

ARCLINE

ESG Report

2021

ARCLINE 2021 ESG REPORT

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“Our vision is to engage with companies that offer meaningful solutions to creating a better future.”

Greetings,

We are pleased to share Arcline's inaugural ESG Report. At Arcline, we seek to invest in companies that are meaningful to the world and enable a better future. We employ an investment thesis founded in identifying companies whose products and services impact the greater good.

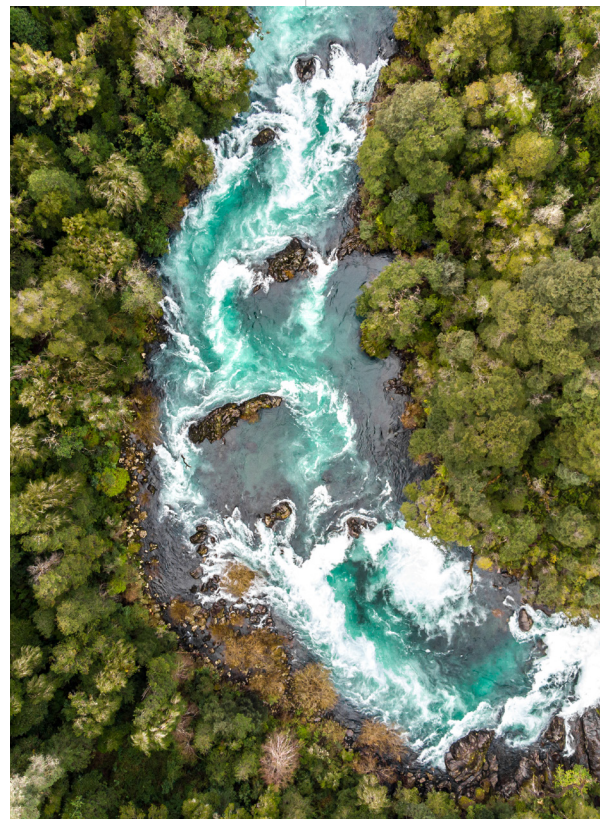
We believe that environmental, social and governance (“ESG”) factors can fuel returns when proactively fostered and can be detrimental to returns when ignored. Our team understands that evaluating and monitoring ESG performance of the companies in which we invest can contribute to the success of our investment thesis.

This report was developed to share our commitment to ESG and our vision for the evolution of our ESG program – a key component in facilitating our work towards creating a better future.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Rajeev Amara', followed by a long horizontal line.

Rajeev Amara, CEO





ABOUT US

Arcline Investment Management is a growth-oriented private equity firm with **\$4.4 billion** in cumulative capital commitments. Arcline seeks to invest in **technology driven, meaningful to the world industrial businesses** that enable a better future.

OUR COMMITMENT

ESG at Arcline

Our ESG philosophy is embedded within our team culture. Arcline has an established ESG policy that governs the ESG practices of our firm and provides our entire team with a framework for evaluating ESG risks and opportunities. We recognize that we cannot be complacent managing the ESG practices of our firm and our portfolio companies. As we move forward in our ESG journey we expect to continually review and update our ESG policy and its supporting practices.

ESG in Investments

We are committed to investing in companies offering solutions that are relevant to the future needs of our society, including in sustainability, climate change, health and safety, and life saving technologies. We recognize the criticality of enhancing the ESG practices of companies in which we invest and seek to support our portfolio companies in advancing their ESG programs.

Diversity, Equity, & Inclusion

Arcline believes that people are the most important part of what makes every business successful. We are committed to workforce diversity, equity in compensation, and an inclusive culture. Our year over year improvement is driven by our continued focus on diversity in our hiring programs.

“Arcline is committed to DE&I across the portfolio and is inspired by the UN SDG goal of Gender Equality. We actively seek to ensure equal opportunities for women and other underrepresented groups at all levels of leadership.”

JACKIE CHAPIN, VP OF TALENT





37%

of Arcline team members
are **women***

58%

of Arcline team are from
underrepresented groups†

53%

of new hires in 2021
are **women**

67%

of 2021 new hires are from
underrepresented groups‡

Committed to Growth in Diversity

* As of December 21, 2021. In 2020, our team consisted of 27% women.

† As of December 21, 2021. In 2020, our team consisted of 55% underrepresented groups.

‡ For the purposes of this report, the term "underrepresented groups" refers to females, non-white males, and LGBTQ+.



Our Approach

Investment Thesis >

Arcline seeks to invest in businesses that are meaningful to the world, including delivering products and services that can enable a more sustainable future.

We pre-screen investment opportunities for ESG considerations as part of our evaluation lifecycle thereby enabling our teams to pass on opportunities which are not aligned with our commitment to ESG. This includes screening out opportunities with major exposures to specific sectors, such as fossil fuels, which do not meaningfully contribute to creating a better future. In 2021, Arcline passed on 34 deals that were not aligned with our ESG commitments.

