The 2020 UK Stewardship Code

Statement of Compliance and Disclosure

The UK Stewardship Code, revised by its issuer, the Financial Reporting Council (FRC) for 2020, sets a higher standard for stewardship, with a greater 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 redefinition 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 2020 UK Stewardship Code for asset managers.

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 eleven 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

All employees and members of Longview are dedicated to the success of our global equity strategy which we believe ensures a cohesive culture and powerfully aligns the interests of all staff with a positive outcome for our clients. Longview has only one objective; to deliver for our clients so they may serve the needs of their beneficiaries. We believe that is best achieved by the delivery of performance and client service.

We, as asset managers, believe that companies need to be managed in the interests of shareholders. On behalf of our clients, we have a duty to ensure that we invest in companies where directors run companies in line with shareholder interests, and that these directors are fully accountable to the shareholders. We believe that companies with good corporate governance are more likely to be successful companies that deliver sustainable, long-term value to their shareholders and it is in these companies that our investments are concentrated.

We are long-term investors and our clients have correspondingly long-term investment time horizons. In order to serve the best interests of our clients over time, we embrace good stewardship at every level. 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. The enduring longevity of the firm is further fostered by the partnership structure of Longview.

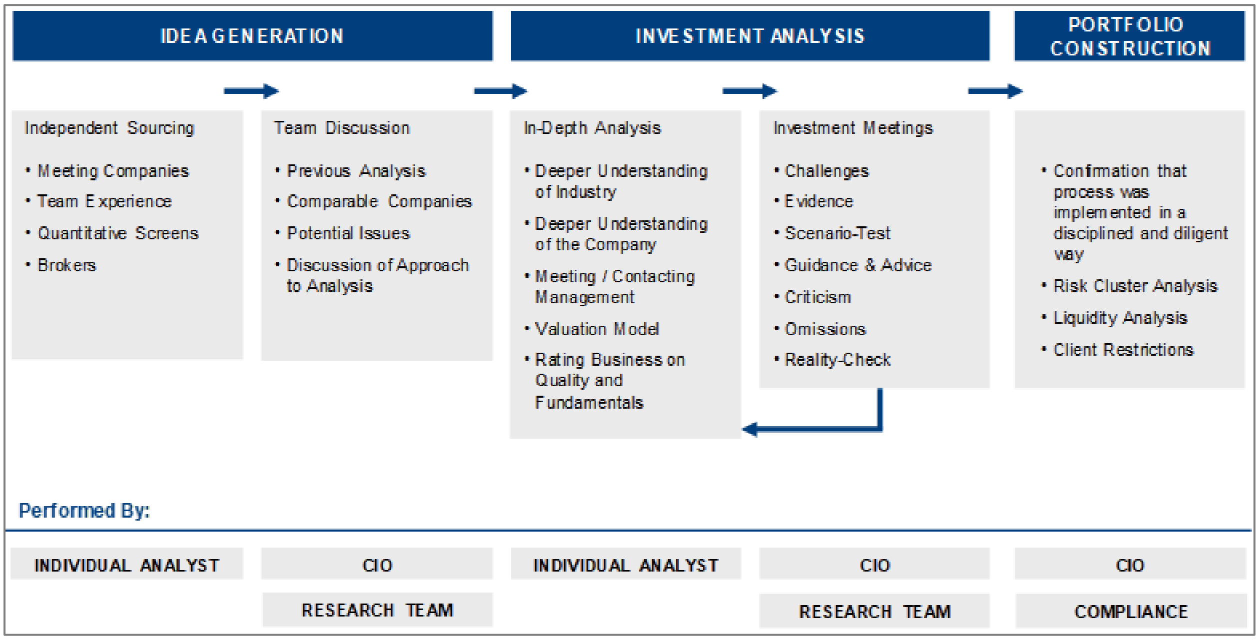
*Longview Partners (Guernsey) Limited is majority-owned by Northill Longview Holdings (Guernsey) Limited as part of the Northill Capital Group.

Investment Beliefs

Longview seeks to 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 to 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.

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 allow us to deliver sustainable returns for our clients and their beneficiaries.

Figure 1: Decision Making Process



The key market anomaly that Longview captures 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 a Health Care stock that was purchased in 2020. 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. This note was written in 2020, prior to Longview's repurchasing of the stock, which had been sold in 2019. Please note that a Quality rating of 2 means that the stock is of sufficient quality to enter the portfolio, provided that it passes our other investment criteria being Fundamentals and Valuation. 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 manufacturer of replacement hips and knees, with about a third of global market share. Replacement hips and knees make up over 60% of revenues. The remainder comes from sales of other musculoskeletal devices, such as dental, trauma and spine products, as well as other joint replacements. We believe the company has predictable revenues (driven by the incidence of osteoarthritis), operates in an attractive industry structure (consolidated industry and high switching costs) and has a history of good capital allocation. The stock was sold in early 2019 as it had reached its price target and we wanted to reduce our risk exposure to healthcare companies. Since last year, the company has executed well on new products including their robotic surgery system and artificial knee product. The lack of these higher priced products had caused Company ABC to lose market share and this should reverse as they ramp up over the next two years; indeed, some improvement was already seen in the second half of 2018. The stock has recently been weak due to COVID-19 related concerns. Whilst in the short-term, the number of orthopaedic operations that will be carried out has diminished, we are confident that the long-term demand for these operations is unchanged and we expect volumes to return to normal during 2021. Hospitals have already reported a considerable jump in volumes since early May and have worked hard to be able to carry out normal procedures whilst also having the capacity to cope with COVID-19 patients. We continue to rate Company ABC Quality 2 being a steady business with strong market share and high returns.

