



**GRAHAM
PARTNERS**



GRAHAM PARTNERS

2021 Environmental, Social, and Governance Report

Published May 2022

Table of Contents

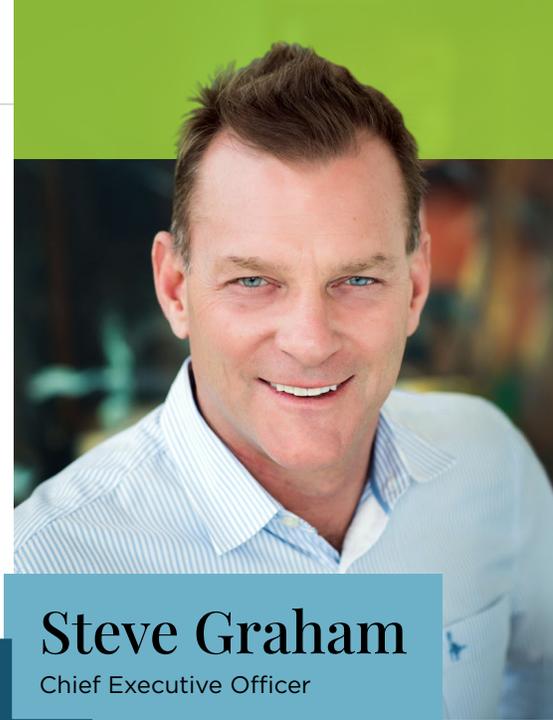


Letter from the CEO	3
Introduction	4
Graham's Purpose	5
Graham at a Glance	6
Background	8
Strategy	9
▶ Methodology	10
▶ Investment Origination	11
▶ Investment Evaluation	13
▶ Value Creation	15
▶ Program Monitoring	19
▶ Investment Realization	20
The Graham Difference	21
Portfolio Impact	23
Impact Awards	25
Looking Forward	26

Cover photos from left to right:
SURGERE Industrial Technology: Inventory Room
KINOVA Medical Devices & Life Sciences: Employee on the Plant Floor
MERCER FOODS Consumer & Food Manufacturing: Solar Panels at Modesto, CA Facility

Letter From the CEO

We are pleased to share our seventh annual sustainability report. As the world continues to evolve and adapt to new circumstances, Graham Partners¹ has endeavored to do the same in all aspects of our work. This year's report has phased out its previous branding as a "sustainability report" in favor of a more comprehensive Environmental, Social, and Governance (ESG) lens to capture the breadth of our growing program and our commitment to having a positive impact on the companies in which we seek to invest.



Steve Graham
Chief Executive Officer

At the issuance of our previous report in June 2021, the world was in the first stages of recovery from the COVID-19 pandemic. Vaccines were being developed and deployed at a record pace and society was preparing to shift into a new "normal." Since then, Graham has worked alongside portfolio companies to mitigate the ongoing impact of the pandemic on operations, while shifting the paradigm and creating positive change for our stakeholders and their communities.

At Graham, we believe that focusing on ESG issues is good for people and the planet, and also good for business. Our focus on ESG dates back to the '90s and has progressed over time:



Our ESG initiatives have evolved into a robust program that we are confident will lead to better, bigger, and safer businesses.

This report highlights achievements across our portfolio in 2021, as well as updates to our ESG program strategy going forward from a new and refreshed perspective. We hope that you enjoy learning about our program and continue to engage and partner with us on these important initiatives.

Steve Graham
Chief Executive Officer

¹ | Graham Partners, Inc., together with GPOC (defined in footnote 3), "Graham Partners" or "Graham."

² | [Graham Sustainability Institute](#)

Introduction

Statement from Allison Hernandez Gosselin, Director, Environmental, Social and Governance



I am thrilled to join Graham Partners as Director, Environmental, Social and Governance to continue building upon the substantial foundation that has been laid to date.

Reflecting upon what attracted me to Graham, I admired its dedication to addressing ESG issues. The family legacy is one of stewardship and pioneering industrial ecology principles, long before the concept of Environmental, Social, and Governance existed. I am honored to carry on this legacy, and I continue to be humbled by the wealth of ideas that are exchanged at every level of the organization regarding how we can improve our ambitious program. Graham's commitment to innovation, continuous improvement, and driving companies toward the future – past their perceived potential – is evident in our conversations, projects, and results.

OVER THE COURSE OF 2021, GRAHAM PARTNERS:



GREW THE ESG TEAM

from one to three individuals, including a Director of Environmental, Social and Governance, a Director of Employee Health and Safety, and an Associate³



IDENTIFIED \$5.4MM

in annualized savings in 2021, stemming from ESG initiatives



STANDARDIZED THE REGULAR COLLECTION, ANALYSIS, AND REPORTING OF MONTHLY PORTFOLIO COMPANY METRICS

on purchased electricity, natural gas, water, and safety, in addition to tracking ongoing metrics related to areas such as Diversity, Equity, and Inclusion (DEI)⁴



EXPANDED OUR SUSTAINABILITY PROGRAM

into a cohesive ESG strategy, which we will continue to enhance over time

I believe that strong ESG programs are thoughtfully designed to mitigate the intrinsic risks of a business, while deepening its positive impact on people and the planet, in line with its core values and long-term strategic plans. The thoughtful execution of tailored ESG programs can take a company from *good* to *great*: from a place of work to a place of purpose. This shift from *good* to *great* has the potential to uplift a company's culture and attract changemakers – including employees, customers, and investors – who believe in the mission and are vested in its ongoing success. Through our value creation activities, we hope to leave a lasting imprint on the companies in our portfolio.

I am proud to report our progress in 2021 and introduce key tenets of our refreshed ESG strategy that we intend to execute moving forward with the goal of amplifying our impact. I look forward to harnessing the immense momentum that has brought us here to date to create lasting change among employees, within our portfolio, in our communities, and on our planet in 2022 and beyond.

3 | The ESG team members are members of the Operations Team and employed by Graham Partners Operating Company, LLC (GPOC). For further information, please refer to the General Disclosures on page 27 of this report.

