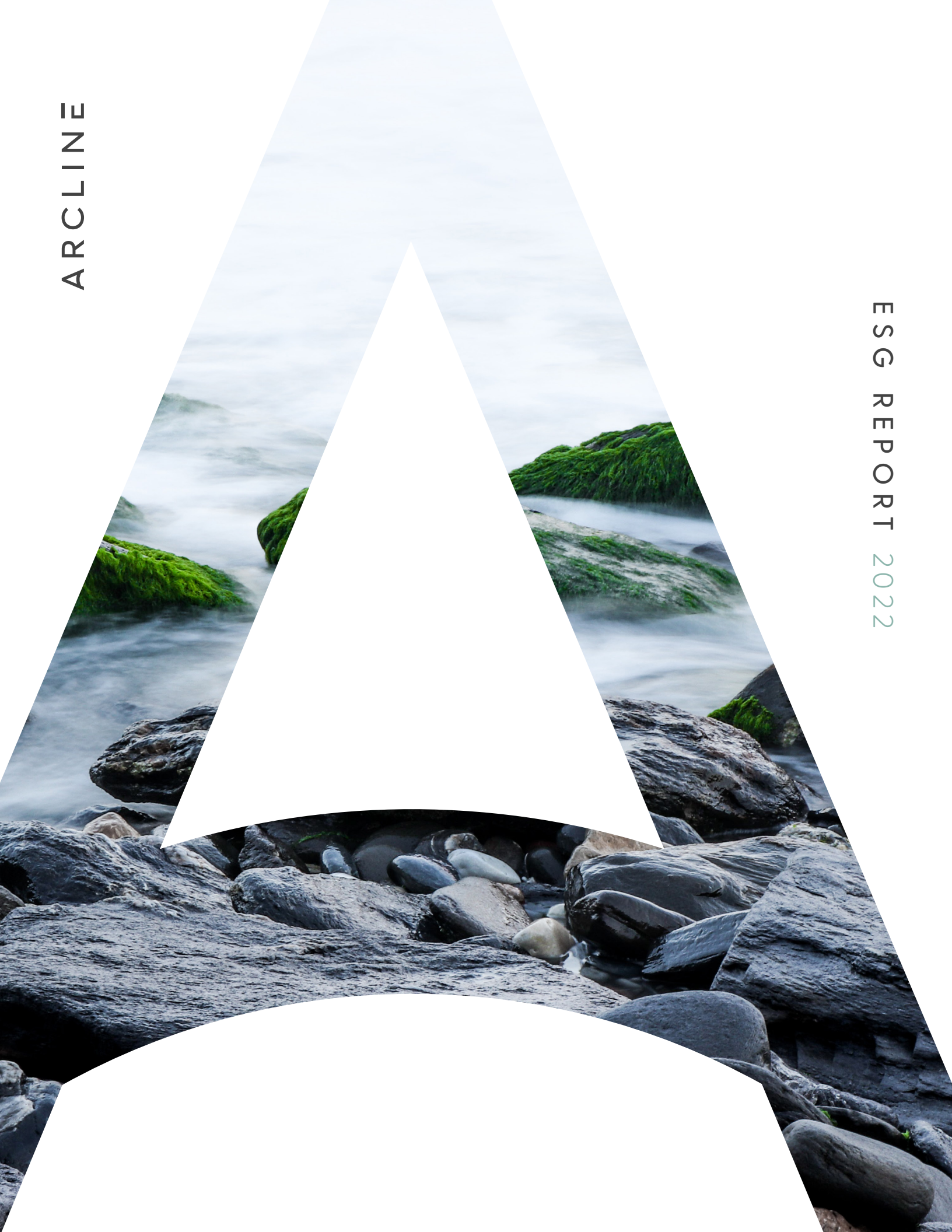


ARCLINE

ESG REPORT 2022





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“We seek to invest in companies that are meaningful to the world and enable a better future.”



Greetings,

We are pleased to share Arline's 2022 environmental, social and governance (ESG) report. At Arline, we seek to invest in companies that are meaningful to the world and enable a better future. We identify companies with a commitment to workforce diversity, equity and inclusion and whose products and services positively impact society. Our portfolio is comprised of businesses whose closest S&P global benchmarks for carbon intensity are software and machinery manufacturers. We will continue to seek to improve our carbon intensity through targeted initiatives.

