Longview Partners UK Stewardship Code Report on Calendar Year 2021

Submitted April 2022

Statement of Compliance and Disclosure

The UK Stewardship Code sets high standards for stewardship, with a focus on activities and outcomes with the aim of improving the opportunity for the delivery of sustainable long-term investment. We recognise the FRC's definition of stewardship: 'Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society'.

We set out below how Longview Partners applies the Principles of the UK Stewardship Code for asset managers and note that Longview will continue to improve and evolve elements of its approach to stewardship as necessary.

Principle 1: Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Longview Partners ("Longview") is a specialist asset management company, focused entirely on the management of Global Equity portfolios. Longview is a single strategy, independent, privately owned company with majority ownership by Northill Capital* and the balance held by ten working Members of Longview Partners LLP. Longview operates a simple, clearly defined business model principally for Institutional Clients. Business strategy is determined by the Board of Directors of Longview Partners (Guernsey) Limited (LPG), based upon information from key executives where necessary.

Purpose and Culture
At Longview Partners, we take a long-term approach to investment and seek to invest in companies that can create long-term sustainable value for shareholders. Environmental, Social and Governance (ESG) considerations, with a stewardship mentality, are embedded into our research analysis and our firm, and have been since inception.

Our culture is of fundamental importance to us at Longview. As a firm, we have a clear common purpose: to seek excellence in performance and client service, and to be a sustainable business for the long-term and nurture and protect our culture. We do this through consciously living by our values, which is a deliberate effort but critical for the preservation of our culture.

Our culture is the common denominator to all that we do; our investment process, our approach to our clients, our staff and beyond, to our organisation's place in society. In fact, it is our culture that will enable Longview to be the sustainable business for the long-term that we want it to be. It is our values that guide our decision-making and our sense of what is important and what is right. ESG and stewardship are embedded within our investment process because it is the right approach to investment: identifying sustainable businesses which will deliver over the long-term. At Longview, we are long-term owners of our own business and the values by which we live are equally relevant to Longview as they are to our potential investments.

The culture of Longview is dominated by its collegiate spirit. We share a common approach based on integrity, honesty and common sense, within a framework of transparency and consistent objectivity. Underlying all that we do is a dedication to detail and a culture of precision and accuracy. A demand for transparency and the highest standards of excellence, with a focus on communication, encourages all employees and members to seek to achieve the highest possible objectives in their personal and professional goals. All employees and members of Longview are dedicated to the success of our global equity strategy which we believe powerfully aligns the interests of all staff with a positive outcome for our clients.

We believe ignoring ESG can create tail risk to investments. The positive impact of good governance on shareholder value is well understood and failures in governance are potentially a significant source of value destruction. Good corporate governance within a clear and transparent framework builds trust and predictability in a business. This has been a focus for Longview since our inception.

One key aspect of our approach to integrating ESG and stewardship is that we do so through a lens of materiality. Materiality is the relevance of a sustainability factor, principally on a company's financial performance: on the ability of a business to create value in the short-, medium-, and long-term. Clearly these factors may differ from one sector to another. Financial materiality is a key aspect; however, Longview also considers reputational, regulatory, legal and environmental impacts. Materiality also influences how we prioritise engagement with companies. We do not engage with every company on every issue. We must focus on those that are most severe or potentially damaging, or where the company response has been inadequate, or those issues that Longview or our clients believe to be most important.

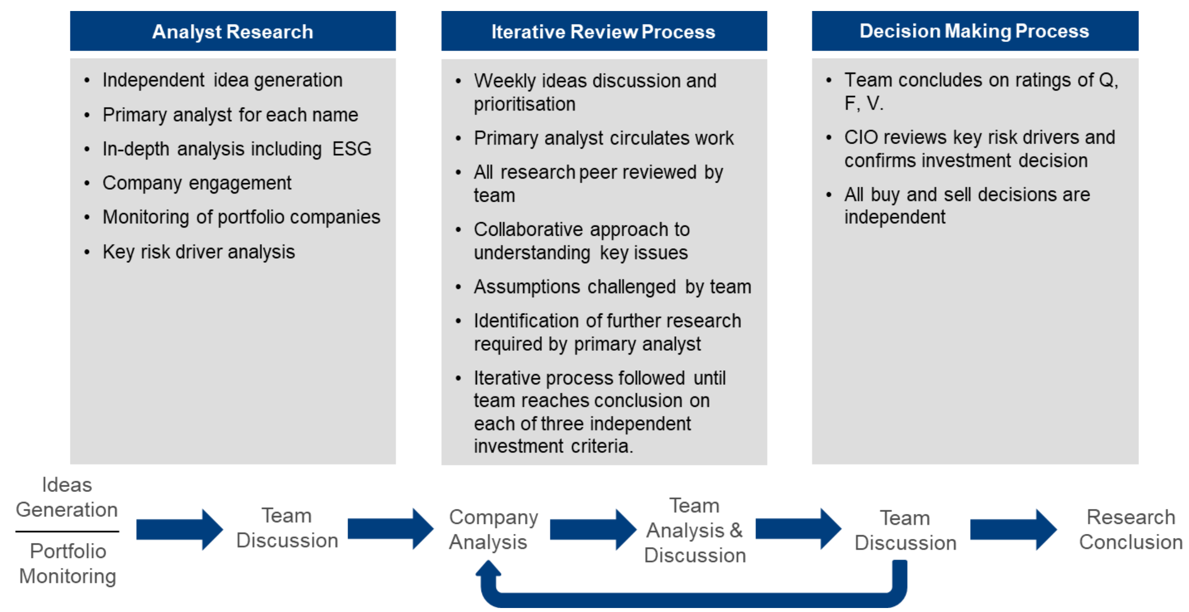
*Longview Partners (Guernsey) Limited is majority-owned by Northill Longview Holdings (Guernsey) Limited as part of the Northill Capital Group.

Investment Beliefs

Longview seeks to consistently generate alpha through investing in a concentrated portfolio of global equities. Our bottom-up approach invests in high quality companies with strong business fundamentals and attractive cash-based valuations. We strive to invest in predictable businesses and to avoid investing in companies that are highly exposed to exogenous factors. We consider the diversification of common business drivers within the portfolio to avoid excessive risk concentration.

The diagram below shows the decision-making process that our Research Team follows. It is the iterative application of this process that we believe will help us to deliver sustainable returns for our clients and their beneficiaries.

Figure 1: Decision Making Process



The key market anomaly that Longview seeks to exploit is the difference between perceived quality and actual quality, as we believe that there are many quality misperceptions when analysing individual companies. It is the exploitation of this anomaly that we believe can lead to outperformance, adding value for our clients' beneficiaries.

Below is an example of a Buy Note released by one of our Research Analysts for an IT stock that was purchased in 2021.The extract demonstrates one of the outcomes of the decision-making process and is indicative of the quality attributes that we find attractive in a company. Further details on the investment criteria for Quality are described in Figure 2. The company name in the below example has been withheld to preserve the anonymity of Longview's holdings.

Example Buy Note Extract – Company ABC
Company ABC is a value-added reseller of IT hardware, software, and services. The company focuses on selling to smaller customers with fewer than 5,000 employees, as these are likely to have sufficiently complex IT requirements to require advice and some level of service, but are typically too small for vendors to effectively serve direct. The business has built long-term client relationships (average 11+ years) with over 250,000 customers, including corporates, small businesses and the public sector. Company ABC is the largest operator in a highly fragmented market (c. 5% market share) and has increased its share of total US IT spend over time. It benefits from clear scale advantages relative to smaller competitors and has financially outperformed its largest listed peers in recent years, with scale bringing purchasing advantages and the company generating high and stable returns. It is a predictable business, delivering strong growth over the past decade (gross profit grew 9% a year over the ten years to 2020) alongside improved profitability (EBITA as a percentage of gross profit). The demand drivers for the market are clear: end users are increasingly reliant on information technology to run their operations and the company should be a beneficiary of this growth. Company ABC's capital allocation policy is sensible, focused on returning cash to shareholders through buybacks and dividends alongside making small acquisitions. Company ABC has many of the features of a high-quality company: it earns high returns, is predictable, has identifiable opportunities to grow, allocates capital well and scores well on Environmental, Social and Governance (ESG) factors (with a 'negligible risk' ESG risk rating from Sustainalytics). Nevertheless, it is cyclical due to its exposure to the IT investment cycle.

The analysis of Environmental, Social and Governance factors is an integral part of our research process when considering the Quality rating of a business. This in turn enables us to identify companies that we believe will generate long-term sustainable returns. At Longview, we have an integrated approach to evaluating ESG risks and opportunities. On environmental and social matters, we believe that a lack of consideration for these issues can negatively impact the growth of a business and its long- and short-term value. In terms of governance, the key element of this analysis is the company's treatment of shareholders and its use of capital. Please refer to our reporting under Principle 7 for additional information on the development of our approach to ESG and responsible investing.

We believe that companies that show good stewardship have the potential to deliver enhanced and sustainable value for shareholders and therefore may be accretive investments for our clients. We implement our process in a disciplined and rigorous manner, consistently over time and we believe this consistency in its implementation will continue to deliver for our clients and their beneficiaries, as it has been able to do in the past.

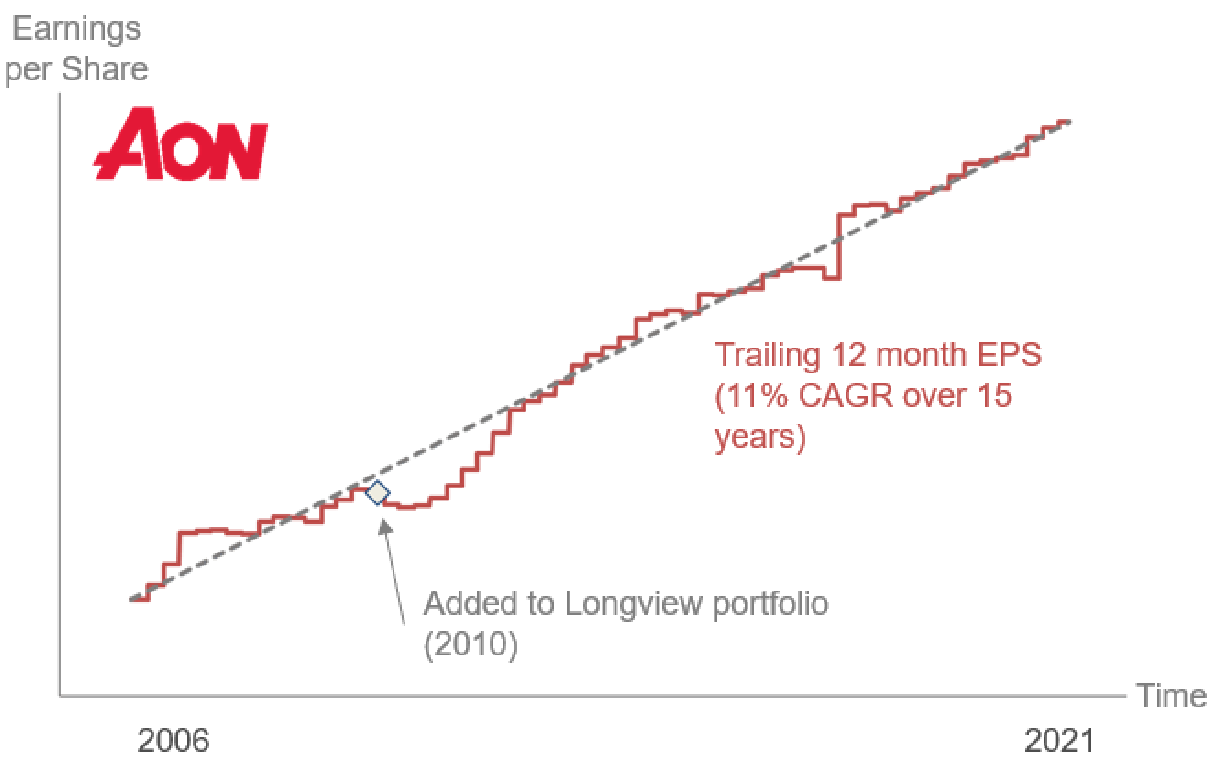
Please refer to the diagram below, which displays some of the criteria that we consider when analysing the Quality of a company, a key part of this being our views on the sustainability of returns.

