

# HOTCHKIS AND WILEY CAPITAL MANAGEMENT

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## STATEMENT OF ACCEPTANCE OF JAPAN'S STEWARDSHIP CODE

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March 31, 2025

Hotchkis and Wiley Capital Management ("We", "H&W", or "Hotchkis and Wiley") hereby declares the acceptance of the Japan's Stewardship Code, second revision dated March 24, 2020. This document describes how we implement our approach to each of the principles of Japan's Stewardship Code.

Hotchkis and Wiley is an independent, majority employee-owned global investment management firm based in Los Angeles, California. Our primary focus is generating attractive long-term risk adjusted returns by employing a bottom-up fundamental value investment approach.

### **PRINCIPLE 1 - Institutional Investors Should Have A Clear Policy On How They Fulfill Their Stewardship Responsibilities, And Publicly Disclose It.**

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Hotchkis & Wiley's overarching goal is to deliver long-term performance that meets or exceeds our clients' expectations and objectives, without assuming undue risk. Corporate behavior can meaningfully influence the risk/return profile of a business and impact its long-term sustainability. Consequently, we believe that evaluating whether a company acts in a responsible manner will impact long-term risk-adjusted performance and we are committed to incorporating such analysis into our investment process consistent with our fiduciary obligations.

We foster sustainable business practices by:

- developing a deep understanding of a company's business fundamentals,
- incorporating ESG risks in our investment process and proxy policy,
- constructively engaging with companies about ESG risks and communicating to them that:
  - o material ESG risks can impact on our assessment of intrinsic value,
  - o intrinsic value impacts our decision to own their equity
- voting proxies consistent with good governance and sustainable business practices.

In general, we can influence positive change at many of the companies in which we invest. Here are a few of the reasons we are an effective conduit for change:

- We have a deep understanding of a company's fundamentals
- We generally have strong relationships with a company's senior management
- Our approach is thoughtful and collaborative
- Many companies find our long term, low turnover, fundamental investment style makes us an attractive shareholder
- In some companies, we are a large shareholder

Summaries of our Responsible Investment Policy can be found [here](#), ESG Engagement Policy can be found [here](#), and Proxy Policy can be found [here](#). These policies are reviewed annually by our ESG Investment Oversight Group.

## **PRINCIPLE 2 - Institutional Investors Should Have A Clear Policy On How They Manage Conflicts Of Interest In Fulfilling Their Stewardship Responsibilities And Publicly Disclose It.**

We are a majority employee-owned firm operating in one line of business - managing client assets. Given this focus, we do not have the typical conflicts of interest that other corporate owned institutional investors generally have. When we do have a conflict-of-interest voting proxies, generally it is when we own the equity of one of our clients. In these situations, we vote in accordance with our proxy policy, the advice of our third-party proxy advisor, or in rare instances with the consent of the CEO and our Proxy Oversight Committee. All conflicts of interest are adjudicated based on what is deemed to be in the best interest of our clients and their beneficiaries. Our Proxy Oversight Committee is responsible for reviewing proxies voted by the firm to determine that the vote was consistent with established guidelines in situations where potential conflicts of interests may exist when voting proxies.

A summary of our proxy voting conflicts of interest policy is included in our proxy policy which can be found [here](#).

## **PRINCIPLE 3 - Institutional Investors Should Monitor Investee Companies So That They Can Appropriately Fulfill Their Stewardship Responsibilities With An Orientation Towards The Sustainable Growth Of The Companies.**

Our investment analysts, sector teams, and portfolio managers continuously monitor portfolio companies. As new information that impacts material ESG risks becomes available, the analyst will assess the impact of this information and if warranted present this information to the relevant sector team for review. To the extent that our investment thesis requires monitoring of a material ESG risk, the analyst will monitor and report to the sector team relevant information. At the same time, portfolio managers and the sector team may require the analyst to update ESG risks if the analyst has not already done so. It is the collective responsibility of the investment staff to identify the relevant factors that give rise to a material ESG risk for a particular company.

