

**ONEX**

**Responsible  
Investment  
at Onex**

DECEMBER 2021

Onex has been a responsible investor since its inception 37 years ago and views sound governance and strong environmental and social practices as key tenets of successful investing.

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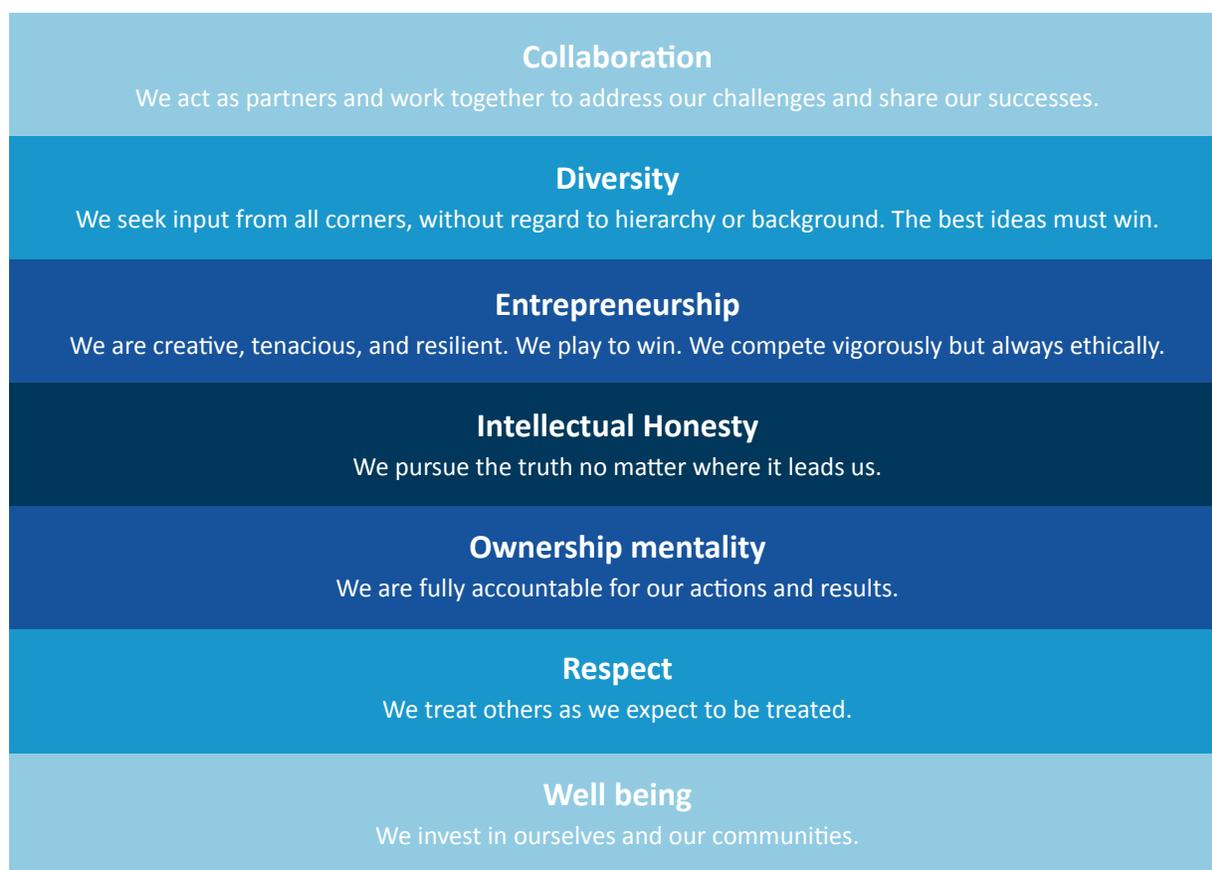
“In our 1987 Annual Report – our first after going public – we wrote that a guiding principle of our firm is to invest in ‘living, breathing’ companies, not share certificates. We have always done well by investing responsibly and we believe that the environmental and social challenges facing our world make this even more important today.”

