

Artisan Partners Global Value Team

Responsible Investing Policy

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Investment Philosophy

We are long term, fundamental analysis-oriented investors. Our investment philosophy is anchored by three key tenets: undervaluation, a long-term investment horizon and a focus on risk management. The aim of our process is to own businesses that have four key characteristics—they are cheap relative to intrinsic value, are high-quality businesses, exhibit financial strength and are run by management teams acting in shareholders' interests. We believe these characteristics lead to superior long-term investment outcomes while minimizing the risk of permanent capital losses.

ESG Approach

We are focused on the economic returns of the businesses we own, and our research process considers *all factors* that may impact intrinsic value, either positively or negatively, including environmental, social and governance risks. Our focus on the impact to intrinsic value therefore means we take a research stance on ESG, rather than an ideological one. This is perhaps a subtle distinction, but it is an important one. For example, we do not exclude certain businesses simply because their activities contribute to undesirable environmental impacts. However, we do consider how those environmental impacts may negatively impact the business's economic value over time, either because of higher remediation or regulatory costs or declining demand for their products.

Most ESG considerations are, at their core, fundamental investment considerations like any other. If a company is negatively impacting the environment, abusing its labor force, deriving revenues from predatory business practices, or marginalizing minority shareholders, it may result in negative value creation. We have always incorporated these issues into our analysis of a business's current and future worth.

ESG Integration

Every business analysis involves a thorough review of all relevant investment considerations. In our experience, there is no static list of fundamental ESG factors that can be applied in every situation. In most cases, relevant ESG considerations are specific to the particular business—i.e., issues that may impact an oil exploration business are generally different from those for a bank, a car manufacturer, a technology company or a health care insurer. Each of our investments receives a unique analysis.

Any potential material fundamental ESG risk is vetted like any other fundamental consideration. We use our experience and judgment to anticipate the probability an ESG risk occurs as well as any potential financial, legal and regulatory implications that may result. We then incorporate those judgments into our earnings and valuation assumptions. If we conclude a fundamental ESG risk may have an unacceptable frequency or may be of a magnitude that could impair investment in a particular business, we might not proceed with the investment.

Climate Risk

We are cognizant that climate change is a consideration impacting certain businesses as well as the global economy. If appropriate, we evaluate this risk within the specific context of any potential and existing investments. Of course, our analysis does not simply consider the risks but also the opportunities. The drive for clean energy, for example, creates new markets for some while diminishing the market opportunity for others.

Active Ownership

Governance considerations have always been a cornerstone of our process. We assess the track record and the incentive structures of management teams and boards of directors as part of our research in order to judge whether they will be good stewards of capital. Every business we own undergoes this scrutiny, and these efforts are sustained throughout our ownership of the business.

- **Engagement:** As active owners of our businesses, we are regularly engaged with executive management as well as with boards before and during our ownership on issues we deem central to our investment. Many of the team's engagements have been anchored in governance—executive compensation, capital allocation and board composition, for example. Sometimes our engagement is public, but more often it is private and collaborative.
- **Proxy Voting:** As an extension of our ownership mentality, we review all proxy proposals and vote each individually to ensure they reflect our objectives as long-term investors and maximize our economic best interests as shareholders.

External Resources

Research is the foundation of all we do, and we strive for intellectual independence to form our own views about industries, businesses and the people who manage them. Company filings are the source material for our financial analysis and financial modeling. Interviews with company executives and industry experts are the primary basis for our industry and competitive research. We attempt to gather information from as close to the source as possible and reach our own conclusions not predicated on third-party analysis or opinion.

As an additional resource, we use Sustainalytics, a global leader in ESG research and ratings, not to replace our own investigations but to complement them with an independent evaluation. Our research on prospective investments as well as maintenance research on current holdings includes a review of the Sustainalytics' analysis. Our proprietary research database has a dedicated section in every internal research note to address the ESG considerations discovered in our own research as well as those cited by Sustainalytics.

Exclusionary Screening

Although we do not implement any negative or exclusionary ESG screens as part of our investment process, we do accommodate certain client-requested ESG and responsible investing screens in separately managed accounts.

Artisan Partners Responsible Investing

Information on Artisan Partners' firm-wide Environmental, Social and Governance practices and policies can be found here: [Artisan Partners Sustainability/ESG](#).

- **United Nations–Supported Principles for Responsible Investment (PRI):** Artisan Partners has been a signatory to the United Nations-supported Principles for Responsible Investment since October 2018. As a signatory, the firm is committed to implementing six principles which include, among other things, incorporating ESG matters into investment analysis and decision-making processes and reporting on the firm's activities and progress in this regard.
- **Japan Stewardship Code:** Artisan Partners became a signatory to the Japan Stewardship Code in June 2020 which seeks to “promote sustainable growth of companies through investment and dialogue.”

For more information: Visit www.artisanpartners.com

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