Sustainable Finance Disclosure Regulation (SFDR)

No consideration of adverse impacts of investments decisions on sustainability factors (Article 12 Regulation (EU) 2022/1288):

Longview does not consider the adverse impacts (a defined process as mapped out in the SFDR) of its investment decisions on sustainability factors.

Whilst Longview supports the objectives of SFDR with respect to the transparency of due diligence policies and reporting against relevant quantitative metrics in respect of portfolio investments, it has chosen not to consider these impacts at this time, predominantly due to the lack of readily available data with which to meet these obligations. Whilst uncertain as to when specifically Longview may consider the adverse sustainability impacts as mapped out in the SFDR, we have outlined in this statement the ways in which we are considering the adverse impacts of our investments decisions in relation to the indicators listed in Table 1 of Annex 1 of the regulation.

For a more holistic overview of our sustainability approach, we recommend referring to Longview's responsible investment and stewardship policies, available on our website; and our thematic engagements which can be provided upon request.

Longview's ESG Investment Beliefs

Longview takes a long-term approach to investment and seeks to invest in companies that can create sustainable value for shareholders. Environmental, Social and Governance (ESG) considerations with a stewardship mentality, are embedded within our investment process. This is because we believe that it is important to consider sustainability matters when analysing the quality of a company. When analysing the quality of the companies in which Longview invests, ESG considerations are not Longview's sole focus and the impact of ESG factors on performance is not separately measured.

One key aspect of our approach to ESG is that we do so through a lens of materiality. Materiality considers the significance of the impact of ESG considerations which may differ from one sector to another. 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. Our in-depth proprietary research process does not follow external ESG risk ratings. We use external ESG and carbon data providers to supplement our own research.

Longview's Approach

GHG emissions

Structurally, in line with our investment philosophy, our portfolio is expected to have low carbon emissions and intensity relative to global benchmarks due to our lack of exposure to oil and gas, mining, metals and deeply cyclical businesses. Typically, the carbon intensity of Longview's portfolio is around 80-90% lower than that of the MSCI World Index. As of 30 June 2023, the Longview portfolio has zero direct exposure to fossil fuels, and no direct exposure to industries such as cement production, where carbon emissions are characteristically high.

We use Sustainalytics, a leading external ESG data provider, in addition to our proprietary research to assess ESG matters including climate-related risks. Sustainalytics enables our Research team to obtain company specific ESG data on stocks within Longview's portfolio and broader investment universe. We also use S&P Global's Trucost climate toolkit to source comprehensive TCFD-aligned carbon data and metrics as we believe it is important to develop a thorough understanding of the climate risks associated with our holdings, while having access to the appropriate data sets and enhanced reporting capabilities.

Trucost's data set includes greenhouse emissions (scopes 1, 2 and 3), water, waste, pollution and natural resources data. It also assesses company-level alignment with the Paris Agreement by examining the adequacy of emissions reductions over time. We plan to use the Trucost toolkit to conduct the appropriate scenario analysis for our portfolio taking into consideration a transition to a low-carbon economy consistent with a 2°C or lower scenario.

We also believe it is important to keep track of the progress of our portfolio companies to reduce their greenhouse gas emissions. For this purpose, we initiated a climate commitment audit of our portfolio companies at the end of 2021 to assess climate intentions across the portfolio. We then followed up on our findings throughout 2022 by engaging with the companies where there was a need to seek more clarity or encourage management teams to make better commitments. We plan to conduct this exercise on an annual basis to identify progress and change as we believe this is our fiduciary responsibility as stewards of our clients' capital.

We publish a quarterly Portfolio Carbon Report using Trucost, which provides information on the portfolio's position with regards to the transition towards a lower carbon economy. The report provides key carbon emission metrics for the portfolio versus the benchmark with the view to offering useful insights about the environmental impact of our investment approach.

Longview became co-signatory to the 'Global Investor Statement to Governments on the Climate Crisis', in 2021 and 2022, coordinated by the Investor Agenda. This network brings together a regionally diverse body of global investors to urge governments to implement specific priority policy actions that will enable them to invest the trillions needed to respond to the climate crisis.

United Nations Global Compact Principles

We do not screen companies for UN Global Compact violations; however we do use the adverse media module of the KYC6 Monitor (an application by Acuris Risk Intelligence) to help identify criminal activity in connection with modern slavery risks relevant to Longview's portfolio companies. This is complementary to the modern slavery related data sourced by our external ESG-data provider, Sustainalytics. This tool also allows us to conduct global sanctions monitoring.

In 2022, we focused on the human rights issue of modern slavery as one of our key sustainability themes and engaged with a cohort of our portfolio companies to understand how they are addressing the risks of modern slavery in their operations and global supply chains. We selected to engage with companies across a broad range of sectors as we wanted to define a generalist approach for how we can engage on modern slavery across the Longview portfolio going forward, regardless of a company's sector or geography. Also, we believe that no industry is immune to this issue.

