January 2023

ESG Policy Guide

Green Project Technologies

green project
decarbonizing the private markets

Overview:

No matter where your company is on the ESG (Environmental, Social, and Governance) adoption curve, an ESG policy document is an opportunity for company leadership to publicly articulate your company's intended 1) Purpose, 2) Priorities, and 3) Processes for managing your company's impacts on the environment, as well as your employees and the communities in which you operate.

A well-crafted policy should communicate the high-level ESG principles that your firm is committed to upholding, as well as its plan for integrating sustainable policies, practices and reporting into its operations. In our experience, developing a holistic and public ESG action plan will help your brand resonate more deeply with stakeholders.

To help our clients bring their ESG policies forward, we have conducted a broad survey of existing policies and ESG sustainability reports across a variety of industries in the US and Europe, documented in Appendix A (page 14). Based on our industry analysis, we have both developed general recommendations for incorporating these three key components (Purpose, Priorities, and Processes) into your own policy, and drafted an illustrative policy document for Example Industries to serve as your guide.

ESG Policy Components:

When crafting your firm's policy, you should aim to:

1. **Demonstrate your values (Purpose)**
   Note that some firms opt to begin their policy with a "Letter from the CEO" section to emphasize leadership's commitment to ESG at their organization.

   Overview: This section will introduce your company, and, ideally create a connection between the company's line of business, its history, or geography, and the impact the company would like to leave on the planet and its stakeholders (employees, investors, customers, etc.).

   Getting Started: This section of the document should be tailored to your company's specific history, culture, and values. We recommend referencing existing materials your company may have that speak to these topics.

   Example(s):

   "For over 40 years, customers have trusted us to deliver their packages on-time, no matter what. As we look to the future, ABC Logistics will continue exceeding customer expectations while transitioning our equipment and procedures to achieve Net-Zero emissions by 2035 ."

   "As one of Madison's largest paper products retailers, we're committed to upgrading our facilities to operate more efficiently, while expanding our support for local educational and youth services programs to ensure every child in the Madison area has access to high-quality school supplies"

Our Advice: *Because this section speaks to your organization's unique values and priorities, there is no "one size fits all" response. In writing, think about your differentiators, want you want to emphasize (maybe working with Green Project!), and tailor the language to reflect your firm's level of ambition for its ESG program.*

2. **Center on 3-5 key native ESG principles of the firm (Priorities)**
   See "Scope and Limitations" and "ESG Strategic Priorities" in Example Industries' policy (pgs. 8-10)

   Recommendation: This section should explain the specific issues your organization will focus on within the broad universe of "ESG." Given your firm's value statement (1), select 2-3 key ESG principles phrased as qualitative commitments, that logically arise from your firm's values and business line. Many companies choose to use the UN's Sustainable Development Goals, or SASB's Industry Disclosure Topics. Identify principles that will supporting your ESG values as articulated in your firm's value statement (1).

   Example(s):

   "We are building a workplace culture that celebrates and values each individual member of our team"

   "We are developing an online shopping experience that encourages users to take part in the circular economy by repurposing or upcycling clothing and shoes"

   "We are committed to reducing our Greenhouse Gas emissions across our portfolio, in line with SBTi's "Business Ambition for 1.5°C".

   Guidance:
   All principles should aim to be straightforward, actionable, and objective. We encourage companies to consider both the values included in the value statement (1), as well as potentially material risks relating to ESG that should be addressed.

   Materiality, or the direct relevance of various risks to a business's specific operations, is becoming increasingly important within ESG. As an example, a lumber company might face material risks due to the effects of climate change, or regulations intended to prevent climate change.

3. **Describe the execution and implementation approach undertaken to activate principles (Processes)**
   See "Roles & Responsibilities" and "How We Implement ESG" in Example Industries policy (pgs. 11-13)

   Recommendation: From procurement and HR to marketing, sales, and service, explain how and at what points these ESG principles are integrated into your firm's processes and practices. Explain which metrics are tracked and reported, and to whom. Explain key ESG councils and groups tasked with maintaining and reviewing quality (i.e., internal DE&I committee, Board member advisory council). Help your stakeholders understand the extent to which ESG is considered, adopted, and audited for the long-term success of your strategy.