Figure 2: Investment Criteria for Quality

Quality			
Stocks Scored 1-3			
Sustainably High Returns • Industry structure • Competitive advantages • ESG analysis	**Predictability** • Stable industry structure • Predictable revenues • Limited economic sensitivity and exposure to exogenous risk	**Opportunity to Grow** • Identifiable growth opportunities • Ability to compound value	**Capital Allocation** • Management approach and incentives • Focus on long-term returns • Opportunity to reinvest capital • Governance

At Longview, a company with strong, stable and recurring cash-flows, amongst other investment criteria, is considered a high quality company. Quite often, the market tends to misunderstand the stability of the cash-flows of certain businesses and so perceives these companies to be of lesser quality than we believe them to actually be. Our investment in Aon, an advisory, insurance broking and solutions company, over the years is an ideal example of the outcome of our assessment of quality as it incorporates many of the characteristics that we look for in a high quality company. We believe that one of the ways in which we effectively serve the interests of our clients and their beneficiaries is by implementing our investment process in a consistent manner and investing in high quality companies, such as Aon, that outperform in the long-term.

Figure 3: Differentiated Approach to Quality - Aon



Serving our Clients and their Beneficiaries

We focus on serving the best interests of our clients by delivering performance, client service and good stewardship. As long-term investors, we look for a philosophical alignment with our clients, in terms of their investment objectives and time-horizon. We believe that the long-standing relationships that we have built and retained over the years across our global and diversified client base, as demonstrated by client type and geography under Principle 6, has validated and reinforced the effectiveness of our approach to investment and stewardship. At Longview, we are long-term owners of our own business and the values by which we live are equally relevant to Longview as they are to our potential investments.

In line with our culture of self-improvement, we work closely with our clients and endeavour to accommodate client-specific requirements where possible whilst taking feedback onboard. The following case study is one such example. Please note that the name of the client has been withheld to preserve their anonymity.

Case study: Building and maintaining long-term client relationships (US State Fund)
The Fund is responsible for administering retirement and defined contribution benefits for state, local government, and public education employees in a US state. Longview began managing the relationship over ten years ago and has added value to the mandate since its inception while fostering a close relationship with the client over time. Since inception, the mandate outperformed its benchmark by 2.37% on an annualised net-of-fees basis, as at 31 December 2021, passing on this net retirement benefit to employees who have chosen a career in public service. Over the years, in line with Longview's commitment to regular communication and transparency, we met with the investment staff representing the Fund two to three times per year to update them on the portfolio and discuss their questions or concerns. We also regularly presented to the Fund's Trustees which included beneficiaries of the Plan. Over the length of this relationship, we have worked with the Fund to understand the demands of their pension plans and address specific requirements where possible. The lack of breaches in relation to this mandate throughout the period has further demonstrated how Longview's focus on serving the best interests of our clients by delivering performance, client service and good stewardship has been effective. In an effort to ensure continuous improvement, from 2021, Longview started providing improved reporting on carbon data, by means of a quarterly carbon report, as mentioned in Principle 6.

One of the most important beliefs we have is the importance of consistency and transparency in everything we do. To Longview, it is critical that our clients understand our process and that we continue to focus on delivering superior outcomes for them. We seek to evolve our investment process to ever improve our implementation. In addition, retaining the deep culture of Longview is critical. Longview's culture is one of openness and discipline, and we embrace it in everything that we do. Matters such as Diversity and Inclusion (D&I) are increasingly important to us and we are committed to taking such initiatives forwards over the next three to five years.

We believe that our people are our firm and our firm are our people, and human capital management is of critical importance to Longview; we are blessed with long tenure amongst our staff. We are a partnership and committed owners of our firm. We have a Diversity and Inclusion Committee and have developed a call to action to understand our own diversity and to ensure that a continued inclusive environment persists. Longview engaged with portfolio companies to push for increased workforce disclosure and to understand their intentions around the diversification amongst their management roles. We also support a number of industry initiatives such as #10,000Blackinterns and The Diversity Project.

We maintain a firm commitment to serving our clients' needs, being effective stewards of their assets and supporting their beneficiaries, but we recognise that we can continue to strive to do this better.

Principle 2: Signatories' governance, resources and incentives support stewardship.

Longview maintains a flat hierarchical structure. For a company of our focus, combined with the strength of our culture, this integrated approach is optimal for ensuring effective stewardship.

Governance

The CEO, CIO and Head of Research have day-to-day oversight for the effective stewardship of our clients' assets within Longview. Stewardship and related policies are formally reviewed and signed off by the Longview Partners (UK) Limited Board ("Board") on an annual basis.

Ultimately, Longview's Executive Committee and the Board are accountable for ensuring that the approach taken by the organisation towards stewardship related issues is adequate and appropriate. Internal ESG training has been available to Longview employees historically, although, from 2021, this became a formalised, annual procedure. The training is compulsory for the Research and Client Services Teams, however, the training is also available to all staff within the firm. The training is provided by the Institutional Clients Team with input from the CIO and involves briefings on emerging issues and trends, regulatory developments, as well as discussions about Longview's ESG activity and engagements with companies. The Institutional Clients Team develops the training based on discussions and issues raised through the course of their interactions with Longview's clients and consultants, ESG literature and research relevant to the asset management industry and/or available through the UN-Principles for Responsible Investment (UNPRI), the Institutional Investors Group on Climate Change (IIGCC) and other associations; and by attending industry events, seminars and conferences. The objective of the training is to increase the awareness and engagement of the firm on ESG matters. In 2021, the Institutional Clients Team received external knowledge, analysis and training from Sustainalytics and S&P TruCost, both leading ESG-data providers. The knowledge transfer covered the functionality and methodology behind their ESG Risk Rating and Carbon data services which are explained in more detail under Principle 8.

Longview maintains a detailed Framework document which sets out the criteria and expectations around all matters of stewardship, the integration of ESG analysis, and engagement. The document guides the Research Team in the implementation of stewardship activities with portfolio company engagement and ensures that ESG analysis is conducted in a consistent manner Longview maintains an Engagement Log, managed by the Institutional Clients Team, which monitors outcomes, co-ordinates quarterly reporting to clients and works with the CIO and Head of Research to prioritise engagements. Please refer to our Engagement Log example under Principle 9 for additional information. This team is also responsible for the maintenance of stewardship related policies. Longview is proud of a track record that demonstrates a lack of breaches surrounding conflicts of interest in relation to stewardship and we are confident that this is an indication of the strength of our governance structure.

We also believe that good governance extends beyond our own internal governance structures and should be upheld through our research process and our engagements with companies. As long-term investors, we encourage high standards of corporate governance when we meet with the senior management of a portfolio company. In meetings with portfolio companies, we will discuss strategy and corporate responsibility issues with company board directors and executives, as we believe that these factors affect the potential for a portfolio company to deliver long-term, sustainable value to shareholders. Our Research Team evaluates the effectiveness of companies' management on these issues and whether a company's past, current or anticipated behaviour has the potential to adversely affect its future sustainability (and ultimately shareholder value).

Several of the initiatives in this report were new for 2021 and include:

- The ESG Framework
- Provision of quarterly portfolio carbon reporting to clients
- Membership of the IIGCC
- Instigation of an internal quarterly ESG engagement prioritisation meeting

Longview manages a concentrated portfolio and so position sizes have always meant that we are able to make our voice heard, but we believed that we had the opportunity to enhance our robust processes and brought in additional measures. We will monitor the progress of these newly implemented initiatives whilst complying with any relevant regulatory changes within the industry. It is worth noting that the Longview portfolio is unlikely to hold businesses in industries such as oil and gas, mining and materials that are among the worst carbon emitters. Our ability to effect change at those companies is limited, however, the IIGCC, of which we are a member, works on behalf of a large group of investors to engage with those companies on the topic of emissions reduction.

Resources

Longview's research professionals are solely focused on analysing businesses from a bottom-up, fundamental perspective. The Research Team is comprised of our CIO, Head of Research, five experienced Research Analysts and two Research Trainees. All of Longview's Research Analysts are generalists. We believe this ensures lateral thinking and encourages an open mind. This allows the analysts to work as a team, having the ability to challenge each other or to offer different perspectives to understanding and analysing a company's business model. The Research Team operates within a culture of precision, accuracy and a framework of transparency. Longview's Research Analysts are highly experienced investment professionals with an average of 13 years' experience in the investment industry and an average tenure of over seven years at Longview. We believe the retention of experienced analysts who hold a deep understanding of our investment process is key to delivering long-term, sustainable returns which serve the best interests of our clients and support our efforts in meeting our stewardship obligations over the longer-term.

Longview has always been an equal opportunity employer and is a strong advocate of diversity in broad terms. As a firm we believe that cognitive diversity is critical to fostering good debate and high-quality decisions within the investment team and wider organisation. Longview seeks to attract and retain high standards of talent. As a firm we are non-discriminatory in our efforts to do so and remain open-minded and endeavour to recruit from as wide a talent pool as possible.

In terms of gender diversity, 39% of staff are female, and the role of Longview CEO and Head of Institutional Clients is held by Marina Lund. Marina is a Partner, was co-CEO from 2014 – 2019 and CEO since 2019. She has been with Longview since 2007 and in the financial services industry for over 30 years. In addition, two of the firm's Senior Managers are women, Emma Davies, CFO and Member of the Executive Committee, Partner and Sheila Tickner, Head of Compliance. Kate Campbell, Finance Director, also sits on the Executive Committee of Longview Partners (Guernsey) Limited.

In 2021, Marina Lund established the Diversity & Inclusion Committee, which aims to recognise the benefits of difference and varied perspectives, and to recognise that Diversity & Inclusion are critical components in the creation of a trusting and committed workplace, which is fundamental to Longview's culture. The group recommends ongoing firm-wide objectives for improvement, with the aim of promoting good Diversity & Inclusion practices within Longview, which means Longview and its stakeholders benefit from inclusive decision making through a diverse workforce. The Committee is chaired by Katie Moran, Research Analyst and Partner.

Service Providers

On behalf of our Institutional clients, we employ the services of the proxy voting adviser, Glass, Lewis & Co, a leading independent provider of corporate governance solutions to the financial services industry. Glass Lewis fulfils two functions. Firstly, as a purely operational process, they ensure the voting instructions provided by Longview are implemented across client accounts. Secondly, Glass Lewis uses publicly available sources of information such as stock exchanges, regulators and company filings to provide research and analysis and make voting recommendations. Glass Lewis has partnered with Sustainalytics in order to provide additional ESG-specific information in their proxy voting analysis.

Glass Lewis provides structured reports which detail their research and recommendations on each resolution to be voted on. Glass Lewis's report on each of the portfolio holdings is circulated to the Research Team for review. The Research Team will use the Glass Lewis research to assist its deliberations and decide how to vote. If appropriate, the decision may be to vote against Glass Lewis's recommendations and/or against management. Where the decision has been taken to vote against management, we may contact the company to engage with them if timelines allow.

Glass Lewis votes on our clients' behalf at all relevant company meetings. We monitor the service provided by Glass Lewis to ensure that our clients are benefiting from a proxy voting service held to high standards. Annually, we conduct a service review with Glass Lewis. The CIO reviews their voting policy on an annual basis. Please refer to our reporting under Principle 8 for an example of when we raised concerns and escalated a matter by engaging with Glass Lewis's team following such a review.

As mentioned above, Longview has engaged Sustainalytics to provide additional reporting to our Research Team. The Research Team uses primary source material in analysing businesses and uses ESG information and independent assessments from Sustainalytics and Glass Lewis to supplement our own ESG work. Both provide company-level data, research and analysis which cover a variety of Environmental, Social and Governance themes. In addition, Sustainalytics provides a Carbon Report for the portfolio which we circulate to all clients on a quarterly basis.

Incentive Structure

As a result of our single product focus and team approach and culture, the incentive structure of Longview is clearly aligned to the outcomes that we generate for our clients. Longview pays a combination of fixed and variable compensation to its staff. Our approach to remuneration is structured and analytical. In addition to the individual's performance, the criteria considered include the individual's contribution to their team, the firm as a whole and the preservation of Longview's culture.

Fixed compensation is set deliberately conservatively. Variable compensation is intended to be the largest portion of the overall compensation structure and is paid annually, with part deferral for a component for all staff. It is set objectively, considering a variety of factors: the individual's performance, Longview's financial performance during the year, the individual's adherence to and observation of internal compliance policies and procedures (including the firm's Responsible Investment and Engagement Policy) and FCA Conduct Rules; the external competitive environment; and the message to be conveyed. Research Analysts are rewarded based on the discipline and diligence with which they implement the investment process; and the value they bring to other analysts' work through the depth and quality of their interaction within the team. We believe that the disciplined implementation of the investment process will allow us to deliver sustainable returns for our clients over time and therefore support our efforts in meeting our stewardship obligations over the long-term.

