



**RESPONSIBLE INVESTING  
REQUEST FOR INFORMATION**

Firm Name: Northleaf Capital Partners

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 July 15, 2022.**

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 Capital Partners ("Northleaf" or the "Firm") publishes its Responsible Investment Policy (the "Policy") on its website located [here](#).

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

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. This belief has underpinned Northleaf's approach to private markets investing since inception and a formal Responsible Investment Policy was established in 2011. Northleaf believes investment success is tied to the health and sustainability of communities and environments in which the Firm operates. With respect to governance, Northleaf acts as a responsible steward of its investors' capital and seeks to ensure an alignment of interests with its investors and investment partners alike.

Pursuant to Northleaf's Responsible Investment Policy, ESG factors are considered by Northleaf's Investment Team (the "Investment Team") 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.

**Sourcing and initial review** – The Investment Team seeks to identify transaction-specific ESG considerations and issues in the preliminary evaluation of a potential investment opportunity. At this stage, the Investment Team will seek to identify whether a prospective investment demonstrates ESG-

related risks that could negatively impact value or otherwise prevent Northleaf from making a new investment, or ESG-related opportunities that could create value. Certain investment opportunities that exhibit ESG-related risks may be declined at this early stage of review. Northleaf applies a negative screening approach and does not invest in assets that are involved in activities that do not align with global standards with respect to, for example, human rights, labour practices, the environment or anti-corruption. This negative/exclusionary approach will also often incorporate norms-based screening as Northleaf seeks to invest in opportunities that exhibit best-in-class business practices and ethical standards.

**Due diligence** – This initial screening is followed by deeper due diligence, where an ESG rating is applied. Northleaf’s ESG rating for each potential investment is internally developed, however, the Investment Team will use certain questionnaires, frameworks, detailed models and tools to determine the ESG rating for a potential investment. The Investment Team assesses ESG considerations (including both risk factors and opportunities) related to each prospective investment, as well as risk mitigation strategies. This includes the consideration of climate change risks (both physical and transition) and opportunities, and, where applicable, an assessment of how an investment may positively or negatively impact one or more of the 17 United Nations Sustainable Development Goals (the “SDGS” or the “Goals”) using Northleaf’s sustainability outcomes framework. As described in Northleaf’s responses to **questions 4 and 14**, the Investment Team uses tools such as the RepRisk ESG Risk Platform to conduct in-depth risk research on prospective investments and identify material risk factors and The Climonomics Risk Analytics Platform to help understand, quantify, and mitigate climate risks.

More specifically, with respect to Northleaf’s private equity investment program, the following approach is taken depending on the nature of the investment:

- For primary fund investments (both primary and secondary), the Investment Team focuses on an assessment of a private equity sponsor’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 sponsor’s team and publicly available information to assess how the sponsor integrates ESG considerations into their due diligence, investment decision-making and ongoing management/monitoring processes. The sponsor is scored on its level of ESG engagement according to a scale (Not Present, Developing, Intermediate, Advanced) based on the ILPA ESG Assessment Framework 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, sponsors 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 (Not Present, Developing, Intermediate, Advanced). To the extent a material ESG risk is identified, the Investment Team develops detailed models and scenarios to test a number of 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.

**Investment decision and documentation** – Each Northleaf Investment Committee presentation includes a summary of the ESG considerations related to each investment opportunity, together with a summary of proposed strategies to mitigate ESG-related risks and capitalize on ESG-related

opportunities. The Investment Committee for each mandate has ultimate responsibility for ensuring that Northleaf's ESG standards are maintained. Once identified, certain investment opportunities that exhibit ESG-related risks may be declined at this stage of review.

**Asset management and monitoring** – Once an investment is made, Northleaf continues to monitor investments for ESG risks and opportunities to ensure its investors interests are protected and advanced. Northleaf's approach to portfolio monitoring is detailed in response to **questions 16 through 20**.

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

Yes, Northleaf is a signatory to the United Nations Principles for Responsible Investing ("UNPRI" or the "PRI") and has adopted the six principles of the PRI, which are acknowledged as part of Northleaf's Responsible Investment Policy. Northleaf is committed to upholding the values of 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.

The PRI Assessment Report for 2020 is Northleaf's most recent PRI Assessment Report. As per the PRI's June 1, 2022 Reporting & Assessment Update, *the PRI is investing in additional software development and improving quality assurance processes prior to releasing 2021 reporting outputs. As a result, the launch of 2021 private Assessment Reports will be targeted for a point within Q3 (July-September) 2022.*

In the most recently published report, Northleaf received "A+/A" scores across each category, including an "A+" score for Northleaf's private equity program. Northleaf's most recent PRI Assessment Reports are available on its website located [here](#).

