

# Longview Partners LLP (“the LLP” / the “Firm”) 2022 Regulatory Disclosure

## 1. Introduction

The Financial Conduct Authority (“FCA”) in its Prudential sourcebook for MiFID Investment Firms (“MIFIDPRU”) sets out prudential requirements that apply to the Firm as an investment firm. Chapter 8 of MIFIDPRU (“MIFIDPRU 8”) sets out the public disclosure obligations with which the Firm must comply.

The LLP is classified under MIFIDPRU as a non-small and non-interconnected investment firm (“non-SMI MIFIDPRU investment firm”). As such, MIFIDPRU 8 requires the Firm to disclose information on:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The LLP is subject to the Prudential Consolidation Requirements with LPU as its UK Parent Holding Company (“the investment firm group”) – (“IFG”). However, the FCA permits an IFG to use the Group Capital Test (“GCT”), where the UK parent entity is exempted from applying the Investment Firms Prudential Regime (IFPR) on a consolidated basis. Instead, the relevant UK parent is required to hold own funds instruments sufficient to cover:

- the sum of the full book value of its holdings, subordinated claims, and certain other specified instruments, in relevant entities in the investment firm group; and
- the total amount of its contingent liabilities in favour of the relevant entities in the investment firm group.

Longview Partners (UK) Limited (“LPU”) qualifies for the GCT and applied for the Group Capital Test in early 2022 (submitted to the FCA on the 28<sup>th</sup> January 2022 and approved by the FCA on 30<sup>th</sup> November 2022). The LLP continues to report on a solo entity basis.

This document has been prepared by the Firm in accordance with the annual disclosure requirements of MIFIDPRU 8. Unless otherwise stated, all figures are as at the 2022 financial year-end (31<sup>st</sup> December 2022).

## 2. Governance Arrangements

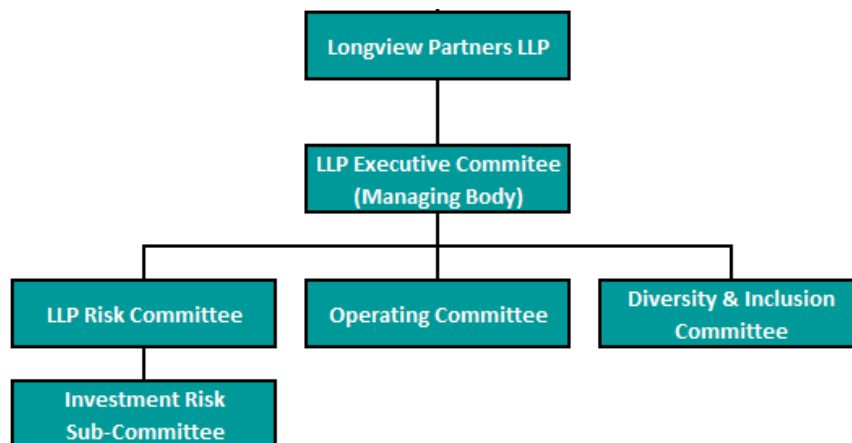
### Governance Structure

“ExCo” - Executive Committee, Longview Partners LLP.

“Longview” - being the Longview Partners Group, comprising Longview Partners (Guernsey) Limited (“LPG”) as the parent entity of Longview Partners (UK) Limited (“LPU”) and Longview Partners LLC

("LLC"). LPU is the managing member of Longview Partners LLP ("LLP").

"RiskCo" - Risk Committee, Longview Partners LLP.



## Overview

The management body (ExCo) has overall responsibility for the Firm and is responsible for defining and overseeing the governance arrangements.

The management body meets formally at least once a month, with additional ad-hoc meetings on a more frequent basis. The individuals appointed to the management body are Senior Managers of the Firm (classified as such under the Senior Managers and Certification Regime, "SMCR"). Amongst other things, the management body reviews and oversees implementation of the Firm's strategic objectives and risk appetite; ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system; assesses the adequacy of policies; and provides oversight of the Firm's certified and conduct rule staff.

Relevant aspects of the FCA's requirements in its Senior Management Systems and Controls Sourcebook ("SYSC") are incorporated into key reports presented to and approved by the management body at least annually. These demonstrate how the Firm has met its governance requirements and provide the management body with information on the functioning and performance of the Firm.

## The ExCo

Title / Role	Name	Committees
CEO (SMF1 / SMF27)	Marina Lund	Chair of ExCo, RiskCo member
COO (SMF27)	Benjamin Welsher	ExCo member, (acting) RiskCo member, Chair of OpCo
CFO and MLRO (SMF27 and SMF17)	Emma Davies	ExCo member, RiskCo member

No directorships were held by any members of the ExCo.