   Example(s):

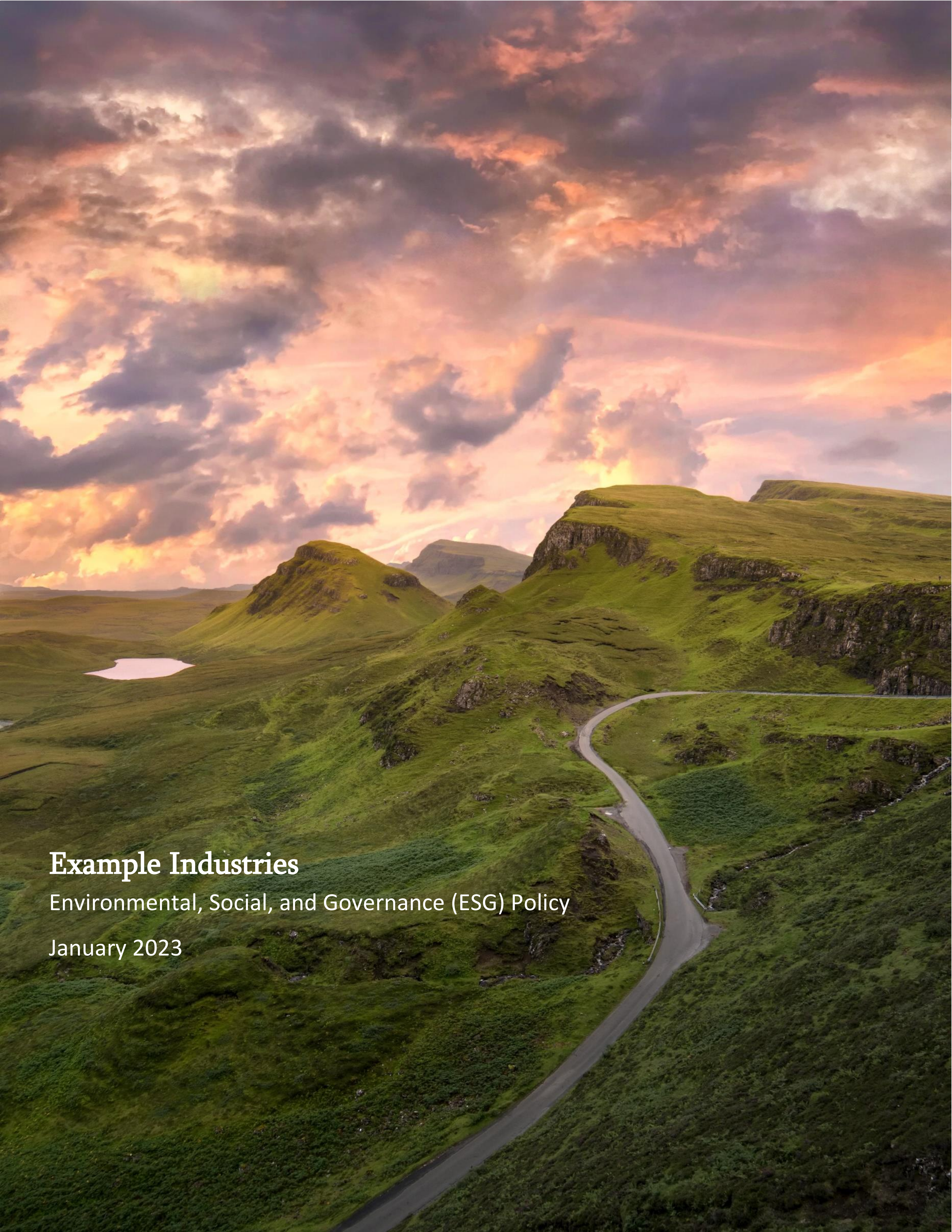
   "We will collect impact performance data from facility managers on a quarterly basis, and report this data publicly on at least an annual basis"

“We review our ESG values and policies with each new employee as they are onboarded, and conduct regular management-level meetings to track progress along our chosen metrics“

“We have engaged an environmental services consultant to determine the most high-priority energy efficiency upgrades for our facilities, and will continue to have facilities regularly inspected to ensure we continue to implement any appropriate upgrades.”

