

ESG Integration and Engagement Policy Statement

OUR ESG PHILOSOPHY: RESPONSIBLE STEWARDS OF CLIENT ASSETS

Our mission first and foremost is to provide clients with investment strategies that meet their needs and deliver attractive risk-adjusted, long-term performance. As fiduciaries and responsible stewards of our clients' assets, we employ a disciplined investment process that seeks to both uncover opportunities and evaluate potential risks while striving for the best possible return outcomes within our investment guidelines. Consistent with these objectives, our process includes an integrated evaluation of environmental, social, and governance (ESG) factors. We recognize that relevant and material ESG issues can meaningfully affect investment performance, and these factors are critical components of our integrated research analysis, decision-making, and ongoing monitoring.

ESG INTEGRATION: A HOLISTIC APPROACH FOR EVALUATING RISK

ESG factors are fully integrated into the investment teams' decision-making and are a central part of their research. We believe this holistic approach to assessing risk and opportunity enhances our investment process. Investment activities are specific to each of the investment teams across global fixed income, credit, and equities and each team employs an approach that is best suited to the asset classes they manage and corresponds with their philosophy and process. Accordingly, each individual research process, including the ESG component, is designed to reflect the respective team's overall approach. Depending on their asset class-specific needs, teams may utilize third-party ratings and company or country research to augment their understanding of relevant ESG issues and supplement their analysis.

OVERSIGHT: FOSTERING COMMUNICATION AND PROGRESS

The Firm's ESG Council leads the ongoing advancement of the Firm's ESG activities, integration and active ownership efforts. The ESG Council develops best practices and policies to be recommended for implementation at the investment team level, reviews prospective responsible investing initiatives, and oversees ESG communication. The ESG Council includes the ESG leads from each investment team, as well as members of client service, marketing, proxy administration, and risk management. Through these discussions and collaboration, we aim to continually evolve our approach to ESG integration to serve our investment decision-making as we seek to meet our client's performance and communication expectations. The ESG Council meets quarterly and the co-chair reports to the Firm's Investment Committee on a quarterly basis.

The Executive Board, the Firm's main decision-making body, supports the Firm's commitment as a signatory to the UN PRI and provides high-level guidance through the oversight of the Investment Committee.

PROMOTING DEEPER INSIGHTS

At Brandywine Global, we believe the inclusion of factors related to sustainable and responsible investing are necessary for a complete understanding of both risk and opportunity.

- **Environmental** – Unsustainable or controversial environmental policies may lead to financial penalties, compromised reputation, competitive disadvantage, and negative implications for growth.
- **Social** – Poor labor practices or human rights violations may put companies or countries at risk of unrest or upheaval, impairing economic progress.
- **Governance** – Insufficient governance may promote an environment that ignores investor rights and interests while enabling fraud or corruption, limiting investment returns and exacerbating risks.



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PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

In 2016, Brandywine Global became a signatory to the UN-supported Principles for Responsible Investment, a network of investors committed to investing responsibly and supporting a sustainable global financial system. Our status as a PRI signatory underscores our commitment to incorporating ESG factors into the investment decision-making process and to furthering our active ownership efforts.

SECURITY ANALYSIS

SOVEREIGNS

Our global fixed income investment process begins with top-down, macroeconomic research, of which ESG considerations are an important component. In our process of identifying attractive investment opportunities we search for the highest real-yielding countries in the world and focus on currencies offering the most value, while monitoring political, economic, policy environments, as well as other governance factors, and significant environmental and social factors. Through this process we seek to identify and manage price and information risk, and ESG analysis is embedded in that analysis. When evaluating global sovereign bonds, governance issues such as rule of law, level of corruption, business freedom, and protection of property rights are among the key considerations. Environmental and social factors also can impact the economy and investment conditions in that country. We review environmental factors that provide insight into a country's exposure and response to climate change risk, including the country's evolving use of fossil fuels and renewables and its vulnerability to the impacts of climate change risk. Countries that mismanage pollution or natural resources can impair agriculture, health levels, demographics, country production, and growth prospects. Other factors we consider are conditions such as the levels of education, poverty, and net migration. Any of these factors and interaction of factors can influence the attractiveness of a country's sovereign debt.

