



GRAHAM  
PARTNERS

GRAHAM PARTNERS  
**SUSTAINABILITY REPORT**

**2019**

PUBLISHED  
APRIL 2020



## A MESSAGE FROM OUR DIRECTOR OF SUSTAINABILITY

“*In these times of rapid technological advancement, one of the key areas where we strive to emulate Don Graham’s pioneering spirit is through our sustainability program.*”



We are at a remarkable point in history. Technology convergence is unlocking tremendous power for us to use our assets and resources in an **exponentially more intelligent and dynamic manner**. The coronavirus pandemic has not only given us new perspective but has created new opportunities for adaptation to meet the needs that are quickly arising. Additionally, we want to **recognize and thank our portfolio company employees for their contributions – working on the front lines** as we write this to help provide innovative products and services for essential businesses from healthy packaged food to medical equipment to products designed to keep communities and businesses running safely.

Innovation has always been at the heart of who we are at Graham Partners, stemming from Don Graham’s heritage as a technology-driven pioneer. New technologies are emerging and being adopted at a faster pace than ever. For example, when electricity was first invented, it took about 46 years for 25% of the population to adopt. Fast forward to more recent times – it took only 4 years for 25% of the population to acquire their first smartphone. From LED lighting, to solar-powered cars, to plant-based “meat” products – innovation is coming at us faster than ever. This increasing pace of innovation and the power of technological convergence has implications across the entire spectrum of our investment practice at Graham Partners – from shaping where we are deploying capital, to how we are enhancing the value of our investments, to the approach we use to divest our holdings and transfer them to new owners.

We have all seen the interplay of technological innovation and sustainability yield powerful tools that can help solve some of our most complex and serious global problems: clean water, energy-efficient transportation, and ocean pollution, just to name a few.

At Graham Partners, we are excited about backing companies that are pioneers in important areas of sustainability, and we are constantly seeking opportunities to embrace new technologies wherever we can to help our companies find ways to do MORE, with LESS.

In this report, we hope you will enjoy learning how our companies are innovating by developing sustainable products, such as ABX’s investment in R&D to develop one of the first recyclable high barrier flexible films (pg. 9), or EasyPak’s development of a patented recyclable meat tray that replaces Styrofoam (pg. 8). You will also read about how we are utilizing the Internet of Things to gain insights into energy consumption data (pg. 11) and how the growth of many of our companies is fueled by our growing collective awareness of the importance of doing things more sustainably (pg. 5).

In this era of rapid technological advancement, one of the key areas where we strive to emulate Don Graham’s pioneering spirit is through our sustainability program. By bringing innovative solutions and new technologies to our companies and their customers, we strive to enable people to live better lives, help our businesses to run responsibly and profitably, and conserve resources for the future. We see this as a vital part of what we have to offer to our companies, our people, and our investors. To that end, if you have any questions or would like to discuss anything in this report, we welcome that opportunity to engage with you directly.

In these unprecedented times, we wish you health and safety,

*Sarah B. Kolansky*



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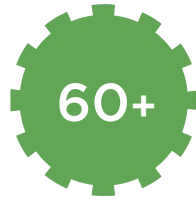
# SUSTAINABILITY AT GRAHAM IS ABOUT ACTION, NOT JUST TALK