Compensation is determined by Longview's Remuneration Committee. The committee is comprised of two Non-Executive Directors of Longview Partners (Guernsey) Limited: the CEO of Northill Capital and the Non-Executive Director who represents the other shareholders group.

We are clear in our belief that better sustainable investment outcomes are most likely generated by companies that engage in better stewardship. Our incentive structure is aligned to investing in such businesses to drive better long-term performance outcomes for our clients. As a single product firm, compensation is closely tied to the success of the business both from a profit and fair market value perspective. All staff participate in equity ownership at some level, whether real or phantom, and so staff are clearly incentivised to participate in the long-term success of the organisation.

Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Longview is very aware and sensitive to all potential conflicts of interest as outlined in our Conflicts of Interest Policy which is disclosed separately at the following link: https://www.longview-partners.com/wp-content/uploads/2022/04/Conflicts-of-Interest-Policy-2022.pdf The identification, prevention and proper management of conflicts of interests is central to Longview's aim of treating clients fairly and is essential to our role as stewards of client assets. Our Conflicts of Interest Policy details the systems and controls that we have implemented to achieve this goal.

Examples of where conflicts of interest exist or may potentially arise include, but are not limited to, the following:

- Brokers: broker selection and payment of commission to brokers;
- Research providers: provider selection and payment for research;
- Dealing and Investment Decisions: allocation of aggregated client orders, dealing errors;
- Staff: personal account dealing undertaken by members of staff;
- Staff: gifts, entertainment or inducements offered or received by Longview and its staff;
- Staff: outside business interests must not affect the ability of a member of staff to make judgements or decisions in the best interests of Longview and its clients;
- Staff: political contributions or charitable donations to persons or in relation to persons who are in positions to influence decisions to retain Longview;
- Research: Longview votes with its own interests which may conflict with the interests of clients.

Longview does not have an historic example of an actual Conflict of Interest arising in relation to a stewardship matter. We recognise that a potential conflict could arise if Longview deemed the stock of a company that was also a client, or closely linked to a client (such as the pension scheme of the company), investible. Our clients often prohibit investment in the securities of the parent or related entity as part of their investment guidelines, thus removing the potential for conflict.

From a stewardship perspective, a potential conflict of interest might arise in relation to a potential or actual investment in a company: that is also a significant client; where any staff member of Longview is also a director of that company; in which we have a strategic relationship; which distributes Longview's products; which is a significant supplier; or any other company which may be relevant from time to time.

If a potential conflict arose out of a portfolio company meeting, then the Research Team would raise the issue with the CIO and the London Compliance Team in the first instance. Staff should not agree to become an insider or be given potentially inside information without prior approval from the CIO and prompt notification to Compliance. It is our strong preference not to be made an insider, as this restricts our ability to trade. If we agree to become an insider, the stock immediately will be placed on our banned list and this will prevent any trading in that name. Staff coming into possession of potential inside information must not communicate this information to anyone, whether internal or external to Longview, except for Compliance. Once this information should become public then the Compliance Team would remove the name from the banned list and the trading restriction would be lifted. Alternatively, the Institutional Clients Team may become aware of a conflict and this would be raised directly with the CEO and Compliance Team.

Longview pays due regard to the interests of clients and aims to treat them fairly at all times. Longview has implemented systems and controls to identify, prevent and manage conflicts of interest. Longview manages conflicts of interest fairly, both between itself and its clients and between two or more clients. Longview's staff must at all times take all appropriate steps to identify conflicts between Longview and its clients or between two clients. In addition, Longview's staff must take all appropriate steps to identify other conflicts of interest. If a member of staff perceives there to be a (potential) conflict of interest, they should notify Compliance immediately. Compliance keeps a log of all conflicts and potential conflicts and how they are managed and mitigated.

Longview has assessed potential conflicts of interest with regard to ESG and stewardship and has concluded that none currently applies. An example of an identified conflict might be in relation to voting and engagement. Hypothetically, if a non-executive director of the Board has a business relationship, either directly or indirectly, with associate companies in which we have a shareholding, this could lead to a potential conflict of interest. This would be managed through the disclosure of outside business interests, which is required at the commencement of the appointment of the director and annually thereafter. A "Chinese wall" has been established between the Research Team and the Board, both in relation to investment decisions and voting and engagement intentions, to ensure information is only shared post-event and in-line with client reporting. The Longview Compliance Team monitors conflicts of interest on a quarterly basis.

On an annual basis, our Compliance Teams based in London and Guernsey review the Conflicts of Interest Policy and make the necessary updates. The policy is also reviewed and edited externally by our third-party compliance consultants, ACA Compliance Group ("ACA"). Lastly, the policy is reviewed and approved by Longview's Guernsey and UK Boards. The frequency of this review would alter if material changes were to occur prior to the scheduled annual review.

Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Within our Research function, through our in-depth analysis of a company, we assess the risks that may be impacting the business from a global perspective. Longview uses its Key Risk Drivers Framework to identify and track the portfolio's exposure to such risks, which can include exposure to energy prices, inflation and government spending, for example. The Framework allows us to assess the commonality of these risks amongst portfolio companies, and this is how we quantify overall exposure to market-wide and systemic factors.

Market-wide risks relevant to our portfolio companies include, but are not limited to, the following categories which can be added or removed over time:

- Lower for Longer Interest Rates / Deflation
- Rising Inflation
- Credit Deterioration
- Slowing EM GDP Growth
- Geopolitical Risk

Systemic risks relevant to our portfolio companies include, but are not limited to, the following categories which can be added or removed over time:

- Slowing Industrial Production / Infrastructure Spending
- Worsening Consumer Spending
- Deteriorating IT Spending
- Social Distancing

At Longview, we strive to invest in predictable companies and to avoid investing in companies that are overly sensitive to external forces and exogenous factors beyond management control, since we view these factors as risks rather than opportunities. Our investment style is not to try to exploit any geopolitical or macroeconomic trends but to avoid our client's portfolio from being exposed to those that we can identify.

Whilst there is inherent risk in building a concentrated portfolio, we ensure diversification by managing the Risk Clusters in that portfolio. We believe that by investing in predictable businesses within a well-diversified portfolio, risk to the portfolio is mitigated. However, there are always unforeseen risks. The COVID-19 crisis in 2020 was such an experience. We see Risk Clusters as the portfolio's aggregated exposure to the market-wide and systemic risks identified above and we seek to ensure that the exposure to such Risk Clusters is minimised. One risk that is challenging to minimise is that of exposure to GDP. As an equity manager, this is a difficult risk to avoid completely, although we seek to invest in companies where the variability of outcome is minimised. Risks can be added or removed from the Risk Clusters overtime.

Exposure to interest rates is a Risk Cluster that features consistently. In general, we seek to avoid investing in companies with a high degree of dependency on the outcome of the level of interest rates. The swift monetary policy response to the pandemic punished the shares of financial companies and such dramatic moves in rates, rather than more gradual action, can impact the portfolio. Below is one example of a Risk Cluster that we have recently added in response to the onset of the global COVID-19 pandemic.

Adding a risk cluster: Social Distancing
During 2020, social distancing was a previously unknown risk that impacted several of Longview's companies. In normal times, these businesses were stable and had sustainable cash flows, even in a normal recession, but many of these companies rely on the presence of consumers to serve or consume their product. The absence of consumers meant that revenues came under pressure at a variety of our portfolio companies and whilst we expect that demand will return, this was a previously unforeseen global risk, which impacted the portfolio. The crisis also put pressure on the balance sheets of several companies. In addition to including social distancing as a Risk Cluster to be considered in our research process going forwards, Longview engaged with company management to ensure that our analysis was correct throughout the pandemic and reflected the current capital position of the companies in which we invest. Social Distancing remained an active Risk Cluster through 2021 as new variants of the COVID virus emerged.

Adding social distancing as a Risk Cluster to our Key Risk Drivers Framework has allowed us to assess and limit the aggregate exposure in the portfolio to this previously unforeseen global risk. As we reviewed companies across the portfolio in the context of the updated Key Risk Drivers Framework and as we researched new companies that may have passed our research process, we have avoided owning more companies which are exposed to social distancing. This has allowed us to address this new risk exposure effectively and in a systematic way. Generally, we assess risk clusters across sectors as the same business risks may be relevant to a variety of sectors or sub-industries.

One of the greatest risks to a well-functioning financial system is a lack of transparency and misleading behaviour. Culturally, Longview promotes and insists upon open and transparent behaviour, and that is part of the cultural essence of all staff. Longview appreciates the importance of risk and compliance and supports a strong control framework where culture and governance drive behaviour; this produces outcomes that are likely to benefit everyone. Longview has no tolerance of poor practices and strives to create a culture where individuals at all levels are accountable for their actions and take personal responsibility. Longview fosters a diverse and open environment where staff feel empowered to speak out when they see bad behaviours. Staff take behavioural cues from the Heads of Departments and Senior Managers, which is why Longview sets this tone from the top.

In terms of a well-functioning financial system, Longview recognises and adapts to new regulation designed to protect the smooth functioning of the market. An example would be the introduction of The Central Securities Depositary Regulation (CSDR) in early 2022, which required Longview to engage with other market participants to understand the requirements and ensure that the key components of the regulation could be facilitated in advance of coming into effect.

In line with Longview's Code of Ethics standards of business conduct, Longview understands that it has a duty to clients with respect to the advice and management services provided. Longview approaches a client's affairs with the same prudence used in the management of its own affairs, places the interests of the client before its own, and does not withhold material information from a client that would affect the client's investment decision.

Longview pays due regard to the interests of clients and aims to always treat them fairly. Longview has implemented systems and controls to identify, prevent and manage conflicts of interest. Longview manages conflicts of interest fairly, both between itself and its clients and between two or more clients. It is the duty of every member of staff to always place the interest of clients first. All staff members receive annual compliance training to remind them of this duty and their reporting obligations.

Longview's Research Team uses best endeavours to have an influential and supportive relationship with an investee company and regular dialogue with senior management. This enables us to monitor the company's progress and prospects and we encourage such behaviour with all the companies' investors.

Industry Bodies and Affiliations

Longview has been a signatory to the UK Stewardship Code (Tier 1) since 2011 and has been supportive of the FRC's efforts to widen the scope of and improve engagement with the UK Stewardship Code across the industry. During 2019, Longview participated in consultations with the FRC regarding the update to its UK Stewardship Code. Our intention was to help the Council gather information to ensure that the Code is as beneficial and effective as possible.

Longview has also been a signatory to UN-Principles for Responsible Investment (UNPRI) since 2010. Being a signatory has enabled us to reflect and report in a formal and standardised way on how we consider important aspects of ESG in our investment process. As the PRI reporting requirements have evolved over the past decade, Longview has evolved with them and received an A rating from the PRI in 2020.

Longview is also a member of several other industry bodies which have varying roles to ensure that aspects of the overall financial system function well and that systemic risks are highlighted, understood and addressed. These include:

- The Investment Association (The IA)
- The Independent Investment Management Initiative (IIMI)
- Pensions and Lifetime Savings Association (PLSA)
- Institutional Investors Group on Climate Change (IIGCC)

As an example, the IIGCC is the European membership body for investor collaboration on climate change which is a systemic risk across the global economy. The IIGCC has developed several workstreams to collaborate with stakeholders, represent members on the global stage, produce reports and guides for best practice initiatives and strengthen the contribution investors make in helping to realise a low carbon future.

A further example is the Independent Investment Management Initiative (IIMI), a think-tank that offers an independent, expert voice in the debate over the future of financial regulation, of which Longview is a member.

Founded in 2010 as New City Initiative and relaunched as IIMI in 2021, the IIMI counts amongst its members some of the leading independent asset management firms in The City and the continent. The IIMI gives a voice to independent, owner-managed firms that are entirely focused on and aligned with the interests of their clients and investors. Over the years, the IIMI has engaged with members of the UK government, HM Treasury, the FCA and the European Commission to name a few, in order to maintain, improve and promote a well-functioning financial system. The IIMI has also published multiple policy papers, highlighting areas of weakness within the system and proposing changes to help address those areas.

As we describe through our approach to collaborative engagements under Principle 10, we are comfortable engaging with other influential investors on contentious issues in a direct manner if we believe that management was failing to act in shareholders' interests, and we have done so in the past through written correspondence regarding capital allocation concerns. In one such instance, we did share the response that we received from another influential investor we engaged with, which was in support of Longview's position, with the portfolio company's management team. This effort was part of our multi-pronged approach of engaging with the company regarding their planned acquisition.

Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.

All external Longview policies are reviewed by the Executive Committees followed by the Boards of Longview Partners LLP or Longview Partners (Guernsey) Ltd as appropriate or following any material changes or regulatory developments made known to Longview via communication from the regulators, lawyers or external compliance consultants. It is the responsibility of the CEO to monitor and assess the technical competence of Senior Managers and both the CEO and the relevant Senior Manager for Certified Staff. More specifically, our Compliance Teams based in London and Guernsey review all policies in their entirety and make the necessary updates. The policies are also reviewed and edited externally by our third-party compliance consultants, ACA. Lastly, the policies are reviewed and approved by Longview's Guernsey and UK Boards, as relevant. The frequency of this review would alter if material changes were to occur prior to the scheduled annual review.

In addition, we reviewed our proxy voting procedure and subsequently made some improvements. We streamlined the process, and introduced a dual approval requirement whereby the responsible Research Analyst confirms the voting recommendation and this must be approved by either the CIO or Head of Research. This approval process is facilitated through the Glass Lewis Viewpoint platform, which means there is a complete, easily accessible, audit trail of all votes submitted and the Investment Team's comments on each meeting. These enhancements to the process help us to ensure that all votes at company meetings are carefully considered, submitted and documented for client reports and our own records.

The external third-party review conducted by ACA helps evaluate and support our conclusion that the policies enable effective stewardship. ACA ensures the policies are in line with rules and regulations, including the UK Stewardship Code's standards and requirements. The Board members are dedicated professionals with a wide breadth of knowledge and experience. Their expertise enables an effective and comprehensive review of the policies. Furthermore, our experienced and dedicated Compliance Team reviews all policies and communications to ensure that they are fair, clear and not misleading, which is in line with FCA and SEC rules. ACA will also ensure that these attributes are upheld in their review.

In line with our culture of continuous improvement, Longview is always seeking to improve its processes and policies and ensure they are fit for purpose. One example of an improvement made in 2021, having assessed the effectiveness of our engagement policy, was to introduce a quarterly engagement prioritisation meeting. The CIO, Head of Research and the Relationship Management Team now meet quarterly to discuss and prioritise engagements. We focus our ESG engagement efforts on companies where we have identified significant ESG-related issues in our proprietary research process. A key part of the selection process is materiality. This can be in terms of the potential impact on the value or reputation of the business, the potential to impact our assessment of Quality, or given feedback from our ongoing dialogue with clients.

Given its size, Longview does not have an internal audit department. However, Longview is subject to two separate annual external audits, both of our financial statements and of our AAF 01/06 Report on our internal controls.

Case Study: Assessing the effectiveness of our Responsible Investment and Engagement Policy

Our Responsible Investment and Engagement Policy directs us to engage with companies on matters of ESG and stewardship as part of our overall investment research and assessment of a company's Quality rating. Part of this work involves reviewing reports generated by our external ESG provider, Sustainalytics. In January 2021, Longview noted that Sustainalytics rated one of our Health Care portfolio companies as 'High Risk'. Longview noted that the company scored particularly badly in the Product Governance category. Longview contacted Sustainalytics to better understand their analysis, as it did not appear to reflect all the available evidence. Sustainalytics responded, indicating that some of our concerns had merit and that a new report was to be published shortly. This report reflected an improvement in management score for the Product and Service safety programme indicator which, along with progress in the area of Business Ethics, contributed to the reduction of the company's overall ESG Risk Rating from 'High' to 'Medium'.

Longview also wrote to the company to obtain clarification on Sustainalytics' concerns and to better understand their approach to ESG. They gave further information on its product quality procedures and the broad scope of its certified operations. The company also provided detail on its use of animal studies and clinical trials, which are assessed as part of Sustainalytics' calculation of its Business Ethics score. The company performs testing involving live animals 'only when absolutely necessary, and in keeping with all applicable regulations and current best practises.' The company values animal welfare and noted in its correspondence that ensuring animal welfare also leads to more effective testing.

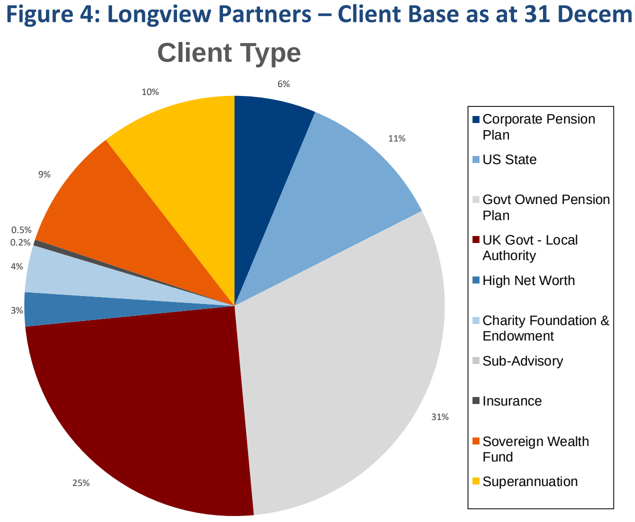
This case demonstrates an advantage of integrating ESG into our rigorous fundamental research approach as it enabled our Research Team to effectively identify potential anomalies from external sources. By engaging with third-party providers and holding them to high standards when it comes to ESG, Longview can contribute to the improvement of the accuracy of data provided to all investors. The resulting correction of the company's ESG Risk Rating by Sustainalytics was a positive outcome for Longview and the company. By involving the portfolio company in these discussions, Longview was able to gain additional insight into the issuer's approach to product governance and the company indicated an intention to be more proactive in sharing information with Sustainalytics and similar providers in the future to ensure that ESG ratings are based on accurate information. This engagement example highlights the potential benefit to companies of proactively engaging with investors and proxy voting service providers.

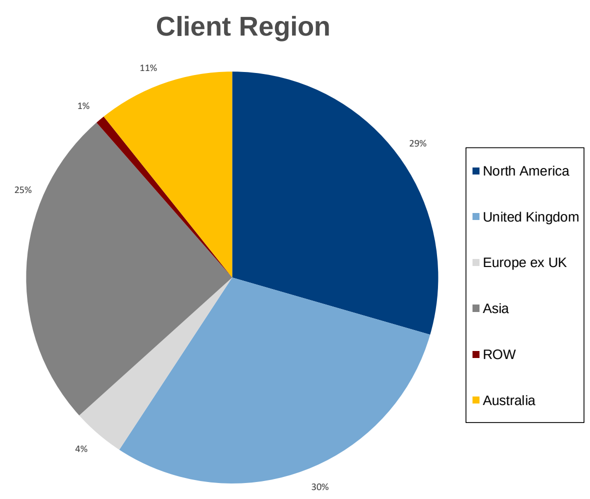
Please note that the company name in the above example has been withheld to preserve the anonymity of Longview's holdings.

Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Longview provides investment management services on a discretionary basis purely to professional clients, almost all of whom are institutional. Investment management services are provided to corporate pension plans, government-owned funds, insurance companies, pension plans of UK local authorities, sub-advisory accounts, US States, superannuation schemes, charities, foundations and endowments, high net-worth investors, as well as two pooled investment vehicles. Longview offers its portfolio management services to sophisticated and experienced investors through both separately managed accounts and its Luxembourg long-only SICAV. As previously mentioned, we are long-term investors and our clients typically have correspondingly long-term investment time horizons of three to five years. In fact, many of our clients have remained invested in Longview for longer time periods. As at 31 December 2021, AUM was USD 19,366 million. Please see below a breakdown of our client base by type and geography.

Figure 4: Longview Partners – Client Base as at 31 December 2021





At Longview, we recognise that good stewardship is important to us and our clients. Longview believes it has a responsibility towards its clients to exercise their rights to the best of our ability. With all of our clients, we promote an open dialogue on all matters, including stewardship. At Longview, our culture is one of transparency and openness, and our clients appreciate our approach.

The process of comprehending our clients' needs starts prior to contracting where we take time to understand each client's expectations and ensure that our clients understand the Longview investment process clearly, including

Longview's approach to stewardship. If it is established that there is a philosophical alignment and Longview is appointed to manage assets, we work closely with the client throughout contract negotiations and endeavour to accommodate any client specific requirements where possible. For example, we have been able to incorporate specific responsible investing restrictions via client-provided restricted lists. As part of the onboarding process, investment restrictions are reviewed by the Compliance Team and communicated more broadly internally by the Client Services Team before any trading can begin in the portfolio.

Longview endeavours to foster close relationships with clients through regular and consistent communication, which enables Longview to keep abreast of our clients' evolving needs and preferences. Transparency is central to how we manage our relationships. For all clients, we believe in the team approach to client service where Client Relationship Management is overseen by Marina Lund (CEO and Head of Institutional Clients) and is supported by dedicated teams in both London and Guernsey. In addition, there are multiple additional lines of communication available to all clients, including the CIO and members of the Research Team.

We disseminate reporting and meet with our clients regularly. Meetings may be in person or virtual, with more regular conference calls should this be appropriate. The purpose of these meetings is broad but in general, meetings enable us to update clients on the portfolio, but also provide clients with an opportunity to discuss issues they have, so that we may respond appropriately.

At Longview, we provide each client with a monthly portfolio report, within 10 business days of the end of each month, and a more detailed client report on a quarterly basis, within 15 business days of the end of the quarter. These reports include performance, performance attribution and holdings information. We also respond to ad hoc information requests that we receive from clients throughout the quarter. In addition, on a quarterly basis, we share a qualitative report which includes a market commentary on the previous quarter, a portfolio review and our investment outlook. Company engagements addressing ESG matters are documented and the most significant of these are provided to clients on a quarterly basis. The write-ups detail the issues raised and the thrust of the discussion, the company response and outcome, and, where applicable, any follow-up or ongoing monitoring required.

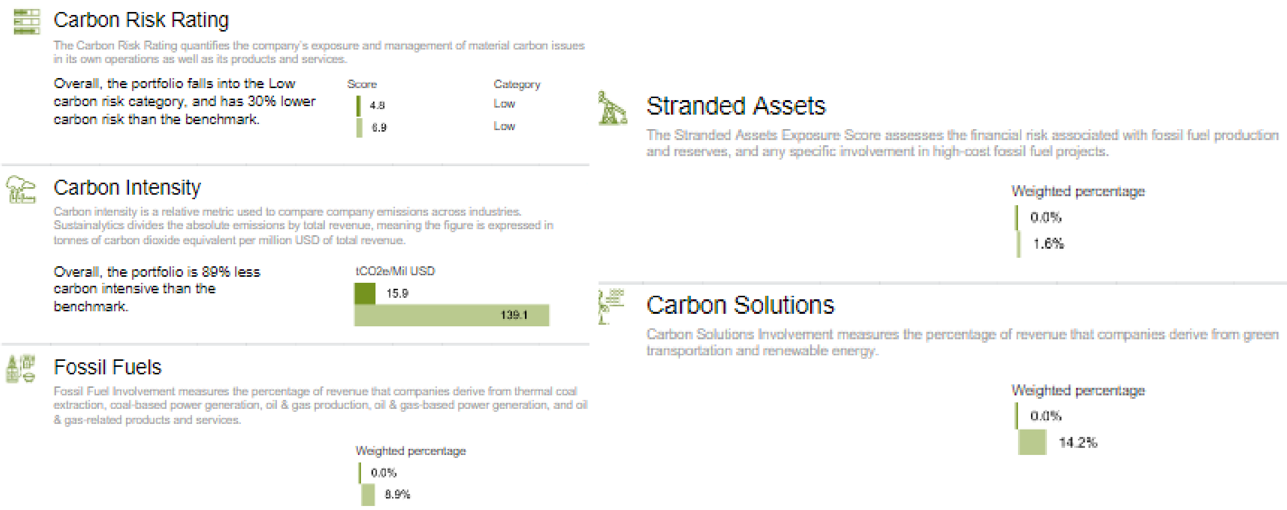
Clients are also provided with a quarterly Portfolio Carbon Report, currently issued using data from Sustainalytics, that provides information on the portfolio's position with regards to the transition towards a low carbon economy. It compares the portfolio with a benchmark across five carbon assessments: Carbon Risk Rating, Carbon Intensity, Fossil Fuel Involvement, Stranded Assets Exposure, and Carbon Solutions Involvement. An example of the metrics provided is shown in Figure 5.

