



# ESG Policy

## Introduction

Westwood is a global investment and wealth management firm with \$15.2 billion\* in assets under management including \$2.3 billion\*\* in ESG type mandates. We are committed to exceeding our clients' expectations through exceptional performance and ethical conduct. Our active, fundamental bottom-up approach in the pursuit of alpha is combined with a strong emphasis on managing downside risk. We are active in providing high-value investment strategies, values-based advice and exceptional client service.

Being active describes more than our approach to investing. It also is how we run our business as a publicly traded company. Our focus on transparency, corporate governance, life principles, ethical conduct and giving back to the communities in which we operate is core to our values. Diversity also is an important part of our culture and identity; over 50 percent of our employees are women — many in senior level positions. For more than 35 years, we have built a distinct corporate culture around renowned basketball Coach John Wooden's Pyramid of Success™, which is a sustainable roadmap for each individual being a better person and team excellence. The life principles summarized in the Pyramid of Success have no explicit reference to investments, but are key to how we serve clients, view our investment responsibilities and operate as a responsible and inclusive company.

Westwood is a signatory of the United Nations Principles for Responsible Investment (UN PRI) and is committed to adopting and implementing responsible investment principles in a manner that's consistent with our fiduciary duties to clients. We support the Principles of Responsible Investing and recognize the importance of considering Environmental, Social and Governance (ESG) issues as one part of our overall investment process. Our sustainable investment commitment is linked to our investment process across our high-conviction equity and outcome-oriented solutions. Across our diverse set of strategies, we take a fundamental approach to identifying high-quality companies and sound businesses around the world. Sustainability, often described as ESG, is directly linked to the bottom-up, fundamental assessment of companies and has always been an input to our analysis. We are formalizing our holistic approach to sustainable investing, recognizing that there is market interest in understanding why and how ESG analysis is conducted within our process. Further, we recognize how important ESG related issues are in conducting bottom-up fundamental analysis and its contribution to determining company strategy, downside risk and valuation.

## Rationale

Our overarching investment objective is to create superior outcomes by delivering absolute alpha and attractive risk-adjusted returns. Westwood considers ESG issues in our research process because it improves our fundamental analysis and enhances our investment decision-making. We believe ESG criteria can provide insight into the future financial performance of a company and can be linked to investing in high-quality businesses over the long term. The essence of how we consider ESG issues as part of our investment analysis and decision-making process is consistent with how we have historically analyzed companies in our portfolios. Our understanding of a company's ESG characteristics is a component of a holistic fundamental assessment including management quality, downside risk and future performance.

\*As of December 31, 2019

\*\*Includes accounts subject to global sanctions restrictions



## Approach



### Governance

Westwood is committed to the successful integration and promotion of ESG at both the corporate level and investment level. We have established two governing structures to ensure we have the strategic influence and leadership required to create a clear corporate sustainability strategy across the business. The separation of responsibilities among the two governing structures was designed to ensure proper accountability across the firm.



#### Responsible Investment Committee

The Responsible Investment Committee was established to consider matters related to the maintenance, development and implementation of Westwood’s responsible investment practices to serve our ESG policy. The committee governs and is represented by multiple investment units with the following primary functions:

- Monitor, evaluate and respond to evolving best practices in responsible investing
- Periodic reviews of and collaboration regarding responsible investment practices of each team
- Determine implementation on any firm-wide responsible investment initiatives (integration across entities)
- Review / approve ESG data vendors
- Proxy – approve and oversee implementation of responsible investment related proxy voting practices
- Monitor / oversee engagement activities
- Provide responsible investment training for staff
- Monitor reporting on responsible investment practices
- Other matters related to responsible investing

#### Corporate Responsibility Committee

The Corporate Responsibility Committee was established for the oversight and implementation of our corporate sustainability strategy and ESG policy. The committee governs as a cross-functional team designed to engage leadership across investment units and key corporate functions to provide oversight as well as strategic guidance. The committee governs and serves the following primary functions:

- Monitor and oversee the reporting on ESG integration at the investment level for the UN PRI
- Oversee firm sustainability initiatives
- Promote and provide ESG training across the firm
- Review the firm’s ESG and corporate sustainability practices to determine and recommend strategy
- Monitor and respond to material or escalating ESG issues
- Proxy voting – Monitor guidelines used by our proxy administrator to ensure they align with our ESG policy
- Consider, validate and address ESG membership across the firm

## Approach



### ESG Integration

Across our strategies, ESG analysis is designed to focus only on material factors. We support this approach with an explicit acknowledgement that fundamental analysis of ESG is highly nuanced by security (sector, size, geography) and investment strategy (holding period, position size, share rights). The specifics of integration and execution are left to the discretion of the investment teams.

ESG analysis is performed by our industry analysts during the first step of our investment process where an analyst is conducting deep, forward-looking research. Analysts have access to multiple third-party ESG metric providers (MSCI-ESG and Glass-Lewis / Sustainalytics) and often establish their own inputs. For example, our investment team conducts extensive interviews with prospective company management teams, which may provide important insights on the quality of leadership or a better understanding of misunderstood risks. These inputs ultimately are integrated into a proprietary financial statement projection. All of this rolls up into our recommendation.



### Proxy Voting

Westwood views proxy voting rights as valuable portfolio assets. Our overarching principle is to exercise voting responsibilities solely in the best interests of our clients. We see proxy voting as a means of addressing corporate governance issues and encouraging corporate actions that enhance shareholder value. Westwood has selected guidelines from a third-party proxy research service, Glass-Lewis, that we believe create value for our clients and cover most proxy issues. The Investment Operations Team, which includes the Head of Data Governance, will serve as the administrator responsible for overseeing the implementation of our proxy voting policy. Westwood's Corporate Responsibility Committee, in collaboration with our investment team's bi-monthly review of ballots, has confirmed that the proxy voting guidelines on environmental and social issues generally match the Glass-Lewis policy, which is to vote in favor of such items when there is a clear link between the proposal and value enhancement or risk mitigation to shareholders. Our goal is to vote all proxies and, in most cases, we agree with and follow the recommendations of our proxy research service; however, we will vote in opposition to the Glass-Lewis recommendations when we feel it is in our clients' best interest. A summary of voting is sent to each client for whom proxies are voted on an annual basis. Westwood maintains complete files on proxy voting for all clients. These files include a listing of all proxy material sent on behalf of our clients along with individual copies of each response.



### Engagement

As part of our fundamental research process, our analysts conduct meetings with company management and investor relations to understand strategy, execution and financial strength. These meetings happen both in person and during investment conferences and calls. When ESG issues are of specific concern, our team seeks to understand how the company plans to address them and view this from a "tracking" perspective over time.



### Reporting

As part of our commitment to learn and improve our ESG strategy, Westwood is a signatory of the UN PRI. We will use the six-principle framework and reporting structure as an initial step to formalize our firm investment commitment to ESG-related issues.