

Sustainable Investing Policy



ARISTOTLE
CAPITAL MANAGEMENT



Sustainable Investing Policy

Introduction

At Aristotle Capital, our philosophy is to invest in what we believe to be high-quality businesses, employing a global perspective and utilizing a long-term investment horizon to build high-conviction portfolios. The fundamental, bottom-up process that we have implemented for over two decades has focused on studying the long-term sustainability of businesses. Through our research, we have found that most sustainable business models make efforts to embrace all their constituents (i.e., customers, employees, suppliers, partners, shareholders and their communities) and incorporate policies to such end. We analyze such corporate policies as part of our work in understanding businesses and their fundamentals. If done in a fair, reasonable and responsible way, we believe that most companies may best be served in the long run by working with all their constituents¹.

We take into account environmental, social and governance factors as part of our analysis of the quality and sustainability of a business. We believe that over the long term, sustainability and ESG considerations can be strongly interconnected and can have an impact on returns and potential risks of the companies in which we invest. We further action our findings on sustainability and ESG through our engagement practices.

How is Sustainability Integrated into Our Investment Process?

Our investment process begins with our research team identifying companies that meet our quality criteria, including sustainable competitive advantages and experienced, forward-thinking management teams who we believe to be good stewards of capital. Such focus on quality has led us to favor companies that are transparent in their reporting and disclosures. We believe these companies are also better positioned to anticipate and mitigate business risks over the long term.



Sustainability: What are We Looking For?

- **Products/Services:** Differentiation through innovation, customer experience and service, rather than *just* lowest price (which can often lead to squeezing suppliers, underpaying employees and/or compromising quality)
- **Social/Environment:** Aiming to improve not only their operational efficiency, but also their employee safety, environmental footprint and their engagement with their communities
- **Management:** Focus on long-term value creation for all stakeholders, versus focus on achieving short-term financial targets to increase the stock price
- **Disclosure:** Providing highly transparent financial statements and conservative disclosure policies

¹The Essence "The Factory Owner" (October 2013), Aristotle Capital Publication: [The Factory Owner](#)



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Investment Process and Sustainability

Our investment approach is research-centric and rooted in the appreciation of independent thought. As such, our team does not rely on screens or scores generated by others, and we refuse to outsource our judgment in any aspect of the investment process. Our investment decisions are the result of years (sometimes decades) of our team's work understanding the long-term sustainability of business models and the impact on future investment risks and returns.

To ensure we remain aware of sustainability-related risks, opportunities, controversies and/or issues, several years ago our firm's Sustainability Team was formed. The team performs a sustainability overlay with the assistance of third-party research to track, monitor and share information on the companies we invest. The Sustainability Team and Investment Team work closely to identify areas of strength and/or weakness in the companies in which we invest, assessing material risks and opportunities related to the environment, social issues and governance. If determined to be relevant, as with all material company findings, these issues are discussed in more depth with the Investment Team and then potentially discussed with the company itself. The team is headed by our firm's Co-Chief Investment Officer and includes members of the Investment Team (including portfolio managers), Client Portfolio Management Team and Marketing Communications Team. The Sustainability Team has a direct line of communication to Aristotle Capital's board of managers and other senior members of our firm.

In 2023, we developed an internal framework to assist the research team in identifying material sustainability risks and/or opportunities in different industries that could impact companies' fundamentals or lead to major developments during our investment horizon.

Engagement

Meeting regularly with management teams has always been an important part of our research process. Aside from the regular meetings on strategic long-term goals, risks and financial performance, members of our Sustainability and Investment Teams engage directly with companies to discuss their initiatives as well as controversies. We engage with company management, which can include the CEO, Chairman, General Counsel and/or board members. We follow the company's progress on setting and reaching goals (including portfolio-wide emissions tracking), aim to promote appropriate disclosure on material ESG issues and establish dialogue around notable controversies. Our firm's Engagement Policy contains additional information on our engagement practices.

Proxy Voting

We seek to leverage our proxy voting rights in promoting issues that are relevant to the economic interest of our clients' capital and long-term sustainability of our investments. ESG-related proposals are analyzed by our investment team and voting rationales are documented. For clients who feel strongly about exercising their voting rights on particular issues, we encourage them to vote proxies directly or through a designated third party. We can provide assistance to put this voting authority in place. Our firm's Proxy Voting Policy contains additional information on our proxy voting guidelines.





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Summary

We take into account environmental, social and governance factors as part of our analysis of the quality and sustainability of a business, as well as any potential risks. We believe that over the long term, sustainability and ESG considerations can be strongly interconnected and can have an impact on risks and returns of the companies in which we invest. While today, many of these important topics are labeled by others as “ESG factors”, our investment team has long-held these factors as essential to long-term business sustainability. Ultimately, we believe our research supports our main objective: the successful execution of our investment philosophy and process with the goal of preserving and growing our clients’ capital while seeking to mitigate risk.



