

Responsible Investment Statement

APRIL 2019

Executive Summary

Brandes Investment Partners, L.P. (“Brandes”) believes that responsible corporate behavior, a focus on sustainability, and sound governance practices contribute to the long-term performance of public companies. Such practices and behaviors address the interests of a broad range of a company’s stakeholders including shareholders, creditors, employees, customers, suppliers, and the communities in which it operates. Accordingly, as part of fulfilling our fiduciary duties and seeking to maximize risk adjusted returns for our clients, our long-term, fundamental investment research has always included the evaluation and integration of material environmental, social, and governance (“ESG”) issues into our investment process and the allocation of client capital.

The Brandes ESG Oversight Committee establishes and annually reviews broad objectives and practices to ensure that our investment staff has the adequate resources and ongoing training to stay current on relevant developments related to ESG issues. Additionally, as industry-wide ESG related practices, standards, and laws change in the future, we expect our own policies and procedures on how ESG issues are systematically incorporated into our investment process will evolve accordingly. In recognition of our commitment to the integration of material ESG factors into our research and investment process, Brandes became a signatory to United Nations-supported Principles for Responsible Investment Initiative in 2016.

The Brandes Investment Approach

Brandes is guided by a singular long-term valuation driven investment philosophy and seeks to integrate all material value drivers and risk-factors, including those related to ESG and sustainability issues, into our investment process. As a fundamental, bottom-up manager, detailed company level research is at the core of our investment approach. The objective of this research is to establish an intrinsic value estimate for each company and to build portfolios consisting of companies trading at discounts to conservative intrinsic value estimates.

Given the depth of due diligence conducted, combined with years of company and industry knowledge, our research analysts are in the best position to understand and integrate ESG issues into their company valuations. Integral to our research process is a detailed written initiation report that includes an assessment of all material factors. A component of the core initiation report is an ESG summary (supported by third-party research provided by Sustainalytics) that serves to identify and address ESG issues materially impacting the company and industry in which it operates. Brandes’ fundamental research analysts utilize proprietary company analysis, third-party reports, and supplementary data and research where relevant, in order to best incorporate material ESG factors into company valuations. Additionally, Brandes company valuation reports, and the ESG summary within them, serve to identify ESG-related risks and opportunities to be considered by the Brandes investment committees when constructing and managing portfolios.



Active Ownership

As a long-term investor in companies, we strive to think and act like owners of the business. Accordingly, we pay particular attention to a company's governance structure and sustainability practices. Fundamentally, we believe properly governed companies are in the best position to adequately address the risks and opportunities related to environmental and social factors.

While we strive to invest in companies that have already established proper governance and risk mitigating practices, as a value-oriented investor, it is not unusual to be attracted to opportunities where the market has harshly discounted a company's valuation due to short-term issues, some of which may be ESG related. In such cases, we may still decide to invest in the company if we believe the risk factors are adequately accounted for in the share price, with further upside if we believe the company may take the proper steps to address the issues or, in some cases, if we can help spur positive changes through active ownership and constructive engagement.

Engagement

Both prior to and during the period of ownership, Brandes research analysts directly engage with investee companies on a wide range of issues. The goal of such engagement is to better understand issues such as capital allocation, long term strategy, and management of material risks and opportunities, including those ESG related, facing the company and industry. Our main method of engagement is through routine dialogue with company management via visits, regular meetings, and conference calls.

When our views, particularly regarding governance structures and practices, differ with those of the company, we will more actively engage with the company's management and/or board of directors if we believe such activities will benefit our clients. The goal of such engagement is to ensure that important decisions and actions are being made in the best interest of long-term shareholders of the company. Materiality of the issues and the company's response and progress on addressing them are typically the main drivers of engagement prioritization and escalation.

While our preference is for individual, confidential engagement with a company's management and board of directors, we will occasionally, where permitted by laws and regulations, collaborate with other shareholders on engagement activities. The decision to collaborate with other shareholders on an engagement is based on the size and nature of the respective shareholdings and whether there is clear agreement on the goal of the engagement.