We believe ESG can fuel returns when proactively fostered and can be detrimental to returns when ignored. Our team understands that monitoring ESG performance of the companies in which we invest can contribute to the success of our investment thesis. In 2022, we formalized our investment screening process for new platform investments to evaluate material ESG topics during diligence and incorporate those findings into our investment review. We revised and strengthened both our Responsible Investment (RI) and our Diversity, Equity and Inclusion (DE&I) policies. We expanded our portfolio oversight efforts to include Scope 1 and 2 emissions baselining. We became a founding member of Ownership Works, a nonprofit dedicated to wealth sharing for all employees. Arline also became a signatory to the Principles for Responsible Investment (PRI) this year.

Very truly yours,

Rajeev Amara, CEO

Signatory of:



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.



AKRON BIO

Critical component in 100+ emerging cancer-fighting therapies

ChargePoint

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

CURAPATH

Technology enabling delivery of novel lifesaving 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

SIGNIA AEROSPACE

Enabling systems on commuter aircraft, which are up to 40% more efficient than 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

FAIRBANKS MORSE DEFENSE

Solutions that support national security, peace, and democracy

Quantic ELECTRONICS

Critical components supporting the modernization of our national security

Qnnect

High reliability microelectronic technology solutions

COREDUX

Critical components enabling advancements in next-generation aerospace and semiconductor technology

AMERICAN ELEVATOR GROUP

Critical safety and other services to 32k+ elevators

HYPERION

Solutions modernizing the safety of thousands of elevators

KINGS III EMERGENCY COMMUNICATIONS

Protecting the public via emergency monitoring and response in 80,000+ elevators

Dwyer

Components used in systems targeting net zero emissions in connected buildings

PRIDE ENGINEERING

Equipment that eliminates billions of single-use plastic bottles

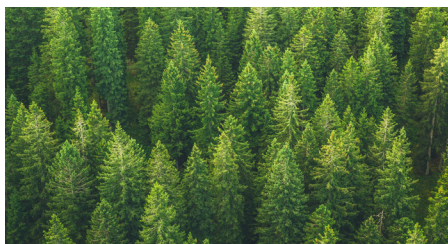
American H<

Engineered parts reducing food waste



Key Portfolio Company ESG Metrics

We are pleased to present our expanded 2022 metrics that apply to each of our controlled portfolio companies (each, a "portfolio company"). In 2022, we broadened the collection of key ESG performance metrics to include Scope 1 and 2 emissions. Arcline partnered with a third party ESG advisory consultancy to provide training at each portfolio company, individual portfolio company guidance, and data collection assistance.



ENVIRONMENTAL

29
Carbon Intensity¹

963
metric tons
CO₂e reduction within portfolio company
revenue generated, aligned to Task Force on
Climate-Related Financial Disclosures (TCFD) reporting.
We collected monthly data from 408 emitter sources
(e.g., utility bills, fuel records, etc.) across 215 active sites
(e.g., factories, offices, warehouses)

2,335
metric tons
Waste stream reduction within portfolio
company footprint from 2022 initiatives

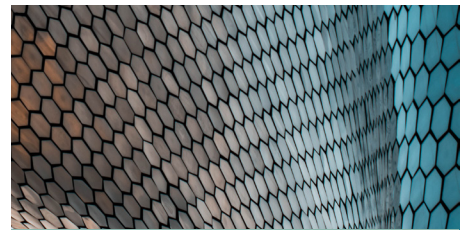


SOCIAL

32% **42%**
Average Executive & Board Diversity³ across
portfolio companies All Employee Workforce
Diversity across portfolio
companies

55⁴
Average portfolio company
employee engagement survey
score⁵, administered by Entromy®

1.70
Total Recordable Incident Rate
(TRIR, OSHA metric)⁶



GOVERNANCE

100%
Adherence to Arcline Human
Resources Guidelines

100%
Adherence to Arcline Board
Governance Guidelines

100%
Adherence to Arcline
Cybersecurity Guidelines

Note: all estimates are as of 11/22/2022. See the 'Our Commitment' section for additional details.

