



GRAHAM PARTNERS



2017 SUSTAINABILITY REPORT

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GRAHAM PARTNERS 2017 SUSTAINABILITY UPDATE



Sarah Kolansky
Associate Director of Sustainability

Over the past year, I have spoken to countless individuals at our portfolio companies about the importance of sustainability. What I have found excites me: we have come so far, but there are also opportunities still waiting to be addressed. Our employees are dedicated to continuous improvement, and sustainability is no exception. I am excited to see companies taking initiative, driven by Graham Partners' commitment to

Environmental, Social, and Governance ("ESG") matters. However, the nature of many businesses in our portfolio, being in the industrial manufacturing space, means that there will always be opportunities for us to further enhance our approach.

Those of us in the ESG investment world are reminded nearly every day about the long-term benefits of addressing these issues. Studies show that companies that actively embrace ESG opportunities outperform those that do not. In a recent message to CEOs, Blackrock's CEO, Larry Fink, said, "To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society." There is a clear message that companies big and small, public and private, stand to incur real competitive benefits by investing in their ESG efforts.

Graham Partners' sustainability program considers the three pillars, sustainability's "triple bottom line" philosophy. We believe that our ESG program is good for our **society** (investing in companies making a positive global contribution), the **planet** (minimizing energy and other resource use and demand, and reducing waste), and **profit** (creating real dollar savings and mitigating risk for our portfolio companies, which drives value to our investors). Our program goes beyond just "checking the box" and creates real value, while making a positive contribution to the world. As a result, in 2017 we were named a top-ranked ESG program among our peers (refer to page five).

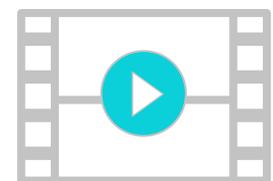
This year, we have further developed our Environmental, Health, and Safety ("EHS") program, and we are helping our companies build and improve their safety programs. Our portfolio companies employ over 3,000 people across the country, most in manufacturing and production roles. Making sure these employees go home safely to their families each day is important to us. By focusing on health and safety in the workplace, we hope to improve working environments, reduce turnover, and make our companies more profitable.

Graham Partners is proud that our ESG program is paving the way amongst our peers, and we look forward to seeing what we can achieve in 2018!

Sarah B. Kolansky

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Video:
Graham Partners Intro



A TIMELINE OF SUSTAINABILITY AT GRAHAM PARTNERS

Pre-1990s

- 1988: Graham Partners founded
- 1990: Graham Recycling (a Legacy Graham Entity*)

*Certain Graham Group entities and other related persons are considered the "Legacy Graham Entities" and are deemed not to be affiliates of Graham Partners under the Funds' limited partnership agreements.

2000s

- 2005: Graham Institute of Sustainability founded at the University of Michigan
- 2008: First energy audit conducted at NDS (former Graham Partners portfolio company)
- 2010: First SmartWatt lighting assessment conducted

2013

- > Energy Efficiency and Assessment Program founded
- > Graham Tauber Fellow hired to build sustainability program

2015

- > Full time Director of Sustainability hired
- > Partnership with Industrial Assessment Center ("IAC") began
- > 10-point Sustainability Policy established and implemented
- > Inaugural Sustainability Report published

2016

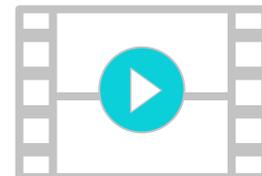
- > Sustainability Steering Committee formed
- > EHS integrated as a part of the Graham Partners sustainability program

2017

- > EHS Operating Partner joined the sustainability team
- > Sustainability program received the highest rating from LGT Capital Partners
- > First engagement with a portfolio company on a sustainability marketing initiative (Universal Pure's food waste marketing campaign)

"Our sustainability program has advanced from our early focus on energy and resource utilization – where we continue to identify substantial opportunities – to a broader engagement with our portfolio companies, spanning many aspects of their businesses where improved ESG practices stand to yield benefits and reduce risks."

