



GRAHAM PARTNERS



2015 SUSTAINABILITY REPORT

# GRAHAM PARTNERS' 2015 SUSTAINABILITY UPDATE

2015 has been full of sustainability milestones at Graham Partners – from our energy efficiency work with portfolio companies and establishing a firm-wide sustainability policy, to drawing on outside expertise, we have broadened our sustainability approach on all levels

## Energy and Efficiency

Graham Partners began an energy and efficiency assessment program at portfolio company facilities in 2013 and has facilitated 20 energy assessments that have identified over \$1.7MM in annual savings opportunities. 73% of portfolio companies have participated in this program. Over \$700,000 of annual savings have been implemented thus far, representing approximately 2,300 tons of avoided CO<sub>2</sub> emissions.

Graham Partners has partnered with the U.S. Department of Energy (DOE) and its Industrial Assessment Centers (IACs) for free energy assessments by University teams and the development of a pilot program to implement strategic energy management systems at Graham Partners facilities.

## Director of Sustainability

Lizzie Grobbel, who began working with Graham Partners on sustainability projects in 2013, started as Director of Sustainability in January 2015 to lead firm- and portfolio-wide sustainability initiatives. Lizzie earned her B.S.E. in Civil Engineering and M.S.E. in Environmental Engineering from the University of Michigan, where she was a Graham Sustainability Scholar and a fellow in the Dow Sustainability and Tauber Institute for Global Operations programs.

## Sustainability Steering Committee

Graham Partners has convened a board of external advisors and industry experts to assist in developing impactful and cutting-edge sustainability initiatives.

## Insights

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# LETTER FROM GRAHAM'S DIRECTOR OF SUSTAINABILITY

## Our Approach to Sustainability

Graham Partners is committed to continuous improvement, and our approach to sustainability and environmental, social, and governance (ESG) considerations is no different. Over the past few years, we have thoughtfully expanded our sustainability initiatives in order to drive financial and environmental improvements that have positive effects on our portfolio companies.

Sustainability is one of the many strategic considerations that Graham employs in our value creation process. During our sourcing and diligence stages, we focus on ESG risks and opportunities that could impact the value of an investment. By understanding ESG and sustainability elements prior to making an investment, and monitoring associated metrics during our ownership period, we are better able to work with portfolio companies to drive sustainable continuous improvement initiatives that create value for our stakeholders.

Collaboration is critical to our sustainability successes. From due diligence through exit, and from our internal Sustainability Task Force to our board of external Sustainability Steering Committee members, we are committed to informed and impactful sustainability action.

Firm Overview



Play Video

“At Graham, we think about sustainability from a triple bottom line perspective – we are pursuing continuous improvement from environmental, social, and financial angles.”



**Lizzie Grobbel**  
Director of Sustainability

# GRAHAM PARTNERS' SUSTAINABILITY APPROACH



Henry - Vegetative Roofing Assembly

## RESPONSIBLE INVESTING

- ✓ Sustainability Policy
- ✓ ESG Due Diligence
- ✓ Risk Management

## PORTFOLIO COMPANY INITIATIVES

- ✓ Energy and Efficiency
  - Monthly reporting program
  - Energy and efficiency assessments
  - Energy management
  - Waste and recycling
- ✓ Focus on Green Product Innovation

## SUSTAINABILITY COLLABORATION

- ✓ University of Michigan Graham Sustainability Institute
- ✓ External Sustainability Steering Committee
- ✓ Sustainability Task Force
- ✓ Department of Energy
- ✓ Industrial Assessment Centers
- ✓ SmartWatt, Inc.

# ESTABLISHED IN 2015: SUSTAINABILITY POLICY

Sustainability



Play Video

Graham Partners has adopted a 10-point Sustainability Policy outlining our commitments to sustainability action at the portfolio company, firm, and investor relations levels

- 1 Consider **ESG risks and opportunities associated with target companies** when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.
- 2 Seek to grow and improve the companies in which we invest for **long-term sustainability** through operational improvements.
- 3 Seek to use governance structures that provide **appropriate levels of oversight** in the areas of audit, risk management and potential conflicts of interest and to implement compensation and other policies that align the interests of owners and management.
- 4 Proactively assist portfolio companies with **ensuring compliance with applicable national, state, and local environmental laws**.
- 5 Seek to provide a **safe and healthy workplace** in conformance with national and local law.
- 6 Maintain strict policies that **prohibit bribery and other improper payments**, including compliance with the U.S. Foreign Corrupt Practices Act, similar laws in other countries, and the OECD Anti-Bribery Convention.
- 7 Seek to confirm that investments do not flow to companies that utilize **child or forced labor**.
- 8 Provide timely information to limited partners on the matters addressed herein, and work to **foster transparency around ESG activities**.
- 9 Encourage portfolio companies to **advance these same principles** in a way which is consistent with their fiduciary duties.
- 10 Strive to **hold Graham Partners to the same sustainability standards** as our portfolio companies, where applicable.

