



# **RESPONSIBLE INVESTING REQUEST FOR INFORMATION**

Firm Name: Northleaf Capital Partners ("Northleaf" or the "Firm")

Completed By: Katherine Young

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## PREAMBLE

In accordance with Queen's University's Responsible Investing Policy, as approved in May 2017, we require all of Queen's External Investment Managers to take due regard of environmental, social, and governance ("ESG") factors in making investment decisions. Managers will be asked to engage where appropriate and report to the University on their ESG activities on an annual basis.

Link to Responsible Investing Policy:

<http://queensu.ca/secretariat/sites/webpublish.queensu.ca.uslclwww/files/files/policies/board/Responsible%20Investing%20Policy.pdf>

**To assist with our due diligence, we request that you respond to the following questions no later than August 21, 2020.**

Note: Responses to this questionnaire will be posted in full on Queen's website.

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## GENERAL

### 1) Please provide your ESG-related policies.

Northleaf's Responsible Investment Policy is available on its website located here:

[https://www.northleafcapital.com/sites/default/files/assets/library/ri\\_policy\\_for\\_web\\_vf.pdf](https://www.northleafcapital.com/sites/default/files/assets/library/ri_policy_for_web_vf.pdf)

### 2) Are sustainable investing and ESG factors integrated into your investment process and portfolio management decisions? If yes, please provide details.

Yes, as a long-term investor in private markets, Northleaf recognizes that responsible corporate behaviour and a focus on sustainability will have a positive influence on long-term financial performance. Northleaf is committed to incorporating environmental, social and governance ("ESG") factors into its investment processes and portfolio management decisions to the extent that such factors affect the risk and return profile of its investments. This belief has underpinned Northleaf's approach to private markets investing since its inception, and a formal Responsible Investment Policy was established in 2011.

Pursuant to Northleaf's Responsible Investment Policy, ESG factors are considered during every due diligence pursuit. Northleaf evaluates ESG considerations at all stages of the investment process and works with its investment partners to understand their responsible investment policies. Once an investment is made, Northleaf continues to monitor investments for ESG risks and opportunities to ensure its investors' interests are protected and advanced. Any material ESG matters are also referenced and discussed in Northleaf's quarterly investor reports.

**3) a) Are you a signatory to the UNPRI?**

Yes

**b) If you are signatory to other coalitions, please list them.**

Northleaf supports the recommendations of the Financial Stability Board Task Force on Climate-Related Financial Disclosures ("TCFD").

**c) Indicate any other international standards, industry guidelines, reporting frameworks, or initiatives that guide your responsible investing practices.**

As a signatory to the Principles for Responsible Investing ("PRI"), Northleaf is committed to upholding the values of the PRI and applying its principles when evaluating and monitoring private markets opportunities regardless of strategy, sector or location across all of its investment activities Firm-wide. In its most recent (2020) PRI Assessment Report, Northleaf received "A+/A" scores across each category. Northleaf's PRI Assessment Report is available on its website located here:

[https://www.northleafcapital.com/sites/default/files/assets/library/2020\\_assessment\\_report\\_for\\_northleaf\\_capital\\_partners.pdf](https://www.northleafcapital.com/sites/default/files/assets/library/2020_assessment_report_for_northleaf_capital_partners.pdf)

In October 2019, Northleaf formally confirmed its support of the recommendations of the TCFD. Northleaf believes that support for the TCFD's recommendations will catalyze more consistent, comparable and reliable disclosure of climate-related information that will, in turn, facilitate more informed business and investment decision making.

In addition, Northleaf's private equity investment team uses the standards published by the International Limited Partners' Association (ILPA) as a guide during due diligence to assess each fund manager's commitment to ESG considerations and approach to responsible investing.