¹ Carbon Intensity represents tons of CO₂e emissions per million dollars of portfolio company revenue generated, aligned to Task Force on Climate-Related Financial Disclosures (TCFD) reporting. We collected monthly data from 408 emitter sources (e.g., utility bills, fuel records, etc.) across 215 active sites (e.g., factories, offices, warehouses).

² Company footprint refers to emissions related initiatives that impact portfolio companies directly.

³ For the purposes of this report, diversity includes females, non-white males, and LGBTQ+.

⁴ Culture, Company Strategy and DEI are among the highest rated average score across portfolio (in the 60-70th percentile). Communication, Hiring, Onboarding, & Growth, and Performance Management are among the lowest rated average scores across the portfolio.

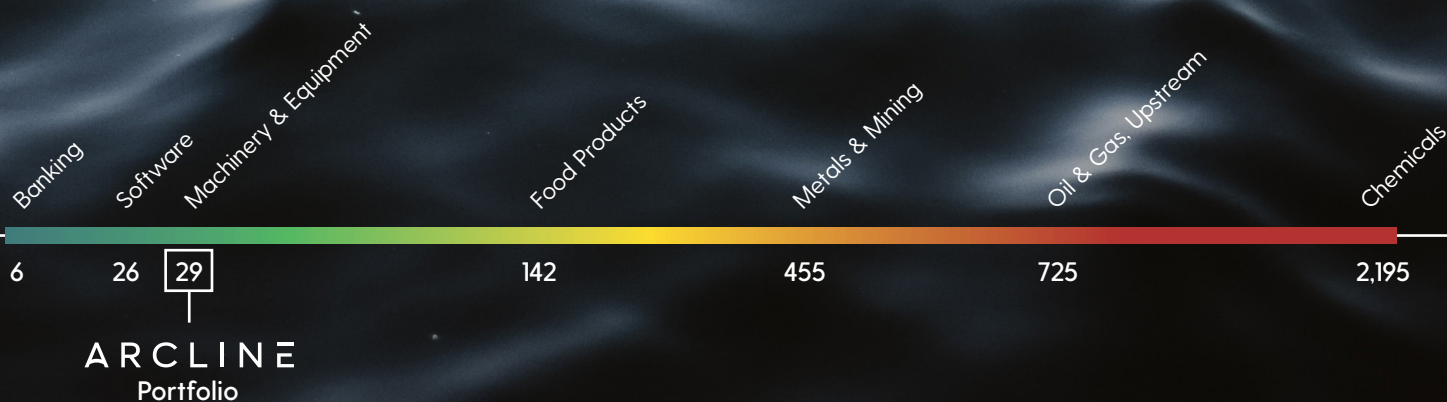
⁵ The Entromy® survey is completed annually by portfolio company respondents and measures employee engagement, culture, and overall company health.

⁶ 0 is ideal, 2.9 is average TRIR for all industries in 2021. Source: www.bls.gov/iif/nonfatal-injuries-and-illnesses-tables/table-1-injury-and-illness-rates-by-industry-2021-national.htm



Arcline's portfolio of high margin, light manufacturing businesses has a carbon intensity of 29 tons of CO₂e emissions per million dollars of revenue generated.

Our closest S&P global benchmark sectors for carbon intensity are software businesses and machinery and equipment manufacturers. At the firm level, Arcline has carbon intensity of 0.1 tons of CO₂e emissions per million dollars of portfolio company revenue managed.





2022 Initiative Highlights

All estimated values are annualized impact as of 11/22/2022

ENERGY & CLIMATE



Built a new LEED Certified facility
450 MWh reduced by decreasing
length of compressor tests