## Diversity of the Management Body

The Firm is committed to equality and gender-neutrality. The Firm, as well as Longview's Remuneration Committee (which is 50% female) apply a gender-neutral remuneration policy for all staff operated on the basis of equal pay for all workers for equal work or work of equal value. This is further detailed throughout the Firm's Equal Opportunities Policy.

The Diversity & Inclusion Committee ("D&I Committee") reports to the ExCo. Its primary objectives are to act as a forum for discussion of Diversity & Inclusion issues at Longview and to set objectives to embrace and promote diversity. The D&I Committee make recommendations to the ExCo which are both appropriate and balanced with the needs and requirements of the business.

## Risk Committee

There is no regulatory requirement for the Firm to maintain an independent risk management function. The LLP has, however, established a Risk Committee on a voluntary basis.

The purpose of the RiskCo is to act as a forum for the discussion of all risk matters within the Firm and to assist the ExCo and Head of Group Risk and Compliance in their oversight of Firm Risks. The ExCo has overall responsibility for the Firm's risk strategies and policies.

## Operating Committee

The purpose of the Operating Committee ("OpCo") is to act as a forum for the discussion of operational aspects of Longview's business

The OpCo is also responsible for proposing, reviewing and prioritising any new operational initiatives throughout Longview. It reports directly to the ExCo, providing regular updates throughout the reporting period in respect of new and ongoing operational projects. The Chief Operating Officer (COO) acts as Chair of the OpCo and is also a serving member of the ExCo. All other ExCo members are invitees to the OpCo meetings.

## 3. Risk Management Objectives and Policies

### Business Strategy

The Firm's business strategy is to provide discretionary investment management services to Professional Investors (as defined by the FCA), predominantly global institutions. The Firm maintains one single investment strategy, Global Equities, into which clients can invest either through individual segregated accounts, or within an offshore Luxembourg fund product (Longview Partners SICAV fund, "the Fund") to which the Firm has been appointed as investment manager. As at 31<sup>st</sup> December 2022 Longview had USD \$15.9 billion in assets under management (AUM) comprising one Fund (made up of hedged and unhedged global equities sub-funds) and separately managed accounts (segregated mandates).

The Global Equity Strategy seeks long-term capital appreciation by investing in a concentrated portfolio of global equities, to deliver an excess return over a client's chosen benchmark. Portfolio construction is

driven by the outcome of the research process carried out by the Research team. Portfolio risk management is the responsibility of the CIO, overseen by RiskCo.

All revenues are derived from the management of client portfolios. The Firm grows its revenues by growth in the underlying asset base on which it charges a management fee and (in some instances) a performance fee. This is achieved through the combination of natural asset growth (both market growth, and outperformance) of existing client's assets and seeking additional asset inflows from existing and new clients. Costs are controlled carefully to ensure long-term profitability.

The potential for harm associated with the LLP's business strategy is considered to be low. The Firm does not undertake any proprietary trading and does not hold client money or client assets.

The Firm maintains a sufficient surplus above the own funds requirement, this is monitored to ensure it is at least 110% of the own funds requirement.

### **Concentration Risk**

Concentration risk is the risk arising from the Firm's relationship with, or direct exposure to, a single client or group of clients.

Longview has multiple segregated clients and the Fund which provides a diversified stream of revenue. Segregated clients, are institutional professional investors investing for the long term. The Firm therefore considers that its asset base should not be exposed to frequent, substantial fluctuations, including during stressed market conditions.

Concentration risk and related client movements are monitored by ExCo and senior management

### **Liquidity Risk**

Liquidity risk is the risk that the Firm does not have sufficient financial resources available to meet its regulatory obligations or other obligations as they fall due.

The Firm has stable revenues and expenses, and maintains a core liquid asset surplus above the basic liquid assets requirement.

The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions. The short-term cash position of the Firm is monitored weekly, by the finance team, as well as a long term forecasted 18-month projection being carried out on a regular basis.

### **Risk Management Structure**

The LLP has established a risk management process, overseen by the LLP's RiskCo, with the ExCo taking overall responsibility for this process and the fundamental risk appetite of the Firm.

The ExCo meets on a regular basis. ExCo is provided with regular reports and updates on a variety of matters and considers matters such as profit forecasts and expense variances, long term cash flow forecasting, regulatory capital management and regulatory horizon scanning.

The Firm's RiskCo is responsible for reviewing the risks faced by the Firm.

