



ARCLINE

ESG REPORT
2024

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

ARCLINE

Greetings,

We are pleased to share Arcline's 2024 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 seek to be responsible owners of our companies and steward them to adopt baseline ESG practices and to enhance processes to more effectively tell their stories and add value. 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 2024, we completed our first formal submission to the Principles for Responsible Investment (PRI) and we are excited to be part of this global reporting initiative. We continue to incorporate ESG screening into our investment screening and diligence process as well as continue to collect ESG performance metrics across our existing portfolio companies. As our portfolio expands, 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,

Rajeev Amara, CEO

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

pdcc

Equipment enabling thousands of clean hydrogen fueling stations

Water-Guard 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

KAMAN

Critical metallic components enabling life-saving devices and next-generation aerospace

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

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





2024 IMPACT

Portfolio Company ESG Metrics

We are pleased to present our 2024 metrics that apply to each of our controlled portfolio companies (each, a “portfolio company”). In 2024, we continued to collect key ESG performance metrics across all companies that were in the portfolio as of Q1 2024. Arcline partners with a third party ESG advisory consultancy to provide training at each portfolio company, individual portfolio company guidance, and data collection assistance.

ENVIRONMENTAL

23

Carbon Intensity

768

metric tons

CO2e reduction within portfolio company footprint from incremental 2024 initiatives (Scope 1 & 2 impact)

358

metric tons

Waste stream reduction within portfolio company footprint from incremental 2024 initiatives

SOCIAL

28%

Average Executive & Board Diversity across portfolio companies

51%

All Employee Workforce Diversity across portfolio companies

61

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

1.74

Total Recordable Incident Rate (TRIR, OSHA metric)

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 9/30/2024. See the ‘Our Commitment’ section for additional details.

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 463 emitter sources (e.g., utility bills, fuel records, etc.) across 233 active sites (e.g., factories, offices, warehouses). 2023 carbon intensity figure: 26, 2022 carbon intensity figure: 29.

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

Diversity figures exclude three international portfolio companies that do not track diversity as defined above.

‘Company footprint’ refers to emissions-related initiatives that impact portfolio companies directly.

The Entromy® survey is completed annually by portfolio company respondents and measures employee engagement, culture, and overall company health. Five portfolio companies did not participate in the survey in 2024 due to restructuring efforts or transaction preparation.

0 is ideal, 2.7 is average TRIR for all industries in 2023. Source: <https://www.bls.gov/web/osh/table-1-industry-rates-national.htm>

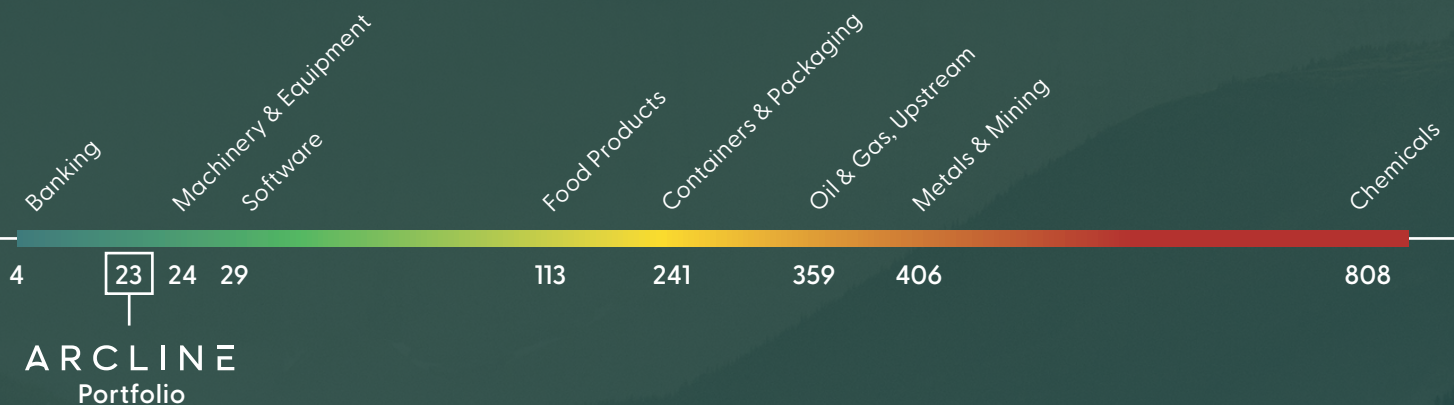
Arcline began calculating the carbon intensity against a benchmark of firms from the S&P Sustainability Yearbook in the 2022 ESG Report. Arcline selected the industries most relevant to its own portfolios and selected the companies in those industries within the geographies that were most applicable to the areas in which Arcline invests (e.g., US, UK, EU). Arcline has chosen to continue

using the same companies from the first benchmarking year for the sake of consistency in the built benchmark; note, due to S&P’s approach of changing the Sustainability Yearbook members on an annual basis, several of the companies benchmarked against may no longer be in the Sustainability Yearbook. Arcline leverages publicly available information to benchmark estimate carbon intensities. To the extent a company no longer reports publicly available information, a replacement company from the same sector of a similar geography (as specified above) will be selected. The benchmark is estimated by Arcline and provided for illustrative purposes, the results of the benchmarking exercise does not directly influence the investment decision-making process.