200 MWh saved through HVAC
software



2,000 trees planted



146 MWh saved by consolidating
facilities



68 MWh reduced by installation
of solar panels



8 LED lighting projects totaling 282 MWh



7 recycling programs totaling 1,550
metric tons of avoided waste



WASTE REDUCTION



£9,400 saved by reducing plastic
packaging and paper use



1,384 metric tons of recycled
waste oil



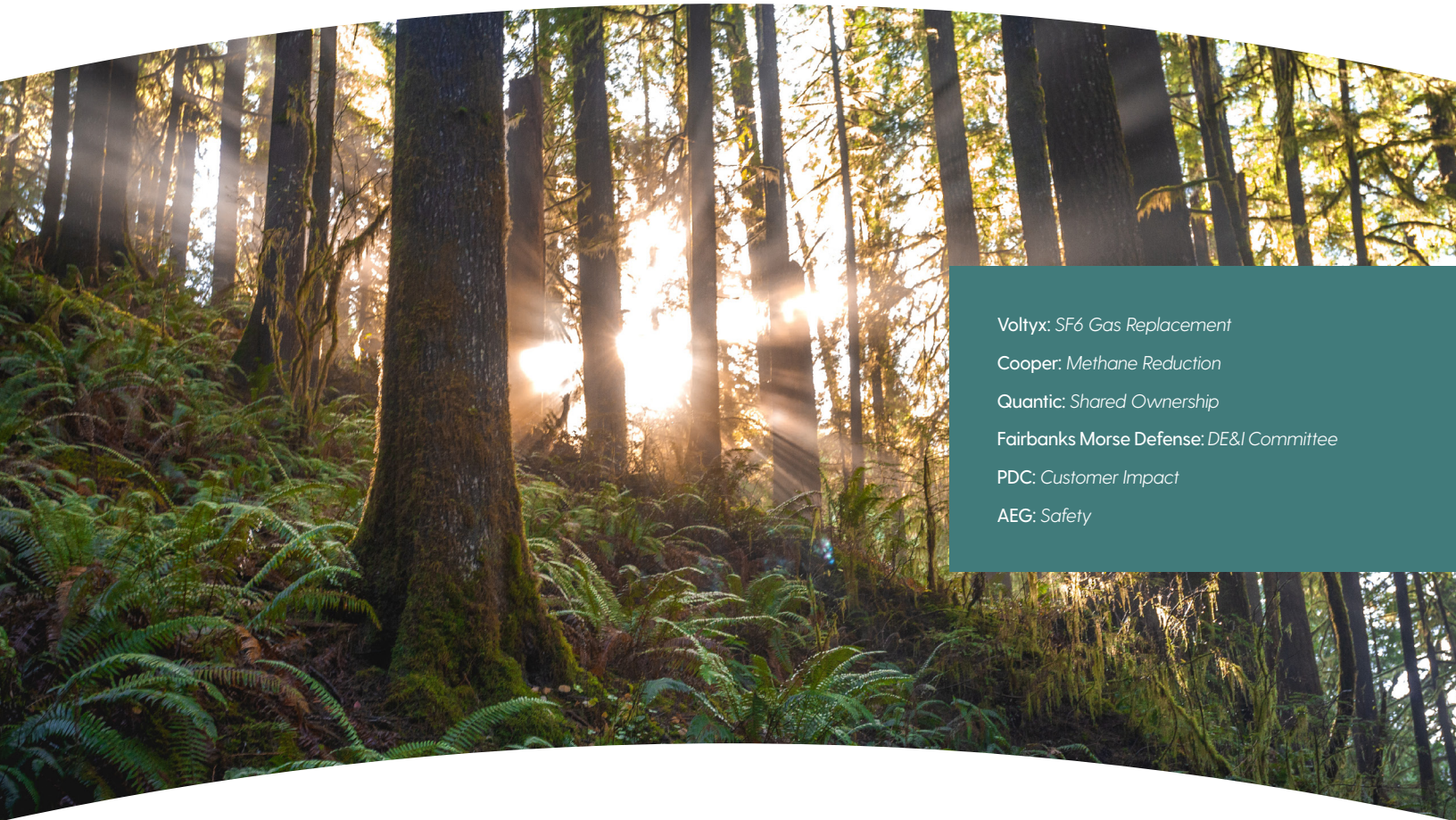
2 unit exchange programs that
extend the useful life on 628 metric
tons of expired materials