PRI Signatory
since 2019



CDP Member
since 2019



TCFD Supporter
Since 2022



Paris Agreement
Supporter



ICGN Member
Since 2021

Principles for Responsible Investing (PRI) is a voluntary framework for institutional investors who commit to integrate environmental, social and governance (ESG) factors into their investment analysis and decision-making practices.

CDP (formerly Carbon Disclosure Project) is a not-for-profit charity that maintains a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

The Task Force on Climate-Related Financial Disclosures (TCFD) was created by the Financial Stability Board (FSB) to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks.

The International Corporate Governance Network (ICGN) is a not-for-profit investor-led organization dedicated to develop and encourage adherence to global standards of corporate governance and investor stewardship.

SUPPLEMENTAL INFORMATION & FREQUENTLY ASKED QUESTIONS



How Does Aristotle Capital Define Responsible Investing and Materiality?

At Aristotle Capital, responsible investing means seeking to understand business models and investing in businesses that meet our quality criteria. With fundamental bottom-up analysis at the foundation of our approach, we endeavor to understand the long-term sustainability of a company's business model from initial due diligence through the life of the investment, and oftentimes beyond our investment holding period. By doing this, alongside more traditional financial metrics and analysis, we believe we are better informed to make investment decisions and subsequently better positioned to help our clients achieve their goals. As an investment manager, it is our fiduciary duty to act in the best interest of our clients and we believe this holistic framework supports our main objective of successful execution of our investment philosophy and process with the goal of preserving and growing our clients' capital while seeking to mitigate risk.

In the context of our investment philosophy and process, material sustainability factors are those that we believe may have a significant impact, either positive (as it pertains to opportunities) or negative (as it pertains to risks) on the companies in which we invest. We deem a sustainability factor as material when it has the potential to influence an investment's risk/return profile such that it significantly alters our view of the attractiveness of a business. This can include potential environmental impacts, relationships with stakeholders, quality of management and organizational transparency. We believe this is an integral part of our assessment of the quality characteristics of any business. In 2023, Aristotle Capital's Sustainability Materiality Framework was developed to help identify and track ESG risks/opportunities that could be material to companies in different industries. The framework was built using publicly available sources, incorporating topics from several established standards as well as guidance published by sustainability-focused organizations.

How Does Aristotle Capital Approach Stewardship?

We view our sustainability and stewardship initiatives as a journey that will continue to evolve over time. Through numerous conversations with our clients, we realized the need to formalize our approach to stewardship and created our Stewardship Policy. Our stewardship activities include but are not limited to: (i) incorporating sustainable investing risks and opportunities into our investment philosophy and process (ii) engaging, as appropriate, with the companies we are invested in (iii) voting proxies with the goal of promoting issues that are relevant to the long-term sustainability of our investments and the economic interest of our clients' capital and (iv) working with like-minded peers to further our organization's understanding of stewardship by increasing our involvement in organizations with fellow asset managers, asset owners and other industry experts to stay current with the latest standards and best practices as our approach to stewardship evolves.

Internal Reporting

Our Sustainability Team works with the Investment Team and various areas of our firm to track, assess and share ESG information related to our holdings. This includes developments in sustainability, third-party ESG data, documentation on our engagement activity and educational resources. Our Investment Team has streamlined access to individual company reporting, risk rating and controversy data, emissions data, and other material ESG information. These resources assist in setting priorities for engagements. Organizing our information internally continues to be a key priority of our Sustainability Team as this allows us to better share resources, review our progress and improve our processes.

External Reporting

We report on our sustainability initiatives and progress to clients that request such updates, either by completing their specific reports, or by conducting meetings with them. Our goal is to be a partner to our clients to provide them with information they deem relevant.

Conflicts of Interest

Throughout our investment process we recognize that conflicts of interest may arise in connection with responsible investment matters. At Aristotle Capital, we acknowledge our responsibility as a fiduciary to our clients and always seek to act in their best interests. As such, we take all reasonable steps to identify actual or potential conflicts and seek to minimize the possibility of such conflicts which have the potential to result in material risks or damage to our clients' interests. Our firm's Compliance Manual and Code of Ethics have detailed guidelines in place to mitigate potential conflicts of interest. Any potential conflicts of interest must be disclosed to the Chief Compliance Officer.

Exclusions

Client exclusion lists are assessed on a case-by-case basis. Screens or exclusions are not used at the strategy level.



