



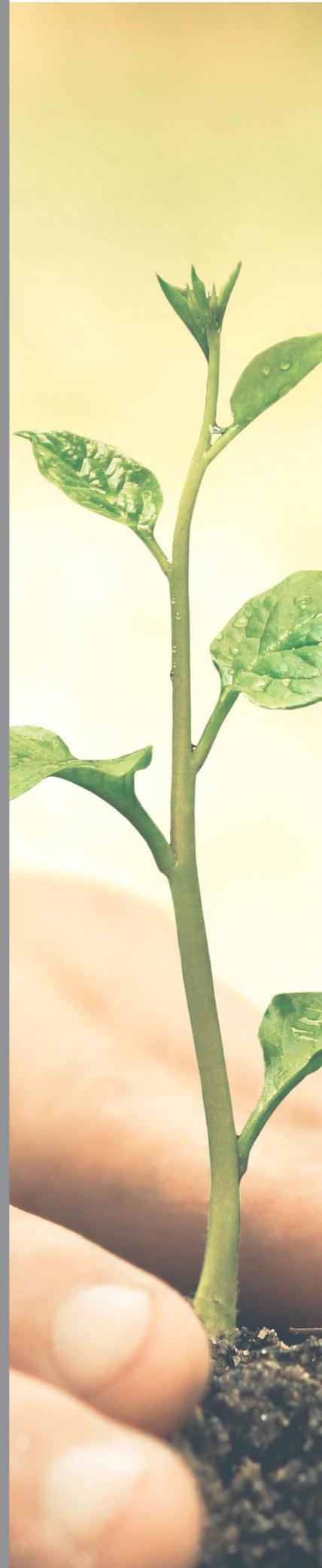
STAFFORD  
CAPITAL PARTNERS

# Responsible Investment Policy

*Stafford's commitment to  
sustainable development  
and the  
Principles for  
Responsible Investment*

July 2017

[www.staffordcp.com](http://www.staffordcp.com)



**“We recognize our responsibility as an investor to contribute to a more sustainable financial system by taking a long-term, responsible approach...”**

## Introduction

When Stafford’s founders came together in 2000, they envisioned a new, fresh, client-oriented, innovative, and differentiated asset manager, set-up and operating according to highest standards in terms of values, integrity, transparency, sustainability, and alignment. This vision remains true and core to the principles on which the business operates.

In this context, this document sets out Stafford Capital Partners’ (‘Stafford’) Responsible Investment (‘RI’) policy which summarises Stafford’s core investment beliefs including the commitment to the UN-backed Principles for Responsible Investment (‘PRI’), a corresponding governance structure to support this commitment, as well as an implementation strategy to foster the integration of environmental, social, and governance (‘ESG’) issues into the investment process and across the organisation’s entire activities. It also describes how Stafford discloses, collaborates, and discusses best practices with external parties with respect to its ESG-efforts and how Stafford aligns its people and the organisation with a more responsible and sustainable financial system.

by reducing agency risk through our rigorous process of oversight, seeking control and greater access to underlying investee entities, both in terms of our due diligence process and how we manage and monitor our investments over time.

We are stewards of money entrusted to us by our institutional clients, who in turn manage money on behalf of their investors. As active investors, we play an important role in ensuring that our investments uphold commonly accepted standards of environmental protection, human rights, and good governance in a way that will enhance and underpin the financial returns that our investors expect of us over the long-term. In this context, Stafford has been an early signatory to the PRI, which plays a central role in our ongoing efforts to integrate ESG across our investment process.

Finally, Stafford believes that successful and responsible investments with comprehensive consideration of ESG-related risks and opportunities ultimately depend on the knowledge, convictions, and beliefs of the people running the investment process, and therefore is committed to corresponding recruitment, talent development, organizational learning, training, and alignment.

# 1

## ESG and Our Core Investment Beliefs

Stafford personnel are convinced that ESG factors impact the environment in which we invest and thus our core business. As a result, it is of paramount importance that we explicitly recognize and evaluate the ESG-related risks and opportunities and manage these in a prudent and methodical manner.