Across our portfolio of companies,  
we employ more than 3,300 people



Graham employees



Operating executives



Manufacturing locations



Million square feet of operations

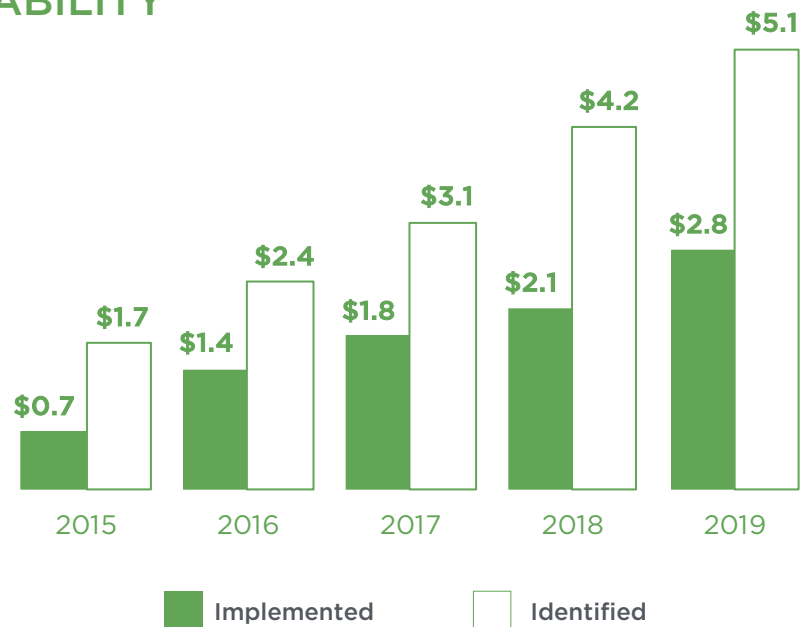
## CUMULATIVE SUSTAINABILITY COST SAVINGS (\$MM)

**\$2.8MM**

Annualized savings implemented from energy, waste, and water reductions at current and realized investments through 2019

**\$16.9MM**

Value created for investors from sustainability efforts in realized operations



## INDUSTRIES TOUCHED

Industrial Technology

Healthcare

Power Management

Aerospace / Transportation

Food Packaging

Specialty Distribution

Food Technology

Adv. Building Materials

Notes: Full-time employee count includes full-time equivalent employees as of 12/31/2019. The Director of Sustainability is a member of the Operations Team and is employed by Graham Partners Operating Company, LLC ("GPOC"). The Operations Team provides consulting services to the portfolio companies of the Funds and, in certain instances, to the Funds themselves. The Operations Team is comprised of certain full-time employees of GPOC as well as various operations executives who operate as third-party contractors. For further information, see Part 2A of Graham Partners, Inc.'s Form ADV, available on the Investment Adviser Public Disclosure website. Value created figure is calculated based off the estimated achieved sustainability savings figure multiplied by the exit multiple of the realized businesses. This value creation figure is for all investors that participated in the relevant realized investments, whether through the Graham Partners funds or otherwise, as the Graham Partners Funds did not own 100% of every business.



# SUSTAINABILITY AS A GROWTH DRIVER

CONVERSION TRENDS AND  
SUSTAINABILITY OFTEN  
GO HAND-IN-HAND

## INVESTMENTS MADE IN 2019



Provider of PET plastic containers primarily used to package food and beverage products

PET is the most widely recycled resin, and as consumers increasingly expect retailers and food manufacturers to **offer recyclable packaging**, VPET is positioned to provide sustainable solutions.



Provider of integrated loss prevention solution technologies to blue-chip customers globally

Gatekeeper's intelligent anti-theft solutions not only prevent crime and reduce retail shrinkage, but also eliminate the need for workers to confront those they suspect are stealing, leading to a **safer workplace**.



Advanced materials science company focused on engineered aerospace vibration and noise control applications

DTI's sound and vibration reduction solutions support the conversion to composite materials in aircraft manufacturing, **which reduces weight and thereby improves fuel efficiency**.

## ADDITIONAL PORTFOLIO INVESTMENT EXAMPLES



Producer of nutritious, freeze-dried fruits, vegetables, and proteins with state-of-the-art facilities

A large CPG previously used a competitor's dried apples with a chemically-derived peach flavoring and coloring in their hot breakfast cereal until Mercer developed a freeze-dried peach for that customer. This **eliminated artificial color and flavor** from the product altogether, enabling the customer to print a more authentic and cleaner label.



Precision manufacturer of medical and biotechnology device components

Medbio produces critical components for a wide range of **life-saving medical applications** including state-of-the-art cardiovascular, neurological, orthopedic, and robotic surgery procedures.