Diligence >

Arcline endeavors to identify any material ESG considerations during the due diligence review of each investment.

Generally, our due diligence review process includes end market and business model screening, management team interviews, operating site inspections, and often reviews by third party service providers including environmental liability assessments. This process allows us to identify and prioritize ESG risks and opportunities.

Ownership >

Arcline engages in the active ownership of its majority-owned portfolio companies.

Each majority-owned portfolio company's ESG performance is tracked through an annual metrics collection process. Topics addressed for all such portfolio companies as part of the annual review include energy initiatives, waste reduction initiatives, diversity, employee engagement, safety, and governance practices. In addition, specific metrics for certain such portfolio companies based on the company's unique value proposition may also be tracked.





3 GOOD HEALTH AND WELL-BEING

AKRON BIO

Critical component in 100+ emerging cancer-fighting therapies

ChargePoint

Safety products used in the manufacturing of 100+ cancer-fighting therapies

INTEGRATED POLYMER SOLUTIONS

Components enabling insulin pumps in 200,000+ type 1 diabetics

mmt

Precision machinery making minimally invasive surgical instruments

RESOLUTION MEDICAL

Developing minimally invasive devices in complex therapeutic areas

P+s

Technology enabling delivery of novel lifesaving therapies



7 AFFORDABLE AND CLEAN ENERGY

ACC Air Comm Corporation

Enabling systems on commuter aircraft, which are up to 40% more efficient than 1,000+ jet aircrafts under 400 miles

COOPER MACHINERY SERVICES

Equipment reducing millions of tons of CO2 from transportation of natural gas

VOLTYX

Critical services to 1,000MWs of wind/solar generation in the U.S.

pdc

Equipment enabling thousands of clean hydrogen fueling stations



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

FAIRBANKS MORSE

Solutions that support national security, peace, and democracy

Quantic ELECTRONICS

Critical components to support the modernization of our national security



11 SUSTAINABLE CITIES AND COMMUNITIES

AMERICAN ELEVATOR GROUP

Critical safety and other services to 32k+ elevators

Standard ELEVATOR SYSTEMS

Solutions modernizing the safety of thousands of elevators

Dwyer

Components used in systems targeting indoor air quality, energy efficiency, and net zero emissions in buildings



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

PRIDE ENGINEERING

Equipment that eliminates billions of single-use plastic bottles

In 2015 the United Nations officially adopted a set of 17 goals, referred to as the **Sustainable Development Goals (SDGs)**. The SDGs provide a global framework for the peaceful, economic development of a sustainable future.

We work to identify how each of our companies' unique value propositions can align with the SDGs. Some of these activities are outlined here.

As our ESG program evolves, we hope to incorporate metrics collection and performance tracking aligned with these SDGs and share our progress in future disclosures.

2021 Portfolio Company Impact



645k Tons

CO₂e reduction for customers*
(Scope 3 Impact)

1,242 Tons

CO₂e reduction within company footprint*
(Scope 1 & 2 Impact)

1,517 Tons

Waste stream reduction within
company footprint



40%

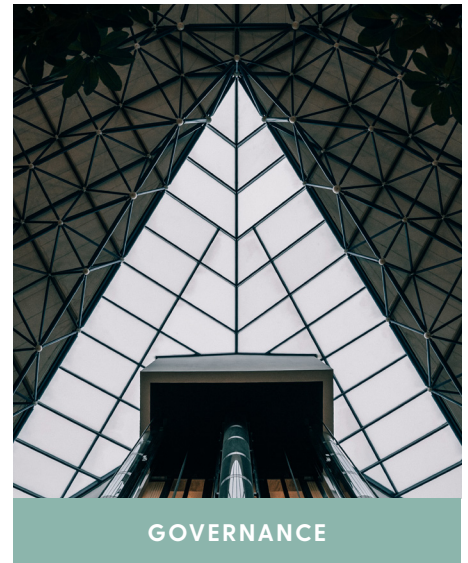
Average Executive & Board Diversity**

59

Average portfolio company
employee engagement survey
score[§], administered by Entromy[®]

1.62

Total Recordable Incident Rate
(TRIR, OSHA metric)*



93%

Adherence to Arcline Human
Resources Guidelines[‡]

100%

Adherence to Arcline Board
Governance Guidelines

100%

Adherence to Arcline
Cybersecurity Guidelines

Note: All estimates are annualized impact as of 12/21/2021. See next page for additional initiative detail.

*Company footprint refers to emissions related initiatives that impact portfolio companies directly.

Customer impact refers to emissions related initiatives that impact portfolio company's value chain (customers and supply chain).