The Firm's Operating Committee ("the OpCo") meets on a regular basis. A formal update on the status of operational matters is provided by the OpCo to the management body on a regular basis.

Appropriate action is taken, by RiskCo and ExCo, where risks are identified which fall outside of the Firm's tolerance levels or where remedial action is considered appropriate.

### ICARA Process

The Firm's Internal Capital Adequacy and Risk Assessment process (ICARA) set out the Firm's assessment of its risks and harms post mitigation and whether further capital is required in addition to the requirements set out by the FCA, specifically FOR and K-factor. As part of the ICARA process the ExCo oversees and assesses the following:

- Identification and monitoring of risks or harms;
- Any financial and non-financial mitigations implemented;
- Forecast capital and liquidity needs on an ongoing basis and where the firm may have to wind-down;
- appropriate and credible recovery actions to prevent breaching a threshold requirement;
- wind-down planning, and
- adequacy of the firm's own funds and liquidity requirements.

The outcome of the ICARA is formally approved by the ExCo at least annually, with more frequent reviews if there is a fundamental change to the business or the operating environment.

### 4. Own Funds

As at 31<sup>st</sup> December 2022, the LLP maintained own funds of £5,121k (USD \$6,160k) net of deductions. The below regulator-prescribed tables provide a breakdown of the Firm's own funds. The Firm's reporting currency is USD.

Composition of regulatory own funds				
	Item	Amount (GBP thousands)	Amount (USD thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	<b>OWN FUNDS</b>	<b>5,121</b>	<b>6,160</b>	-
2	<b>TIER 1 CAPITAL</b>	<b>5,121</b>	<b>6,160</b>	-
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>5,121</b>	<b>6,160</b>	-
4	Fully paid up capital instruments	5,146	6,190	Members' capital classed as equity

5	Share premium	-	-	-
6	Retained earnings	-	-	-
7	Accumulated other comprehensive income	-	-	-
8	Other reserves	-	-	-
9	Accumulated other comprehensive income	-	-	-
10	Accumulated other comprehensive income	-	-	-
<b>11</b>	<b>(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>	<b>(25)</b>	<b>(30)</b>	<b>Note 7</b>
19	CET1: Other capital elements, deductions and adjustments	(25)	(30)	Note 7
20	ADDITIONAL TIER 1 CAPITAL	-	-	-
21	Fully paid up, directly issued capital instruments	-	-	-
22	Share premium	-	-	-
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	-	-
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	-	-
<b>25</b>	<b>TIER 2 CAPITAL</b>	-	-	-
26	Fully paid up, directly issued capital instruments	-	-	-
27	Share premium	-	-	-
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	-	-
29	Tier 2: Other capital elements, deductions and adjustments	-	-	-

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements as at 31 December 2022					
		Balance sheet as in published/audited financial statements		Under regulatory scope of consolidation <sup>1</sup>	Cross-reference to above template
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements					
		GBP 000's	USD 000's		
1	Intangible assets	25	30	N/A	19
2	Tangible assets	1,133	1,363	N/A	
3	Debtors	10,962	13,187	N/A	
4	Cash at bank and in hand	21,632	26,021	N/A	
	<b>Total Assets</b>	<b>33,751</b>	<b>40,600</b>	<b>N/A</b>	
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements					

<sup>1</sup> LPU qualifies for the GCT and applied for the Group Capital Test in early 2022 (submitted to the FCA on the 28th January 2022 and approved by the FCA on 30th November 2022). The LLP continues to report on a solo entity basis.

		GBP 000's	USD 000's		
1	Creditors: amounts falling due within one year	3,238	3,894	N/A	
2	Creditors: amounts falling due after more than one year	1,702	2,048	N/A	
	<b>Total Liabilities</b>	<b>4,940</b>	<b>5,942</b>	<b>N/A</b>	
<b>Shareholders' Equity</b>					
		GBP 000's	USD 000's		
1	Members' capital classed as equity	5,146	6,190	N/A	4
2	Unallocated reserves classed as equity	23,665	28,468	N/A	
	<b>Total Shareholders' equity</b>	<b>28,811</b>	<b>34,658</b>	<b>N/A</b>	

#### Own funds: main features of own instruments issued by the Firm

The LLP's own funds consists solely of Comment Equity Tier 1 Capital, being LLP Partnership capital less deductions made in respect of intangible assets as per MIFIDPRU 3.3.6 R (2).