Mission-critical solution provider of precision-engineered products / field services for cryogenic liquids and gases

Acme is benefitting from the **increase in demand for less carbon-intensive fuels** consumed by shipping and transportation applications, such as liquefied natural gas (LNG) and hydrogen fuel cells.



Designer and manufacturer of engineered emergency lighting power solutions

As companies retrofit existing lighting or install new LED lighting, they tend to also update their emergency lighting systems. Myers EPS' emergency lighting inverters **ensure occupants are able to exit safely** in case of an emergency through their energy efficient solutions.





# VALUE-DRIVEN. HANDS-ON. CUSTOMIZED.

## DRIVING VALUE THROUGH SUSTAINABILITY

*Our sustainability program covers many aspects of our operations model, which is focused on creating value for our investors by building companies that have growth that is sustainable, in all senses of the word.*

### TOPLINE GROWTH.

Many of Graham's portfolio companies are directly or indirectly serving consumers, and therefore have the opportunity to win new business, gain wallet share, and displace competitors on the basis of sustainability. Read more about how our plastic packaging companies have the right focus and innovation capabilities to grow with demand for sustainability on pages 8 and 9.

### ADD-ON INTEGRATION.

As our companies expand, so does the need to extend and integrate our sustainability program across multiple locations. This expansion creates an opportunity for Graham to drive sustainability practices even deeper into each company's operations and business models.

### COST SAVINGS.

Implementing sustainability initiatives often leads to cost savings, with low or no cost outlays. These savings include energy / water / waste efficiency, scrap reduction, recycling, bill auditing, and more. Read more about how we are driving sustainability-related cost savings at our portfolio companies on pages 4, 9, and 11.

### RISK MITIGATION.

We make it a priority to send our employees home safely. We engage with our portfolio companies to improve safety programs and to reduce risk for our companies and our employees. Read more about this on page 10.

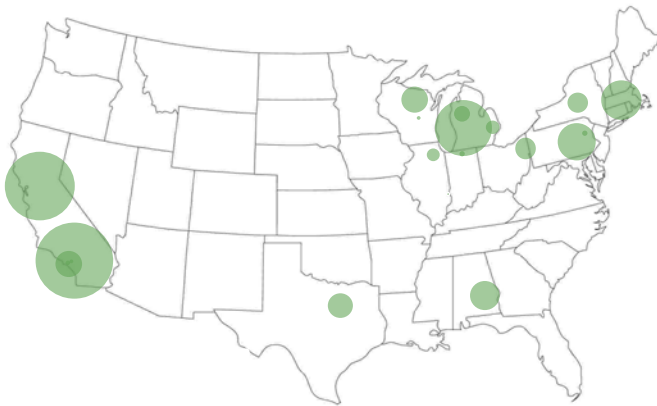
# ADDRESSING CLIMATE CHANGE

## HONING IN ON CLIMATE CHANGE



Graham recognizes the need to do its part to help preserve our planet’s resources for future generations. We recently collected information to develop a preliminary carbon footprint using energy utility data. Among other things, we learned that one unit of energy burned at a plant in Ohio is three times more carbon intensive than that same unit burned at a plant in New York, due to the energy mix of the local electricity grid. With this type of information, we can use carbon reduction impact as one tool to prioritize energy efficiency projects.

### PORTFOLIO COMPANIES EMISSIONS CHART



SIZE OF BUBBLE REPRESENTS THE CO<sub>2</sub> EQUIVALENT EMISSIONS FROM ENERGY USAGE AT THE FACILITY RELATIVE TO OTHER FACILITIES

We are also incorporating climate change considerations throughout our diligence and ownership, as we recognize that in order to build companies with lasting value, these impacts cannot be ignored. **In diligence, we are working to incorporate climate change evaluation** in a qualitative manner by reviewing physical assets and localized impacts. **During ownership, we seek to challenge our companies to identify ways they can do MORE with LESS** throughout their operations.

While we can’t solve all of the world’s climate change issues, we are committed to aiding our portfolio companies in being good stewards for our future generations. Below is one example of how this has already been done with Mercer.

