2024

ESG REPORT

HEADWAY
CAPITAL
PARTNERS

Contents

Letter from Headway

Headway is delighted to present its first annual ESG report. Headway seeks to be the partner of choice for private equity general partners and independent sponsors (together, referred to as "managers"), with whom it invests on a deal-by-deal basis in lower middle market buyout assets in Europe and North America.

Experience, flexibility, and transparency are key factors contributing to Headway's success in forming and maintaining strong relationships with its managers. Headway is proud to have a diverse team, which enriches its ability to develop and nurture mutually beneficial relationships with high calibre managers and portfolio company management teams globally. Building strong relationships and transparent lines of communication with its managers allows Headway to develop a sound understanding of the ESG practices of both its managers and underlying portfolio companies, and to encourage these parties to identify and act on areas of potential improvement. Given Headway's investment strategy, there are varying degrees to which the firm can influence the adoption and integration of ESG initiatives by its managers and underlying portfolio companies, and its approach is therefore dynamic. Whilst it is not always feasible for Headway to exert influence, Headway recognises the importance of ESG and believes that sustainable investment and consideration of ESG factors are in the long-term best interest of all stakeholders.

In recent years, Headway has made significant progress in developing its approach to ESG and integrating ESG considerations into its investment process:

- Headway became a UNPRI signatory in 2021. The firm submitted its first voluntary (private) UNPRI report in 2023 and its first formal UNPRI report in 2024. This reporting has proved valuable in providing Headway with guidance for the further development and improvement of its ESG practices.
- In 2022, Headway retained award-winning Sustainability & ESG Consultancy Sancroft to develop its ESG due diligence framework (the "ESG Framework"), a questionnaire that Headway's managers are requested to complete on both their firms and underlying portfolio companies to enable Headway to evaluate ESG risk. The ESG Framework provides valuable insights that are considered as part of Headway's investment decision-making process and used to identify potential areas for improvement post-investment. The ESG Framework has been successfully adopted by the Headway's current fund HIP V with a 100% response rate for investments completed as of 30 June 2024.
- Headway engaged Sancroft again in 2024 to help expand the ESG Framework to include a stronger focus on climate. Headway also implemented various initiatives in 2024 to strengthen its commitment to ESG:
    - Headway improved its manager screening process to identify red flags earlier in the investment decision making process.
    - Headway collected key ESG data points (KPIs) on managers and portfolio companies in HIP V as part of its first annual survey, providing a baseline for where they stand after the first year of ownership.
    - Headway established a quarterly meeting for its ESG committee to assess its ESG practices, review the HIP V portfolio, and set target actions for the next quarter in relation to both Headway and its managers. The ESG committee is comprised of Laura (Managing Partner), Zoe (Partner), Amelia (Investor Relations Director) and Daniel (Associate).

In 2025, Headway will continue to develop its commitment to ESG considerations through the following activities:

- Continued adoption of its ESG due diligence process for new investments and KPI collection process for its entire portfolio.
- Continued development of the ESG Framework and KPIs to ensure Headway is capturing and considering most relevant information.
- Further investment in the development and integration of ESG practices within Headway, including training and education for the investment team.

Headway looks forward to providing you with an update on these initiatives in its next ESG report in the second half of 2025. Thank you for your interest in Headway and its ESG practices.

Laura

Zoe

Amelia

About Headway Capital

Headway Capital is an independent London-based investment firm active across Europe and North America. Headway invests with private equity managers on a deal-by-deal basis with a focus on lower middle market buyout assets and independent sponsors.

Headway partners with independent sponsors and private equity managers to provide value-added capital for their transactions.

Headway closed its latest fund, HIP V, in May 2024 at €627m. HIP V is in its investment period and was 44.5% committed to 14 transactions as of 30 June 2024.

Headway by numbers as of 30 June 2024

AUM

€1,060 million

Headcount

20

Offices

London, UK and Boston, US

Number of managers backed

125

Number of completed investments

143

ESG values

Headway believes that integration of ESG into its investment process will result in better outcomes for its investors and closer alignment between their investment objectives and those of society more broadly. Headway also recognises that consideration of both current and potential ESG investment risks is critical in today's fast changing environment. The firm has developed an ESG approach that is dynamic and fit for its investment strategy.

