July 2024

<u>Headway ESG Framework</u>

Below is a summary of the steps followed by Headway in our ESG due diligence for each potential new manager and investment, and the specific guidelines considered.

<u>Step 1: Excluded Activities</u>

Confirm that none of the following are present:

- Controversial weapons (including cluster munitions, anti-personnel mines, chemical or biological weapons)
- Tobacco products
- Small arms
- Thermal Coal

<u>Step 2: Red Flag Identification</u>

Confirm no red flags in the following areas or that these will be appropriately managed or resolved:

- Manager reputational risk
- Manager lack of engagement on ESG due diligence with acquisition targets
- Majority of revenue from excluded activities
- Majority of revenue from controversial weapons
- Acquisition target reputational risk
- Risk of stranded assets due to climate change
- Acquisition targets facing any serious negative press/complaints or had any significant negative impacts/violations related to the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprise

<u>Step 3: SDG Alignment</u>

Headway reviews the Sustainable Development Goals (SDGs) and maps areas of alignment of the acquisition target with each SDG include the targets within each SDG.

<u>Step 4: Manager Due Diligence</u>

The manager (GP or independent sponsor) provides information on the following topics about themselves with respect to ESG:

- Investment approach:
    - ESG policy
    - Roles & responsibilities including ESG oversight
    - Corporate risk register
    - Due diligence process
    - Monitoring investments
    - Reporting
    - Memberships
- Own environmental impact:
    - Environmental investment considerations

    - Risk management
- Own social impact:
    - Social investment considerations
    - Data privacy and security
    - Cybersecurity
    - Diversity and inclusion
    - Community investment and stakeholder engagement programmes
    - Community involvement
    - UNGC
- Other

<u>Step 5: Acquisition Target Due Diligence</u>

The manager (GP or independent sponsor) assisted by the company management teams provides information on the following topics about the acquisition target(s) with respect to ESG:

- General:
    - Guidelines and principles
    - Reporting regulations and initiatives
    - Supplier locations
    - Code of conduct
    - ESG policy
    - Board responsibility for ESG
- Environmental:
    - Net zero strategy
    - Greenhouse gas emissions measured or not (Scope 1, 2, 3) and intensity
    - Emissions targets
    - Energy consumption
    - Further details on energy intensity for high climate impact sectors (agriculture, forestry & fishing; mining & quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation; construction; wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; real estate activities)
    - Energy saving initiatives
    - Air quality
    - Fossil fuel sector exposure
    - Water & wastewater management
    - Waste & hazardous materials management
    - Product design & lifecycle management
    - Ecological impacts
    - Physical impacts of climate change
- Social:
    - Human rights & community relations
    - Customer privacy
    - Data & cybersecurity
    - Access & affordability
    - Product quality & safety

- Customer welfare
- Selling practices & product labeling
- Labour practices
- Employee health & safety
- Board composition (diversity and independence)
- D&I policy
- Gender pay gap

- Governance:
  - Supply chain management
  - Business ethics
  - Governance processes & practices
  - Competitive behaviour
  - Management of the Legal & Regulatory Environment
  - Critical Incident Risk Management
  - Business Model Resilience

<u>Step 6: Risk Assessment</u>

- The acquisition target answers are weighted according to the below materiality map which varies according to the industry sector of the acquisition target. This is combined with the Manager risk score to give an overall risk assessment of the investment
- The weightings are aligned with the SASB materiality map and the SFDR PAIs

Dimension	SASB issue category	Extractives	Food & Beverage	Health Care	Resource Transformation	Technology	Consumer Goods	Financials	Infrastructure	Renewables	Services	Transportation
Environment	GHG Emissions	2	2	2	2	2	0	1	1	1	0	2
Environment	Air Quality	2	0	0	0	0	0	0	1	1	0	2
Environment	Energy Management	1	2	2	3	1	2	0	1	2	1	1
Environment	Water & Wastewater Management	2	2	0	2	1	2	0	1	2	1	0
Environment	Waste & Hazardous Materials Management	2	1	2	3	1	1	0	1	1	0	1
Environment	Ecological Impacts	2	1	0	0	0	1	0	1	1	1	1
Social	Human Rights & Community Relations	1	0	0	1	0	0	0	0	1	0	0
Social	Customer Privacy	0	0	1	0	3	0	2	0	0	1	0
Social	Data and Cyber Security	0	1	1	0	3	0	2	0	0	1	0
Social	Digital rights and digital truth	0	0	0	0	1	0	0	0	0	0	0
Social	Access & Affordability	0	0	3	0	0	0	2	1	0	0	0
Social	Digital inclusion	0	0	0	0	1	0	0	0	0	0	0
Social	Product Quality & Safety	0	2	3	3	0	2	0	1	0	1	1
Social	Customer Welfare	0	2	2	0	0	0	1	0	0	1	0
Social	Selling Practices & Product Labeling	0	2	3	0	0	0	3	0	0	1	0
Social	Labor Practices	1	1	0	0	0	0	0	1	0	1	1
Social	Employee Health & Safety	2	1	1	2	0	0	0	2	1	1	2
Social	Employee Engagement, Diversity & Inclusion	0	0	1	0	3	1	2	0	0	1	0
Governance	Product Design & Lifecycle Management	1	2	2	3	3	1	0	2	2	0	1
Governance	Ethical and safe research/innovation practices	0	0	0	0	1	0	0	0	0	0	0
Governance	Business Model Resilience	1	0	0	0	0	0	0	2	0	0	0
Governance	Supply Chain Management	1	2	1	1	0	1	0	0	1	0	1
Governance	Materials Sourcing & Efficiency	0	2	0	3	1	2	0	1	2	0	1
Governance	Physical Impacts of Climate Change	0	0	1	0	0	0	2	1	1	1	0
Governance	Business Ethics	1	0	3	2	0	0	3	1	0	1	1
Governance	Technology/digital/innovation ethics	0	0	0	0	1	0	0	0	0	0	0
Governance	Governance processes & practices	0	0	0	0	0	0	0	0	0	0	0
Governance	Competitive Behavior	1	0	1	0	1	0	0	0	0	1	1
Governance	Management of the Legal & Regulatory Environment	1	0	1	0	0	0	0	0	1	0	0
Governance	Critical Incident Risk Management	2	0	0	1	0	0	0	1	1	0	2
Governance	Systemic Risk Management	0	0	0	0	0	0	3	1	0	0	0
Governance	Payment structure	0	0	0	0	0	0	1	0	0	0	0
Governance	Technological geopolitics	0	0	0	0	0	0	0	0	0	0	0

Colour coding	
3	High relevance
2	Medium relevance
1	Low relevance
0	Irrelevant