, through its detailed "College of Ferguson" graduate program which covers areas including the company's culture and history, product knowledge, finance and credit, customer service and systems training.[14] The firm also has a rigorous associate engagement survey, and surveys customers using the Net Promotor Score (NPS) system, noting the "good correlation between high customer scores and better financial results".[15] Interestingly, the firm has a dedicated Board member (who is also the Senior Independent Director) with specific responsibility for employee engagement. One question we had in our initial analysis is whether this focus on employees had been negatively impacted by Covid-19 (see below).

As we continued our research, it became apparent to us that Ferguson would benefit from sustainability related opportunities as part of its core business. For instance one core part of Ferguson – Ferguson waterworks – is among the US' largest waterworks companies. It operates across stormwater, sanitary and water management industries and offers products including metering, valves and sanitation products. This division should therefore benefit from increasing focus on the need to upgrade water related infrastructure, including the need to enhance the climate resilience of this infrastructure. In its climate reporting, Ferguson estimates this as a $1bn per annum opportunity for them in the long-term. Similarly, the firm is also pivoting towards more energy and water efficient products in anticipation of greater consumer demand. The firm's own branded products increasingly meet EPA standards for water efficiency (WaterSense) and energy efficiency (Energy Star), and the firm is more widely monitoring the proportion of sustainably certified products on offer as a core metric (it currently stands at about 15% of sales).[16]

iii. Team-wide discussion

Both the fundamental and ESG analysis was presented to the entire Investment team for review. We then gathered feedback from the team, both during the presentation and in subsequent one-on-one meetings. This process helps us inform the decision of whether to add a company to the Fund.

iv. Engagement & monitoring

One area we noted for follow up with the company was around employee engagement, particularly during Covid-19. We discussed this matter, among others, with the CEO and CFO. The CEO's passion for this issue was immediately apparent. He conveyed significant pride in the firm's updated employee engagement results, which were published alongside the firm's annual financial results on the day we spoke. Impressively, employee engagement had risen five points in FY2021 compared with a pre-pandemic baseline. Nevertheless the CEO was also aware of the pockets of the firm which had responded less well to the survey, indicating the need to increase support and hiring in certain

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[14] 'A focus on developing our people: The College of Ferguson' (October, 2018) [accessed: https://www.fergusonplc.com/en/sustainability/our-stories/best-associates/a-focus-on-developing-our-people--the-college-of-ferguson.html].

[15] Ferguson, Annual Report and Accounts 2021 [accessed: https://www.fergusonplc.com/content/dam/ferguson/corporate/2021-10-ar-updates/investors-and-media/annual-report-2021/Ferguson-plc-Annual-Report-2021.pdf] p. 25.

[16] Over $2.5B in revenue is attributed to products with third party certified products, including Energy Star, WaterSense, Green Seal, ECOLOGO, EPA Design for the Environment and Forest Stewardship Council. Ferguson SASB Disclosure Matrix, [accessed: https://www.fergusonplc.com/content/dam/ferguson/corporate/sustainability/Documents/FY2021-SASB.pdf].

areas. He also communicated that an additional Board member was being tasked with employee engagement, which would enable more dedicated meetings with employees across all levels and areas of the firm. Another topic of focus was the firm's own environmental footprint. We encouraged the firm to consider setting a science-based climate target. The CEO could immediately identify the current impediment to the development of such a target – their non-electrified fleet, and in particular medium duty trucks – and expressed the desire to work towards such a target over time, as electrification becomes more viable for them. Other key issues we discussed include the firm's impressive investment in technology and competitive positioning. Altogether this discussion helped increase our conviction in the company, contributing to our subsequent decision to invest in Ferguson.

Naturally, this is not a static process. Just as the co-coverage team continues to assess the fit of the firm with our Investment Philosophy and the performance of the business, we monitor the firm's ESG credentials on an ongoing basis, and seek opportunities for engagement where appropriate.

