

# **U.K. Stewardship Code Statement**

## **Harris Associates L.P.**

This statement is issued by Harris Associates L.P. (“Harris”), a Delaware limited partnership that is registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”). This document sets out how we implement our approach to each of the principles of the U.K. Stewardship Code (the “Code”) published by the Financial Reporting Council in September 2012. Harris supports the spirit of the Code and the principles of good stewardship that are set out in the Code.

### **Principle 1. Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.**

As an investment manager, Harris is charged with acting as fiduciaries to our clients. As such, we have a duty to act in their best interests and to help them achieve their investment objectives. We take these responsibilities very seriously. Harris believes it is not always in our clients’ economic interests for us to take an approach of strict adherence to each principle of the Code, but we incorporate the principles of the Code to the extent that compliance is consistent with the long term economic interests and the specific investment mandates of our clients. Our responses to Principles 2 through 7 detail how we intend to fulfill our stewardship responsibilities.

With respect to investments made on behalf of our clients, Harris seeks to act at all times in their best interests. To do this, we use an intensive, fundamental research process to identify companies that meet our value criteria. In particular, we focus on three primary attributes:

- Companies whose stock price represents a significant discount to our estimate of underlying business value;
- Companies with growing free cash flow and intelligent investment of that excess cash; and,
- Companies with management teams that think and act like owners.

Harris also believes that issues of stewardship have the potential to impact our goal of achieving superior long-term returns. As a result, our assessment of company management and corporate governance plays a critical role in our investment process.

### **Principle 2. Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship, which should be publicly disclosed.**

Harris believes that proxy voting rights are valuable client assets and an important part of our investment process, and we exercise our voting responsibilities solely with the goal of serving the best interests of our clients as shareholders of a company.

Harris has established a number of proxy voting guidelines on various issues of concern to investors. Harris will normally vote proxies in accordance with these guidelines or where issues are not covered by our guidelines, Harris will vote the recommendation made by Institutional Shareholder Services (“ISS”, an independent third-party that analyzes proxy issues and recommends votes on those issues). However, when the analyst responsible for covering a particular issuer recommends a vote contrary to our guidelines or contrary to the

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recommendation of ISS, Harris' Proxy Voting Committee will determine whether the recommended vote is in the best economic interests of shareholders.

Harris' Proxy Voting Committee will monitor and resolve any potential conflicts of interest with respect to proxy voting. When a conflict of interest arises, in order to insure that proxies are voted solely in the best interests of our clients as shareholders, we will vote in accordance with either our written guidelines or the recommendation of ISS. If we believe that voting in accordance with the guidelines or the recommendation of ISS would not be in the collective best interests of shareholders, our Proxy Voting Conflicts Committee will determine how shares should be voted.

### **Principle 3. Institutional investors should monitor their investee companies.**

Harris invests in businesses that are trading at significant discounts to intrinsic value, where there is a clear path to that value growing on a per share basis over time, and that are operated by shareholder-oriented management. Our team of generalist research analysts uses an intensive, fundamental research process to implement our value investment philosophy. This means that our analysts perform in-depth company research and analysis, including not only financial analysis but they also have discussions with management teams, customers, suppliers and competitors to obtain a well-rounded view of the company in an effort to derive our estimates of the company's intrinsic value. The analysts will then continue to actively monitor a company for updated information and will adjust our estimates accordingly. With respect to non-financial factors such as environmental, social or governance matters, we will consider these matters to the extent that they present material risks to the long-term intrinsic value of a company as determined through our fundamental research process.

Harris does not wish to be inadvertently made an insider by coming into possession of material non-public information ("MNPI") in connection with its routine discussions with a company, a broker-dealer or an agent representing that company. If Harris were to inadvertently receive MNPI, it would lose its ability to trade that company's securities for its clients. Pursuant to Harris' policies and procedures, Harris investment professionals must consult a member of the Legal/Compliance Department in the event they received or expect to receive MNPI. If Harris determines it has received or expects to receive MNPI (known as "crossing the wall"), it will follow its procedures, which include restricting the trading of securities of the affected company, among other things.