### CASE STUDY: MERCER

When Graham invested in Mercer in 2016, all of their strawberries were sourced from California. While this meant fewer miles for transport, Mercer was completely dependent on California’s growing season, which is vulnerable to disruptions from flooding and drought, both of which are projected to increase with climate change. Additionally, the company was forced to buy a year’s supply during a short growing season and freeze large quantities in energy-intensive freezers until needed. Mercer and the Graham Partners Operations Team undertook an initiative to diversify Mercer’s strawberry supply chain and increase its climate resilience. Today, Mercer sources strawberries from all over the world. Mercer has also invested in a large solar field at their facility to partially offset the company’s carbon footprint.

#### INCREASED

Climate resilience from globalizing strawberry supply chain

#### REDUCED

Energy usage from energy-intensive freezers per lb. of finished product

#### \$5.5MM+

Cumulative cost savings from global supply chain initiative vs. 2016 baseline

Note: This includes emissions resulting from the energy consumption of each individual facility in the portfolio with the largest emissions and does not include satellite offices and small footprint locations. These emissions are a result of direct emissions from the facility, including energy usage, but do not include Scope 3 upstream emissions. This has not been verified by a 3rd party, but was information gathered internally for informational purposes only. Emissions factors were taken from EPA’s eGrid database and are based on the facility’s zip code.

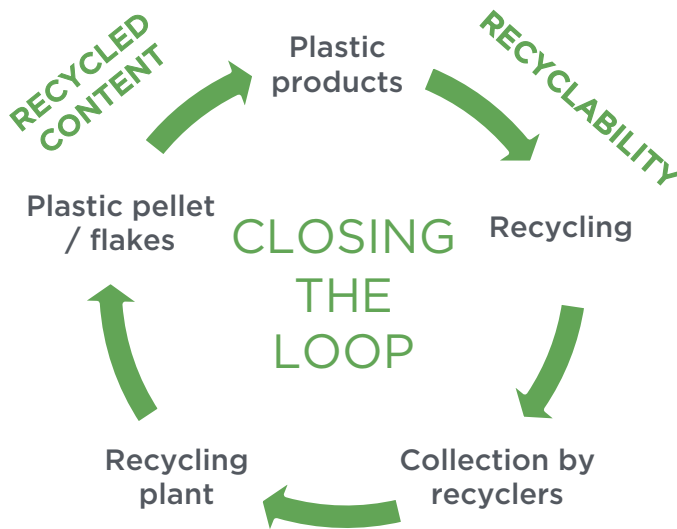


# EASYPAK

## CLOSING THE LOOP ON RIGID THERMOFORMED PLASTIC PACKAGING



By investing in technology and focusing on new product development to meet customer and consumer demands, EasyPak has been able to close the loop on plastic packaging by increasing *recycled content* as a part of its raw materials inputs and boosting the *recyclability* of their products.



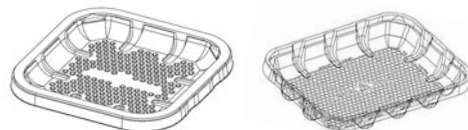
- Used 9.6MM lbs. of post-consumer recycled material; 12.2MM lbs. of total recycled material (includes industrial scrap)
- 75% of all products were made from recyclable PET resin
- Joined the Sustainable Packaging Coalition (“SPC”), the leading voice on sustainable packaging with a membership that encompasses the entire supply chain

### CUSTOMER EXAMPLES

EasyPak’s sustainability efforts have aligned with one fast-growing customer segment: leafy greens greenhouse growers. These growers promote their products as more environmentally friendly than traditional alternatives – grown locally, without the need for pesticides, and with less water consumed than conventional lettuce. Several leading growers sought a packaging option that aligned with this messaging and their customers’ interests – EasyPak’s recycled and recyclable products were a perfect fit. Last year, EasyPak grew sales from one grower by 56%.



EasyPak continues to work closely with customers to develop solutions that meet consumer and regulatory demands. Recently, the company developed a PET meat tray with a patented honeycomb design that collects moisture. The tray not only replaces traditional Styrofoam meat trays now banned in many states and municipalities, but also eliminates the need for non-recyclable absorbent pads. As a result, the package is now 100% recyclable and helps meat producers and retailers meet sustainability targets.