The analysis of Environmental, Social and Governance (ESG) factors is 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 profitability. 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.

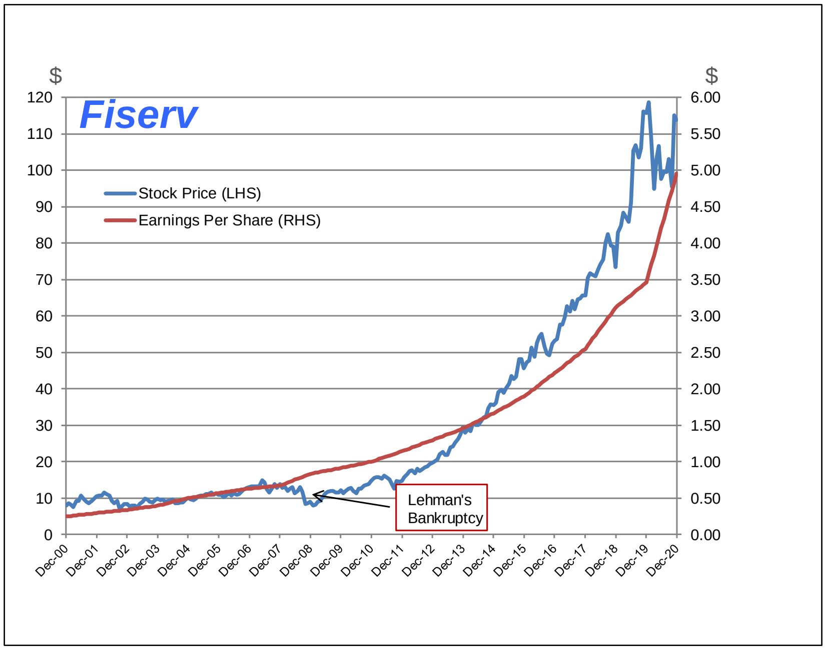
Please refer to the diagram below, which displays some of the criteria that we consider when analysing the Quality of a company, a key part of this being our views on the sustainability of returns.

Figure 2: Investment Criteria for Quality

Quality		
Stocks Scored 1-3		
Redeployment of Capital ▪ Clear framework required ▪ No pre-determined preference: - Internal investments - M&A - Return cash to shareholders	**Sustainable Returns** ▪ Industry structure ▪ Competitive advantages ▪ Ability to compound value ▪ ESG analysis	**Recurring Revenues** ▪ Maintenance revenues ▪ Consumables ▪ Long-term contracts ▪ Spare parts

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 actually to be. Our investment in Fiserv, a provider of technology solutions to the financial industry, 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 Fiserv, that outperform in the long-term.

Figure 3: Predictable Business Model – Fiserv



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. 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 10 years ago and has added value to the mandate since its inception while fostering a close relationship with the client overtime. Since inception, the mandate outperformed its benchmark by 2.24% on an annualised net-of-fees basis, as at 31 December 2020, 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.

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. Going forward, we shall 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 are increasingly important to us and we are committed to taking such initiatives forward over the next three to five years. We have recently launched an initiative addressing diversity and inclusion and created a Diversity Committee whose remit will include developing a charter that the entire firm will uphold. 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 need to always 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 and accountability 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 will become 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 develop 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) 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 2020, the Research, Client Services and Business Optimisation and Portfolio Risk Analysis teams also received external training from Sustainalytics, a leading ESG-data provider that we onboarded in October 2020. The training covered the functionality of their ESG Risk Rating and Carbon Rating suites which are explained in more detail under Principle 8.

Longview's CIO, Head of Research and Research Analysts maintain a detailed Framework document which sets out the criteria and expectations around all matters of stewardship, the integration of ESG analysis and engagement and guides the Research Team in the implementation of our stewardship activities with portfolio company engagement. Longview maintains an Engagement Log, managed by the Institutional Clients Team, who monitor outcomes and co-ordinate quarterly reporting to clients. 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. All information in relation to stewardship activities is stored centrally and available to all members of Longview. 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 evaluate 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 reported in this report are new for 2021. Our Framework, Engagement Log and Outcomes monitoring programme are all new, as is our association with Sustainalytics. Longview manages a concentrated portfolio and so its position size has always meant that we are able to make our voice heard, but we believe that we had the opportunity to enhance our robust processes and brought in additional measures. Please refer to our reporting under Principles 5 and 7, where we have provided further details on enhancements. Going forward, we will monitor the progress of these newly implemented initiatives whilst complying with any relevant regulatory changes within the industry.

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, six 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 over 17 years' experience in the investment industry and an average tenure of over 10 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 serves the best interests of our clients and supports our efforts in meeting our stewardship obligations over the longer term.

Longview is an equal opportunity employer and considers 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 and is non-discriminatory in its efforts to do so and remains open-minded and endeavours to recruit from a wide talent pool. As of the end of 2020, in terms of gender diversity, 38% 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 has been sole CEO from 2019. She has been with Longview since 2007. In addition, two of the firm's Senior Managers are women, Emma Davies, CFO and Member of the Executive Committee, and Sheila Tickner, Head of Compliance. Kate Campbell, Finance Director, also sits on the Executive Committee of Longview Partners (Guernsey) Limited.

