

# Constellation Platform

Environmental, Social and Governance (ESG)  
Policy

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## Introduction and Purpose

In keeping with its institutional heritage, Wafra Inc. (“Wafra” or the “Firm”) seeks to provide long-term oriented investment solutions that can span not just years, but generations. Wafra believes environmental, social and governance (“ESG”) factors are a component of long-term financial value creation and became a signatory to the Principles for Responsible Investment (“PRI”) in 2016. The PRI is a global investor network, supported by the United Nations, that seeks to facilitate the integration of ESG considerations into signatories’ investment decision-making and ownership practices. Wafra views ESG as an investment approach that aims to reduce risk or capture opportunity as it relates to ESG factors. Wafra is committed to integrating these considerations within its investment process to holistically assess investment risks and build long-term sustainable businesses.

The purpose of this policy (the “Constellation ESG Policy”) is to outline the ESG approach for Wafra as it relates to Capital Constellation L.P., Constellation Generation III, L.P., Constellation Generation IV Fund-A, L.P., and Constellation Generation IV Fund-B, L.P. (collectively, “Constellation” or the “Platform”). Constellation is an innovative global joint venture making structured, growth-oriented investments in alternative investment management firms (“Partner Managers”) and supporting value creation by providing strategic direction and operational support.

## Scope and Limitations

This Constellation ESG Policy is intended to provide an overarching framework for Wafra’s ESG integration strategy for Constellation. Investors may use this policy as a complement to fund constituent documents to further understand the ESG framework for the Platform.

Recognizing that each investment opportunity is unique and therefore faces different risks and opportunities, Wafra’s ESG analysis for Constellation is focused on material ESG factors and customized for each Partner Manager based on their industry focus, asset class and geography. For the purposes of this Policy, “material” ESG factors are defined as those that Wafra in its sole discretion determines to be reasonably likely to impact the financial or operating performance of a prospective investment. Wafra may utilize sector-specific guidance issued by the Sustainability Accounting Standards Board (“SASB”)<sup>1</sup> as a baseline and overlay its proprietary materiality framework to establish a final set of relevant ESG factors to assess in diligence. Material ESG risks are among many factors that may be considered in Wafra’s overall investment analysis for Constellation. Further, Wafra’s ability to influence and exercise control over the Partner Managers and Underlying Investments (as defined below) will vary depending on the investment structure and terms. In cases where Wafra determines it has limited ability to control the consideration of ESG issues in

<sup>1</sup> SASB forms part of the IFRS Foundation, a global non-profit that oversees financial reporting standard-setting. Originally established in 2011, the SASB Standards identify a set of ESG factors that are likely to impact the operating or financial performance of a company within a particular industry. More information: <https://www.sasb.org/>

connection with an investment, whether at the Platform or Underlying Investment-level, Wafra will only apply those elements of this ESG policy that it determines to be practicable.

## Governance

In 2018, Wafra established a Sustainable Investment Group (“SIG”) to lead efforts to incorporate ESG-related considerations into the investment process and to work with its investment teams to provide associated guidance. SIG is led by Wafra’s Head of Sustainable Investing, who reports directly to the Firm’s Chief Investment Officer. Wafra’s Sustainable Investment Group facilitates the implementation of the Constellation ESG Policy and is responsible for reviewing and maintaining the Constellation ESG Policy on an annual basis. The SIG is responsible for the Firm’s ESG initiatives and leads efforts to integrate ESG considerations into the investment process for the Platform. In addition, the SIG participates in a number of advisory groups, seeks to contribute to research publications and conducts in-depth research on emerging ESG-related trends to assess potential financial implications for Wafra’s investments.

## Approach to ESG

Constellation presents an opportunity to facilitate the adoption of strong, long-term ESG practices, not only among the Platform’s Partner Managers but also across their underlying investments (“Underlying Investments”). Wafra’s SIG seeks to support the investment processes of Constellation’s Partner Managers. This approach allows Wafra’s ESG expertise and best practices to be leveraged at the Partner Manager level and flow through to the Underlying Investments (see Figure 1). In this way, Constellation’s objective is to help build long-term value for businesses that are well-positioned to navigate the challenges and opportunities of the future.

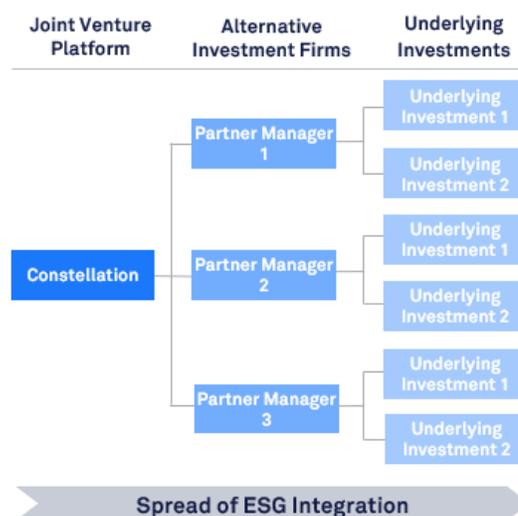


Figure 1: Spread of ESG integration throughout Constellation. For illustrative purposes only.