As with all companies in the Fund, the firm is monitored through our RIG framework. This currently includes 19 factors, and covers the following core themes which we see as critical to every businesses in which we invest. We monitor changes in performance on a monthly basis, prompting areas for additional research and engagement.

Human Capital	Climate & Environmental	Corporate Governance	Cyber Security & Data Privacy	Business Ethics & Reputation
Rationale				
All businesses are people-driven	Climate and nature related risks are increasing and systemic	Robust oversight is key to financial sustainability	Rapid digitalisation poses new challenges	Business conduct is under scrutiny in an age of transparency

One area where we would hope to see Ferguson improve over time is on climate and natural capital metrics, such as the firm's implied temperature rise, and alignment with best practice in climate disclosure and target setting (including the adoption of science based targets). We will continue to engage with the firm on these matters.

Outcomes

Our monitoring of ESG issues has helped contribute to some changes in the Fund. In some cases we've not progressed investment ideas to the presentation stage based on ESG issues identified. Examples from 2021 include the following:

- We avoided presenting a potential investment to the Investment team, largely due to biodiversity concerns among other ESG issues.
- We removed a number of stocks from our watchlist due to ESG/regulatory concerns.
- We divested from **Activision Blizzard** due to concerns around management and culture.
- We divested from **Becton Dickinson** due to a number of factors, including product safety and regulatory issues.

- We divested from **Nike** due to human rights and geopolitical tensions.

Such decisions serve the best interest of investors by focusing us on businesses best positioned for success, managing not only direct financial and business issues, but also indirect issues.

8. Monitoring Managers & Service Providers

As emphasised throughout, we undertake our own research, voting, and engagement. We draw our own conclusions and use multiple sources as inputs, meaning we are not overly reliant on any one provider.

Our data and research providers have been chosen with a number of considerations in mind – notably their potential to be additive to our investment and stewardship processes. When we significantly increased our spend on ESG data and research in 2H 2019, we built a detailed business case outlining the value of each proposed provider, alternative options, and cost considerations. The RI Lead has input into our broker vote process, with a focus on ESG-related brokers, twice a year. She also regularly evaluates the appropriateness of data providers, for instance when assessing those used in RIG inputs.

We take time to understand providers' methodology and practices, and discuss our own requirements and expectations with their representatives.

Before renewing a contract, we also pause to consider whether they remain additive to the process, or whether better options are available. In addition, we have provided clarification to providers on specific points, and suggested wider enhancements. This type of engagement is important for improving market information, which may impact future prices or investor sentiment about the companies which we hold in our Fund.

One example of our due diligence and monitoring of service providers relates to the onboarding of S&P Trucost in 2021. The aim was to enhance our understanding of corporate sustainability impacts, in line with the SFDR principal adverse impacts criteria. We thoroughly evaluated six data providers, through meetings and a number of follow up questions to key potential providers.

As we learned more about S&P Trucost's approach this stood out due to their long-standing capabilities in modelling environmental data: the area where we had most gaps. They had also made concerted efforts to fit the regulation, rather than leveraging data from their existing efforts as a poor proxy. Finally, we saw potential for them to improve their offering over time, for instance through their relatively recent acquisition of RobecoSAM. This proposal was sent to our Research Oversight Panel for consideration, and approved by the panel. When we received the data, we sent numerous questions to the team around apparent outliers. We are not using this one provider for all our PAI data, given what we believe to be the superior capabilities of some others in addressing some of the PAIs (e.g. ISS norms research in assessing compliance with the UN Global Compact / OECD guidelines).