Service Providers

On behalf of our Institutional clients, we employ the services of the voting agency Glass Lewis & Co ("Glass Lewis"), a leading independent provider of corporate governance solutions to the financial services industry. To inform their research, Glass Lewis uses publicly available sources of information such as; stock exchanges, regulators, companies directly or other forms of direct procurement. Longview receives proxy papers from Glass Lewis, which cover all proposals to be discussed at upcoming company meetings, including those related to ESG. These reports are circulated to the lead Research Analyst for each stock, who confirm, in writing, their agreement or otherwise with Glass Lewis's recommendations. In cases where Longview deems Glass Lewis' recommendation not to be in the best interest of its clients, the Research Team will intervene and cast a vote against the Glass Lewis recommendation. The decision to vote contrary to Glass Lewis's recommendation is made collectively by the Research Team and CIO and will often follow engagement between our Research Team and the company. In such instances, the rationale is published and disseminated to clients in Longview's periodic reporting.

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 recently engaged Sustainalytics to provide additional reporting to our Research Team. For each portfolio company, the Sustainalytics ESG Risk Rating report, which highlights potential ESG risks and opportunities, is circulated to members of the Research Team. This is an additional source of information that serves as an input into our research process. In addition, Sustainalytics provide 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 growth 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 here or at the following link: https://www.longview-partners.com/wp-content/uploads/2020/07/Conflicts-of-Interest-Policy-2020.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, with the exception of 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. 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 overtime:

- 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 overtime:

- 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 sensitive to external forces beyond their control, such as macroeconomic events, 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 forward, 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.

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 line with Longview's Code of Ethics standards of business conduct, Longview understands that it has a duty to their 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 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. It is the duty of every member of staff to place the interest of clients first at all times. 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 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.

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. Ultimately, the talks around the deal fell through although the reasons for the decision were not made clear at the time. That being said, Longview does not consider itself an activist investor and has not participated in industry initiatives throughout the year.

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

All Longview policies are reviewed annually 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.

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.

Given its size, Longview does not have an internal audit department. 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. We have always been provided with unqualified audit reports when it comes to our financial statements.

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

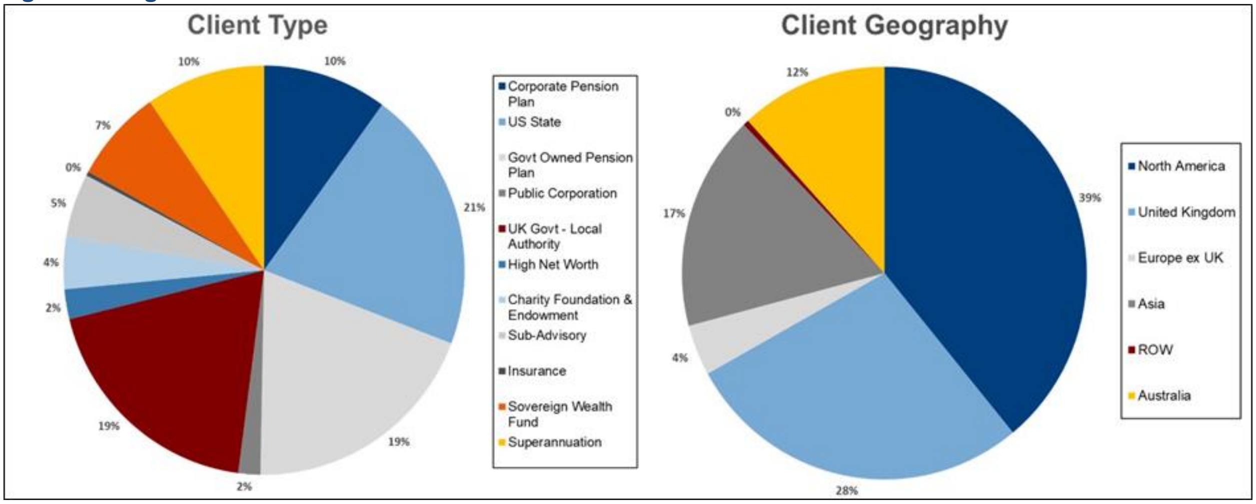
Our Responsible Investment and Engagement Policy directs us to engage with companies on matters of ESG and stewardship as part of our overall investment research and assessment of a company's Quality rating. In 2020, we held one such engagement with one of our Health Care portfolio companies regarding their capital allocation plans which we describe more in detail under Principle 9. Our objective was to share our concerns over an acquisition that the company was planning. And as a result of the engagement, company management did satisfy our concerns that capital would be allocated appropriately. In fact, throughout the year, we also engaged with numerous portfolio companies as per our policy although the outcomes showing the effectiveness of these engagements may become more evident in due course as we monitor them going forward.

Also historically, we have regularly engaged with portfolio companies on matters of capital allocation; and in the next example, the company's management did change course with respect to its planned acquisition after listening to concerns raised by shareholders, including Longview. In 2012, we had engaged with one of our holdings, a Security Services company, regarding their acquisition of a peer Facility Management Services company. Longview, along with other shareholders made their concerns very clear over the scale of the acquisition and its complexity. Ultimately, management did take onboard the concerns presented to them and concluded that it was inappropriate to proceed with the deal. Please note that the company names in the above examples have 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 2020, AUM was USD 25,786 million. Please see below a breakdown of our client base by type and geography.

Figure 4: Longview Partners – Client Base as at 31 December 2020



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 on-boarding 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.

