

ARCLINE  
ESG REPORT 2023







Disclaimer .....	3
Leadership Message .....	4
UNSDG Alignment .....	5
2023 Impact	
Key Portfolio Company ESG Metrics .....	6
Carbon Intensity .....	7
2023 Initiative Highlights .....	8
Success Stories	
Kings III: <i>Lives Impacted</i> .....	10
IPS: <i>Cross-business Energy Efficiency Initiatives</i> .....	11
MMT: <i>Employee Investments</i> .....	12
Voltyx: <i>Voltyx Academy</i> .....	13
Cooper: <i>Emissions Reductions</i> .....	14
Qnnect: <i>All Employee Equity</i> .....	15
Our Commitment	
ESG at Arcline .....	16
ESG in Investments .....	16
Diversity, Equity & Inclusion .....	16
Corporate Citizenship .....	18
Our Approach	
Investment Thesis .....	19
Screening .....	19
Diligence .....	19
Ownership .....	19



This 2023 ESG Report (the "Report") is provided by Arcline Investment Management LP ("Arcline") for the sole purpose of summarizing information regarding the ESG process, policies, practices, operations, and strategies of Arcline and the funds managed or affiliated with entities controlled by Arcline, including certain assets in which such funds hold controlling investments (such entities collectively, the "Portfolio Companies"). The contents herein are not, and may not be, relied on in any manner, as legal, accounting, business, tax, or investment advice.

This Report is not an offer to sell nor a solicitation of an offer to purchase interests of Arcline or any current or future private investment fund managed by Arcline (each, a "Fund" and, collectively, the "Funds"), nor do the materials constitute a financial promotion, investment advice or an inducement or incitement to participate in any product, offering or investment. Any offer to invest in a Fund will only be made by means of delivery of a Fund's confidential private placement memorandum or analogous governing document (each, a "PPM"). This Report is qualified in its entirety by reference to the applicable PPM, which will contain additional information about the investment objective, terms and conditions of an investment, as well as certain important risk factors and other disclosures. Prospective investors should read the relevant PPM in its entirety and consult their own advisors prior to making an investment in any Fund. Fees and expenses charged in connection with an investment in a Fund may be higher than the fees and expenses of other investment alternatives and may offset investment profits.

All values contained herein are estimates based on data that has been prepared and compiled by Arcline and its Portfolio Companies. This information may not necessarily be complete and may change at any time without notice. Therefore, undue reliance should not be placed on such information. Arcline reserves the right to modify any of the information in this Report at any time without notice and does not have any responsibility to update this Report to account for any changes.

Statements contained in this Report are based on current and contemplated processes, data, expectations, estimates, projections, opinions, and beliefs of Arcline as of the date hereof. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Neither Arcline nor any of its affiliates make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein should be relied upon as a promise or representation as to past or future performance. Past performance is not necessarily indicative of future results. Statements in this report are based on Arcline's views at the time that this Report was drafted and do not represent a commitment to ensure that specific targets, goals, policies, programs, or other forward-looking actions are achieved. There can be no assurance that the initiatives described herein will be completed as expected or at all.

Further, certain information, including ESG-based initiatives or goals, contained herein may be "forward-looking" in nature. Some forward-looking statements may be identified using terminology including, but not limited to, "may", "will", "should", "could", "expect", "anticipate", "forecast", "target", "project", "estimate", "intend", "continue", or "believe" (or the negatives thereof) or other variations thereon or comparable terminology. Due to various risks and uncertainties, some of which are beyond the control of Arcline, actual results, performance, prospects, or opportunities may differ materially from those reflected or contemplated in such forward-looking information. Additional risks of which Arcline is not currently aware also could cause actual results to differ. As such, undue reliance should not be placed on any forward-looking statements. In addition, no individual or entity should rely on such information in connection with buying or selling any securities or making or selling any investment.

Some of the information contained herein has been prepared and compiled by the applicable Portfolio Company and has not necessarily been independently verified or assured by Arcline or any other third party. While such information is believed to be accurate and the sources from which it has been obtained are believed to be reliable, Arcline does not accept any responsibility for the content of such information and does not guarantee the accuracy, adequacy, or completeness of any such third-party information.