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

In addition to the UNPRI, Northleaf has been a supporter of the recommendations of the Financial Stability Board Task Force on Climate Related Financial Disclosures (the "TCFD") since 2019. 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.

Northleaf is also a signatory to the Institutional Limited Partner Association (ILPA) Diversity in Action Initiative. ILPA's Diversity in Action framework includes a broad range of actions spanning talent management, investment management and industry engagement.

In 2022, Northleaf continued to advance its commitments to enhance ESG practices within the Firm and industry by joining ILPA's ESG Data Convergence Initiative (EDCI). As part of this initiative, Northleaf is participating in the ESG Data Convergence Project, which ILPA defines as an effort to *streamline the private investment industry's historically fragmented approach to collecting and reporting ESG data in order to create a critical mass of meaningful, performance-based, comparable ESG data from private companies.*

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

The Investment Team uses the standards published by the International Limited Partners' Association (ILPA) as a guide during due diligence to assess each private equity fund manager's commitment to ESG considerations and approach to responsible investing. In Northleaf's global private equity program, for fund investments (both primary and secondary), due diligence is performed using questionnaires and discussions with members of a private equity fund manager's team and publicly available information to assess how the sponsor integrates ESG considerations into their due diligence, investment decision-making and ongoing management/monitoring processes.

Northleaf recently implemented a framework which allows the Investment Team to identify if and how each investment may support or detract from one or more of the United Nations Sustainable Development Goals (the "SDGs" or the "Goals"). Northleaf's approach is to ensure that the Investment Team and its investors are aware of how each investment made may impact one or more of the Goals by identifying relevant SDGs, targets and indicators. The Investment Team will also monitor how each investment is tracking against identified Goals, targets and indicators over time. While Northleaf is not currently planning on actively targeting specific SDGs, the Firm does expect that there are certain Goals that will be more relevant to particular asset classes.

As described in Northleaf's response to **question 15**, Northleaf is also dedicated to supporting programs and initiatives that promote diversity and inclusion both at the Firm and for the private markets industry.

**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 adopted an approach whereby its responsible investment program is managed and coordinated at the Firm level and across all asset classes through a central ESG Committee and is driven into each investment pursuit by ensuring that the Investment Team and the Investment Committee are responsible for understanding all ESG risks and opportunities at the investment level. In this way, Northleaf ensures that ESG factors are considered in the context of each investment and treated as equally important as all other investment risks and hypotheses considered by the Investment Team, and at the same time the Firm is able to benefit from the tools, synergies and information flows that come from a centralized, firm-wide approach to responsible investment more generally. As such, the consideration of ESG factors becomes an integral part of Northleaf's investment program, rather than a standalone set of issues with a separate team overseeing them.

To implement this approach, Northleaf has established a firm wide 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 and one of Northleaf's founders and an Investment Committee member. The ESG Committee comprises 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 approach related to that asset class. For private equity, 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).

As described in response to **question 2**, the Investment Team is 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 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. For example, this could include an environmental review or a health and safety evaluation. 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 private equity fund manager or at the company level. 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.

Northleaf utilizes third-party tools to provide additional sources of data that enable Northleaf to conduct deeper ESG research on prospective and existing investments. As introduced in response to **question 2**, the third-party tools Northleaf has implemented include:

- **RepRisk** – In 2020, Northleaf entered into a partnership with RepRisk to further enhance the Firm's integrated approach to ESG considerations across due diligence, portfolio screening, portfolio monitoring/asset management, compliance, and company engagement processes. The RepRisk ESG Risk Platform is the world's largest database on ESG and business conduct risks. Northleaf uses this database to conduct in-depth risk research on companies, projects, sectors, and countries to identify material industry-specific risks in due diligence and monitor ESG risks across the Firm's existing portfolios. Northleaf's Investment and Portfolio Strategy & Analytics Teams can access this database that includes extensive information from public sources and stakeholders that is updated daily. Working with the RepRisk team, Northleaf has created "watchlists" for each of its mandates which allows it to track when ESG-related risks in respect of underlying investments may arise. Based on these watchlists, Northleaf can more effectively engage with underlying private equity fund managers on specific risks and keep its investors more fully informed on the status of their portfolios.
- **Climanomics** – In 2021, Northleaf subscribed to The Climate Service's Climanomics® Risk Analytics Platform to further enhance its ability to understand and factor climate-related risks and opportunities into the Firm's due diligence, portfolio screening, portfolio monitoring/asset management, compliance, and company engagement processes. The Climanomics platform enables climate risk identification, reporting and disclosure that is aligned with the TCFD framework. The Investment Team can identify, quantify, and track potential climate-related risks for specific assets by entering a prospective investment's location and asset type into the

platform's database. The platform allows the Investment Team to analyze the potential risks in the context of different climate scenarios.

