



Lyrical Asset Management LP
Environmental, Social, & Governance (ESG) Policy
Date: April 23, 2021

I. Introduction

Lyrical Asset Management practices responsible investing. We believe our investment pillars align naturally with solid ESG practices. As deep value investors, we require our portfolio of listed public companies to also exhibit the characteristics of Quality (sustainable earnings and good returns on invested capital) and Analyzability (transparent and predictable business models). We see a strong relationship between Quality and Analyzable companies and those companies' favorable ESG practices, including their willingness to further embrace responsible practices.

Our approach is built on bottom-up research to identify the ESG risks and opportunities in each of our investments, and proactive and friendly, long-term engagement which encourages our companies to steadily improve and adopt best practices in ESG reporting, goal setting, and impact. Our long-term holding period and material stakes in our companies has afforded us a receptive audience with company management in our engagement.

We have been encouraged by the impact of our responsible investing efforts and seek to continue to deepen our integration of ESG in our investment process.

II. ESG Guiding Principles

Given Lyrical's investment philosophy and long-term holding periods, we have considered the potential impact of ESG factors on company valuations, and thus investment attractiveness, since the inception of our firm. However, the nature of our responsible investing practices has evolved and deepened over time.

Lyrical became a signatory to both the UN Principles for Responsible Investment (UNPRI) as of April 2018

and UN Global Compact (UNGC) as of December 2020. Additionally, the firm endorses the Paris Agreement, UN Sustainable Development Goals (SDGs), and the Task Force on Climate-Related Financial Disclosures (TCFD). Our ESG Policy incorporates these frameworks into our six ESG Guiding Principles.

1. **Sustainable Decision-Making** – As long-term investors and stewards of public equities, we understand the importance of integrating ESG into our responsible investment process. We believe ESG objectives are a foundation for strong business practices, just as Value, Quality, and Analyzability are the pillars of a good investment process.
2. **Active Ownership** – Under the guidance of our ESG Committee, we actively incorporate ESG into our policies and practices across the firm. Since this is an evolving area, we are watchful for new developments in ESG best practices and for new ESG issues as they arise.
3. **Engagement** – The firm has ongoing engagement with our portfolio companies about ESG topics. We are heartened by these companies’ reactions to addressing these emerging trends and continue to discuss with them how to manage ESG opportunities and risks.
4. **Transparency** – While ESG reporting becomes more standardized, data availability and impact measurement are still at an early stage in many public companies. We publicly disclose our ESG Policy and Impact Report and we continually work to improve our own reporting. We encourage all our companies to report in accordance with Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) standards, report to the Carbon Disclosure Project (CDP), Science Based Target Initiative (SBTI), and UNGC.
5. **Awareness & Advancement** – We are encouraged by the good that is being done and, further, can be achieved, by promoting best ESG practices in our work. We are aware that our investors and portfolio companies maintain a range of views on ESG and we are committed to supporting them as they embrace ESG practices and values.
6. **Collaboration** – As ESG spreads throughout the investment industry, we aim to further collaborate with other firms to share best practices, as well as introduce our portfolio companies to each other to implement lessons learned.

III. Responsible Investment Process

Investment Process Overview. Current and potential portfolio companies undergo an extensive research process. We develop an in-depth understanding of the business, including drivers of growth and profitability. Concurrently, our investment team identifies material ESG risks by reviewing available documents and speaking directly with the companies. ESG factors are considered when they are material to the investment case. Lyrical complements our internal analysis with independent third-party research provided by Sustainalytics as well as other organizations such as CDP and SBTI. Material ESG issues are integrated quantitatively and qualitatively as part of our assessment of the long-term sustainability of our companies’ earnings. Overall, this process allows us to maximize long-term investment returns, while also enabling us to contribute to meaningful improvements to society over time.

Impact & Sustainable Outcomes. The firm’s Global Impact Value Equity Strategy (GIVES) integrates Impact

into our investment process, setting it apart from the rest of our portfolios. GIVES' portfolio companies have a dual objective of achieving financial returns and creating a positive social and/or environmental impact. We use the SDGs as a framework for identifying a company's sustainable outcomes. In addition to passing our general investment and ESG criteria, each portfolio company must possess four criteria:

1. **Material** – At least 50% of a company's revenues must be directly tied to at least one SDG;
2. **Measurable** – Impact must be quantifiable;
3. **Intentional** – Core business and senior management must be deeply rooted in sustainability efforts, and;
4. **Sustainable** – Negative externalities cannot outweigh a company's positive impact.