Third party logos included herein are provided for illustrative purposes only. Unless specifically stated otherwise, inclusion of such logos does not imply affiliation with or endorsement of Arcline by such firms or businesses. In addition, references to Portfolio Companies are intended only to illustrate the application of Arcline's investment process or the ESG activities of such entity. Such references do not summarize investment performance and should not be viewed as a recommendation of any particular security or Portfolio Company by Arcline. Any information provided in this Report about past investments is provided solely to exemplify various aspects of the previously utilized ESG processes and strategies of Arcline and the Portfolio Companies.

None of the information contained herein has been filed with the U.S. Securities and Exchange Commission, any securities administrator under securities laws of any U.S. or non-U.S. jurisdiction or any other U.S. or non-U.S. governmental or self-regulatory authority. No such governmental or self-regulatory authority will pass on the merits of any offering of interests by the Funds or the adequacy of the information contained herein. Any representation to the contrary is unlawful. The interests in the Funds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or qualified or registered under any applicable state, local, provincial or other statutes, rules or regulations. The Funds have not been and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended.

Signatory of:



Greetings,

We are pleased to share Arcline's 2023 Environmental, Social, and Governance (ESG) report. At Arcline we seek to invest in companies that are meaningful to the world and enable a better future. We identify companies whose products and services positively impact society, and encourage them to commit to workforce diversity, equity, and inclusion. Our portfolio is generally 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.

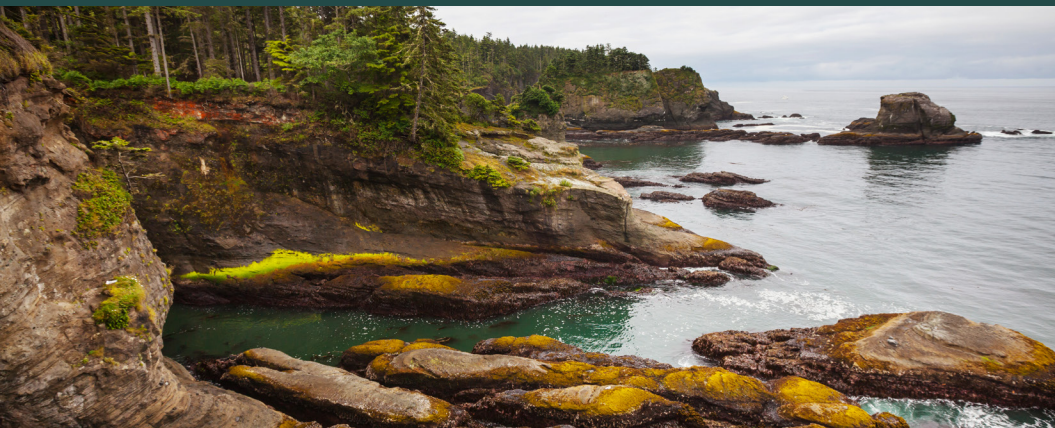
We believe ESG can fuel returns when proactively fostered and can be detrimental to returns when ignored. In 2023, we updated our Responsible Investment (RI) policy to further align with the Principles for Responsible Investing (PRI). We incorporated ESG screening into our investment screening and diligence process. We continued to collect ESG performance metrics across our portfolio companies. Our team understands that monitoring ESG performance of the companies in which we invest can contribute to the success of our investment thesis.

Very truly yours,

A handwritten signature in black ink, consisting of a stylized 'R' followed by a long, horizontal, slightly wavy line.

Rajeev Amara, CEO

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





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.