**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 prepares a comprehensive ESG report annually. Northleaf's 2021 ESG Report is available on the Firm's website located [here](#). In addition to this annual report, Northleaf provides investors with regular updates on material ESG-related matters through its comprehensive investor reporting processes, including, but not limited to its quarterly reports, in person updates, the Firm's Annual Investor Conference presentations and semi-annual update calls, as well as ad-hoc communications.

As previously referenced in **question 3 a)**, ESG-related information on Northleaf is published annually through the PRI assessment reports. Northleaf's PRI Assessment Reports for the past three years are also available on the Firm's website [here](#) and provide additional information on Northleaf's ESG initiatives.

Northleaf's thought leadership extends to the Firm's participation in industry conferences and initiatives which aim to share information, insights, and best practices with respect to responsible investing in private markets. Initiatives Northleaf participated in and contributed to in 2021 and 2022 included the following:

- In June 2022, Northleaf continued its participation in the PEI Responsible Investment Forum, Tokyo as a lead sponsor where Jeff Pentland was a keynote speaker on a panel to discuss the importance of responsible investing.
- Over the past three years, Northleaf has been a lead sponsor for the Women in Private Markets Forum with participants from across the Firm engaging in panel discussions on infrastructure, private equity, and private credit. Northleaf continued its role as a lead sponsor of Women in Private Markets in December 2021.
- In November 2021, Northleaf participated in the PEI Responsible Investment Forum, Europe where Sophia Damianou spoke on a panel discussion on practical ways to address diversity within a private markets portfolio.
- In September 2021, Northleaf was once again proud to be a lead sponsor of the Private Equity International ("PEI") Responsible Investment Forum: APAC Investor Day. Hosted by PEI and supported by Principles for Responsible Investment, the Responsible Investment Forum seeks to promote the effective integration of ESG to create sustainable value.
- In addition to conference participation and sponsorship, Northleaf has produced thought leadership pieces on ESG. In 2021, Northleaf published an article titled "Setting the tone on ESG" which was written by Jeff Pentland and is available [here](#).

**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. While the Firm’s focus on ESG has been consistent, Northleaf recognizes the need to continuously evolve its approach with the changing landscape of ESG considerations. For example, in 2020, Northleaf updated the list of E, S and G factors set out in its Responsible Investment Policy to ensure that they were aligned with those currently recommended by the PRI. As described in Northleaf’s response to **question 4**, The Northleaf ESG Committee is accountable for the ongoing development and evolution of Northleaf’s approach to responsible investing in general and the Firm’s Responsible Investment Policy. Northleaf’s Responsible Investment Policy is reviewed annually and was last updated in December 2021.

At the Firm level, Northleaf seeks to continuously improve its ability to consider and report on ESG issues. As described in response to **question 5**, Northleaf’s partnership with RepRisk further enhances the Firm’s ability to be effective in considering ESG factors at the investment level. Similarly, Northleaf’s subscription and use of The Climate Service’s Climanomics platform improves the Firm’s ability to understand and factor climate-related risks and opportunities into investment diligence and monitoring.

As described in response to **question 2**, ESG considerations form an important part of the investment reviews undertaken by the 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, considering the specific nature of the investment relationship. More specifically, with respect to Northleaf’s private equity investment program, the following approach is taken depending on the nature of the investment:

- 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 private equity fund manager at the time an investment was made. The Investment Team engages with private equity 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, private equity 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.

The Investment Team seeks to identify transaction-specific ESG considerations and issues in the preliminary evaluation of a potential investment opportunity. At this stage, the Investment Team will seek to identify whether a prospective investment demonstrates ESG-related risks that could negatively impact value or otherwise prevent Northleaf from making a new investment, or ESG-related opportunities that could create value. Certain investment opportunities that exhibit ESG-related risks may be declined at this early stage of review. This negative/exclusionary approach will also often



incorporate norms-based screening as Northleaf seeks to invest in opportunities that exhibit best-in-class business practices and ethical standards.