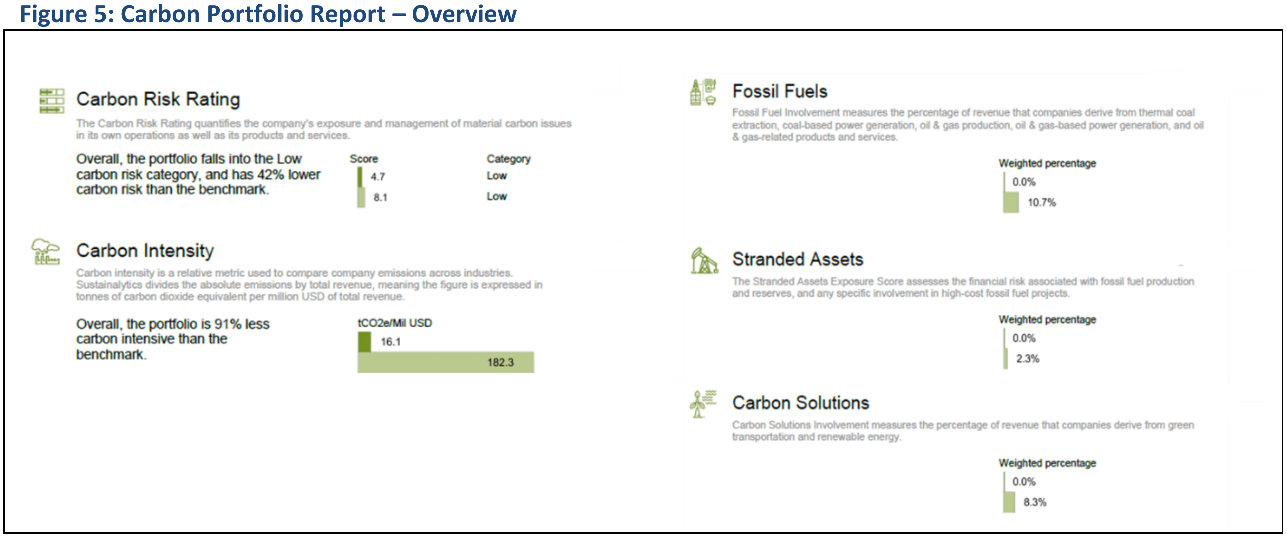
We disseminate regular reporting and meet with our clients bi-annually. We are available for more regular conference calls should this be appropriate. The purpose of these meetings is broad but in general, meetings enable us to update clients on the portfolio, but also provide clients with an opportunity to discuss any concerns that 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, as well as details of any ESG engagements undertaken during the quarter. We also provide Glass Lewis proxy voting reports on a quarterly basis to all clients invested through a segregated account on whose behalf we retain Glass Lewis.

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 consisted in the recent onboarding of Sustainalytics, previously outlined in Principle 2, as an additional research input for our investment team. The system will enable 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 in addition 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.

As part of this effort, starting in the first quarter of 2021, we will provide a Sustainalytics Carbon Portfolio Report that provides metrics 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. The report will be provided to clients on a quarterly basis and will be available to clients at any point upon request. An example of the metrics provided is shown below:

Figure 5: Carbon Portfolio Report – Overview



Source: Provided by Sustainalytics

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 here or at the following link: https://www.longview-partners.com/wp-content/uploads/2020/07/Responsible-Investment-and-Engagement-Policy-2020.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 human rights and labour conditions - Governance matters in relation to the interests of minority shareholders Philosophically, Longview is unlikely to invest in energy, 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	The research team engages directly with management on ESG and wider issues, as appropriate. Monitoring and escalation processes are in place to track progress of outcomes Quarterly client reporting includes details on engagements undertaken during the quarter	Proxy voting is exercised via proxy voting provider (Glass Lewis). Our ability to override is retained. 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 - Signatory to the UK Stewardship Code (Tier 1) since 2011
Research Team	Compliance	Research Team	Research Team	External proxy voting provider
		External provider	Relationship Management team	Relationship Management team
				Research Team

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.

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.

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.

Structurally, our portfolio is likely to have low carbon intensity relative to global benchmarks due to our lack of exposure to energy, mining, metals and deeply cyclical businesses. We tend to consider such businesses to be of insufficient predictability to pass our Quality criteria.
Through our disciplined research process, we invest in businesses and view macro trends as more of a risk than an opportunity. However, through our bottom-up work, we can often recognise wider global trends. For example, as governments continue to emphasise renewables in their policy statements, this acts as a drag on traditional energy sources, particularly in Western economies. This feeds into the long-term growth prospects for businesses supplying equipment to coal mines or components for traditional power generation.

On the other hand, we also observe the tailwinds to long-term growth for the beneficiaries of the move towards a low carbon economy such as the electric vehicles ecosystem or manufacturers of energy efficient products.

Social
Social issues such as human rights, labour conditions including slavery and child labour, and other negative health and safety factors are considered in our assessment of Quality. 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.

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: UK retail bank
In the wake of the COVID-19 pandemic, we were concerned that the Quality of a UK retail bank may have deteriorated. The bank's return on equity had fallen as a result of lower interest rates and increased impairments and we were also concerned about the adequacy of the bank's ESG practices . To address these concerns, we held three meetings with the bank. First, we met the CFO to discuss the short-term impact on returns and the longer-term potential to improve returns. We then met with the incoming Chairman to discuss ESG practices. Finally, we met the bank's Head of Sustainability to follow up on the implementation of specific ESG practices. These engagements allowed us to delve deeper into the business to be satisfied that this bank continues to pass our Quality threshold.