**3** GOOD HEALTH AND WELL-BEING



**7** AFFORDABLE AND CLEAN ENERGY



**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**11** SUSTAINABLE CITIES AND COMMUNITIES



**12** RESPONSIBLE CONSUMPTION AND PRODUCTION

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

**WaterGuard HARTZELL**

Powers turboprop aircrafts which are more fuel efficient per passenger than regional jet aircrafts

**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&LT**

Engineered parts reducing food waste



## Key Portfolio Company ESG Metrics

We are pleased to present our 2023 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. In 2023, we continued to collect key ESG performance metrics across all portfolio companies. Arline partners with a third party ESG advisory consultancy to provide training at each portfolio company, individual portfolio company guidance, and data collection assistance.



### ENVIRONMENTAL

**26**  
Carbon Intensity<sup>1</sup>

**936**  
Metric Tons  
CO<sub>2</sub>e reduction within portfolio company  
footprint from 2023 initiatives<sup>2</sup>  
(Scope 1 & 2 Impact)

**9,276**  
Metric Tons  
Waste stream reduction within  
portfolio company footprint  
from 2023 initiatives



### SOCIAL

**32%**  
Average Executive  
& Board Diversity<sup>3</sup>  
across portfolio  
companies

**50%**  
All Employee  
Workforce Diversity<sup>4</sup>  
across portfolio  
companies

**59**  
Average portfolio company  
employee engagement survey score<sup>5</sup>,  
administered by Entromy®

**1.70**  
Total Recordable  
Incident Rate  
(TRIR, OSHA metric)<sup>6</sup>



### GOVERNANCE

**100%**  
Adherence to Arline Human  
Resources Guidelines

**100%**  
Adherence to Arline Board  
Governance Guidelines

**100%**  
Adherence to Arline  
Cybersecurity Guidelines

Note: all estimates are as of 09/30/2023. See the ‘Our Commitment’ section for additional details.

<sup>1</sup> Carbon Intensity represents tons of CO<sub>2</sub>e 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 443 emitter sources (e.g., utility bills, fuel records, etc.) across 268 active sites (e.g., factories, offices, warehouses). 2022 carbon intensity figure: 29

<sup>2</sup> Company footprint refers to emissions-related initiatives that impact portfolio companies directly

<sup>3</sup> For the purposes of this report, diversity includes females, non-white males, and LGBTQ+

<sup>4</sup> Figures exclude international entities that do not track diversity as defined above

<sup>5</sup> The Entromy® survey is completed annually by portfolio company respondents and measures employee engagement, culture, and overall company health. Two portfolio companies did not participate in the survey due to restructuring efforts

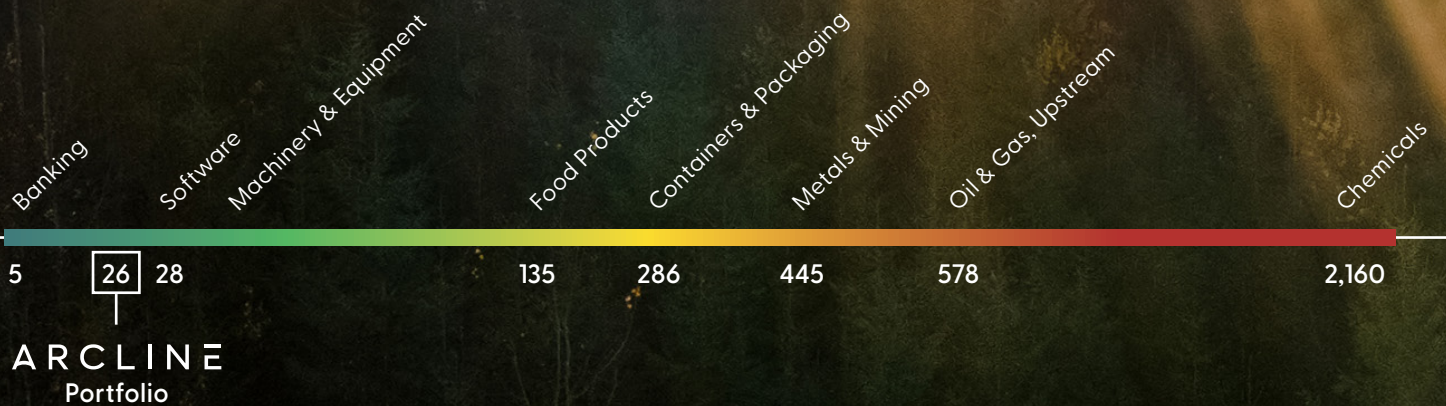
<sup>6</sup> 0 is ideal, 3.0 is average TRIR for all industries in 2022. Source : <https://www.bls.gov/iif/nonfatal-injuries-and-illnesses-tables/table-1-injury-and-illness-rates-by-industry-2022-national.htm>