Northleaf applies a negative screening approach and does not invest in assets that are involved in activities that do not align with global standards with respect to, for example, human rights, labour practices, the environment or anti-corruption.

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## CLIMATE

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

Northleaf has developed a framework to guide the Firm's approach to integrating the consideration of climate-related risks (both physical and transition) and opportunities into investment decisions across Northleaf's private markets platform. The Investment Team uses frameworks to assess each investment opportunity in terms of potential climate-related risks and opportunities and ensure that the output is included in the Investment Committee documents produced for all investments.

In addition, Northleaf has partnered with The Climate Service to enhance its analysis of climate-related risks and opportunities during due diligence as well as to provide an overall picture of the climate risks across the Firm's investment portfolios as a whole by leveraging their Climanomics platform. The Climanomics platform:

- Assesses both physical and transition risk, allowing a comprehensive understanding of climate risk, as well as the relationship between these two risks under different climate scenarios
- Is powered by transparent methodology and rigorous science
- Provides complete global coverage of any point on the planet, and multiple climate scenarios based on the Representative Concentration Pathways ("RCPs").
- Allows analysis over a time horizon of 1-80 years
- Provides refined and granular analysis which starts at the property and asset level and is then scaled-up to the company and portfolio level analysis.
- Is a technology platform built with the support of IBM which provides unparalleled security, scalability, and interoperability
- Enables climate risk reporting and disclosure that is aligned with the TCFD framework

The Investment Team is initially using the Climanomics platform as a due diligence tool to assess and quantify the climate related risks for relevant investments. Over time, Northleaf will aim to leverage the platform to develop a top-down assessment of the most significant risks and opportunities across its portfolios.

Each year Northleaf's ESG Committee identifies priority areas of focus. In 2021, the development of a sustainability outcomes framework leveraging the UN Sustainable Development Goals was a key priority. Looking ahead, Northleaf aims to engage in new initiatives as the responsible investment regulatory landscape evolves and the ability to measure the impact of ESG initiatives improves. For 2022, the ESG Committee has identified a review of leading climate-related initiatives as a priority for the Firm, including an understanding of the requirements of joining the Net Zero Asset Managers initiative. Subject to being able to meet the expectations of the Net Zero Asset Managers Initiative, Northleaf's ESG Committee expects to become a supporter in the next 12-18 months.

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 the Northleaf's Risk Oversight Committee.

Northleaf believes that supporting and promoting the TCFD's recommendations will also help to catalyze more consistent, comparable, and reliable disclosure of climate-related information that will, in turn, facilitate more informed business and investment decision making. Northleaf seeks to promote effective understanding and management of climate-related risks and opportunities across its investment program through (i) ensuring that risks and opportunities related to climate change are identified during due diligence and appropriately managed/monitored after an investment is made and (ii) engaging with partners and its underlying portfolio assets/companies on supporting the recommendations of the TCFD. Northleaf believes that doing so will lead to enhanced transparency, meaningful reporting and ultimately improve long-term sustainable, resilient and stable business outcomes.

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

Northleaf integrates an analysis of potential climate related risks and opportunities into each due diligence pursuit and the nature of the risks and opportunities identified differs based on the unique characteristics of each transaction across its private markets investment programs. With respect to shorter term considerations, for example, in certain investments Northleaf has identified risk factors such as extreme weather events – ranging from rainfall, to fires, to tropical storms/hurricanes – and factored in how these events might impact the economic returns from both single- and multi-location businesses. Medium term risks and opportunities identified by the Investment Team sometimes relate to transition risks, including, for example, possible regulatory changes with respect to the restricted use of traditional fuels and the promotion of biofuels, or the light weighting of materials for use in electric vehicles. Longer term impacts that have been identified and considered by the Investment Team include factors such as the potential for rising sea levels on facilities and enterprises located in ports, and how such risks might be mitigated.

The Climonomics platform enables Northleaf to consider, and quantitatively model asset vulnerability based on additional specific climate-related risks and opportunities. Inputs include climate and socioeconomic data on hazards from various sources including public, academic and commercial databases and proprietary Climonomics models.

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

As described in **questions 2 and 6**, as part of the Firm's sourcing process, Northleaf applies a negative screening approach and does not invest in assets that are involved in activities that do not align with global standards, including investments that do not meet global standards pertaining to the environment.

As described above in **question 7**, Northleaf has developed a framework to guide the Firm's approach to integrating the consideration of climate-related risks (both physical and transition) and opportunities into investment decisions across Northleaf's private markets platform and investment stages. Northleaf's partnership with The Climate Service has allowed the Firm to enhance its analysis

of climate related risks and opportunities during due diligence as well as to provide an overall picture of the climate risks across Northleaf's investment portfolios by leveraging the Climonomics platform.