Engagement & Stewardship. Lyrical's ESG engagement and stewardship is conducted internally. Stewardship engagements occur both as needed (when we see concerning data) and opportunistically (often as portfolio companies engage in typical proxy season or off-proxy season outreach). We receive third party analysis and recommendations from Glass Lewis and Sustainalytics to help inform our decision-making. Additionally, we use ProxyEdge via Broadridge to vote all client proxies and track and reconcile all votes executed.

In all aspects of our business, we seek to avoid or mitigate conflicts of interest, always erring on the side of simple and straightforward policies and procedures. To the extent that we have inevitable unavoidable conflicts of interest they are disclosed to clients, including in our Brochure on Form ADV, Part 2A.

Escalation Measures. At Lyrical, we believe it is most productive to have friendly engagements with our portfolio companies. We stress alignment of interests and how positive ESG is good business. We benefit from our standing as significant and typically long-term shareholders. If ESG issues do arise, we do not have any restrictions on the escalation measures we can use. We would more likely consider "voting with our feet" – that is, selling our position – in the unexpected case that requires escalation.

Exclusions. Due to our Quality investment criteria, there are industries in which we do not typically invest, including basic materials, airlines, and other commodity-like businesses. Our GIVES strategy is more selective and does not include businesses that operate in the fossil fuels, metals/mining, chemical/plastics, or fossil fuel-powered automobile industries. Additionally, we screen against minimum standards of business practice based on legally required exclusions and international norms, such as the UNGC and UN Security Council Sanctions.

We are aware that our investors may have other views of what is an appropriate investment. Lyrical acknowledges and is sensitive to clients' specific ESG concerns. We use our research to build custom portfolios that screen for specific ESG exclusions.

Diversity & Inclusion. Lyrical maintains a strong commitment to diversity and inclusion within the firm and our portfolios. Since inception, we embrace female and minority representation across senior management roles. The firm follows applicable equal opportunity hiring and employment codes and

guidelines including the ADA, Equal Opportunity Employment, Non-Discrimination, Anti-Harassment, and Non-Retaliation codes.

ESG Audits & Reporting. Lyrical’s Director of Sustainability, in collaboration with compliance, investment, and operations teams conducts an annual external ESG audit of 100% of the portfolio companies. The results of this audit are reported in our US portfolio ESG Review and our Impact Report. Additionally, the Director of Sustainability and the investment team undergo biannual internal reviews of our responsible investing best practices. The results of the external audit and internal review are presented to the ESG Committee and any revisions to responsible investing practices are included in an updated ESG Policy.

IV. ESG Governance

Lyrical’s ESG Committee governs the implementation of our ESG Policy and ESG best practices across the firm.

The five-member committee is composed of:

- Jeffrey Moses, Chief Operating Officer, Chief Compliance Officer, & ESG Committee Chair
- David Roeske, Associate Portfolio Manager
- John Mullins, Associate Portfolio Manager
- Daniel Deserio, Director – Operations & Trading
- Katrina O’Leary, Director – Consultant Relations

Non-Member Advisor-Participants include:

- Amb. S. Fitzgerald Haney, Managing Director – Institutional Sales & Client Service
- Daniel Kaskawits, CFA, Associate Portfolio Manager

The five-member committee reviews a biannual internal update of our ESG Policy and responsible investing practices. Additionally, we incorporate annual ESG training into our compliance schedule. The discussion is led by our COO and the other members of the Committee. It covers our ESG Policy, the evolution of our efforts, accomplishments and challenges, and goals for the following year.

The Director of Sustainability, Kyle B. Coulam, reports to the ESG Committee and spearheads the implementation of the ESG Policy. The Director of Sustainability leads day-to-day coordination of ESG stewardship practices across the firm, working closely with the investment, compliance, and operations teams. The Director conducts ESG research, identifies ESG portfolio opportunities and risks, monitors ESG metrics and targets, and further develops ESG policies and long-term goals with the ESG Committee. The Director is also charged with implementing ESG due diligence and reporting beyond UNPRI, including updating our current ESG and impact reports, and expanding ESG reporting.

The Director receives ESG-related resourcing requests from the client relations, compliance, investment, and operations teams. Those teams are responsible for elevating these requests as part of ongoing communications with the ESG Committee. The ESG Committee Chair is responsible for overseeing all resource allocation at the firm, including budgeting, staffing, and training.

We have been encouraged by the impact of our responsible investing efforts and look to further promote ESG within our work. Our approach to responsible investing will continue to evolve through our ongoing engagement with our clients and portfolio companies, as well as our collaboration with other firms and organizations in the investment industry. We are committed to improving ESG by staying up to date on best practices, sharing lessons learned, and providing the resources to further incorporate ESG across the firm.