CARBON INTENSITY

Arcline's portfolio is generally comprised of high margin, light manufacturing businesses and has a carbon intensity of 23 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 0.02 tons of CO2e emissions per million dollars of portfolio company revenue generated.



2024 INITIATIVES

All estimated values are annualized impact as of 9/30/2024

ENERGY CONSUMPTION

1097
MWh Reduction

AKRON BIO

American H<

COOPER | MACHINERY SERVICES

CURAPATH

FAIRBANKS MORSE
DEFENSE

HYPERION

mmt

pdic
MACHINERY SERVICES

PRIDE
ENGINEERING

Qnnect

SIGNIA
AEROSPACE

WASTE REDUCTION

INDUSTRIAL SCRAP REDUCTION:

118
metric tons reduced

American H< COREDUX Dwyer
COOPER | MACHINERY SERVICES FAIRBANKS MORSE DEFENSE INTEGRATED POLYMER SOLUTIONS
mmt SIGNIA Qnnect

WASTEWATER REDUCTION:

35,012
gallons reduced

American H< Water Guard HARTZELL
INTEGRATED POLYMER SOLUTIONS Qnnect Quantic

HAZARDOUS WASTE REDUCTION:

30,000 5,025
gallons reduced lbs reduced

AMERICAN CURAPATH Dwyer INTEGRATED POLYMER SOLUTIONS Quantic

WORKPLACE CULTURAL CHANGE

17
metric tons of consumer waste reduced

Company-wide initiatives to reduce waste – reduction of paper documents, printing, packaging material, recycling of consumer products.

Intentional incorporation of ESG measures in both new build and upgrading facilities planning.

Installation of beverage systems company wide to reduce plastic waste.

AKRON BIO AMERICAN ChargePoint
COREDUX Dwyer KINGSIII Quantic

AKRON BIO ChargePoint FAIRBANKS MORSE DEFENSE
KINGSIII mmt SIGNIA

KINGSIII Quantic



SUCCESS STORIES

Turning Scrap into Opportunity



10

Cleaner, Smarter Propulsion Systems for Defense



11

Waste Reduction



12

Shared Growth at Akron Bio



13

Nurturing Talent, Honoring Kaman's Vision



14



SUCCESS STORIES

Turning Scrap into Opportunity

This year, Qnnect began tracking “scrap” which is residual material by-product from our production facilities. This by-product generally consists of metals, rubber, or plastics that are discarded during the manufacturing process or stem from subassemblies that are deemed defective and unusable in the finished goods. During the measurement period, the Qnnect companies produced \$7.2M in scrap, which was 5.6% of the overall production. **The companies were able to recycle approximately 75% of this scrap** to ensure that it was not considered a waste product.

Plating Operations Recycling Program

Three of Qnnect's facilities conduct Plating Operations, which consists of a product being covered in trace amounts of liquid precious metals (Gold, Nickel, and Copper). This process involved dissolving the metals into a mix of water, Isopropyl Alcohol, and Oils and dipping the final products into the chemical. As part of our environmental impact remediation, our facilities filter and treat this water and dispose of the residual solid waste through certified waste treatment providers. Most of these materials are recycled through these providers or disposed of in accordance with EPA regulations. This year we recycled **over 60,000 lbs of solid waste** from these operations.

RECYCLED 75% OF \$7.2M
IN SCRAP AND OVER

60,000

LBS OF SOLID WASTE

Qnnect



SUCCESS STORIES

Cleaner, Smarter Propulsion Systems for Defense

Fairbanks Morse Defense achieved a significant advancement in reducing the environmental impact and improving the operational efficiency of Naval vessels with the development of Electronic Fuel Injection (EFI) for the PA6B propulsion systems. The EFI system replaces traditional fuel injection methods with advanced electronic controls that optimize fuel delivery and combustion efficiency. This technology ensures that the propulsion systems run cleaner and more efficiently, which is crucial for meeting modern environmental standards.

With the EFI upgrade, **fuel consumption is reduced by approximately 3.5%, contributing to notable savings in fuel costs and reduced carbon footprint** over the vessel's lifetime. FMD's EFI development for PA6B propulsion systems represents a forward-thinking approach to marine propulsion, aligning with industry trends towards sustainability and efficiency.