Northleaf's exclusionary approach to sourcing and mitigations taken throughout the due diligence process, as well as ongoing monitoring of its portfolio reduces the portfolios' exposure to climate-rated risk.

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

Northleaf is currently working to identify the most appropriate ways to track and quantify the carbon footprint of its portfolio holdings. The approach will differ based on asset class and investment approach. Northleaf plans to start with the infrastructure portfolio where the Firm invests directly as a control or joint control owner in a limited number of assets. The considerations become more complicated in the context of Northleaf's private equity program, where Northleaf is often an indirect owner of the underlying assets and will need to work with its investment partners to track, monitor and manage multiple carbon footprints. At this stage, Northleaf is focused on understanding the risks inherent in each investment strategy during due diligence as a way of managing the overall carbon footprint to which Northleaf and its investors are ultimately exposed.

As described in Northleaf's response to **question 7**, each year Northleaf's ESG Committee identifies priority areas of focus. In 2022, the ESG Committee has identified a review of leading climate-related initiatives as a priority for the Firm, including an understanding of the requirements of joining the Net Zero Asset Managers initiative. Subject to being able to meet the expectations of the Net Zero Asset Managers Initiative, Northleaf's ESG Committee expects to become a supporter in the next 12-18 months.

Northleaf is also exploring how the Firm can work together with industry participants to standardize ESG metrics (including the ILPA-sponsored ESG Data Convergence Project) and support the goal of achieving net zero greenhouse gas emissions by 2050 or sooner.

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

Please see the response immediately above.

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

Northleaf does not currently track its emissions; however, this is a near-term priority for the Firm. As a long-term investor in private markets, Northleaf recognizes that responsible corporate behavior and a focus on sustainability will have a positive influence on long-term financial performance. While this is evident in the way that Northleaf approached the integration of ESG considerations in its investment activity, Northleaf has also sought to "turn the ESG lens onto itself" as a firm. In this regard, and 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 Northleaf's Management Committee quarterly.

In terms of environmental stewardship, Northleaf strives to reduce its environmental footprint and ensures the efficient use of resources across the Firm. Through its ESG monitoring dashboard Northleaf also tracks its compliance with all applicable environmental laws, regulations and standards throughout all of its global offices. As an investment management firm, Northleaf is not a large emitter of greenhouse gases. That said, ensuring energy efficiency is and has been an important element in the Firm's choice of office space in each of Northleaf's eight locations around the world. In addition, over the past several years, Northleaf has undertaken a number of initiatives aimed at reducing waste across the Firm. Many of these initiatives have been recommended by employees and adopted by Northleaf firm-wide, including reducing the amount of paper-based documents that are used, ending use of plastic water bottles and reducing our use of single-use plastic products.

In addition to encouraging responsible environmental practices within the workplace, Northleaf also encourages and monitors its commitment to social and governance factors.

As a firm, Northleaf seeks to ensure that it meets or exceeds all health, safety, labour and employment laws and standards, and has implemented an inclusion and diversity program. All of these social elements are tracked in the Firm's ESG monitoring dashboard.

**12) For the mandate you manage for Queen's, what percentage of equity holdings (if applicable) have credible net zero commitments?**

As described above, at this time, Northleaf does not measure the carbon footprint of its overall portfolios but is working towards tracking additional asset-level metrics that will inform such an analysis. A standard template is in development to track standard ESG KPIs across the entire portfolio, including emissions data.

**13) How do you assess the credibility of a company's emission reduction targets?**

Although Northleaf is still in the process of determining the most effective method for measuring emissions across its portfolios, the Firm does collect and assess the ESG information on each prospective and existing investment. For example, when possible, if a private equity fund manager is a signatory of a coalition like UNPRI, Northleaf is often able to validate data and claims through public assessment reports.

Northleaf may be able to validate the credibility of ESG claims and emission targets of its portfolio investments through tools such as RepRisk and Climonomics, which are detailed in the response to **question 4**. Northleaf may also validate such information through reference calls with current and former management teams, co-investors, existing LPs, and other industry contacts. Assessment of a private equity fund manager's database, and historical deal flow trends may also provide insights.