There are also numerous examples where we have engaged with existing ESG research providers, and given them suggestions. We provided input into methodological reviews, for instance we made suggestions for an MSCI client consultation in 2021. Our areas included a more holistic approach to climate related assessments as part of ESG analysis. In February 2022 the firm announced it would be introducing many of the elements that we asked for

including an assessment of carbon target relative to a 1.5-degree pathway, and the incorporation of Scope 3 emissions assessments into their core Carbon Emissions theme.
There are occasions where we have seen changes result from our engagement. One change in 2021 related to an upgrade to EOG's rating. We had previously queried the completeness of certain MSCI data points directly, and also engaged with the company on ESG and climate issues, in part aligned with MSCI scoring methodology. We were pleased to see the company receive an upgrade in rating in December 2021.

In our 2020 Stewardship Code report we outlined our engagement with ISS, asking that they alert clients to important changes in voting related documentation – such as SEC filed corporate responses to voting recommendations. This change was implemented in 2021.

9. Engagement

Engagement is essential to our investment process. ESG considerations are embedded in 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. In our efforts to increase our transparency in this area, and in line with FRC recommendations, we have attempted to be more specific in outlining the types of discussions we have with companies with respect to ESG and sustainability issues.

Over the past year there were around 130 recorded interactions with companies where ESG content was discussed. These were predominantly calls or meetings, but in some cases emails, and in one case a letter. In another case we spoke to a consultant hired by an investee company to help advise them on ESG issues.[17] **Around 50% of these entailed more specific asks – for instance the recommendation to adopt a science based climate target.** The aforementioned represent interactions that better align with the definition of engagement endorsed by the Stewardship Code. However, there were other interactions related to ESG monitoring and questioning, for instance to inform our own decision making. This is a critical part of stewardship, but less specifically focused on corporate improvement.[18]

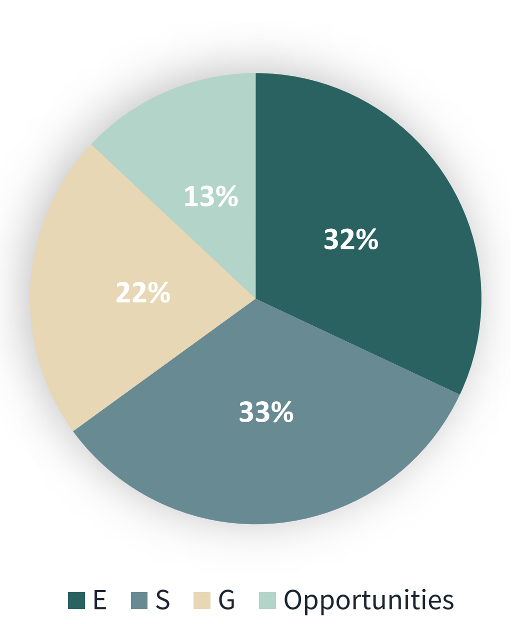
Below we list key ESG topics discussed across both types of stewardship activities – engagement and monitoring. These are shown in order of frequency, as well as a breakdown of themes – divided into Environmental, Social and Governance topics, as well as revenue opportunities arising from sustainable products, services and innovation (Innovation & Sustainable Opportunities).

[17] We also undertook several ESG-focused meetings with companies not held in the Fund. These are not included in these figures; however we may reference some key outcomes from these discussions in our wider reporting where relevant.
[18] 'Effective Stewardship Reporting', Financial Reporting Council (November, 2021) [accessed: https://www.frc.org.uk/getattachment/42122e31-bc04-47ca-ad8c-23157e56c9a5/FRC-Effective-Stewardship-Reporting-Review_November-2021.pdf] p.58.

Key ESG topics

- **Environmental Issues:** Climate related matters such as emissions were the most frequently discussed environmental issue, followed by physical risk/weather. Other topics discussed included biodiversity, water, waste and plastic.
- **Social Issues:** Human capital was the topic theme most discussed, followed by purpose & culture, and diversity and inclusion. The interrelated nature of these topics mean these were often discussed at the same meeting.
- **Governance Issues**: Compensation featured most frequently in governance-related discussion, followed by management quality and succession planning, then reputation and business ethics.
- **Innovation & Sustainability Opportunities:** These discussions covered a range of sustainability related opportunities, particularly those related to climate change.

