



ARCLINE

## RESPONSIBLE INVESTMENT POLICY

Arcline Investment Management ("Arcline" or the "Firm") seeks to incorporate Environmental, Social, and Governance ("ESG") considerations into our investment process and the operation of majority owned Arcline fund portfolio companies ("Portfolio Companies"). The purpose of this policy is to outline the responsible investing efforts of the Firm and our Portfolio Companies.

### Philosophy:

Arcline recognizes the criticality of evaluating and monitoring ESG risks and opportunities associated with the companies in which we invest. We believe that ESG policies can improve returns when implemented correctly and be detrimental to returns when ignored. This policy provides the framework for our efforts to incorporate ESG risk and opportunity oversight in balance with our broader goals of investor returns and is consistent with our fiduciary duty. ESG factors that are included in our evaluation of investment opportunities and/or the operation of our Portfolio Companies in accordance with this policy may include some or all of the below:

- **Environmental factors** relating to the health of our environment and natural ecosystems.
- **Social factors** relating to the rights, well-being, and interests of our stakeholders.
- **Governance factors** relating to ethical behavior and responsible decision making.

Arcline seeks to invest in technology driven, meaningful to the world industrial businesses that enable a better future.

We focus on investing in businesses that have the potential to impact society on a global level. As such, we seek to align the ESG practices of the Firm and our Portfolio Companies with the principles outlined in the United Nations (UN) Global Compact, and are taking steps to formalize our assessment of investment opportunities and/or the operation of our Portfolio Companies by reference to some or all of the UN Sustainable Development Goals (SDGs). Additionally, this policy has been informed by certain of the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) and relevant provisions of the Paris Agreement, as applicable.

### Purpose:

This policy has been developed to outline Arcline's approach to managing ESG risks and opportunities in the Firm's evaluation of investment opportunities and/or the operation of our Portfolio Companies. Where relevant, ESG considerations must be weighed in conjunction with other investment criteria, opportunities, and risks of Portfolio Companies.

### Roles and Responsibilities:

Arcline's Head of ESG, its Chief Financial Officer, and various members of the Arcline Value Creation Group,\* are responsible for defining, implementing, and updating this Policy, as needed. These individuals set the responsible investing standards and associated implementation tools within the firm and our Portfolio Companies. They also administer regular ESG trainings to update Arcline team members on the evolving standards as well as trainings to support Portfolio Companies with ESG management best practices. Arcline and its Portfolio Companies also utilize external ESG resources where necessary or desirable.

ESG considerations are relevant throughout the investment process. The responsibility for implementing this Policy in the context of the Firm's investment operations is shared by members of the team working on each investment, with ultimate oversight from Arcline's CEO.

### ESG Integration into Investment activities:

Arcline believes ESG topics can be considered in multiple stages of the Firm's investment lifecycle. Relevant ESG considerations will vary by company and sector and may include, but shall not be limited to:

#### Environmental

GHG emissions  
Energy management  
Waste reduction  
Climate change

#### Social

Labor practices  
Human rights  
Diversity, Equity  
& Inclusion

#### Governance

Business ethics  
Unconscious bias  
Conflicts of interest  
Regulatory compliance  
Anti-bribery & corruption  
Cybersecurity  
Data privacy

### Exclusions

Arcline incorporates an ESG pre-screening process in each investment opportunity evaluation lifecycle which allows our teams to pass on high-risk companies before beginning more detailed reviews. Arcline passes on opportunities directly engaged in the production of any of the following:

- Alcohol
- Tobacco/Cannabis
- Firearms
- Adult Entertainment
- Gambling

## Conflicts of Interest

Arcline seeks to identify and mitigate any conflicts of interest with respect to its approach to ESG integration or ESG-related commitments made by the Firm. Our governance structure, policies and procedures enable us to appropriately identify and manage risk and potential conflicts of interest at the Firm level. Additionally, where applicable, Arcline will endeavor to assist Portfolio Companies with employing governance structures that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest.

## Pre-investment

Arcline endeavors to identify material ESG considerations during the due diligence review of investments using our ESG Screening Checklist. The Checklist includes the pre-screening process noted above, a predefined list of topics in the ESG categories that are relevant across all investments, and potentially material topics identified by the company's industry as aligned with the Sustainability Accounting Standards Board (SASB). Our due diligence review process may also include end market and business model screening, management team interviews, reviews by third party service providers including environmental liability assessments, and operating site inspections. ESG factors identified as material and deemed "high risk" will be flagged and passed along to the investment team before beginning more detailed reviews.

\* Arcline's Head of ESG is a member of the Arcline Value Creation Group. Compensation and expense reimbursements received by Arcline Value Creation Group members is borne by the funds and their actual or prospective portfolio companies.

## Stewardship

### Engagement

Where there are material issues identified during the diligence process, Arcline will seek to include the management of these issues in a post-investment 90-day onboarding plan, or otherwise monitor ongoing progress on these material issues, as applicable. Arcline works collaboratively with senior management of its Portfolio Companies to oversee ESG activities and to build prioritized ESG workplans. A model ESG workplan includes identifying relevant ESG metrics to track, collecting data on these metrics, and developing initiatives to improve performance. Portfolio Companies track their metrics consistent with Arcline's internal database to identify trends and track progress over time. Material ESG matters are identified and may be discussed during the Portfolio Company's quarterly board meetings. If any Portfolio Company consistently and materially fails to meet ESG program requirements, a member of the ESG committee will escalate the situation to one or more members of the investment team working on the relevant Portfolio Company to discuss with management the actions needed to meet ESG program requirements.

### Sustainability

In keeping with Arcline's focus on investing in companies whose products and services impact the greater good, we encourage and seek to work collaboratively with our Portfolio Companies to baseline emissions, develop energy efficiency initiatives, and develop waste stream reduction initiatives to improve overall sustainability. We also support our Portfolio Companies in identifying how their operations can support the execution of the United Nations Sustainable Development Goals (SDGs). Finally, we support our Portfolio Companies in identifying material human rights issues that may impact employees, supply chains, and reputational risk.

### Human Rights

Arcline acknowledges that human rights risks can exist in business operations and supply chains and respects internationally recognized human rights standards, as applicable. This may include rights expressed in the International Bill of Human Rights and forms part of Arcline's ESG pre-screening process to verify compliance with regulations around labor practices and employee health and safety.

### Transparency & Reporting

Arcline is dedicated to transparency and incorporates ESG reporting annually to both the public and to investors on relevant or material ESG topics.