**14) What forward-looking metrics do you use to assess an investment's alignment with global temperature goals?**

As described in Northleaf's response to **question 4**, Northleaf has partnered with Climonomics, the Climate Service's Risk Analytics Platform, to enable climate risk reporting aligned with the TCFD framework. The Climonomics platform allows Northleaf to quantitatively model asset vulnerability based on specific climate-related risks (both physical and transition) as well as opportunities. Metrics are developed from inputs that include climate and socioeconomic data on hazards from various sources including public, academic, and commercial databases and proprietary Climonomics models.

In addition, Northleaf's work with the RepRisk ESG Risk Platform, the world's largest database on ESG and business conduct risks, allows the Firm to conduct in-depth risk research on companies, projects, sectors, and countries to identify material industry-specific risk in due diligence and monitor ESG risks across Northleaf's existing portfolios. These risks include climate related risks and may consider the following:

- Climate change, GHG emissions, and global pollution
- Local pollution
- Impacts on landscapes, ecosystems, and biodiversity
- Overuse and wasting of resources
- Waste issues
- Animal mistreatment

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## DIVERSITY

**15) 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 190 professionals across eight offices. Northleaf's Management Committee consists of 13 members, including two women and one visible minority. Northleaf's eight-person board includes one member from a visible minority group. In 2021, 45% of new hires at Northleaf identified as female. In addition, women comprised 50% of senior promotions across the Firm in 2021.

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 welcomes and encourages a variety of perspectives. For example, Investment Team members at all levels are expected to contribute their knowledge and experience on every investment that is considered on behalf of our investors. This, in turn, both relies on and builds the skills and experience of all team members regardless of tenure, seniority, race, ethnicity, religion, gender, sexual orientation or abilities, and ensures that each team member is able to continuously develop investment judgment and evaluation skills over time. This diversity of thought ensures that multiple points of view are considered in each investment decision. A similar approach is employed in the ongoing decision-making across the firm.

Northleaf has policies and procedures in place that support internal diversity, inclusion, and gender balance, including a defined principled guideline for equal opportunity for all individuals, a policy on discrimination, harassment and violence in the workplace and an employee leave, (i.e. maternity, parental and adoption) policy.

In addition to policies, Northleaf encourages diversity through formal training. In 2020 and 2021, Northleaf held a number of firm-wide diversity and inclusion learning and training sessions:

- In 2021, Northleaf continued to partner with CCDI Consulting Inc., an organization that assists employers globally to effectively address the full picture of diversity, equity, inclusion, and human rights.
- In 2020, Northleaf commissioned Michael Bach, CEO of CCDI Consulting, to lead a live interactive webcast on diversity and inclusion fundamentals for all employees. The two-hour

session focused on creating a shared awareness and understanding of the meaning and value of diversity, the approaches to developing an inclusive and engaging culture, and the process of fostering and maintaining policies that ensure everyone has a fair and equitable opportunity to make a positive contribution. Northleaf's Management Committee also took part in an Executive Bootcamp focused on diversity and inclusion. The session provided training and coaching on diversity and inclusion fundamentals, including unconscious bias training, as well as tools on how to promote inclusion to boost Northleaf's inter-cultural and cross-cultural skills.

- As Northleaf continues to foster a culture of respect, all employees participated in Unconscious Bias training, an online e-learning course that explored the sources and mechanics of bias, its impact and cyclical nature.
- Employees also participated in a mandatory Preventing Discrimination and Harassment training course. Additional training is planned for the coming year.

To ensure that Northleaf continues to encourage diversity of perspectives and experience, the Firm has implemented DEI considerations as part of its investment practices. At the portfolio level, Northleaf utilizes a standard checklist that outlines ESG factors to consider, to assist in diligence and ongoing portfolio monitoring. Northleaf's standard checklist includes "Social" considerations such as gender diversity, first nations/aboriginal relations, human rights and community impacts and relations amongst others.

As part of the Firm's investment due diligence process, Northleaf has developed a diversity and inclusion assessment dashboard that is used to evaluate how investment opportunities align with best practices across a number of diversity and inclusion metrics. Northleaf's diversity and inclusion assessment dashboard has been adopted for use across the Firm's global private equity investment program. As part of the investment process, the Investment Team seeks to understand how sponsors approach diversity and inclusion both at the sponsor level and the portfolio company level. This assessment provides us with the opportunity to collaborate on best practices and engage with sponsors on the topic. This dashboard is included in each Investment Committee presentation and is one of the assessment factors considered as the Firm make investments in Northleaf's global private equity and Canadian venture capital portfolios.

