

Environmental, Social, and Governance (ESG) Policy Statement

As active managers, we seek investment opportunities with the potential to create long-term value for our clients and fund shareholders. Through fundamental research, we evaluate many factors of a company or issuer—including environmental, social, and governance (ESG) factors—to determine whether they could materially impact the long-term results of investments that we make. We believe evaluating financially material ESG factors can help us better understand a company or bond issuer's potential risks and opportunities.

Our Approach to ESG: Focus on Financial Materiality

We employ a disciplined value-investing approach to selecting investments characterized by intensive bottom-up research, strict price discipline, and team decision making. We generally evaluate potential equity or fixed income investments over a three- to five-year investment horizon. As part of our investment process, we consider ESG factors, along with other factors, to determine whether they are likely to have a financially material impact on a company or corporate issuer's risks and opportunities. We view ESG factors as financially material when they are likely to affect the long-term value of a company or an issuer's ability to fulfill its debt obligations. We refer to this approach as ESG integration.

Financially material ESG factors can differ for each company or bond issuer. In our analysis, we seek to understand how a company or issuer makes decisions, balances the interests of its stakeholders, and manages key risks. In doing so, we pay particular attention to governance structure and practices, as well as risks and opportunities associated with environmental and social factors, when financially relevant and sufficient information is available. In general, we believe governance factors have the potential to be financially material for every company, whereas financial materiality for environmental and social factors can vary by company, industry, and region.

As value-oriented investors, we invest for the long-term and seek opportunities that have attractive earnings and cash flow prospects that we believe are not reflected in a security's current valuation. Investing in companies inherently involves risks, which may include financially material ESG risks. We may invest in companies with financially material ESG risks if we believe the company is making progress on relevant issues or if we conclude that it is still a compelling investment because of other considerations, like an attractive valuation.

How We Consider ESG Factors

As part of our bottom-up research process, we develop a well-rounded view of a company's fundamental strengths and weaknesses. Our analysis incorporates an assessment of how financially material ESG factors could affect a company's ability to generate long-term value.

Our global industry analysts conduct their own due diligence and analysis, which typically incorporates conversations with company management teams and boards, reviews of company reports, sell-side research, and other information from third-party data providers, including ESG data and research as relevant. Our analysts then summarize their research in a report that is distributed to the relevant Investment Committees and includes a qualitative overview of the company-specific risks and opportunities they have examined.

Within their reports, our analysts formulate an investment thesis that describes key opportunities and associated risks that appear most critical to the future success of the investment. ESG considerations assessed as part of our research and investment process vary across investment strategies, eligible investments, and issuers. ESG factors that our analysts believe may be financially material are evaluated; however, not every ESG factor may be identified for every investment.

When an analyst determines a financially material ESG factor could be a key driver of the investment thesis for the company, the analyst typically highlights it in the research report. The analysts then present their recommendation to our Investment Committees, which assess portfolio-level risks, including relevant ESG factors, and ultimately decide how to invest our portfolios.

After selecting an investment, our Investment Committees and analysts actively monitor the price and underlying fundamentals of companies we hold widely across our client and fund accounts. The analyst will recommend adds, trims, or a complete sale of a particular investment if material changes to our investment thesis occur. Consistent with the security selection process, Investment Committees consider a range of risk factors, which may include risks related to financially material ESG issues, as well as the return outlook for the portfolio's broader opportunity set. Generally, we intend to invest in a company for several years to allow time for our longer-term investment thesis to play out. The ongoing evaluation of our current holdings is an important part of our investment process.

Specific to our fixed income strategies, our credit research analysts typically work with the global industry analysts to evaluate ESG factors that we believe are likely to affect a company's ability to pay back its debt obligations. Our fixed income portfolios can invest in sovereign bonds, municipal bonds, securitized products, and other security types that each present their own nuances and limitations in the context of ESG integration. For these types of securities, we may evaluate financially material ESG factors as a part of our research when relevant to our investment thesis and when sufficient information is available.

Our funds are governed by their respective fund documentation, which does not preclude investments in companies based on ESG criteria. For separately managed accounts, Dodge & Cox will adhere to relevant account guidelines, including specific ESG-driven exclusionary screens or restrictions when directed by the client.

How We Approach Engagement and Proxy Voting

Maintaining a dialogue with company management teams and boards helps us build our understanding of their priorities and strategies over time. When we view an issue as a significant driver of our investment thesis, we may look for opportunities to engage directly with the issuer. With respect to ESG, we generally engage on governance factors, but if we view an environmental or social issue as financially material, we may choose to engage and share our views on those issues as well. Conversely, management teams, investor relations, and company boards may also seek our input on various topics, including ESG issues.