We recognize our responsibility as an investor to contribute to a more sustainable financial system by taking a long-term, responsible approach across the private market funds and assets in which we invest. We pay attention to how our investment process can positively contribute to promoting greater RI outcomes

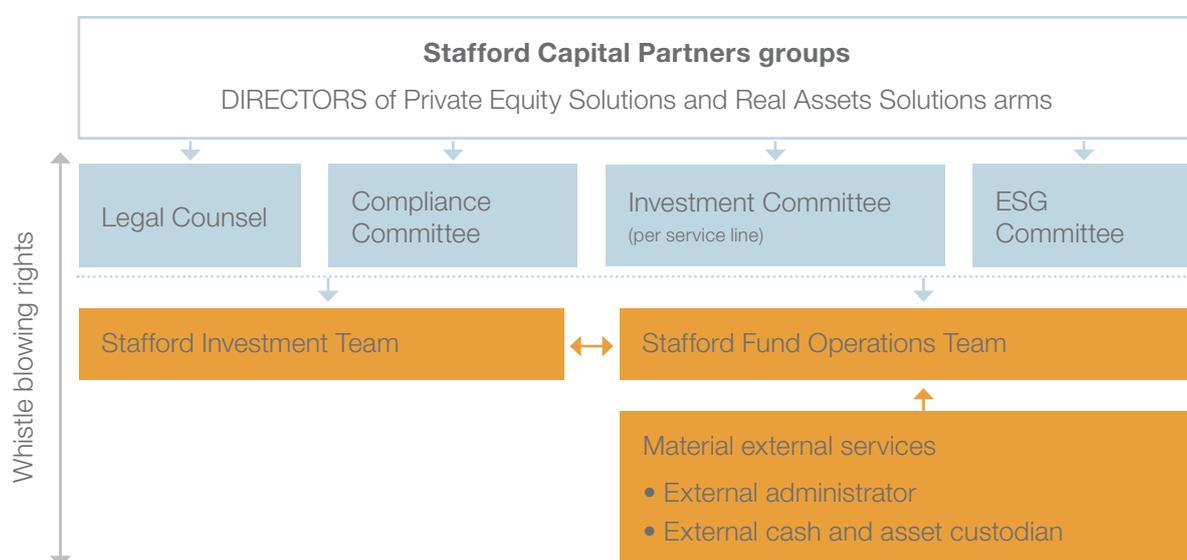
# 2

## Our Governance Structure and ESG process

To further anchor the PRI across the organization's culture and investment activities, Stafford has enhanced its governance structure and compliance processes. Figure 1 shows Stafford's board and committee structure, including the ESG Committee. These Partner-led working groups are collaborative, to maintain a strong corporate and fund management framework. The ESG Committee is entrusted with responsibility for overseeing the implementation of our RI policy. This structure allows the ESG Committee to have a direct link to both the Stafford Board and the Investment Committee of each service line.

### Figure 1: Stafford's Committee Structure

Chart: Key teams and reporting tiers



The ESG Committee sources its membership diversely, both internally from across the organisation as well as externally by adding advisors with experience and expertise in compliance, risk, ethics, investment, policy, sustainability, analytics and research. The following sets out the Committee's key responsibilities:

- Maintaining, improving and taking responsibility for the implementation of Stafford's RI policy;
- managing and overseeing the implementation of Stafford's 'sensitive business case' process;
- staying abreast of systemic risks related to ESG issues, including climate change, to ensure that the funds and assets are taking appropriate action to mitigate and adapt to such risks;
- advancing Stafford's RI and ESG capabilities and outcomes in line with industry best practice;
- raising awareness and educating Stafford staff and stakeholders of ESG responsibilities and considerations as they relate to investment planning and decision making and other corporate functions;
- reporting to stakeholders and, where appropriate, the broader public on Stafford's approach to sustainability and responsible investing;
- reporting Stafford's performance against the PRI;
- advancing the merits of active engagement with government, international organisations for responsible investing, investor groups, industry bodies and other non-government organisations; and
- collaborating, engaging and supporting research to help bolster industry-wide sustainability and responsible investment practices.

# 3

## Integration of ESG into our Investment Process

Our overarching approach to incorporate ESG considerations into our investment process is guided by the **6 principles of the PRI framework** and the relevant guidance reports therein. These principles are integrated into our investment process in the following 6 ways:

### The PRI's 6 Principles

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the principles.
- We will each report on our activities and progress towards implementing the principles.

Source: [www.unpri.org](http://www.unpri.org)

### i

#### Investment planning

As part of our fund planning across business lines, we develop our investment strategies taking into account ESG risks and opportunities. This may relate to the selection or exclusion of particular GPs, stakeholders, geographies, asset types due to the ESG elements that they bear.

### ii

#### ESG in our pre-investment due diligence

As an investor in third-party funds, we undertake detailed pre-investment due diligence of potential funds, their managers and underlying assets, before making an investment decision. The ESG assessment is an important component of Stafford's due diligence process for any potential investment.

We assess ESG factors not only at the manager level but also at the underlying portfolio company and asset level. The outcome of this assessment is documented in due diligence reports and reviewed by the Investment Committee and the ESG Committee (where a sensitive business case

risk has been identified), prior to an investment decision being approved.

When a sensitive business case is identified and the potential ESG risks warrant closer attention and/or consideration, the matter will be referred to the ESG Committee (see further details below).

### iii

#### ESG in our post-investment process

We maintain a record of the ESG policies of our underlying managers and encourage regular reporting of ESG developments to improve transparency across our investments and the industry more broadly.