As noted above in **question 2 c)**, Northleaf's Investment Team uses the standards published by the International Limited Partners' Association (ILPA) as a guide during due diligence to assess each private equity fund manager's commitment to ESG considerations and approach to responsible investing. In Northleaf's global private equity program, for fund investments (both primary and secondary), due diligence is performed using questionnaires and discussions with members of a private equity fund manager's team and publicly available information to assess how the sponsor integrates ESG considerations into their due diligence, investment decision-making and ongoing management/monitoring processes. These questionnaires include questions related to gender diversity and diversity and inclusion in general. For example, questions to a private equity fund manager on their diversity and inclusion policies have included the following:

- What portion of your employees constitute female or visible minorities?
- Does your firm have a formal diversity and / or inclusion policy or initiative?
- Does your firm have a code of conduct that covers harassment, discrimination and/or workplace violence, and a process to report any violations?
- Does your firm require such a code of conduct at its portfolio companies?
- Does your firm have a system for tracking portfolio company diversity metrics?

- What steps, if any, are taken to promote D&I as part of the recruitment process?
- Does your firm report on D&I-related items?

Northleaf considers diversity as an ESG factor in its investment process and is focused on the development of initiatives aimed at addressing gender balance and diversity in the private equity industry.

These internal practices were introduced by Northleaf's Diversity, Equity, and Inclusion (DEI) Committee, which was created in 2020 to lead the development of Northleaf's DEI journey and strategy. Mike Flood, Managing Director and Head of Private Equity, is the Chair of Northleaf's DEI Committee. Over the past year, Northleaf has continued to progress a comprehensive program of DEI initiatives and furthered its commitment to DEI inclusion in the private markets through the sponsorship and support of a number of industry associations. These activities are summarized in Northleaf's annual Diversity, Equity and Inclusion Report. Northleaf's 2021 DEI Report is available [here](#).

As described in the 2021 DEI Report, Northleaf is dedicated to supporting programs and initiatives that promote diversity and inclusion both at the Firm and for the private markets industry as a whole.

- Northleaf is a supporter of Out Investors, a global network of LGBT+ investment professionals and allied firms with the core mission of making the investment management industry more welcoming and inclusive. One of Northleaf's team members has taken a leadership role in building the Out Investors' Toronto chapter.
- Northleaf also remains actively involved on the Canadian Venture Capital and Private Equity Association's (CVCA) Diversity & Inclusion Committee. Northleaf also continued to support development-oriented programs, including the Canadian Women in Private Equity's (CWPE) mentorship program and Girls E-Mentorship (GEM), a charitable organization that provides a mentorship program for high school girls facing socioeconomic barriers to build their professional skills and achieve their academic and career potential.
- Northleaf is a signatory to the Institutional Limited Partner Association (ILPA) Diversity in Action Initiative. ILPA's Diversity in Action framework includes a broad range of actions spanning talent management, investment management and industry engagement.
- Northleaf is a Champion sponsor of the Black Innovation Programs at the DMZ, supporting programs that will provide start-ups led by Black entrepreneurs with the strengthening support of a top university-based incubator network. Northleaf has pledged a five-year commitment as a sponsor of the organization.
- Northleaf is a lead sponsor of the Conference Board of Canada's research project focused on women-led start-ups and venture capital success. This research will explore the factors that lead to success for early-stage technology companies, with a particular focus on understanding whether women and men entrepreneurs take different approaches and have different outcomes. Northleaf pledged \$50,000 to support the study and also led the outreach to generate incremental sponsorship from the Firm's network of private equity sponsors, raising an additional \$40,000.
- Northleaf is a sponsor of Our Children's Medicine (OCM). OCM has a mandate of increasing Indigenous representation amongst the Canadian labour force, working to reduce unconscious bias and Indigenize corporate culture in order to attract and retain amazing Indigenous talent. Northleaf's two-year sponsorship will help ensure the continuity and stability of OCM's program delivery which will allow OCM to support thousands of Indigenous job seekers.

## MONITORING

### **16) After making the decision to invest in a fund/company, what is your process for monitoring the investment's ESG performance during your ownership period?**

Over the life of each investment, the Investment Team will continue to monitor specific ESG considerations in respect of the investment that were highlighted at the time of investment.

For primary investments, the Investment Team will monitor and update the ESG engagement score that was initially ascribed to the private equity fund manager. The Investment Team engages with private equity fund managers on a regular basis through quarterly update meetings, annual general meetings or advisory board meetings as appropriate.