GENERAL GUIDELINES ON SUSTAINABILITY FACTORS

Our bottom-up security selection process begins with our team discerning companies that meet our quality criteria. Such quality criteria include environmental, social and governance considerations as highlighted below:



Guidelines on Environmental Factors

We prefer companies that:

- Are led by management teams that recognize the current and future effects of environmental risks and/or opportunities
- Consume, extract and/or dispose of natural resources in a way that minimizes the impact on the environment
- Manage climate-related risks; or provide solutions for others to manage their climate risks

Guidelines on Social Factors

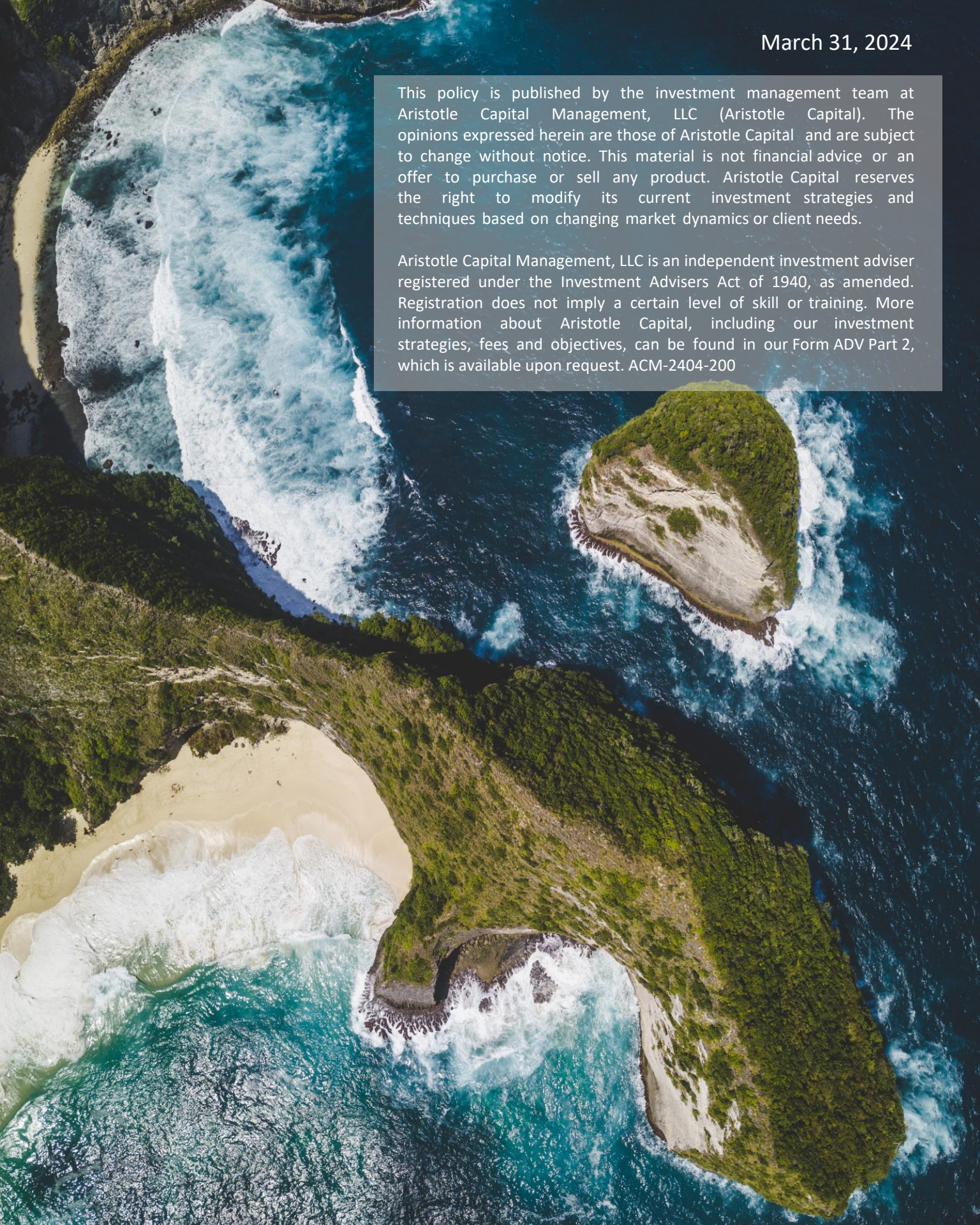
We prefer companies that:

- Reward talent and provide policies to hire and retain its employees
- Prioritize employee safety, fair labor practices and address risks related to human rights
- Have management teams and organizations that represent diversity of thought, experience and background

Guidelines on Governance Factors

We prefer companies with:

- Compensation aligned with a long-term focus
- Meaningful ownership by senior executives
- Long-term targets focusing on value creation rather than short-term stock performance

An aerial photograph of a tropical coastline. In the foreground, a large, natural rock arch spans across a bay, with waves crashing through it. The surrounding land is covered in dense green vegetation. To the left, a sandy beach is visible. The ocean is a deep blue, with white foam from the waves contrasting against the darker water. The overall scene is a stunning natural landscape.

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