2H24

Findlay Park

Responsible Investment & Engagement Report

Amidst a changing responsible investment landscape, our approach remains consistent and investment-led

Discussions with our investors on responsible investment topics have focused on three key areas in 2024, which we briefly address below:

1. What does the shifting political landscape mean for your approach?
2. How are you thinking about climate change in this context?
3. What does AI mean for investing and responsible investment?

It would be naïve to say that investing has nothing to do with politics. It does, of course, in that it impacts business and society. As responsible investing addresses a slightly wider set of societal questions than traditional investing, the nexus between this and politics is perhaps even more critical. But this nexus can be unpredictable. It's too early to say what the lasting impact of Trump's re-election will be on responsible investment. During his first term responsible investment arguably became "mainstream"; corporates made bold sustainability commitments; investors in renewable energy flourished and those in oil and gas did not. Despite the huge climate incentives under Biden, the trend reversed, and the so-called 'ESG-backlash' began. This second term does feel a little different, and we have seen some companies walk back from certain targets – one example is provided in the report below. But we do think it's too early to determine what the nexus of responsible investment and politics will be over the next five years.

More importantly, our approach to responsible investing is grounded in our Investment Philosophy and focus on long-term compounding. To us, thinking about material sustainability topics helps underpin our thinking about sustainability of returns. We believe it makes us better investors. We encourage management teams to do the same, to help them build more durable, resilient companies. We see this view as totally aligned with our client base – who are located predominantly in the UK, Switzerland and Europe.

At the start of 2025, unprecedented wildfires raged for weeks in LA, while the new Administration has pulled out of the Paris Agreement. The imperative for action is clear, while the appetite is not. This will present a difficult landscape for companies in the US to navigate. Again, a focus on the long-term is important. Encouragingly, including after the election, we've seen companies continuing to commit to science-based climate targets. One of them, Texas Instruments, is highlighted in our engagement case studies below. This is a real-world business, manufacturing chips, including in the US. Its ambition is meaningful and encouraging.

Finally, we continue to engage on the topic of responsible AI. Our voting and engagement with Microsoft on this topic is highlighted below. With some exceptions – including Microsoft, although we believe there's still room for improvement - we still see a material mismatch between companies mentioning AI to investors and those with well-thought-out policies. This suggests one of two things – either that companies are investing in AI without being transparent about oversight and risks, or that they are in fact not using AI as meaningfully as some might expect. The reality may be somewhere in the middle. We continue to question companies on their approach to AI, including their oversight and risk management as a lens on good governance and investment relevance.

Sustainability Risks & Metrics

We have outlined below our progress as at 31st December 2024 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 semi-annual metrics, as a demonstration of progress.

METRIC	ENVIRONMENTAL			SOCIAL & GOVERNANCE		EXTERNAL
	Science-Based Targets[1]	Implied Temperature Rise[2]	Weighted Carbon Intensity[3]	Glassdoor Score[4]	UN Global Compact[4]	MSCI ESG Fund Rating[5]
2H 2024	**62%**	**2.4 °C**	**Below benchmark**	**3.8 / 5 star rating**	**No ISS identified breaches**	**AA**
1H 2024	**58%**	**2.6 °C**	**Below benchmark**	**3.9 / 5 star rating**	**No ISS identified breaches**	**A**
2H 2023	**55%**	**2.3 °C**	**Above benchmark**	**3.9 / 5 star rating**	**No ISS identified breaches**	**A**

[1] 62% of invested AUM has made a commitment to set, or has set a science-based target validated by SBTi, as at 31st December 2024.

[2] Source: MSCI.

[3] A type of commonly referenced carbon footprint that focuses on weighted average carbon intensity (tonnes Scope 1 & 2 CO2 / $USD revenue) and can be compared to the benchmark. 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.

[4] We have seen no changes in the underlying employee reviews of our companies, and no controversies flagged by ISS as in unmitigated breach of the UN Global Compact.

[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.

2024 Engagement Survey

2024 marked the third year in which we surveyed our investee companies to gain greater perspective on the impact of our engagement efforts. As an active manager, we believe that engagement and stewardship more broadly is a core part of our value proposition.

As in previous years, we asked companies about the impact of our contribution, as well as the type. We asked respondents to consider the counterfactual – whether without our engagement, change would have taken place. Measures were also taken to anonymise responses, to guard against overly positive feedback and remove the possible perception that not responding to our survey would be viewed negatively.