Headway's approach seeks to:

01

Identify key material ESG risks and opportunities as part of the due diligence, investment decision, and ownership phases of its investment process.

02

Map material ESG issues to the United Nations Sustainable Development Goals ("SDG"), and to consider SDG alignment in its investment decisio ns.

03

Build greater awareness of ESG with its managers, particularly independent sponsors, to encourage the integration of ESG into their investment policies and investment management practices and the implementation, measurement, and reporting of sustainability factors within their portfolio companies.

Furthermore, as a UNPRI signatory, Headway's ESG approach is guided by the six PRI Principles:

PRI Principles for Responsible Investment

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

ESG process

Headway's ESG approach is focused on evaluating ESG risk from investment origination through realisation, and on encouraging its managers to support the building of long-term sustainable businesses in an environmentally and socially responsible manner.

In 2021, Headway took steps to strengthen its commitment to ESG through various initiatives, including the development of a more comprehensive Responsible Investment Policy (available on Headway's website) and an ESG Framework to form part of its investment process. Headway first implemented the ESG Framework in its current fund, HIP V, and continues to evolve the tool to reflect changing regulations and experience gained through its active use. For example, the ESG Framework underwent a significant update in 2024, which involved an increase in the number and depth of climate related questions and a realignment with updated SASB guidance. Headway is committed to the continued refinement and improvement of its ESG process over time.

Given Headway's investment strategy, its ESG process is designed to identify risks at both the manager and portfolio company levels. Headway seeks to encourage the adoption of positive ESG practices wherever possible. In some situations, such as where HIP V is not a lead investor, Headway may have a limited degree of influence. Furthermore, most of the managers with whom Headway invests are not regulated and are thus not required to follow ESG regulation. Therefore, their ESG efforts are voluntary and, whilst encouraged by Headway wherever possible, these efforts may be limited by available resources.

Pre-Investment

01 Headway first ensures that each potential investment is not active in a sector on its Exclusion List (controversial weapons, tobacco, small arms, and thermal coal).

02 Headway also checks for any red flags relating to the underlying company or manager through Worldcheck and public information searches.

03 During the course of its due diligence process, Headway gathers relevant information through posing questions to managers to identify ESG risks and opportunities unique to each manager and prospective investment. The ESG Framework is the key tool used in this part of the process and is supplemented with additional resources where available e.g. manager ESG or UNPRI reports, and company sustainability reports.

04 Headway's investment committee considers these ESG findings during its discussion of each investment's risks and opportunities. This information is considered when deciding whether to proceed with an investment as well as in identifying post-acquisition practices that should be recommended to the manager and portfolio company.

ESG process

Post-Investment

01	Headway receives regular reports and updates (usually quarterly and not ESG-specific) on the performance of its underlying investments and monitors the press twice per week with searches for relevant articles on its underlying portfolio companies.
02	For HIP V only, Headway monitors a selection of core ESG KPIs annually to follow the progress of its managers and portfolio companies with respect to relevant ESG topics.
03	During Headway's quarterly ESG committee meetings, the committee reviews the latest available ESG portfolio data and explores opportunities to engage with managers of new investments.
04	Headway regularly (at least once a year) engages with its managers to support them on the effective management of ESG initiatives and seeks to encourage improvement where practical, including: – Responsible investment policies of managers; – Board responsibility for ESG; – ESG reporting; and – Climate engagement (net-zero strategy, measurement of emissions or taking steps to reduce impact).

Metrics

Headway achieved a 100% response rate for its ESG Framework on the 14 closed transactions in HIP V as of 30 June 2024.

Headway tracks a selection of KPIs relating to its managers and portfolio companies (as shown in the table below) in its current fund HIP V on an annual basis. In 2024, Headway expanded its list of KPIs based on learnings from its 2023 UNPRI submission (for example, whether the portfolio company produces an annual ESG or sustainability report, assigns board-level responsibility for ESG, and discusses ESG at the board level).