**For the purposes of this report, a diverse team member includes females, non-white males, and LGBTQ+.

[§] 5% higher than median.
The Entromy[®] survey is completed annually by all portfolio company employees and measures employee engagement, culture, and overall company health. Arcline's self-identified peer group has a median score of 56 and top quartile score of 66, as of 12/21/2021.

*0 is ideal, 2.9 is average TRIR for all industries in 2020.
Source: https://www.bls.gov/web/osh/summl_00.htm

[‡] One portfolio company is currently implementing an HRIS system to deliver sufficient training for employees beginning January 2022. This will bring the portfolio to 100% adherence.

2021 Initiative Highlights

CUSTOMER IMPACT



644,439 tons CO₂e reduction from customer use of PDC hydrogen compressors for clean vehicle refueling



1,268 tons NO_x reduction on customer owned machines through turbocharger, fuel injection, and control valve upgrades.



FAIRBANKS MORSE

54,800 gallons of fuel use reduction from Fairbanks Morse Defense's first customer fuel injection retrofit kit

ENERGY & CLIMATE



35kW solar array installed



2,000 trees planted



260 lbs of R22 refrigerant replenishment mitigated

6 LED lighting projects totaling 1,116,518 kWh



WASTE REDUCTION



4,000 lbs of heavy metal usage eliminated through power cylinder product redesign

650 tons of cast iron saved by a new turbo refurbishment offering



30,000 gallons of recycled waste oil



9,700L of organic solvent reduced via process improvement



100,000 single-use plastic bottles eliminated through refueling water stations and reusable containers on site



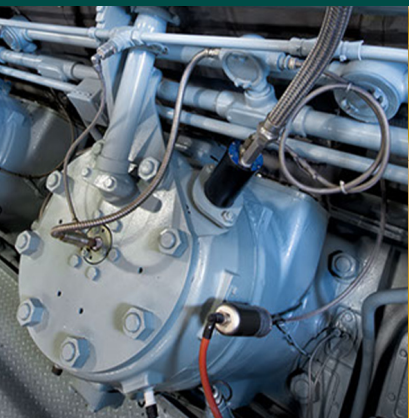
\$6,000 saved by switching from single-use to reusable personal protective equipment



4 scrap reduction programs totaling 1.3 million pounds of avoided waste

Success Stories

ENVIRONMENT • SAFETY • COMMUNITY • DIVERSITY & INCLUSION



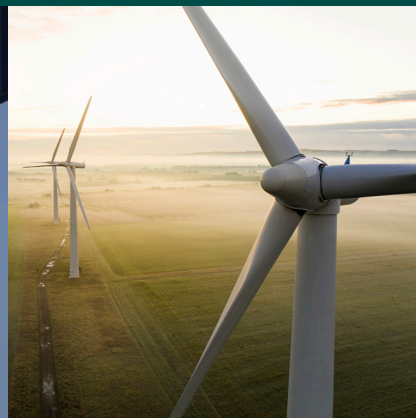
COOPER | MACHINERY
SERVICES



A AMERICAN
ELEVATOR GROUP



DCI
MACHINES.COM



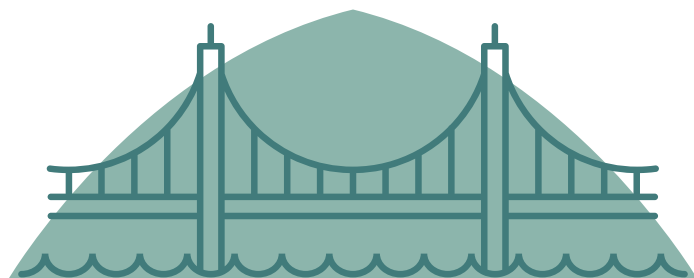
V VOLTYX™



ENVIRONMENTAL PERFORMANCE

Helping Customers Transition to the New Energy Economy

Cooper Machinery Services (Cooper) has been producing mission critical, durable industrial equipment since 1833. Cooper serves customers by keeping their engine and compressor equipment running in a safe and controlled manner. Cooper's core business has historically been to provide proprietary parts, repair, and overhaul services to its installed base of 10,455 customer owned units*. Cooper has proactively developed a suite of emissions reduction solutions that help customers transition to the new energy economy. Their solution encompasses upgrades to turbochargers, fuel injection controllers and valves, air/fuel mix controllers and valves, and electronic fuel controls. In 2021, Cooper completed 6 projects totaling up to 1268 tons of annual NOx reduction on the upgraded customer units.



A 50-million-ton pile of coal is approximately 746 feet high and 8890 feet in diameter. These dimensions are similar to the height and length of the Golden Gate Bridge, which is 746 feet tall and 8,980 feet long.

