

Engagement Policy

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 communicating our views to companies and influencing change. All portfolio managers and analysts are involved in the effort of integrating environmental, social, and governance issues (ESG) throughout the full investment process, including ongoing monitoring of and active engagement with the companies and countries in which we invest. 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.

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. These issues 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. We seek on a regular basis to interact with management and discuss both opportunities and risks. 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

The Diversified Equity suite of products offers a value-oriented equity approach that utilizes a hybrid quantitative/fundamental or pure quantitative investment style. 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, poor environmental stewardship, or poor 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.

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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COMBINED EQUITY ENGAGEMENT

In most aspects, the Fundamental Equity and Diversified Equity 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. We typically ask questions of company management and request increased disclosure to gain a better understanding. In general, the lower the MSCI ESG score, the greater priority placed on engagement. Governance issues tend to more 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

Without the availability of company management, a CFO, or investor relations, engaging as a sovereign investor must take a different form. However, the opportunity for communication with a country representative can be equally productive. 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.

PATH OF ENGAGEMENT

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.

REPORTING OF ENGAGEMENT

We provide details of our engagements upon request.