### **Principle 4. Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.**

Harris views investing as owning a piece of a business for the long term. As a result, we believe it is extremely important to understand how management envisions growing a company's free cash flow, allocating capital and otherwise maximizing long-term shareholder value. Harris accomplishes this understanding through its fundamental research process described above. As a general matter, Harris would not expect investee companies to provide us with information that would limit our ability to trade in the securities of the company, without our prior agreement.

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If Harris believes that management is no longer working to maximize long-term shareholder value, we must decide whether remaining an investor in the company is in the best interest of our clients. In such circumstances, Harris may also engage with companies through direct and private discussions to share our views and ideas about creating shareholder value. Harris' preference is to have this type of direct and private engagement because we believe that it is more impactful and that our clients' long-term economic interests are better served. However, Harris may, where appropriate, escalate our engagement by making our views known publicly and using our proxy voting authority as a means of addressing crucial corporate governance issues and encouraging corporate actions to enhance shareholder value.

### **Principle 5. Institutional investors should be willing to act collectively with other investors where appropriate.**

Harris may from time to time have discussions with other institutional investors, where legally permitted and appropriate, regarding various issues concerning an investee company. Further, Harris may act collectively with other investors if we believe such action is in the best interests of our clients, is likely to enhance our ability to engage with the company, and is permitted by applicable law and regulation.

### **Principle 6. Institutional investors should have a clear policy on voting and disclosure of voting activity.**

Harris believes that proxy voting rights are valuable client assets and an important part of our investment process, and we exercise our voting responsibilities solely with the goal of serving the best interests of our clients as shareholders of a company. Harris believes that the proxy voting process is a significant means of addressing crucial corporate governance issues and encouraging corporate actions that enhance shareholder value. In determining how to vote on any proposal, Harris will consider the proposal's expected impact on shareholder value and will not consider any benefit to Harris or its employees or affiliates.

Harris considers the reputation, experience and competence of a company's management when we evaluate the merits of investing in a particular company, and we invest in companies in which we believe management goals and shareholder goals are aligned. Therefore, on most issues, Harris will vote in accordance with management's recommendations. This does not mean we do not care about corporate governance. Rather, it is a confirmation that our process of investing with shareholder aligned management is working. However, when we believe management's position on a particular issue is not in the best interests of our clients, we will vote contrary to management's recommendation.

Harris has established a number of proxy voting guidelines on various issues of concern to investors. Harris will normally vote proxies in accordance with these guidelines or absent guidelines with the recommendations of ISS. However, where issues are not covered by our guidelines or when the analyst responsible for covering a particular company recommends a vote contrary to our guidelines or, in the absence of a guideline, contrary to the recommendation of ISS, Harris' Proxy Voting Committee will determine whether the recommended vote is in the

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best economic interests of shareholders. Our voting guidelines do not cover all potential issues but generally address common issues related to boards of directors, auditors, equity-based compensation plans, and shareholder rights, among other things.

Harris keeps a record of its voting activity, and upon request a client may obtain information from Harris on how its proxies were voted. Harris also discloses how proxies were voted in accordance with applicable law. A summary of our Proxy Voting Guidelines is available on our website, [www.harrisassoc.com](http://www.harrisassoc.com). In addition, Harris intends to update the information contained in this Stewardship statement if significant changes or developments in our approach occur.

### **Principle 7. Institutional investors should report periodically on their stewardship and voting activities.**

Harris keeps a record of its voting activity, and upon request a client may obtain information from Harris on how its proxies were voted. Harris also discloses how proxies were voted in accordance with applicable law. A summary of our Proxy Voting Guidelines is available on our website, [www.harrisassoc.com](http://www.harrisassoc.com). In addition, Harris intends to update the information contained in this Stewardship statement if significant changes or developments in our approach occur.

For further information, please contact:

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