Proxy voting reports are also provided on a quarterly basis to all clients on whose behalf we vote. These reports detail all votes cast during the period and provide an explanation in relation to any differences between the voting instruction and the company management's recommendations. Glass Lewis evaluates publicly available information and provides research and voting recommendations; however, the Longview Research Team assesses each vote and instructs a voting decision to Glass Lewis, which may be against their recommendation, but Glass Lewis then oversees the execution of that decision across client portfolios. In addition to the regular proxy voting reports, Longview provides voting and engagement data to satisfy the regulatory requirements of clients, for example, by completing PLSA templates for UK pension schemes.

At the end of 2021, we launched a client portal through which our clients can access all reporting noted above, plus other useful information about the firm, the strategy, the people, policies and other documents to allow client self-service and develop a greater understanding of Longview.

Longview believes that by working transparently with our clients, we have the opportunity to consider feedback which can lead to improvements in our reporting and client service proposition. One specific improvement which was in part the direct result of feedback received from a sub-set of clients resulted in the onboarding of Sustainalytics, previously outlined in Principle 2, as an additional research input for our investment team. The system enables our Research Analysts to review company specific ESG data and analytics on stocks within Longview's portfolio and across the broader investment universe. The research reports provided by Sustainalytics are used as a supplement to the proprietary research that we produce during the investment research process. We are also able to generate portfolio-specific metrics which may flag any ESG areas of concerns. The platform provides a comprehensive set of data points that covers a variety of Environmental, Social and Governance themes, including management, corporate governance and controversial event indicators along with historical indicator-level data.

Figure 5: Carbon Portfolio Report – Overview



Source: Provided by Sustainalytics

In order to better respond to client questions, Longview collected diversity data on staff at a firm level. To do so, Longview partnered with Fabric3, a data analytics firm which focuses on diversity analytics for investment managers. Fabric3's approach to diversity aligns with that of Longview's. The approach is to take the widest view of diversity and look to understand it in all its forms. Fabric 3's methodology breaks diversity categories into 'hardware – physical/visible diversity', 'software – experiential/acquired diversity' and 'operating system – cognitive/neurodiversity'. Using Fabric3's survey data, we were able to profile the firm and understand the current diversity metrics at Longview.

In addition, Longview provides data on the firm's most significant votes under obligations from the Shareholder Rights Directive (SRDII). This information is provided annually, in line with the regulation, and on an ad hoc basis, when requested. Longview defines a significant vote as one where we have voted against management, or where >15% of total votes were against management or where we voted against our proxy adviser's recommendation. We have applied this chosen approach consistently when determining the data. Please see the table below for specific details and commentary on individual votes. Note that the data show a sample of significant votes over the year 2021.

Category	Voting Subject Description	Vote Cast	Commentary	Reason for Vote Significance
SHP: Governance	Shareholder Proposal Regarding Reducing Ownership Threshold Required to Act by Written Consent	For	The Company's 20% ownership threshold is too high to provide shareholders with a meaningful right to action by written consent	Longview has voted against management and >15% of total votes were against management
SHP: Environment	Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement	For	In line with Glass Lewis Policy	Longview has voted against management and >15% of total votes were against management
Board Related	Election of Directors	Against	Serves on too many boards	Longview has voted against management and >15% of total votes were against management
SHP: Social	Shareholder Proposal Regarding Diversity and Inclusion Report	For	Enhanced disclosure would allow shareholders a better understanding of how the issue of diversity was being managed and overseen	Longview has voted against management and >15% of total votes were against management
Compensation	Approval of the 2021 Stock Plan	Against	Cost of plan is excessive	Longview has voted against management and >15% of total votes were against management
SHP: Environment	Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement	For	In line with Glass Lewis Policy	Longview has voted against management and >15% of total votes were against management
Board Related	Election of Directors	For	Glass Lewis recommended to withhold votes for the election of the CEO and principal financial officer, because she is treated as CFO despite not being formally designated as such. Longview engaged with the company to discuss and concluded that this was not a material issue.	Longview has voted against Glass Lewis
Compensation	Shareholder Proposal Regarding Racial Equity Audit	For	In line with Glass Lewis Policy	Longview has voted against management and >15% of total votes were against management

Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

As outlined in Principle 2, at Longview, we take a long-term approach to investment and seek to invest in companies that can create long-term sustainable value. We recognise the importance of an assessment of ESG factors when considering a potential investment or an existing holding.

Our approach to ESG is integrated across our firm and different teams within Longview work together to ensure the effective implementation of our ESG Framework. The key components of the framework and the responsibilities of each team are set out in the table below. For review of our Responsible Investment and Engagement Policy, it is available on our website at the following link: https://www.longview-partners.com/wp-content/uploads/2021/04/Responsible-Investment-and-Engagement-Policy.pdf In line with our single product focus, we only have one integrated approach to ESG and stewardship that we apply across our investment strategy, assets and geographies.

Figure 6: Longview Partners - ESG Framework

INTEGRATION			STEWARDSHIP	
ESG Analysis	**Exclusionary Screening**	**Data Sources and Reporting**	**Company Engagement**	**Proxy Voting & Policies**
Assessment of ESG factors are part of our research process when considering the Quality rating of a business. The team considers: - Environmental issues including climate change. - Social issues such as D&I, human rights and labour conditions. - Governance matters including in relation to the interests of minority shareholders. Philosophically, Longview is unlikely to invest in oil & gas, mining and deeply cyclical industries.	Ability to exclude companies under client direction by applying client-specific guideline restrictions.	In-depth, bottom-up proprietary research. Sustainalytics is used both at a company and portfolio level. Portfolio Carbon Report provided to clients on a quarterly basis. Additional carbon emission and climate-related information.	Longview engages directly with companies on ESG and wider issues, as appropriate. Monitoring and escalation processes are in place to track progress of outcomes. Quarterly client reporting includes written commentary on engagements undertaken during the quarter and, where applicable, follow-up and outcomes.	Proxy voting is exercised via proxy voting provider (Glass Lewis). Longview considers Glass Lewis research but makes all voting decisions. Proxy voting reports provided to clients on a quarterly basis. Policies and affiliations: - Responsible Investment & Engagement Policy - Active Stewardship Policy - Shareholder Rights Directive II (SRD II) Policy - Signatory to the UN (PRI) since 2010 - Approved signatory to the 2021 UK Stewardship Code
Research Team	**Compliance**	**Research Team**	**Research Team**	**Research Team**
		External data provider	**Relationship Management Team**	**Relationship Management Team**
				External proxy voting research

Assessing the significance of ESG-related risks and opportunities is part of our bottom-up research process and considered as part of our Quality rating, the details of which are outlined in Principle 1. If an investment does not meet our Quality criteria, we will not invest. Similarly, if we perceive that the quality of an existing holding has fallen below our Quality threshold, we will sell our position and this is clearly communicated to clients in our Request for Information (RFI) documents, marketing presentations and during client meetings.

We consider a wide variety of information when analysing companies. Analysts will generally start by reviewing primary sources of information released by both the company being analysed and its competitors. This includes annual and quarterly reports, presentations, conference call transcripts and a wide range of regulatory filings. In general, we will also meet with company management as part of initial due diligence and portfolio company monitoring.

Our Research Team may meet with company management during the process to understand their strategy, cash deployment, industry dynamics and approach to Environmental, Social and Governance factors rather than short-term performance expectations. Analysts also access other external information from providers such as, but not limited to:

- Sustainalytics – an external provider of Environmental, Social and Governance information and ratings.
- Glass Lewis – an external provider of proxy voting research and advice.
- FactSet – wide-ranging data aggregation.
- Data providers – from time to time we purchase data sets from third-party providers to supplement our understanding of a company or industry.
- Sell Side Research Providers – we subscribe to read-only research services from several sell side brokerage houses.
- Industry conferences.

The Research Team uses primary source material in analysing businesses and uses ESG information and independent assessments from Sustainalytics and Glass Lewis to supplement our own ESG work. Both provide company-level data, research and analysis which cover a variety of Environmental, Social and Governance themes.

On environmental and social matters, we believe that a lack of consideration for these issues can negatively impact the growth of a business and its long and short-term profitability. On governance, the key element of this analysis is the portfolio company's treatment of shareholders and its use of capital. We also take direction from clients as to whether it is deemed appropriate to own certain companies in their portfolio.

M.O.R.E. ESG Analysis

To ensure consistency in our approach when analysing Environmental, Social and Governance matters, Longview's Research Team has developed an analysis framework. This is used not only prior to investment but also reflected upon during the holding period. The framework considers matters of Materiality, Risk and Opportunity as well as Engagement (M.O.R.E).

M = Materiality
Materiality considers the significance of the impact of a sustainability matter. Sustainability matters may differ from one sector to another, but all our ESG analysis is conducted through the lens of materiality. Financial materiality is a key aspect as most issues will ultimately impact the financials of a company. However, Longview also considers reputational, regulatory, and legal impacts amongst others. Materiality is also a key determinant of our approach to engagement and prioritisation of it.

O = Opportunities
Initial company research should consider whether there are any identifiable, material E, S or G opportunities arising for the company?

R = Risks
Initial company research should answer the following four questions:

1. **Minority Shareholders** - Is there any reason, ESG or otherwise, to be concerned that the company may not be acting in the interests of minority shareholders?
2. **Historic ESG Issues** - Has the company experienced material ESG issues in the past and what action was taken in response?
3. **Long Term Value Creation** – do we perceive any ESG risks that would affect the company's ability to create long term value for shareholders in the future?
4. **Sustainalytics** - Are there any material issues raised by Sustainalytics and/or stakeholders?

E = Engagement
If any issues are raised and deemed material, either prior to or during the holding period, Longview may choose to engage with the company. It may be necessary to seek comfort or clarity around a particular issue for the Research Team to confirm the Quality rating. All engagements are recorded in our Engagement Log and where necessary discussed in a quarterly ESG engagement prioritisation meeting.

More specifically, the Research Team has identified the following matters as priorities when assessing ESG factors based on how they contribute to the Quality rating of a company.

Environmental

Our consideration of environmental risks, including climate change, is part of our analysis of long-term growth and stability, and analysed during discussions on Quality. As discussed in Principle 9, poor management of such issues represents a risk for any company.

As noted above, structurally, our portfolio is likely to have low carbon risk relative to global benchmarks due to our lack of exposure to oil and gas, mining, metals and deeply cyclical businesses. We are also aware of the potential compromise of the long-term growth prospects for businesses supplying equipment to these companies and other heavy emitters of carbon gases. However, clearly there is also the potential to identify beneficiaries of the move towards a low carbon economy such as the electric vehicles ecosystem or manufacturers of energy efficient products.

We have recently completed a climate commitment audit exercise on the Longview portfolio. We accessed publicly available information from the Carbon Disclosure Project, company websites and Corporate Social Responsibility, ESG or Sustainability reports, amongst other sources, to answer six key questions, which are listed below, about each portfolio company:

1. Has the company made a Net Zero, or similar, commitment by 2050 (or earlier)?
2. Has the company made any commitment to reduce GHG/carbon emissions?
3. If the company has set emissions reduction targets, are they Science-Based?
4. Has the company published a credible plan to reach their goals with interim targets?
5. Are there any other climate intentions? If no, current commitments or plans?
6. Has the company met its earliest interim target? In what year? If not, when is their first target?

This audit has informed us as to the current position of companies in the portfolio and will enable us to engage more meaningfully to either understand their commitments more fully, or encourage them to better clarify or make commitments if they have not already. For the purposes of the audit, we considered a carbon neutral commitment to be insufficient. To be deemed meaningful it needed to be accompanied by clear emissions reduction plans and targets.

In addition, company management may seek to purchase carbon offsets/credits to support their pledge to move to Net Zero. As capital allocation is a critical part of our analysis of Quality, we may need to understand their framework for such a use of capital.

Social

The S in ESG is a broad category. Not only does it encompass human rights, labour conditions including slavery and child labour, and other negative health and safety factors, but also Diversity and Inclusion. This is in terms of the overall workforce and across the management suite as well as a company’s community impact, political views and approach to conflict.

Much of the analysis of workforce management at the company and within their supply chains is considered during our Quality discussions as above. In addition, Sustainalytics may highlight further issues on which we may wish to engage with company management. As with environmental issues, we would deem a lack of consideration of such social issues to represent an element of risk to a company that could affect its growth, competitiveness and profitability.

Social issues can impact the prospects for a whole industry, tobacco for example, but also for individual companies through reputational damage that can threaten their revenue line (i.e. lost customers) and their ability to attract and retain talent. Companies that operate in a way that benefits all stakeholders and not just investors are likely to benefit from a virtuous circle effect that will benefit their growth and value over time.