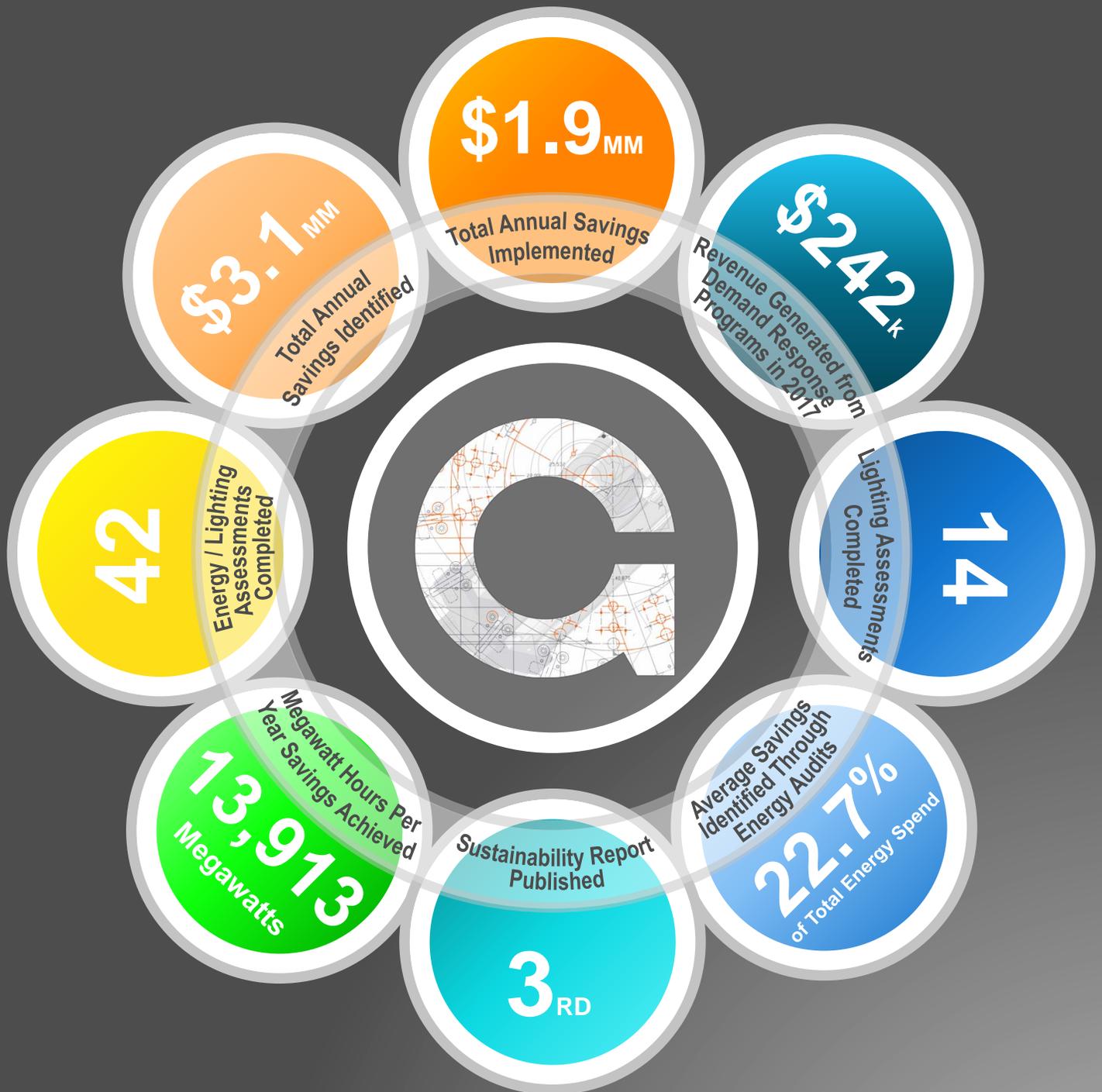
Christina Morin
Managing Principal &
Head of Investor Relations