We conducted a high-level risk assessment on each of our portfolio companies based on their geographic and industry exposure; we then analysed company-specific data provided by Sustainalytics to assess the scope of social standards for suppliers for a sub-set of our portfolio companies; and lastly, we engaged with 30% of our portfolio companies (10 companies) to assess how they identify, assess, mitigate and act on the risks or instances of modern slavery in their operations and supply chain.

Board gender diversity

In 2021, Longview engaged with portfolio companies to push for increased workforce disclosure and understand intentions around diversity amongst management roles. This thematic engagement on diversity and inclusion (D&I) will continue to serve as a reference framework in our ongoing work to assess the need for engagement with new or existing holdings regarding their D&I commitments and initiatives.

More broadly, across Longview, human capital management is of critical importance; and we are fortunate to have long tenure amongst our staff. Diversity and Inclusion matters are increasingly important to us and we are committed to taking such initiatives. We have a D&I Committee and we introduced our D&I Framework for Action in February 2022 to quantify and understand our own diversity and ensure that a continued inclusive environment persists. Longview also supports the Diversity Project whose aim is to create a diverse and inclusive investment industry.

Longview's Stewardship

Engagement policy

We focus our ESG engagement efforts on companies where we have identified significant or material ESG related issues in our proprietary research process. 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 that may affect a company's ability to create sustainable value for their shareholders. Such issues may include allocation of capital, remuneration, financial, reputational and litigation risks, climate change, energy efficiency, human rights, labour rights and other ESG issues.

Thematic Engagements

In addition to company engagements, we may undertake thematic engagements across several companies or even the entire portfolio. As a single-product firm, we focus our efforts on the areas where we believe we can make an impact. Recent thematic engagements that we have conducted include our engagements with portfolio companies on Modern Slavery, our Annual Climate Commitments Audit; and Diversity and Inclusion.

Proxy Voting

Longview's voting decisions are made by our Research team. The decision making-process is investment-led: our research analysts use proprietary research, in-depth discussions with company management and external research and recommendations from our proxy-voting provider, Glass Lewis, to inform their decisions.

Where Longview becomes aware of governance or material ESG issues or has concerns that the company's management is not acting in shareholders' interests, we are willing to challenge management in an attempt to protect and enhance the interests of our clients and will exercise our right to vote against management.

References to International Standards

Longview has been a signatory to the UK Stewardship Code since 2011; and a signatory to the UN-Principles for Responsible Investment (UNPRI) since 2010. 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)

Statement on our policies on the integration of sustainability risk in investment decision-making processes (Article 3 Regulation (EU) 2019/2088):

At Longview Partners, we seek to generate alpha through investing in a concentrated portfolio of global companies on a consistent basis. Our bottom-up approach invests in high quality companies with strong business fundamentals and attractive cash-based valuations. We strive to invest in predictable companies and avoid investing in companies that are sensitive to external forces beyond their control, such as macroeconomic factors. Within our investment process we are focused on diversification therefore avoiding concentrated exposure to common business drivers. 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 Environmental, Social and Governance (ESG) factors when considering a potential investment or an existing holding. Assessing the significance of ESG-related risks and opportunities, as defined by Longview, is embedded within our bottom-up research process and considered as part of our Quality rating. When analysing the quality of the companies in which Longview invests, ESG considerations are not Longview's sole focus and the impact of ESG factors on performance is not separately measured.

For more detailed information on how sustainability risks are embedded into our investment decision-making process please refer to our Responsible Investment and Engagement Policy, available on our website.

Remuneration Policy (Article 5 Regulation (EU) 2019/2088):

Longview has reviewed its Remuneration Policy in accordance with the requirements of Article 5 of SFDR to ensure consistency with the Firm's integration of sustainability risks. The relevant details incorporated in that respect are featured below:

Central to Longview's Remuneration policy is the promotion of sound and effective risk management and this has now been extended beyond financial risks to encompass sustainability risks. In summary, relevant individuals who are involved in implementing and/or overseeing Longview's Responsible Investment and Engagement Policy will be assessed in this respect as part of the determination of variable remuneration awards by reference to their overall performance. Longview does not have any quantitative sustainability-focused performance targets at either a portfolio or asset level and therefore this is a qualitative assessment in respect of adherence to the Firm's internal procedures for integration of sustainability risk.

Further, another key aspect of Longview's Remuneration policy is with respect to avoiding creating an environment which rewards or encourages excessive risk-taking. Again, this principle has been extended beyond financial risk to incorporate sustainability risks and for those individuals who have a role in ensuring or overseeing that the Firm's Responsible Investment and Engagement policy is adhered to, this is factored into decisions in respect of variable remuneration awards.

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