In 2021, Longview established a Diversity & Inclusion Committee. The Committee has engaged with companies in the portfolio to understand their approach to D&I and clarify our expectations as shareholders. In our discussions, we have pushed for increased workforce disclosures and diversification of leadership ranks.

Equally for Longview, attracting and retaining talent is fundamental to the sustainability of the firm and the hiring process is detailed and rigorous. Longview works hard with the various specialist search firms used to ensure we source the best quality candidates with the appropriate skill sets for each of the roles we seek. We aim to ensure our access to a broad and diverse pool of quality candidates.

Governance

Governance is a key component of our Quality rating and encompasses, amongst other things, governance structures, remuneration and management's framework for capital allocation. We expect governance structures to ensure high standards of management oversight and to protect the interests of minority shareholders. We expect remuneration to be proportionate and fair and for management incentives to be well aligned with shareholders and focused on the long-term health of the business. We expect management to give due consideration to all capital allocation options with a view to maximising long-term shareholder value.

Governance forms a significant part of our regular interactions with companies through a combination of management and board level discussions, proxy voting and where necessary escalation through private correspondence.

Information gathered through stewardship is covered during our discussions on Quality and reflected in our analysis of that criteria. We monitor our holdings to ensure that they continue to meet our Quality requirements, but should a company no longer pass our Quality criteria, we will sell our position. We believe that monitoring the quality of our investments, whilst integrating the ESG considerations discussed above, serves the best interests of our clients. As described in Principle 1, we believe that high quality companies with strong business fundamentals and attractive cash-based valuations are more likely to be successful businesses that deliver sustainable, long-term value to their shareholders.

Below are two examples of how we have monitored the Quality of our holdings. Please note that the company names have been withheld to preserve the anonymity of Longview's holdings.

Example 1: US Financial Services Company
Following the failed merger between two of Longview's portfolio companies, Longview met virtually with the CFO of one of the companies in September 2021. The purpose of this call was to better understand the reasons for the merger collapse and any implications for the company's future capital allocation. The CFO confirmed the company's capital allocation policy remained unchanged with the company continuing to allocate free cash flow based on return on capital, with share buy-backs currently their highest return on capital opportunity, and therefore an implicit hurdle. This reaffirmed our comfort around capital allocation, which is an important part of our assessment of Quality and was therefore a positive outcome. This engagement was closed off in Longview's Engagement Log and signed off as part of the quarterly ESG engagement prioritisation meeting, although we continue to monitor the capital allocation practices of all portfolio companies on a continuous basis.

Example 2: UK Hospitality Company
Capital allocation is a key part of our Quality framework. In December 2021, Longview held a call with a UK hospitality company to discuss its proposed new remuneration policy. Longview discussed the proposed changes with the Chair of the company's Remuneration Committee and General Counsel after responding to a consultation letter in writing. The first of two material changes to the policy was a proposal to reduce executives' pension contributions to 10% of salary, bringing them in line with those of the wider workforce. Longview agreed that this was a reasonable step to take. Secondly, the company proposed to revise its Annual Incentive Scheme "AIS" for executives. The Remuneration Committee proposed changing the wording of the policy such that it reads "Awards are payable based on a mix of financial metrics and other business objectives". The existing wording had made specific mention of "underlying profit performance representing no less than 50% of the total award at any time", and the company's aim with the revision was to allow for more flexibility in the selection of financial measures used to calculate the AIS. Longview noted that the desire for more flexibility was understandable but emphasised that it was difficult to see how the removal of the underlying profit metric altogether would be in the best interests of shareholders. The company stated that they would never exclude profit entirely, it will always remain part of the incentive structure. Longview acknowledged this concern but noted that growth should not be incentivised without regard to profitability. Longview suggested that additional clarity on the importance and weighting of the underlying profit measure would be helpful. Longview is unlikely to vote in favour of the new policy unless the wording of the policy is changed. Through this engagement, Longview was able to vocalise our concerns with the revised remuneration policy and encourage the company to change the wording of one of the material changes. We have an open dialogue with the company and engaged further with the company on this issue after the reporting period. We will be able to disclose the outcome of this engagement, which was positive, in our next stewardship report.

As discussed in Principle 2, on behalf of our Institutional clients, we employ the services of the proxy voting adviser Glass, Lewis & Co, a leading independent provider of corporate governance solutions to the financial services industry. Glass Lewis fulfils two functions. Firstly, as a purely operational process, they ensure the voting instructions provided by Longview are implemented across client accounts. Secondly, Glass Lewis uses publicly available sources of information such as stock exchanges, regulators and company filings to provide research and analysis and make voting recommendations. Glass Lewis has partnered with Sustainalytics in order to provide additional ESG-specific information in their proxy voting analysis.

Glass Lewis provides structured reports which detail their research and recommendations on each resolution to be voted on. Glass Lewis's report on each of the portfolio holdings is circulated to the Research Team for review. The Research Team will use the Glass Lewis research to assist its deliberations and decide how to vote. If appropriate, the decision may be to vote against Glass Lewis's recommendations and/or against management. Where the decision has been taken to vote against management, we may contact the company to engage with them if timelines allow.

The details on how we monitor Glass Lewis are also described under Principle 8.

Principle 8: Signatories monitor and hold to account managers and/or services providers.

As discussed in Principle 5, Longview outsources several services to third-party providers. We take care to ensure that third-party service providers can provide a high-quality service, within their agreed contractual terms, and are managed to the standards and care expected of a provider. We believe it is Longview's responsibility to ensure that the quality of our third-party providers is of the utmost integrity.

Third-party relationships are managed with regard to the four factors listed below. Such factors will be taken into consideration when setting the overall Service Criticality, which itself then determines whether an initial or ongoing review by Longview of the services provided should take place and if so, the extent of such a review:

- the criticality of the service to Longview;
- the provider's control environment and security of Longview data (if appropriate);
- Longview's ability to run the system or service independently in the event of an issue with the service provider; and
- the service provider's product and its financial stability.

For any third-party provider where it is determined that a review is appropriate, such review and the resultant findings will be documented. Given that the assessment of each service provider is risk-weighted, the extent and timing of the review, which is based on an assessment of the criteria listed above, will vary for each provider. Each service provider has a Longview staff member who is, in the view of the Executive Committee, best placed to oversee the responsibility for that relationship. The Executive Committees of Longview, as applicable, have ultimate oversight of these relationships.

Proxy voting
As discussed under Principle 7, Longview employs the services of the proxy voting adviser, Glass, Lewis & Co, a leading independent provider of corporate governance solutions to the financial services industry.

We believe Glass Lewis's well researched and independent analysis on governance complements Longview's stock selection process. We advocate the exercising of votes, and where necessary, objective and informed intervention in line with our Shareholder Activism Policy, available on our website here or at the following link: https://www.longview-partners.com/wp-content/uploads/2021/04/Shareholder-Activism.pdf

Glass Lewis's policies are reviewed and signed off by the CIO annually. Glass Lewis provides structured reports which detail their research and recommendations on each resolution to be voted on for each company. Glass Lewis's report on each of the portfolio holdings is circulated to the Research Team for review. The Research Team will use the Glass Lewis research to assist its deliberations and decide how to vote. Voting recommendations are made by the lead analyst for that particular company, but then must be approved by either the CIO or Head of Research. If appropriate, the decision may be to vote against Glass Lewis's recommendations and/or against management. Where the decision has been taken to vote against either, we may contact Glass Lewis or the company to engage with them if timelines allow.

Example 1: Engagement with Glass Lewis
In April 2021, Longview held a video call with Glass Lewis to discuss their stance on Say on Climate, which was prompted by Glass Lewis's recommendation against the Say on Climate shareholder, non-binding advisory proposal tabled at the 2021 Annual General Meeting (AGM) of a US cable company. Longview noted that although climate change was not as significant for this company as for some other companies, the issue has been growing in importance. Climate change today appears to be of greater focus amongst the UK asset management industry, compared to the US, but Longview expects the US to soon follow suit. Although Longview voted in line with Glass Lewis - against the Say on Climate proposal - we wanted to better understand Glass Lewis's rationale from two perspectives: firstly, from the perceived inconsistencies with other non-binding advisory votes, such as Say on Pay, and secondly, in relation to the different recommendations made for companies in other geographies. Longview emphasised that transparency and disclosure of information are important for investor decision-making and that Longview may need to vote against Glass Lewis's recommendations if this proposal is made in future meetings for portfolio companies.

Glass Lewis supports transparency and disclosure, including the Task Force on Climate-related Financial Disclosures (TCFD) annual reporting requirement. However, they expressed several concerns which led to their decision to recommend voting against Say on Climate:

1. Climate transition plans are complicated, regularly involving long time horizons (30 years or more) combined with technological unknowns and Government policy dependencies.

2. Even for subject experts, as they are, it is difficult to assess these plans and many investors may not be sophisticated enough to understand and approve the plans.

3. Fiduciary time horizons do not match, an average shareholder may only be invested for five years. Compare this to Say on Pay or Say on Diversity votes, where investors are better informed on less complicated subjects. These outcomes also have less impact on overall company strategy, with decisions based on twelve months of historic data and a short- to medium-term plan.

4. This type of vote might reduce or remove board accountability for long-term strategies. The Board should act in the best interests of the company and shareholders alone should not be able to dictate a company's long-term strategy.

5. Some shareholders have expressed concern that Say on Climate votes may negatively impact their legal rights, and ability to seek redress, if management do a poor job.

While understanding of the concerns presented, nevertheless, Longview believes that the proposal being included at the AGM is a positive step in creating dialogue on this important topic and is likely to lead to better disclosure and planning. For instance, Say on Pay votes force companies to provide more information to shareholders so that they can engage and influence the structure and scale of executive remuneration to ensure management are aligned with shareholders.

Longview noted that the recent pledge from President Biden for the US to reduce its greenhouse gas emissions by between 50% and 52% by 2030 and aim for net zero emissions by 2050 evidenced a change of tone in the US. Longview believes political and shareholder pressures will force proxy voting agencies such as Glass Lewis to re-examine their approach carefully, and that may encourage them to recommend voting for similar proposals in the future. In addition, there may be a financial impact for climate laggards as their cost of capital may rise. Longview considers a 40-year time horizon in its modelling and believes transparency is essential in formulating accurate company analysis.

Glass Lewis is more supportive of climate-related votes where it is clear that the Board remains wholly accountable for the long-term strategic vision for the company. They will also be undertaking further work on the potential legal consequences of the Say on Climate proposals but expect that legislation and regulation will be required to generate the desired changes.

Longview requested that Glass Lewis reconsider its position on the Say on Climate movement, in the US and globally, ready for the 2022 AGM season, and restated our commitment to continued engagement with Glass Lewis on this topic. It was agreed the discussion had been beneficial for both parties.

Example 2: Follow-up engagement with Glass Lewis
Further to Longview's discussion with Glass Lewis in Example 1, in September 2021, Longview requested an update from Glass Lewis, when Longview suggested the company may wish to consider a survey of their client base to better understand their clients' views on Say on Climate proposals. Longview noted that ISS, Glass Lewis's competitor, had initiated such a survey. Longview believes gathering this information could help Glass Lewis and its clients be better prepared in the run up to the 2022 AGM season, where such proposals will likely be more common and the outcomes subject to greater scrutiny. Glass Lewis assured Longview that the views of investors will be considered in its revised policy guidelines due to be published in Q4 2021. Longview encouraged Glass Lewis to continue engaging closely with investors on this issue. Longview expects that Glass Lewis's conversations with asset managers will continue to highlight the merits of Say on Climate proposals, their value to shareholders and society more generally in driving much needed improvement in the disclosure of climate data. Longview will continue to monitor Glass Lewis's approach as it develops and, if necessary, may engage further on this topic following the release of its next set of policy guidelines. It is worth noting that the agenda for Charter Communications 2022 AGM contained a revised proposal relating to climate. The 2022 proposal, put forward by a shareholder, focused on the disclosure of carbon emissions information in line with best practice but did not require an annual advisory vote. The Glass Lewis research recommended voting in favour of this proposal, which Longview assesses as a positive outcome as this suggests that for similar proposals which focus on disclosure, Glass Lewis will have a consistent policy towards. In addition, Longview closed the existing Charter Communications engagement in the Engagement Log, but may open a new engagement if it is necessary to discuss aspects of the climate disclosure or any other ESG matter in the future.