Video:
Sustainability at
Graham Partners



ESG BY THE NUMBERS: SUSTAINABILITY AT THE PORTFOLIO LEVEL

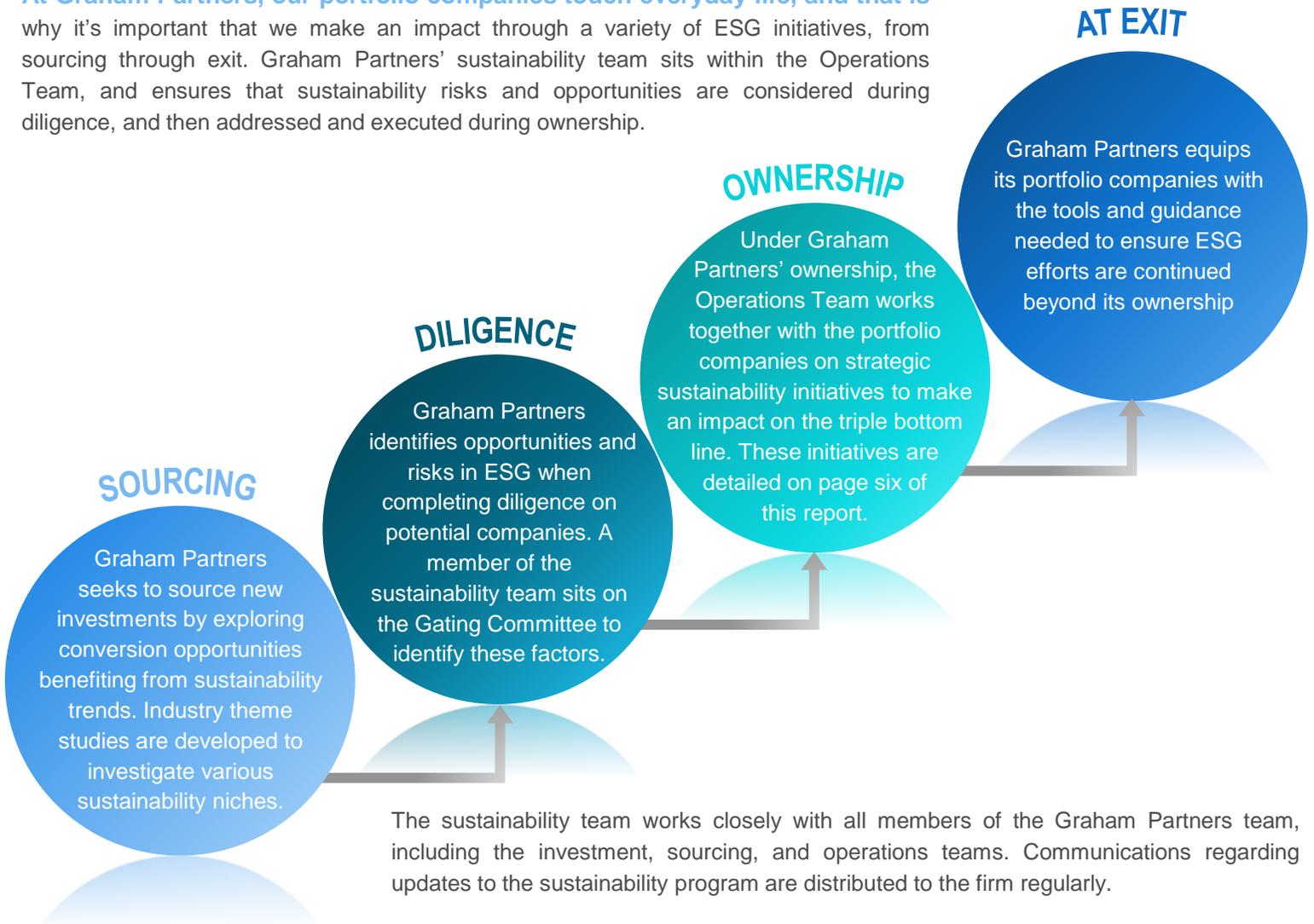


ESG implementation is not only the “right thing to do,” it creates value for investors by reducing costs and emphasizing the importance of continuous improvement



EVALUATING ESG THROUGHOUT THE INVESTMENT CYCLE TO MAKE AN IMPACT ON THE TRIPLE BOTTOM LINE

At Graham Partners, our portfolio companies touch everyday life, and that is why it's important that we make an impact through a variety of ESG initiatives, from sourcing through exit. Graham Partners' sustainability team sits within the Operations Team, and ensures that sustainability risks and opportunities are considered during diligence, and then addressed and executed during ownership.



