

# BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC

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## RESPONSIBLE INVESTMENT POLICY

### INTRODUCTION & PHILOSOPHY

The Barrow, Hanley, Mewhinney & Strauss, LLC (BHMS) policy for responsible investing provides a framework and the guiding principles for responsible investment practices, including the integration of environmental, social, and governance (ESG) factors that align with the firm's fiduciary responsibility and its purpose to pursue superior risk-adjusted returns on behalf of its clients.

BHMS has a track record of more than 30 years of managing socially-responsible mandates and employing ESG factors in its analysis for the construction of equity and fixed income portfolios. BHMS currently manages more than \$5 billion in Socially Responsible Investing (SRI) related assets and "negatively screened" portfolios for clients with specific restrictions and guidelines.

In addition to this expertise and stewardship, BHMS employs heightened active ownership, and creates a unique opportunity in the market. As a top 25 shareholder in more than 160 companies, BHMS values the opportunity to partner with these companies and engage with executives on ESG-related issues.

### BHMS' APPROACH TO RESPONSIBLE INVESTMENT

BHMS is proud to be a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and the Investor Stewardship Group (ISG). The firm's approach to responsible investing is underpinned by its Guiding Principles for Responsible Investment and the key elements of the PRI and ISG.

BHMS believes that the consideration of material ESG factors in its investment process aligns with the pursuit of superior risk-adjusted returns for its clients and their beneficiaries. Responsible investing makes sound business sense and, as an advocate for the firm's clients and the long-term future of their beneficiaries, BHMS believes it is also the right thing to do.

The firm's ESG approach includes integrating ESG factors into its research and valuation analysis, internally communicating key ESG issues and third-party ratings, and holding a company's board and management accountable through dialogue and proxy voting. In addition to third-party ratings, BHMS has created its own proprietary ESG Composite Score, which builds on the analysts' scores for each E, S, and G pillar. These values are then married to other 3<sup>rd</sup> party ESG scores to create a more robust and unique ranking methodology.

BHMS' Responsible Investing Committee (RIC) is mandated to oversee the firm's approach to responsible investing. The RIC is led by the Director of Responsible Investing and reports to the Executive Directors of the firm. The RIC reviews BHMS' ESG and Proxy guidelines on an annual basis to adapt the policies to new developments and to incorporate previous engagements.

### BHMS' GUIDING PRINCIPLES FOR RESPONSIBLE INVESTMENT

BHMS' guiding principles for responsible investment practices are as follows:

- 1. A commitment to consider material environmental, social, and governance factors throughout the investment decision-making process.** BHMS seeks to identify and focus on key ESG factors that presently, or at some point in the future, may materially impact the long-term value of the company. BHMS incorporates the consideration of relevant material ESG factors into its investment management practices in a manner that is consistent with the investment philosophy, process, and client mandate.

2. **A commitment to be a responsible steward of the assets of the firm's clients.** BHMS takes its responsibility as a discretionary manager for shareholders seriously. The firm aims to ensure that the management teams of investee companies (issuers) are accountable for company performance and conduct. BHMS acts as a responsible steward of its clients' assets, maintains and updates its Proxy Voting Policy as required, votes proxies in a manner consistent with the proxy policy and specific client guidelines, and engages a company's board and management to facilitate change that the firm believes will enhance long-term shareholder value.
3. **A commitment to take a leadership role with regard to responsible investment.** BHMS is mindful of its role within the broader investment community and seeks opportunities to play a leadership role regarding responsible investing, where appropriate. This may include, but is not limited to, working with regulators and/or industry groups on responsible-investment-related issues, supporting academic work in the field of responsible investing, and engaging with third-party rating agencies on ESG issues.
4. **A commitment to transparency and disclosure of how the firm integrates ESG factors into its investment analysis.** BHMS provides relevant information about the process of integrating the consideration and analysis of ESG factors into the firm's investment research and security selection process to its clients and stakeholders. Through BHMS' advocacy on behalf of its client partners, the firm seeks to positively impact long-term investment outcomes. BHMS also seeks to report the outcomes of its advocacy in a transparent manner to its clients and stakeholders. Additional information, reports, and investment analysis for specific company investments are available upon request.

## ESG INTEGRATION

Because BHMS' research process focuses on both sides of a company's balance sheet – equity and debt – and is conducted by its equity and fixed income professionals working together as a single team, BHMS is uniquely able to effectively integrate the consideration of ESG factors in both its stock and bond portfolios and to produce additional economic "value" for the firm's clients. While BHMS utilizes ESG research and rankings from third-party providers, the firm's experienced internal investment team analyzes all relevant ESG inputs and reaches reasoned conclusions on an independent basis.

To be effective at ESG investing, a patient, long-term investment horizon is required and the low turnover approach of the BHMS investment process over the past 30+ years has proven to be well suited for sustainable portfolios. The long-term focus of BHMS' investment process further enhances its ability to be a responsible steward of its clients' assets.