Constellation’s approach to ESG integration is founded on the principle of financial materiality and tailored to the ownership and governance structure of each Partner Manager. The strategy is executed by the SIG in the following steps:

### I. Investment Integration

Wafra expects Constellation’s Partner Managers as well as their Underlying Investments to operate within the parameters of widely-accepted ethical business practices. The Firm strives to screen each prospective Partner Manager for potential violations of the UN Global

Compact Principles, which specify a set of minimum standards as it relates to human rights, labor rights, environmental practices and corruption.

For each prospective Partner Manager, the SIG analyzes how ESG risks and opportunities affect the investment thesis and as appropriate, what measures may be required to mitigate such risks or capture value creation opportunities. The SIG applies a two-tiered approach to ESG diligence, whereby ESG issues are assessed both at the Partner Manager level (Tier 1) and at the level of the Underlying Investments (Tier 2). Tier 1 focuses primarily on governance and social considerations, including but not limited to understanding the expertise of a Partner Manager’s management team and their diversity, equity & inclusion strategy. Tier 2 seeks to assess the extent of ESG integration, including sector-specific ESG and climate analyses, that a Partner Manager may or may not conduct as part of their own investment process.

Climate-Related Factors: Wafra seeks to understand how prospective Partner Managers may be impacted by climate-related risks. In line with the Firm’s ESG analysis, the SIG focuses on Partner Managers’ approach to assessing and managing climate-related factors within their investment process. Specifically, the team may evaluate how a Partner Manager addresses physical risks (e.g., exposure to wildfires, hurricanes, flooding), transition risks (e.g., exposure to changes in regulations and consumer preferences) and climate-related opportunities (e.g., resource efficiency initiatives, adoption of low-carbon technologies).

For investments in prospective Partner Managers, the SIG seeks to share its diligence findings with the investment team and highlights any material concerns that need to be addressed prior to closing. An ESG analysis is included in the investment committee materials and helps set the framework for the Firm’s ESG engagement strategy during ownership. Additionally, a formal acknowledgement of the Constellation ESG policy by the Partner Manager is integrated into the relevant contractual agreements.

## II. Portfolio Engagement Approach

Post-investment, the SIG seeks to engage Constellation’s Partner Managers to develop robust ESG integration strategies and enable strong long-term stewardship practices. The SIG’s ESG engagement strategy may vary by Partner Manager but generally engagement follows two pathways:

- 1) **One-on-one support:** Bespoke advisory and education sessions with Partner Managers’ management and investment teams to address diligence findings and support continuous improvement as industry practices for ESG implementation evolve;
- 2) **Collaborative workshops:** Periodic events to educate Partner Managers on relevant industry trends. Previous examples include workshops on ESG reporting and climate risk analysis, amongst others.

Wafra strives to hone the focus of its engagements so that Constellation’s Partner Managers can adequately address a targeted set of key priorities. The SIG typically engages a particular

Partner Manager on only two to three ESG key performance indicators (“KPIs”) at a time and aims to develop feasible solutions that are customized based on its unique investment needs.

### III. Monitoring & Reporting

Throughout ownership, each Partner Manager is asked to complete an annual ESG review questionnaire. This assessment seeks to focus both on ESG considerations at the Partner Manager level and their approach to integrating material ESG factors within their own investment process. Additionally, Wafra’s ESG reviews include thematic reviews designed to assess how Partner Managers are addressing challenges arising from emerging ESG topics which may include climate-related financial risks, carbon footprinting or diversity, equity & inclusion, and others.

Partner Manager’s responses to the annual ESG review questionnaire are reviewed and assessed relative to the Firm’s view of strong industry practices and are used to evaluate relative performance across the Platform. The results may be shared with each Partner Manager as part of a periodic ESG review and also help to facilitate the selection of KPIs on which to focus value retention and value creation efforts during subsequent periods. This approach helps track each Partner Manager’s progress and quantify specific ESG outcomes.

## Accountability & Transparency

Wafra will seek to promote accountability and transparency with respect to its consideration of ESG and climate-related considerations for Constellation by:

- 1) Disclosing Constellation’s ESG Policy to existing and prospective investors (as required and upon request)
- 2) Providing the Platform’s investors with a periodic written ESG report as well as ad hoc updates upon request.