

ESG Policy Statement

Our Philosophy: Responsible Stewards of Client Assets

Our mission first and foremost is to provide clients with investment strategies that meet their needs and deliver strong 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

Rather than an adjunct consideration, 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. 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 unique and designed to reflect the respective team's overall approach. Depending on their asset class-specific needs, teams may utilize third-party ratings and company research to enhance their understanding of relevant ESG issues and supplement their analysis.

Security Analysis

Sovereigns

Our global fixed income investment process begins with top-down, macroeconomic research, of which ESG considerations—particularly governance—are an important component. For example, rule of law, level of corruption, business freedom, and protection of property rights are primary concerns for assessing a country's opportunity alongside potential risks. Environmental and social factors also can impact the economy and investment conditions in that country. Countries that mismanage pollution or natural resources can impair agriculture, health levels, demographics, country production, and growth prospects. In turn, any of these factors can reduce the attractiveness of a country's sovereign debt.

Corporations

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

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

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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. We further support responsible ESG policies and practices through our proxy voting and engagement with corporate management, particularly in terms of compensation structures and protecting shareholder rights.

Proxy Voting

Our firm policy outlines the general guidelines for proxy voting. However, portfolio managers have the discretion to determine the best course of action to maximize shareholder value in accordance with our fiduciary duty. Proxies and shareholder proposals of an environmental, social, or governance nature are reviewed carefully. Final vote execution is based on the best economic interests of our clients.

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.

Oversight: Fostering Communication and Progress

Across all of our portfolios, research and decision-making are based on a team approach, which extends to ESG analysis and the integration of these factors into the team's overall investment process. Representatives from each team are involved in the firm's ESG Council to facilitate communication and advancement of our responsible investing efforts. We maintain regular oversight of ESG activities, with each team providing updates to the firm's Investment Committee on a semiannual basis.

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.

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