GERRY SCHWARTZ, CHAIRMAN & CEO

## Onex' Approach to Responsible Investment

At Onex, our purpose is to invest wisely and help grow the businesses of the future. By investing our own capital and the capital of our investment partners from around the world, including public and private pension funds, sovereign wealth funds, insurance companies, foundations, family offices and high net worth individuals, we help investors achieve their financial goals for the benefit of their clients, beneficiaries, families and communities. We recognize that investors, employees and other stakeholders are increasingly prioritizing environmental social and governance (“ESG”) issues, including those related to climate change, which is changing the way they invest and their choice of employers. Investing wisely means that we consider these changing priorities in our investment decisions and in how we manage our firm.

Our approach to responsible investment is reflected in our firm’s values:



We believe that integrating ESG factors into our investment process can play a significant role in value creation by helping to identify business opportunities and risks. Across all of our platforms, including private equity, credit, and wealth management, we assess material ESG factors for each company while also considering broader ESG factors that are material to the sectors in which they operate. Our approach for each of our platforms is described in more detail below.

As an investor, we assess materiality through a financial lens to understand whether ESG factors may impact a company’s financial or operational performance, the resilience of its business model, its reputation or its overall license to operate. When assessing materiality, we draw on a broad range of resources, including the expertise of our investment teams, our proprietary research, the relevant Sustainability Accounting Standards Board (“SASB”) standards, third-party ESG research and the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”). Since the materiality of ESG issues may vary across time horizons, geographies, and different investment strategies, we carefully consider which ESG opportunities or risks may be material in the particular circumstances. We also consider whether the environmental or social impacts of a company might improve its competitive position and create additional value or conversely, whether they might create additional risk or threaten a company’s future success. We recognize the positive impact ethical and stable companies can have in bolstering local communities, workforces, and society in general.

We also consider macro-level ESG factors that may be material across multiple sectors, including climate change and the energy transition, the growing focus on diversity and inclusion, changing societal values and evolving consumer preferences. We recognize the particular importance of climate-change related risks and opportunities, including relevant physical and transition risks, which have the potential to impact many aspects of the global economy. Climate change issues are complex, varied and often interconnected, which makes it challenging to quantify their potential impact. We are committed to advancing our ability to measure and understand these risks and opportunities across all our investment platforms. As in all areas of our business, we believe a thoughtful approach to responsible investment requires a commitment to continuous learning and improvement.

In our experience, ESG factors that may be material to our investments include:

ENVIRONMENT	SOCIAL	GOVERNANCE
<ul style="list-style-type: none"> <li>• Climate change and GHG emissions</li> <li>• Resource use and efficiency (energy, water)</li> <li>• Air and water pollution</li> <li>• Waste and hazardous materials management</li> <li>• Land use and ecosystem impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Human capital management</li> <li>• Diversity and inclusion</li> <li>• Health and safety</li> <li>• Product safety</li> <li>• Supply chain management</li> <li>• Labour practices and human rights</li> <li>• Consumer privacy and data security</li> <li>• Sales practices, access, and affordability</li> <li>• Community relations</li> </ul>	<ul style="list-style-type: none"> <li>• Board quality and diversity</li> <li>• Board oversight of environmental and social issues</li> <li>• Executive compensation</li> <li>• Business ethics and competitive behaviour</li> <li>• Strategy and risk management</li> <li>• Business model resilience</li> </ul>

Onex excludes investments in certain types of businesses or sectors which we believe have the potential to cause significant net harm to society or the environment or which we believe pose unacceptable levels of ESG-related risk. We maintain various firm-wide exclusions<sup>1</sup> relating to the manufacturing of tobacco, adult entertainment, controversial weapons (chemical and biological weapons, anti-personnel land mines, cluster munitions, depleted uranium, white phosphorus and nuclear weapons), automatic or semi-automatic firearms for the civilian market, the mining of thermal coal, the production of palm oil that has not been certified as sustainable by the Roundtable on Sustainable Palm Oil (RSPO) and the operation or management of private prisons.

In addition to our firm-wide exclusions, our investment teams retain the discretion to choose not to invest in companies or sectors with heightened ESG-related risks, poor ESG policies or practices, uncertainty regarding the sustainability of their business model, or to reflect the policies and preference of our clients.