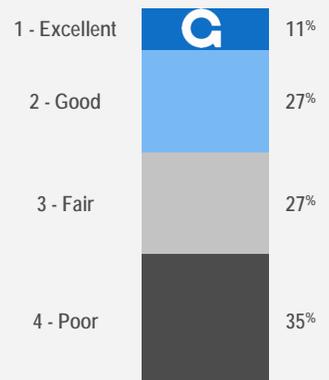
HOW WE RATE AMONG OUR PEERS

Because of our commitment to evaluating sustainability throughout the investment cycle, Graham Partners received a ranking of **"1- Excellent"** from LGT Capital Partners in its 2017 *ESG Report*. LGT Capital Partners, a Switzerland-based fund of funds manager, surveyed and ranked global private equity firms in its network, including Graham Partners.

Based on LGT Capital Partners' findings, Graham Partners ranked in the **top 11%** of all U.S. private equity firms surveyed and in the **top 15%** of middle-market peers.

[Click here](#) to learn more about LGT Capital Partners' Sustainability Program.

ESG Ratings – U.S. Firms Surveyed



Source: LGT Capital Partners



HIGHLIGHTING GRAHAM PARTNERS' OWNERSHIP STRATEGIES

Since its 2013 inception, the **Graham Partners sustainability program** has grown from primarily focusing on environmental strategies, which reduce impact and decrease conversion costs, to now also addressing workplace safety and other social issues. Driven by public awareness and demand for corporate responsibility, the Graham Partners team helps communicate achievements to current and potential customers of our portfolio companies.

Sustainability Liaisons



Sustainability liaisons are selected at portfolio companies to take the lead on ESG efforts and serve as the primary point of communication between the portfolio company and the firm.

Lighting and Energy Assessments



Graham Partners frequently works with various energy assessment partners to perform lighting and energy audits. Partners recommend and assist with implementing upgrades, which leads to cost and energy reductions for the facilities. Many of the energy savings opportunities recommended are low- and no-cost upgrades, which have attractive payback periods.

Waste Diversion and Reduction



The firm works with portfolio companies to initiate recycling programs and help their facilities better understand and reduce waste. These programs reduce waste disposal cost and, in many instances, provide a modest level of revenue from recycling.

Demand Side Energy Programs



Several portfolio companies are enrolled in demand response programs, where, at the utility company's request, facilities agree to curtail electricity usage during peak hours, in return for a small amount of compensation for participation. Participating in demand response programs decreases stress on the grid, which helps increase grid resiliency.

Workplace Safety / Environment



Graham Partners supports its companies in building and improving EHS programs. These programs keep employees safe while reducing workers' compensation premiums and medical claims. Graham Partners works with portfolio companies, insurance brokers, and service providers to make workplaces safer across its portfolio.

Strategic Sustainability Planning



Graham Partners remains committed to helping its portfolio companies to not only implement sustainability projects, but to better showcase these achievements to customers. Consumer-facing brands are pushing suppliers to improve on sustainability impacts, which has become increasingly important for winning and retaining new business.



CASE STUDY: UNIVERSAL PURE

Graham Partners' sustainability program has evolved to go beyond implementing energy efficiency and sustainability projects: it also focuses on identifying and investing in businesses with a sustainability-driven mission. Graham Partners' ownership of Universal Pure, the leading third party provider of outsourced high pressure processing ("HPP"), cold storage, and other value-added services to food manufacturers, presents a unique opportunity to impart significant change in the food industry. Universal Pure's HPP technology helps food companies and consumers reduce food waste by extending the shelf life of products, while also providing a solution for food and beverage manufacturers to label products free of preservatives.