**4) Please describe how ESG oversight and integration responsibilities are structured at your firm, including the process for escalation of key ESG issues. How do you obtain ESG information/data (e.g. public information, third party research, reports and statements from the company, direct engagement with the company)?**

Northleaf has an ESG Committee that is responsible for coordinating ESG activities at Northleaf, across its three asset classes (private equity, private credit and infrastructure) and at the corporate level. The ESG Committee is accountable for the ongoing development and evolution of the Firm's approach to responsible investing in general and its Responsible Investment Policy in particular. The ESG Committee is also accountable for the development and maintenance of a quarterly ESG Dashboard by which the Firm evaluates its adherence to ESG considerations and principles at the corporate level. Northleaf's ESG Committee is chaired by Jeff Pentland, Managing Director, one of Northleaf's founders and an Investment Committee member. The ESG Committee is composed of members from across the Firm, including representation from senior investment team members of each asset class in which Northleaf invests, who, in turn, chair asset class-specific ESG sub-committees. Within each asset class, certain professionals have responsibility for the specific policies and procedures related to that asset class. For private equity (the program in which Queen's University is an investor), those professionals are Matthieu Ducharme (Managing Director), Lance Mu (Director, Portfolio Strategy & Analytics), Katherine Young (Vice President, Investor Relations), and Elizabeth Li (Senior Associate, Portfolio Strategy & Analytics).

Northleaf's investment teams are responsible for assessing ESG considerations during each phase of the investment process. The Investment Committee for each Northleaf mandate has ultimate responsibility for ensuring that Northleaf's ESG standards are maintained.

During due diligence, the private equity investment team assesses ESG considerations (including both risk factors and opportunities) related to each prospective investment as well as possible risk mitigation strategies. In certain cases, the investment team may hire external advisors and data providers to perform more specific diligence when required. This could include an environmental review or a health and safety evaluation, for example. The investment team will seek to obtain ESG data (where applicable) from a number of direct and third-party sources, and undertakes its own proprietary research and analysis to understand specific ESG opportunities and risks for each investment. In the context of its private equity investment program, Northleaf may obtain ESG information from the fund manager or at the company level (as applicable depending on the type of investment being considered – as explained in greater detail below). At the company level, this could include, for example, a track record of workplace safety incidents or independent research of the company's ESG history through news articles and other databases, including World Check One from Thomson Reuters.

In terms of private equity investments, the investment team will undertake a nuanced approach to the assessment of ESG considerations, depending on the type of investment being made:

- For fund investments (both primary and secondary), the investment team focuses on an assessment of a fund manager's commitment to ESG considerations and approach to responsible investing, and uses the standards published by the International Limited Partners' Association (ILPA) as a guide. Due diligence is performed using questionnaires and discussions with members of a fund manager's team and publicly available information to assess how the fund manager integrates ESG considerations into their due diligence, investment decision-making and ongoing management/monitoring processes. The fund manager is scored on its level of ESG engagement according to a scale (Early, Developing, Advanced) and the results form part of the findings presented to the Investment Committee.
- For direct investments (including secondary direct transactions), the investment team works with management teams, fund managers and other investors as appropriate to ascertain all material potential ESG considerations, risks and opportunities intrinsic to a particular transaction. The investment team evaluates and rates the ESG risks and opportunities (as High, Medium or Low) and also rates the company on its approach to ESG considerations (Early, Developing, Advanced). To the extent a material ESG risk is identified, the investment team may develop models and scenarios to test potential downside cases to ascertain whether the investment can withstand a range of possible outcomes. The results form part of the findings presented to the Investment Committee.

As we continue to refine our responsible investment program more generally, Northleaf is actively investigating how best to engage with leading external ESG-linked providers to further enhance our ability to obtain ESG information/data. Northleaf is currently in discussions with, and undertaking a detailed review of, the ESG database provided by RepRisk to enhance our due diligence and portfolio monitoring capabilities. RepRisk offers a database that combines machine learning with highly trained analysts to provide ESG data.

