Sustainability—Our Approach to Investment Stewardship

Our Commitment to Investment Stewardship

As stewards of client capital, we are committed to generating excellent investment outcomes for our long-term partners. Through our deep, fundamental research, we thoroughly evaluate all material risks and opportunities that could impact the value of an investment over the long term, including issues related to sustainability and ESG factors.

What Sustainability Means to Us

Sustainability has been a critical part of our equity investment process since our inception. We aim to make long-term investments with the following characteristics:

- Sustainable business models that will endure over the long term
- Sustainable competitive advantages
- Sustainable future cash flow generation capabilities
- Sustainable governance structures that align the interests of management with shareholders
- Sustainable business practices

For us, an assessment of a given investment's sustainability incorporates ESG (environmental, social, governance) considerations. As long-term investors with an ownership mindset, we want to invest in businesses that we believe can grow in value over time, which requires a sustainable business model, management team and operating practices.

Independent Research

Our primary investment objectives are to achieve absolute returns that adequately compensate for the risks incurred and relative returns that are superior to passive alternatives and our peers. Independent research focused on industries and companies is a hallmark of our research process and critical to achieving our clients' long-term goals. With each new investment, our team identifies risks and evaluates whether we believe we can be adequately compensated for those risks based on the price we must pay.

Proprietary research. In conducting research, we rely on our team of analysts performing deep, fundamental analysis. Each investment is approached on a case-by-case basis to understand both the long-term opportunity and all material risks.

Long-term mindset. Many sustainability issues, especially those of an environmental nature, will manifest over time. We believe our long-term perspective enables us to integrate potential sustainability risks and opportunities into our investment analysis.

Assess potential risks *and* opportunities. We consider all material risks that impact a business's financial performance, including the potential for permanent loss of capital tied to sustainability issues. We are also mindful of changing industry dynamics and how they may positively or negatively impact a business's future cash flow generation capability.

A focus on materiality. Key to our assessment of a company's governance structure and long-term cash flow generation is a focus on materiality. For example, a poor incentive structure or lack of alignment with shareholders could be enough to disqualify a company for potential investment. Governance practices that we may view negatively, such as dual share classes with differing voting rights, might not disqualify an investment, but we may factor such issues into our estimate of intrinsic value and/or position sizing.

No exclusionary criteria. We invest from a deliberately broad universe with no automatic screens. We want our investment professionals to have the utmost flexibility to invest based on their disciplined philosophy and process. We believe exclusionary criteria can lead to unintended blind spots and may impact our ability to conduct meaningful business and competitive analysis. That said, if our clients have views that align with their mission or their investing objectives, we can discuss reflecting those views in separate accounts using an exclusionary list provided by the client.

A Thoughtful Approach to Proxy Voting

Our key objective in proxy voting is maximizing the long-term value of our clients' investments. There are often multiple considerations when evaluating proposals, leading us to evaluate them on a case-by-case basis. In doing so, we pay particular attention to the following issues on behalf of our clients. (Click here for our full proxy voting policy.)

Accountability. We expect the businesses we invest in to have sufficient ability to hold key stakeholders accountable for their actions. Management of a company should be accountable to its board of directors and the board should be accountable to shareholders.

Alignment of management and shareholder interests. We seek to invest in businesses that align the interests of management and the board of directors with those of its shareholders. For example, we generally believe that compensation should be designed to reward management for doing a good job of creating value for the company's shareholders.

Transparency. We expect the businesses we invest in to provide timely disclosure of its business operations and financial performance.

As it relates to ESG, we consider whether a shareholder proposal addressing a material ESG issue will promote long-term shareholder value in the context of the company's existing business practices. We generally support proposals requesting increased transparency or disclosure of workplace diversity, gender pay equity, lobbying and political spending, and climate change and sustainability efforts in instances where a company is not already disclosing sufficient information. We typically do not support requests for increased disclosure when such information would reveal sensitive or proprietary information that could place the company at a competitive disadvantage, or if increased disclosure is administratively impractical.

Proxy Voting Policy

Our Commitment to Clients

We are committed to delivering outstanding outcomes made possible through long-term partnerships. Our investment principles lead us to prioritize achieving superior outcomes relative to long-term risks over pursuing unrelated objectives that could imperil returns or increase risk.

We are committed to our valuation discipline, and valuation remains our primary investment consideration. A company with a poor ESG record trading at a significant discount may still be an attractive investment, particularly if the company is undertaking strategic ESG-related improvements.

We are committed to our ownership mentality that we believe allows us to comprehensively evaluate material sustainability issues, including ESG concerns, associated with current and potential investments.

We are committed to the independence of our deep fundamental research, our long-term approach and our ownership mentality that we believe best aligns us with our clients.

We are committed to avoiding the blind spots that can be unintentionally caused by exclusionary criteria, and we will discuss with clients the potential for managing separate accounts for those wishing to express views that align with their mission or their investing objectives.

We are committed to voting proxies in a way that aligns with our deep, bottom-up approach to research, weighing proposals on a case-by-case basis and assessing their impact on a business's long-term sustainability.