Example 2: Global biopharmaceutical company
Capital allocation is a key part of our Quality framework. In May 2020, a global biopharmaceutical company announced its intention to sell its equity stake in a peer healthcare company and subsequently received $11.7bn in proceeds from the sale. The company's announcements did not provide information on the company management's plans for the sale proceeds which raised a concern that they may not be allocated in the most value accretive manner for shareholders. Longview engaged with the company through a letter to the Chairman of the Board of Directors outlining our views on the appropriate uses of such proceeds. We subsequently held a meeting with company's CEO and CFO to further discuss this matter. Through these engagements, Longview was able to gain confidence that the company would continue to follow its capital allocation framework and that the primary focus would be shareholder value creation.

As discussed in Principle 2, we work closely with our proxy voting provider, Glass Lewis, to help us with the integration of stewardship into the investment process regarding matters of proxy-voting. Effective communication with Glass Lewis and the checks implemented by our Operations Team are essential to ensuring Glass Lewis' support in serving the best interests of our clients. The Operations Team carry out an annual check on a random sample of agenda items to ensure Glass Lewis' stated policy has been implemented per the pre-advised market guidelines. This process involves selecting individual agenda items, seeing how they were voted and then cross-referencing them back to the appropriate Glass Lewis policy. We note that Glass Lewis' policy is Longview's policy except for any client specific policy arrangements. 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 on-going 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 providers 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

Glass Lewis provides proxy voting services to Longview on behalf of our clients and makes voting recommendations on a case-by-case basis, considering ESG factors where possible.

We believe Glass Lewis' well researched and independent analysis on governance complements Longview's stock selection process. However, we retain the right to override Glass Lewis' recommendations where we deem appropriate to do so. We would 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/2020/07/Shareholder-Activism-2020.pdf.

Glass Lewis' policies are reviewed and signed off by the CIO annually. All Glass Lewis proxy voting reports are read by the stock's lead Research Analyst who will note agreement or non-agreement in writing. Where there is non-agreement, the lead analyst will likely speak to both Glass Lewis and the investee company to gain a better understanding of the issues at hand. Any decisions to override Glass Lewis are documented and communicated to clients as part of their quarterly report.

In conjunction with Business Risk, the Operations Team carry out an annual check on a random sample of agenda items to ensure Glass Lewis stated policy has been implemented per the pre-advised market guidelines. This process involves selecting individual agenda items, seeing how they were voted and then cross referencing them back to the appropriate Glass Lewis policy. We note that Glass Lewis' policy is Longview's policy except for any client specific policy arrangements. Please see below two examples of how we engaged with Glass Lewis to ensure that they were consistently applying their policies.

Example 1: Engagement with Glass Lewis
In July 2020, Longview held a call with Glass Lewis to share feedback as part of Glass Lewis' annual policy review. It was confirmed at the beginning of the call that Longview makes use of Glass Lewis' standard policy but that we wanted to discuss some of the inconsistencies that we believe we had identified overtime. The two main points raised related to board diversity and remuneration, both of which we had commented on in the past. We explained that some of these policies seem inconsistent, especially on board diversity where different countries have different standards. Longview believes that regardless of geography, it was unreasonable not to expect companies to have a diverse board. Glass Lewis talked about striking the right balance between exerting pressure on companies to implement the right policies on diversity and practical expectations in various countries. The goal is to identify companies that stand out as outliers. For example, Europe has focused more than the US on gender diversity whereas Switzerland has been perceived to have lagged versus continental Europe. These policies are re-evaluated by Glass Lewis every year and there are contextual differences to consider. There is no doubt that the landscape will continue to develop and Glass Lewis' remit is to identify the middle ground between current practices and the progress that needs to be made. They explained that identifying best practices is one part of such conversations with asset managers. Standard governance practices in the US are less than ideal and Glass Lewis wrestle with policy guidelines whilst trying not to be extreme in their views and helping the market to progress. The US government tends to be friendly with companies on corporate governance. On the other hand, the Thirty Percent Coalition is pushing for more female representation on boards.

Longview then addressed minority representation on boards. We explained that this point will likely gain attention going forward as large companies without minority representation will also become outliers. Glass Lewis confirmed that they are also looking into these considerations. In this case, the US has adopted more advanced policies on ethnic diversity at the board level.

We then moved on to remuneration and mentioned that policies have been historically based on comparing a company to its peers. One downside could mean that controversial pay practices can be overlooked when the entire industry is an outlier. The media and technology industries are good examples where high pay can be overlooked when compared to peers. Glass Lewis discussed the various factors they include in their methodology while assessing the country, industry and peers by: 1) self-disclosed peers (50%); and 2) Glass Lewis-chosen peers (50%) from other industries whilst taking into consideration size parameters.

We also discussed our concern regarding the practice of dual-share classes in European companies when a family has a controlling stake and discussed whether there should be a limit on the age of board members. In closing, Glass Lewis confirmed that they are constantly reviewing their policies. Longview added that we rarely choose to vote against Glass Lewis' policy and that we review Glass Lewis' standard policy annually as part of the due diligence review and are committed to sharing this type of feedback. We will review next year's policies in line with our comments to see whether changes relating to the above were considered or made.

Example 2: Follow-up engagement with Glass Lewis

In November 2020, we met with Glass Lewis to follow up on our discussion held in July. They were considering a new approach and were looking for Longview's feedback.