THE FOOD WASTE PROBLEM IN THE U.S.*

- > Americans waste **~31%** of food that is produced
- > **14.5%** of Americans live in "food insecure" households
- > Food waste results in energy and water that is also wasted
- > Decomposing food waste creates environmentally-harmful methane emissions
- > Food waste represents lost retail sales of **~\$160B** annually

Universal Pure is not alone in its commitment to reduce food waste, but the company is paving the way as a thought-leader in its industry, driving increased awareness of the benefits of HPP. Companies are becoming more environmentally, socially, and economically aware of the impact short shelf life is having across the country. Increasing awareness of HPP's sustainability advantage, plus the clean label and extended shelf life the technology provides, helps Universal Pure attract new customers who care about sustainability.

In October 2017, Universal Pure hosted its second HPP Summit which included 185 participants from retailers, food and beverage manufacturers, and other food service companies. This summit exposed potential new customers to Universal Pure's core mission while also driving topline growth for the company and combating the food waste epidemic.

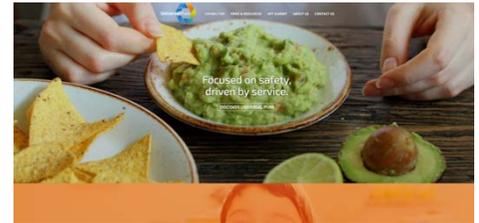
Graham Partners has partnered with Universal Pure's management team to drive growth through increased awareness of HPP and its ancillary benefits to the environment and community. Graham Partners' sustainability team collaborated with Universal Pure to produce a white paper on the environmental impact HPP can have on the food industry. Team members also led a webinar with potential customers about the connection between HPP, food waste, and sustainability and served as speakers on the same topic at the HPP Summit, sparking dialogue with industry leaders about how to frame the conversation around HPP and reduction of food waste.

To further strengthen its position as the leader in outsourced HPP services, the company rebranded itself as Universal Pure in the third quarter of 2017. This new name supports the company's overall marketing campaign focused on food safety and food waste reduction.

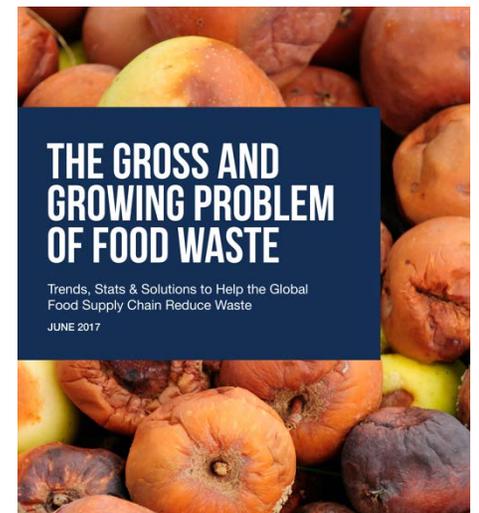
*Source: USDA ERS, 2014. https://www.ers.usda.gov/webdocs/publications/43833/43680_eib121.pdf?v=41817 Food insecurity is when the food intake of one or more household members is reduced and eating patterns are disrupted at times during the year because the household lacks money and other resources for food.



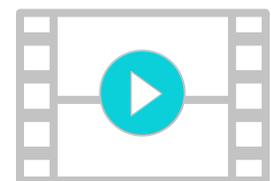
Website Redesign Link



White Paper Link



Webinar Link



Video: Sustainability at Universal Pure



CASE STUDY: ATLAS

Atlas, a leading manufacturer of new and replacement structural components and complex assemblies for commercial, business, and defense aircraft, has proactively focused on driving down waste and energy costs, which in turn reduces the company's environmental impact.

Graham Partners and the Atlas management team realized there was an opportunity to reduce energy and waste. In 2015, Atlas was using nearly \$1.0MM in electricity per year. It became apparent that this was not just a standard business cost but had become a significant operating cost. Graham Partners facilitated an energy audit at Atlas' Wichita facility in May 2015, conducted by the Wichita State University Industrial Assessment Center team. The assessment team identified \$142k in feasible annual savings with an average payback period of 1.8 years.