“Over the next 12 months, all C-Suite employees will receive in-depth training on best practices for building a diverse and inclusive workplace”

Guidance: *This need not be a daunting process. We recommend taking an iterative, non-disruptive approach when crafting an ESG policy—you can and should revisit this policy regularly as your priorities and procedures change. To support your ESG growth, Green Project has developed the software-based tools you need to track meaningful data points and report to key stakeholders. We are always happy to discuss your organization’s unique needs and outline common approaches we have seen in the market.*



Example Industries

Environmental, Social, and Governance (ESG) Policy

January 2023

Introduction

Example Industries' Approach to ESG

Example Industries believes that thoughtful, proactive engagement with Environmental, Social and Governance (ESG) principles is paramount to creating sustained value for all our stakeholder groups: employees, customers, investors, and the diverse communities we contribute to and help shape.

We are deeply committed to elevating ESG policies in both our operations and commercial strategies, ensuring that our corporate philosophy and practices mirror our public commitments. We acknowledge, and embrace, our responsibility to advocate for environmental and societal benefits; for customers who rely on our high-quality products, the employees who work hard every day to help build our business, and the shareholders who have entrusted us with their capital.

As ESG-related issues become more relevant to all stakeholders, Example Industries is championing this evolution and acting as a vocal leader in the global paradigm shift to more mindful business operations. ESG standards and best practices have and will continue to evolve: to ensure that we are operating and growing as sustainably as possible, we are prioritizing commitments that are quantifiable, constructive, and actionable. As such, we have opted to elevate three impact pillars in our work that lend measurability and process transparency: decarbonization, workforce diversity, and good governance. Across these pillars, we are leveraging advanced data collection and analytics software to drive our ESG performance and responsiveness.

Internally, and on behalf of our clients, we will continuously collect and report data in line with global ESG frameworks; actively participate in leading taskforces, committees, and industry groups; and build best practice, education, and continual process improvement into all that we do.

Our Philosophy and Commitment

History of ESG progress at our firm

Example Industries' commitment to operating and investing in ways that sustain and improve our communities and planet predates our ESG Investment Policy. Over the last decade, we have piloted various ESG-related initiatives, both in our own operations and across our portfolio companies. Through these initiatives, we have developed relationships with sustainable vendors, refined internal processes, and built out our team's expertise on ESG-related issues.

A comprehensive look at our sustainability efforts and impact can be found on our ESG page, and our 2020 ESG report can be downloaded here. These values are further reflected in our operating business principles, including our Code of Ethics and Responsible Sourcing Guidelines.

Diversity, Equity, and Inclusion

Since our founding in 1992, Example Industries has sought to foster an inclusive and thoughtful workplace environment. We are proud to have a diverse team of talented professionals, and we strive to ensure that each of them is provided the tools, resources, and respect they need to do their best work and grow professionally. Across all business lines, we cultivate diversity—of experience, approach, interests, and identities—to deepen our perspectives and generate differentiated insights. We have put this commitment into action by operationalizing an in-house DEI team in 2016 to drive employee input, engagement, and improvement across our practices, and have concretized our principles in our Diversity, Equity, and Inclusion policy. We further intend to continue serving as a force for equitable job creation across the communities in which we operate.

Operational Sustainability

In 2014, Example Industries performed an extensive, $350,000 retrofit of our head offices in Madison, WI, which included switching to LED lighting, installing more efficient insulation, and upgrading the building management software to enable greater visibility into our energy usage. These improvements reduced our annual operational footprint by about 400 tons of CO_2 and created significant cost savings for our internal operations.

Beginning in 2018, we began purchasing exclusively recycled paper, and implemented an internal incentive program to encourage our employees to reduce nonessential travel.

A Global Effort

While our ESG perspective and strategy are unique to Example Industries, addressing society's largest problems will require a coordinated, multi-faceted approach. Example Industries is an active member in several industry-wide organizations dedicated to advancing ESG-related priorities among business leaders. Through these organizations, we engage with global efforts to standardize ESG reporting in the private markets, and support research into emerging technologies that may one day help us further reduce emissions.

Example Industries is a proud member of the following organizations:

Scope and Limitations

This document reflects Example Industries' approach to integrating ESG in our internal operations, procurement and supplier relations, and distribution and marketing.

In exercising our duty to employees, customers, and shareholders, we understand that our opportunities to implement ESG improvements may vary across business lines and geographies, among other factors. This policy serves to clarify our general ESG philosophy, priorities, and processes, and will be revisited and updated regularly based on emerging trends and opportunities.