ESG process

Headway achieved a 100% response rate for its annual KPI survey of HIP V investments as of 30 June 2024, with results shown below:

Category	KPI	% Yes	% No
Governance	Does the GP/independent sponsor have a separate standalone ESG/responsible investment policy?	**79%**	21%
Governance	Does the company have a code of conduct in place?	**93%**	7%
	Does the company have an ESG policy in place?	**73%**	27%
	Does the company produce an annual sustainability or ESG report?	**20%**	80%
	Is responsibility for ESG assigned to one or more board members?	**60%**	40%
	Is ESG discussed at the board at least once per year?	**93%**	7%
Environmental	Does the company have a net zero strategy?	**27%**	73%
	Does the company measure its greenhouse gas emissions?	**53%**	47%
	Scope 1 Emissions measured? (kt if yes)	**40%**	60%
	Scope 2 Emissions measured? (kt if yes)	**40%**	60%
	Scope 3 Emissions measured? (kt if yes)	**20%**	80%
Social	**Does the company have any board members who are:** Female?	**47%**	53%
	From a minority ethnic background (based on the location of HQ)?	**33%**	67%

Headway is pleased to have established this baseline for ESG performance of its managers and portfolio companies and will use this data to identify areas of improvement and track progress as part of its continued engagement with its managers on ESG.

Since HIP V's investment period began in September 2022, Headway's investment committee has also excluded several investments on ESG grounds. Headway has not historically tracked this number, but plans to do so going forward.

Case studies

Headway is delighted to present five ESG case studies in its HIP V portfolio: Icon Parking, Arquisocial, Humens, Suir Engineering, and Plenergy (formerly known as Plenoil). These case studies were selected based on availability of ESG information and also represent a range of sectors in which HIP V has invested, providing a balanced insight into the HIP V portfolio.

Icon Parking

Explanation of the business:

Icon is the largest minority-owned parking operator and mobility services provider in New York City and one of the largest in the US with nearly 200 parking garages under operation. Icon was acquired in 2023 by Arkview Capital, a minority-certified private equity fund that focuses on investing in diversity-oriented businesses. Icon is leveraging its 76-year operating history, unsurpassed customer service, and unique digital and analytics capabilities to scale locally and nationally. Arkview sold the majority of its stake in 2024 to strategic buyer Hudson Valley Parking Trust (in a successful exit for HIP V in just over 16 months) but continues to support the company's growth as a minority investor and value added board member.

Diversity is at the heart of Icon Parking's culture

01 Icon is a minority owned and operated business.

02 80% of the board is either female or from a minority ethnic background.

03 Its 1,100 staff come from 30 different countries and 93% of staff are from a minority ethnic background.

Icon Parking

Icon is supporting the energy transition

01

Icon currently has 130 electric vehicle ("EV") chargers installed across its portfolio and is accelerating its commitment to EV infrastructure to lead the energy transition across the USA.

02

Icon is seeking to create one of the largest EV charging networks in the United States, with a commitment to install 5,000 EV charging stations in New York and another commitment to invest $1m in EV and related equipment at locations nationwide.

03

Icon has replaced all lighting with energy efficient LED lights, which saves on energy costs and improves customer experience.

Icon's people-first culture

01

During the COVID pandemic, Icon went fully digital, with touchless entry and exit in garages and payment by phone or app to ensure customer safety.

02

The company puts a strong emphasis on its recruitment and training processes to ensure customer satisfaction, resulting in a high TrustPilot score of 4.4/5.0 (with 83% of customers giving a 5-star rating).

Arquisocial

Explanation of the business:

Arquisocial is a Spanish social care provider specialising in homecare, for which there is increasing demand due to the ageing local population and preference for homecare vs. nursing homes. The company was carved out from its previous owner, a large waste management company, by Evolve, a Spanish mid-market independent sponsor founded by healthcare sector specialists. Evolve seeks to partner with European healthcare companies to help them achieve their growth and strategic repositioning goals. With Arquisocial as its platform, Evolve aims to create the first pure-play homecare platform of scale in Spain's highly fragmented market. Arquisocial is a signatory of the UN Global Compact.

