



Statement Regarding the UK Stewardship Code

JULY 2017

Founded in 1930, Dodge & Cox is an independent asset management firm that manages equity, fixed income, and balanced portfolios for institutions and individuals through Irish UCITS funds, U.S. mutual funds, and separately managed accounts. To select and monitor investments, we employ a consistent and disciplined approach that focuses on intensive bottom-up research, a long-term investment horizon, a strict price discipline, and a team decision-making process.

This is Dodge & Cox's statement regarding the Financial Reporting Council's UK Stewardship Code. Dodge & Cox is based in the United States and is regulated by the U.S. Securities and Exchange Commission (SEC). Although Dodge & Cox is neither regulated by the UK Financial Conduct Authority nor a signatory to the Code, we are providing this statement voluntarily for the benefit of UK shareholders invested in the Dodge & Cox Worldwide Funds.

PRINCIPLE 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

As bottom-up, value-oriented investors with a three- to five-year investment horizon and low portfolio turnover, we believe it is important for us to practice stewardship by acting as engaged owners of the companies in which we invest. We closely monitor all of our portfolio companies on an ongoing basis. We not only seek to understand the business prospects of these companies but also their governance structure, and their level of commitment to managing the business for the benefit of its long-term owners. As part of our stewardship, we seek to build relationships with company management, vote all proxies for which we have authority, and, when necessary, engage with companies on issues that are material to our investment thesis.

Our investment committee members, research analysts, and proxy voting team are responsible for implementing these specific stewardship responsibilities. Our analysts continuously monitor our portfolio companies and maintain an active dialogue with company management regarding all pertinent investment matters. We regularly meet with company management as part of our effort to develop a comprehensive understanding of each investment. In evaluating a company's governance structure, we analyse the past decisions and future plans of a company's management team. We also assess how the needs of various stakeholders have been balanced in the past and how the company plans to balance stakeholder needs moving forward.

Dodge & Cox votes all proxies according to the Dodge & Cox Proxy Voting Policies and Procedures, which can be found on our website.¹ The Dodge & Cox

Proxy Policy Committee meets at least annually to review and update the policy. Analysts and investment committee members engage with companies on an ad-hoc basis where we deem a proxy issue to be material and relevant to our investment thesis.

As a firm, we have a strong ethics-driven culture governed by our Code of Ethics, which requires all employees to place the interests of the client first and to avoid or disclose any potential conflicts of interest. Since the firm is owned entirely by active employees, our interests are aligned closely with those of our clients and shareholders: we succeed by delivering solid long-term performance to investors. We concentrate on carefully managing investment portfolios, keeping our costs low, and striving to deliver strong long-term results. We believe our active approach to our stewardship responsibilities is an important part of 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.

At Dodge & Cox, the firm's independence allows us to make decisions that we believe are in the best interests of our clients and fund shareholders. We have a strong history of serving clients and shareholders by taking care to avoid business practises that create conflicts of interest. For example, Dodge & Cox does not trade with affiliated broker-dealers, use solicitors, pay to participate in wrap fee programs, or compensate employees on the basis of sales.

Dodge & Cox has put in place written policies for managing and identifying conflicts of interests that require the firm to act in our clients' best interests. Our approach to conflicts of interests is disclosed in our Form ADV Part 2A, which is available on the Investment Adviser Public Disclosure website maintained by the SEC.² In addition, Dodge & Cox has adopted the Dodge & Cox Group Code of Ethics, which requires all officers and employees to adhere to stated fiduciary principles. Specifically, officers and employees:

- Have a duty at all times to place the interests of clients first;
- Must avoid taking inappropriate advantage of their positions;
- Must keep confidential all information regarding the identity of investment holdings and financial circumstances of clients;
- Must follow all procedures intended to maintain the independence of the firm's investment decision-making process;

- Must conduct all personal securities transactions in such a manner as to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility. All personal transactions must be in compliance with the Code of Ethics, including all disclosure, certification, and pre-clearance requirements; and
- Must always act in a manner which preserves the Dodge & Cox Group's reputation for honesty and integrity.

Just as analysts must disclose conflicts related to any investment recommendation, investment committee members have to disclose any conflicts related to portfolio management decisions.