Topic type



Our purpose is to create compelling compound returns for our investors, measured over decades. We therefore prioritise issues according to their materiality, including how this may develop over a long time horizon.[19] We believe this can best protect and enhance the value of our investments.

ESG discussions are generally 'bottom up' in nature, although on occasion we have thematically engaged with a wide range of companies on a particular topic of interest (such as climate change). Factors which may influence how we prioritise engagement include the size of our position in a company, the extent of the holding in our Fund, and the importance of an issue to the investment thesis. We also consider the scope and severity of negative sustainability impacts in our engagement.[20] Finally, we respond to short-term events such as upcoming voting decisions, company requests, management changes, and escalation of ESG risks or impacts.

Before engaging with companies on ESG issues, we prepare questions. These are usually circulated to relevant portfolio managers, and or analysts, to ask for additional input and feedback. We also record engagement on a centralised system, which all team members can access.

Our preferred outcome is typically to positively influence a company's behaviour. Where necessary we engage many times on the same issue to help drive this change. Our objectives and actions may differ dependent on the context. Goals include enhanced corporate disclosure or action on ESG factors, including sustainability impacts. Engagement may also lead to investment outcomes such as improved voting decisions, changes to our investment thesis or portfolio construction. We give examples of engagement, and related outcomes, in our biannual reporting. One notable exception to our bottom up approach to engagement is our focus on climate change. We increasingly see this as a systemic issue for which all of our companies should swiftly prepare. As such, we are engaging with all companies in the Fund to encourage them to set science based climate targets. Similarly, although we generally

[19] We believe that – over time - major sustainability impacts can become salient ESG risks.
[20] Relevant factors here might include the number of people impacted, whether damage is irreversible, and the probability of future occurrence or reoccurrence.

engage bilaterally, we see climate as a matter of systemic risk, and have acted collaboratively to address this issue (see Principle 4 above).

Outcomes

Detailed examples of our engagement and monitoring can be found in our Responsible Investment and Engagement Reports.[21] Below we provide examples of where engagement has resulted in, or been aligned with, specific outcomes. Some of this is ongoing in nature, and additionally we are wary of claiming direct impact on all outcomes – mindful of the fact that we are one stakeholder for the companies in which we invest.

Company	Engagement Description	Outcome
Union Pacific	Ahead of the AGM we discussed a 'say on climate' proposal with Union Pacific - asking them to be more specific about their climate action plan. We also raised concerns about the treatment of covid-19 from a bonus perspective. The initial conversation with investor relations was somewhat defensive. We voted for the climate resolution, and against pay, and reiterated our views with the CFO as part of a follow up meeting.	The company released its climate action plan in December 2021.
Berkshire Hathaway	We voted for a climate related resolution at the firm's AGM, and became lead signatories in CDP's request to Berkshire Hathaway to disclose more on climate. We also crafted our own letter, tailoring this request to the firm.	We received a response explaining the lack of firm-wide disclosure given the differing nature of the businesses and the decentralised model. Enhanced information on Berkshire's approach to climate change, and related actions of some of its underlying businesses were published in its 2021 Annual report.
Amazon	We discussed a range of ESG matters in advance of Amazon's AGM. These spanned the firm's approach to plastic, food waste, compensation and diversity and inclusion - among other topics. One area that we focused on was the sale of facial recognition technology to law enforcement. In Summer 2020 the firm committed to not sell these products for a year; we noted the potential to extend this ban.	The day after our engagement with Amazon, the firm announced its decision to permanently ban the sale of facial recognition for law enforcement. [Note this work was likely ongoing rather than initiated by our engagement]
Waste Connections	Waste management, although a vital service, is associated with significant emissions produced in the decomposing of waste. At a certain life of a plant, some of this gas can be captured and used as energy. We encouraged Waste Connections to consider adding to the sites where they already undertake this, as well as improving climate disclosure more widely. As follow up we sent them the list of sites identified by the EPA as likely eligible for such gas capture.	The firm appreciated our feedback on climate reporting, and concurred with our view of the sites eligible for capture. They are actively exploring these sites.