3 scrap reduction programs totaling
74 metric tons of avoided waste



SUCCESS STORIES



Voltyx: SF₆ Gas Replacement

Cooper: Methane Reduction

Quantic: Shared Ownership

Fairbanks Morse Defense: DE&I Committee

PDC: Customer Impact

AEG: Safety





ENVIRONMENT

SF₆ Gas Replacement

SF₆ gas is commonly used as an insulative barrier in medium and high voltage breakers, and gas-insulated switchgear (GIS) throughout the electrical grid. Although SF₆ has 22,800 times the greenhouse gas impact of CO₂, SF₆ gas creates no climate impact so long as it remains properly contained within the equipment. However, breakers and GIS are long-lasting equipment which are commonly operated in harsh environments. As the equipment ages, it is susceptible to leaks which are likely to become more severe over time. Voltyx's customers, which include electric utilities and data center operators, have enlisted Voltyx's expertise to identify and remedy these leaks. **The Voltyx Pittsburgh office is one such expert when it comes to leak detection and remedy.**

In 2022, a specialized team traveled across the country to support 30 customers with repair leaks on 130 breakers and GIS, as well as to perform the decommissioning and replacement of 15 units. **This decommissioned and replaced equipment had approximately 16,000 lbs of SF₆ gas capacity, which equates to the emissions of 35,654 cars on the road.***

Although historically SF₆ leak mitigation hasn't been a primary focus of concern, Voltyx expects its service will increasingly be required from its customers as sustainability is integrated into customers' tenets of safe operations.

ENVIRONMENT

Emissions Reduction

Cooper remains focused on developing emissions reduction solutions that help customers to transition to the new energy economy.

This year, Cooper developed a retrofit solution to its popular Ajax line of engines that **reduces methane emissions by up to 68%, NOx by up to 96%, carbon monoxide by up to 23%, and volatile organic compounds by up to 50%**. Cooper measured this outcome on their test engine under full-load and full-speed.

Cooper has also completed load cell testing of its Ajax CleanBurn solution and is working with customers to introduce field testing in spring 2023. Customers are seeking these solutions to bring existing infrastructure in line with new regulations for local air quality and fugitive emissions while achieving their own greenhouse gas (GHG) emissions

targets and environmental goals. There are roughly 2,000 Ajax units running at customer sites today.

Also notable is Cooper's hydrogen development in 2022. **In March, Cooper successfully ran an integral engine using a hydrogen blend.** Cooper has now tested a slow-speed integral engine running on an H2 fuel blend of 63% natural gas and 37% hydrogen with natural gas pipeline infrastructure customers. This blend results in 20% CO reduction, 8.9% CO2 reduction, and 16% CH4 reduction.

Cooper will continue to prioritize methane emissions reductions and further the development of hydrogen fuel blending for AJAX units in 2023 in line with new regulatory efforts.



ENVIRONMENT

Customer Impact

In October 2021, PDC and partners supplied 1 fueling station with 3 compressors and 2 dispensers to the Champaign-Urbana Mass Transit District's 100% renewable hydrogen production station. This station services 23 hydrogen fuel cell electric buses that serve the University of Illinois at Urbana-Champaign campus. This fleet is expected to reduce CO₂ by 3,100 tons annually and save more than 15,000 gallons of diesel fuel per bus each year.

PDC is pleased to be part of this historic project and is actively working on other renewable hydrogen transportation projects.





EMPLOYEE WELL-BEING

Shared Ownership

During 2022, Quantic Electronics deployed an all-employee ownership program to share in Quantic's value creation throughout the current investment cycle. **688 Quantic employees received growth participation units which represent a share of the profit at target exit outcomes.** The median award would be worth \$20,000–40,000 at such outcomes. During deployment, every employee receives a printed share certificate signed by the CEO and attends training on how their share value is calculated. Quantic is planning to provide routine value updates via monthly all-hands meetings and digital bulletins throughout manufacturing sites.





DIVERSITY

DEI Committee

In May 2022, Fairbanks Morse Defense released an ESG Pledge and formed a DEI committee to create and execute on a diversity roadmap; raising the bar for DEI within the company and wider defense industry.

The committee is expected to meet monthly and is comprised of key diverse groups of women, minorities, and additional representatives from each of FMD's five divisions. Together they crafted the call-to-action, "Be you. Be included. Be FMD," to help shape the future of DEI initiatives at the business. They have also started collecting diversity data across the organization that will inform a multi-year strategy and roadmap for the future. A key component of the strategy will be deepening relationships with community partners, with over 30 partnerships with trade schools, employment pipelines, and non-profits. FMD is setting an example of prioritizing DEI in every aspect of the business.