**5) What channels do you use to communicate ESG-related information to clients and/or the public? Do you produce thought leadership (written reports and publications)? If so, is the information available to the public? Please provide links, if applicable.**

Northleaf provides investors with regular updates on material ESG-related matters through its comprehensive investor reporting processes, including quarterly reports, in-person updates, Northleaf's Annual Investor Conference and semi-annual conference calls, as well as ad-hoc communications.

Northleaf recently received its 2020 PRI Assessment Report and performed well across the four categories in which it participated. For Strategy and Governance, Northleaf's score was A+ (median score was an A), for indirect Private Equity, Northleaf received an A+ (median score was an A), for direct Private Credit, Northleaf received an A (median score was a B) and for direct Infrastructure, Northleaf received an A+ (median score was an A). Northleaf's PRI Assessment Reports for the past three years are available on its website located here: <https://www.northleafcapital.com/corporate-investment-responsibility>

Northleaf also prepares a comprehensive ESG report annually. Northleaf's 2019 ESG report is available on its website located here: <https://indd.adobe.com/view/bdcdfafo-2398-4f24-a910-ab3186c5927d>

Finally, Northleaf has sought to engage with the broader private markets investment community as a participant in leading industry conferences focused on responsible investing. In 2019 the Firm sponsored the Women in Private Markets Conference and has agreed to do so again in 2020. In March 2020, a senior Northleaf team member participated in the Responsible Investment Forum, New York, and has been invited to speak as a panelist at the Responsible Investment Forum, Europe. The Firm has also committed to be a sponsor of the Responsible Investment Forum, Tokyo. Northleaf has also continued its long-term sponsorship of the International Foundation's Canadian Employee Benefits Conference and Canadian Investment Institute as part of its commitment to promoting good governance in private markets investment management.

**6) Do you have periodic reviews of your ESG process/approach to assess its effectiveness? What are the results? What would cause you to disregard ESG issues in your investment/analysis decisions?**

Yes – Northleaf undertakes regular reviews of its ESG processes and approach at both the Firm level and in the context of each asset class in which it invests.

For example, at the Firm level, Northleaf seeks to continuously refine our Responsible Investment Policy and in 2019 undertook a project to appropriately tailor our ESG approach to each of the asset classes in which Northleaf invests. The responsible investment approach was honed to take into account the varying degrees of influence Northleaf applies across each asset class. Northleaf has also developed an internal ESG Dashboard by which the Firm evaluates its adherence to ESG considerations and principles at the corporate level. The ESG Committee is accountable for the maintenance of the ESG Dashboard which is approved by the Firm's Management Committee on a quarterly basis.

At the asset class level, ESG considerations form an important part of the investment reviews undertaken by each Northleaf investment team on a regular (and at least quarterly) basis. Northleaf works with its investment partners and portfolio company management teams to develop and

improve ESG-related practices, performance and reporting as appropriate, taking into account the specific nature of the investment relationship. More specifically, with respect to its private equity investment program:

- For indirect/fund-based investments (including primary and secondary fund investments), over the life of each investment, the investment team monitors and updates the ESG engagement score ascribed to a fund manager at the time an investment was made. The investment team engages with fund managers on a regular basis through quarterly update meetings, annual general meetings or advisory board meetings as appropriate. Updated ESG scores and any material ESG matters are discussed with the Investment Committee and investment team at regular quarterly portfolio review meetings.
- For direct investments (including secondary direct investments), over the life of each investment, the investment team regularly re-assesses ESG considerations, risks and opportunities through ongoing discussions with management teams, fund managers and other investors as applicable. Any material findings are recorded on a Direct Investment Monitoring Template which forms the basis for discussion with the Investment Committee and investment team at regular quarterly portfolio review meetings.

