

ESG PHILOSOPHY AND PROCESS

ESG PHILOSOPHY

Given our position as an important shareholder to many companies, our investment process can influence positive change in these companies. Hotchkis & Wiley's investment approach is predicated on several important pillars:

- We are long-term, fundamental investors
- Valuation is the beacon that guides us
- All investment decisions weigh risk and return

A comprehensive understanding of ESG factors strengthens each of these pillars. We recognize that material ESG factors can influence the two most important merits of any potential investment: intrinsic value and risk. As long-term fundamental investors, we must understand whether a company's assets, business practices, and cash flow streams are sustainable. To reflect this belief, we became signatories of the UN Principles for Responsible Investment ("PRI") in 2013.

Our Responsible Investment Policy guides our approach to ESG investing. Click [here](#) to view our Responsible Investment Policy.

ESG PROCESS

Consideration of ESG issues begins with our research analyst. Our analyst is responsible for identifying, analyzing, and scoring material ESG risks. The ESG risks are components of our Fundamental Risk Ratings ("FRR"). Depending on the nature of the ESG risk, our analysts will engage with company managements to confirm or adjust their FRR score. As we own the company, the analyst will monitor material ESG risks and vote proxies in accordance with our proxy policy. Voting proxies is a way for us to give formal feedback to companies about important ESG issues.

The analyst's FRR is reviewed and formally adopted by the relevant sector team. The portfolio managers ("PMs") use the FRR and return potential of an investment to determine the final portfolio weight. Poor FRR scores impact portfolio weights. Both the PMs and the analysts are responsible for monitoring and updating the FRRs.

Our ESG Investment Oversight Group monitors engagements, proxy votes, and other ESG aspects of the investment process to ensure accountability and identify improvements to the process or policies.

ESG IS A KEY PILLAR OF OUR INVESTMENT PROCESS

