



Lyrical Asset Management LP
Environmental, Social, & Governance (ESG) Policy
Date: March 4, 2025

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 impact 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 seven- to eight-year historical average 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 is a signatory to the UN Principles for Responsible Investment (UNPRI), UN Global Compact (UNGC), Climate Action 100+ (CA100+), and the CFA Diversity, Equity, & Inclusion Code. Additionally, the firm endorses the Paris Agreement, UN Sustainable Development Goals (SDGs), the Task Force on Climate-Related Financial Disclosures (TCFD), and the Task Force on Nature-Related Financial Disclosures. 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 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 reporting.
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 investment firms, industry groups, non-profits, and policymakers to share best practices, discuss challenges, and drive better ESG-related outcomes.

III. Responsible Investment Process

Investment Process Overview. Current and potential portfolio companies undergo an extensive research process. The Investment Team seeks to develop an in-depth understanding of each business, including drivers of growth and profitability. Concurrently, the Director of Sustainability identifies material ESG-related risks and impact opportunities by reviewing available documents and speaking directly with portfolio companies. ESG factors are considered when they are material to the investment case. Lyrical's ESG materiality assessment is viewed in the context of SASB standards and also considers a company's broader impact on the economy, environment, and society. Lyrical complements our internal analysis with independent third-party research provided by Glass Lewis and MSCI, as well as other organizations such as the CDP. Material ESG issues are integrated quantitatively and qualitatively in our pre-/post-investment trackers 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, promote favorable environmental and social characteristics, and contribute to meaningful improvements to society over time.

Lyrical's investment activities fall within a single asset class: public equity securities.

Impact & Sustainable Outcomes. Lyrical'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 opportunities and 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.
4. **Sustainable:** Negative externalities cannot outweigh a company's positive impact.

ESG Stewardship. Lyrical's ESG engagement and proxy voting is conducted internally, and we incorporate external research into our process. 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). Lyrical practices three types of stewardship activities:

- **Engagement:** Lyrical's Director of Sustainability and Investment Team conducts formal ESG and impact engagements of our portfolio companies at least annually to measure, monitor, and verify their progress, challenges, and future goals. This formal process takes place alongside our ongoing engagement and monitoring of portfolio companies' ESG risks and impact opportunities. We designate our portfolio companies as ESG Leaders, Performers, and Laggards to guide us in this process. The findings from this engagement and research help inform investment decisions and are a basis for the Director of Sustainability and Investment Team to track portfolio companies' progress across our holding period.
- **Proxy Voting:** Our Director of Sustainability conducts a bottom-up review of each company's proxy statement and receives third-party analysis and recommendations from Glass Lewis and MSCI to help inform our decision-making. Additionally, we use ProxyEdge via Broadridge to vote all client proxies and track and reconcile all votes executed. We have the ability to change any votes. We typically support proposals to improve company ESG policies, practices, and outcomes. We also seek to carefully consider any concerns company management raises with us about upcoming proxy votes.
- **Collaboration:** We define this type of stewardship as maintaining a collaborative dialogue with other investment firms, industry groups, non-profits, and policymakers to improve responsible investing laws, regulations, and standards consistent with the objectives of the UNGC and UNPRI. We accomplish this by attending conferences, submitting letters of support, and participating in working groups. Before Lyrical conducts these types of stewardship activities, our Chief Operating Officer/Chief Compliance Officer and Director of Sustainability conduct internal due diligence to determine if the collaboration aligns with our ESG Policy's external commitments. The Director of Sustainability tracks all our collaborations to ensure that it supports our policies and practices related to responsible investment.

It is important to note that Lyrical does not lobby or make political contributions.

Conflicts of Interest. 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. We include sustainability risks in this analysis, recognizing that promoting sustainability has various degrees of importance to our investors. 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.

Compensation. ESG achievement and performance are subjective factors and one component used to assess job performance and thereby determine compensation for relevant employees.

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. We apply exclusions across our portfolios, not only due to our strict adherence to our criteria of Value, Quality, and Analyzability, but also due to ESG and Impact considerations. In fact, these factors may at times overlap.

Based on our Quality and Analyzability criteria we generally exclude banks, pharma, biotech, airlines, and direct metals/mining businesses. Due to ESG considerations we exclude other industries such as coal miners, tobacco companies, factory farms, for-profit prisons, small arms producers, adult entertainment, and opioid drug producers. Also, we apply legally required exclusions and certain international norms, such as the UNGC and UN Security Council Sanctions.

Our GIVES strategy imposes additional ESG-related selectivity. It additionally excludes businesses that operate in the fossil fuels, chemical/plastics, and fossil fuel-powered automobile industries. The strategy also applies the exclusion criteria from the [Paris-aligned Benchmarks \(PAB\) rules](#).

Climate Action. Lyrical recognizes that climate change is one of the most pressing challenges of our time. Climate change can create risks that negatively affect our portfolios’ long-term earnings potential, but also give rise to business opportunities that can positively impact the environment and society. Lyrical actively incorporates climate-related risks and opportunities in our investment process. We are committed to supporting our companies as they make their just transition to a low-carbon future. Lyrical proactively engages, measures, monitors, and verifies our companies’ progress on their climate-related policies, practices, and targets. Specifically, we encourage all our companies (other than those with immaterial emissions) to develop science-based targets in alignment with the Paris Agreement, verify these targets with the Science-Based Target Initiative, report to the CDP, and disclose climate risks and opportunities in line with the TCFD.

Any interested party can email info@lyricalpartners.com to receive a copy of Lyrical's Decarbonization Plan, Climate Stewardship Policy, GIVES Decarbonization Plan, and GIVES Net Zero Stewardship Policy.

Diversity, Equity, & Inclusion. Lyrical maintains a strong commitment to diversity, equity, and inclusion (DEI) within the firm and our portfolios. Since inception, we have embraced diversity 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.

Any interested party can email info@lyricalpartners.com to receive a copy of Lyrical's DEI Policies.

ESG Audits & Reporting. Lyrical's Director of Sustainability, in collaboration with our Compliance, Investment, and Operations Teams conducts an annual external ESG audit of 100% of the portfolio companies. 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, CFA – General Counsel, Chief Compliance Officer, & ESG Committee Chair
- Daniel DeSerio, CFA, CPA – Chief Operating Officer
- John Mullins - Portfolio Manager
- Katrina O'Leary – Managing Director, Consultant Relations
- Matt Stevens – Investment Analyst

Non-Member Advisor-Participants include:

- Craig Lifschutz – Senior Managing Director
- Daniel Kaskawits, CFA – Portfolio Manager
- David Merklin – Senior Managing Director
- Gary Faccenda – Senior Managing Director & Head of Client Relations, North America

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 General Counsel 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 the 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 and impact analysis, 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 improving our ESG disclosures.

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 integrating material ESG factors into our due diligence to maximize long-term investment returns, promote favorable environmental and social characteristics, and create a positive impact on the world through our GIVES strategy.