For secondary investments and/or direct investments, the Investment Team regularly assesses ESG considerations, risks and opportunities through ongoing discussions with management teams, private equity fund managers and other shareholders, as applicable. Monitoring may involve tracking industry trends and company specific key performance indicators, discussions with company management and private equity fund managers, and leveraging the RepRisk platform described in response to **question 4** above to identify any ESG issues at the portfolio company level.

As described in response to **question 4**, Northleaf has been able to work with RepRisk to create watchlists at the portfolio company level which will flag ESG issues that may arise, allowing the Investment Team to carefully monitor and quickly address concerns. Any material ESG matters, including updated ESG scores for private equity fund managers or company level ESG concerns/risks, are discussed with the Investment Committee and Investment Team at the quarterly portfolio review meetings and referenced in Northleaf's quarterly investor reports.

### **17) How do you ensure that your investments' management devotes sufficient resources to ESG factors?**

Northleaf's private equity program is largely focused on investments alongside lead sponsors; therefore, Northleaf's focus is primarily on assessing the sponsor's ESG practices, policies and expertise. For direct investments, including single company secondary investments, a company level assessment is also completed. Northleaf's ESG analysis includes factors such as whether the sponsor is a PRI signatory and has appropriate ESG policies and practices in place. This incorporates the assessment of the resources the sponsor and/or company dedicate to ESG factors. Based on this ESG analysis, the Investment Team assigns a rating to the sponsor and/or company management which is presented to the Investment Committee and monitored post investment. When ESG issues arise, the Investment Team is able to address these with fund and/or company level management immediately.

### **18) Do you engage with your investments' management teams on ESG issues? If so, please provide a recent example including the ultimate outcome.**

As mentioned above in response to **question 17**, Northleaf's private equity program is largely focused on investments made alongside a lead sponsor, and as such, a key focus for Northleaf during the underwriting of investment opportunities is an assessment of the private equity sponsor's ESG practices, policies and expertise.

For example, this year, Northleaf pursued due diligence and conducted an ESG review on an Asia-based private equity fund manager (the "Fund Manager" or the "Sponsor"). Northleaf had been



tracking the Sponsor's ESG activities since 2016. As part of the ESG review, Northleaf classified the Fund Manager as continuing to have a relatively "early" ESG approach.

Although this "early" ESG rating was in-line with the Fund Manager's peers, in discussions with the Investment Team, the Sponsor was receptive to feedback and recognized the importance of advancing its ESG practices. Northleaf shared feedback on the Fund Manager's ESG goals while providing context on North American peers and best practices. As part of this process, Northleaf spent time with the fund's senior team, supporting and confirming the planned trajectory of their ESG approach for the coming years.

As Northleaf progressed due diligence on the Sponsor's 2022 fund, the Fund Manager continued to provide more detail around expected ESG milestones and planned policy implementations. The Sponsor confirmed its intention to achieve UNPRI membership within two years and formalize an ESG policy and manual to govern all investments in the second half of 2022. Northleaf continues to monitor the Fund Manager's progress against its stated ESG goals as part of the Firm's due diligence process.

**19) Does ESG performance influence your decision to exit an investment and/or reinvest with a fund manager?**

Yes, ESG performance is assessed prior to exiting an investment and is factored into the decision whether to reinvest with a private equity fund manager. Northleaf's approach to incorporating ESG considerations into preparations for exit is similar to the approach Northleaf employs when incorporating ESG considerations during the diligence and portfolio management phase. The potential for exit is a consideration that begins prior to an investment even being made. Effective and responsible management of all risks and opportunities (including ESG factors) throughout an investment's hold period will establish the foundation for a successful exit.

As previously described, an ESG-focused assessment is completed as part of the due diligence for every investment with a private equity fund manager. This includes an assessment of Northleaf's knowledge of the manager's ESG performance from any prior investments.

**20) Do you measure whether your approach to ESG affected the financial performance of your investments? If yes, please describe your approach.**

Northleaf has a firm-wide commitment to identifying and managing ESG factors in all investment decisions. Core ESG analytical principles are embedded within investment due diligence frameworks across the Firm, and material ESG issues must be addressed before any investment is approved. To the extent that ESG factors can be measured from a quantitative perspective, Northleaf will track those outcomes on an ongoing basis. Material ESG factors that have a financial impact are closely monitored during the period in which Northleaf is an investor, and ESG considerations are reported on and discussed at the Firm's Quarterly Portfolio Review sessions.

Northleaf's Investment Team is incentivized to drive performance across all investments, including by minimizing portfolio-level risks (including ESG) and maximizing value creation (including ESG opportunities).