## ACTIVE OWNERSHIP & ENGAGEMENT

Engagement involves holding companies accountable for performance and conduct and, when necessary, facilitating change that will have a positive long-term effect on shareholder value. Individual and/or collective collaboration efforts are options when dealing with a given company (issuer). Given the depth of BHMS' exposure to company managements, the firm treats material factors seriously and endeavors to partner with investee companies to find constructive resolutions.

BHMS monitors emerging trends in both successful and unsuccessful engagements, and the firm may opt to escalate unsuccessful management engagements to the board-of-director level, or may even consider divestment as a last resort.

## PROXY VOTING POLICY

BHMS has the responsibility to vote proxies for equity securities for its clients who have delegated this responsibility to the firm, and under BHMS' fiduciary duty, the firm's policy is to vote its clients' proxies in the best economic interests of its clients, the beneficial owners of the shares. BHMS maintains written procedures for the handling of research, voting, and reporting of the proxy votes, and makes appropriate disclosures about proxy voting on behalf of its clients. Disclosure information about the firm's proxy voting process is provided in BHMS' Form ADV Part 2.

To assist in the proxy voting process, BHMS retains the services of Glass Lewis & Co. Glass Lewis provides:

- Research on corporate governance, financial statements, business, legal, and accounting risks;
- Proxy voting recommendations, including ESG voting guidelines;
- Portfolio accounting and reconciliation of shareholdings for voting purposes;
- Proxy voting execution, record keeping, and reporting services.

## Proxy Oversight Committee, Proxy Coordinators, and Proxy Voting Committee

- BHMS' Proxy Oversight Committee (POC) is responsible for implementing and monitoring the firm's proxy voting policy, procedures, disclosures, and recordkeeping, including outlining the voting guidelines in the firm's procedures. The POC conducts periodic reviews to monitor and ensure that the firm's policy is observed, properly implemented, and amended or updated as appropriate. The POC is made up of the Chief Compliance Officer/Chief Risk Officer, the Responsible Investing Committee leader, the Director of Responsible Investing, the Director of Investment Operations, the ESG Research Coordinator, and an at-large Portfolio Manager.
- BHMS' proxy coordinators are members of the equity operations team. Their duties include reviewing and organizing the data and recommendations provided by the proxy service to ensure that proxy ballots are routed to the appropriate research analyst based on industry sector coverage.
- BHMS' research analysts review and evaluate proxy proposals and make written recommendations to the Proxy Voting Committee to ensure that votes are consistent with the firm's analysis and are in the best interests of the shareholder(s), BHMS' client(s).
- BHMS' equity portfolio managers are members of the Proxy Voting Committee. Equity portfolio managers vote proxy proposals based on share ownership after considering BHMS' Proxy Voting Guidelines, internal research recommendations, and the opinion of Glass Lewis. Proxy votes shall be approved by the Proxy Voting Committee before the votes are submitted to the proxy service provider.
- Proxies for the Diversified Small Cap Value and Diversified Small/Mid Cap Value accounts are voted in accordance with the proxy service provider's recommendations for the following reasons:
  - Investments are based on a quantitative model. Fundamental research is not performed on the holdings;
  - The holding period is too short to justify the time required to analyze the vote.

## Conflicts of Interest

- Potential conflicts may arise when BHMS invests in equity securities of corporations that are also clients of the firm. BHMS seeks to mitigate potential conflicts by:
  - Making voting decisions for the benefit of the shareholder(s), BHMS' clients;
  - Uniformly voting every proxy based on BHMS' internal research and consideration of Glass Lewis' recommendations; and
  - Documenting the votes of companies that are also clients of the firm.
- If a material conflict of interest exists, members from the Proxy Voting and Oversight Committees will determine if the affected clients should have an opportunity to vote their proxies themselves, or whether BHMS will address the specific voting issue through other objective means, such as voting the proxies in a manner consistent with a predetermined voting policy or accepting the voting recommendation of Glass Lewis.

## Other Policies and Procedures

- BHMS sends a daily electronic transfer of equity positions to the proxy service provider.
- The proxy service provider identifies accounts eligible to vote for each security and posts the proposals and research on its secure, proprietary online system.
- BHMS sends a proxy report to clients at least annually (or as requested by the client), listing the number of shares voted and disclosing how proxies were voted.
- Voting records are retained on the network, which is backed up daily. The proxy service provider retains records for seven years.
- The proxy coordinators retain the following proxy records for at least seven years:
  - Policies and procedures and any amendments;
  - Proxy statements received regarding the securities of the firm's clients
  - A record of each proxy that was voted;
  - Proxy voting reports that are sent to clients annually;
  - Documentation that is material to the decision about the vote, and/or that memorializes the decision; and,
  - Records of a client's request for proxy voting information.