



Alaris Equity Partners ESG & Responsible Investment Policy April 2021

Our Approach to ESG

At Alaris, we take a unique approach to our investments, which requires a unique approach to environmental, social and governance (“ESG”) factors. We provide an innovative financing solution for private companies (“Partners”) who require capital but want to retain control of their business. Unlike the traditional private equity model, we primarily provide capital to Partners through non-control preferred equity. Our approach allows entrepreneurs to control their businesses while obtaining investment capital for growth, generational transfers, partial liquidity or management or private-equity-sponsor buyouts.

Alaris generates returns through monthly or quarterly distributions, dividends or interest payments (“Distributions”) from our Partners during the lifetime of our investment, not upon the sale of the business. Alaris cannot force the sale of a Partner’s business, and our Partners’ common equity holders have a call option after three years to either sell the business or repurchase Alaris’ interest. Distributions are determined 12 months in advance and adjusted annually, based on a Partner’s year-over-year growth of specific “top-line” audited performance metrics such as net sales, gross profits or same location sales. Our focus on profitable revenue growth allows Alaris to be free from the day-to-day operation of the business. Yet, we are a resource for our Partners. And while we benefit from our Partners’ continued growth, we cap increases to Distributions to provide the common equity holders with continued benefit from most of the business’ future growth. We see ourselves as a long-term partner. We often finance follow-on investments to our Partners to continue fuelling their long-term success.

Our unique business model drives our ESG approach. Because we neither control our Partners nor participate in management decisions (unless they request our input), our involvement in our Partners’ ESG policies and practices is necessarily more limited than a traditional private equity firm. This limited involvement means we must determine which ESG factors are financially material for a potential Partner company and the sector in which it operates before making our investment. This determination includes both company-specific and macro-level ESG factors that may be material across multiple sectors, like climate change and the transition to a lower-carbon economy, an increased focus on diversity and inclusion and changing demographics. These factors have led to an increased focus by consumers, employees, and investors on ESG and sustainability. To assess financial materiality, we determine which ESG factors might impact a company’s financial condition, operational performance, business model, reputation or social license to operate to the degree that its future growth or ability to pay Distributions could be affected.

We believe ESG factor materiality is inherently sector-specific and may vary over time. Our materiality assessment draws on the applicable Sustainability Accounting Standards Board (“SASB”) standards, the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) and our own research and investment expertise.

Implementation

Pre-Investment Due Diligence

Our current focus is on the systemic integration of ESG into our due diligence process to better identify ESG risks and business opportunities in potential Partners. Each member of our investment teams will identify and assess a potential Partner's material ESG factors and determine how those factors could impact its ability to grow and pay Distributions. We undertake an extensive due diligence process that includes reviewing ESG factors that are or may be material to companies in all sectors. We are revising our diligence procedures to better identify sector-specific ESG topics and issues.

Once we identify material ESG factors, Alaris will integrate ongoing reporting requirements into the agreements governing our investments. Reporting will allow us to monitor how these ESG factors represent business risks for Alaris or our Partners and identify potential business opportunities that could fuel Partners' continued growth.

We do not exclude specific investments or sectors based on ESG factors alone. That said, Alaris does not invest in natural resource producers or firearms and munitions manufacturers and distributors. We may choose not to invest in a potential Partner if our due diligence identifies heightened ESG-related risks from past or present ESG controversies, poor ESG policies or practices or uncertainty over the viability of its business model. For example, we have traditionally stayed away from industries with heightened "social" concerns, such as the gaming and gambling industry.

Post-Investment Monitoring

Once invested, we ensure that our Partners have appropriate governance structures in place to effectively oversee all of their material financial issues, including those relating to environmental and social factors. We receive monthly (or in some cases quarterly) financial reports from our Partners that include the material ESG factors identified during our pre-investment due diligence. Depending on the nature of those factors, we may require Partners to develop and provide ongoing reporting for specific environmental and social key performance indicators (KPIs). We will encourage Partners to mitigate their ESG risks, minimize any adverse ESG-related impacts and fully capitalize on their ESG opportunities to ensure continued success. If necessary, we will provide our Partners with guidance and support to assist them in that regard. We will work with our Partners to set ESG-related targets for improvement and track progress against those targets.

For investments made before this policy, we are developing a framework to assess material ESG risks and opportunities for those Partners, particularly those which may be more prevalent today than they were upon our first investment. We will bring any material ESG risks that we identify to our Partners' attention and offer assistance in addressing them. We will seek ongoing reporting on those ESG risks and opportunities. We also intend to provide our Partners with education and support to help them understand how ESG factors could impact their businesses.

ESG and Corporate Social Responsibility at Alaris

We also recognize the need to manage our internal material ESG issues. As a public company, we hold ourselves to the highest standards of good governance and business ethics, which we disclose in detail in our annual securities filings (see "*Schedule 1 – Statement of Corporate Governance Practices*" to

Alaris' information circular for its most recent annual unitholder meeting, a copy of which is available under Alaris' profile at www.sedar.com and our website; see also Alaris' "Corporate Governance Policy" and Alaris' "Code of Business Conduct", copies of which are available on Alaris' website). Our people are our greatest strength, and we strive to create a diverse team and inclusive culture by making diversity and inclusion a priority in our recruitment and employee initiatives.

We also recognize the importance of being a good corporate citizen to benefit our communities and engage our employees. Each year we donate to and participate as a team in several charitable organizations, many located in Calgary. In particular, Alaris: (i) has established an annual program under which it donates up to \$1,000 per employee to a charity of such employee's choice; (ii) supports local nonprofit and charitable events and Partner-led initiatives; and (iii) provides Athletic, Women In Business and Entrepreneurship & Innovation scholarships to three University of Calgary students every year.

Transparency & Reporting

We strive for transparency with our investors and other stakeholders. On top of our ongoing reporting to our investors, we are working on an annual ESG & Responsible Investment Report to expand on our ESG approach and progress.

Oversight & Evolution

There shall be an ESG Committee established to support Alaris and its on-going commitment to ESG matters. The ESG Committee will consist of the following members: Chief Legal Officer & Corporate Secretary (Chair), Chief Financial Officer, Senior Vice President Investments, Manager Corporate Communications, and other ad hoc members that we deem necessary from time to time. For more information, please see Alaris' "ESG Committee Mandate" available on Alaris' website.

Our Board of Trustees oversees this policy. We will review it at least annually as we evolve and advance our approach to ESG and ESG-focused reporting to our investors.