

ONEX



Climate Change Strategy

OCTOBER 2023*

*UPDATE OF DECEMBER 2022 VERSION



Climate Change & Investment

As a publicly listed investment firm and multi-strategy alternative asset manager, Onex has an important responsibility to act in the best interests of our investors and broader stakeholders, which includes considering all material factors that may impact the risk-adjusted returns of our investments. We believe that integrating material environmental, social, and governance (ESG) factors into our investment approach empowers us to enhance the long-term value and performance of our funds.

Climate change is one such factor. In our initial 2022 Climate Strategy, Onex recognized that all investors and businesses need to contribute to the objective of the Paris Agreement to limit global warming to well-below two degrees Celsius above pre-industrial levels. We acknowledge the current scientific consensus that to meet this goal, global greenhouse gas (GHG) emissions must be reduced and reach net zero by 2050. While climate change is already having an impact on different sectors of society, the potential financial impacts on specific markets, regions, industries, and investments, as well as the interrelationships between them, are complex and uncertain. In addition, the data and tools needed to assess those impacts are still evolving.

Considering these challenges, we believe that a thoughtful Climate Strategy requires a commitment to continuous learning and improvement. This updated Climate Strategy reflects that commitment. We will continue to learn and evolve our approach in this area through our own research, as well as through industry partnerships and memberships including the PRI and Initiative Climat International (“iCI”) which is a private equity industry collaboration focused on catalyzing climate action.

Our Climate Strategy was initially focused on measurement and understanding various methods to identify decarbonization opportunities within our investment platforms. We are now evolving our Climate Strategy to align with climate action best practices to deliver on a net zero by 2050 goal.

To achieve that goal, we are in the process of developing a comprehensive strategy to use our influence to support the global transition to net zero and progress towards our own net zero goal, including setting decarbonization-related targets across relevant funds within our investment platforms.

Onex' Approach to Climate

The core elements of our Climate Strategy are aligned with the four thematic areas of the recommendations from the Task Force on Climate-Related Financial Disclosures ("TCFD"):

Governance

- The Climate Strategy is spearheaded by the Head of ESG and overseen by the CEO of Onex who reports on progress under it to the Onex board of directors. Onex' CEO will report on progress under this strategy to the Onex board of directors at least twice per year.
- The Head of ESG chairs the firm-wide ESG Committee, the mandate of which includes the implementation and evolution of the Climate Strategy, as well as sharing best practices, learnings, and innovations on climate-related issues.
- The Head of ESG is responsible for ensuring that the investment teams have the requisite tools, resources, guidance, and training on issues relating to climate.
- Each investment team is responsible for considering the climate-related risks and opportunities of potential and existing investments.
- Onex is an official supporter of the TCFD and will increase the transparency of its climate initiatives by working towards future climate-related reporting.

Strategy

- We will measure Onex' operational Scope 1, Scope 2 and select Scope 3¹ emissions every year and explore opportunities to reduce them. For emissions that cannot be eliminated, we have and will continue to purchase verified carbon credits for our operational emissions each year.
- As an investment firm, the financed emissions associated with our investments are the source of our most significant carbon emissions². We will measure or estimate the Scope 1 and Scope 2 carbon emissions associated with Onex' investment platforms on a go-forward basis and explore opportunities to reduce them. We will continue to work towards the measurement of material Scope 3 emissions.
- We will work with our investment teams and senior leaders to determine which funds will be in scope of our net zero goal and to set decarbonization-related targets for those funds.
- Through our participation in the ESG Data Convergence Initiative (EDCI) we will be measuring and reporting the Scope 1 and Scope 2 emissions of our portfolio companies for certain private equity funds (as detailed below) on an anonymized basis and will include them in our funds' ESG reports, where applicable. We will consider the benchmark data compiled by the EDCI as part of our overall assessment of our portfolio companies' carbon emissions.
- We will not necessarily exclude investments in carbon intensive sectors³ as we believe that encouraging carbon reduction initiatives in all industries is a critical part of meaningful climate action.

¹ Category 6 Scope 3 emissions: Business travel

² Our financed emissions are our Category 15 Scope 3 emissions, which are made up of our proportionate share of the Scope 1 and Scope 2 of the companies in which we are invested.

³ As set out in 'Responsible Investment at Onex', we exclude investments in companies that mine thermal coal.

- Additional guidance will be provided to our investment teams to assist them in integrating physical and transition climate change risks into all relevant stages of their investment processes.
- Our investment teams will consider investment and growth opportunities related to climate change and the transition to a lower carbon economy.