## **PRINCIPLE 4 - Institutional Investors Should Seek To Arrive At An Understanding In Common With Investee Companies And Work To Solve Problems Through Constructive Engagement With Investee Companies.**

We require our analysts to be the point of contact with the companies we engage. In some specific situations members of the relevant sector team or PMs may join with the analyst in engaging with the company. Analysts are expected to:

- Focus on materiality and long-term impact
- Encourage positive change or improvement
- Be constructive and goal oriented
- Communicate our point of view and impact on weight
- Understand management's point of view
- Confirm whether management has a plan for improvement
- Be holistic in the assessment of the ESG risks
- Vote proxies

In certain circumstances the ESG issue confronting a company can have a transformational impact on the company and its intrinsic value. Examples are capital allocation, major acquisitions, or change of management. Many times, these events can lead to proxy contests. On a case-by-case basis and in accordance with applicable laws and regulations we will engage with large institutional shareholders seeking to effect positive change at the company. We do not seek to become activists or insiders, nor do we encourage proxy battles.

If we find management's responses to our engagements do not adequately address our concerns, we may escalate our concerns to the CEO or board members or we may vote against members of the board or management proposals at general meetings.

Our ESG Engagement policy can be found [here](#).

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## **PRINCIPLE 5 - Institutional Investors Should Have A Clear Policy On Voting And Disclosure Of Voting Activity. The Policy On Voting Should Not Be Comprised Only Of A Mechanical Checklist; It Should Be Designed To Contribute To The Sustainable Growth Of Investee Companies.**

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Voting proxies is an integral component of our investment process and an important responsibility of our analysts. We have a formal proxy voting policy that incorporates ESG concerns. This policy incorporates ESG considerations such as independent and diverse boards, compensation tied to performance, board oversight of ESG risks, and disclosure of E&S risks such as GHG emissions and workforce policies. We view proxy season as an opportunity to provide management and board directors formal feedback on important ESG matters. If there is a conflict between a board's vote recommendation and our policy, our analyst will engage with the company to understand their point of view. If the analyst agrees with the company or determines the company is making efforts to address the issue, the analyst has the final authority to vote contrary to our policy.

Exceptions to voting policy are reviewed annually by the ESG Investment Oversight Group to ensure compliance with policies and to see if a change to policy is warranted.

There are instances such as unique client guidelines, regulatory requirements, share blocking, securities lending, or other technical limitations where we are unable to vote a particular proxy. In those instances where we do not have voting responsibility, we will generally forward our recommendation to such person our client designates.

Our proxy policy can be found [here](#).

A summary of our 2024 voting can be found [here](#).

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## **PRINCIPLE 6 - Institutional Investors In Principle Should Report Periodically On How They Fulfill Their Stewardship Responsibilities, Including Their Voting Responsibilities, To Their Clients And Beneficiaries.**

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We collect data on our engagements, proxy votes and when requested, we provide a summary of these stewardship activities to clients. As signatories to the UN Principles for Responsible Investment, we report annually on a broad range of matters including stewardship activities.

A copy of the UN PRI Transparency Report on H&W can be found [here](#).

A summary of our 2024 voting can be found [here](#).

A summary of our 2024 engagement activity can be found [here](#).

**PRINCIPLE 7 - To Contribute Positively To The Sustainable Growth Of Investee Companies, Institutional Investors Should Develop Skills And Resources Needed To Appropriately Engage With The Companies And To Make Proper Judgments In Fulfilling Their Stewardship Activities Based On In-Depth Knowledge Of The Investee Companies And Their Business Environment And Consideration Of Sustainability Consistent With Their Investment Management Strategies.**

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Our investment analysts are experienced and knowledgeable of their industries and the companies in which we invest. In general, they maintain close working relationships with the senior management of these companies and in many instances can influence these companies. We also have an ESG Investment Oversight Group that is embedded in the investment staff. The responsibilities of this group are to oversee and review ESG related investment matters, implement changes to the investment process to help improve ESG assessments and engagements, review fundamental risk ratings with respect to ESG issues, establish and monitor proxy voting policy, set ESG goals, and address any other ESG investment related matter.

**PRINCIPLE 8 - Service Providers For Institutional Investors Should Endeavor To Contribute To The Enhancement Of The Functions Of The Entire Investment Chain By Appropriately Providing Services For Institutional Investors To Fulfill Their Stewardship Responsibilities.**

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We are not a service provider for institutional investors.