Arquisocial is actively integrating sustainability into its business

01

A public ESG strategy is in place and aligned with SDGs 3 (Good Health & Wellbeing), 5 (Gender Equality), 8 (Decent Work and Economic Growth) and 12 (Responsible Consumption and Production).

02

Its certified Environmental Management System based on ISO 14001 has been in place since 2009, based on ten principles designed to reduce environmental impact and increase sustainability both within the company and in collaboration with local communities and environmental organisations.

03

The company is focused on transparency and communication; it published its first sustainability report for 2022 in 2023.

Arquisocial

Achieved reduction in environmental impact

In 2023, the company achieved the following year-on-year reductions:

01 — 29.9% decrease in absolute water consumption due to water saving measures.

02 — 17.0% decrease in absolute electricity consumption.

03 — 3.9% decrease in absolute gas consumption.

04 — 30.8% decrease in carbon footprint (Scope 1 and 2 emissions) due to energy efficiency and process optimisation (including heating systems supported by solar energy, smart control and kinetic energy recovery systems on elevators and LED lighting with motion sensors).

Investment in people

To support its social objectives, the company is prioritising staff training with:

01 — €250k spend on training in 2023, 8% increase from 2022 and 59% increase from 2021 – 50% of training hours spent on technicians of service and 34% for direct attention professionals.

02 — 19.28 hours of training per professional.

Humens

Explanation of the business:

Humens is a market-leading specialty minerals company in Europe and Asia, with a focus on sodium bicarbonate and soda ash production. The company operates a major plant in France and a smaller facility in Singapore, with a combined output of over 650kT of these essential minerals used by the pharmaceutical, health, human food, animal feed, cosmetics, environmental, and detergent industries. Together with independent sponsor Leto Partners, who acquired the company in 2023, Humens aims to leverage its 160-year operating history and its commitment to sustainability and decarbonisation to further solidify its market leadership and expand its environmental initiatives, which are expected to lead to margin improvement. Humens is committed to the UN Global Compact.

Humens has a clear ESG strategy

01

Humens has a four-pillar CSR strategy: Climate Change & Environment; Safety, Quality and Compliance; Innovation and Creating Sustainable Value; and Care and Commitment.

02

The company has had an ESG director since November 2023.

03

Various targets are in place including: 50% carbon emissions reductions by 2026 (vs. 2016 base year), carbon neutrality in 2035, phase out of coal expected during 2026, and a 10% water intensity reduction by 2030 (vs. 2019 base year).

04

Humens is aiming to release a CSR report in mid-2025.

Humens

Image: Humens' Novawood biomass cogeneration plant

Energy transition is core to Humens' business plan

Two key projects related to energy transition will reduce both CO_2 emissions and exposure to energy cost volatility:

01

The first project, Novawood, commenced operations in 2023. It involved the construction and launch of a biomass cogeneration plant which should enable the company to reduce its carbon emissions by 150k tons/yr.

02

A second project in partnership with Suez (a major provider of environmental services), Novasteam, is in development and will enable the production site to diversify its energy mix using Refuse Derived Fuel (RDF). The construction of the RDF power plant should enable Novacarb to definitively cease coal usage and ensure the long-term future of the site.

Humens has made significant progress in reducing its water consumption

The company has worked to reduce water consumption with long-term investments in cooling towers that began in the 1970s, with the most recent upgrades made in the early 2010s. Over the past decade, these systems have reduced water withdrawals by approximately 50% compared to what would have been needed without them.

The company has an ongoing action plan to achieve a further 10% water intensity reduction by 2030 (vs. 2019 base year).