COMPANIES

Consideration of ESG issues is an important input to our evaluation of corporate bond and stock investments and integrated with our financial analysis to assess the attractiveness of the investment. Failure to address ESG issues properly can expose a corporation to significant legal, regulatory, product, and reputational risks. Conversely, well-managed businesses tend to have strong governance structures and proactively address possible environmental and social issues. For a comprehensive evaluation of a company, we believe it is imperative to evaluate each investment opportunity in light of potential ESG risks and strengths alongside the full range of fundamental considerations. Governance is uniformly an important issue, and we focus on the material areas of risk for a particular company based on its business activities.

CREDIT FIXED INCOME

ESG issues are integrated within our corporate bond analysis as part of the bottom-up, fundamental security section. ESG analysis can uncover activities that could reflect negatively on a specific company, increasing price risk in the company's financial securities or even potentially leading to a spread widening in corporate bonds. Governance, in particular, plays an important role in assessing management's style and quality, but we also consider a company's social and environmental practices. As noted above, we are particularly focused on those issues that are most material for a given company. We integrate third-party ESG ratings and research into our research to understand the drivers behind these scores and gain insights into the liabilities and risks they present over the time horizon of the issuance. The investment team actively monitors investments, including any ESG issues on an ongoing basis and will evaluate and discuss events that may have an impact on its investment outlook. The company ESG analysis is contained within the core credit review research that the team conducts.

FUNDAMENTAL EQUITY

ESG information is sourced from the investment team's bottom-up, fundamental research and provides a valuable input into our analysis. We use SEC filings, internet searches, legal filings, management meetings and other techniques to identify issues. A key area for analysis of any company is the long-term profitability, management structure, brand/reputation, and litigation risks associated with environmental and health impacts of a company's operations and products. We look at societal trends, activism targets, past controversies, compensation levels, and a host of other issues to identify current and future areas of possible risk. Issues may vary widely by industry and our research process is designed to uncover major risks. While we may or may not have visibility into every risk, we do see patterns at companies indicating whether they are the type of management which respects and considers environmental, social and governance risks.

ESG factors are incorporated into the valuation model via probabilistic analysis of potential outcomes in which we consider "best case" to "worst case" scenarios. We must balance risk/reward as there is no such thing as a "perfect" company. We believe that well-managed companies as well as diligent investors consider and examine all issues, and we seek to own well-managed companies.

DIVERSIFIED EQUITY

Consideration of ESG factors is directly incorporated into the fundamental review of all investable stocks identified through our quantitative process. ESG factors are one subset of factors we review in determining whether a stock presents significant risk issues that would cause us to exclude the stock from our portfolio. To assist in the assessment of these factors, the Diversified Investment Team subscribes to the third-party ESG reports which provides an ESG rating on the overall company, as well as the breakdown of E, S, and G level and individual factor ratings, in addition to detailed information on a firm's exposure to and management of various ESG risks. This information supplements the research efforts performed by our analysts to identify problems which would lead us to deselect a stock from our investable universe.

ACTIVE OWNERSHIP – PROXY VOTING AND ENGAGEMENT

In our role as fiduciary of our client's assets, it is our responsibility to exercise active ownership through proxy voting and engagement as a means of supporting sound ESG policies and practices, communicating our views to companies and promoting change.

PROXY VOTING

Our firm policy outlines the general guidelines for proxy voting though portfolio managers have the discretion to determine the appropriate vote to maximize shareholder value in accordance with our fiduciary duty. We generally prefer not to dictate to companies on matters of business strategy, believing that as long as the company is operating responsibly, it is management's role to make these decisions. Business strategy includes management of environmental and social practices, as they have the potential to pose significant financial, legal, and reputational risk if not appropriately governed. In cases where we feel management has not taken sufficient efforts to address material environmental or social risk, we may choose to support shareholder proposals aimed at enhancing shareholder value or risk mitigation in alignment with our fiduciary principles.

ENGAGEMENT

The investment teams may engage in direct communication with company management, an invaluable practice for gaining a better understanding of how management perceives and addresses risks. Open dialogue allows the company to answer specific questions and provides a forum where the investment team may offer feedback on areas of concern, particularly issues where we may disagree with the company's approach.

We use engagement interactions to better inform our investment decisions, to promote value-enhancing policies within companies, or to avoid investments that pose an unacceptable level of risk. Engagement may occur at any stage of our investment process when we have identified an issue or practice that causes concern or requires more information to understand the company's strategy.