Arcline's portfolio of high margin, light manufacturing businesses has a carbon intensity of 26 tons of CO<sub>2</sub>e emissions per million dollars of revenue generated.

Our closest S&P global benchmark sectors for carbon intensity are software businesses, machinery, and equipment manufacturers. At the firm level, Arcline has carbon intensity of 0.03 tons of CO<sub>2</sub>e emissions per million dollars of portfolio company revenue generated.







## 2023 Initiative Highlights

All estimated values are annualized impact as of 9/30/2023



9 LED lighting projects totaling 157 MWh



### ENERGY & CLIMATE



810 metric tons CO<sub>2</sub>e reduced by planting trees



283 MWh reduced by installation of solar panels



33 metric tons CO<sub>2</sub>e reduced by upgrading fleet vehicles



39 metric tons of CO<sub>2</sub>e reduced by consolidating factories

### WASTE REDUCTION



Overhaul tooling process improvement resulting in 50-100% extension of service periods and head casting life-cycles



4 companies with 5+ recycling / scrap reduction programs



5 scrap reduction programs totaling 50 metric tons of avoided waste



15 recycling programs totaling 187 metric tons of avoided waste







*Kings III: Lives Impacted*

*IPS: Cross-business Energy Efficiency Initiatives*

*MMT: Employee Investments*

*Voltyx: Voltyx Academy*

*Cooper: Emissions Reduction*

*Qnnect: All Employee Equity*







## SUCCESS STORIES

# Kings III Lives Impacted

Kings III helps save lives. Kings III is an emergency monitoring service provider for elevators and pools throughout the US. The 62 Kings III employees in the Emergency Dispatch Center routinely help save lives by fielding and triaging emergency calls and dispatching emergency services. Kings III monitors approximately **105,000 emergency phones** with a 24/7 call center in Dallas, Texas. The operators in the emergency dispatch center field up to **195,000 emergency calls per month**. Of those, typically **2% of calls are verified emergencies** such as elevator entrapments or potential pool drownings. Kings III dispatches elevator service companies, fire departments, EMS, or police services to save lives on approximately **2,900 of those calls every month**.

Kings III impacted a life-threatening situation when an individual called Kings III's Emergency Dispatch Center from an elevator phone in Texas. She advised that she had not taken her heart medicine and was suffering a heart attack before going silent on the line. Kings III immediately dispatched fire and EMS to assist the caller.







## SUCCESS STORIES

# IPS Cross-business Energy Efficiency Initiatives

Integrated Polymer Solutions (IPS) is comprised of several distinct operating companies who have taken a 'sum of the parts' approach and focused on continuous improvement projects and alternative materials to **reduce their waste footprint**. While no individual initiative is large, the impact quickly adds up. Various divisions accomplished the following improvements:

- Approximately **10,000** pounds of plastic saved from entering a landfill by changing approach to heating molds
- Potentially **3,000** pounds per year of material scrap eliminated from landfill through 6-month continuous improvement period that reduced internal rejects from **>12% to <3%**
- **45,000** gallons per year reduction in water usage in tanks by doubling production batch size to manufacture electrically conductive and reflective metalized fabrics
- **62,000** pounds of recyclable material rerouted to a silicone recycler instead of the landfill
- **5,000** pounds of landfill waste per year replaced by switching to recyclable containers