Suir

Explanation of the business:

Suir Engineering is headquartered in Ireland and provides specialist mechanical and electrical engineering solutions for the data centre, pharmaceutical, and electrical power and renewables sectors. Services include complex cabling and control systems for high voltage connectivity. The company was acquired in 2022 by Duke Street, a mid-market UK-based independent sponsor, in a carve-out from a large utility company. ESG is a key focus for Duke Street and Suir, as it is becoming a more significant aspect of the company's bidding process, both as a growing requirement in tenders and as Suir's potential differentiator from competitors.

Suir has strong governance related to sustainability

01

Suir hired a Head of Sustainability in June 2024. The role will focus on mitigating risks and promoting opportunities across all material ESG impacts. Additionally, the new hire will ensure compliance with non-financial reporting requirements, such as the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy.

02

A Sustainability Committee was established in September 2024 (including the Head of Sustainability, CEO, COO, CFO, Head of Strategy, and others). The committee is responsible for overseeing and monitoring the development of sustainability strategies and supporting initiatives across the business, addressing key ESG impacts, risks, and opportunities. In addition, the committee will guide and approve corporate targets and KPIs, ensuring that sustainability is fully integrated into the broader business strategy.

Suir

Suir contributes to the energy transition in several ways

It works on major renewable energy projects, including large-scale wind farms across Ireland.

It supports efforts by the Irish government and the EU to promote renewable energy solutions.

It supports innovative environmental technologies across the energy sector.

Suir is focused on training

Staff are trained to comply with BREEAM and LEAD as well as technology standards, including energy-efficient HVAC systems that meet ASHRAE certification criteria. Adherence to these standards supports the firm’s desire to take greater social responsibility, and also offers substantial benefits to customers, both in terms of reducing costs and ensuring that projects are fully compliant with the most rigorous industry regulations.

Plenergy

Explanation of the business:

Plenergy (formerly known as Plenoil) is a leading operator of Spanish low-cost petrol stations with EV charging. The company has carved out a niche in the Iberian market, capitalising on the increasing demand for affordable fuel options in the region. The company was acquired by Portobello in 2024. Founded in the early 2000s, Portobello is a prominent independent private equity firm based in Spain, specialising in mid-market opportunities. Plenergy is part of Portobello's Opportunity PSP FUND I SCA SICAV-RAIF which is classified as Article 8 under the EU SFDR as it promotes environmental and social objectives (specifically, alignment with the following SDGs: 7. Affordable and clean energy, 8. Decent work and economic growth, 9. Industry, innovation and infrastructure, 12. Responsible consumption and production, 13. Climate action and 16. Peace, justice and strong institutions).

Plenergy is taking action on sustainability

01

Plenergy created a sustainability department in 2022 which reports directly to the CEO and participates in the Management Committee. The company is committed to developing and implementing ESG competencies in its Board of Directors and has created an ESG committee, including top managers.

02

In 2023, the Board approved an ESG strategy (incorporating a series of ESG policies and targets) aimed at establishing the company as a sustainability leader. Key initiatives include integrating ESG into its decision-making processes, improving stakeholder engagement, installing electric chargers at service stations, and implementing a decarbonisation plan.

03

Plenergy has a decarbonisation plan for 2023-2025 (scope 1-2) and is taking action to measure scope 3 emissions, beginning in 2026. Its target is 45% reduction in carbon footprint per service station by 2024 and 55% by 2030 vs. the 2022 baseline.

04

Looking ahead for 2025 and beyond, the company is focused on Health & Safety, with annual and cumulative targets for the reduction of the Total Reportable Incident Rate of 25% by 2029 vs. the 2022 baseline.

Plenergy

Plenergy is supporting the transition to EVs and renewable energy

01

While Plenergy still derives the majority of its revenue from the sale of fossil fuels, the company is committed to supporting the transition to EVs in line with the Spanish market.