ESG Strategic Priorities

Example Industries believes that company engagement with Environmental, Social, and Governance (ESG) issues will be vital to ensuring our business's long-term performance.

Our ESG strategy is designed to complement our existing corporate responsibility policies and business plan, proactively addressing ethical concerns while amplifying value for our investors, portfolio companies and the communities in which they operate.

Customer, Employee, and Investor Engagement

88% of private equity LPs use ESG performance indicators when making investment decisions[1]

Example Industries leadership has a responsibility to our investors, customers, employees, and neighbors to operate sustainably and foster mutually-beneficial relationships. The ESG commitments in this policy document—and our track record of implementing successful sustainability and governance initiatives in the past—differentiates us and ensures we can continue to attract highly-qualified employees, grow our customer base, and access capital as necessary.

Risk Management

From the COVID-19 pandemic to rising global temperatures, recent years have shown a clear relationship between value creation and active engagement with global, systemic risks. Our ESG risk management program is built on a robust data collection system, which enables us to monitor a wide variety of ESG metrics across our operations.

In addition to tracking our exposure to ESG-related risks, we seek out partners and potential vendors developing innovative solutions to the world's most serious problems. By investing in these relationships, we create real value for our investors while effectively hedging against systemic risks.

Long-Term Shareholder Profitability

79% of consumers have changed their preferences based on sustainability. At the same time, only 36% of organizations believed consumers were willing to make these changes.[2]

Example Industries maintains our focus on value creation and our fiduciary responsibility to ensure the financial health of the company. In both consumer and B2B markets, we have seen persistent and growing demand for products and services that are sourced or produced sustainably, and we expect this pressure to continue to grow. Over the next decade, climate change and its associated challenges will present numerous opportunities for innovation and disruption, and companies that take a holistic, integrated approach to sustainability and ethical operating practices will be best positioned to capitalize on those opportunities.

Environmental Prioritization

We believe that positioning ESG considerations as a central concern during active ownership as well as our diligence process for each new investment is a necessary strategic decision to maximize value for our investors. We also appreciate the ethical obligation we hold to our clients, employees, communities, investors, and humanity at large to contribute positively to the great challenges of the 21st century.

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[1] *Edelman Trust Barometer Special Report: Institutional Investors* (2020)

[2] Capgemini survey of 7,500 consumers and 750 executives globally (2020)

ESG – Ancillary Benefits

In addition to the long-term, value-creation rationale underpinning our ESG strategy, we expect that implementing this policy will also yield short- and medium-term benefits, including:

- Improved employee hiring, satisfaction and retention, especially when hiring for positions where competition is high or the pool of potential applicants skews younger
- Improved customer engagement and word-of-mouth referrals
- Access to credit facilities and investments from ESG-designated funds, and position us well in the event of a future IPO (e.g., many public company CEOs have stated that their investors will require an MSCI ESG score of A-AAA to maintain their positions)

Roles and Responsibilities

ESG Committee

Example Industries' ESG Committee meets quarterly and is responsible for reviewing ESG performance across all business lines, assessing how to integrate considerations around ESG-related risks during procurement and other processes, and setting our ESG policy and strategic priorities.

FirstName LastName
CEO

FirstName LastName
Head of ESG

FirstName LastName
Chief Compliance Officer

FirstName LastName
Senior Operations Analyst

FirstName LastName
Head of Marketing

FirstName LastName
VP of Finance

ESG Management

Example Industries' ESG Management team comprises a group of sustainability and corporate governance experts. The ESG Management team is responsible for implementing the measurement of relevant ESG metrics, briefing the ESG Committee about company ESG progress, and providing support, expertise, and resources to the management team regarding ESG topics.

FirstName LastName
Senior ESG Analyst

FirstName LastName
ESG Analyst

FirstName LastName
ESG Analyst

How We Implement ESG

Example Industries has implemented ESG controls, procedures, and policies at each stage of our company processes, allowing us to prioritize new business development opportunities aligned with our ESG strategy while working within our existing operations to improve our ESG performance.

Procurement

ESG Risk Screening

Our ESG strategy begins with our relationships with suppliers and vendors, where we integrate ESG risk review criteria into our review process. When searching for ESG-related risks, our team investigates exposure to potential regulatory changes, labor and human rights disputes, climate- and weather-related events, as well as financial and reputational liabilities.