## Implementation and Accountability

Onex' approach to ESG is stewarded by the Head of ESG and the ESG Committee. The Head of ESG is a resource to the entire firm on ESG matters and initiatives. The Head of ESG is supported in her efforts by the ESG Committee, which includes members from each platform described below. The Committee exchanges information and facilitates the sharing of best practices throughout the firm.

Ultimately, all members of our investment teams are responsible for identifying and assessing each company's material ESG factors when considering an investment and throughout the investment period. In addition to the overall Onex approach to responsible investment and the resources and tools described above, below is an overview of how each platform integrates ESG into its investment process.

### Private Equity

Onex' private equity funds are comprised of Onex Partners, focused on middle-market and larger transactions, and ONCAP, focused on middle-market and smaller transactions. Our private equity funds pursue investment opportunities in partnership with talented management teams to effect change and build market leaders. We typically acquire a control position, which allows us to drive important value creation initiatives, including improved ESG policies and practices.

Our private equity funds utilize an ESG Due Diligence Questionnaire that is completed for every potential investment opportunity. We seek to identify ESG risks and how they can be mitigated or avoided, as well as how ESG factors may help to uncover value creation opportunities for the company. The identification of key ESG risks and opportunities, including those related to climate change, and the development of a post-closing plan to address them, is part of our investment approval process.

Governance is a significant focus for us, and we require our portfolio companies to have certain governance policies in place to provide effective oversight. Any material non-compliance with those policies must be reported to Onex. Going forward, ESG issues will be specifically considered as part of our value creation plans. We will require our operating companies to develop, adopt and maintain effective ESG policies and programs.

<sup>1</sup> These exclusions apply to single name investments and do not apply to index funds, mutual funds, ETFs or other diversified portfolios of securities or loans for which we do not control the investment policy or to short sales and related trades.

Where appropriate, we assist our companies to determine their material ESG factors, develop environmental and social key performance indicators (KPIs) and, where necessary, develop plans to address them. Any material ESG-related incidents must be reported to Onex.

### Credit

Onex Credit invests primarily in non-investment grade credit with strategies focused on CLOs, direct lending, and opportunistic and structured credit as well, as well as actively managed public equity and public credit funds. In credit, our focus is on minimizing downside risk and achieving an attractive return through our rigorous due diligence and credit selection process. ESG factors are integrated into our initial due diligence for each individual investment. We assess ESG factors qualitatively and quantitatively, taking into account company and industry specific factors, and assign a proprietary ESG rating to each single name investment. ESG issues may cause us to conduct further diligence, including a review of additional filings, third-party research, and engagement with the management team, sponsors, bankers, consultants, and other advisors. We will not maintain an investment in companies that receive the lowest rating, but we may engage with them to encourage improvement. If a company improves, we may reassess it and consider it for future investment.

We use our best efforts to monitor ESG issues throughout the hold period of the investment. We are committed to engaging constructively with companies to encourage improvement in their ESG policies and practices. Our ability to engage and drive ESG-related improvements will vary depending on the nature of our investment and strategy. We are progressing our ability to track and report the results of our efforts to our investors.

Our public equity teams within our Credit group also engage with their investee companies to better understand ESG-related risks and opportunities and to encourage better ESG performance and disclosure. The teams engage in a constructive dialogue with select companies on ESG issues as part of their meetings with management and, when appropriate, representatives of the boards of directors. Proxy voting is done directly by our investment teams in order to ensure that all votes are cast in the best interests of our clients.

### Wealth Management

Gluskin Sheff is Onex' wealth management platform and one of Canada's pre-eminent wealth management firms. Since 1984, Gluskin Sheff has managed portfolios for high net worth private clients as well as select institutional investors, including family offices, foundations, endowments and both public and private pension plans.

Gluskin Sheff provides private clients with access to Onex' private equity, public equity, fixed income, direct lending, credit and credit alternative strategies. As detailed above, those strategies integrate ESG factors into their investment process as appropriate. Gluskin Sheff is also exploring opportunities to further integrate ESG into its client services and investment solutions.