02

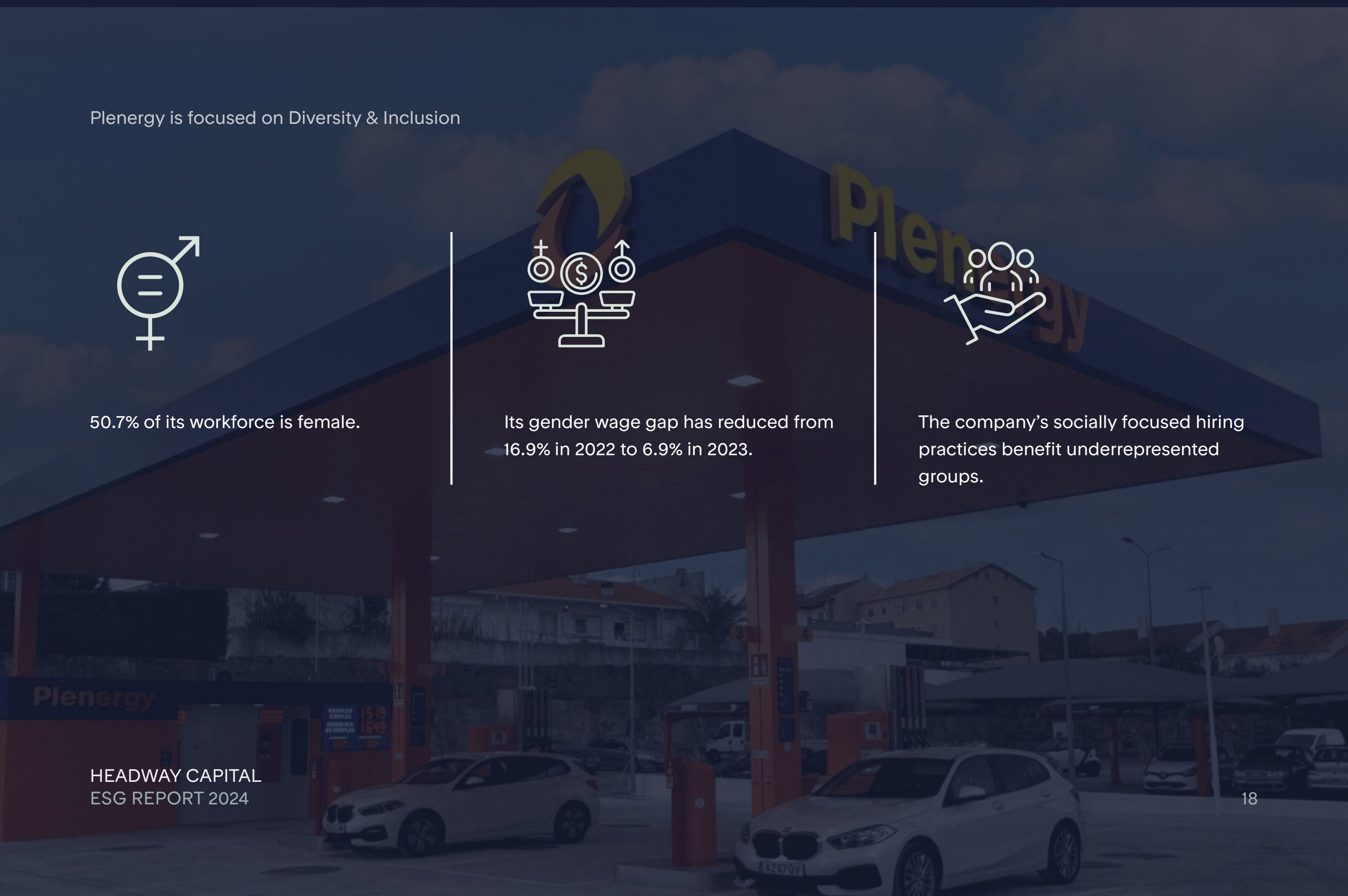
The company is well positioned to take a leading role in supporting the energy transition and currently has EV charging units in 273 stations, which represents over 90% of all its stations.

03

100% of energy consumed at stations comes from certified renewable sources, which contributed to a reduction in Scope 2 emissions of 89% in 2023 vs. 2022. As of early December 2024, 260 stations (96%) have solar panels installed with a commitment to reach 100% by year end.

