

Responsible Investing Policy

Effective 1/31/21

Responsible Investing at FMI

Fiduciary Management, Inc. (FMI) seeks to invest in companies that have the resilience and capacity to successfully operate and embrace value creation, pursue profits, and balance the demands of its stakeholders. FMI's principles-based responsible investment framework is applied firmwide. FMI looks for companies that are good corporate citizens, operate with integrity, and follow the rules, laws, and regulations and whose managements are aligned with shareholders. This focus permeates our research and proxy policies and runs the gamut from capital allocation to talent and compensation. We make our positions clear through discussions and the ballot box. Given the size and complexity of public companies today, FMI believes it is essential to consider a wide range of qualitative and quantitative factors, with an emphasis on governance when determining value. Good governance can help lead to better and more productive environmental and social results, but the "S" and "E" are ambiguous and not universal among investors and require a much broader data set and evaluation time horizon. FMI believes that ultimately, change is driven by the tone at the top, which flow through to decisions within the operations of the business.

FMI Responsible Investing Framework

FMI does not adhere to a standard Environmental, Social and Governance (ESG) rating system. While FMI believes that ESG ratings are well intended, many are inconsistent across vendors and that broad-brush ESG scores fail to appropriately capture company nuances, may penalize for underreporting, and may place inordinate emphasis on factors that are not material to the functioning of a particular business. Instead, FMI seeks to identify the most salient factors that are relevant to a business and industry and discern materiality of impact.

We recognize that most corporations continue to evolve, improve, and communicate efforts to address an ESG framework. Increasingly, companies are disclosing more details about ESG relating practices and we expect that trend to continue. We continue to believe greater disclosure and transparency across companies will provide investors with the tools to discern and make informed decisions about the quality of corporate citizenship.

In addition to FMI's internal fundamental qualitative analysis framework, on a quantitative basis, FMI reviews available scores for quality and governance as well as broad ESG ratings for low scoring outliers. If identified, among other fundamental measures, we research further to determine the potential materiality of impact to the company specific thesis and the portfolio's ultimate performance. This added check formally integrates processes that reflect many of the practices that are already incorporated.