## ESG and Corporate Social Responsibility at Onex

As a public company, we are committed to delivering value for all of our stakeholders – our shareholders, investors, employees, operating companies and the communities in which we operate. Responsible governance throughout Onex and across our platforms is fundamental to the success of our organization. We hold ourselves to the highest standards of good governance, which builds trust and confidence in our stewardship of capital. We maintain a robust set of corporate governance policies which include a Code of Conduct and Ethics and policies relating to conflicts of interest, technology use and cybersecurity, diversity and inclusion and anti-harassment. Our policies are supported and reinforced throughout the firm through ongoing employee training and quarterly compliance certifications. More details on Onex' governance are available on our website.

Our executive team ensures that our material ESG factors, which include our approach to responsible investment, transparency, business ethics, sound risk management, and diversity and inclusion, are identified and managed and that progress is reported to our board.

Diversity and inclusion is a significant focus for Onex. Our employees are our greatest asset and the reason we are able to consistently deliver long-term value to our investors, clients and shareholders. We recognize that a diverse team and inclusive environment is a competitive advantage and contributes to our continued success as an investor and asset manager. We believe diverse perspectives create better business outcomes for us and our stakeholders, including the companies we invest in, our shareholders, investors and clients, as well as the communities we serve. Onex' Diversity & Inclusion Leadership Council is co-chaired by our President and our Head of Shareholder Relations and Communications and includes representation across all business platforms and geographies. The Council is responsible for championing diversity and inclusion across the firm, including supporting the development and success of Onex' employee resource groups. Its mandate includes increasing our focus on attracting and retaining employees from diverse backgrounds, creating additional awareness of diversity issues and benefits, fostering and inspiring a more supportive environment where inclusivity is expected and prioritized and embedding accountability for diversity throughout the firm.

Onex is proud to be a signatory of the Institutional Limited Partners Association's (ILPA) Diversity in Action initiative, a program that unites limited partners and general partners who share a commitment to advancing diversity, equity and inclusion in private equity.

### Onex in the Community

Corporate social responsibility is a cornerstone of our culture at Onex. Our firm, together with the companies we own and in which we invest, play important roles in our communities. We believe strongly in giving back to those communities through corporate social responsibility initiatives and philanthropy. We encourage all of the companies we own, or in which we invest, to be responsible corporate citizens and to engage constructively with their communities. We also believe that these initiatives engage employees, strengthen firm culture and have a positive impact on society.

We encourage and support Onex employees to be charitable, by donating their time and through financial contributions, to important causes in our communities. Onex team members across our Toronto, New York, New Jersey, Boston and London offices directly participate in local charitable causes and community-based initiatives. Through our Onex Cares program, we match employees' financial donations to charities of their choice. Many Onex team members, both senior and junior, also volunteer in leadership roles of numerous charitable boards and committees. See our website for more detail.

## Collaborations & Commitments

We believe that as best practices in ESG and climate analysis evolve, and new data sets and analytical tools emerge, collaboration and engagement with companies, industry peers, investors, shareholders and regulators is critical. We believe that collaboration and information sharing will help to ensure that ESG information and analysis becomes more consistent, comparable across industries, and decision-useful for investors. We also believe that through ongoing collaboration, we can ensure that our approach to responsible investment continues to reflect best practices.

Onex is a proud participant in the industry led ESG Data Convergence Project. We are a SASB Alliance Member and a member of FCLT Global. We have also adopted the American Investment Council Guidelines for Responsible Investing ("AIC Guidelines"). In 2012, Onex Falcon became a signatory to the Principles for Responsible Investment ("PRI") which is the leading global collaborative framework for investors committed to ESG and responsible investment. Reflecting our commitment to responsible investment across all our investment platforms, Onex signed the PRI in 2021.

## Transparency & Reporting

As in all areas of our business, through ongoing learning and innovation, we will continue to evolve and advance our approach to ESG and responsible investment. We recognize the importance of transparency in our approach and each of our investment platforms are developing their approach to ESG-related reporting. For example, we provide our investors in Onex Partners Fund V with annual reporting of material KPIs for each portfolio company. Onex is developing additional ESG and sustainability reporting for all of our stakeholders.

## Oversight & Continuous Improvement

This Policy applies across the entire firm, although each investment platform may have more detailed policies and procedures to implement it. This Policy is approved and overseen by the President of Onex who reports on progress to our board. We will review it annually as we evolve and advance our approach to responsible investment.

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# ONEX

*Signatory of:*



[onex.com](http://onex.com)