Potential emission reductions for upgrading all 10,455 customer owned units would result in:

METHANE EMISSIONS REDUCED BY

13%

=

ANNUAL EMISSIONS FROM

~140,000

PASSENGER VEHICLES¹

NOx EMISSIONS REDUCED BY

78%

=

ANNUAL EMISSIONS FROM

50M TONS

OF THERMAL COAL

*As of 12/21/2021

¹ Source: EPA Greenhouse Gas Equivalencies Calculator <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>



In the most recent employee satisfaction survey, #1 organizational strength was that **AEG prioritizes safety** with 97% of employees agreeing

WORKFORCE SAFETY

Sustaining a Culture of Safety

American Elevator Group (AEG) is a leading independent provider of maintenance, repair, and modernization services to commercial and residential elevators. AEG prioritizes employee safety as part of its business strategy. AEG's focus on safety is not only recognized by the organization, but also by its employees, who identified AEG's safety priority as the organization's number one strength in its 2021 employee satisfaction survey.

EMPLOYEE EDUCATION

Theory

Half-day classroom training for all teams completed in 2021

Selective Practical Reinforcement

On-the-job field training. Positive reinforcement, putting concepts to work.

Live evaluation and risk rating

Safety at American Elevator

750+

elevator techs nationwide*

Executive Safety Council

meets monthly

Monday morning Toolbox Talks

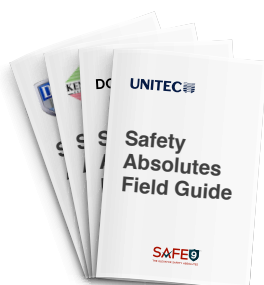
operating teams can engage on safety topic and submit verification

Clear guidelines, proper equipment

harnesses aged correctly and to be worn properly

SAFE9
THE ELEVATOR SAFETY ABSOLUTES

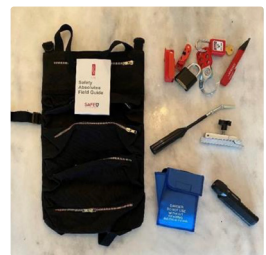
Robust safety management system



Handbook with safety rules for every employee



Mobile app for job hazard analysis, standard operating procedures



\$800 safety bag with Personal Protective Equipment for all techs

*As of 12/21/2021



WOMEN IN LEADERSHIP

Inspiring Female Leadership in Our Local Community

PDC Machines (PDC) is a leading global manufacturer of hydrogen gas compressors for hydrogen refueling stations. PDC specializes in providing complete solutions for alternative energy applications and is a premier supplier of gas compressors for the automobile, bus and material handling fueling market.

In May 2020, PDC was honored to present at the Women's Speaker Series at Little Flower High School, an all-girls high school in Philadelphia, PA. Three of PDC's distinguished female engineers shared their experiences of why they chose engineering as a profession and their professional journey that led them to their careers at PDC. To showcase the significance of their work and to the delight of the students, the PDC engineers provided a live demonstration – in the form of a hydrogen powered car!

According to the US Census, women represent only **27% of STEM** workers even though they comprise nearly **half** of the US workforce.¹

Programs like PDC's participation at Little Flower High School's speaker series can help inspire young women to choose careers in science, technology, engineering, and math (STEM).



¹ <https://www.census.gov/library/stories/2021/01/women-making-gains-in-stem-occupations-but-still-underrepresented.html>



Due to new talent acquisition efforts beginning Q1 '21, Voltyx has increased their diverse headcount by 16% within the STEM jobs in their business.

DIVERSITY & INCLUSION

Powering Up Careers

Voltyx provides highly technical, outsourced substation services to a diverse universe of utility, renewable, data center, industrial, and other US customers. Voltyx's scale, breadth of services and technical capabilities position the company as a leader within the substation services market.

The electrical grid services business traditionally has had limited diversity. Voltyx is working to change this business model and has actively engaged in a number of initiatives to promote an inclusive and diverse workplace. These initiatives include well articulated and communicated employee workplace policies, vendor/sourcing partnerships, employee suggestion programs, leadership training and a recruiting model to help ensure representation from underrepresented populations.

Since putting the new talent acquisition efforts in place in Q1 2021, Voltyx has increased their diverse headcount by 16% within the STEM (science, technology, engineering and math) jobs in their business.

In 2022, Voltyx plans to launch an applicant tracking system to better understand the factors that contribute to successful recruiting of diverse candidates.

DIVERSE RECRUITMENT

To ensure a pipeline of talented employees from diverse and inclusive backgrounds, Voltyx participates in diverse candidate job fairs, military and military family only fairs and government job boards.

Voltyx actively recruits through the following networks:



women for hire

THE BLACK PERSPECTIVE

disabledperson

HIRE HEROES USA

FEDAY

US MILITARY PIPELINE

W O M E N

VETERANS ENTERPRISE

RALLYPOINT