Thirty companies responded - over half of the companies we surveyed.[6] Respondents noted a range of ways in which they thought we had positively influenced them. As in previous years, climate was the single greatest area of focus, underpinning the centrality of this topic to our engagement strategy. This was closely followed by governance and executive compensation, reflecting our greater focus on this area in 2024, and its increased prominence in shareholder resolutions. Other topics were also noted, highlights included:

57%	of respondents said we helped improve their focus on climate commitments
54%	said we helped improve their focus on governance and executive compensation
56%	said we helped to raise greater awareness of sustainability initiatives and standards

We also included an opportunity to offer general comments, and specifically on what productive shareholder engagement looks like at each company. The feedback received was encouraging, and we appreciated the acknowledgement by some that company size and the maturity of their sustainability strategies is often a determining factor in impactful engagement.

> “The two-way dialogue is a valuable tool in helping us steer our ESG programs and commitments, including climate strategy, human capital and labour management, and governance.”

> “Informed questions and strong engagement helped us sharpen our disclosures and management commentary.”

> “These conversations help ground us on the current landscape as well as for emerging topics which may be of greater interest externally. Though these discussions didn’t substantially swing our efforts, we know that for less mature companies, the focus Findlay Park brings can be a great benefit.”

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[6] Results based on 30 responses, out of 56 companies invited. Please see our previous Responsible Investment and Engagement Reports 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.

Case Studies

Texas Instruments

We have engaged with Texas Instruments for several years on a range of issues. From 2021 we had a more specific focus on climate change, in part based on our analysis indicating that Texas Instruments was a key contributor to the carbon impact of the Findlay Park American Fund. This also aligned with our newly defined aim to engage with companies without science-based climate commitments.

Semiconductor manufacture is an energy intensive process and also uses a variety of gases with higher global warming potential, for instance to create circuitry patterns on silicon wafers. Unlike some peers, such as Analog Devices, Texas Instruments also undertakes more in house production – increasing its Scope 1 emissions relative to peers. We therefore understood the scale of the challenge faced by Texas Instruments and have been in regular dialog with the company from 2021 to the present on issues including climate targets.

In 2024 we saw the company progress on this issue. In March 2024 it announced a 100% renewable energy commitment by 2027 for its US facilities, and 2030 for its global operations. As we were preparing to meet with the company in early December, we saw a recent statement on the company's website indicating that it had issued a science-based target commitment to the SBTi for consideration.

The timing of this statement, made days after the results of the US election, was also an encouraging indicator to us – aligning with our view that progress on key sustainability issues, implemented in a thoughtful way, can continue irrespective of the political environment. We discussed this with the company during our trip and re-emphasised our support for their commitments.

Live Nation Entertainment

We held a constructive engagement towards the end of the year with Live Nation, which focused in large part on the structure and design of executive compensation. The company's previous Say on Pay resolutions at its two most recent AGMs received only 46% and 63% support from shareholders, and they were keen to gain feedback on their overall programme. Encouragingly, Live Nation had already made some changes to its design, including the addition of further performance metrics (related to leadership, diversity, and regulation). We met with the Board's Compensation Committee Chair and offered our thoughts on how disclosure and transparency could be improved, as well as the design of future equity grants to executives and the role of stock price growth targets within the long-term incentive. We also learned more about the Board's general approach to executive compensation and incentivisation, which in the entertainment industry can look somewhat atypical compared to the more standardised approach adopted in other sectors. Overall, the company was very open to feedback on its governance, and we were encouraged to hear that transparency and disclosure will be materially improved in its 2025 proxy statement.

Tractor Supply Co

One of the questions on our Investment Philosophy checklist is whether companies are susceptible to shifting consumer preferences - sometimes called 'fashion risk'. We prefer companies which are less susceptible, and more resilient. This can make it harder for us to invest in certain consumer companies. One company which we felt was more resilient was Tractor Supply Co – a retailer focusing on supporting outdoors lifestyles including some farming goods. Over the summer the company became a target of a social media campaigner arguing that their diversity and inclusion efforts, and to some extent climate goals, did not align with the values of its core consumer. This had an impact on the share price, after a period of strong performance. The company responded by rescinding its diversity and climate targets and announcing that it would no longer have dedicated diversity and inclusion focused employees.