At the moment, US companies are free to define board diversity as they see fit. Glass Lewis explained that the broad objective of Glass Lewis' policy is to improve the standards to which these companies are held, primarily by encouraging greater disclosure. Simply getting companies to share details about the diversity of their boards is seen as a first step towards improvement in the US, where such practices are lagging the rest of the world.

Longview pointed out that Glass Lewis' policy only refers to gender diversity whereas we believe that diversity is a broad term that captures more than gender. Glass Lewis clarified that the gender of board members is one of the easier elements to ascertain, as it is mostly self-identified in biographies. However, some companies choose to disclose more than gender. Glass Lewis plan to introduce a good/fair/poor rating for the amount of disclosure companies give on the traits of their board. Glass Lewis do not make voting recommendations based solely on one such rating. The decision is made holistically while considering the quality of other governance metrics. Glass Lewis explained that this assessment will evolve as standards improve.

With regards to board diversity disclosures, companies will be assessed on the following criteria:

1. Does the board have a skills matrix available?
2. Definition of 'diversity' – is it broad enough?
3. Does the company disclose the race of its directors?
4. Has the company adopted the Rooney Rule*?

These categories will have different weightings except for the last, which will be yes/no. Glass Lewis then discussed the reticence of some companies to modernise. They will be applying a 2-women standard for US companies soon. We noted that 30% seems to be the standard globally. Glass Lewis explained that the end goal is to apply the policy consistently worldwide. They described the challenges in driving change in the US and that improving disclosure is seen as the first step. They also informed pointed out the new board diversity ratings system entering proxy reports in January 2021 for S&P 500 companies.

**The Rooney Rule is a rule in the NFL that requires teams to at least include ethnic minority candidates in the interview stage for top positions.*

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 on-going support. Since the onboarding process in the fourth quarter of 2020, we have received two 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 discuss contentious issues with companies as part of our ongoing dialogue with management. In these meetings, we will discuss strategy and corporate responsibility issues, as we believe that these factors affect a company's ability to create value for their shareholders. Such factors may include deployment of capital, remuneration, finance, reputation and litigation risks, climate change, energy efficiency, human rights, labour rights and other material social issues.

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
We prioritise our ESG engagement efforts with companies where we have identified ESG related issues in our proprietary research process. 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
--	ABC Limited	The company is considering selling most of its equity stake in an investment which has proven be an excellent example of capital allocation and a significant source of value creation for shareholders. The company suggested that they intended to use the proceeds for earnings accretion and dividend payments.	Ensure that management understand that as a shareholder, the proceeds should be used in a value accretive manner. Convey the above to management via letter or direct contact.	Subsequent to our letter, Longview spoke with management and they understood and acknowledged our concerns and declared that going forward capital would be allocated appropriately.	Objective achieved Next steps: 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. 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 three case studies provide insight into some of the engagement activities that we have undertaken in 2020, including details on the types of outcomes that we have achieved. The second example was also provided under Principle 7 to demonstrate how we monitor the Quality of our holdings.

Example 1: Engagement with Financial Service company domiciled in the US
In December 2020, Longview held a call with the CEO and CFO of a company within the Financial Services sector. The call was arranged so that the company could share with Longview some insights into its performance and strategy in the wake of the Covid-19 pandemic, including a discussion of the company's recently announced ESG action plan. The plan comprises of a set of internal and external programs and commitments, supported by $1 billion of investments. Its central aim is to further the company's efforts to realise its diversity and inclusion targets through several actions, and to set out goals for resource allocation. Longview's aim was to gather more information on how the capital will be deployed to achieve these targets The CEO made clear that they have increased their efforts to promote inclusivity and equal opportunities at the company, and the new action plan is part of this drive. Importantly, a group has been created which reports directly to the CEO, giving structure to the management of these social issues. They have scrutinised their internal practises and policies relating to diversity but are also working on external relationships. The investment in ESG includes providing loans to minority businesses, looking at minority suppliers, re-investment in communities and small businesses. This involves, the CEO informed us, a commitment to double their spend with diverse and minority owned suppliers in the U.S. to $750 million annually by the end of 2024. The company emphasised that the overarching goal is to create a working environment where all staff, regardless of gender, ethnicity or religious beliefs, feel comfortable and can succeed at the company. Key to this is the company's focus on pay equity rather than pay parity. In 2020, they made investments to achieve full pay equity for employees across genders globally, guaranteeing that staff will receive equal pay for equal work. Longview pointed out that too often, diversity is oversimplified, dealt with as an issue of gender alone. The CEO assured us that they have embraced more than just one metric and are aiming to improve representation and opportunities for all staff, no matter their background. The CEO noted that 7 out of 15 of his direct reports are female, and several are from minority backgrounds. The company monitors diversity metrics throughout every level of the company, devising and executing related initiatives on a 3- or 5-year basis. The action plan announced in October 2020 focuses on social issues. Whilst they do make efforts to address environmental concerns (for example the company has developed payment cards constructed with recycled plastics), the initiatives discussed by the CEO and CFO target the company's culture. Longview received a comprehensive overview of the plan from two key decision-makers and left satisfied that the $1 billion investment is being deployed appropriately.

Example 2: Engagement with Health Care company domiciled in France

In May 2020, Longview wrote the following letter to the Chairman of the Board of Directors of [company A] following the announcement that the company intended to sell most of its equity stake in [company B].

"Dear [Sir],

Longview Partners LLP, acting on behalf of its clients, is a significant shareholder of [company A] with 9.9 million shares, representing 0.8 percent of the shares outstanding. We have been shareholders since 2011.