[21] Our Responsible Investment Reports are available here: https://www.findlaypark.com/responsible-investment/.

Agnico Eagle	We discussed a wide range of ESG issues with Agnico Eagle, who we see as a best-in-class gold miner with respect to ESG issues. Areas we highlighted for further work included a more holistic approach to physical climate and water risk, as well as biodiversity. We also enquired about verified science based target setting, which was followed up by a more specific request later in the year.	The firm indicated that they will be enhancing their strategy and reporting on environmental matters, including physical climate risk, going forward. The firm is actively considering a science based target and has made a net zero commitment. [Note this work was ongoing rather than initiated by our engagement]
CoStar	CoStar is a leading provider of real estate analytics. We were asked by CoStar to spend time with an ESG consultant tasked with defining their material ESG issues and enhancing disclosure. We asked for greater focus on employee engagement, and also a consideration of how sustainability data could be integrated into their products and services.	The firm published its first ESG report in Q1 2022, with a strong focus on climate related information as well as human capital.
Fiserv	Fiserv has recently undergone a transformative acquisition, with implications for social and governance arrangements including employee engagement and executive compensation. One of the areas we wanted to understand was employee satisfaction. Through reading Glassdoor reviews we noted some concern with the firm's use of a productivity monitoring tool. We discussed a variety of ESG issues with the firm, and encouraged them to improve communication with employees. We also encouraged them to be more specific about their alignment with the UN Global Compact principle around labour rights.	The company confirmed that they had improved communication with employees on this tool post our initial enquiry about it, and that they were also actively considering updating their UN Global Compact related statement with respect to labour relations.
Martin Marietta	We discussed a variety of topics with Martin Marietta, although with a stronger focus on environmental issues such as climate, water and biodiversity. As an aggregates and cement business the firm has a material environmental impact. We encouraged them to disclose more on topics, for instance expanding the scope of their carbon disclosure, as well as to consider science based targets, and using more environmentally friendly materials in their products. We also recommended that they look at the UN Global Compact.	An enhancement of carbon disclosure was promised for the next report, and the firm signalled that the UN Global Compact was under active consideration. Subsequently the firm bought a cement plant in California with a carbon capture project in the permitting process.
Cintas	The firm reached out to us ahead of releasing its 2021 ESG report, asking for our input. We suggested a strong focus on the circular economy, climate and human capital.	We were pleased to see elaboration on all these issues in the new report.

10. Collaboration

We are open to collaboration and collective action on responsible investment issues. However, given our size and focused nature, direct involvement in collaborative engagement is rare. Targets of collaborative engagement are often businesses in higher risk sectors, which typically fit poorly with our Investment Philosophy. We also invest in a relatively small number of companies, so engagements across broad themes or sectors have little overlap with our holdings. Given the growing materiality of ESG issues, we are also mindful of potential legal implications related to collaborative engagement.

That being said, we have been exploring appropriate avenues for collaboration. In 2021 we became involved in CDP's non-disclosure campaign. We were a lead investor, asking Berkshire Hathaway for climate related disclosure. We received a response, noting the importance of climate change for various underlying businesses, although this did not amount to a commitment to firm-wide climate reporting. We will continue to engage with the firm on this issue, and explore other ideas for collaboration.

In addition, ahead of our voting on a sustainability-related resolution, in relation to a different company, we wanted more context from the filer of this resolution. In order to shield ourselves and this party from compliance related concerns, our respective compliance departments communicated via email on this issue. It nevertheless provided some additional insight. We voted for this particular resolution.