4 | Graham Partners will endeavor to carry out its ESG strategy across the portfolio, but the level of engagement with certain investments may be limited, including with non-control investments. Thus, any portfolio-wide activities highlighted may not be applicable to certain investments.

Graham's Purpose

At Graham Partners, we work hand-in-hand with portfolio companies to grow their businesses, streamline operations, and deliver enhanced products and solutions, ultimately leaving the companies and their stakeholders in a better place upon exit than when we initially invested.

Our mission is to invest in technology-driven companies that are spurring innovation in advanced manufacturing, resulting in product substitutions, raw materials conversions, and disruptions to traditional end markets.

Our ESG strategy is a key component to achieving this mission.

Graham's entrepreneurial family heritage and sector focus have equipped us to partner with family-owned and founded businesses in key sub-sectors and end markets, offering flexible capital solutions across both our buyout and growth strategies. Our team prioritizes originating proprietary investment opportunities, including businesses benefiting from sustainability trends. We seek to align our investment theses alongside our ESG values and foster a culture of continuous improvement during our hold period through our value creation activities. We believe that this enables us to deploy ESG initiatives at portfolio companies in lockstep with their business models and support overall performance.

We are grateful to our employees, portfolio companies, investors, and broader community for their invaluable support and encouragement in pursuit of our mission.



ADVANCED
MANUFACTURING
EXPERTISE



INTEGRATED
INVESTMENT AND
OPERATIONS TEAMS



ESTABLISHED
BRAND NAME AND
HERITAGE

Graham at a Glance

Highlights Across the Portfolio

Over the past six years, we have advanced our approach to ESG while remaining focused on creating value within our portfolio. We critically assess how ESG provides top and bottom-line benefits for our companies to drive growth and tangible savings.

GRAHAM STATISTICS:

67

Graham Partners employees⁵

3

ESG team members

70+

Operations executives in Graham Network⁶

PORTFOLIO STATISTICS:

14

Portfolio companies⁷

4,000+

Portfolio company employees around the world⁸

\$5.4MM

Total savings achieved from ESG initiatives in 2021⁹

INCLUDING:



Dragon fruit yield improvements



LED lighting retrofit



Cardboard packaging reduction

\$8.9MM

Cumulative savings achieved to date from ESG initiatives¹⁰

\$73.0MM

Total realized value created to date from ESG initiatives¹¹

⁵ The Graham Partners team is comprised of 67 individuals, of which 48 are employed by Graham Partners, Inc., while 19 are employed by Graham Partners Operating Company, LLC as of 12/31/2021.

⁶ Operations executives are not employees of Graham Partners, Inc. Any compensation paid to operations executives is paid by the applicable Graham Partners fund and/or portfolio company. These payments do not offset any management fees.

⁷ This list includes active portfolio companies as of 12/31/2021 across our buyout and growth strategies.

⁸ This includes part-time, full-time, and contracted temporary employees on payroll at portfolio companies, including non-control investments as of 12/31/2021, as reported by the portfolio companies.

⁹ Total savings achieved in 2021 includes the estimated savings from ESG initiatives carried out at current and divested Graham Partners portfolio companies during Graham's ownership in the 2021 year, which may have resulted from various factors, including ESG. The figure represents total estimated savings achieved at each company in 2021. The Graham Partners funds did not own 100% of every business.

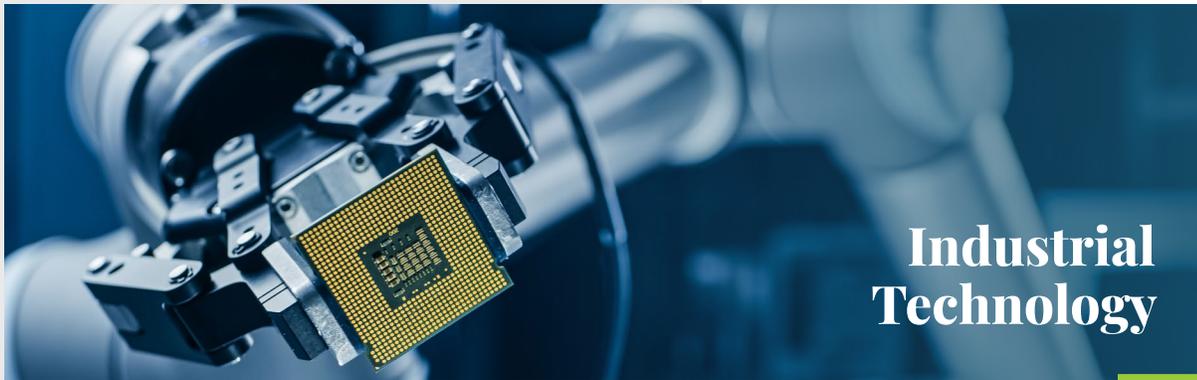
¹⁰ Cumulative savings achieved to date includes the estimated savings from ESG initiatives carried out at current and former Graham Partners portfolio companies during Graham's ownership, from 2013, when we began capturing this information, through 12/31/2021, which may have resulted from various factors, including ESG. The figure represents cumulative estimated savings achieved at each company. The Graham Partners funds did not own 100% of every business.

¹¹ Total value created to date includes the estimated value created from ESG initiatives carried out at former Graham Partners portfolio companies during Graham's ownership, from 2013, when we began capturing this information, through 12/31/2021. This figure is calculated based on the estimated savings achieved multiplied by the exit multiple of the realized businesses, which may have resulted from various factors, including ESG. The figure represents total estimated value created at each company. The Graham Partners funds did not own 100% of every business.