Operations

Continuous Monitoring of ESG Performance

Example Industries leverages a cloud-based ESG data collection and processing platform to standardize monitoring and reporting of company emissions, workforce diversity, and key governance metrics. This platform automatically analyzes data from across our facilities and business lines, allowing us to work with our portfolio companies to improve their sustainability and governance practices.

Transparency & Reporting

Our Investor, Example Capital Partners, requires Example Industries to submit annual data to ILPA's ESG Data Convergence Initiative, a framework developed through a collaboration among many of the largest LPs in the US. Via this initiative participation, we disclose company ESG data in full compliance with the leading private company sustainability framework and receive detailed, anonymized benchmarking data to understand and improve on our performance relative to our peers

Emissions Reductions

Example Industries is currently working with an outside consultant to identify an appropriate emissions reduction target, and implement that target across all business units.

While our goal-setting process is ongoing, we are continuing to report and track company emissions quarterly in compliance with the GHG Protocol and other leading emissions disclosure organizations, such as CDP.

People

In addition to ensuring that our facilities and resources operate using modern, energy-efficient equipment, Example Industries is committed to building on our reputation as a premier employer in the Madison, WI region. We have begun conducting annual employee satisfaction surveys, as well as bi-monthly "pulse" surveys sent to a random subset of employees. The data from these surveys will be used to evaluate opportunities where we can become an even better employer for our team and their families.

Closing Remarks

As we embark on 2022, we are inspired by renewed and consistent efforts to pioneer a better world for future generations. We strive to support prosperity alongside preservation in all that we do, and are motivated by the progress that other SME's have made implementing ESG practices in recent years. With the policies, procedures and reporting outlined herein as our guide, we are deeply committed to the ongoing endeavor of understanding our impact and using it to inform our sustainability strategies.

We hope that you join us in our enthusiasm and intention to positively contribute to the developments of the next decade.

Appendix A: Reference Materials

ESG Policies and Reports – Private Markets

An Integrated Approach to ESG – Blackstone, November 2021 Report
https://www.blackstone.com/wp-content/uploads/sites/2/2021/11/2021-ESG-Update_An-Integrated-Approach-to-ESG.pdf?v=1637180699

Bain Capital Credit Environmental, Social and Governance (ESG) Considerations for Investment
https://www.baincapitalcredit.com/sites/baincapitalcredit.com/files/Bain_Capital_Credit_ESG_Considerations_for_Investment-2019.pdf

BlackRock ESG Integration Statement
https://www.blackrock.com/corporate/literature/publication/blk-esg-investment-statement-web.pdf

Environmental, Social and Governance Policy – The Carlyle Group
https://www.carlyle.com/sites/default/files/2021-02/2020_Carlyle_ESG-Policy.pdf

ESG Investment Policy Statement – Heartwood Partners
https://heartwoodpartners.com/wp-content/uploads/2020/07/Heartwood_Partners_ESG_One_Pager.pdf

Neuberger Berman Environmental, Social and Governance Policy
https://www.nb.com/en/global/esg/philosophy (downloadable via link)

TPG's Annual Review of Environmental, Social, and Governance (ESG) Performance (2020-2021)
https://cms.tpg.com/wp-content/uploads/2022/01/TPG-2020-21-ESG-Performance-Report_FOR-PUBLICATION.pdf

Vista Commitment to Responsible Investing
https://www.vistaequitypartners.com/esg-policy/

Warburg Pincus Environmental, Social and Governance Report 2021
https://warburgpincus.com/wp-content/uploads/2021/08/Warburg-Pincus_2021-ESG-Report.pdf

ESG Policy Resources – Industry Organizations

An Introduction to Responsible Investment, Private Equity – UN Principles for Responsible Investment
https://www.unpri.org/an-introduction-to-responsible-investment/an-introduction-to-responsible-investment-private-equity/4941.article

Institutional Limited Partners Association (ILPA) – Draft and Publish an ESG Policy
https://ilpa.org/ilpa_esg_roadmap/esg_opi1-2/

Net Zero Asset Manager's Initiative, Progress Report
https://www.netzeroassetmanagers.org/NZAM-Progress-Report.pdf

Private Equity Sustainable Investment Guidelines CalPERS
https://www.calpers.ca.gov/docs/private-equity-sustainable-investment-guidelines.pdf

The Investor Agenda – Transitioning to Net Zero
https://theinvestoragenda.org/focus-areas/investment/