# SUSTAINABILITY: DURING DILIGENCE AND AT ACQUISITION

Graham Partners’ commitment to sustainability begins at the diligence phase. Potential companies are evaluated on environmental, social and labor, and corporate governance practices.

Graham uses an extensive diligence process to ascertain the ESG status of any new investment. An environmental consultant is engaged to perform environmental studies of a potential target’s sites to ensure regulatory compliance. A human resources consultant determines the status of employee health, welfare, and benefits. Legal advisors conduct assessments of labor practices, environmental processes, and corporate governance to ensure compliance with all relevant laws and regulations.

If any ESG issues or opportunities are identified during the diligence process for a newly acquired company, follow-up actions are incorporated into the company’s planning process. Graham Partners routinely monitors these actions in the appropriate manner - for example, through board meetings, monthly management team meetings, or ad hoc discussions with portfolio company personnel. Each new portfolio company undergoes a full HR audit to ensure proper social and labor practices.



# SUSTAINABILITY: AT THE PORTFOLIO COMPANY LEVEL



**INCREASED RECYCLING  
& REDUCED WASTE**

## Waste and Recycling

Graham Partners works with portfolio companies to track waste and recycled material generation and costs.

Based on annual waste and recycling inventory results, Graham Partners works with portfolio companies to reduce waste, increase recycling, and streamline processes, thereby reducing costs.

## Monthly Reporting Program

Since January 2013, each portfolio company has reported energy and water usage and expenditures on a monthly basis.

In 2015, Graham Partners and portfolio companies began using the EPA's PortfolioManager tool, allowing Graham and portfolio companies to access data on all historical energy and water usage and generate reports on efficiency and expenditures.



**ENERGY & WATER  
MONITORING**

## Energy/Efficiency Assessments

20 portfolio company facilities representing 73% of portfolio companies have undergone energy, efficiency, and/or lighting assessments resulting in \$1.7MM of identified annual savings. Over \$700K of these annual savings measures have been implemented.



**\$700K  
ANNUAL COST SAVINGS**



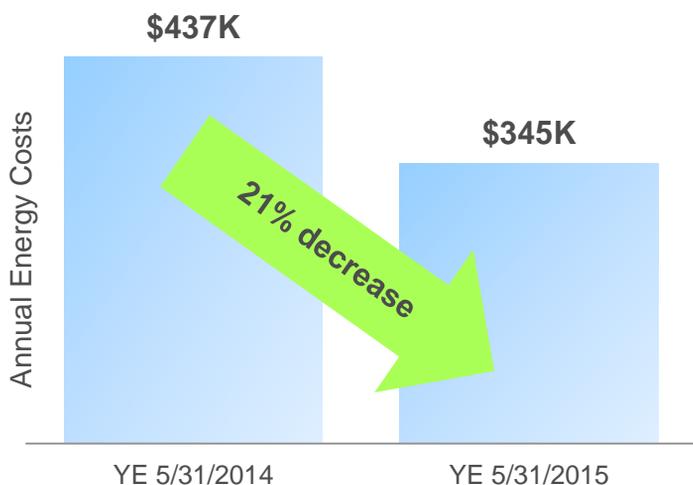
**2,300+  
TONS OF REDUCED  
CO<sub>2</sub> EMISSIONS**



- Henry is a national leader in energy efficient building products
- Henry’s innovative BlueSkin product line offers a suite of building envelope wraps that improve building performance and reduce energy costs
- The company also manufactures vegetative (green) roof assemblies, which can contribute to a structure’s green building/LEED certification status

## Sustainability Efforts Rolled Out at Several Henry Facilities

Energy assessment performed at Henry’s Lachine, Quebec facility



Total savings + program earnings from Henry’s sustainability activities: **\$173,000+**

Henry’s Kimberton facility enrolled in a demand response program with EnerNOC to reduce electricity usage during peak summer months, netting **\$14,000** per year in program payouts.