Graham at a Glance

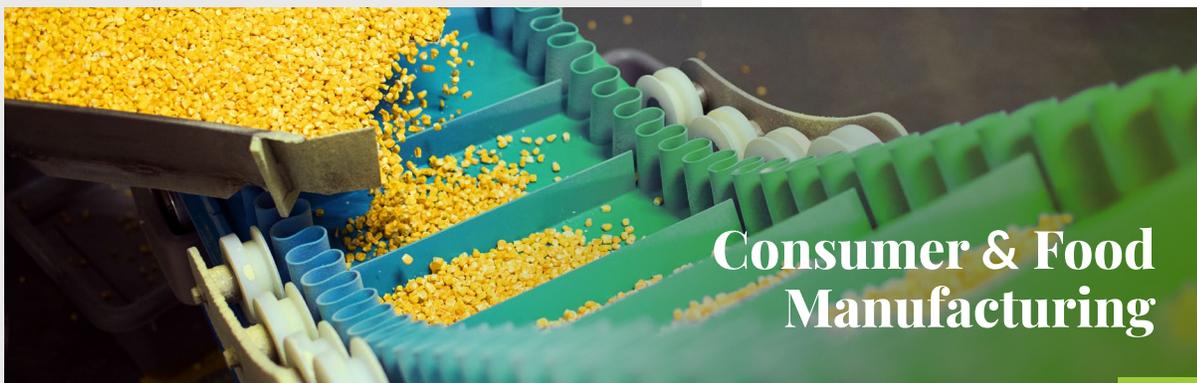
(continued)

Graham invests in companies that are **spurring innovation in advanced manufacturing** across a variety of sub-sectors, including:¹²



Industrial Technology

BrightSign **CREATIVE MINES** **DESSER AEROSPACE** **DTI** **GATEKEEPER SYSTEMS** **MYERS EMERGENCY POWER SYSTEMS** **OptConnect MANAGED WIRELESS SOLUTIONS** **SURGERE**



Consumer & Food Manufacturing

ABX **easypak** **PET PLASTICS** **WOODLAND FOODS**



Medical Devices & Life Sciences

KINOVA **TEAMVANTAGE**

¹² | This list includes active portfolio companies as of 12/31/2021.

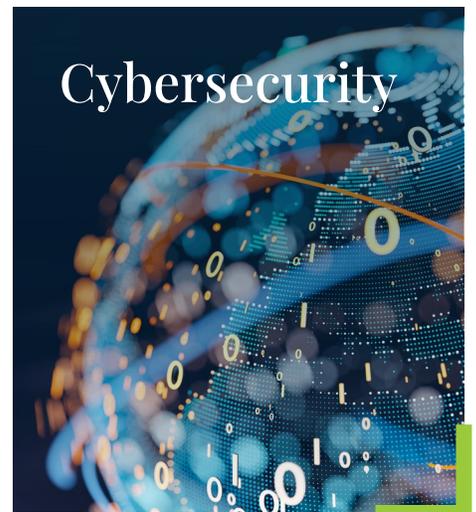
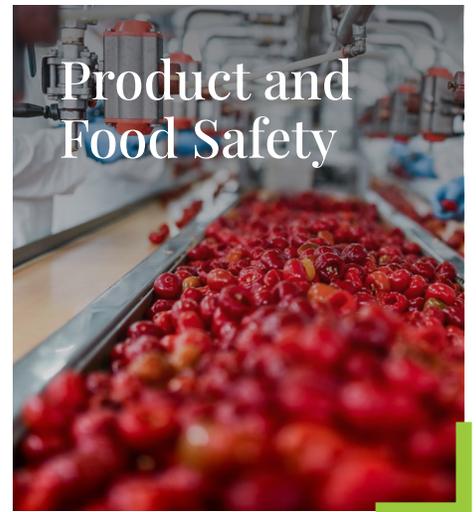


Background

To date, Graham Partners' sustainability program has focused on identifying targeted opportunities for improvement at the portfolio company level, executing company-specific initiatives and measuring the impact of these improvements on financial performance.

In our effort to evolve the program from opportunistic and project-based to a systematic, focused approach, we recognized the need to develop a cohesive ESG strategy and standardized performance plans in consideration of stakeholder priorities and key ESG areas in the advanced manufacturing and industrial technology sector.

OUR KEY FOCUS AREAS INCLUDE:



Strategy

At Graham Partners, our ESG strategy is focused on applying ESG principles and best practices within our organization and across the investment lifecycle, beginning at the investment origination stage and continuing through investment realization.

With our investments, our goal is to:



UNDERSTAND
potential ESG risks and opportunities during the investment evaluation stage



ASSESS
the impact of ESG factors on stakeholders and identify areas for improvement



DEPLOY
a standardized operating model with embedded ESG processes, and provide ongoing support, tools, and resources to encourage progress and monitor results¹³



We are continuing to roll out this refreshed strategy in 2022. We plan to work internally and across the portfolio to **improve** processes, **amplify** our companies' impact on stakeholders, **mitigate** risk, and **track** performance over time.



KINOVA
Medical Devices & Life Sciences

¹³ | We seek to deploy this operating model with control investments to varying degrees, and with non-control investments, when possible.

Methodology

Graham Partners seeks to create a best-in-class ESG program that will drive value throughout the investment lifecycle and maximize positive impact for our key stakeholders.

SURGERE
Industrial Technology

We endeavor to customize our programmatic approach with each company by incorporating insights from the advanced manufacturing and industrial technology sector, combined with certain elements from the following industry-recognized ESG standards:

Sustainability Accounting Standards Board (SASB) Standards¹⁴

We seek to utilize the SASB standards as a preliminary rubric for identifying the ESG issues that are financially and operationally material to our portfolio companies by referring to the issues that SASB has determined are most common in relevant industries.

International Standards for Organization (ISO) Standards¹⁵

We seek to utilize the ISO standards as a general framework for developing ESG implementation plans and establishing a culture of continuous improvement at portfolio companies by referring to the ISO 14001:2015 environmental standards and ISO 45001:2018 health and safety standards.



SUSTAINABLE DEVELOPMENT GOALS¹⁶

We seek to align our ESG programming with relevant Sustainable Development Goals (SDGs) that have been set forth by the United Nations, in support of its universal call to action to address the most critical global issues.



Integrating ESG standards into our business practices has enabled us to elevate our existing toolsets and work to systematically address relevant ESG factors within our portfolio.

14 | [Sustainability Accounting Standards Board \(SASB\) Standards](#)

15 | [International Standards for Organization \(ISO\) Standards](#)

16 | [Sustainable Development Goals](#)

Investment Origination

A core tenet of Graham Partners' investment origination strategy is to target businesses that are driving or benefiting from conversion opportunities, where additive or disruptive innovations are creating new growth opportunities.

