

Responsible Investing & Stewardship Policy

I. Overview

Transom Capital Group, LLC (“Transom”) is committed to responsible investing and managing environmental, social and governance (ESG) factors throughout our investment lifecycle. We believe that incorporating responsible investing practices into our investment process enables us to be better stewards of our investors’ capital, to drive sustainable value creation at our portfolio companies and to create transformative positive societal outcomes on systematic issues.

This document sets out Transom’s approach to responsible investment and the management of environmental, social and governance (ESG) issues, specific to the private equity asset class which we invest in.

II. Objectives

Transom’s objectives for integrating responsible investing and ESG into our investment and stewardship management processes are to:

1. Better inform investment decisions through identification of ESG-related risks and opportunities, particularly focused on potential value creation or erosion implications to investments.
2. Mitigate investment risk through stewardship, by helping our portfolio companies understand and proactively improve upon ESG-related risks and material topics.
3. Reduce systematic risk to our portfolio from evolving ESG issues and create positive change.

III. Scope

This policy (the “RI Policy”) applies to current and future Transom investments and funds. For the purposes of this RI Policy, material ESG issues are defined as those issues with a substantial potential impact on the current and future financial, economic, reputational and legal prospects of an investment.

This policy is reviewed annually to reflect potential changes to the business and portfolio. This RI Policy was last updated in August 2023. This policy shall supersede and replace Transom’s prior Responsible Investing Policies and shall apply on an ongoing forward basis.

IV. Industry Alignment

Transom became a signatory to the United Nations Principles for Responsible Investment (“UNPRI”) in 2022. We commit to align our investment practices and operations with the UNPRI’s six principles (“the Principles”), where consistent with our fiduciary responsibilities and this policy:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

We have adopted UNPRI’s definitions of ESG for purposes of this report, as explained in PRI’s [“How we define Responsible Investing & ESG”](#) guidance, including,

- Environmental (E) – Issues relating to the quality and functioning of the natural environment and natural systems.
- Social (S) – Issues relating to the rights, well-being and interests of people and communities
- Governance (G) – Issues relating to the governance of companies and other investee entities.

V. Responsible Investment Guidelines

Transom believes that an integral part of responsible investment is the careful consideration of material ESG topics.

The following ESG factors have been deemed material to all Transom investments through our 2022 materiality assessment. ESG factors related to these material topics are monitored and managed for investments covered under this policy. ESG factors are not limited to the below, and an additional assessment is made for each portfolio company (either pre-transaction or just after transaction) to determine other potentially material ESG factors specific to that company’s industry and business model.

Environmental	Social	Governance
<ul style="list-style-type: none"> ▪ Climate, GHG Emissions and Energy Management 	<ul style="list-style-type: none"> ▪ Employee Engagement ▪ Diversity, Equity and Inclusion ▪ Health & Safety 	<ul style="list-style-type: none"> ▪ Material Sustainability/ESG-Related Controversies

To further manage ESG factors for material topics, Transom has instituted the following guidelines:

Guidelines on Environmental Factors (including Climate Change)

Environmental factors are critical in assessing the long-term sustainability of investments, especially given the physical risks of climate change and transition risks stemming from the societal transition to a low-carbon economy. In order to manage environmental, and specifically climate change, risk, Transom is committed to measuring the Greenhouse Gas (GHG) Emissions and Energy usage of our portfolio companies and making improvements to these metrics.

- GHG Emissions – measure the Scope 1 & 2 GHG emissions of portfolio companies to understand their exposure to climate-related risks, understand their climate-related impacts, set a baseline, enable transparent reporting to stakeholders and endeavor to reduce emissions.
- Energy Management – measure consumption of energy, including percentage consumption from renewable energy, and endeavor to reduce non-renewable consumption.

Guidelines on Social Factors

Transom has long considered social factors as a key value driver for private equity investments. Thus, we work to help portfolio companies align people strategy with business strategy.

- Diversity, Equity and Inclusion – measure and endeavor to improve upon diversity at board and C-suite levels.
- Employee Engagement – conduct an employee survey to understand the pulse of an organization, monitor employee satisfaction and identify areas for improvement.
- Health & Safety – monitor and endeavor to reduce number of work-related injuries, number of work-related fatalities and days lost due to injury.

Guidelines on Governance Factors

Governance of ESG is integral to ensure accountability and proper management of ESG-related risks and issues as they may arise.

- ESG-related Controversies – monitor for and endeavor to prevent ESG-related controversies, which we understand to be either events or ongoing situations in which company operations and/or products allegedly have a negative environmental, social and/or governance impact.
- C-suite ESG Education – meet at least annually with portfolio company leadership to discuss and educate on ESG-related risks, data collection and efforts on improvement of ESG key performance indicators (KPIs).
- ESG Monitoring – regularly check in with portfolio companies on ESG-related topics.

Guidelines on Sustainability Outcomes

Understanding sustainability outcomes stemming from our investment and stewardship activities is important to determine the impact of our responsible investing efforts and make adjustments to our processes if needed.

- Measurement – measure ESG KPIs for portfolio companies, to ensure an understanding of performance.
- Transparency – disclose aggregate ESG KPI data on material topics to current investors in order to promote accountability.