We are also members of the IIMI, which gives a voice to independent, owner-managed firms. Our CEO and RI Lead both sit on their Board. In 2021 the RI Lead helped set up an ESG network to enable members to share best practice, pain points, and to be made aware of key developments. IIMI have held events and published on responsible investment, including those led by the FRC on Stewardship, UN PRI on reporting and IIGCC/NZAM (IIGCC is the Institutional Investors Group on Climate Change, an investor body focused on climate change; they co-founded the Net Zero Asset Managers initiative) on climate change and collaboration.

We are members of select organisations which offer opportunities for collaboration. For instance, we are participants in the UN PRI's shareholder collaboration programme, through which we may join collective engagement and working groups. We will continue to explore appropriate avenues for engagement in 2022.

11. Escalation

We engage on issues of concern with a positive mindset, hoping to clarify management's intentions or change behaviour. Should this not be possible, we will:

- Raise the issue further up the management/governance hierarchy (if there is further to go).
- Determine whether the failure to resolve the issue compromises our investment thesis.
- If we conclude that it does, exit the position.
- If not, make any appropriate adjustments to current and/or maximum position sizes, and note the issue for high priority monitoring.

Material issues are reviewed by the Investment Committee, which meets monthly and consists of the CIO, the CEO, and two portfolio managers.

Below we outline an example of one engagement which followed some of the steps in the escalation process outlined above.

In the case of **Union Pacific**, we had an initial discussion with a non C-suite member on a range of ESG-related voting issues.

The firm had decided to exclude the impact of 2Q 2020 – when rail volumes declined significantly due to the pandemic – in determining executive compensation. Management's decision seemed inappropriate, at a time when employee morale was low following the firm's transition to a less labour-intensive model. When initially discussing these issues, we thought that the tone was somewhat dismissive, and could have been interpreted as downplaying the salience of the issues and the role of shareholders in encouraging rigorous oversight of them. We voted against the compensation resolution, as well as supporting two shareholder resolutions related to climate and inclusion.

In our next meeting with the company's CFO we mentioned the impression we had gathered; the company outlined that this was not their intention. Overall we thought that this was not a fundamental challenge to our view of management quality and did not compromise our Investment thesis. We were also pleased to see the firm issue a climate transition plan in 2021, in line with the related resolution. We continue to monitor the firm on ESG issues.

12. Exercising Rights & Responsibilities

Our purpose outlines our primary responsibility, to generate compelling compound returns for investors, measured over decades. This guides all our responsible investment activity, including ESG integration, engagement and voting.

Voting rights, and with them responsibilities, are typically attached to our investment in the Fund. We see voting as an opportunity to either signal support for companies, or to challenge them, acting in the long-term interest of our investors. We do not participate in stock lending arrangements and retain voting rights across all holdings. We aim to achieve a 100% voting record, abstaining only in exceptional cases. There were no such cases in 2021.

Importantly, we consider the specific circumstances of each company in which we invest and the detail of the individual resolutions. Although we subscribe to the services of a third-party proxy voting provider, ISS, we make independent decisions based on our own research and engagement with management teams. We also seek to engage with management when we intend to vote against them.

Our voting approach draws on our Investment Philosophy, forming principles which inform our voting decisions:

- Remuneration should align management with shareholder interests.
- Our philosophy is focused on less risk for reward: we want companies with strong risk oversight.
- Culture and purpose are key to long-term success.

Further details of factors we assess under each component are discussed in our Responsible Investment & Engagement Policy, which contains our voting policy.[22]