# ABX SUSTAINABLE PRODUCT DEVELOPMENT IN FLEXIBLE FILM PACKAGING

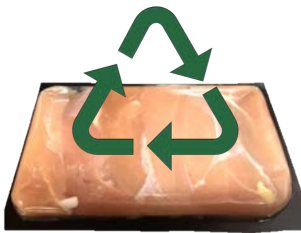
High barrier flexible film is a highly technical niche within the packaging industry, which was traditionally not recyclable due to the multi-layer, multi-resin structure. ABX has invested heavily in R&D efforts to develop new and innovative recyclable films. The company has also focused on its internal extrusion operations to reduce scrap and improve operating efficiencies, leading to over \$0.3MM of annual cost savings, with an additional \$0.3MM targeted to be achieved in 2020.

- Developed the first Recycle Ready, high-barrier cast film structure in conjunction with DOW, which is recyclable in store drop-off locations for plastic bags and other films
- Joined the Sustainable Packaging Coalition (SPC)
- Received approval for eight of their films to be used in SPC's How2Recycle program; this is a system that will likely soon be mandated by major retailers such as Walmart, Aldi, and more
- Reduced scrap rates by over 14%, which has resulted in over 330K pounds of scrap savings per year, and over \$320K of annual cost savings, in addition to energy and time savings derived by not processing unusable material

## ANNUAL SCRAP REDUCTION



## HIGHLIGHT: RECYCLE READY FILMS



ABX's Recycle Ready films perform like traditional multi-layer films but are made with 100% recyclable materials. These are available in breathable and high barrier versions and were designed using certain polyethylene resin blends combined with special additives to yield a high-performance product. The product was developed over nearly two years by ABX's experienced R&D team.



# ENHANCING EMPLOYEE SAFETY ON THE PLANT FLOOR

Graham Partners strives to make our companies bigger, better, and safer during our ownership. We believe that sending our employees home safely is not only the right thing to do but is good business practice, as strong safety records have a correlation with key indicators such as productivity and employee satisfaction.

## SHARING BEST PRACTICES.

We have held **three in-person Environment Health and Safety (EHS) Summits** (May 2016, January 2018, May 2019) and we hold quarterly EHS conference calls, all with the purpose of sharing best practices among our safety leaders. Past topics of discussion include improved metrics and tracking, new regulations from OSHA, how to establish and lead effective safety committees, and more.

## OPERATING PARTNER ENGAGEMENT.

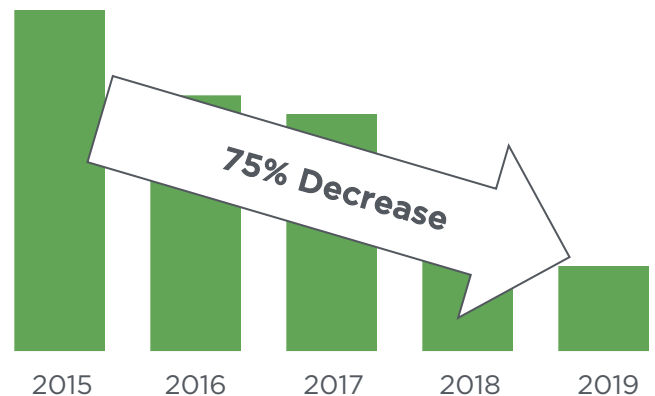
Our EHS operating partners **continue to engage with our portfolio companies**, from program and procedure development to training effective safety committees. Our newest EHS Operating Partner, Deb Grubbe, engaged with EasyPak to review the safety culture across its organization. She developed a safety culture questionnaire and is working closely with EasyPak's Corporate EHS Director to implement tailored strategies for improvement at each of the company's five facilities.