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## CLIMATE

### **7) Describe how you identify, assess, and manage climate-related risks.**

Northleaf has been integrating climate-related risk analysis in its due diligence and monitoring processes under the auspices of “Environmental” considerations for a number of years. More recently, Northleaf became a supporter of the TCFD in 2019 and Northleaf's ESG Committee is currently focused on further developing a framework to guide the Firm's approach to integrating the consideration of climate-related risks and opportunities into investment decisions across Northleaf's private markets platform. The initial focus includes a bottom-up review of Northleaf's due diligence approach to ensure the consideration of climate change risks (both physical and transition) and opportunities. A near-term objective is to ensure that these risks and opportunities are considered in the context of scenarios developed under the auspices of the Intergovernmental Panel on Climate Change (IPCC), the United Nations body for assessing the science related to climate change. Over time, Northleaf will aim to develop a top-down assessment of the most significant risks and opportunities across its portfolios. Additional initiatives are expected to include the impact of climate considerations on product development/mandate design. The ESG Committee will also consider how climate change is positioned in the Firm's overall risk management framework in collaboration with Northleaf's Risk Oversight Committee.

### **8) Describe the climate-related risks and opportunities you have identified over the short, medium, and long term.**

As noted above, Northleaf is currently focused on further developing a framework to guide the Firm's approach to integrating the consideration of climate-related risks and opportunities into investment decisions. A number of recent investments provide examples of the ways in which climate-related risks and opportunities have been identified in the context of our due diligence process:

## Exploring Efficiency Opportunities

Northleaf invested in Material Sciences Corporation, a leading designer, manufacturer and processor of specialty materials and metals. During due diligence, the private equity team identified how climate-related opportunities could serve to advance the ongoing business prospects of the investment. The company is leveraging its production of cutting-edge materials to take advantage of structural trends related to reducing carbon emissions from vehicles, including light-weighting to meet more stringent fuel economy standards and the demands of electrification.

## Integrating Physical Risks

Northleaf provided debt financing to support Storable, a self-storage operator's acquisition of multiple self-storage tenant insurance providers. During due diligence, the private credit team identified, investigated and modelled the potential for increased frequency of severe weather events – including floods, wildfires and hurricanes – as a risk to the business with an impact on ongoing reinsurance costs.

## Mitigating Transition Risks

Northleaf's infrastructure program acquired Douglas Terminals, a newly-built European bulk liquid storage terminal. In addition to investigating long-term physical risks (including the ability to withstand potential rises in sea levels), the infrastructure team considered policy-related transition risks in the event that governmental fuel specification regulations might change and impact the ongoing viability of the facility. The team determined that the facility's tanks were purpose-built to handle a range of products, including biofuels, and hence well-placed to mitigate possible fuel-related transition risks.

### **9) Describe the resilience of your investment strategy, taking into consideration different climate-related scenarios.**

As described above, Northleaf's ESG Committee is currently focused on further developing a framework to guide the Firm's approach to integrating the consideration of climate-related risks and opportunities into investment decisions across Northleaf's private markets platform. The initial focus includes a bottom-up review of Northleaf's due diligence approach to ensure the consideration of climate change risks (both physical and transition) and opportunities. A near-term objective is to ensure that these risks and opportunities are considered in the context of scenarios developed under the auspices of the IPCC. Over time, Northleaf will aim to develop a top-down assessment of the most significant risks and opportunities across its portfolios.

### **10) Do you track the carbon footprint of portfolio holdings?**

No

**If yes, please describe the methodology and metrics used, and whether you have a set target for reducing the portfolio's footprint.**

N/A

**11) What are your firm's emissions? Please demonstrate how/whether you are taking steps to reduce these scenarios?**

Northleaf has developed a robust ESG framework across the Firm which underpins its longstanding commitment to corporate sustainability.

In terms of environmental stewardship, Northleaf strives to reduce its environmental footprint and ensure the efficient use of resources across the Firm. Recent initiatives include:

- reducing the use of single use plastic products (from water bottles to plastic cutlery and presentation covers);
- rationalizing paper usage through the use of tablets and laptops for all internal presentations; and
- including LEED certification as a key consideration in office location and set up.

Northleaf complies with all applicable environmental laws, regulations and standards across its global office network.