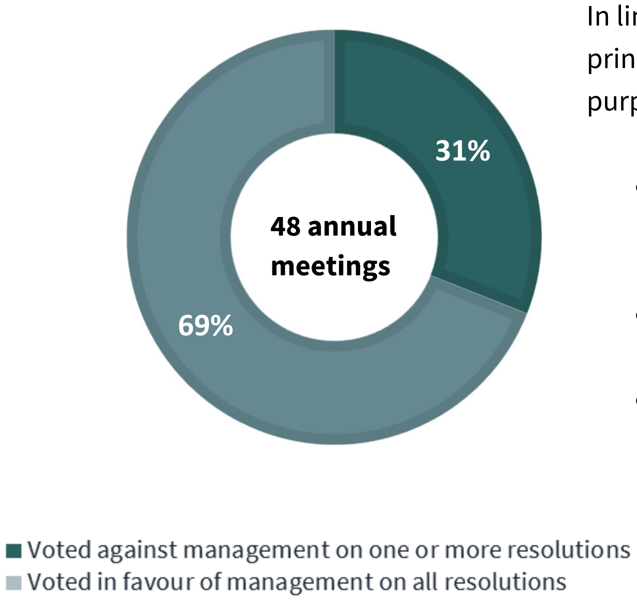
As emphasised in Principle 1 above, a distinguishing feature for us is our consistency of approach – with one team collaboratively managing one fund. We have not provided the ability for investors to override our policies, or implement their own voting approach. We are a small company, with a 'keep it simple' approach. Furthermore, we see value in sending clear signals to management teams on behalf of all our investors.

[22] These policies are available here: https://www.findlaypark.com/responsible-investment/.

Our collaborative voting process is described below:

- The Operations team monitors upcoming meetings, and the issuance of ISS research.
- The meeting details, our votes last year and the ISS research are sent to the RI Lead, and the co-coverage team.
- The RI Lead issues a detailed voting report, answering a long list of questions drawn from our voting principles, and making initial recommendations (including for further engagement where necessary).
- The portfolio manager responds to the report.
- Further engagement or research is undertaken where necessary (we always seek to engage when we are intending to vote against management).
- The Investment Committee (IC) reviews in house voting reports, as well as ISS research
- A final decision is made, typically the RI Lead and co-coverage team come to an agreement. The IC's guidance may be sought where the right outcome is unclear.
- In cases where our voting is against the recommendation of ISS, CIO sign-off is required.
- The RI Lead sends final instructions to the Operations team, in a clear table, to reduce errors.
- The Operations team implements the voting decisions, and monitors ISS' execution.

In 2021 we voted at 50 meetings: 48 annual meetings and 2 special meetings. We have opposed management on at least one resolution at 31% of annual meetings.[23] We voted on all resolutions at all meetings this year where we were shareholders at the time of the vote.[24]