Below is a subset of recently completed or in-process high impact investment theme research areas:

-  Allergen Testing/Prevention
-  Ancillary Beneficiaries of Building Automation Trends
-  Aquaculture
-  Climate Change Mitigation/Sea Walls
-  Component Manufacturing of Wind Blades
-  Cybersecurity
-  Energy Efficient Roofing
-  Environmental Sensing
-  Hydrogen Economy
-  Internet of Medical Things
-  Lab-Grown Food
-  Ocean Farming
-  Radiative Cooling
-  Robotics Surgery Equipment Manufacturing and Supply Chain
-  Smart Farming
-  Smart Irrigation
-  Smart Waste Management Technology
-  Solar Energy Battery Storage
-  Sustainable Packaging
-  Telehealth
-  Water Purification

In some cases, conversions are tied to process catalysts, such as improvements that incorporate automation, increase efficiencies and productivity, or reduce resource utilization to the end customer. In other cases, conversions are driven by market adoption when a new innovation offers more advanced product features or benefits. Graham leverages its research-driven Investment Theme Program to target conversion opportunities, which, among other things, can have a positive aggregate ESG outcome, or conversely, a sustainability conversion that fuels growth.

2021 INVESTMENTS RESULTING FROM INVESTMENT THEME PROGRAM



BrightSign®

Investment Theme Study DIGITAL SIGNAGE

Investment Impact Producing highly reliable and secure digital content on displays can reduce outages and optimize productivity in high-stakes settings, such as hospitals



KINOVA¹⁷

Investment Theme Study ROBOTIC SURGERY EQUIPMENT MANUFACTURING

Investment Impact Developing assistive technologies for personal and surgical applications can lead to improved quality of life for people with physical limitations as well as better surgical outcomes



MYERS¹⁸
EMERGENCY POWER SYSTEMS

Investment Theme Study ANCILLARY BENEFICIARIES OF THE CONVERSION TO LED LIGHTING

Investment Impact Legislation and prioritization of sustainable technologies appear to be driving LED penetration and utilization of smart controls and emergency power solutions



WOODLAND FOODS¹⁹

Investment Theme Study SPECIALTY INGREDIENTS

Investment Impact Providing access to healthy food products can improve health outcomes

17 | Minority growth investment.

18 | Transitioned from a majority to minority investment in August 2021.

19 | Graham's sourcing team identified Woodland Foods as an acquisition target and connected with the company six months prior to the launch of a competitive process.

Investment Origination Feature: Kinova

KINOVA



KINOVA
Medical Devices & Life Sciences

Graham's 2021 investment in Kinova is a recent example of an impactful conversion catalyst in action. Kinova is a designer and manufacturer of collaborative robotic arms (cobots) for medical and industrial end markets. Graham strategically targeted robotics as an area for investment, given the rapid deployment of automation technology across numerous end markets, including industrial and surgical settings. Cobots are designed to operate safely around humans and machinery, and they can generate positive social impact by improving patient outcomes in surgical settings as well as relieving employees from performing repetitive and sometimes dangerous tasks in manufacturing settings.

After completing an investment theme study on robotic surgery technology, Graham contacted Kinova and was immediately impressed by the company's mission and technology. The company's earliest application was an

assistive robotic arm designed for individuals with minimal upper body mobility. Co-founder Charles Deguire's mission was to build a tool to assist and empower individuals with physical limitations like his three uncles, who were diagnosed with muscular dystrophy. The concept was inspired by an assistive mechanical arm that his uncle, Jacques, invented to assist with picking up objects from his wheelchair.

The company has succeeded in its mission to empower humanity across multiple applications through its technology – providing better patient outcomes in healthcare settings, assisting individuals with limited mobility, and enhancing worker productivity through automation in industrial and professional settings.



[See video](#)



“

Robotics are not only here to make more in less time... the technology saves lives, increases mobility, and improves our quality of life. It generates curiosity of young and old, it entertains, it makes us smile, it makes the impossible more and more possible. It is quite something!"

André Gareau
Executive Chairman, Kinova Inc.

Investment Evaluation

Graham Partners seeks to utilize SASB's materiality assessment to guide the identification of the most significant ESG risks and opportunities of a prospective investment while conducting due diligence.

Since 2020, ESG-related diligence findings have been presented to Graham's Investment Committee for certain investment opportunities, which have been taken into consideration as a part of the decision regarding whether to proceed with an investment.

Graham is developing minimum standards and diligence processes to assist with screening prospective investments and identifying short- and long-term value creation opportunities to target during our hold period.

We plan to assess, measure, and evaluate companies using this ESG criteria alongside operational and financial performance metrics to maintain a holistic view of a company's value, risks, and opportunities throughout the investment lifecycle.

INVESTMENT EVALUATION FEATURE: PROJECT CUSTOM

In 2021, Graham evaluated a potential investment in Project Custom, a branded food manufacturer. During diligence, and while under exclusivity, the ESG representative on Graham's Gating Committee identified a handful of surface-level red flags, signaling high potential for deeper ESG issues in operations, human resources, and overall business management.

This included concerns with safety performance, heightened use of temporary workers, gaps in leadership in key human resources and safety-related roles, and a lack of diversity within its leadership team.

Collectively, these issues would have exposed Graham to considerable risk and would have required significant focus and capital expenditure to resolve. Ultimately, we decided not to proceed with pursuing the opportunity as a platform investment for a combination of reasons, including these concerns.

Project Custom through Graham's investment evaluation process:



ESG due diligence raised red flags



Concerns validated during operational due diligence



Poor safety performance revealed broader operational issues



Investment opportunity terminated before reaching Investment Committee

Investment Evaluation

(continued)

WOODLAND FOODS®

Materiality Assessment Feature: Woodland Foods

Below is an example²⁰ of how we utilize the guidelines set forth by SASB to conduct a thorough review of the material issues of a portfolio company (in this case, Woodland Foods, a provider of global food ingredients). We rank these issues on a relative scale of the potential impact that they may have on a company's strategy, alongside the potential impact that these issues may have on stakeholders through the company's business operations. This ranking will vary from company to company.