Henry’s Scarborough facility underwent an energy assessment that resulted in a **21% (\$92,000) reduction** in annual energy costs through improved lighting, insulation, and compressed air efficiency.

In May 2015, the Oklahoma State University IAC completed an energy assessment at Henry’s Garland Facility and recommended energy reduction measures that would reduce energy usage by **12% (\$155,200)** per year.

Oklahoma State University IAC students and professors are collaborating with Henry to improve boiler and heater efficiency and increase strategic energy management practices in order to reduce energy costs and increase operational excellence.



## CASE STUDY: HENRY

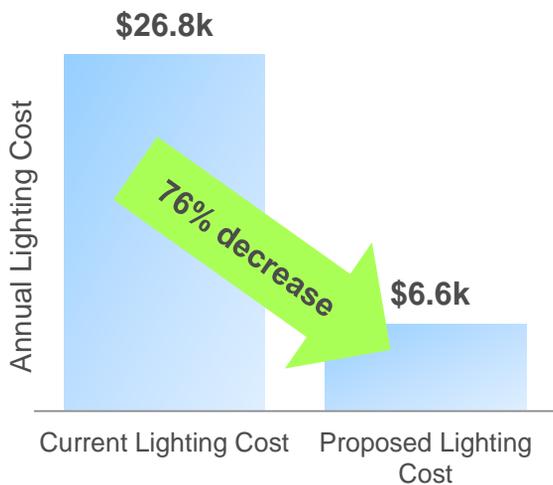




- Desser is a leading FAA-certified company providing specialty aircraft tires and tire retreading to the aviation industry
- Retreaded tires are often sold at a 60-70% discount compared to new tires, while offering a longer tire life and comparable performance
- By retreading tires, Desser contributes to global sustainability through limiting raw material consumption and reducing the number of tires that end up in landfills

## Sustainability Efforts at Work with Desser

Energy assessment performed at Desser’s Montebello, CA facility



Graham coordinated energy assessments at Desser facilities to reduce energy consumption by utilizing the expertise of SmartWatt, Inc., a leading energy consulting firm.

SmartWatt engineered a new LED lighting system for Desser that is expected to save **\$20,270 (76%)** on lighting costs annually.



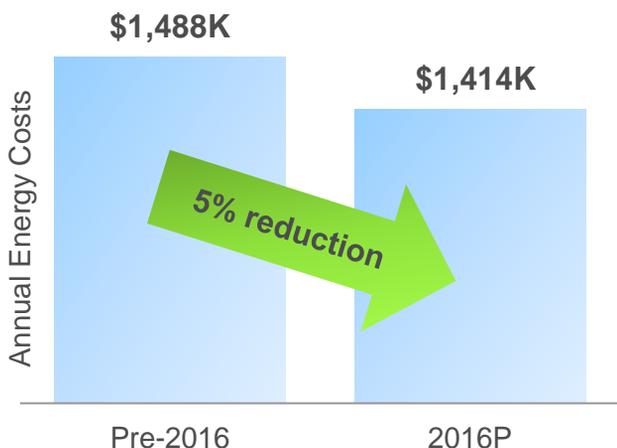
## CASE STUDY: DESSER



- Comar is a leading designer and manufacturer of innovative, industry-compliant, packaging solutions for health and wellness, specialty food, household and industrial, and personal care market segments
- Comar’s products utilize post-consumer recycled materials and the company has developed innovative plastic packaging solutions, such as biodegradable bottles with extended shelf lives

## Sustainability Efforts at Work with Comar

Energy assessment performed at Comar’s Buena, NJ facility



In addition to focusing on green product development post-transaction, Graham Partners’ Operations Team facilitated energy assessments at Comar’s largest manufacturing facilities, enlisting the help of the University of Delaware’s Industrial Assessment Center for Comar’s Buena facility. In sum, **nearly \$300,000 in annual energy and resource savings were identified across three Comar facilities.** One of these facilities, Scandia Plastics, participates in a box reuse program with customers that reduces cardboard box usage by 80%.

Energy reduction measures implemented at Comar’s Buena facilities will decrease energy costs by an estimated **\$74,000 (5%)** through compressed air, lighting and HVAC efficiency.