Company engagement begins at the point of initial outreach in the form of a letter, call, or direct meeting through the resulting interaction and on-going dialogue that follows. The path and length of engagement differs based on the situation, in terms of the issue, severity of the issue, company response, duration, and how the information is assimilated and factored into our overall investment decision. We may come away with a more positive view of the company and its investment outlook or with increased concerns that lead us to closely monitor or sell the position. We also may take action through our proxy voting by voting against management on a targeted concern, including voting against the reelection of the Board members.

FUNDAMENTAL EQUITY

As fundamental, bottom-up investors, the Fundamental Equity team considers dialogue with company management a core element of the research process. We often engage with companies either to further understand risks and opportunities or to seek changes that we believe will enhance the value of an investment. We generally focus on issues that we believe will impact the value of the company's shares, which may include but are not limited to, financial disclosure, business strategy, capital allocation, management compensation, internal risk controls, and environmental and social factors. We undertake frequent dialogue with companies, including investor relations personnel, management teams, and Board of Directors representatives, via phone calls, on and offsite one-on-one meetings, and conferences. Where we see meaningful risk factors or need further transparency, we will ask questions of management, evaluate their responses, and judge whether the risk/opportunity is accurately reflected in the price. Once we raise our concern and engage with a company, we monitor its actions and incorporate any new information into our investment analysis. If we find a further mismatch in the price of an investment versus the risks/opportunity, we may choose to further engage with the company, exercise active ownership via proxy voting, or exit the investment altogether.

DIVERSIFIED EQUITY

Because our emphasis on quantitative evaluation tends to result in diversified portfolios with large numbers of holdings across small-, mid and large-cap companies, our analysts do not often engage with company managements. We hold company managements accountable for their ESG activities and behaviors primarily through our proxy voting practices. We will typically vote against management on issues related to practices that represent poor governance, environmental stewardship, or social behavior that may adversely impact the value of the company's shares. Following a proxy vote against management, we then may elect to engage with a company directly to convey our position, reinforce the request for action, and invite constructive dialogue.

COMBINED EQUITY ENGAGEMENT

In most aspects, the investment teams operate independently in their investment activities and decisions. However, the two teams may jointly engage with company management for common holdings, allowing us to exert greater leverage and influence.

FIXED INCOME ENGAGEMENT

Historically, engagement has been associated primarily with equity investing as ownership status has provided a natural channel for engagement activities through proxy voting rights that represent investor views and interests. However, the objectives that drive equity engagement are equally strong for fixed income investors. To help inform investment decisions, both types of investors are seeking full and transparent information related to risks and the policies and actions being undertaken to mitigate those risks.

CREDIT FIXED INCOME

We engage with corporate issuers when a material risk or a lack of transparency into a company's management of a risk has been identified. In general, the lower the MSCI ESG score, the greater priority placed on engagement. Governance issues tend to commonly precipitate engagement, but we are also actively approaching companies regarding social and environmental issues, such as employment practices and transition to renewable power resources.

SOVEREIGN FIXED INCOME

Our engagement practices with sovereign issuers include visiting countries directly and participating in conferences, such as those hosted by the International Monetary Fund (IMF) and Institute of International Finance (IIF). When engaging with a sovereign entity, we generally meet with the finance minister or a member of the central bank— persons who are in key positions to present and comment meaningfully on the country's pressing issues. Discussion topics span a wide range, from economic policy to governance and environmental issues, such as energy reform. We have observed a growing desire on the part of governments to interact with the investment community. Recognizing that investment managers increasingly are providing significant sources of portfolio inflows that support country initiatives, countries may undertake more "road shows" and engagement opportunities should increase.

SCREENING / EXCLUSIONS POLICY

In addition to ESG integration across our strategies, we can accommodate custom client SRI restrictions in a separate account for any of our strategies. We accept specific security lists or employ MSCI business involvement screens to restrict securities from companies engaged in certain industries, such as the manufacture of alcoholic beverages, tobacco products, weapons, the operation of gambling facilities, or the production of coal or other fossil fuels.

REPORTING

As a signatory to the PRI we complete the annual transparency report which provides details on our approach to ESG incorporation and active ownership, as well as the strategy and governance supporting our ESG program. The report can be provided upon request and is also available through the PRI website. Additionally, we provide proxy voting reports to our clients, and are developing reporting to share examples of ESG integration and engagement as part of the investment process.

This material contains the opinions of Brandywine Global Investment Management, LLC, which are subject to change without notice. Analysis and integration of ESG factors is qualitative and subjective by nature, and there is no guarantee that the ESG criteria used, or judgment exercised, by Brandywine Global will reflect the values of any particular investor. This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product.