

Sanders Capital, LLC – ESG, Climate-Change, and Responsible Investment Policy

Environmental, Social, and Governance (ESG) and climate-change issues are an integral part of the fundamental research process at Sanders Capital. A responsible approach to ESG and climate-change can confer competitive advantages to the companies that pursue them and pose considerable risks if disregarded. In our experience, companies that have a culture of "doing the right thing" and are available at reasonable valuations make among the best long-term investments.

We explicitly evaluate ESG and climate-related issues and, when possible, include them in forecasts of sustainable earnings power and the disposition of corporate cashflows. The multi-decade investing experience of our co-CIOs has led us to integrate ESG and climate-change issues as a component of the investment process to avoid exposure to:

- Business models that threaten the environment in a manner that cannot be easily remediated and thus may prove unsustainable;
- Unethical business practices that can engender both financial and reputational damage;
- Business models based on workforce compensation, benefits or other factors that appear exploitative and thus may be unsustainable;
- Misalignment of incentives and objectives of management, boards of directors, and other parties such that shareholder interests might be seriously compromised.

Our ESG, climate-change, and Responsible Investment policy is led by our co-CIO and Director of Research, and we incorporate ESG and climate issues throughout the investment process and across the investment team. We utilize ESG and climate data providers and industry experts to understand ESG and climate-change trends and assess the materiality of the key risks and opportunities facing an industry or a company. When such issues are material, we supplement third party ESG and climate information and analysis with sources such as government and other independent databases, company provided ESG and sustainability reports, and explore issues highlighted by our internal and external research directly with management teams.

We believe that climate-change poses material risks across all geographies and sectors as well as offers significant opportunities. These risks and opportunities include those that may result from policy actions from governments and communities and changes in company strategies around the globe as they look to reduce their reliance on carbon and impact on the climate, as well as from the potential chronic and acute effects of global warming resulting in changes in climate patterns.

Engagement activities with corporate managements and members of the boards of directors are fully integrated with our investment process; they are led by members of our fundamental research team

(the research analysts, associates and co-CIOs that are closest to the companies and industries and our investment decisions regarding them). We prioritize our engagement activities based on the materiality of the issue and our exposure or potential exposure to it across our investments. We believe these activities are a means for us to encourage improvements in the governance, operations, and disclosures of the companies in which we invest. Additionally, our engagement efforts serve to deepen our relationships with the people, companies, consultants, and industry bodies involved, helping us advance our understanding of the evolving ESG and climate-change landscape, advocacy of our beliefs, and the underlying issues these stakeholders seek to address.

Proxy voting is another important element of our ESG, Climate-Change and Responsible Investment policy. We take our fiduciary duty seriously and strive to vote every proxy ballot. Proxy voting is led by our Director of Research and supported by analysts and the proxy voting committee. We review every proposal, related third party research and recommendations, and as needed, conduct our own primary research, which may include engagements with company managements and industry consultants.

Finally, we share ESG and climate-related metrics with our clients on a regular basis. These include analysis of ESG ratings, carbon exposures, climate value-at-risk, engagement activities, and proxy voting.

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