To help ensure that it is meeting its commitments to corporate sustainability, Northleaf has developed an ESG monitoring dashboard which catalogues the Firm's compliance with all relevant laws, standards, policies and guidelines and provides details and commentary with respect to each. The dashboard is prepared by Northleaf's ESG Committee and reviewed by the Management Committee quarterly.

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**DIVERSITY**

**12) Please provide the composition of your senior leadership team and board of directors, including women and visible minorities. How do you encourage diversity of perspectives and experience?\***

Northleaf benefits from an experienced global leadership team, supported by 150 professionals in seven offices. The senior leadership team consists of 15 members, including four women and one visible minority.

Northleaf believes diversity of thought is a key factor in its investment decision making capabilities and is focused on promoting a diverse workplace and fostering a culture of inclusion and engagement.

Northleaf's culture can best be described as professional, inclusive, trust-based, non-hierarchical, collegial, and committed to fact-based decision making. Every member of the investment team is expected to bring their knowledge and experience to bear on each investment that is considered on behalf of its investors. This in turn builds the skill and experience of all team members regardless of tenure, seniority, or gender, and ensures that each team member is able to continuously develop investment judgement and evaluation skills over time. This diversity of thought ensures that all points of view are considered to enhance the quality of the team's investment decisions.

Northleaf is committed to maintaining a diverse and inclusive workplace as the Firm continues to grow. Over the past year, Northleaf has continued to build policies, processes and training programs that support internal diversity initiatives and gender balance at the Firm, including ensuring hiring

candidate pools are populated with at least 50% female/visible minorities, as an example. Northleaf also includes a statement in all job postings re-iterating its commitment to providing an inclusive and accessible candidate experience and offering the ability to request accommodations should they be needed during the recruitment process. Northleaf has policies and procedures in place that cover:

- discrimination, harassment and violence in the workplace;
- employee leave, i.e. maternity, parental and adoption; and
- defined principled guideline for equal opportunity for all individuals.

Northleaf has also established a Diversity and Inclusion Steering Committee, responsible for establishing workplace "best practices", including:

- attending diversity and inclusion in the workplace webinars;
- sourcing employer resource groups for various communities that hold diversity awareness events and seminars; and
- providing training on diversity and cultural awareness for employees.

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## PROXY VOTING

**13) What proportion of the time do you vote with or against management on shareholder resolutions, board appointments, and auditor appointments? What proportion of the time do you vote with or against management on ESG issues? How does this break down for climate, diversity, and remuneration issues?\***

Not applicable for private markets investing.

**14) What proportion of all independent ESG shareholder resolutions do you support?\***

Not applicable for private markets investing.

**15) What proportion of remuneration packages do you vote in favour of? In your view, is the current level of executive remuneration too high, too low, or about right? How is this view reflected in your voting record on remuneration?\***

Not applicable for private markets investing.

**16) Have you ever co-filed an ESG-related shareholder resolution? If so, how many and with what frequency?\***

Not applicable for private markets investing.

**17) Have you ever voted against a director for explicitly ESG-related reasons? If so, why? If not, would you consider doing so in the future?\***

Not applicable for private markets investing.

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## ENGAGEMENT

**18) How many companies do you engage with? What proportion of your engagements focus on environmental and social issues? What are your engagement goals? Are these goals outcome/action-based (e.g. decreases in emissions or increases in number of women on the board) or means-based (reporting on emissions or number of women on the board)?\***

As a private market's investor, each of Northleaf's investment teams are committed to engaging with and influencing investment partners, management teams, fund managers and Boards of investments where improved ESG practices could reduce risk or improve performance.

**19) What is your policy around the escalation of engagement; how and why might this happen and what is the ultimate tool you might use (e.g. voting against board re-election, etc.)?\***

ESG considerations form an important part of the investment reviews undertaken by each Northleaf investment team on a regular (and at least quarterly) basis. Northleaf works with its investment partners and portfolio company management teams to develop and improve ESG-related practices, performance and reporting as appropriate, taking into account the specific nature of the investment relationship.