## METRIC TRACKING.

In order to elevate the importance of safety, we communicated to management teams at our companies that they should track safety metrics at both Board of Directors meetings and within their monthly operations updates, which will be a requirement moving forward. This ensures our portfolio company management teams understand that worker safety is a high priority for their stakeholders, and that they are accountable to their boards and shareholders for fostering a safe work environment for their employees.

## TOTAL RECORDABLE INCIDENT RATE (TRIR) AT ONE PORTFOLIO COMPANY FACILITY



# LEVERAGING THE INTERNET OF THINGS FOR SUSTAINABILITY

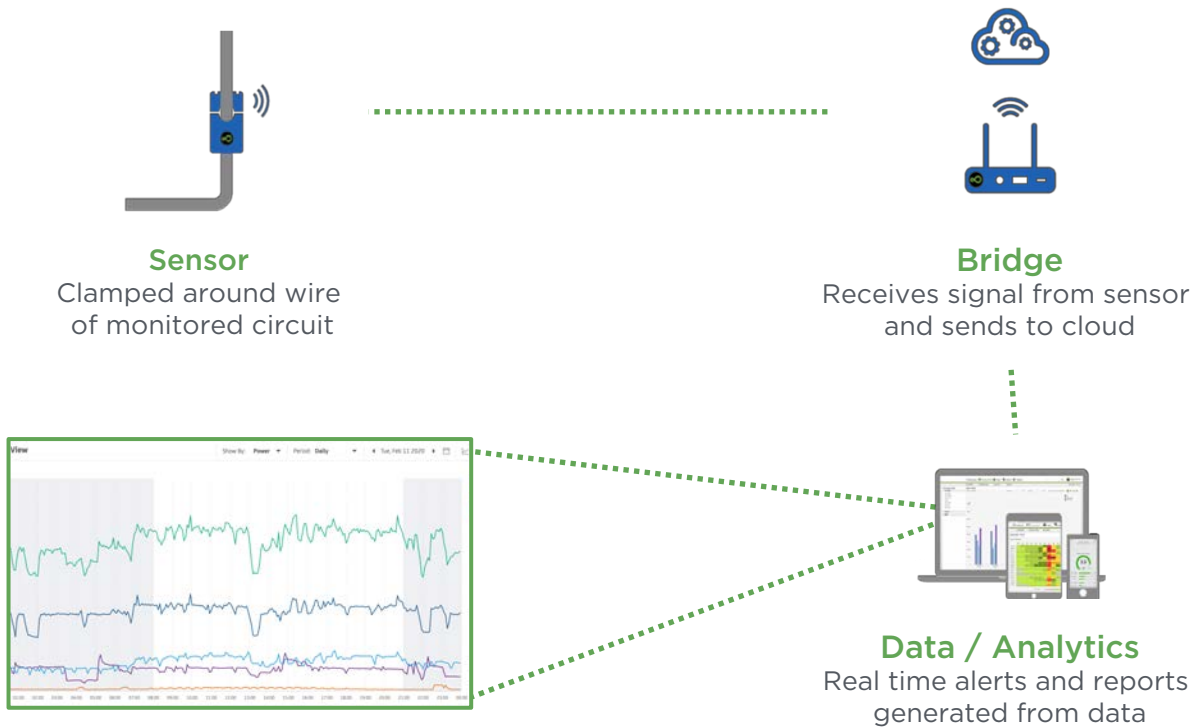


## ADDRESSING ENERGY USAGE WITH NEW TECHNOLOGIES

Graham Partners is engaging across its portfolio to drive down energy costs, which has resulted in \$2.3MM of implemented annualized energy savings to date. We are utilizing new technologies to continue to drive additional opportunities at our facilities. For example, this past year EasyPak began leveraging wireless sensors to analyze the company's peak demand charges, which were costing as much as \$20,000 per month.

### EASYPAK VERNON

EasyPak's Vernon, California facility installed a pilot initiative to view real-time electricity usage. The program, depicted below, uses small, easy-to-install sensors on the electrical panel and sends interval energy data to a central bridge, which then transmits the information to the cloud, where it can be viewed on any electronic device. EasyPak Vernon's plant managers are working closely with a third party to perform an in-depth analysis of this information to identify ways to reduce energy usage and demand of the facility, both of which should result in lower electricity bills.