04

Plenergy has been measuring its carbon footprint (Scope 1 and 2) and in 2023 achieved a 67% decrease in carbon emissions per m3 of store space and a 54% decrease in absolute carbon emissions vs. 2022.



Plenergy is focused on Diversity & Inclusion

50.7% of its workforce is female.

Its gender wage gap has reduced from 16.9% in 2022 to 6.9% in 2023.

The company's socially focused hiring practices benefit underrepresented groups.

Firm level ESG

Diversity and Inclusion

At Headway, diversity is a key consideration within its hiring practices as the firm strongly believes that a diverse and multi-cultural team allows for a wider range of perspectives and a healthier working environment. Headway's team comes from a wide range of countries and backgrounds and speaks 10 different languages. The team also regularly welcomes interns through Headway's six-month intern programme, designed to help candidates gain the necessary experience to enter the private equity industry, with a particular focus on female interns. Below are some additional metrics on gender and background of the permanent Headway team:

	% female	% ethnic minority	% state school*
Total workforce	45%	40%	70%
Investment team (non-Partners)	17%	83%	67%
Partners	29%	29%	71%

** by majority of time spent in education during ages 11-18*

Firm level ESG

Internal culture

Team culture is of high importance to Headway. The firm takes a proactive approach to building and sustaining an open, positive, and collaborative culture, and finds its ongoing partnership with an experienced culture coach an invaluable means by which to achieve this through anonymous 360 reviews and team workshops. Ultimately, Headway seeks to provide a psychologically safe workplace in which all team members feel able to speak openly and to know that they are valued.

- Headway actively encourages its team to contribute ideas on ways the firm can be improved and involves team members on implementations of these ideas. A recent example included associates in the Investment Team taking the initiative to explore how to use AI at Headway. They took responsibility for researching different AI tools to streamline our investment process, followed by testing, selection, negotiation and implementation.

- Headway's most recent culture workshop took place in November 2024 and was centred on "Active Listening and Feedback", a topic selected by the team. As a result of the discussions during the workshop, Headway has since initiated the development of improved feedback processes within the team, both informally and through structured channels.

- Headway's 21-person team has grown significantly in recent years. As the firm grows, Headway takes a proactive approach to encouraging social events to allow the team to strengthen relationships, especially between those who do not work closely together on a daily basis. Headway recently celebrated its 20-year anniversary and the closing of its latest fund HIP V this year with a team offsite to Tuscany.

Headway is independent and owned fully by its partners; all team members participate in carried interest, which the firm believes is an important and effective means by which to achieve team alignment.

Headway prioritises the personal growth and development of all team members. As part of its commitment to this, Headway is developing a long-term succession plan to provide visibility on career progression.

Looking forward

Headway is pleased with the progress made so far on its ESG journey and looks forward to building on this as it learns from experience and continued ESG engagement. Headway recognises the importance of transparency and is committed to continuously improving ESG-related disclosures and communications to its investors, starting with the publication of this first annual ESG report.

Since HIP V's investment period began in September 2022, Headway has excluded several investments on ESG grounds but has not tracked this number. Going forward, this will be tracked using the firm's recently upgraded CRM pipeline platform.

Headway's priority goals for the coming year include:

01 Continued use and development of the ESG Framework (including regular evaluation of format and type of information collected).

02 Continued annual KPI collection and expansion of the KPIs, with new KPIs recently added due to learnings from engagement in the PRI reporting process.

03 Use of data available from both the ESG Framework and annual KPI collection to target specific engagement opportunities within the portfolio as selected by Headway's ESG committee on a quarterly basis: for example, encouraging managers to improve ESG practices (such as developing a responsible investment policy where there is not one in place) or requesting that ESG responsibility or accountability is assigned to at least one portfolio company board member.

04 Improving Headway's internal ESG knowledge and practices, including training for all investment team members.

Headway looks forward to providing you with an update on the progress of these initiatives in its next ESG report in the second half of 2025.

Thank you
for your interest
in Headway and its
engagement with ESG.

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