



Environmental, Social, and Governance (ESG) Policy Statement

MARCH 2019

At Dodge & Cox, we integrate analysis of Environmental, Social, and Governance (ESG) factors into our investment process. We are active owners, seeking to invest in companies with sustainable franchises focused on creating long-term value. To emphasise our commitment to considering the investment implications of ESG factors, we became a signatory to the United Nations Principles for Responsible Investment (UNPRI) in 2012. The Dodge & Cox Board oversees and is ultimately responsible for our firm's ESG practices. We believe our policy of ESG integration and active ownership adds value for our clients.

WE INTEGRATE ESG FACTORS INTO OUR INVESTMENT PROCESS

At Dodge & Cox, we employ a disciplined approach to selecting investments characterised by intensive bottom-up research, a strict price discipline, and a team decision-making process. We evaluate each potential investment in equity or fixed income based on our three- to five-year investment horizon. We also consider ESG factors as part of our investment process.

The initial assessment of ESG issues for individual companies is the responsibility of our global industry analysts. Their research encompasses a broad set of factors that could materially impact a company's outlook. For each

particular investment, they identify three to four critical opportunities and risks, which may include ESG factors.

Analysts also complete an ESG risks and opportunities checklist and highlight material ESG factors in their research reports; both steps are required when presenting recommendations to our Investment Committees. Input from our Sector and Investment Committees complements this analysis. Dodge & Cox also subscribes to dedicated third-party ESG, proxy, and governance research providers to supplement our own due diligence.

In our opinion, salient ESG factors are different for each company, and the evaluation of these factors does not lend itself to explicit rules or metrics. Instead, we assess a company's performance on ESG in the context of its particular industry, domicile, and history. For the Dodge & Cox Funds and Dodge & Cox Worldwide Funds, we do not apply exclusionary ESG screens in our investment process—there are neither “approved lists” nor lists of prohibited investments. For separately managed accounts, however, we will adhere to specific ESG-driven restrictions when directed to do so by a client.

As value-oriented investors, we weigh valuation against risks and opportunities for each company and issuer, and we believe material ESG factors can have a meaningful impact on current and future valuations. Each of our portfolios reflects a series of individual investment decisions that take ESG and many other factors into consideration. In some cases, we may invest in a company that has an ESG issue if we believe the company is making progress or if the issue is overly discounting the company's valuation.

WE ENGAGE WITH COMPANIES AS ACTIVE OWNERS, NOT AS ACTIVISTS

Our focus on ESG factors does not end once we decide to invest in a company's shares or debt issues. As active owners, we proactively engage with the board and management teams of companies in which we choose to invest, especially when a particular issue is significant to our investment thesis.

We prefer to engage directly with corporate management teams—we do not typically file shareholder resolutions or join public campaigns. We also express our views through our proxy votes, and these votes may take into account ESG-related issues. We take our proxy voting responsibilities seriously; our detailed Proxy Voting Policy guides our decision making.

While environmental and social issues are most assuredly important concerns, we believe

governance factors are particularly critical. Strong governance is expressed in the way a company makes decisions, balances the interests of all its stakeholders, and manages key risks. In our experience, governance issues are the ones most likely to rise to a material level of opportunity or risk for a company.

IN CLOSING

At Dodge & Cox, we believe that we have a responsibility to conduct thorough research on ESG variables, look for material factors that could impact our investment outcomes, and engage with companies as active owners on behalf of our shareholders and clients when warranted. As long-term investors, ESG considerations are an integral part of our investment process.

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