This was done on the grounds of listening to customers. This decision gave us pause for thought – suggesting to us that the company had either seen evidence of negative impacts on sales or had rescinded targets without properly consulting stakeholders. Neither option gave us great confidence in the firm. We decided to sell out of the position during the firm's quiet period (ahead of earnings, when companies typically do not interact with investors). We were able to subsequently discuss this with the company including the CEO who gave us some colour including that diversity targets had largely been met, diversity roles had been integrated into wider HR positions and that climate goals were due to be revised anyway due to their science-based targets commitment. However, we continued to see the chain of events as illustrative of the firm's susceptibility to shifting preferences and stood behind our decision. We have – before and since – seen similar campaigns targeting consumer-facing companies, and varying responses. But none of these have impacted portfolio companies. We continue to monitor related cases, and their potential impact on our Fund and investment universe.

We are aware that, since the events at Tractor Supply, the political and legal landscape for diversity targets has evolved. As a reminder, we have never systematically asked companies in which we invest to set diversity targets. We are, however, keenly interested in their approach to creating high performing, inclusive and diverse business cultures. We will continue to engage with companies on this important topic – with an awareness of the context in which they operate – while stressing the business case for inclusive cultures.

Alphabet

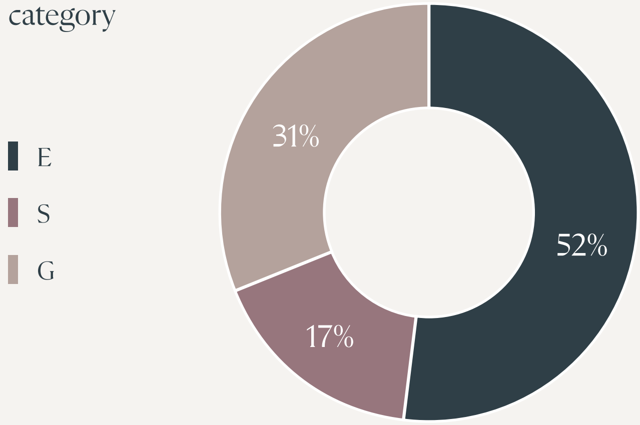
Concerns over antitrust risk played a role in our selling out of Alphabet towards the end of the year, particularly given the ongoing DOJ investigation into the company's relationship with Apple and the wide range of outcomes around this. We have been following developments here closely and incorporating potential impacts to earnings into our thinking – for instance lost revenue from searches accessed via iPhone. We came to the conclusion that we would like a greater margin of safety in the face of renewed antitrust risk as well as the potential for increased competitive intensity in search, and decided to sell out of the company in November.

Engagement & Monitoring

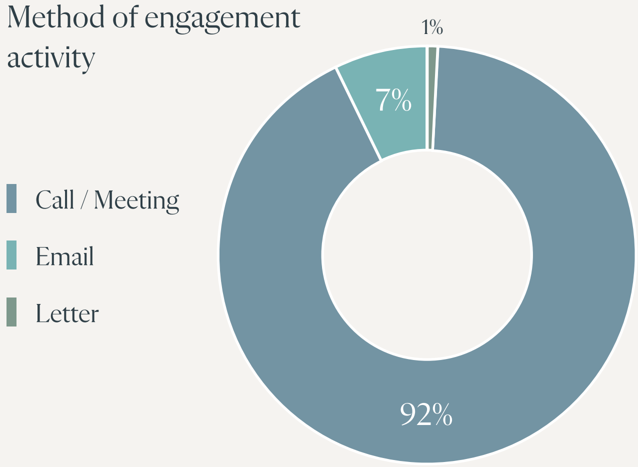
Engagement is essential to our investment process.

Sustainability and governance considerations are embedded in our Investment Philosophy, and our frequent interactions with companies cover a wide range of topics.