We note from recent public information that [company A] has announced the sale of most of its equity stake in [company B]. We believe the investment in [company B] has proved to have been an excellent example of capital allocation by the company and a significant source of value creation for [company A's] shareholders. However, there appears to be little detail on the use of proceeds, other than to 'help further our ability to execute on our strategy to drive innovation and growth'. By this letter, we wanted to offer our perspective on its use in the context of recent capital allocation decisions.

In 2018 [company A] purchased [company C]. At the time we discussed the acquisition with [company A] and highlighted our belief that the price offered required the achievement of optimistic forecasts. We believe that we were not alone in this view. Since then, sales have disappointed expectations and [company A] has taken a €2.8bn impairment charge on the €9.4bn acquisition price. Despite the clear disappointment, we are concerned at management's apparent willingness to defend what appears to have been a poor capital allocation decision.

In 2017 [company A] was widely reported to have entered a bidding war with [company D] to acquire [company E]. We felt that [company E] was considerably overpriced and communicated our views to you at the time. Recently [company D's] purchase has been described as "The worst pharma deal of the decade".

We continue to have concerns over the price paid for [company F] also, although it is perhaps early to prove its worth. Given the above, albeit under the previous management team, we want to ensure that you understand our desire that the proceeds are used in a value creative manner rather than simply to drive revenue or earnings accretion. We want to assure you that we are not against acquisitions but believe that for them to be fiscally responsible on a risk-adjusted basis they must return more than an investment in the shares of [company A].

We are long-term investors; we are not activists and we do not discuss our investments publicly. We would be delighted to hear your thoughts on the matter and discuss this with you.

Yours sincerely"

Subsequent to this letter, Longview spoke with management via a conference call and they satisfied our concerns that capital would be allocated appropriately.

Example 3: Engagement with IT company domiciled in US
In April 2020, Longview engaged with an IT company to discuss the categorisation of peer groups as defined by Longview's proxy voting provider Glass Lewis which had implications on the advisory vote on Say-On-Pay. Say-on-Pay provides shareholders with an opportunity to register their approval or disapproval on the company's Executive Compensation. The company informed Longview of their DEFA14A filing with the SEC made on 23 April 2020 in response to Glass Lewis' analysis of the advisory vote on Say-On-Pay, stating that it was flawed. Longview noted on the company's perspective and reviewed both Glass Lewis' proxy recommendation and their DEF14A filing. Upon review, Longview found that the company did raise some good points, however, we also believe that the merits of total shareholder return (TSR) versus earnings per share (EPS) as an incentive are complex. We would support a measure of operational performance when it is represented by EPS with a return on invested capital (ROIC) hurdle, rather than a TSR measure. With that in mind, despite the company's perspective, we did not believe that overturning Glass Lewis' vote against Executive Compensation would be in the interest of shareholders. We are looking into the opportunity of engaging further on this topic to ensure that the most appropriate analysis of compensation is being undertaken and will provide additional information if we deem the escalation of this point to be additive and beneficial to the nature of this engagement.

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 forward 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. However, historically, we have not engaged with other investors as part of collaborative engagements on specific or thematic issues.

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 on-going 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 where we will review on an annual basis the progress made on ESG areas of concern previously raised. Longview's Relationship Management Team creates an entry in the Log for the engagement and is responsible for flagging to the Research Team when an annual progress update is due as part of the monitoring process. 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
- 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, the Research Team will contact the investee company to discuss the matter further. The Research Team 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. 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 one where we have voted against management; where >15% of total votes have been cast against management; or 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 client's 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.

Although, 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 2020; under Principle 8, we did share an engagement example demonstrating steps that we have taken as part of the due diligence process of one of our service providers, Glass Lewis, which would be relevant here in relation to escalation. The example in question shows how the Research Team exercised its stewardship responsibility by escalating two issues that had been previously raised with Glass Lewis which in turn may serve to exert influence on the governance practices of issuers. The Research Team engages again with Glass Lewis to discuss inconsistencies that we had observed overtime in their voting rationale for certain types of resolutions. Importantly, our objective is made clear throughout the engagement and we keep a record of the status of the outcome, which in this case is yet to be achieved and will be monitored. We have chosen to engage with Glass Lewis via conference call 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 Glass Lewis
In July 2020, Longview held a call with Glass Lewis to share feedback as part of Glass Lewis' annual policy review. It was confirmed at the beginning of the call that Longview makes use of Glass Lewis' standard policy but that we wanted to discuss some of the inconsistencies that we believe we had identified overtime. The two main points raised related to board diversity and remuneration, both of which we had commented on in the past. We explained that some of these policies seem inconsistent, especially on board diversity where different countries have different standards. Longview believes that regardless of geography, it was unreasonable not to expect companies to have a diverse board. Glass Lewis confirmed that they are constantly reviewing their policies. Longview added that we rarely choose to vote against Glass Lewis' policy and that we review Glass Lewis' standard policy annually as part of the due diligence review and are committed to sharing this type of feedback. We will review next year's policies in line with our comments to see whether changes relating to the above were considered or made.

