Sustainable Finance Disclosure Regulation (SFDR)

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

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

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

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

Longview's ESG Investment Beliefs

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

One key aspect of our approach to ESG is that we do so through a lens of materiality. Materiality considers the significance of the impact of ESG considerations which may differ from one sector to another. Financial materiality is a key aspect as most issues will ultimately impact the financials of a company. However, Longview also considers reputational, regulatory, and legal impacts amongst others. Our in-depth proprietary research process does not follow external ESG risk ratings. We use external ESG and carbon data providers to supplement our own research.

Longview's Approach

GHG emissions

Structurally, in line with our investment philosophy, our portfolio is expected to have low carbon emissions and intensity relative to global benchmarks due to our lack of exposure to oil and gas, mining, metals and deeply cyclical businesses. Typically, the carbon intensity of Longview's Global Equity Portfolio is around 80-90% lower than that of the MSCI World Index. As of 30 June 2024, the Longview portfolio has zero direct exposure to fossil fuels and no direct exposure to industries such as cement production, where carbon emissions are characteristically high.

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

In 2024, we published our first Task Force on Climate-Related Financial Disclosures (TCFD) Report to comply with the climate reporting requirements mandated by the UK's Financial Conduct Authority (FCA). The report aimed to provide a holistic overview of our efforts to understand and manage our climate-related risks and opportunities across Longview. We also evaluated the resilience of the Longview Global Equity Portfolio for various climate-related scenarios by quantifying the impacts of climate transition and physical risks on our portfolio where possible, using data from our external provider, S&P Trucost. We intend to further integrate our understanding of climate risks and opportunities, including working with our clients to support their climate-related goals and engaging with our portfolio companies to drive positive climate outcomes.

We also believe it is important to keep track of our portfolio companies' progress to reduce GHG emissions. For this purpose, we conduct a Climate Commitments Audit across the portfolio on a regular basis to assess our portfolio companies' climate intentions; and we directly engage with companies for which we need to seek clarity on their climate plans or push for stronger commitments. We consider our approach to climate stewardship a valuable component in our efforts to mitigate climate-related risks within the portfolio.

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

As non-shareholders in the most polluting companies, we are unable to influence them directly or through voting. However, as an asset manager with a global client base, we embrace our duty to help tackle climate change and support the UK's transition to net zero emissions. To that effect, we are members of the Institutional Investors Group on Climate Change (IIGCC). We believe that by joining the IIGCC, we have aligned ourselves with other likeminded investors that promote good stewardship on climate change.

United Nations Global Compact Principles

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

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

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

Board gender diversity

In our stewardship efforts, we have engaged with portfolio companies to promote increased workforce disclosure and to understand intentions regarding diversity in management roles. This thematic engagement on diversity and inclusion continues to serve as a reference framework in our ongoing work to assess the need for engagement with new or existing holdings regarding their Diversity, Equity and Inclusion (DEI) commitments and initiatives.

More broadly, across Longview, human capital management is of critical importance; and we are fortunate to have long tenure amongst our staff. DEI matters are increasingly important to us, and we are committed to tackling such initiatives. We have a DEI Committee that recommends firm-wide objectives for improvement with the aim of promoting good DEI practices within Longview, which means Longview and its stakeholders benefit from inclusive decision-making through a diverse workforce. Longview also supports the Diversity Project whose aim is to create a diverse and inclusive investment industry.

Longview's Stewardship

Engagement policy

We engage with companies on ESG matters as part of our overall investment research and our assessment of a company's Quality rating. Where appropriate, we contact a company seeking clarity or to discuss contentious issues as part of our ongoing dialogue with senior management. If we are meeting with senior management, we may discuss strategy and general corporate responsibility as well as specific ESG factors which we believe are most likely to be material for our portfolio companies or impact their ability to generate sustainably high returns on capital. 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.

Thematic Engagements

In addition to company engagements, we may undertake thematic engagements across several companies or even the entire portfolio. As a single-product firm, we focus our efforts on the areas where we believe we can make an impact. Over the years, we have engaged with portfolio companies on the themes of modern slavery, climate change, diversity and inclusion, data ethics and health equity.

Proxy Voting

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

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

References to International Standards

Longview has been a signatory to the UK Stewardship Code since 2011; and a signatory to the UN-Principles for Responsible Investment (UNPRI) since 2010. Longview is also a member of several other industry bodies which have varying roles to ensure that aspects of the overall financial system function well and that systemic risks are highlighted, understood and addressed. These include:

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

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

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

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

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

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

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

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

Disclaimer

This material is for your private information, and we are not soliciting any action based upon it. You may not distribute this document, in whole or in part, without our express written permission. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. Opinions expressed are our current opinion as of the date this information has been provided to you. Whilst we endeavour to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Longview specifically disclaims liability for any losses, damages (incidental, consequential or otherwise) that may arise from use or reliance on any information contained herein by you or any other party for any reason.

Longview Partners (Guernsey) Limited is licensed and regulated by the Guernsey Financial Services Commission.
Longview Partners LLP is authorised and regulated in the UK by the Financial Conduct Authority.
Longview Partners (Guernsey) Limited and Longview Partners LLP are each registered in the US with the Securities and Exchange Commission.

Longview Partners LLP • SavoyStrand • 105 Strand • London WC2R 0AA • Tel: +44 (0)20 7809 4100
Longview Partners (Guernsey) Ltd • PO Box 559 • Mill Court, La Charroterie • St. Peter Port • Guernsey GY1 6JG • Tel: +44 (0)1481 712414
For further information, please contact: info@longview-partners.com
www.longview-partners.com