## 5. Own Funds Requirements

The LLP is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the minimum requirement of capital the Firm is required to hold, taken as the higher of the Firm's:

- **Permanent minimum capital requirement ("PMR"):** The PMR is the minimum level of own funds required to operate at all times and, based on the MiFID investment services and activities that the Firm currently has permission to undertake, is set at £75,000;
- **Fixed overhead requirement ("FOR"):** The FOR is intended to calculate a minimum amount of capital that the Firm would need available to absorb losses if it has cause to wind-down or exit the market, and is equal to one quarter of the Firm's relevant expenditure; and
- **K-Factor requirement ("KFR"):** The KFR is intended to calculate a minimum amount of capital that the Firm would need available for the ongoing operations of its business. The K-factor that apply to the Firm's business is K-AUM (calculated on the basis of the Firm's AUM).

The below table illustrates the various components of the LLP's own funds requirement:

Requirement	£'000	\$'000
(A) Permanent Minimum Capital Requirement ("PMR")	75	90
(B) Fixed Overhead Requirement ("FOR")	2,185	2,629
(C) K-factor requirement ("KFR")	2,924	3,517
– K-AUM – risk arising from managing and advising on investments	2,924	3,517
(D) Own Funds Requirement (Max [A; B; C])	2,924	3,517

The LLP is also required to comply with overall financial adequacy rule (“OFAR”) per MIFIDPRU 7. This is an obligation on the Firm to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- the Firm remains financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- the Firm’s business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Where the Firm determines that the FOR is insufficient to mitigate the risk of a disorderly wind down, it must maintain an ‘additional own funds required for winding down’, above the FOR, that is deemed necessary to mitigate the risks of a disorderly wind down. Similarly, where the Firm determines that the KFR is insufficient to mitigate the risk of harm from ongoing operations, it must maintain an ‘own funds required for ongoing operations’, above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles.

The Firm’s own funds threshold requirement is the amount of own funds that the LLP is required to maintain at any given time to comply with the OFAR.

To determine the Firm’s own funds threshold requirement, the LLP identifies and measures the risk of harm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby deduce the appropriate amount of additional own funds required to cover the residual risk.

This process is documented and presented to, and ratified by, the management body on at least an annual basis.

## 6. Remuneration Policy and Practices

### Overview

As a non-SNI MIFIDPRU investment firm, the LLP is subject to the ‘basic’ and ‘standard’ requirements of the MIFIDPRU Remuneration code. The objective of the LLP’s remuneration policies and practices is to establish and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

The LLP recognises that remuneration is a key component in how the Firm attracts, motivates and retains quality staff and sustains consistently high levels of performance, productivity and results. As such, the Firm’s remuneration philosophy is focused on the following objectives:

- Attract and retain. Remuneration is designed to attract and retain high-calibre individuals in a competitive international financial services industry and remunerate staff fairly and responsibly.
- Motivate and reward. Remuneration is designed to motivate excellence in the delivery of Longview’s business and investment objectives on behalf of our clients, to protect and nurture a strong culture of collaboration, communication and inclusion and reward achievement over the long term.



- Compliance with law or regulation. Remuneration is set in order to comply with any relevant regulations as set out by the FCA.

Staff performance is determined through the assessment of various factors that relate to the Firm’s core values, and by making considered and informed decisions that reward effort and conduct.

### Characteristics of the remuneration policy and practices

The Firm’s remuneration is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. The fixed component represents a sufficiently high proportion of total remuneration to enable the operation of a fully flexible policy on variable remuneration, including the possibility of paying no variable remuneration component.

Variable remuneration is paid on a discretionary basis and takes into consideration the financial performance of Longview as well as the non-financial performance of each individual in contributing to Longview’s success. All staff members are eligible to receive variable remuneration. Variable remuneration paid to MRTs may be subject to malus or clawback in appropriate circumstances.

The Firm does not meet the requirements of the extended remuneration requirements due to the rolling average of its balance sheet being less than £100m over the preceding 4-year period. As such, the firm is not subject to the deferral remuneration requirements. Nevertheless, the Firm requires all staff to defer an element of any variable remuneration received. This is set at up to 30% for all staff of the firm. The deferred amount is invested into the Long Term Investment Plan (LTIP) or Phantom Equity Scheme

The below tables summarises the financial and non-financial criteria of performance used across the Firm in assessing the level of variable remuneration to be paid:

<b>Financial Performance Criteria</b>
No individual is rewarded for the success of a specific transaction or recommendation. Any variable remuneration payments are first and foremost dependent upon profits generated by the Firm.
The variable remuneration total is payable to all staff within Longview and is referred to as the Other Shareholders and Employee Share (“OSHES”).
Staff (including employees and members) may be awarded a discretionary year end distribution from the OSHES. This is variable and entirely dependent on the staff member’s performance throughout the performance period and the economic performance of the firm.
<b>Non-Financial Performance Criteria</b>
Contribution to the culture of Longview and living by the Firm's values.
Behave with integrity, always remain professional and treat everyone with respect.
Adherence to the Firm's internal compliance policies and procedures and the FCA Conduct Rules.