"Fairbanks Morse Defense is intentional in building a team of talented individuals that embrace our core values: **Integrity, Velocity, & Teamwork**. We provide mission-critical performance by attracting, developing, and retaining the best team of diverse, engaged, and empowered employees. This is reflected in how we treat each other, our customers, our suppliers, and the communities where we live and work."

FMD DEI VISION STATEMENT



850+

elevator techs nationwide*

40%

Reduction in Injury Rate

30K+

Completed Job Hazard
Analysis Plans

1K+

Supervisor Inspections

300+

Safety Shoe
Vouchers Redeemed

35K+

Safety Toolbox Talks

**SAFETY
CHAMPION**

Quarterly Safety Champion
Recognition Awards

**SAFETY
COUNCIL**

Monthly Company-Wide
Safety Council

EMPLOYEE HEALTH & WELL-BEING

Safety at AEG

American Elevator Group (AEG) and its employees believe that safety is more than a priority - it is a company value.

Safety is an integral part of the business strategy, and an area AEG takes pride in constantly evolving and expanding. In 2022, AEG introduced new key safety initiatives such as the Job Hazard Analysis, a pre-task risk assessment tool performed at the start of each day, an Annual Safety Shoe program for every employee, and Quarterly Safety Champion Recognition Awards to highlight safety ambassadors exemplifying safety commitment and leadership. For the second year running, employees identified AEG's prioritization of safety as the organization's number one strength in its employee engagement survey.



ESG at Arcline

Arcline updated its RI policy and DE&I policy in 2022. The RI policy governs the ESG practices of our firm, including the evaluation of ESG topics during the diligence and ownership phases of investments. The DE&I policy governs Arcline's commitments to promoting DE&I within our leadership team, employees, advisors, and portfolio companies. It is our goal to continually improve our management of the ESG practices of our firm and our portfolio companies.

In 2022, Arcline completed its first firm-level scope 1 & 2 emissions baseline*.

ESG in Investments

Arcline is 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 lifesaving 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. During 2022 we have taken significant steps to help our portfolio companies baseline their Scope 1 & 2 emissions and deliver operational initiatives to improve overall sustainability.

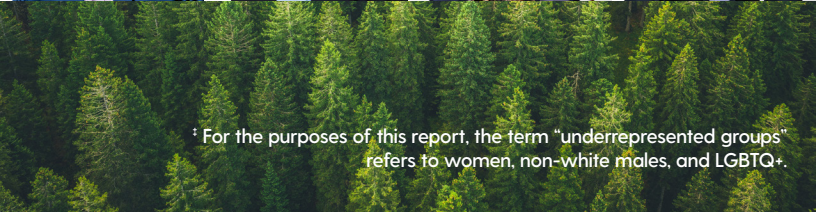
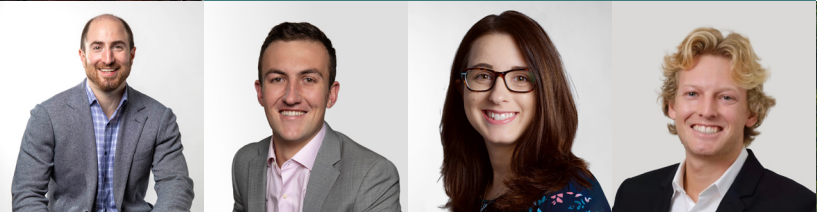
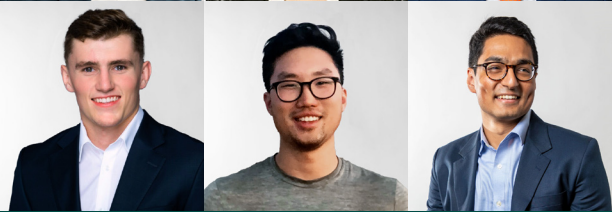
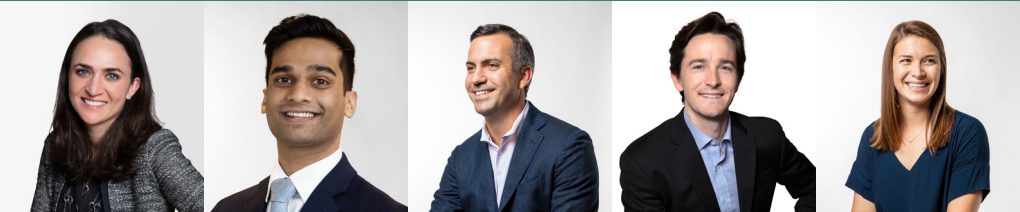
To perform carbon intensity analysis, we identified scope 1 & 2 emissions sources at each portfolio company and collected twelve months of emissions data from October 2021 to September 2022. We constructed the benchmarks by leveraging public-facing information from companies selected for inclusion within the S&P Global 2022 Sustainability Yearbook. Using this data, we created a series of industry carbon intensity benchmarks for scope 1 and scope 2 data across several sectors. These benchmarks were prepared using publicly available emissions and revenue data averaged for years 2020 and 2021.** This benchmarking exercise allows us to understand the carbon intensity of portfolio-wide scope 1 and scope 2 emissions against the performance of recognized sustainability leaders.