Since 2015, Atlas has been implementing recommendations from the audit, including establishing a regular air leak maintenance program, replacing the majority of old lighting with more efficient lighting (including LEDs), and replacing HVAC units with more efficient ones. Atlas has seen a significant reduction in year-over-year energy usage (see chart to right). Since 2015, Atlas achieved a 24% reduction in kWh per dollar of revenue and a 20% decrease in dollars spent on electricity per dollar of revenue.

Atlas' management team also began closely tracking electricity usage each month and developed a relationship with electric utility provider, Westar Energy. As a result, the team has been able to identify anomalies and opportunities for additional savings. For example, previously, each of the five buildings on the Wichita campus had separate energy meters and bills. Working with the utility company, Atlas was able to consolidate billing, which lowered electricity rates and service fees.

Atlas has taken a similar approach to reducing costs associated with waste disposal. Working with its recycling provider, Atlas maximized its cardboard, wood, and metal recycling to keep these materials out of landfills while also creating a revenue stream. Atlas recycled over three million pounds of scrap metal in 2017. Recycling these resources has a positive environmental impact – it conserves natural resources and uses less energy in the processing phase than using virgin materials. Atlas' annual waste disposal costs decreased 65% from 2014 to 2017 (see chart to right).

Achievements since Atlas' 2015 audit and the company's sustainability efforts have driven improvements in Atlas' year-over-year energy performance. Because of the results seen to date and their overall adoption of the continuous improvement concept, Atlas has continued to embrace new ESG opportunities at their Wichita facility and beyond. In December 2017, Graham Partners engaged Lehigh University's IAC to perform an energy assessment at Atlas' Bensalem location, and significant opportunities in energy efficiency are expected at that facility.

Atlas' Wichita Facility

Reduced Energy Usage



Reduced Monthly Waste Disposal Costs





INVESTING IN OUR PEOPLE

Graham Partners and its underlying portfolio companies are committed to providing healthy and safe work environments for employees. This is not only “the right thing to do,” but is critical to portfolio companies’ financial success. Workers’ compensation costs are significant, and, in a tight labor market, companies that do not provide favorable working conditions for employees risk their workers finding another job that does.

Howard Zwick, an EHS Operating Partner, joined the Operations Team in 2017. He is working directly with our portfolio companies to understand potential risks and build or improve safety programs. In 2017, Howard prepared a survey to identify Graham Partners’ companies that stand to benefit from EHS assistance, in order to tailor Graham Partners’ 2nd EHS Summit (held in January 2018) accordingly.

Many of Graham Partners’ portfolio companies have engaged their employees in various health and safety initiatives. Programs and incentives established at individual companies generated strong results (see Comar case study below), and in many cases, have also seen high participation percentages. Some of the health, wellness, and safety initiatives at Graham Partners’ portfolio companies include:

- > Stretching program to reduce repetitive motion injuries
- > Annual flu shot clinics
- > Preferred medical rates for non-tobacco users
- > Installation of drinking water filtration system, reducing disposable cup usage
- > Weight management programs



Howard Zwick
EHS Operating Partner

Bio: 25+ years implementing strategic operations, environmental health and safety, and business process improvements at facilities

Other Experience: Edmund Optics, Fraser Optics, Kulicke & Soffa Industries, Johnson Controls, Monroe Auto Equipment

University of Delaware: B.S. in Mechanical Engineering

University of Delaware: M.B.A.

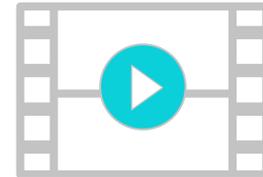
CASE STUDY: HEALTH & WELLNESS AT COMAR

Comar has always considered employee safety and welfare a key part of its business. As Comar grew under Graham Partners’ ownership, the company recognized a need to provide a more formal support system for its employees. A Wellness Committee was established in 2010 to implement health and wellness initiatives throughout the company. This innovative program has been supported by the management team, but ultimately is driven by employees.