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

All voting recommendations are made on a case-by-case basis by Glass Lewis's specialist research analysts, in line with their detailed regional policies, which are approved by Longview on an annual basis. However, Longview would advocate the exercising of votes, contrary to Glass Lewis policy, where necessary. The decision to vote contrary to Glass Lewis's recommendation is made collectively by the Research Team and CIO and will often follow engagement between our Research Team and the investee company. Longview receives Glass Lewis Proxy Voting reports from Glass Lewis, which cover all proposals to be discussed at upcoming company meetings, including those related to ESG. These reports are circulated to the lead Research Analyst for each stock, who confirm, in writing, their agreement or otherwise with Glass Lewis's recommendations. In cases where Longview deems Glass Lewis's recommendation to not be in the best interest of its clients, the Research Team will intervene and cast a vote against their recommendation.

Any decision to vote contrary to Glass Lewis's recommendation is communicated to Glass Lewis for implementation. In such instances, the rationale is published and disseminated to clients in our periodic reporting. 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/2020/07/Shareholder-Activism-2020.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. For votes where Longview intends to override Glass Lewis and vote against management, Longview may make a request for clients to arrange for the recall of their shares on loan.

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 Glass Lewis' and the portfolio company management's recommendations. For confidentiality purposes, 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. Longview defines a significant vote as one where we have voted against management; where >15% of total votes have been cast against management; or where we have voted against our proxy adviser's recommendation.

Proportion of shares

In 2020, we voted 443 resolutions at 32 company meetings. Of the total number of available shares, 99.94% of eligible shares were voted and 0.06% were unvoted due to the rejections of four ballots in the absence of the required power of attorney documentation.

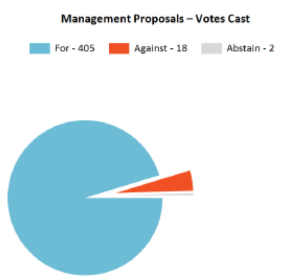
As an illustration of our voting activity, the following Proposal Statistics Report from our proxy-provider Glass Lewis provides a breakdown of the number of proposals that were voted in the past year in our Global Equity Fund (Currency Unhedged).

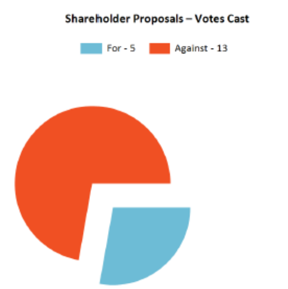
Figure 8: Voting Proposal Statistics Report

Proposal Statistics Report

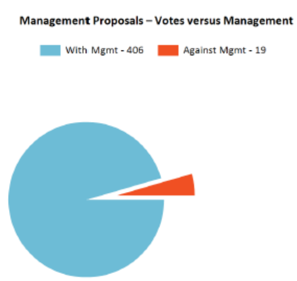
From 1/1/2020 to 12/31/2020

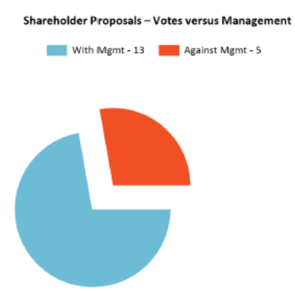
	Mgmt Proposals	SHP Proposals	Total Proposals
For	405	5	410
Against	18	13	31
Abstain	2	0	2
1 Year	0	0	0
2 Years	0	0	0
3 Years	0	0	0
Mixed	0	0	0
Take No Action	0	0	0
Unvoted	0	0	0
Totals	425	18	443





	Mgmt Proposals	SHP Proposals	Total Proposals
With Management	406	13	419
Against Management	19	5	24
N/A	0	0	0
Mixed	0	0	0
Take No Action	0	0	0
Unvoted	0	0	0
Totals	425	18	443





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. No votes were made against Glass Lewis' recommendation in the past year.

Figure 9: Examples of Voting Decision (2020)

Company Sector	Filed By	Meeting Date	Proposal Description	Management Vote	Glass Lewis Recommendation	Longview Decision	Voting Rationale & Significance
Communication Services	Shareholder	04/28/2020	Shareholder proposal regarding Independent Chair	Against	For	For	Increased disclosure would allow shareholders to fully understand the steps the Company is taking to ensure equitable compensation
Consumer Discretionary	Management	05/13/2020	Advisory vote on executive compensation	For	Against	Against	Concerning pay practices
IT	Management	11/04/2020	Board Member Election	For	Withhold	Withhold	Ongoing compensation concerns; Insufficient response to shareholder dissent
IT	Management	11/04/2020	Board Member Election	For	Withhold	Withhold	Board is not sufficiently independent

The process and procedures around the monitoring of our proxy-voting provider's services are described under Principle 8. As mentioned, our Operations Team carries out an annual check on a random sample of agenda items to ensure Glass Lewis' stated policy has been implemented per the pre-advised market guidelines. This process involves selecting individual agenda items, seeing how they were voted and then cross referencing them back to the appropriate Glass Lewis policy. The policy of Glass Lewis is Longview's policy, except for any client specific policy arrangements. We keep a record of our clients' preference for voting (i.e. if Longview should vote on their behalf) in our primary portfolio management system.

Under Principle 9, we described an engagement with an IT company regarding their Executive Compensation Programme, after which we decided not to oppose our proxy-voting provider's recommendation and voted against management. Ultimately, the outcome of the resolution in question was such that it did receive majority support for management with approximately 67% of the votes being cast for management and 33% of the votes being cast against. However with over >15% of the votes cast against management, we view this result to be significant and believe our vote sends a clear signal that a more appropriate analysis of compensation should be undertaken and that we will continue to monitor the issue going forward.

Declaration:

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

Signed:

Marina Lund, CEO and Head of Institutional Clients