Engagement activity by category



Method of engagement activity



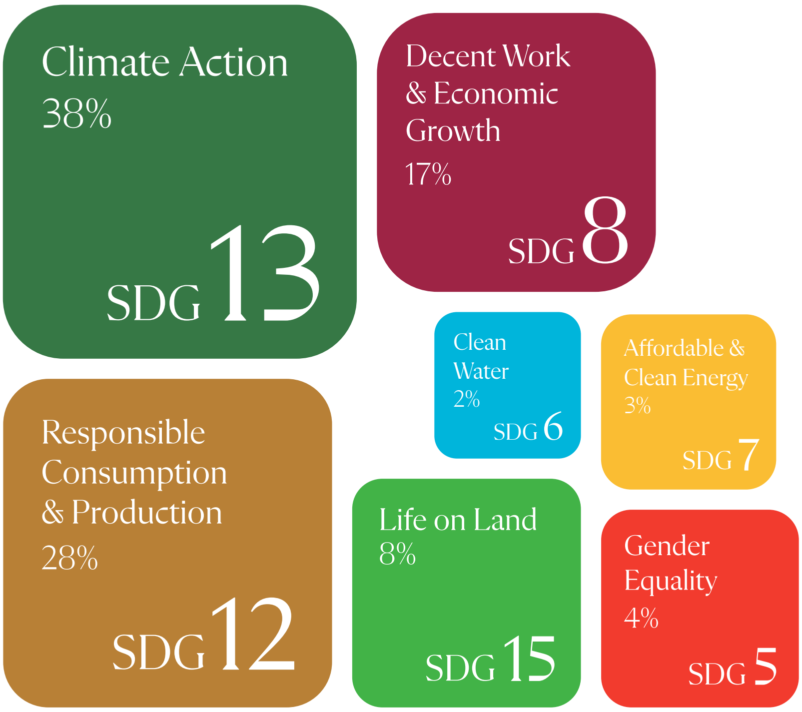
But, in our efforts to increase our transparency in this area, and in line with FRC recommendations, we have attempted to be more specific in outlining the types of specific asks, recommendations or suggestions we make to companies regarding sustainability and governance issues. We define engagement 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.

We have categorised the key topics discussed with companies in 2024 by theme – Environmental, Social, and Governance. In most cases multiple themes and topics were raised for engagement per interaction (most commonly meetings or calls).

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. Our general preference is to engage directly with management via a meeting or call (over 90% of our engagement activities took this form in 2024), although there are cases where written engagement is preferable.

We have further categorised our engagement activities 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 below.

SDGs linked to engagements



Principal Adverse Impact (PAI) indicators linked to engagement activity

Note some PAIs do not map perfectly to each engagement objective but where there is no precise indicator under SFDR we have tagged to a relevant PAI that relates to the topic of engagement e.g. on human rights.

Voting

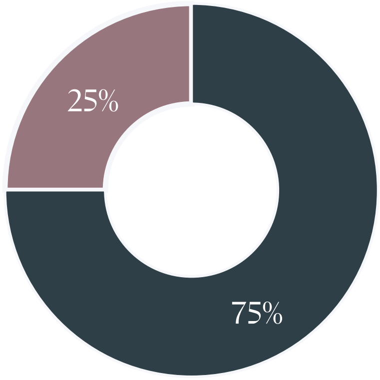
We make our own voting decisions, aligned with our Investment Philosophy

During 2024 we were eligible to vote at 56 meetings, and exercised our voting rights at 53 of these meetings.

At the time of each of the remaining three meetings, we were technically eligible to vote but were in the process of selling out of our positions. In these cases we do not exercise our voting rights as a matter of policy.

Of the meetings voted at, we opposed management on at least one resolution at a quarter of meetings.[7] On an individual resolution basis, we voted against the recommendation of management on almost 3% of occasions. In line with market standards around voting disclosure, we also report that in 2024, on over 6% 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.



Support for management at meetings where we voted

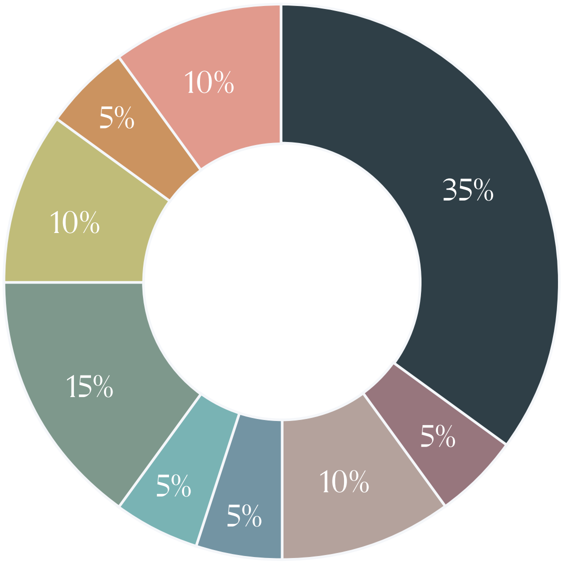
Voted in favour of management on all resolutions