Risk Management

- Our investment teams will consider climate-related risks in their due diligence processes and seek to avoid investments that pose unacceptable climate-related risks.
- In our credit and public market investments, we will consider reported carbon emissions when credible data is available or estimate the carbon emissions associated with our investments. Where practicable, we will encourage our investee companies to measure and disclose their carbon emissions.
- Going forward, we will require annual reporting of Scope 1 and Scope 2 carbon emissions in our private equity control⁴ investments and will monitor those emissions on an ongoing basis. For those investments that have significant carbon emissions, we will actively investigate carbon reduction opportunities in furtherance of our net zero goal and more broadly, including initiatives related to energy efficiency, fuel consumption reduction, and the use of renewable energy. Where warranted, we will also consider broader mitigation and adaptation strategies.
- We will monitor the evolving methodologies and best practices related to climate scenario analysis and consider the extent to which it can serve as a useful forward-looking tool to identify physical and transition climate risks.

Metrics & Targets

- We will continue to measure Onex' operational Scope 1, Scope 2 and select Scope 3⁵ carbon emissions, and reduce and/or purchase verified carbon credits for them each year.
- We will create a baseline measurement for the Scope 1 and Scope 2 carbon emissions of our private equity control investments beginning with Onex Partners V ONCAP V⁶, and Onex Transportation Partners (OTP) (and continuing in future private equity funds) and measure those emissions annually. We will continue to work towards the measurement of material Scope 3 emissions.
- We will set decarbonization-related targets across funds that are in scope of our net zero goal and monitor and report on our progress against those targets.
- In our private credit funds, we will consider reported carbon emissions when credible data is available or we will estimate the emissions associated with those funds. We will explore the feasibility of lowering the funds' overall emissions through strategic asset allocation, where doing so would be consistent with the funds' investment mandate.

⁴ "Control Investments" are those in which Onex owns more than 50% of the company's equity.

⁵ Category 6 Scope 3 emissions: Business travel

⁶ Smaller companies within our ONCAP funds might require additional time to measure their Scope 1 and Scope 2 carbon emissions.

Implementing our Strategy

Onex invests across a variety of asset classes and the implementation of our Climate Strategy will necessarily be different in each of those asset classes. Below is an overview of the incremental steps we have taken, or will take, to implement our strategy in each area of our business. Going forward, we expect our progress to be updated regularly as part of our ongoing climate-related disclosures.

Private Equity

Accomplished:

- We have selected a carbon software platform that will assist our portfolio companies with measuring their carbon emissions.
- All portfolio companies in Onex Partners V are now calculating their Scope 1 and Scope 2 carbon emissions and working towards measuring or estimating their most material Scope 3 emissions.

Next Steps:

- Onboard any newly acquired companies in Onex Partners V, ONCAP V, OTP, and all future private equity funds onto the platform on a go-forward basis.
- Determine which funds will be in scope for our net zero goal and develop and disclose decarbonization-related targets for those funds.
- Provide or assist in obtaining climate-focused education/training for our portfolio companies that want to learn more about the climate risks and opportunities that might be material for their business.
- Enhance our due diligence process by providing additional guidance to our investment teams to ensure that material climate-related risks and opportunities are identified and analyzed prior to investment.

Credit

Accomplished:

- We are now able to provide a top-down estimate of the emissions associated with our relevant private credit funds, in accordance with the recommendations of the Partnership for Carbon Accounting Fundamentals (PCAF).

Next Steps:

- Develop an approach to use our influence, where feasible, to support the transition to net zero by 2050 in our credit portfolio, including through encouraging investee companies to measure, disclose and ultimately reduce their carbon emissions.
- Explore opportunities to reduce funds' overall carbon emissions through strategic asset allocation, where doing so would be in accordance with a fund's investment mandate.
- Explore opportunities to enhance our climate change-related risk assessment during due diligence and during our hold period.

Onex Corporate

Accomplished:

- We have measured Onex' operational Scope 1 and 2 emissions, along with select Scope 3⁷ emissions and have purchased verified carbon credits for those operational emissions.

Total Operational GHG Emissions

Breakdown by Scope

		Total GHG emissions (tonnes of CO ₂ e)
Emissions source	Fiscal 2022	Fiscal 2021
Scope 1	441	651
Scope 2 (location-based)	374	283
Scope 3 (business travel only)	633	140
Total GHG emissions	1,448	1,074

Next Steps:

- Investigate opportunities to reduce Onex' operational Scope 1, Scope 2 and select Scope 3⁸ carbon emissions and continue to purchase verified carbon credits for the remainder of those emissions each year.

Oversight & Continuous Improvement

As noted above, Onex' Climate Strategy is spearheaded by the Head of ESG and approved and overseen by Onex' CEO who reports on progress under it to the Onex Board of Directors. The Climate Strategy will be reviewed at least annually by the ESG Committee and updated as we make progress on the goals set out above.

⁷ Category 6 Scope 3 emissions: Business travel

⁸ Category 6 Scope 3 emissions: Business travel

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