Brandes investment professionals communicate internally on the status of engagement activities and the eventual results. On a case-by-case basis, we use examples of our engagement activities with companies in order to provide case studies to illustrate our approach of enhancing shareholder value through engagement. Such case studies are provided to clients on an as requested basis.

Proxy Voting

One of the most significant rights as shareholders is to vote at a company's annual and extraordinary meetings. Our clients typically delegate to Brandes the authority to vote proxies for the securities held in their accounts. Brandes' policy is to vote proxies in a way that serves the best interests of our clients as long-term shareholders. Details of our voting history and a summary of our overall voting statistics are made publicly available.

We believe our research analysts are in the best position to evaluate the impact of proxy proposals on the long-term value of the companies they cover. Therefore, our analysts are responsible for providing recommendations on all proxy proposals voted on behalf of our clients. We do not believe it is possible to reflect the ESG-related preferences of each of our clients in a single ESG voting policy. Accordingly, we evaluate ESG-related proposals on a case-by-case basis and vote in a way that we believe has the best chance to enhance the long-term value of our clients' shareholdings. Please see [*Brandes Proxy Voting Policies and Procedures*](#) for more information.

While we typically look to express our views through private engagement and voting on company sponsored proxy proposals, occasionally we will sponsor our own proxy proposals in cases where we believe private engagement has not been successful and it would be more effective to allow all shareholders to express their views through the proxy voting process.

Client Directed Restrictions / Exclusionary Screening

As part of our investment process and integrated approach to ESG, we do not automatically avoid investment in industries or companies based solely on their ESG practices. However, we do accommodate client directed ESG restrictions, and we systematically utilize third-party screens and /or exclusion lists in order to meet the client specified restrictions.

External Resources and Data Providers

Along with our own internal research and company / industry disclosures and data, Brandes uses the following third-party research providers to enhance and supplement our fundamental research in the evaluation of ESG issues:

- ***Sustainalytics*** – With over 25 years of experience, Sustainalytics is global leader in ESG research and ratings, compliance and screening, portfolio analysis, and indexing services all provided with a sustainability mindset. Brandes uses Sustainalytics to provide research to enhance our understanding of a company's ESG practices and standing related to peers.
- ***Institutional Shareholder Services (ISS)*** – ISS is a leading provider of corporate governance and responsible investment solutions. Brandes references ISS for objective, third-party governance research and recommendations.
- ***Glass Lewis*** – Glass Lewis is an independent provider of global governance services. Solutions include proxy research and voting solutions, M&A and other financial transaction research, portfolio risk monitoring, and share recall support. Brandes uses Glass Lewis for independent proxy research and recommendations.
- ***Bloomberg ESG*** – Bloomberg collects, verifies, and continually updates ESG data from published company-reported information. Bloomberg data is used by our research analysts to better understand the risk and opportunities associated with potential investments and counterparties.
- ***Sell Side Research*** – Increasingly, sell-side research addresses ESG-related issues and themes pertinent to companies, industries, and/or geographies in which we invest. This analysis is used to enhance our ESG integration.

While we utilize this research to aid in our understanding of material ESG factors, we ultimately make our own independent evaluation of such factors and assessment on how they impact the risk and opportunity profile of each company.

Promotion of Responsible Investment

Brandes is committed to encouraging responsible investment and improving sustainability practices within the asset management industry. We continue to refine our ESG practices and strive to promote better standards for all stakeholders. Brandes is a member of, or a signatory to, several initiatives and organizations that strive for greater ESG consideration or sustainable investment promotion, including:

- **United Nations – Supported Principles for Responsible Investment (PRI):** “The PRI is the world’s leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.”
- **International Corporate Governance Network (ICGN):** “Established in 1995 as an investor-led organization, ICGN’s mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies world-wide.”
- **Japan Stewardship Code:** Framework to “promote sustainable growth of companies through investment and dialogue.”

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