01

As illustrated in the Materiality Matrix graphic below, the upper-left quadrant represents the material issues that Graham Partners deems foundational – these are areas where a business should have adequate systems in place to satisfy our standards for ethical and safe business practices. These areas are most often scrutinized by the Investment Committee during due diligence to support an informed investment decision.

02

The upper-right quadrant includes ESG areas that have the potential to drive significant value and financial return when supported by robust, repeatable processes and monitored with Key Performance Indicators (KPIs).

03

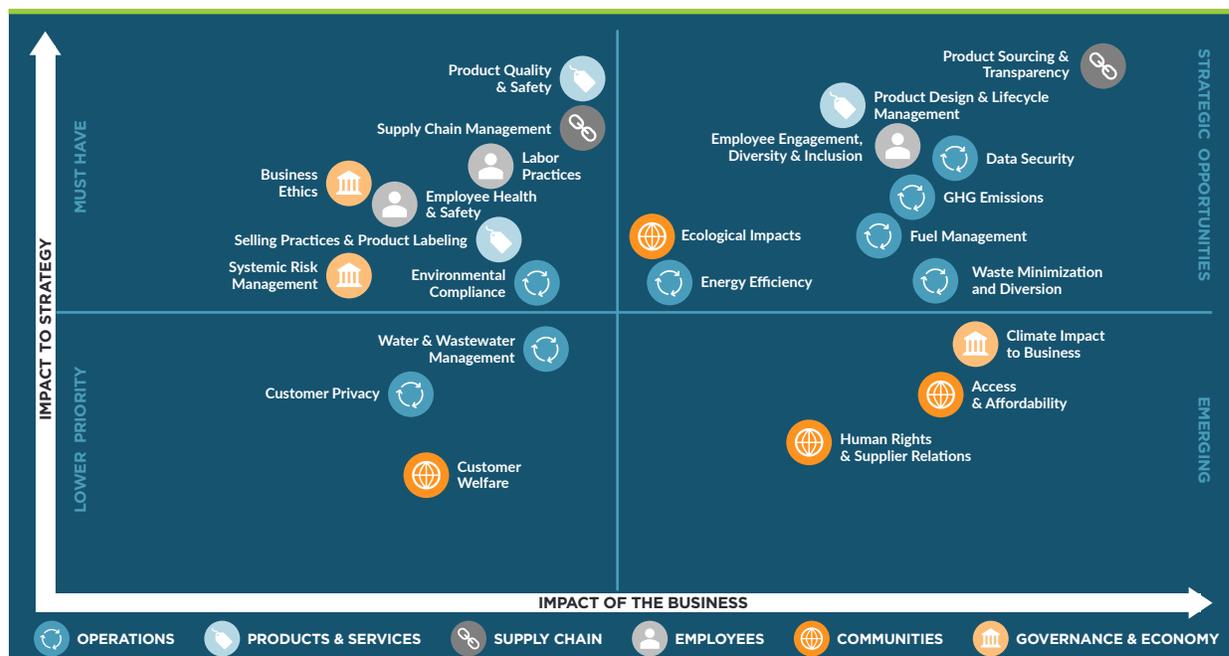
The lower-right quadrant represents advanced topics that have the potential to drive incremental value when applied appropriately, after the company has established a culture of ESG.

04

The lower-left quadrant represents topics that are less likely to be primary focus areas during Graham's ownership, and which will vary from company to company.

During the value creation phase, we determine strategic imperatives and tactical implementation areas to focus on during our hold period. We seek to work with the businesses to implement priority initiatives in line with the team's overall value creation plan and achievement of measurable targets and objectives.

WOODLAND FOODS MATERIALITY MATRIX



20 | SASB's materiality assessment

Value Creation

Graham Partners has developed standard work processes across a variety of disciplines, comprising Graham's core value creation program. The addition of ESG to this operating system has enhanced our ability to affect positive change at our companies and in our communities.

Following the identification of a company's ESG risks and opportunities during diligence, and once that company joins the Graham portfolio, we conduct a functional operations assessment and develop a value creation plan. The value creation plan outlines target ESG initiatives that we believe will reduce risk within a company's operations and enhance its positive impact on stakeholders in lockstep with improved financial performance.

We support portfolio companies by creating tools, sharing resources, and providing training on a variety of relevant areas, including operations, human resources, regulatory compliance, communications, community engagement, and accountability.

We work alongside portfolio companies throughout the development and execution of the value creation plan to encourage a culture of purpose-led continuous improvement to extend beyond Graham's ownership.

Program Feature: Employee Health & Safety

With the rise of COVID-19 and Graham's heightened focus on employee health and safety (H&S), Sarah Kolansky, former Director of Sustainability, transitioned into a new position as Graham's Director, Health and Safety in 2021 to oversee employee H&S initiatives across the portfolio and ensure that company facilities employ proper protocols and safeguards to protect workers.

Since Graham began engaging with portfolio companies on health and safety in 2016, the H&S program has evolved to include best practice sharing during quarterly calls and four Employee Health & Safety summits amongst 20+ portfolio company safety leaders, collecting company-level monthly safety metrics, and coordinating on-the-ground resources to ensure that safety is prioritized among leadership teams.

We endeavor to apply our strategy to the investment process by following the programmatic model below, leveraging certain elements from the aforementioned industry-recognized ESG standards throughout the process:

- 01 Identify material ESG impacts
- 02 Conduct operational assessments and select priorities
- 03 Implement action plans that support priorities
- 04 Measure outcomes with appropriate KPIs
- 05 Review results and evaluate objectives and targets regularly

We believe that Graham's focus on safety is contributing to fewer injuries amongst workers and less time away from work within the portfolio, with the Days Away, Restricted, or Transferred (DART) rate decreasing by over 5% across all portfolio companies from 2020 to 2021.²¹ This is critical for maintaining a quality workplace, particularly in today's tight labor market.

21 | Calculation includes portfolio companies that were control investments on both 12/31/2020 and 12/31/2021, and excludes any company bought or sold in 2021.

Portfolio Value Creation Feature: ABX's Recyclable Product Transition

ABX



ABX is a flexible packaging manufacturer that saw an opportunity to harness its culture of innovation to more positively impact the environment by addressing:



The Lack of Recyclability of Multi-Layer Flexible Packaging



Limited Capturability at End-of-Life

From 2017 to 2019, ABX conducted a “design for environment” analysis, in which the company’s Research & Development team evaluated the entire landscape of packaging design alongside customer requirements.