Voted against management on one or more resolutions

METRIC	OUTCOME
MEETINGS ELIGIBLE TO VOTE	53*
MEETINGS VOTED	100%
MEETINGS VOTED AGAINST MANAGEMENT	25%
RESOLUTIONS VOTED ON	700*
RESOLUTIONS VOTED AGAINST MANAGEMENT	2.9%
RESOLUTIONS VOTED AGAINST ISS RECOMMENDATIONS	6.3%

* As mentioned, we have excluded from this table the details of three meetings (and resulting resolutions) where we were technically eligible to vote but had sold out of our positions by the time of the meeting. In these cases we do not exercise our voting rights as a matter of policy.

[7] ISS ProxyExchange and Findlay Park analysis.



Here we show how we voted against management in 2024 by resolution, categorised by topic. In keeping with the drop off we have observed in the 2024 US proxy season in the number of environmental and social resolutions proceeding to a vote, governance and Board-related resolutions were the most common area where we voted against the recommendation of management. Resolutions related to climate change, human rights, and notably AI-related risks, also featured on ballots over the course of the year.

Votes against management by resolution type

- Corporate Governance
- Human Rights
- Climate Change
- DEI
- Other Business
- Board-related
- Lobbying / Political Contributions Disclosure
- Executive Compensation
- AI-related

2H24 voting activity

Given that US proxy season falls in the first half of the year, we disclose in full below the limited voting activity we undertook in the second half of 2024. Full details of our previous voting activity are available on our website or on request.

KLA Corp, Steris, Ferguson

We voted in favour of all management proposals at the KLA, Steris, and Ferguson AGMs, and held constructive engagements with all three prior to or in the period following these meetings. No shareholder resolutions featured on any of the ballots this year.

Autodesk

At this year's Autodesk AGM, we decided to vote against compensation, which was contrary to the recommendations of both management and ISS. A few months prior to the meeting, the company had commenced an audit investigation into its own free cash flow and non-GAAP operating margin practices which delayed the filing of its 10-K. Autodesk affirmed multiple times that the investigation would not lead to any re-statements affecting their prior financials or annual guidance. However, our confidence in management was somewhat dented by the investigation. We engaged with IR prior to the AGM to air our concerns around the company's transparency with its shareholders on changes made to billing practices which could potentially have impacted free cash flow, and subsequently, executive compensation. Similarly, we noted that pay for both the CEO and CFO increased year-on-year. Whilst our call did give us comfort that FCF was not manipulated to increase pay in the near-term, given our lack of absolute confidence in pay practices at the time, we decided to vote against compensation to signal our belief that there is room at Autodesk for improvements in pay practices, as well as transparency on governance and management decisions more generally. The company has since appointed a new CFO. We also voted in favour of lowering the threshold required to call a special shareholder meeting to 15%. We see this as a helpful governance tool for minority shareholders and amenable to greater shareholder rights in general.

Microsoft

In keeping with the tradition of years past, Microsoft's AGM once again saw a significant number of shareholder proposals make it to the ballot in 2024. We supported all management items, and also voted in favour of two responsible AI-related resolutions. These advocated in favour of the company producing reports on (i) the risks associated with misinformation and disinformation disseminated or generated via AI, and (ii) AI data sourcing accountability. We were supportive of the work carried out by Microsoft to date on this topic, but felt that its importance merited ongoing attention and improvement, particularly as AI-related regulation on data transparency relevant to the second resolution had yet to come into force.

After deliberating, we decided to vote against the remaining shareholder proposals. We appreciated the enhanced transparency the company provided into its human rights risk assessment in the year since we voted in favour of this at the last AGM, and given that it already had a stringent policy regarding the provision of its most advanced services to energy customers with net zero commitments, we felt this proposal was unnecessary. Similarly we felt that a report on the risks associated with weapons development, and a proposal directing Microsoft to invest in bitcoin, did not merit support given their thoughtful approach to defense work and the volatility of cryptocurrency.

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