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. We strive to hire and retain diverse talent, both within our firm and within our portfolio companies. Our talent team tracks the diversity in our candidate slates and placements in executive search processes to hold ourselves and our search partners accountable to prioritizing DE&I. We require employees involved in hiring to complete DE&I related trainings annually and encourage feedback via an annual Employee Engagement Survey. We promote a culture that respects and celebrates diversity and equal opportunity for all.

*Firm-level scope 1 & 2 emissions baseline includes SF and NY office electricity and heating consumption for last twelve months ending September 2022. Baseline is aligned with GHG protocol corporate accounting and reporting standard.

**2019/2020 averages were utilized for companies in sample set who had not yet reported 2021 emissions data at the time of metrics development.



¹ For the purposes of this report, the term "underrepresented groups" refers to women, non-white males, and LGBTQ+.

ARCLINE



**Ownership
Works**

Arcline is a founding member of Ownership Works, a nonprofit organization that partners with companies and investors to provide all employees with the opportunity to build wealth at work via shared ownership. We are working with two of our portfolio companies to implement shared ownership in 2023.

Ownership Works helps companies implement their four-component model, which includes:

- Structuring & implementing broad-based ownership programs
- Developing a culture of ownership: employee engagement & voice
- Creating a financially inclusive & resilient workforce
- Sharing data, best practices & insight

Shared ownership benefits employees, companies, shareholders, and society. Arcline is committed to supporting companies transitioning to employee ownership via our partnership with Ownership Works.



"We believe Ownership Works will create meaningful wealth for employees, improve company engagement and culture, and enhance business performance."

NEEL BHATIA, HEAD OF TALENT





OUR APPROACH

Investment Thesis >

Arline seeks to invest in businesses that are meaningful to the world, which includes delivering products and services that enable a more sustainable future.

In 2022, Arline formalized its investment screening process for new platform investments to evaluate material ESG topics during diligence and incorporate those findings into our investment review.

Screening >

We screen investment opportunities for ESG considerations as part of our evaluation lifecycle.

Our teams are empowered to pass on opportunities which are not aligned with our commitment to ESG. Arline screens out certain business models and end markets that are not aligned with our ESG commitments. In 2022, Arline passed on 13 deals at this review stage.

Diligence >

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

For each such target, Arline completes an ESG evaluation that is aligned to Sustainability Accounting Standards Board (SASB) materiality topics. Potential ESG risks and opportunities are identified for that potential investment and included in the Investment Review. Arline then leads a due diligence review that includes end market and business model screening, management team reviews, operating site inspections, and often reviews by third party service providers including environmental liability assessments. Arline summarizes these findings in an ESG risks and opportunities page with proposed mitigations included in each such target's investment review.

Ownership >

Arline engages in the active ownership of its portfolio companies.

Where material issues are identified during the diligence process, Arline 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. If not previously in place, ESG leadership is established for all portfolio companies as part of the onboarding process.

Each 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 scope 1 & 2 emissions, energy initiatives, waste reduction initiatives, diversity, employee engagement, safety, governance, and cybersecurity practices. In addition, specific metrics for certain such portfolio companies based on the company's unique value proposition may also be tracked.

