

STEWARDSHIP FRAMEWORK

Incorporating Environmental, Social, Security and Governance Factors

DECEMBER 2023

Our capital has the potential to be a multiplier to guide responsible entrepreneurship by underwriting exceptional talent and building sustainable business practices.



ABOUT STEWARD

Steward Asset Management uses a strategic partnership approach to building diversified portfolios of primary fund investments. Our aim is to institutionalize anchor investing and capture excess return drivers available in smaller funds. Our lens focuses on next-generation innovation and growth in the Middle Market's healthcare, consumer, industrial, service and technology sectors.

Steward's strategy provides investors with early access to debut funds at an influential moment. Using control-oriented strategies, our capital is a multiplier for large-scale economic growth and progress. Steward's active sourcing identifies exceptional teams with sector capabilities that form a repeatable competitive advantage to win deals and bring value-creation levers to propel companies.

Our consultative partnership approach influences a newer manager's investment process, policies and human capital strategy. Our engagement helps to improve the risk-reward framework with GP stake participation and downside controls.

Headquartered in New York City, Steward is differentiated by a deep pipeline, GP stakes approach, unique assessment tools and extensive relationships within the emerging manager community. The team has an accomplished track record of propelling smaller and diverse asset managers.

Principles for Responsible Investment (PRI) defines Stewardship as:



..the use of influence by institutional investors to maximize overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend.

RESPONSIBILITIES

Responsibility for managing and implementing our Stewardship framework lies with each member of our firm. We have a formalized process to incorporate material risks and value creation opportunities into our investment process and business operations. As such, a process has been developed to guide our active approach throughout the investment lifecycle with our portfolio holdings.

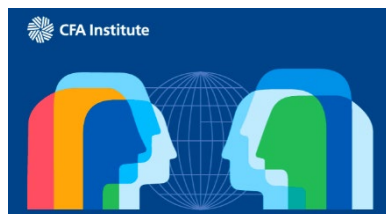
Recognizing that Stewardship factors are some of the hardest to quantify, our team utilizes customized quantitative scoring to measure hundreds of qualitative variables to assist with decision-making and goal setting. We have identified 30 factors that we believe are relevant for the identification of material risk-reward considerations in our business, investments and areas where we are advocates.

Steward actively works with its portfolio investments to manage and monitor material factors across operations and investment decisions. This coordination is accomplished through a 3-year plan to implement Steward’s proactive approach to guidance and mentoring of portfolio investments.

RESOURCES

Our framework and advocacy have been primarily influenced by the following standards and guidance:

- Principals for Responsible Investing’s (PRI’s) Six Core Principles
- 17 SDGs (Sustainable Development Goals) - United Nations Department of Economic and Social Affairs
- Recommended Action List (20) from CFA Institute’s Driving Change: Diversity and Inclusion in Investment Management
- ILPA's DDQ 2.0 and Diversity Metrics Template



STEWARD'S VALUE DRIVERS

As an early and influential source of capital, Steward's differentiated active form of strategic private equity investing provides unique opportunities to invest with smaller and newer fund managers in the attractive Middle Market.

Leveraging Steward's anchor capabilities and focus, we aim to integrate Stewardship considerations throughout the investment lifecycle, tailoring our engagement to align with Steward's fiduciary responsibilities. Built on our model of aligned GP stakes, we play a pivotal role and often possess a heightened ability to advocate for the proper management of risks and opportunities as part of the value creation plans we formulate.

Source Diverse Talent (Social)

- Seek the broadest array of talent and believe in the value creation of diverse perspectives to enhance a team's decision-making
- Solve the mathematical equation – capitalize more multi-cultural and gender diverse teams and create a transparent path to encourage more of them to enter the private equity industry. This talent is hidden in plain sight and among the least capitalized in asset management
- Build debiased decision-tools and processes to support success
- Encourage inclusionary and less traditional hiring practices to broaden the range of voices and strengthen decision-making

Guide Robust Entrepreneurship (Social & Governance)

- Leverage team dynamics as collective decision-making surpasses individual judgement
- Recognize asset management as an apprenticeship domain that demands responsible industry training and active cultivation of a commendable track record
- Promote entrepreneurship as a paramount instrument for societal advancement and economic inclusivity
- Advocate shared ownership as a strategy to minimize team attrition
- Place a high value on teams that have worked together in prior collaborative experiences as it minimizes workplace disruptions and bolsters the prospect of future success