ABX
Consumer & Food Manufacturing
EcoFirst™ | Sustainable Packaging Products

Following this analysis, ABX prioritized the development of Polyethylene (PE) recycle-ready packaging for products that qualify for Store Drop Off (SDO) programs and the How2Recycle label, and developed concepts for single-material films for eventual production.

Over the past two years, the company has developed two products: (1) a glossy flow wrap for wipes with a reclose label, and (2) an all-PE glossy single-use plastic compression package for items such as diapers.

In 2021, ABX ran proof of concept prototypes, refining the design to ensure the products were functional to specification, maintained integrity in testing, and offered comparable quality to the company’s existing line of products. The company developed and showcased product samples to new and existing customers, which have garnered significant interest in response. ABX plans to run market tests for its sustainable line in partnership with key customers in 2022.

Through these technologies and future product development, ABX hopes to be a pioneer in flexible packaging recyclability and capturability over the long-term.



Notable barriers to recycling plastics in the U.S. include confusion over what is recyclable and access to affordable recycling programs. Through this effort, ABX is designing more intelligent packaging that can be collected for recycling purposes at the stores that consumers frequent, without sacrificing product quality."

Allison Gosselin

Director, Environmental, Social and Governance
Graham Partners Operating Company

Portfolio Value Creation Feature: Mercer Foods



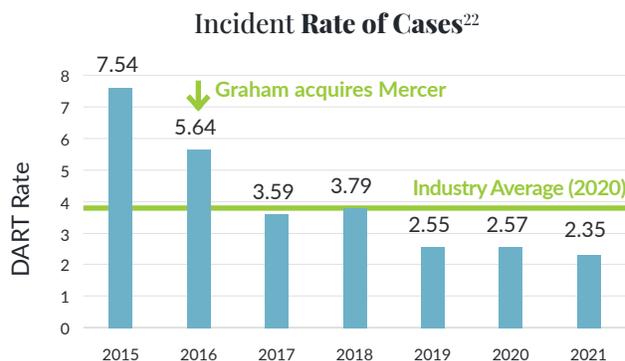
Mercer Foods, a Graham portfolio company that was sold in December 2021, is a provider of natural freeze-dried fruits and vegetables serving blue chip customers such as Starbucks, Kellogg's, and Trader Joe's. During Graham's ownership, the company focused on certain key initiatives that had ESG benefits, including the following projects.

EMPLOYEE HEALTH & SAFETY

Mercer Foods prioritized implementing safety initiatives through operational leadership, business discipline, and investment in important capital improvements. For example, Mercer hired a third-party ergonomic consultant at the company's approximately 400-person worksite to engage directly with employees to address safety concerns, introduce job-specific stretching, and correct posture during work activities.

In addition, Mercer incorporated safety considerations when investing in capital improvements. The team identified a high proportion of hand and ergonomic injuries that occurred while moving heavy food trays from station to station during production. When Mercer carried out its facility expansion, this included the addition of a monorail system that reduced the strain and stress of pushing the heavy carts through the facility.

Following these initiatives, Mercer's accident and injury rates decreased, workers' compensation costs were reduced, and the company was better positioned to proactively address incidents efficiently and effectively. Overall, these efforts resulted in a **9% reduction** in the average DART rate from December 2020 to September 2021, as seen below, determined by how many workplace injuries and illnesses resulted in employees missing work, required restricted work activities, or led to job transfers.



²² | The rates from 2015 to 2020 represent annual average rates. The 2021 rate is the year-to-date average through September 2021. The industry average rate for their NAICS code is 3.9, as reported by the [U.S. Bureau of Labor Statistics](#).

FOOD WASTE REDUCTION

During Graham's hold period, Mercer Foods developed dragon fruit sourcing expertise, strong global vendor relationships, and standardized work procedures driven by the company's operational leadership. This enabled the company to source and process with higher yields and less waste. Additionally, the company's facility expansion and strategic investments in capital improvements led to a **40% increase** in the company's domestic freeze-drying capacity, reducing demand for water, energy, transportation, and storage compared to utilizing additional international capacity. Overall, the company's efforts resulted in a **12% annual yield improvement**, equivalent to saving over **470,000 pounds** of dragon fruit and **\$5 million** in associated costs from December 2020 through November 2021.

MERCER FOODS
Consumer & Food Manufacturing
Freeze-Drying Production Process

Value Creation Program Feature: Cybersecurity Management

Graham Partners strives to maintain a high level of awareness and engagement with investors, employees, and portfolio companies regarding cybersecurity, with the goal of (1) reducing operational and reputational risks from cyber threats, (2) protecting the data of investors, employees, and customers, and (3) isolating and neutralizing threats efficiently and comprehensively. In 2021, in response to growing cybersecurity risks globally, we enhanced our cybersecurity program both at Graham and within our portfolio.

Why now?

Data breach costs rose nearly 10% over the past year, from an average of \$3.9 million in 2020 to \$4.2 million globally in 2021²³

01

The U.S. has the world's highest data breach costs, amounting to an average total cost of \$9.1 million per breach

02

When remote work was a factor in causing a data breach, the average cost increased by \$1.1 million - an increasingly common risk due to remote work following the COVID-19 pandemic

03

Average Total Cost of a Data Breach

Measured in US\$ millions



23 | Source for data security statistics and chart: [IBM Cost of a Data Breach Report 2021](#)

Over the past year, Graham enhanced its defense-in-depth, multi-layer approach to protecting our systems and information by focusing on risk mitigation, employee training, and response planning. We seek to address a company's cybersecurity risks during onboarding, and remain engaged and proactive about improving the company's security position throughout the value creation phase until exit. While our cybersecurity plans vary at each company, we endeavor to work with management teams to create security plans that employ industry best practices and incorporate regular risk assessments. These can include:



Security and awareness training for Graham Partners and portfolio company employees



Building cybersecurity culture and technology into company infrastructure to avoid phishing and vulnerability attacks