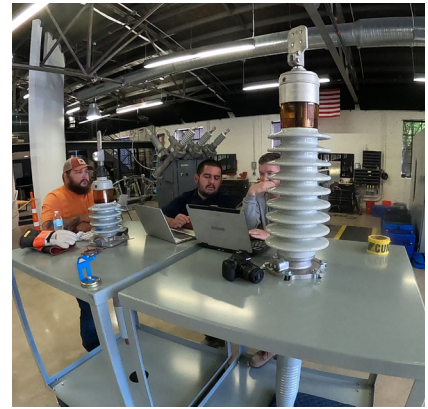
## SUCCESS STORIES

# MMT Employee Investment

MMT invests in its people. The company has set up a variety of programs focused on providing its employees with opportunities to continue their development. In 2021, MMT launched its tuition reimbursement program, reimbursing any full-time employee up to **\$75,000 for a continued education program** of their choice. In 2022, MMT launched its scholarship program, providing opportunities for family members of full-time employees to apply for and receive a scholarship up to **\$15,000 for continued education**. Three such family members have been granted a scholarship this year, with two being first generation college students. MMT has also developed a leadership boot camp providing programmatic learning on how to lead effectively and drive positive cultural momentum to a community of hand selected high potential leaders.







## SUCCESS STORIES

# Voltyx Academy

Voltyx prides itself on its commitment to employees, customers, and focus on safety. In April, Voltyx Academy officially opened in Nashville, TN. This **state-of-the-art 15,076 square foot facility** is a comprehensive training center for all of Voltyx's businesses and employees. Voltyx has created new progressive and innovative curriculum tailored for virtually all career paths and levels of expertise. In addition to classroom style training, Voltyx has also developed **augmented reality and virtual reality experiences** to provide immersive learning, sourced large equipment accessible for **hands-on-training simulations** and skill drills, and virtual and microlearning experiences, among other blended methodologies. Voltyx expects to continue to build and evolve the curriculum and prioritizes technical expertise and safety as a core value of the organization.

### IN THE FIRST SIX MONTHS OF OPENING THE ACADEMY

**215**

Technicians Trained  
at Voltyx Academy

**324**

Total Employees Trained  
at Voltyx Academy

**3,748**

Digital Course Completions Through  
Rockstar, Voltyx Academy's Learning  
Management System

**91%**

Retention Rate for Employees Who  
Attended EPS Relay Courses

**5,484**

Instructor Led Hands-On Training  
Hours For All Employees

**100%**

Retention Rate For Employees Who  
Attended EPS Field Tech Courses

**90%**

Retention Rate for Employees Who  
Attended NASS Field Tech Courses

**1,152**

Hours of Leadership Training Equating  
to 72 Operations Management Leaders  
Completing Voltyx's Leadership  
Development Program





## SUCCESS STORIES

# Cooper Emissions Reduction

Emissions reduction solutions are a critical feature of Cooper's strategy to keep customer's equipment running long into the future. In March 2023, the EPA finalized actions to implement the Clean Air Act's "Good Neighbor" air quality standards. These rules will require NOx emissions reduction retrofits on an estimated **1,400 existing reciprocating internal combustion engines** involved in natural gas pipeline transportation over the next decade. These solutions are a combination of several engineered upgrades including control systems, turbochargers, fuel valves, precombustion chambers, intercoolers, and power cylinder heads. Cooper is investing across research and development, component inventory, workforce training, new field staff, and design process improvements to ensure that they are positioned to **help customers achieve compliance**.







## SUCCESS STORIES

# Qnnect All Employee Equity

Qnnect rolled out an all-employee ownership program in 2023, granting each employee a share in Qnnect's potential value creation throughout the current investment cycle. March 23rd marked Qnnect's inaugural shareholder day with a company-wide communication led by the CEO and an award process where each employee was presented with a hard-pressed certificate and booklet documenting the occasion and providing additional information on how share value is calculated. **1,431 employees received growth participation units** representing a share of the profit at target exit outcomes, with a target average award of **\$50,000**. Since deployment, Qnnect holds monthly shareholder calls to provide financial updates and progress. Additionally, these calls feature employees of the month who **drive business impact** and education on company-wide initiatives and focus areas that drive the **value of all employee shares**.