Sustainalytics

As previously mentioned under Principle 2, we subscribe to Sustainalytics, a leading external ESG data provider, as an additional source of company specific ESG analysis. Sustainalytics' reports are an additional source of insight for our Research Team to use in assessing and monitoring ESG areas of concern and provides material to support our ESG discussions with companies. Sustainalytics also generates portfolio-wide metrics which may flag wider ESG issues. The platform offers information and data which cover a variety of Environmental, Social and Governance themes, including management, corporate governance and controversial event indicators together with historical indicator-level data.

Oversight of our relationship with Sustainalytics is governed by our Third-Party Vendor Oversight Policy. As part of our management of this relationship, we would consider the following criteria to evaluate their system and services at the end of the contractual year:

- Have there been any issues or errors during the period?
- Are the materials of sufficient clarity and quality for our clients?
- How responsive have they been in addressing questions or resolving issues?
- Have we received the required training?
- Is an onsite process review meeting required?

We also have a dedicated Sustainalytics client adviser, whose responsibilities include managing Longview's onboarding process, training and ongoing support. Since the onboarding process in the fourth quarter of 2020, we have received training sessions on the use of the Global Access Platform.

Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.

Longview engages with companies on matters of stewardship and ESG as part of our overall investment research and our assessment of a company's Quality rating.

Where appropriate, we contact a company seeking clarity or to discuss contentious issues as part of our ongoing dialogue with management. If we are meeting with management, we will discuss strategy and general corporate responsibility as well as specific issues, as we believe that these factors may affect a company's ability to create sustainable value for their shareholders. Such factors may include allocation of capital, remuneration, finance, reputation and litigation risks, climate change, energy efficiency, human rights, labour rights and other material Environmental, Social and Governance issues.

We pay particular attention to Remuneration Policy, in the light of the Shareholder Rights Directive II (SRD II). Companies need to have a remuneration policy for Directors (under the expanded definition which includes the CEO and Deputy CEOs) approved every four years and a clear Remuneration Report publicly available. Related party transactions are also keenly reviewed.

We evaluate the effectiveness of company management on these issues and if past, current or anticipated future behaviour is judged to be a risk, our concern will be reflected in our Quality rating.

We believe that having a clear and systematic engagement model is key to an effective implementation of our integrated approach to ESG, as described in Principle 1, where we assess risks and opportunities as part of our bottom-up research process. Our engagement selection process is in line with the robust nature of our research process and reflects the transparency embedded in our culture and in our approach to stewardship as described in Principle 6. Our single product focus means that we only have one engagement model which we apply across our investment strategy. There are no differences in the process we apply based on client geography.

Engagement Selection Process

The CIO, Head of Research and the Relationship Management Team meet quarterly to discuss and prioritise engagements.

We focus our ESG engagement efforts on companies where we have identified significant ESG related issues in our proprietary research process. A key part of the selection process is materiality. This can be in terms of the potential impact on the value or reputation of the business, the potential to impact our assessment of Quality, or in the eyes of clients.

As mentioned previously, we also subscribe to Sustainalytics as an additional source of information on company specific ESG analysis. The platform assists our Research Team in the assessing and monitoring ESG areas of concern and provides data to support our ESG discussions with companies. Their analysis covers a variety of Environmental, Social and Governance themes, including management, corporate governance and controversial event indicators together with historical indicator-level data.

As part of our engagement selection process, we also consider Sustainalytics' ESG Risk Rating. This includes issues or controversies as identified by Sustainalytics as 'Most Significant Events in the Portfolio' which are labelled as 'Event Category 4 or 5' and alerts which are sent to our Research Team via the Sustainalytics platform when an issue is identified and documented. We take into consideration the materiality of any such issues as part of our Quality rating. We may also choose to engage with an investee company when material updates are made to its annual Sustainalytics Risk Ratings Report. In every case, we make sure that the objective of our engagement is clear and documented as the following excerpt from our Engagement Log demonstrates.

Figure 7: Engagement Log – Example Entry

Date	Company Name	What is the issue?	What is the Research Team's objective?	What was the outcome?	Status of the engagement	Next Steps
--	Sustainalytics and ABC Limited	Sustainalytics' assessment of the company was 'High Risk' and misrepresentative of the company's disclosures and our own assessments regarding Product Governance.	Request that Sustainalytics investigate and resolve any inaccuracies in their report. Write to ABC limited to obtain clarification on Sustainalytics' concerns and to better understand their approach to ESG	Sustainalytics accepted that some of our concerns had merit and that a new report was to be published shortly. This report reflected an improvement in management score for the Product and Service safety programme indicator which, along with progress in the area of Business Ethics, contributed to the reduction of Becton's overall ESG Risk Rating from 'High' to 'Medium'. Company ABC gave further information on its product quality procedures and the broad scope of its certified operations. The company also provided detail on its use of animal studies and clinical trials, which are assessed as part of Sustainalytics' calculation of its Business Ethics score.	Objective achieved	None

Engagement Methods and Documentation

We typically engage with companies through one of the methods listed below:

- One-on-one meetings with companies (e.g. CEO, CFO, Chairman, members of the board, investor relations, or executives from specialist areas including sustainability)
- Written correspondence (including emails)
- Phone and video conference calls (company engagements are documented and a subset of these is provided to clients on a quarterly basis)
- Proxy voting

Over time, we have been able to make use of all these methods to carry out our engagement activities although most such interactions have tended to be through one-on-one meetings, phone and video conference calls. It is possible that we could engage collaboratively, through groups such as the IIGCC if Longview believes it can help to maintain or enhance the value of assets. Our company engagements are documented and provided to our clients on a quarterly basis detailing the issues raised, subsequent follow-ups and outcomes.

The following two case studies provide insight into some of the engagement activities that we have undertaken in 2021, including details on the types of outcomes that we have achieved.

Example 1: D&I thematic engagements with the portfolio companies
In 2021 the D&I Committee initiated engagement with the portfolio companies, initially holding 30 video calls to discuss D&I issues. Our objective was to better understand best practices and identify where individual companies may be falling short. Discussions focused on definitions of D&I, investments and initiatives, measurements of improvement, and current ratings from Sustainalytics, Longview's chosen ESG data provider. The Committee agreed that the knowledge gained from the engagements would also enable Longview to understand best practice and improve its own initiatives. Longview believes that upholding such corporate responsibility factors in human capital will improve a company's ability to create value for their shareholders. Having engaged with the portfolio companies, we gathered valuable insight into current D&I best practices. The findings led to reengagements with three companies, where specific shortcomings were identified. Re-engagements will be communicated to clients and, where applicable, included in future Stewardship Code submissions. Additionally, key insights have served to inform Longview's own D&I Framework for Action. We will continue to monitor the portfolio companies for ongoing progress using our findings in conjunction with company ESG reports and Sustainalytics data, as part of our outcomes monitoring process.

Example 2: Engagement with Health Care company domiciled in US
In May 2021, Longview held a video call with the company to discuss ESG. Sustainalytics' overall ESG risk rating for the company was high, citing Business Ethics, Human Capital and Product Governance as material ESG issues. The company asked Sustainalytics to discuss the rating, however this was conditional on the publication of a 2020 Sustainability Report. The company had engaged with MSCI regarding inaccuracies in their ESG risk analysis, in particular their product recall accounting. MSCI retrieves product recall data from the US Food and Drug Administrator (FDA) database, which lists products within its family of products. This means that the actual recall count can be double, or triple counted, incorrectly inflating aggregated recall data. Until this is resolved, the company is making investors aware of the inaccuracies in the data. The company continues to remedy the problems it faced at its US factories. Longview and the company have discussed these problems several times over the past two years. There is an outstanding warning letter from the FDA regarding the factory's non-conformities to current good manufacturing practice requirements. The company believes that it now complies with the regulation. However, the letter will only be satisfied once a reinspection is completed, and management is waiting for the FDA to schedule a reinspection. The company received a separate FDA warning letter in respect of manufacturing practices in Puerto Rico. Significant measures were then taken by the company to upgrade and improve facility safety. The warning letter for this site was cleared in September 2020. The company reduced product recall rates by 60% (62 class two recalls in 2017 and 21 in 2020). Longview requested peer comparison data to benchmark 21 recalls against the company's peers. Management noted that the data is available, however, the issues noted above apply and affect comparability of the data. The company understood that they could improve their disclosure on remediation of the Warsaw factory and Longview agreed that investors need visibility on all metrics in order to examine company performance accurately, which would provide ESG accountability to both offenders and improvers. The company agreed and confirmed that this is a general theme in feedback from investors. As a result, they were actively increasing their disclosures, and looking to increase them further over the next three to five years. The company published their 2020 Sustainability Report, which Longview reviewed in September 2021. Whilst the warning letter remained outstanding, we were pleased to see the company include a section on Product Quality within the Sustainability Report. They provided more detailed information on remediation actions, meeting one of Longview's engagement objectives. We noted that the company achieved a 60 percent reduction in FDA product recalls in 2020. However, we were interested to understand how the company benchmarks itself against its peers. Following the engagement with the issuer, we were satisfied to see the Sustainalytics ESG risk rating was lowered to 'Medium'. The assessment noted a significant improvement in the companies 'Management' score. Its management of Product Governance issues is now 'Strong'. These re-ratings were a positive outcome. The company still faced some further litigation relating to other products, however, which Longview will continue to monitor into 2022.

Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.

As mentioned in Principle 4, Longview has been a signatory to the UK Stewardship Code (Tier 1) since 2011 and has been supportive of the FRC's efforts to widen the scope of and improve engagement with the UK Stewardship Code across the industry. Longview has also been a signatory to UN-Principles for Responsible Investment (UNPRI) since 2010. Being a signatory has enabled us to reflect and report in a formal and standardised way on how we consider important aspects of ESG in our investment process.

Whilst we directly engage with issuers and are comfortable putting our views forwards in portfolio company engagements through a robust engagement model as described under Principle 9, we do not consider ourselves activist investors. We prefer discussing contentious issues on company meeting agendas and engaging with company management directly via one-on-one meetings, written correspondence, conference calls and proxy voting. As described in more detail in Principle 4, we are also comfortable engaging with other influential investors on contentious issues in a direct manner if we believe that management was failing to act in shareholders' interests, and we have done so in the past through written correspondence regarding capital allocation concerns. Historically, we have not engaged with other investors as part of collaborative engagements on specific or thematic issues, but in 2021 we did become a co-signatory to the *"2021 Global Investor Statement to Governments on the Climate Crisis"* as detailed below. By joining the IIGCC, we have aligned ourselves with other like-minded investors that promote good stewardship. The IIGCC develops policy and best practice for investors and may create future collaborative engagement opportunities.

Example: Global Investor Statement to Governments on the Climate Crisis

In September 2021, Longview became a co-signatory to the "2021 Global Investor Statement to Governments on the Climate Crisis", which was delivered to government representatives ahead of the COP26 summit held in Glasgow in November. The statement has 733 institutional investors as signatories, collectively managing over US$52trillion in assets. The statement calls on governments to raise their climate ambition and implement meaningful policies to tackle climate change. A copy of the letter can be viewed through this link: https://theinvestoragenda.org/wp-content/uploads/2021/09/2021-Global-Investor-Statement-to-Governments-on-the-Climate-Crisis.pdf.

In summary, signatories are calling upon governments to:

1. Strengthen their Nationally Determined Contributions (NDCs) for 2030 before COP26, to align with limiting warming to 1.5-degrees Celsius and ensuring a planned transition to net-zero emissions by 2050 or sooner.

2. Commit to a domestic mid-century, net-zero emissions target and outline a pathway with ambitious interim targets including clear decarbonization roadmaps for each carbon-intensive sector.

3. Implement domestic policies to deliver these targets, incentivize private investments in zero-emissions solutions and ensure ambitious pre-2030 action through: robust carbon pricing, the removal of fossil fuel subsidies by set deadlines, the phase out of thermal coal-based electricity generation by set deadlines in line with credible 1.5-degrees Celsius temperature pathways, the avoidance of new carbon-intensive infrastructure(e.g. no new coal power plants) and the development of just transition plans for affected workers and communities.

4. Ensure COVID-19 economic recovery plans support the transition to net-zero emissions and enhance resilience. This includes facilitating investment in zero-emissions energy and transport infrastructure, avoiding public investment in new carbon-intensive infrastructure and requiring carbon-intensive companies that receive government support to enact climate change transition plans consistent with the Paris Agreement.

5. Commit to implementing mandatory climate risk disclosure requirements aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, ensuring comprehensive disclosures that are consistent, comparable, and decision-useful.