Programs driven by Comar’s Wellness Committee include incentives for its employees to engage in health, wellness, and safety activities. These activities are mutually beneficial for both Comar employees and Comar’s management team. For example, if employees commit to regularly attend preventative screenings and establish relationships with their physicians, they are rewarded with a reduction in out-of-pocket healthcare costs.

Comar has invested in employees’ health in other ways, including supplying pedometers to track steps, bringing in nurses to teach health education and provide blood pressure assessments, and providing flu shots to employees.

Overall, Comar’s employee base has cultivated a culture of empowerment, leadership by example, care for oneself and others, and trust. Over the past several years, Comar’s wellness program and focus on preventative care has resulted in an increase in preventative care participation rates (21% increase for children and 36% increase for adults), a decrease in pharmacy spend of 12% over 36 months, and a total savings* of \$558,635.



Video:
Sustainability at Comar

Average Annual Savings		
Year 1	Year 2	Year 3
\$96,600	\$204,213	\$323,822
Total Savings* \$558,635		

*Total savings less wellness expense. Average 190 employees (Buena/Corporate). The table above only includes medical trend. Reduction in employee contribution and paid time off is not accounted for.

GRAHAM PARTNERS' 10-POINT ESG POLICY

Graham Partners continues to place increasing focus on sustainability, including ESG matters throughout the investment process and across the portfolio. In order to solidify this focus, Graham Partners developed a sustainability mission statement and policy related to ESG matters. At a high level, our 10-point ESG policy, established in 2015, addresses the following:

- I. Investing in ESG
- II. Increasing Long-term Sustainability
- III. Providing Appropriate Levels of Oversight
- IV. Ensuring Environmental Compliance
- V. Guaranteeing Workplace Quality Standards
- VI. Prohibiting Bribery and Corruption
- VII. Respecting Human Rights
- VIII. Fostering Transparency
- IX. Encouraging Sustainability Advancements
- X. Upholding Sustainability as a Firm

We endeavor to consider sustainability in all our activities in order to pursue responsible courses of action to benefit Graham Partners, its funds and affiliates, investors, portfolio companies, and the community. To download a detailed copy of our sustainability policy, [click here](#).

INTERNALLY AT GRAHAM PARTNERS

The Graham Partners Green Task Force, an internal team established in 2015 and tasked with improving the office environment, holds quarterly meetings. As a result, several internal sustainability initiatives have been launched, including printing reductions, environmentally preferable purchasing, recycling, and waste reduction.

Graham Partners also continues its tradition of service by participating in an annual volunteer service project. For Earth Day in April 2017, 29 firm employees braved the inclement weather to plant trees and help garden with the Philadelphia Orchard Project, a local program committed to planting and maintaining orchards in urban areas in and around Philadelphia.



GRAHAM PARTNERS 2017 IMPACT AWARDS

Graham Partners held its second annual Impact Awards this past fall. This program is designed to reward employees of Graham Partners' portfolio companies who are going to extraordinary lengths to make an impact, whether it be through securing new business, exhibiting strong leadership, having a determined work ethic, developing a new product, or finding new ways to save costs that impact the bottom line. Graham Partners recognizes that the success of the portfolio depends on the hard work of many individuals across the portfolio.

Twenty-one employees were nominated across Graham Partners' portfolio, and a finalist was chosen from each portfolio company. Of the 21 nominees, three recipients were selected for their outstanding contributions to his / her company, and were recognized at the 2017 Annual Investors Meeting.



EILEEN PETRASOVITS
Acme

Production Planner / Supervisor
Instrumental in managing improvements from Kaizen events, resulting in labor efficiencies (**35%** labor decrease in manifold segment) and new business wins (**90%** y-o-y growth for tank rehab segment)



FRED PADILLA
Desser

Quality Assurance Manager
Led the initiative to achieve **AS9100 certification**, a key standard of excellence in the aerospace industry, highly valued by customers



MATT CANTRELL
Universal Pure
Production Supervisor

*Dedication, drive for excellence and attention to detail; has overseen production increase at Villa Rica plant from one customer to **\$5.5MM** run rate*



GRAHAM PARTNERS

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[Graham Partners on Video](#) | [Graham Partners Sustainability](#)