Responsible Investment & Engagement Policy

Introduction

At Longview Partners we, as institutional investors, 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 focussed.

Longview Partners is a signatory to the United Nations Principles for Responsible Investment (UN PRI), a voluntary and aspirational framework for incorporating environmental, social and corporate governance (ESG) issues into mainstream investment decision-making and ownership practices.

As a Tier 1 signatory, Longview Partners fully supports and is committed to the UK Stewardship Code published by the Financial Reporting Council (FRC).

Longview Partners' Investment Approach

We seek to consistently generate alpha through investing in a concentrated portfolio of global companies, within an absolute return framework. 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 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.

In addition, we believe that capital allocation can create value within or destroy the value of any business. Other than the operations of a business, we focus on the cash generation of the business and the re-deployment of this cash. Inherently we are agnostic as to the method of such re-deployment, whether it is by the payment of dividends, stock buy-backs or else an accretive acquisition. The key thing is that company management is thoughtful about capital allocation and mindful of the fact that they are investing shareholders' money.

ESG Integration

At Longview Partners, we have an integrated approach to evaluating Environmental, Social and Governance (ESG) risks and opportunities. Assessing the significance of environmental and governance related risks and opportunities is an integral part of our bottom-up research process. Governance issues are considered within our Quality rating. The key element of this analysis is the company's treatment of shareholders and its use of capital. On environmental matters, we believe that a lack of consideration for environmental issues can negatively impact the growth of a business and its long and short-term profitability. With regards to social issues, we take direction from clients as to whether it is deemed appropriate to own certain companies in their portfolio.

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Environmental

Our consideration of Environmental factors, including climate change, is ingrained in our analysis of long term growth and stability, analysed during discussions on quality. We would agree that poor management of such issues represents risk for a company. We believe that a lack of consideration for the environment can negatively impact the growth of a business and its long and short term profitability. To this effect, we consider how Environmental matters affect the long-term competitiveness of a business, reflected in our Quality rating, and the short term earnings outlook, reflected in our Fundamentals rating.

For example, our Research Team has done considerable work on energy demand, as well as the sources of energy production. Whilst we are unlikely to own energy and coal mining stocks, from a philosophical perspective, our research also uncovered implications for a number of businesses in the utilities, industrial and consumer space. Our analysis concluded that energy efficiency is reducing the growth in energy demand and will continue to do so, as the world increasingly moves towards renewables and low carbon energy sources. Subsequently, many businesses including the suppliers of traditional energy generation equipment, the suppliers of mining equipment and railroad companies, which generate a high percentage of revenues from the transportation of coal, have not passed our process. We have also considered the beneficiaries of these trends, such as the makers of renewable energy equipment and batteries. Unfortunately these industries are less consolidated and carry less intellectual property than the traditional power supply businesses, thus we have not yet found many investments in this area, other than companies selling automotive parts.

Social

With regards to social issues, we take direction from clients as to whether it is deemed appropriate to own certain companies in their portfolio.

We have on occasion owned tobacco names in our portfolio and our analysis of the tobacco industry has indicated that tobacco is in permanent decline and as such our valuations incorporate negative volume growth. Similarly, moves to healthier eating have begun to affect sales of soft drinks and packaged foods. Another theme to note is health and food safety regulation, particularly in the Emerging Markets where regulations are catching up.

One area we have specifically avoided exposure to is the specialty drug industry. These companies have been growing earnings through substantial price increases, which are now coming to an end. As one would expect, in our opinion, buyers and regulators have moved against such companies indulging in aggressive price action to grow earnings.

Governance

Governance is critical to our Quality rating and the appropriate allocation of capital is something we engage on actively with company management.

Within our analysis of quality, a large focus is on understanding management’s approach to the reinvestment of cash generated and balance sheet management. We do not seek to prescribe a specific approach, rather we ask management to be thoughtful of their actions and to show that due consideration has been given to all options, with an aim of maximising shareholder returns. If we believe management has a poor track record of doing this or has inappropriate plans for the future, we will not invest in a company, even if it has other positive investment merits. Where we have concerns that the company’s management is not acting in shareholders’ interests, our investment team will make clear our concerns to the company. As a concentrated long-term investor we often find company management appreciative of our input.

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Engagement Policy

We encourage high standards of corporate governance when we meet with senior management of a company. In our company meetings 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 company to deliver long-term sustainable value to shareholders. Such factors include; remuneration, finance, climate change, reputation and litigation risks, deployment of capital and energy efficiency.

We evaluate the effectiveness of companies' management on these issues and if a company's past, current or anticipated behaviour is judged to be adverse to its future earnings, these concerns are addressed in our fundamental research and investment process. As mentioned above, poor performance on corporate governance issues would be reflected in our longer term Quality rating that we give companies and would have a direct impact on our investment decision. Companies with poor governance are unlikely to allocate capital effectively, which would cause them to destroy shareholder value.

We engage with companies on corporate governance issues as part of our overall investment strategy and we incorporate the results from our engagement into our Quality criteria. "Engagement" to us means that we seek to meet with company board directors and executives to discuss strategy and corporate responsibility issues. We are comfortable discussing any contentious issues on company meeting agendas and have ongoing dialogue with management regarding the outlook of the business and the issues and risks affecting it. Consequently, we are able to evaluate any resulting management decisions and actions. We will also discuss the quality of the company's reporting as well as the finance and remuneration schemes and strongly support those that align management's interests with those of shareholders.

We evaluate our engagement with companies through our ongoing dialogue with company management. We incorporate the results from our engagement into our investment criteria. Whilst we put our views forward strongly in these meetings, we do not consider ourselves activist. Ultimately, if after lengthy discussions we believed management was failing to act in shareholders' interests, we would reduce our Quality rating to Q3 and sell our holding in order to minimise the loss of shareholder value.

Ongoing Monitoring of Investments

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. This is to ensure that these businesses continue to perform in line with our expectations and they are meeting reasonable governance hurdles. Company research on stocks in the portfolio is updated quarterly as standard, or on the publication of any material information regarding a specific company. We will closely review a company's performance, governance, remuneration and approach to risk. Anything likely to cause a material change in the value of the business, or our Quality rating for the business, will be reviewed by the Research team.

If Longview becomes aware of a governance issue, or has concerns that the company's management is not acting in shareholders' interests, the relevant Research analyst will contact the company to discuss the matter. The Research analyst will make clear our concerns, as well as our expected level of performance regarding governance matters. In most circumstances this dialogue will be with the CEO or CFO of the company, however if more appropriate, we will contact the Chairman or Head of the Remuneration Committee. If the response from the company is deemed unsatisfactory then the issue will be highlighted specifically with the rest of the Research team and the CIO. At this point, the team will decide whether the response requires escalation. If an issue is serious enough that it is deemed likely to cause a material change in our valuation of the business, or a reduction in our Quality rating, we will write to senior management, or express our views through robust discussions with the appropriate member of the management team. We are willing to challenge management in an attempt to protect and enhance the interests of our clients and will exercise our right to vote against management, where

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appropriate. Furthermore, and as mentioned previously, if after lengthy discussions we believed that management was failing to act in shareholders' interests, we would reduce our Quality rating to Q3 and sell our holding in order to minimise the loss of shareholder value.

Our policy on the exercise of voting rights on behalf of our clients is outlined in our Shareholder Activism Policy. On behalf of our Institutional clients, we employ the services of the voting agency Glass Lewis & Co, 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. Glass Lewis votes on our clients' behalf at all relevant company meetings.

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