This information gives further insight into a facility's performance, beyond energy usage, which is a useful tool for a plant or maintenance manager. The facility is in the process of baselining their data and will be working over the coming months to make operational changes based on these insights.



# EMBRACING SUSTAINABILITY AT GRAHAM'S HQ



Innovation doesn't stop at portfolio companies. At Graham Partners, we have a "continuous improvement" mindset when it comes to sustainability. We continually seek to adopt practices that keep us ahead of the curve both at the portfolio company level and as an investment manager.

## REDUCING ALUMINUM CAN USE.

In 2019, Graham Partners began using "Bevi," a "smart" water cooler at our headquarters. This has enabled us to reduce our use of bottled and canned beverages, resulting in more than 16,500 fewer aluminum cans and bottles since installation.

## GRAHAM DIVERSITY STATEMENT.

*At Graham Partners, we recognize that **our people are our greatest asset** at all levels of our organization. We also recognize that having perspectives from diverse backgrounds and experiences should enable us to create greater value for our investors and attract and retain top talent. That is why we are committed to developing a culture rich in different backgrounds and perspectives in all aspects of our business. We recognize this as a long-term investment in the firm and look forward to having more information in the future.*

## IMPACT AWARDS.

Graham Partners held its **fourth annual Impact Awards** in 2019. The program was developed to recognize and reward employees at our portfolio companies who go above and beyond to drive real results in their positions and across their company. This year, twenty-four employees were nominated, and three were selected and recognized in-person at our 2019 Annual Investors Meeting. Please see the following page for details about this year's award recipients.



Wireless connectivity  
provided by



16,500 FEWER ALUMINUM  
CANS AND BOTTLES USED  
SINCE IMPLEMENTATION

# 2019 IMPACT AWARD RECIPIENTS

RECOGNIZING EMPLOYEES WHO  
MAKE A DIFFERENCE



Graham Partners recognizes that our people are our greatest asset, and we acknowledge the hard work of the more than 3,300 individuals employed at Graham Partners companies. We would like to thank this year's award recipients below, along with the other nominees, for their dedication and contributions in helping us grow our purpose-driven businesses.



## AMPARITO GALVAN, MERCER

Amparito has been acting as the **key finance-related employee** for Mercer during the search for a new CFO. During this time, she has enhanced revenue by improving pricing across all segments of the business. She has acted as Controller, Advisor, and Analyst all at once, working with production to **reduce costs and increase margins**.

## KEVIN DALTON, OPTCONNECT



Kevin has been responsible for driving and enhancing brand position, image, and awareness in new markets and across multiple platforms. In addition to the **successful launch of a new product** (ema™), Kevin has furthered OptConnect's position as a leader in its industry niche - resulting in several awards for the company.



## DON GRIMM, BRIGHTPET

Don led a combination of staff to create, monitor, and continually adjust and improve the finished product quality and yield at the BrightPet's New York facility. The results have increased yields and decreased customer returns, resulting in **significant increases to EBITDA**.



# ABOUT GRAHAM PARTNERS



Graham Partners is a private investment firm focused on investing in technology-driven companies that are spurring innovation in advanced manufacturing, resulting in product substitutions, raw materials conversions, and disruptions to traditional end markets. Graham Partners targets companies with EBITDA between \$5 million and \$50 million, and will invest in smaller companies to the extent they complement one or more of its other holdings. Since the firm's founding in 1988 by Steven Graham, Graham Partners has closed over 120 acquisitions, joint ventures, financings, and divestitures. The committed capital raised since inception through the Graham Partners funds together with Graham-led co-investments totals approximately \$3.2 billion, which differs from Regulatory Assets Under Management. Investors include university endowments, charitable foundations, financial institutions, and private investors. Based in suburban Philadelphia, the firm has access to extensive operating resources and industrial expertise and is a member of The Graham Group, an alliance of independently owned and operated industrial and investment management businesses that share in the common legacy of entrepreneur Donald Graham.