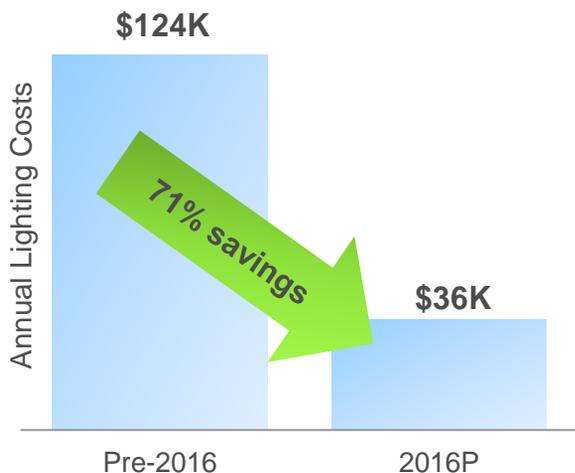
## CASE STUDY: COMAR



- Universal is the leading provider of high pressure processing (HPP) services to food manufacturers
- Universal’s technology allows food manufacturers to extend the shelf life of products by 2-4 times while eliminating foodborne pathogens. Unlike other preservation methods, Universal’s technology does not require the use of any chemicals
- Universal and Accellos won a 2015 HighJump Green Award for their work maintaining tight operational and inventory controls throughout the supply chain using HighJump’s AccellosOne Enterprise 3PL warehouse management system (WMS); the system contributes to food safety, sustainability and efficient distribution

## Sustainability Efforts at Work with Universal

Energy assessment performed at several Universal facilities



Total identified savings opportunities from energy and efficiency assessments at Universal facilities: **\$208,000+**

Universal’s HPP process was engineered to recycle water, avoiding millions of gallons of water demand each year.

Through on-site assessments of Universal’s lighting systems, Graham’s Operations Team and SmartWatt worked with the Universal team to reduce lighting costs by **\$88,000 (71%)**.



## CASE STUDY: UNIVERSAL



- Transaxle is the largest East Coast remanufacturer of transmissions, differentials, hydraulic pumps, and other specialized components for commercial vehicles
- Transaxle’s remanufactured transmissions are at least 35% cheaper than new transmissions, while Transaxle’s product offerings consume 85% less energy than a brand vehicle new component

## Sustainability Efforts at Work with Transaxle

Energy assessment performed at Transaxle’s New Jersey facilities



Graham Partners commissioned SmartWatt to assess lighting systems at two TransAxle facilities, resulting in **\$34,500+ of annual lighting savings.**

At Transaxle’s Pennsauken, NJ facility, SmartWatt engineered a new lighting system that reduced annual lighting costs by **\$11,000 (66%)**, with an investment payback period of only 1 year.

At Transaxle’s Cinnaminson, NJ facility, SmartWatt’s lighting design reduced annual lighting costs by **\$23,500 (66%)**, with an investment payback period of less than 2 years.



## CASE STUDY: TRANSAXLE

# SUSTAINABILITY: A COLLABORATION



Graham Partners is working with the U.S. Department of Energy to introduce and implement DOE's strategic energy management framework, eGuide, at select portfolio company facilities. All portfolio companies have access to educational strategic energy management resources, including a webinar conducted by DOE representatives and a suite of energy management tools.

## University Industrial Assessment Centers

Graham Partners collaborates with Industrial Assessment Centers (IAC)s at universities across the country to conduct energy assessments. These no-cost, one day assessments are conducted by professors and students and provide portfolio companies with energy efficiency recommendations that would reduce energy consumption and costs. These assessments have thus far identified a total of \$500,000 in annual cost savings opportunities for various portfolio companies.



GRAHAM  
SUSTAINABILITY INSTITUTE  
UNIVERSITY OF MICHIGAN

The Graham Sustainability Institute at the University of Michigan “systematically integrates talent across the University of Michigan, and partners with external stakeholders, to foster collaborative sustainability solutions at all scales.” Graham Partners is actively engaged with the Institute; together, we developed an environmental scorecard and an energy reduction program with the Tauber Institute for Global Operations that identified over \$350,000 in annual savings for portfolio companies in 2013. Recommendations from this project, including the creation of a proprietary Graham Energy Management (GEM) Guide for portfolio companies, formed the foundation for Graham Partners' sustainability program to identify \$1.7MM in annual savings to date.

## Sustainability Steering Committee

In 2015, Graham Partners created an external Sustainability Steering Committee of advisors focused on developing effective sustainability programs and strategies. The Committee consists of industry experts, including Don Graham; Rob Flores, Director of Sustainability at Berry Plastics; Tony Acernese of SmartWatt, Inc.; and Andrew Hoffman, Professor at the University of Michigan's Ross School of Business and Education Director at the Graham Sustainability Institute.



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