We require managers to validate the effectiveness of their ESG integration implementation through the completion of a periodic ESG survey. Based on this survey and ongoing interactions with our managers, we engage with them on specific areas of concern and/or areas for improvement over time.

We maintain key documents to validate our ESG-related post-investment activities.

## iv

### Leverage of Stafford's climate-solution knowledge

We seek to enhance returns through investment in funds and opportunistic secondary purchases and co-investments, including those that capture ESG specific themes where available, initially including:

- **Sustainable Capital:** Invests in sustainability-focused companies with an enhanced focus on risks and opportunities arising from the ESG characteristics of portfolio companies.
- **Timberland:** Invests in forests and timber related assets requiring an enhanced focus on ESG to maximize environmental productivity, sustainability and climate change and landscape benefits. Independently audited, third party certification is typically used by timber managers to verify sustainable forest management practices.

Stafford is committed to apply knowledge and technologies gained from such investments to investments in other business lines of Stafford.

## v

### Sensitive business cases

We maintain a framework for addressing sensitive business cases across all service lines to recognise that some investments may hold unusually large or complex risks that need special consideration or that the investment team does not possess the expertise to adequately assess the risks involved.

The specific issues will vary by sector and the type of business, although the identification of potential sensitivities will be guided by some of the core universal principles and international codes that relate to the promotion of more responsible business and investment activities.

In the event of an issue being raised by the investment team that is beyond their core capabilities, it is escalated to the ESG Committee for assessment and consideration, including consultation with subject matter experts, our investors and other relevant stakeholders. Examples of such risks might include:

- Risk characteristics such as the location of facilities, unique or controversial ethical considerations, product and customer characteristics, employment relationships, industry characteristics, or investments that may be subject to industry negative screening or divestment focus.
- Any broader characteristics that might expose our investors to ESG-related risks that might not align with their organisations' responsible investment policies.

## vi

### ESG and systemic risks

In addition to asset-specific risks, Stafford seeks to stay abreast of global developments and systemic risks that could impact on investment risk and return over the long-term, including (but not limited to), climate change.

Stafford is aware of the climate-related risk assessment and disclosure framework as set out in the "Financial Standard Board's Task Force on Climate-Related Financial Disclosure Recommendations". We recognise the value of being active participants of collaborative organisations and groups, including membership to any relevant educative and engagement organisations that might help to better manage and mitigate the impact of systemic risks (such as the Institutional Investor Group on Climate Change).

## 4

### Our engagement, collaboration and disclosure efforts

Stafford actively engages with its (existing and potential) fund managers and investee entities – including through representation on advisory committees – on a range of investment issues, including on ESG-related considerations. Stafford will continue to encourage wider understanding, adoption and disclosure of ESG-related issues across these relationships and entities.

We **summarise** qualitative ESG considerations and report to our investors.

We **measure** the efficacy and impact of ESG considerations integrated into our investment process.

We **collaborate** with ESG-specific industry groups and are members of the PRI and other organisations active in the pursuit of climate change, sustainability or responsible investing. We also seek opportunities to speak and participate at various international industry events and forums.

We **contribute** to investor surveys on our approach to ESG in a pro-active and positive way, including the PRI's assessment report, and will continue to explore ways to bolster how we measure, manage and disclose ESG considerations into our core investment decisions and outcomes.

## 5

### Aligning our people and the organisation with sustainable development

We will continue to pursue many activities to foster greater organisational learning and knowledge sharing within the organisation, across all business lines. For example, an intranet facility has been established with case studies on ESG-related issues, research papers and discussion documents as a central resource for people to access and learn.

Stafford is a financial services company with a relatively low environmental footprint in its direct activities, although efforts are taken to further improve the corporate practices and activities in a way that is consistent with its ESG policy.

Stafford also promotes good corporate governance in the way that it does business, including for example, adherence to a code of ethics, fair and equitable treatment of personnel, encouraging diversity and parity, adhering to regulations and legislative requirements regarding taxation, anti-money laundering and others as relevant across different jurisdictions.

Stafford also integrates ESG-considerations in its profile as an equal-opportunity employer, providing flexibility to staff to enhance good work-life-balance.

Comprehensive alignment of interest is a key aspect in managing third-party money. Accordingly, Stafford is an independent, Partner-led organisation with most of key staff members being equity holders in the company. This equity ownership aligns staff behaviour with the long-term value of the business and therefore connects the consideration of ESG aspects with the concrete financial position of Stafford members.

However, to further stress the importance of ESG considerations within the organisation, the Board assigns a bonus each year to employees who have outperformed on or made an exceptional contribution to Stafford's ESG-related efforts.



**STAFFORD**  
CAPITAL PARTNERS

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