## ESG at Arcline

In 2023, Arcline enhanced its Responsible Investment (RI) policy. The RI policy governs the ESG practices of our firm, including the evaluation of ESG topics during the diligence and ownership phases of investments. Arcline's DE&I policy governs our commitments to fostering 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 successfully established its initial baseline for scope 1 and 2 emissions at the firm level.<sup>7</sup> This past year, we continued to monitor and track these scope 1 and 2 emissions.

## 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 2023, we have taken significant steps to help our portfolio companies monitor and track 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 2022 to September 2023. We constructed the benchmarks by leveraging public-facing information from companies selected for inclusion within the S&P Global 2023 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 the years 2020-2022. 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.

<sup>7</sup> Firm-level scope 1 & 2 emissions baseline includes SF, TN, and NY office electricity and heating consumption for last twelve months ending September 2023. Baseline is aligned with GHG protocol corporate accounting and reporting standard.



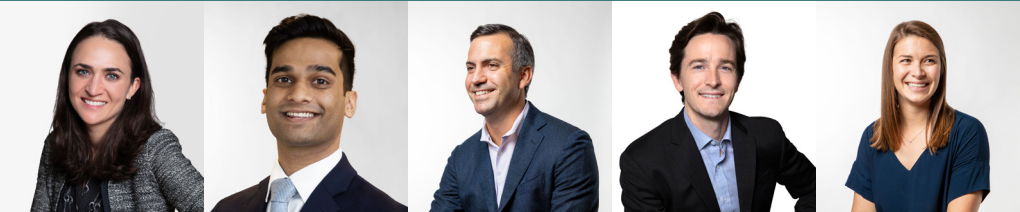


Committed to Growth in Diversity



32%

of Arcline team members are **women**



54%

of Arcline team are from **underrepresented groups<sup>†</sup>**



8 of 14

most recent promotions are **women**



96%

employee **retention rate**



<sup>†</sup> For the purposes of this report, the term "underrepresented groups" refers to women, non-white males, and LGBTQ+.





# ARCLINE

## Corporate Citizenship

Arcline engages with companies and investors to provide employees with the opportunity to build wealth at work through shared ownership. We are continuing to collaborate with four of our portfolio companies who have implemented shared ownership through efforts that include:

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

Shared ownership benefits employees, companies, shareholders, and society. Arcline remains dedicated to supporting companies in their transition to employee ownership through our ongoing commitment to this cause.





## OUR APPROACH

### Investment Thesis



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

In 2023, Arcline continued to evaluate material ESG topics during diligence as part of its investment screening process for new platform investments and incorporate those findings into our investment review.

### Screening



**Arcline screens investment opportunities for ESG considerations as part of our evaluation lifecycle.**

This year, Arcline implemented an exclusions policy, allowing our teams to pass on high-risk companies before beginning detailed reviews, and a human rights statement acknowledging that human rights risks can exist in business operations and supply chains and our team respects internationally recognized human rights standards, as applicable. Our teams are empowered to pass on opportunities which are not aligned with our commitment to ESG.

Arcline screens out certain business models and end markets that are not aligned with our ESG commitments. In 2023, Arcline passed on 5 deals at this review stage.

### Diligence



**Arcline endeavors to identify any material ESG considerations during the due diligence review of each new platform investment using our ESG Screening Checklist.**

For each such target, Arcline completes our ESG Screening Checklist, which includes the pre-screening process, a predefined list of ESG topics relevant across all investments, and potentially material topics identified by the company's industry as aligned with the Sustainability Accounting Standards Board (SASB) materiality topics. Potential ESG risks and opportunities are identified for that potential investment and included in the Investment Review. Arcline 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. Arcline summarizes these findings in an ESG risks and opportunities page with proposed mitigations included in each such target's investment review. ESG factors identified as material and deemed "high risk" are flagged and passed along to the investment team before beginning more detailed reviews.

### Ownership



**Arcline engages in the active ownership of its portfolio companies.**

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

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.

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 efficiency initiatives, waste reduction initiatives, employee 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.