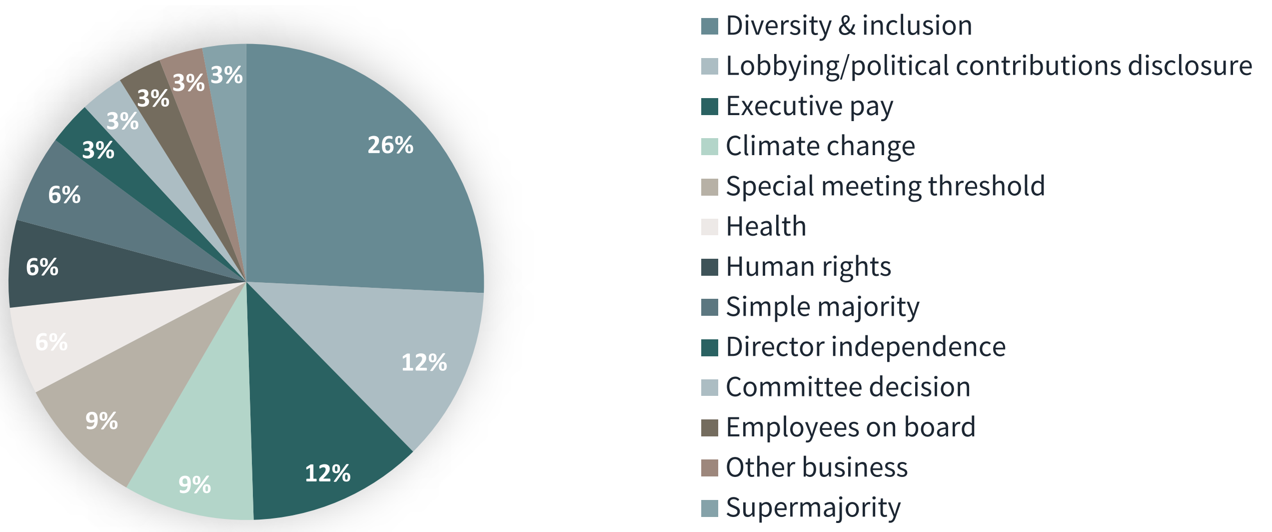


In line with our Investment Philosophy and our voting principles – which focus on remuneration, risk and purpose & culture – we voted to secure:

- Executive compensation aligned with shareholders' interests
- Effective board oversight
- Transparency on material ESG issues including climate, lobbying and political contributions

[23] Source: ISS ProxyExchange and Findlay Park analysis.
[24] Although we are technically eligible to vote in cases were we have very recently sold a position, we only vote when we are current shareholder, in the belief that ownership rights should come with ownership.

Below we show how we voted against management over the year by issue.[25] Votes related to diversity and inclusion were the most common, followed by lobbying/political contribution, then those relating to executive pay, climate change, and the threshold to call a special meeting.[26]



Figures may not add to 100% due to rounding.

Voting activities and outcomes for 2H 2021 are detailed in our Responsible Investment & Engagement Report. Rationale is given for all cases where there was a vote against management, shareholder resolutions, or a vote was made against the recommendations of ISS.[27]

A summary of some of the key outcomes from our voting in 2021 is noted below. In line with FRC recommendations we have also included our full vote disclosure on our website.[28]

Company	Voting Issue	Outcome
Microsoft	We voted for a resolution at the AGM asking for an independent investigation of Microsoft's approach to harassment and discrimination.	In Jan 2022, Microsoft hired a law firm to publicly evaluate the company's handling of harassment and discrimination claims.
Charter	We voted for a 'say on climate' proposal at Charter's AGM.	The firm undertook its first CDP report, and made this publically available on its website.

[25] *Ibid.*
[26] Please note there was a minor error in this chart in our 1H 2021 report, which occurred during the publishing process. Some of the original chart percentage labels were incorrect, and the associated wording incorrectly described the most common votes against management as those relating to lobbying/political contribution and director independence. The 1H 2021 report was corrected and republished in March 2022.
[27] Our voting policy does not lead to prejudged outcomes as we generally take a case-by-case approach (e.g. we have not asked ISS to implement recommendations tailored to our approach). ISS house recommendations have significant market influence and we use these as a benchmark, against which to justify how our views have differed.
[28] Our full voting disclosure is available here: https://www.findlaypark.com/.

Texas Instruments	We did not vote for a resolution asking for the right to act by written consent, as we prefer rights to call a special meeting a more transparent process of shareholder involvement in governance.	The company reached out to us to explain that they were not providing the right to act by written consent but were lowering the threshold to call a special meeting, which we supported. This came into effect in Jan 2022.
Thermo Fisher	We voted for a resolution to decrease the threshold needed for shareholders to call a special meeting from 25% to 15%.	The resolution passed and the company amended its bylaws in July 2021.[29]
Nike	We voted for a resolution asking for greater transparency around human rights risk, with a focus on the cotton supply chain and reference to China in particular.	Nike faces difficulties in being more explicit on this issue due to commercial risk in China. We ultimately see this issue as too entrenched and sold the company on this basis.
Union Pacific	See engagement above.	See engagement above.

Approved by the Board of Findlay Park Partners LLP.

Simon Pryke, Chief Executive Officer
Findlay Park Partners LLP

Date – 5 April 2022

[29] 8K 8th July 2021 [https://d18rn0p25nwr6d.cloudfront.net/CIK-0000097745/dc41918b-818f-4094-aec2-ea61c3d2910d.pdf].

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