We also have a robust proxy voting conflicts of interest policy, which can be found in our Proxy Voting Policies and Procedures. Dodge & Cox is committed to resolving all conflicts of interest in the proxy voting process in our clients' best interests. When there are proxy voting proposals that give rise to conflicts of interest that are not addressed by our policy, the Proxy Policy Committee will consult Dodge & Cox's Chief Compliance Officer and senior management. The Proxy Policy Committee, Chief Compliance Officer, and senior management may consult with an independent consultant or outside counsel to resolve material conflicts of interest.

PRINCIPLE 3: Institutional investors should monitor their investee companies.

Our research analysts carefully assess and closely monitor the companies in which Dodge & Cox invests. The firm's analysts conduct in-depth fundamental research on companies in industries worldwide and analyse both debt and equity investments offered by these companies. The analysts meet regularly with company management teams and investor relations staff to discuss topics that are of importance from an investment perspective.

At any point in time our analysts are conducting active due diligence on both existing holdings and candidates for investment. Analysts build and continually update cash flow, balance sheet, and income statement models for each investment candidate by developing a range of estimates, which incorporate downside risk and upside potential, for each company's profits and cash flow over the next three to five years.

Meetings with company management teams are important to our investment selection process. Our analysts conduct due diligence by visiting companies' offices to observe their operations and talk with their management. We also meet with senior corporate management teams in our office on a regular basis. The

visits to our office allow for a number of our analysts and portfolio managers to spend time with company management and assess their capabilities and strategies. Furthermore, we often talk with competitors, customers, and suppliers, and attend industry conferences, to develop a well-rounded view of a company's fundamental strengths and weaknesses.

Our analysts use a variety of external research sources to help analyse a company, including industry consultants, sell-side analysts, and macro economists. In addition, we subscribe to various trade periodicals and regional business publications. We also use third-party research providers and database services, including an environmental, social, and governance (ESG) research provider.

While we endeavour to acquire as much information as possible about companies in which we invest, Dodge & Cox does not wish to be made a company insider. We actively avoid coming into possession of any material non-public information in our interactions with companies or brokers, which would force us to impose trading restrictions on a company's securities. The Dodge & Cox Group Code of Ethics and Policy Statement on Insider Trading specifies that analysts must immediately report to the Legal Department if they have unintentionally received material non-public information. If the information is determined by the Legal Department to be material non-public information, then the Legal Department will follow the procedures outlined in the Dodge & Cox Code of Ethics to ensure required action is taken to restrict trading in the affected securities and prevent the non-public information from being disseminated.

PRINCIPLE 4: Institutional investors should establish clear guidelines on when and how they will escalate their stewardship.

When Dodge & Cox has concerns regarding a holding, we may choose to sell our position or escalate our stewardship. Escalation may include:

- Expressing our views through voting on management and shareholder proposals
- Engaging directly with company management

As part of our investment process, we regularly discuss a company's strategy, performance, risks, governance, and other aspects of the company with the management team. On an ad-hoc basis, when we have concerns about an issue we believe will have a material impact on shareholder value, we will engage directly with companies about those issues. When we choose to engage, a company's response is incorporated into our investment decision making and monitoring.

Dodge & Cox may also engage with management when governance issues or proxy proposals raise questions or concerns.

We are unlikely to file shareholder resolutions, intervene jointly with other institutions, issue statements, or become involved with public campaigns. We prefer to have confidential and private discussions with companies; we believe this helps us build an effective relationship with boards and management teams.

PRINCIPLE 5: Institutional investors should be willing to act collectively with other investors where appropriate.

Dodge & Cox does not typically engage with other shareholders of a company or issuer, but we will do so if we believe this action is necessary in order to maximise shareholder value. Collaborative engagements are ad-hoc and generally relate to corporate governance where we deem it to be material and relevant to our investment thesis.

We do not outsource our stewardship responsibilities to any other party. In any collaborative engagement, we will speak for ourselves and not rely on others to take responsibility for articulating our views. Occasionally, we may collaborate with other investors where we believe it is in our clients' best interests. We may also join other investors in engagement activity at an industry level; for example, we are a member of the Institutional Investor Fixed Income Forum and the Credit Roundtable.