Guidelines on Human Rights

Transom believes is important to protect fundamental human rights for a well-functioning society, and endeavors to do so at our portfolio companies.

- Human Rights – Ensure that portfolio company operations do not violate internationally recognized human rights standards and provide a safe working environment.

Guidelines on Exclusions

Transom's approach to ESG-related exclusions is to exclude potential investments based on specific sectors, products or services that the firm deems high risk from an ESG perspective. These exclusions are unique to each fund and are disclosed in the fund Limited Partnership Agreement (LPA).

Guidelines on Conflicts of Interest

Transom has formalized a responsible investment policy, engaging professionals throughout the investment lifecycle from across the firm to analyze and review ESG factors for a given portfolio company or target company. This process creates checks and can help us identify and address potential conflicts of interest and ensure that responsible investment is prioritized in line with this policy.

VI. Stewardship

Guidelines on Stewardship

Transom takes an active role to ensure all portfolio companies have the following in place and engages regularly with portfolio company management as part of our stewardship activities. Through this effort, Transom helps portfolio companies manage and prioritize ESG factors related to their business.

- Determine Materiality – help portfolio companies focus their efforts around ESG activities on topics that are material to their business.
- Set clear objectives & expectations – help portfolio companies prioritize ESG activities and communicate our expectations to them through written goals. Focus on monitoring and addressing ESG risks, measuring and collecting ESG KPI data and making improvements around ESG topics.
- Education – meet at least annually to train portfolio company management on relevant ESG topics, bringing in external consultants as needed.
- Performance monitoring – continuously monitor progress and outcomes and assess if changes to processes are needed.

VII. Governance & Oversight

Oversight at the Firm-level

To support the integration of responsible investment and ESG as described in this policy, Transom has formed an internal Responsible Investing (RI) Steering Committee, which is aided by external consultants. This group is comprised of executive-level employees, including Russ Roenick, Co-Founder and Managing Partner, and Nathan Dastic, Chief Financial Officer & Chief Compliance Officer. The RI Steering Committee is responsible for:

- Developing Transom's ESG integration program
- Ensuring effective execution of ESG implementation across business lines
- Setting, reviewing and revising the RI Policy, as needed
- Coordinating internal and portfolio company education on responsible investing and ESG
- Managing external communication around responsible investing and ESG, including public disclosures, our Institutional Limited Partners Association's (ILPA) / UNPRI-aligned Private Equity Responsible Investment Due Diligence Questionnaire (DDQ) (available upon request), and other ad-hoc responsible investing-related communication.

Oversight of ESG Integration into Investment Decisions

Transom's Investment Committee (IC), which oversees our investment activities, is regularly updated on and oversees ESG efforts. Additionally, the IC reviews ESG risks and opportunities discovered during our ESG Due Diligence process as part of their review prior to investment.

Education

Furthermore, to aid in Transom's effective execution of its to responsible investing and ESG, investment professionals participate in formal ESG training at least annually.

VIII. Implementation

Transom incorporates ESG objectives into our investing activities throughout the investment lifecycle. These ESG activities are integrated throughout Transom's proprietary ARMORSM Value Creation Process (Acquisition, Restructuring, Monitoring & Operations, Return), and help us to measure, manage and mitigate ESG risks while leveraging ESG opportunities throughout our portfolio.

Pre-Investment

- Exclusion – the Acquisitions team is responsible for applying fund-level ESG exclusion policies related to sectors, products or services deemed high-risk (exclusions are unique to each fund)
- ESG Due Diligence – the ESG Due Diligence process includes the ESG Materiality Assessment and ESG Risk Assessment of the target company.
 - *ESG Materiality Assessment* – we determine which ESG topics are material to the portfolio company, utilizing our proprietary tool, the “ESG Assessment Dashboard,” which incorporates the guidance of UNPRI and the Sustainability Accounting Standards Board (SASB). We also conduct a review of these potential topics taking into account macro-economic and business-model specific factors before finalizing the list of topics.
 - *ESG Risk Assessment* – we conduct a two-phased ESG risk assessment including ESG red flag due diligence, and then commercial and operational ESG risks and opportunities, based on the target company's sector and industry.
- Investment Decision – a summary of ESG Due Diligence is included in the Investment Committee's review of any investment and informs the holistic picture of a target company and the decision on whether to move forward with investment.

Post-Investment

- Remediation of ESG Risks – for any ESG risks determined to be “High Risk” by our team, Transom monitors through regular updates and works to remediate, where possible, with portfolio company management.
- ESG KPIs – we provide portfolio companies with instruction and documentation on annual ESG KPI data collection and improvement methodology, and regularly meet with portfolio company management to assess performance.
- Portfolio Company Education – we meet at least annually with portfolio companies to educate them on ESG topics and on compliance with our ESG guidelines.

VIII. Transparency & Reporting

Transom is committed to promoting accountability and transparency about our responsible investing program. Our responsible investment report, which we plan to publish annually going forward, will provide updates regarding our approach and performance. Additional details are available to stakeholders upon request. Beginning with the 2024 reporting cycle, our UNPRI transparency report will be publicly available on the PRI website.