EFI UPGRADE
CUTS FUEL
CONSUMPTION BY

3.5%

REDUCING COSTS AND
CARBON FOOTPRINT

FAIRBANKS MORSE
DEFENSE



SUCCESS STORIES

Waste Reduction

SAVED **240,000 GALLONS** OF
WATER, **65,000+ POUNDS** OF
LANDFILL WASTE, AND **CUT**
GAS USE BY

32%

**INTEGRATED
POLYMER
SOLUTIONS**

Integrated Polymer Solutions (IPS) is comprised of several distinct operating companies that are making significant strides in sustainability and waste reduction. **SWIFT** is upgrading its metallization process to save **240,000 gallons of waste water annually**. NES has successfully reduced molding rejects from 12% to 3%, preventing 3,000 pounds of material from going to landfills. **ICON** implemented a recirculation pump that has decreased gas consumption by 32% while increasing sales efficiency from £2.75 to £3.63 per KWH of energy used between 2022 and 2023. **Rubbercraft (RCC)** has cut its use of high-density polyethylene (HDPE) by 43% by transitioning to reusable containers, saving 3,000 pounds of material from landfills. IRP reported a reduction of 46,472 pounds in landfill waste due to lower molding rejects. Additionally, **ABBA recycling** has diverted **9,649 pounds of metal** and saved **2,136 gallons of water** by eliminating hub wash. Collectively, these initiatives reflect a strong commitment to enhancing sustainability and reducing waste across various sectors.



SUCCESS STORIES

Shared Growth at Akron Bio

Akron Bio specializes in manufacturing complex materials used in the development of new medicines for rare diseases and hard to cure cancers. Akron colleagues have a strong passion for their work, knowing that these medicines impact people and families in need. To recognize and thank employees for their commitment, **Akron has rolled out a value creation bonus system, granting each employee an opportunity to benefit from the value they are building in the company.**

The program was rolled out in July 2023 with new colleagues being added to the program in 2024; more than 400,000 bonus units have been granted since its inception. As the Akron business grows, the value of the company will increase and employees can benefit from their hard work.

400,000+

BONUS UNITS GRANTED
SINCE JULY 2023





SUCCESS STORIES

Nurturing Talent, Honoring Kaman's Vision

Charles Kaman was an aerospace engineer, businessman, inventor, and philanthropist. He was also a big supporter of his family and his community. Kaman Corporation established the annual Charles H. Kaman Scholarship program to educate the next generation of inventors and entrepreneurs. This program embodies Kaman's commitment to nurturing talent and fostering a culture of innovation while uplifting the community.

This scholarship program was established for the children of Kaman Corporation and its subsidiary businesses. The annual academic competition is conducted through the National Merit® Scholarship Program by National Merit Scholarship Corporation (NMSC), an independent, not-for-profit organization. Through its partnership with the NMSC, the program not only identifies capable students but also creates a robust framework for corporate engagement in education. This collaboration amplifies the impact of the scholarship, ensuring that it reaches deserving candidates who are poised to become the next generation of innovators and leaders.

\$2,000 annually for up to four years to exceptional high school students, with selection based on merit rather than financial need or background, promoting diversity and equality in education. The award also encourages recipients to embody the values of innovation and entrepreneurship, reflecting Kaman's legacy.

The Charles H. Kaman Scholarship Program exemplifies the intersection of corporate social responsibility and educational empowerment. By investing in the next generation of thinkers and creators, Kaman Corporation not only honors the legacy of its founder but also reinforces its commitment to sustainable practices and community engagement. This scholarship program is a testament to the belief that supporting education leads to a brighter, more equitable future for all.

Kaman was acquired by Arcline on April 19, 2024 and not included in 2024 portfolio ESG metrics.

Each Charles H. Kaman Scholarship is an award of



OUR COMMITMENT

ESG AT ARCLINE

In 2024, Arcline continued to enhance 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 2024, Arcline continued to monitor and track scope 1 and 2 emissions at the firm level.

DIVERSITY, EQUALITY, & 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.

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 2024, 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 2023 to September 2024. We constructed the benchmarks by leveraging public-facing information from companies selected for inclusion within the S&P Global 2024 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 2020-2023. 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.

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
- Creating a financially inclusive & resilient workforce
- Developing a culture of ownership: employee engagement & voice
- Sharing data, best practices & 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.



Committed to Growth in Diversity

30% of Arcline team members are **women**



48% of Arcline team are from **underrepresented groups[‡]**



41% of Senior Management is from **underrepresented groups.**



94% employee **retention rate**



[‡] For the purposes of this report, the term “underrepresented groups” refers to women, non-white males, and LGBTQ+.

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 2024, 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

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

Arcline employs an exclusions policy allowing our teams to **pass on high-risk companies** before beginning detailed reviews. We have 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 2024, Arcline passed on 2 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.



ARCLINE