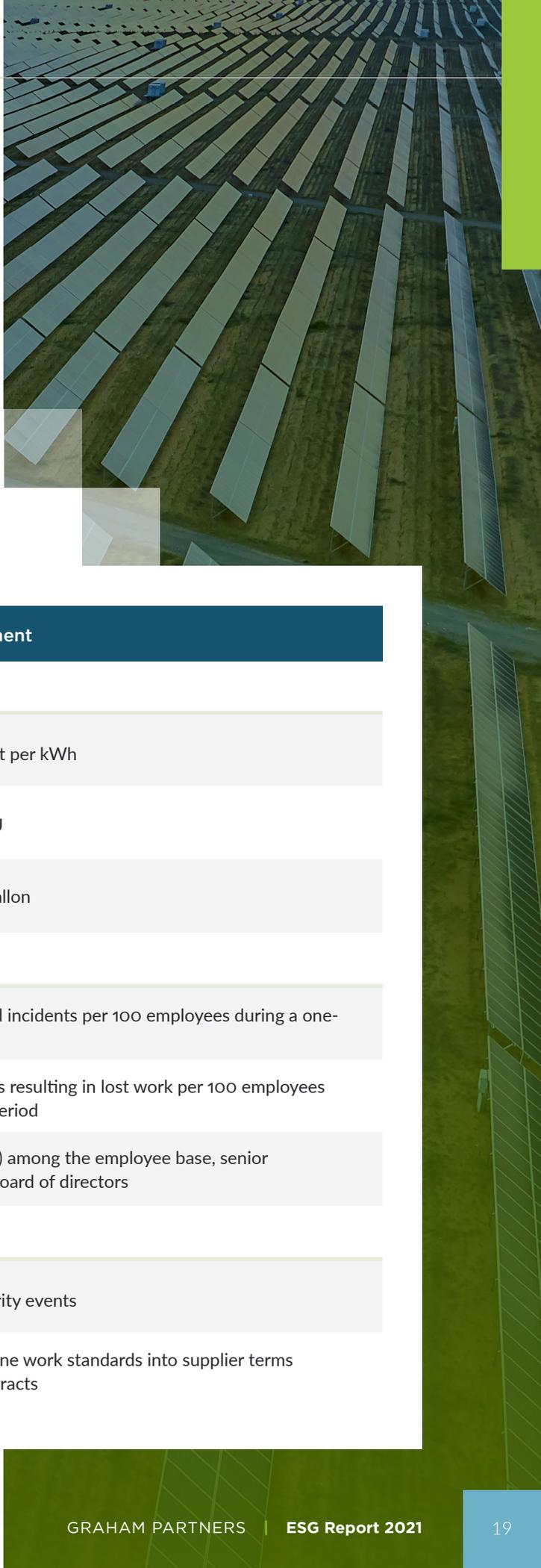


Implementing active Managed Detection and Response (MDR) capabilities that enable us to react to advanced attacks in a timely manner and plan ahead to counter future attacks

Program Monitoring

Graham Partners has identified preliminary ESG metrics tied to our standard work processes to measure impact progress and risk management over time.

The table below outlines core metrics that we began collecting from portfolio companies in 2021 or prior. As our capacity to monitor and measure metrics advances, we anticipate collecting additional SASB-guided metrics within the portfolio, as well as industry-specific metrics company-by-company. We will also collect ESG metrics from non-control investments, in some cases.



KPI	Unit of Measurement
ENVIRONMENTAL	
Purchased electricity (scope 2) consumption/cost	Kilowatt hours; Cost per kWh
Natural gas (scope 1) consumption/cost	BTUs; Cost per BTU
Water consumption/cost	Gallons; Cost per gallon
SOCIAL	
Total Reportable Incident Rate (TRIR)	Number of reported incidents per 100 employees during a one-year period
Lost Time Incident Rate (LTIR)	Number of incidents resulting in lost work per 100 employees during a one-year period
Diversity	Total diversity (#, %) among the employee base, senior management, and board of directors
GOVERNANCE	
Cybersecurity	Tracking cybersecurity events
Supplier Code of Conduct and Terms and Conditions	Incorporating humane work standards into supplier terms and conditions contracts

Investment Realization

As Graham's value creation activities with a portfolio company come to fruition and we prepare to divest our interests, we prioritize a seamless transition so that our ESG efforts can continue to have an impact in the long-term.

Throughout the exit process, we will seek to:



Work with management teams to ensure that they are prepared to continue leading the company with purpose and execute their ESG strategy as the company achieves scale



Demonstrate the positive impact of ESG initiatives on stakeholders and financial performance to support a premium exit valuation



Share our ESG roadmap for future value creation opportunities with the next owner to encourage the prioritization of ESG factors going forward



Investment Realization Feature: Acme Cryogenics

In December 2021, Graham Partners sold Acme Cryogenics, a mission-critical solutions provider of precision-engineered products and field services for cryogenic liquids and gases. During Graham's ownership, Acme Cryogenics' performance benefited from a conversion to clean energy, among other trends, driven by increased demand for less carbon-intensive fuels. This drove growth for Acme Cryogenics' solutions, which support liquified natural gas (LNG) and hydrogen fuel cell projects.

During the exit process, Graham emphasized the value of Acme Cryogenics' solutions in the broader movement towards clean energy, which resonated with prospective buyers, among other positive attributes.

A Clean Slate: Graham Sells Acme Cryogenics to Strategic as Part of Its Clean Energy Focus

[December 22nd, 2021](#) | [PHILADELPHIA](#)

Dover Announces Two Acquisitions Focused On Clean Energy

[December 16, 2021](#) | [DOVER](#)

Press releases highlighting Dover's acquisition of Acme Cryogenics from Graham Partners



ACME CRYOGENICS
Industrial Technology



The Graham Difference

At Graham Partners, we seek to embrace our ESG values within our organization, in tandem with carrying out ESG initiatives within the portfolio.

Among our core ESG values, we strive to be an employer of choice, offering employees quality learning opportunities, wellness benefits, and training throughout the year.

During the COVID-19 pandemic, Graham offered employees flexible work arrangements and cost reimbursement for work-from-home expenses. We renovated our office in Newtown Square, Pennsylvania to improve safety measures and provide a more comfortable work environment for our team.