The last point is likely to have the most direct impact for fundamental investors, such as us. Any government action on this point would drive companies towards greater disclosure and such transparency would be helpful, not only to us when conducting our company analysis, but also to our clients in relation to their reporting requirements.
The Institutional Investors Group on Climate Change (IIGCC), of which Longview is a member, attended the COP26 to press this agenda with attendees. By being part of this collective statement, Longview is able to participate in climate action in a powerful and positive way.

Several key initiatives and government commitments were announced during and after COP26, which satisfied a number of the points in the letter above, reflecting a positive outcome, although Longview recognises it is not possible to assess how influential the letter itself, and the lobbying by IIGCC members at COP26 was in contributing to the outcome.

Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers.

Once ESG matters are identified and prioritised as per the engagement selection process described in Principle 9, we ensure that during the continual assessment of our investments, we have ongoing dialogue with the management of companies, in which we are invested or may be invested. Our research on portfolio holdings is regularly updated by the Research Team. We keep track of progress updates made on any ESG-related engagements in a systematic way via an Engagement Log, from which we have included an excerpt under Principle 9.

We keep track of all our engagements in the Engagement Log, which we review on a quarterly basis to check the progress made on ESG areas of concern previously raised. Longview's Relationship Management Team manages the Engagement Log and meets with the CIO and Head of Research quarterly to discuss and prioritise engagement activity. The outcome for each engagement is clearly documented in the Log. We strive to be clear about the progress made against each objective and identify next steps, where appropriate, which may trigger our escalation process. If there are progress updates on engagements held, we aim to update our clients accordingly. We assign the following labels to the status of our engagements when they are updated in the Engagement Log:

- Objective achieved
- Some progress
- Some progress – continue to monitor
- No progress – no further monitoring needed
- No progress – escalation needed

If, after discussions and monitoring, we believe management is failing to act in shareholders' interests, this will trigger our escalation process. More specifically, if the monitoring process highlights that progress on a specific engagement objective is not being made within a reasonable timeframe and it is material to our Quality rating, Longview will contact the investee company to discuss the matter further. Longview will make clear our concerns, as well as our expected outcome. In most circumstances, this dialogue will be with the Chairman, Lead Independent Director, CEO or CFO of the company.

We are willing to challenge management to protect and enhance the interests of our clients and will exercise our right to vote against management, where appropriate. As discussed in Principle 6, we share the details of significant votes made throughout the year as per the Shareholder Rights Directive II (SRD II) regulation within our Shareholder Rights Directive Annual Disclosure which is available on our website here or at this link: https://www.longview-partners.com/wp-content/uploads/2021/01/Shareholder-Rights-Directive-Annual-Disclosure.pdf Longview defines a significant vote as any of the following:

1. One where we have voted against management
2. Where >15% of total votes have been cast against management
3. Where we have voted against our proxy adviser's recommendation.

As part of our escalation process, if after discussions, we believe that management is failing to act in shareholders' interests, we may reduce our Quality rating to Q3 and sell our holding in order to minimise the risk of loss of shareholder value and protect our clients' interests. Again, in line with our single product focus, we only have one monitoring and escalation process that we apply across our investment strategy, assets and geographies.

We did not deem that it was necessary to trigger our escalation process directly for any of the holdings in our concentrated portfolio of companies in 2021. Portfolio companies were responsive to our questions and concerns and generally took appropriate action to deal with issues arising. An example of such an engagement with a portfolio company that resulted in them taking action to address a shareholder proposal and our feedback is provided below.

Additionally, under Principle 8, we shared an engagement example for Glass Lewis, which would be relevant here in relation to escalation. The example in question shows how Longview exercised its stewardship responsibility by engaging with Glass Lewis to exert a broader influence on the way companies need to communicate with investors in relation to the climate change debate. Longview engaged with Glass Lewis multiple times to discuss inconsistencies that we had observed in their voting rationale for certain types of resolutions, such as Say on Climate. Importantly, our objective is made clear throughout the engagement and we keep a record of the status of the outcome. In the case of Say on Climate, the objective was partially achieved by the end of 2021 and required further monitoring. We have chosen to engage with Glass Lewis via conference calls and via email as we are committed to holding a discussion and sharing this type of detailed feedback as part of the annual due diligence process. Only an extract of the engagement is included here, whereas the longer note is under Principle 8.

Example: Engagement with Financials company domiciled in US

In April 2021, Longview held a call with the company to understand why the Board was against a shareholder proposal for a Diversity and Inclusion Report, that Longview intended to vote for.

The company representatives emphasised how important diversity was at the company, citing metrics such as 43% of the Executive Committee being female, as referenced in their 2019 ESG report. It was noted that company management were concerned about committing themselves to making the same disclosures as 30% of comparable peers. Management do not know what they are committing themselves to disclose. Longview explained how a peer comparison can be beneficial as companies can pull up each other's standards. Disclosures also enable greater objectivity and shareholders can make more informed judgments as a result. The company representatives countered that it takes time to establish the metrics for comparison and they wanted to do this in the right way. Staff compensation is linked to diversity, which holds management accountable. The commitment to diversity is there but they are just in the process of putting out the metrics. Key performance indicators were being introduced and an ESG Steering Committee, which highlights that resources are dedicated, and reports are in the pipeline. Longview explained how important it was to have the data in order to be able to properly review the actions of management and hold them accountable where necessary.

Following our engagement, the company has confirmed that following shareholder feedback, including Longview's in April 2021, action was taken to provide more transparent Diversity, Equity and Inclusion (DEI) disclosures. EEO-1 data (May 2021) was included in their full ESG report (September 2021) which detailed Promotion, Recruitment and Retention data. Given the shareholder proposal and wider feedback, the company also decided to publish a dedicated inaugural DEI Report, on 17th November 2021. Shareholders, proxy voting agents and ESG ratings providers viewed these reports as adequate disclosures of acceptable DEI standards. The shareholder proposal was submitted on 15th November 2021 and subsequently retracted in satisfaction of the DEI report publication.

Principle 12: Signatories actively exercise their rights and responsibilities.

As described under Principle 2, we employ the services of the voting agency, Glass Lewis, to vote on behalf of our Institutional clients at all relevant company meetings. We believe Glass Lewis's expert and independent analysis complements Longview's stock selection process.

Voting policy

On behalf of our institutional clients, we employ the services of the proxy voting adviser, Glass, Lewis & Co, a leading independent provider of corporate governance solutions to the financial services industry. Glass Lewis fulfils two functions. Firstly, as a purely operational process, they ensure the voting instructions provided by Longview are implemented across client accounts. Secondly, Glass Lewis uses publicly available sources of information such as stock exchanges, regulators and company filings to provide research and analysis and make voting recommendations. Glass Lewis has partnered with Sustainalytics in order to provide additional ESG-specific information in their proxy voting analysis.

Glass Lewis provides structured reports which detail their research and recommendations on each resolution to be voted on. Glass Lewis's report on each of the portfolio holdings is circulated to the Research Team for review. The Research Team will use the Glass Lewis research to assist its deliberations and decide how to vote. If appropriate, the decision may be to vote against Glass Lewis's recommendations and/or against management. Where the decision has been taken to vote against management, we may contact the company to engage with them if timelines allow.

Glass Lewis votes on our clients' behalf at all relevant company meetings. We monitor the service provided by Glass Lewis to ensure that our clients are benefiting from a proxy voting service held to high standards. Annually, we conduct a service review with Glass Lewis. The CIO reviews their voting policy on an annual basis. Please refer to our reporting under Principle 8 for an example of when we raised concerns and escalated a matter by engaging with Glass Lewis's team following such a review.

Our policy on the exercise of voting rights on behalf of our clients, class actions and conflicts of interests is outlined in our Shareholder Activism Policy which is publicly available on our website here or at the following link: https://www.longview-partners.com/wp-content/uploads/2021/04/Shareholder-Activism.pdf Our single product focus means that we only have one voting policy which we apply across our investment strategy, assets and geographies.

Segregated account clients that instruct Longview to vote on their behalf have the absolute discretion to override any house policy vote. In this event, they may have a custom policy that enables votes on their holdings to be cast in line with their specific requirements. Pooled fund clients are unable to override house policy votes due to the nature of their investment vehicle.

Segregated clients may also instruct their own votes directly with their custodian. Again, pooled fund clients are unable to cast direct votes due to the nature of their investment vehicle.

Stock lending

Longview does not participate in stock lending on behalf of our clients. Clients may have their own lending arrangements directly with their custodian or a third-party agent. In such instances where Longview has authority to vote on the client's behalf, we will cast votes for all stocks not on loan in line with our house policy. Longview may make a request for clients to arrange for the recall of their shares on loan in order to vote on a particularly material issue.

Voting records

Proxy voting reports are provided on a quarterly basis to all clients on whose behalf we vote. These reports detail all votes cast during the period and provide an explanation in relation to any differences between the votes cast and the portfolio company management's recommendations. For confidentiality purposes and to protect the anonymity of portfolio holdings, we do not publicly disclose our voting records in full and therefore cannot provide a link to our voting records. However, we share the details of significant votes made throughout the year as per SRD II regulation within our Implementation of Engagement Policy disclosure which is available on our website here or at the following link: https://www.longview-partners.com/wp-content/uploads/2021/01/Shareholder-Rights-Directive-

Annual-Disclosure.pdf. Under Principle 6 we did share specific details and commentary on a sample of significant votes over the year 2021.

Proportion of shares
In 2021, we voted 475 resolutions at 31 company meetings.

As an illustration of our voting activity, the following Proposal Statistics Report from our proxy-provider, Glass Lewis, provides a breakdown of the number of proposals that were voted in the past year in our Global Equity Fund (Currency Unhedged).

Figure 8: Voting Proposal Statistics Report

Proposal Statistics Report

From 1/1/2021 to 12/31/2021

	Mgmt Proposals	SHP Proposals	Total Proposals
For	432	13	**445**
Against	14	14	**28**
Abstain	0	0	**0**
1 Year	2	0	**2**
2 Years	0	0	**0**
3 Years	0	0	**0**
Mixed	0	0	**0**
Take No Action	25	0	**0**
Unvoted	0	0	**0**
Totals	**448**	**27**	**475**

	Mgmt Proposals	SHP Proposals	Total Proposals
With Management	433	14	**447**
Against Management	14	13	**27**
N/A	1	0	**1**
Mixed	0	0	**0**
Take No Action	0	0	**0**
Unvoted	0	0	**0**
Totals	**448**	**27**	**475**

Source: Provided by Glass Lewis

The following table highlights examples of voting decisions made in the past year where votes were made against management or withheld. Three votes were made against Glass Lewis's recommendation in the past year.

Figure 9: Examples of Voting Decision (2021)

Company Sector	Filed By	Meeting Date	Proposal Description	Management Vote	Glass Lewis Recommendation	Longview Decision	Voting Rationale & Significance
Communication Services	Shareholder	04/27/2021	Shareholder Proposal Regarding EEO-1 Diversity and Inclusion Reporting	Against	For	For	EEO-1 reports provide shareholders with standardised and comparable information concerning a company's workforce diversity
Financials	Management	05/04/2021	Board Member Election	For	Against	Against	Serves on too many boards
IT	Management	11/10/2021	Advisory Vote on Executive Compensation	For	Against	Against	Concerning pay practices; Insufficient response to shareholder dissent
Consumer Staples	Shareholder	11/19/2021	Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement	Abstain	For	For	Additional disclosure will allow shareholders to better understand how the company is monitoring and managing climate-related risks

The process and procedures around the monitoring of our proxy voting provider's services are described under Principle 8.

During the Investment Team's Quality assessment of a company, voting rights are considered in determining which share line we wish to purchase. The Longview portfolio currently only owns common and preferred shares. As agreed with clients prior to account opening, and stipulated in their Investment Management Agreement (IMA), Longview engages Glass Lewis to cast all instructed voting rights at portfolio company meetings.

Share monitoring occurs on a daily basis where Longview reconciles positions held in the client's custodian account and Longview notifies these holdings to Glass Lewis. During the voting process, Glass Lewis reconciles the votable shares on the distributor platform against the positions reported by Longview, thus ensuring all available votes are cast in accordance with the designated voting policy.

Concluding Statement

In line with Longview's culture of continuous improvement, Longview will continue to assess the effectiveness of its approach to stewardship and is committed to improving as necessary. As industry best practice and client demands evolve, Longview is committed to evolving too, aiming to ensure the long-term responsible stewardship mentality remains at the heart of the firm.

Declaration:

This Report has been reviewed and approved by members of the governing body of Longview Partners LLP.

Signed:

Marina Lund, CEO and Head of Institutional Clients