We seek to build constructive, long-term relationships with company management teams and boards. We prefer to have ongoing conversations and do not typically file shareholder resolutions or join public campaigns. We may also express our views through our proxy votes, which are guided by our [Proxy Voting Policy](#). We view our ongoing discussions with companies and proxy voting efforts as important parts of our investment stewardship.

How We Structure ESG in Our Team Decision Making

Our governance structure guides our ESG integration and stewardship efforts. Our Director of Research oversees and sets the direction for our ESG research integration approach, in collaboration with our Research Policy Council.¹ Analysts across our investment team are responsible for incorporating financially material ESG factors into their ongoing research and analysis, as well as maintaining dialogue and engaging with companies when they believe an issue may be material to the investment thesis. Our collective investment decision-making process enables us to incorporate a range of perspectives on ESG considerations.

Three committees drive our ESG integration and investment stewardship activities: our ESG Research Steering Committee, ESG Integration Committee, and Proxy Policy Committee. These committees report to the members of our Business Strategy Committee,² which includes all members of the Dodge & Cox Board of Directors, as well as to our Research Policy Council and Joint Client Service Committee³ for direction and approval with respect to our ESG practices.

Our ESG Research Steering Committee works to formalize and further develop the ways in which we integrate financially material ESG factors into our investment process. We established this Committee in 2021 because we recognized that ESG data, analytical tools, and best practices are continually evolving and cut across sectors. Its members evaluate new data sources, build analytical tools, and suggest process improvements to help our investment team evaluate relevant ESG factors. Our Director of Research leads this Committee, which includes our CEO, senior analysts, Head of ESG Integration, and Head of Investment Stewardship.

Our ESG Integration Committee monitors the ESG landscape, taking into consideration our clients' evolving expectations and evaluating asset management industry trends and regulatory changes. This Committee began as a working group in 2017 and was formalized as a committee in 2021. Its members collaborate across departments to oversee our client reporting efforts and the communication of our ESG integration approach. Our Head of ESG Integration leads this Committee, which includes senior leaders on our Client Services team, as well as our ESG Client Portfolio Analyst and Head of Investment Stewardship.

As part of our investment stewardship, our Proxy Policy Committee oversees our proxy voting process and policy. Our Head of Investment Stewardship, who is also our Proxy Officer, leads this Committee, which includes global industry analysts, members of Investment Committees, our Director of Research, and representatives from our Legal and Compliance teams.

Our dedicated ESG Integration and Investment Stewardship teams support our ESG integration, engagement, and proxy voting efforts.

In Closing

At Dodge & Cox, our mission is to deliver superior long-term investment results to enable our clients to achieve their investment goals. Our goal is to deliver this outcome across a range of economic and market scenarios. We conduct thorough research across factors that could materially impact the long-term value of a company or debt security. We believe identifying and monitoring a wide range of factors, including financially material ESG considerations, helps us assess the full picture of risks and opportunities of a particular investment.

-
1. Our Research Policy Council oversees the firm's investment team and its long-term resource needs and is made up of senior investment leaders, including our Chief Executive Officer (CEO) and Chief Investment Officer (CIO).
 2. Our Business Strategy Committee monitors and evaluates opportunities and challenges facing our overall business and includes all members of the Dodge & Cox Board of Directors and Research Policy Council, as well as other senior business leaders.
 3. Our Joint Client Service Committee oversees and coordinates the firm's client service effort across departments and strategies, including the firm's client communications and monitoring industry trends affecting our clients.

The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. Any securities identified are subject to change without notice and do not represent an account's entire holdings. Diversification does not ensure a profit or guarantee against losses.

There is no guarantee that the evaluation of ESG characteristics will be additive to a fund or account's performance. ESG is not a uniformly defined characteristic and information used to evaluate ESG characteristics may not be readily available, complete, or accurate, and may vary across providers and issuers. Because of the subjective nature of ESG integration, there can be no guarantee that ESG factors considered will reflect the beliefs or values of any particular client. There is no guarantee that any particular ESG outcome will be achieved for any fund or separately managed account.

All Dodge & Cox trademarks are owned by Dodge & Cox and its affiliates. All other company and product names mentioned are the trademarks or registered trademarks of their respective companies.

This information should not be considered a solicitation or an offer to purchase or sell any securities in any jurisdiction or a solicitation or an offer to provide any services in any jurisdiction.