PRINCIPLE 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

Dodge & Cox maintains a policy of voting proxies in a manner which, in Dodge & Cox's opinion, best serves the interest of our clients in their capacity as shareholders of a company. Dodge & Cox believes that this is consistent with SEC and U.S. Department of Labor guidelines, which state that an investment manager's primary responsibility as a fiduciary is to vote in the best interest of its clients. As an investment manager, Dodge & Cox is primarily concerned with maximising the value of its clients' investment portfolios. To accomplish this, we review proxy research materials, engage with the issuer as appropriate, and cast votes in ways that we believe best serve our clients. Dodge & Cox generally votes in support of company management, but the firm can and has voted against proposals that Dodge & Cox believes would negatively impact the long-term value of its clients' shares of a company.

While we do not delegate voting decisions, we do delegate the operational aspects of voting to a third-party service provider. Dodge & Cox retains Institutional Shareholder Services as an outside vendor to provide research related to proxies and to administer proxy voting (i.e., implement the proxy voting decisions made by Dodge & Cox). We also utilise proxy research provided by Glass Lewis to assist in our decision-making process.

The firm's Proxy Officer or her delegate reviews proxy research received from outside proxy research firms. The Proxy Officer votes each proxy according to the Dodge & Cox policy, rather than based on third-party research recommendations. Proxy vote recommendations are typically also reviewed by a securities analyst. Exceptions, including potential conflicts of interest or issues not covered by the Dodge & Cox policy, are approved by members of the Dodge & Cox Proxy Policy Committee.

The Proxy Policy Committee meets at least annually to review and update the policy. Our proxy voting administrator is reviewed and evaluated periodically. On-site due diligence of our proxy voting administrator is also performed on a periodic basis.

Dodge & Cox votes all securities for which it has proxy voting authority in the same way across all of our portfolios. Information regarding how Dodge & Cox voted proxies relating to the U.S. Dodge & Cox Funds' portfolio securities for the 12 months ending 30 June of each year is available on the Dodge & Cox Funds website and the SEC's website. Dodge & Cox provides separate account clients with the proxy voting record for the accounts managed on their behalf in accordance with the instructions established in the investment management agreement we have with each client.

While each of the publicly offered funds managed by Dodge & Cox has reserved the right to enter into agreements to lend its securities to qualified broker-dealers, banks, or other financial institutions, none of the Funds has done so to date. Dodge & Cox recognises potential issues with recalling lent stock to exercise voting rights and would adopt comprehensive procedures prior to entering into any securities lending agreements.

PRINCIPLE 7: Institutional investors should report periodically on their stewardship and voting activities.

As a signatory of the United Nations Principles for Responsible Investment (PRI), Dodge & Cox annually prepares a Responsible Investment Transparency Report. The Transparency Report summarises how Dodge & Cox considers environmental, social, and governance factors in the investment process, including a high-level description of Dodge & Cox's engagement activities. Dodge & Cox's Transparency Report is available online at the PRI website.³

Dodge & Cox provides clients with the proxy voting record for the accounts managed on their behalf in accordance with the instructions established in the investment management agreement. The Dodge & Cox Funds file an annual report with the SEC which summarises the funds' proxy voting record for the preceding 12-month period commencing 1 July of each year. This summary is available on the Dodge & Cox Funds U.S. website.

The operational controls around proxy voting for institutional clients are reviewed annually as part of the SOC 1 report, which is an internal controls audit conducted by PricewaterhouseCoopers LLP for Dodge & Cox.

This information should not be considered a solicitation or an offer to purchase shares of Dodge & Cox Worldwide Funds plc or a solicitation or an offer by Dodge & Cox Worldwide Investments Ltd. and its affiliates to provide any services in any jurisdiction. The views expressed herein represent the opinions of Dodge & Cox Worldwide Investments and its affiliates and are not intended as a forecast or guarantee of future results for any product or service. To obtain more information about the Dodge & Cox Worldwide Funds, please refer to the Funds' prospectus at dodgeandcoxworldwide.com.

⁽¹⁾ See https://www.dodgeandcoxworldwide.com/pdf/shareholder_reports/dc_ww_funds_proxy_voting_policy.pdf

⁽²⁾ See https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=104596

⁽³⁾ See www.unpri.org/organisation/dodge-cox-141880