Steward Fiduciary Standards (Security & Governance)

- Implement fiduciary practices and encourage co-investment to ensure enduring alignment between LPs and GPs
- Forge shared objectives among policy makers, investors, workforce and customers to lay a stable foundation for growth
- Prioritize worker and contractor relations as they are the cornerstone of strong businesses to maintain low turnover

Support Sustainable Practices (Environment)

- Champion sustainable practices that support business longevity. Recognize that investments in infrastructure can have long-term stabilizing effects on the communities they serve
- Identify technology as a potential tool for resource efficiency in delivery through the value-chain
- Capitalize on the transformation in energy sources and consumption as a generational opportunity
- Prioritize responsible consumption, waste and water management that support city infrastructures and food security

SOURCES OF ALPHA

As an early investor in smaller private equity funds and Middle Market companies, our capital supports sustainable practices at an early stage of enterprise growth. Through our efforts we empower future leaders within a growth-oriented lens to improve governance and the competitive landscape of Middle Market investing. The Steward team pro-actively seeks to reflect the following best practices throughout the investment lifecycle.

Transparency and Advocacy	<p>Steward will incorporate and advocate for Stewardship in investment decision-making processes.</p> <p>We will communicate benefits and risks to our stakeholders in the most objective fashion.</p>
Diversity and Inclusivity	<p>Steward’s strategy encourages a culture of meritocracy and fairness and provides more equal access to business formation opportunities to emerging and diverse managers.</p> <p>We have a proven track record in identifying exceptional teams that have owners and leaders from underrepresented groups in the asset management industry.</p> <p>Steward’s advanced ‘debiased’ decision-making methodologies will ensure priority of attaining strong financial returns while attracting diverse talent.</p>
Fiduciary Standards	<p>Steward will be diligent in negotiating key legal terms and governance provisions with our partners to maintain structural and fiduciary alignment.</p> <p>Steward’s team is comprised of industry veterans who adhere to the high standard of ethical conduct and fiduciary obligations demanded in the asset management industry.</p>
Job Growth and Workplace Stability	<p>Steward’s Middle Market strategies include injecting capital for private corporate buyouts and growth equity for existing business platforms to drive innovation and job growth opportunities.</p> <p>Steward will seek capital returns while also promoting access to education, high quality training and on-the-job education programs, responsible recruiting and workforce retention practices.</p>
Protecting Our Environment	<p>Steward is committed to investing in sustainable, renewable, and tech-enabling solutions. Our lens includes economic goals because advancement without a sustainable model falls short of seeing generational impact.</p> <p>We acknowledge the positive transformations occurring in reducing climate risk and have a pipeline of managers who are addressing a wide spectrum of opportunities in their specific industries.</p>
Wellness and Safety	<p>Steward is actively underwriting asset managers with immediately deployable business plans that target healthcare value-chains, infrastructure, food supply, waste and water projects through equity and debt structures. Some are product driven, while others support data security and efficient and safe delivery of healthcare and community services.</p> <p>We identify investment opportunities that include innovations in water and waste management, alternative energy systems and agricultural technologies.</p>

POTENTIALLY MATERIAL STEWARDSHIP FACTORS

ENVIRONMENTAL

- Sustainable Practices
- Ecosystem Protection & Incidents
- Clean Energy
- Environmental Health & Well Being
- Water Management
- Emissions Control
- Waste Generation & Recycling
- Climate Risk
- Responsible Consumption
- Sustainable Communities

SOCIAL & SECURITY

- Peace & Justice
- Social Health & Well-being
- Business Ethics
- Community Relations
- Labor & Working Conditions
- Labor Training
- Responsible Contractor Relations
- Economic Growth
- Gender Equality
- Education Quality
- Reduced Inequality

GOVERNANCE

- Ownership Representation
- Diverse & Inclusive
- Fiduciary Lens
- Broad Stakeholder Lens
- Employee Relations
- Transparency
- Accountability
- Data Privacy
- Efficacy & Efficiency

UNCOVERING EXCEPTIONAL TALENT IN MIDDLE MARKET PRIVATE EQUITY

Steward actively works with its portfolio investments to manage and monitor performance and progress among Stewardship factors. For each of the 30 potential material issues identified, we have established a multi-year planning cycle to proactively support our fund and company investments by engaging on a business and portfolio level.

In conclusion, our Stewardship assessment is just the beginning of the important path to expanding the risk and return factors that may be critical to the success of new and growing sustainable enterprises.