



EU SUSTAINABLE FINANCE DISCLOSURE REGULATION 2019/2088 (SFDR)

**Bares Capital Management, Inc. (“BCM” or the “Firm”) makes the following disclosures in accordance with the EU Sustainable Finance Disclosure Regulation (2019/2088)
January 2023**

INTRODUCTION

BCM manages client portfolios within long-only, concentrated equity strategies. The Firm identifies portfolio company candidates for investment using fundamental research, with an emphasis on qualitative and financial factors relevant to future performance. BCM’s qualitative research focuses on the competitive aspects of the business under consideration, an evaluation of management capability, and growth potential.

The Firm’s singular investment mandate is to maximize clients’ long-term, risk-adjusted investment returns, consistent with contractual guidelines. BCM believes that proper governance practices and responsible corporate behavior generally contribute to a company’s long-term performance while reducing investment risk.

HOW DOES BCM’S RESPONSIBLE INVESTING POLICY WORK?

BCM’s Responsible Investing Policy sets out how sustainability risks are integrated into BCM’s investment decision-making and monitoring processes.

BCM employs an ESG integration policy whereby the Firm seeks to consider material ESG issues in the course of due diligence and in the monitoring of portfolio investments to the extent reasonably practical under the circumstances, subject to our duty as a fiduciary to seek to maximize the return on investments for our clients. The importance of ESG factors will vary by country, industry and company. “Material” ESG issues are defined as those issues that BCM, in its sole discretion, determines have a direct, substantial impact on a company’s ability to create, preserve, or erode economic value, as well as environmental and social value, for itself and its stakeholders. The crucial component of this Policy is the identification of potential ESG issues, evaluation of the nature and potential impact of these issues, and the avoidance of any concerns, where possible.

BCM does not consider ESG sustainability as a separate due diligence category but instead embeds these factors into our core investment process. Our research focuses on qualitative characteristics which include:

1. The strength and sustainability of competitive advantages;
2. The skill and trustworthiness of management teams; and

3. The magnitude of growth opportunities.

Any factors -- including ESG considerations -- that may impair a company's qualitative profile are taken into consideration. BCM generally attempts to avoid businesses with high ESG risk.

In all strategies managed by the Firm, BCM seeks to:

1. Consider ESG issues associated with target portfolio companies when evaluating whether to initiate an investment, as well as during the ownership period.
2. Support growth and improvement of the companies in which BCM invests for long-term sustainability and to benefit the company's shareholders, including on ESG issues.
3. Engage with management teams and relevant stakeholders, when deemed appropriate and necessary in our sole discretion, to encourage governance structures that support long-term shareholder value.
4. BCM can and does accommodate client defined ESG restrictions within designated, separately managed accounts.

ROLES AND RESPONSIBILITIES

BCM's Chief Compliance Officer is responsible for facilitating the implementation of this Policy and for maintaining and updating the Policy on an annual basis to ensure its continued relevance. BCM's Investment Committee is primarily responsible for ensuring that the consideration of ESG issues is integrated into the investment decision process. Where additional expertise is needed, the Investment Committee will utilize outside legal, compliance, and/or expert resources.

RESPONSIBLE INVESTING RISKS

A sustainability risk is an environmental, social or governance event or condition that if it occurs, could cause an actual or potential material negative impact on the value of an investment. Sustainability risks can lead to a significant deterioration in the financial profile, profitability or reputation of an underlying investment of a portfolio and therefore may materially impact its market price or liquidity. The impact of sustainability risks on an investment may only emerge over the medium to long term and investment decisions may be made on that basis, with the result that other investments may prove more profitable in the shorter term.

Sustainability risks may not be realized in the manner or to the extent anticipated by BCM with the result that investments may not perform as expected. To the extent that a sustainability risk occurs or occurs in a manner that is not anticipated by BCM, there may be a sudden, material negative impact on the value of an investment and hence on the value of a portfolio. Such negative impact may result in an entire loss of value of the relevant investment(s) and may have an equivalent negative impact on the value of a portfolio.

The integration of sustainability risks in the investment decision process may have the effect of excluding profitable investments from the investment universe and may also cause a portfolio to sell or refrain from purchasing investments that otherwise would have been expected to be profitable. Risk assessment may not be conclusive in the investment process for a portfolio and, where consistent with the investment policy of the portfolio, BCM generally retains the discretion to make investment decisions notwithstanding the potential for sustainability risks associated with

the relevant investments. Equally, the assessment of sustainability risk is inevitably subjective and there can be no guarantee that investments made by a portfolio, even those which integrate the management of sustainability risks into their investment selection processes will reflect beliefs or values of any particular investor on sustainable investments. In addition, the circumstances in which sustainability risks are not or cannot be integrated into investment decision making or the assessment of a sustainability risk itself may change over time depending on the availability of relevant information.

NO CONSIDERATION OF ADVERSE IMPACTS

The SFDR requires BCM to make a “comply or explain” decision whether to consider the principal adverse impacts (“PAIs”) of its investment decisions on sustainability factors, in accordance with a specific regime outlined in SFDR. BCM has opted not to comply with that regime.

BCM has carefully evaluated the requirements of the PAI regime in Article 4 of the SFDR, and in the draft Regulatory Technical Standards which were published in April 2020 (the “PAI regime”). BCM is supportive of the policy objectives of the PAI regime, to improve transparency to clients, investors and the market, as to how financial market participants integrate consideration of the adverse impacts of investment decisions on sustainability factors. However, BCM is concerned about the lack of readily available data to comply with many of the reporting requirements of the PAI regime, as the Firm believes that companies and market data providers are not yet ready to make available all necessary data for the PAI regime.

BCM will periodically revisit its decision not to comply with the PAI regime.

REMUNERATION PRACTICES

BCM’s remuneration practices have been developed with the objective of supporting BCM’s business strategy, corporate values and long-term interests. The key principles of these practices include fostering appropriate risk culture (including with respect to the management of actual and potential conflicts of interest) and compliance with applicable laws and regulations.

To that end, BCM investment team members are compensated on a salary plus bonus basis, with certain employees receiving a share of corporate profits through an ownership stake in the business. The factors driving bonuses include portfolio performance and policy compliance in general rather than singling out any policy specifically.

AMENDMENTS

BCM closely monitors regulatory developments with respect to ESG-focused laws and regulations and will, where required or otherwise appropriate, make changes to this and other related policies and procedures.

FOR FURTHER INFORMATION

For further information please contact Jim Bradshaw at jbradshaw@barescapital.com.