

RESPONSIBLE INVESTMENT POLICY

INVESTMENT MANAGEMENT

AJO believes the stock market is reasonably efficient but emotional enough to provide opportunities for the disciplined investor. Because the market is complex, it is our view that opportunities are best exploited with a systematic, quantitative approach. We apply this same philosophy to our consideration of environmental, social, and governance (ESG) issues.

We are committed to applying ESG principles in ways that provide additional opportunities to outperform in the markets and mandates where our clients have entrusted us to invest. While the goal of pursuing exceptional returns persists when we employ ESG metrics in our process, our implementation of ESG principles may be achieved in a variety of ways.

EXCLUSIONARY SCREENS

AJO has a long history of managing exclusionary portfolios at a client's request. Our perspective on risk and portfolio management minimizes the variance of these portfolios relative to similarly managed portfolios. Further, the breadth of our universe provides attractive alternatives with similar risk and alpha prospects.

While the types of restrictions we implement are directed by the client, they are almost entirely ESG-related. Clients typically provide their own list, or we can provide assistance. To oversee this process, we use third-party compliance-management systems, along with an internally built system.

ALPHA RESEARCH

Our work as bottom-up stock-pickers leads us to favor well-managed companies, with quality cash profits, relatively low market valuations, positive price and earnings momentum, and favorable market sentiment; indeed, we prefer companies with stable stock prices, balance sheet growth, and profitability. As a result, our portfolios are naturally biased toward companies with better corporate governance. However, our research team seeks to identify ESG-specific variables to improve our forecasts for expected returns — through our own and independent third-party research, we are committed to exploring any source of additional alpha for our clients.

RISK CONTROL

We are most intrigued by the implementation of ESG factors as an expression of risk to our current views of expected returns. In the realm of unrewarded risks, we find that understanding a portfolio's exposure to governance-related factors may well assist us in avoiding extreme negative outlier events. A company with poor corporate policies may be more likely to experience fraud or to avoid productive change. If we can "smooth the ride" of overall portfolio returns by evaluating these characteristics, we have an opportunity to provide better risk-adjusted returns to our clients.

While we are committed to investigating the strength of ESG considerations in both an alpha and risk framework, individual asset owners should ultimately determine the extent with which an investment manager employs ESG within a portfolio. Our task is to implement those principles in a manner consistent with sound investment insights.

ENGAGEMENT

AJO's primary means of engagement with corporate issuers is through the voting of proxies. AJO understands it has a fiduciary duty to vote proxies and that proxy voting decisions may affect the value of shareholdings. For detailed analyses of proxy issues, AJO will rely primarily on one or more independent third-party proxy voting services, and we will generally vote proxies in accordance with the recommendations we receive from these services. Where a client has a particular focus on ESG issues, proxies for that client can be voted using proxy voting guidelines targeted to address ESG issues.

AJO will generally attempt to process every proxy it receives for all domestic and foreign securities. However, there may be situations in which AJO may be unable to vote a proxy or may choose not to vote a proxy, such as where the costs of voting outweigh the benefit of voting. Each proxy voted by AJO for a client account is disclosed to the client quarterly. To obtain a copy of AJO's full Proxy Voting Policy, please contact us at 215.546.7500 or at data@ajopartners.com.

UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT (“UNPRI”)

AJO became a signatory to the UNPRI on October 12, 2016. AJO commits to adopt and implement the following six principles where consistent with its fiduciary duty to clients.

- **Principle 1:** AJO will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** AJO will incorporate ESG issues into relevant policies and practices.
- **Principle 3:** AJO will seek appropriate disclosure on ESG issues from relevant portfolio companies.
- **Principle 4:** AJO will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** AJO will work to enhance its effectiveness in implementing the Principles.
- **Principle 6:** AJO will report on its activities and progress toward implementing the Principles.