The LLP’s remuneration policy includes a framework for assessing the level of remuneration to be paid. The framework applies both an ex-ante and an ex-post risk adjustment criteria to the level of remuneration paid. Factors considered include:

- Variable remuneration is considered on the broad actual contribution of the individual to the Firm and the Firm’s actual performance throughout the performance period.

- Variable remuneration for the performance period does not take into account future or indicative results.
- The Firm does not have the ability to distribute profits beyond those earned during the performance period.
- The Firm believes its remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking beyond the level of risk tolerated by the Firm.
- Any arrangement to make guaranteed payments would only be in exceptional circumstances and would be subject to the conditions of SYSC 19G.6.8 R.
- The Firm considers severance pay on a case by case basis. In this regard, the Firm will ensure that early termination of an employment contract or member deed, reflects the individual's performance over the relevant period of time and does not reward failure or misconduct. Any severance pay awarded to a Material Risk Taker (MRT) would be classified as variable remuneration and subject to malus and clawback.

### **Governance and Oversight**

Longview maintains a Remuneration Committee which is responsible for setting and overseeing the implementation of its remuneration policy and practices. In order to fulfil its responsibilities, the Remuneration Committee:

- Is appropriately staffed to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity;
- Prepares decisions regarding remuneration, including decisions which have implications for the risk and risk management of the Firm;
- Ensures that the remuneration policy and practices take into account the public interest and the long-term interests of shareholders, investors and other stakeholders in the Firm; and
- Ensures that the overall remuneration policy is consistent with the business strategy, objectives, values and interests of the Firm and of its clients.

The Firm's remuneration policy and practices are reviewed annually by the Remuneration Committee and ExCo.

### **Material Risk Takers**

The LLP is required to identify its Material Risk Takers (MRTs); that is, those members of staff whose professional activities have a material impact on the risk profile of the Firm. The types of staff that have been identified as material risk takers at the Firm are:

- Members of the management body in its management function;
- Those with managerial responsibility for a client-facing or client-dealing business unit of the Firm;
- Those with managerial responsibilities for the activities of a Control Function<sup>2</sup>;

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<sup>2</sup> A Control Function is defined as a function (including, but not limited to, a risk management function, compliance function and internal audit function) that is independent from the business units it controls and that is responsible for providing an objective assessment of the Firm's risks, and for reviewing and reporting on those risks. The Firm does not maintain an internal audit function. For the reporting period, the individuals holding a Control Function is limited to the Head of Compliance and the Chair of the RiskCo.

- Those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- Those that are responsible for managing a material risk within the Firm.

### Quantitative Remuneration Disclosures

The below table quantifies the remuneration paid to staff in the financial year 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2022. For these purposes, 'staff' is defined broadly, and includes employees and members of the Firm.

Period: 1st January to 31st December 2022				
		£ GBP		
		Senior Mgt	Other MRTs	Other staff
Total number of material risk takers (MRTs) #		6*	3*	
Remuneration Awarded	Fixed (£)	678,338	265,737	3,018,156
	Variable (£)**	6,874,973	2,579,505	6,301,925
	Total (£)	7,553,312	2,845,242	9,320,081
Guaranteed variable remuneration	Amount (£)	N/A	N/A	
	# Staff Awarded	N/A	N/A	
Severance payments	Amount (£)	N/A	N/A	
	# Staff Awarded	N/A	N/A	
Highest severance payment awarded to an individual (£)		N/A	N/A	
* Pro-rating has been applied where Senior Managers ("Senior Mgt") were only in position for a proportion of the period.				
** Variable remuneration above is reconciled to the variable remuneration as recognised in the 2022 financial statements. This may differ to the total variable remuneration awarded during the 2022 financial period (reported in the MIF008).				

### 7. Investment Policy

In accordance with MIFIDPRU 8.7.6, a firm is only required to disclose information in relation to its investment policy if the following circumstances are applied:

- Only in respect of a company whose shares are admitted to trading on a regulated market;
- Only where the proportion of voting rights that the MIFIDPRU investment firm directly or indirectly holds in that company is greater than 5% of all voting rights attached to the shares issued by the company; and
- Only in respect of shares in that company to which voting rights are attached.

As the Firm does not meet these requirements, it is not required to disclose any information relating to its investment policy.