In 2021, Graham also partnered with local organizations to support our surrounding community in a variety of ways that touch on our company ethos.



The **SWAG** is a no-cost, philanthropically-funded youth soccer program launched in 2018 with support from the Graham family in our broader community of Philadelphia.



The program's coaches are former professional and collegiate soccer players who serve as mentors and role models to over 2,000 young athletes ages four to eight in some of Philadelphia's most vulnerable communities.

By participating in The SWAG, the coaches demonstrate their skills on the field and share real-life experiences to inspire the young participants to pursue their goals, including a healthier lifestyle, education, collegiate scholarships, and possibly even professional sport.

Beginning in November 2021, Graham Partners supported ten SWAG coaches to participate in a rigorous private equity internship, focused on cultivating their business skills and providing experience in investment sourcing and evaluation.

As a part of their six-week internship with Graham, the interns learned leveraged buyout financial modeling skills in a hand-crafted curriculum from **Training The Street**, the leading corporate training provider for Wall Street firms and top-tier business schools. This opportunity provided participants with a foundational skill set and exposure to business that they had never previously experienced, and also resulted in two six-month analyst intern hires in 2022.



the-swag.org

The Graham Difference

(continued)

Cradles to Crayons

Cradles to Crayons is a nonprofit organization that provides low-income children from birth through age 12 with essential items they need to thrive at home, in school, and for play.

The organization works to mitigate clothing insecurity in the greater Chicago, Boston, and Philadelphia areas.

This year, Graham employees spent time volunteering at the organization's Philadelphia location, sorting a variety of donations to ensure disadvantaged children had access to new, warm clothes leading into the winter months.



2021 Volunteer Day

N GOTWALS ELEMENTARY SCHOOL

Over the past 11 years, Graham has developed a valued partnership with Gotwals Elementary School, where Graham employees have completed various service projects for the school.

This has included organizing the school's library, painting fences around the building, and painting murals in hallways. During the COVID-19 pandemic, Graham donated masks to the school as well as books from the students' summer reading lists in lieu of in-person events in 2020 and 2021.

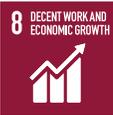
We look forward to more opportunities to engage with the school on campus in the future when permitted and safe.



2019 Volunteer Day

Portfolio Impact^{24, 25}

The matrix below represents the impact that we believe our companies are having on stakeholders, either directly through the design of their business models, or indirectly through specific customer or product applications. To learn more about our companies, please visit their websites.

Portfolio Company	Company Description	Company Impact	Sustainable Development Goal Alignment
	Producer of co-extruded high barrier films for food and healthcare packaging applications	Designing flexible film packaging that is eligible for Recycle Ready, Store Drop-Off, and How2Recycle programs can reduce waste and the demand for raw materials	
	Provider of purpose-built media players, cloud-based networking, and systems software for digital signage	Producing highly reliable and secure digital content on displays can reduce outages and optimize productivity in high-stakes settings, such as hospitals	 
	Total aviation support provider with an extensive product and service offering for a broad range of aviation applications	Providing aerospace manufacturing and repair services, as well as rubber scrap recovery, distribution, and tire retreading can reduce waste and the demand for raw materials	
	Designer and manufacturer of engineered aerospace vibration and noise control applications	Designing lightweight systems that reduce noise and vibration in aircrafts can improve fuel efficiency and extend the life of an aircraft by reducing structural fatigue	
	Thermoformed food packaging provider focused on sustainable solutions for healthy and natural food	Utilizing post-consumer recycled materials for producing recyclable PET resin can contribute to a circular economy	
	Provider of anti-theft technologies that minimize loss and reduce asset and labor expenditures in retail	Designing technologies that reduce retail theft and confrontations over crime can lead to a safer workplace	 

24 | Graham Partners has identified company impact areas and Sustainable Development Goals where portfolio companies may be having a positive impact, either as a function of their business models or in specific customer or product applications. The degree of the portfolio's impact may vary with each company.

25 | Investments noted in this section do not represent all portfolio company investments of the Graham Partners funds.

Portfolio Impact^{24, 25}

(continued)

Portfolio Company	Company Description	Company Impact	Sustainable Development Goal Alignment
	Designer and manufacturer of collaborative robotic arms for medical and industrial markets	Developing assistive technologies for personal and surgical applications can lead to improved quality of life for people with physical limitations as well as better surgical outcomes	 
	Designer and manufacturer of engineered emergency lighting power solutions	Legislation and prioritization of sustainable technologies appear to be driving LED penetration and utilization of smart controls and emergency power solutions	 
	Provider of managed wireless connectivity solutions for internet-of-things (IoT) applications, including unattended equipment	Providing real-time connectivity solutions and business insights can lead to increased efficiency and improved environmental outcomes in select applications, including with energy sub-metering, electric vehicle charging stations, and smart water machines	 
	Provider of supply chain software, IoT-based sensors, and certified asset identity hardware	Designing returnable shipping container management technologies can diminish container loss and disposal and reduce the demand for raw materials	 
	Outsourced manufacturer specializing in clean room injection molding, precision machining, and tooling capabilities	Providing design, engineering, and manufacturing expertise, primarily to the medical device industry, can help drive medical technological advancements, assist in diagnosing life threatening diseases, and improve patient outcomes	 
	Provider of plastic containers for food and beverage products	Designing recyclable PET plastic containers can reduce waste and the demand for raw materials	
	Provider of global ingredients, including herbs and spices, rice and grains, and specialty food products	Providing access to healthy food products can improve health outcomes	 

26 | Minority growth investment.

27 | Transitioned from a majority to minority investment in August 2021.

Impact Awards

Graham Partners is pleased to present the winners of its sixth annual Impact Awards.

The Impact Awards program was launched in 2016 to recognize employees within the Graham portfolio who are going above and beyond to help their companies succeed. These individuals are directly nominated by portfolio company management teams. This year, we recognize three finalists whose hard work and dedication have continued to further the missions of their companies.



Tony Inman
Toolmaker, Teamvantage



Tony's dedication to his craft and the Teamvantage team over the last 17 years is unmatched. Among many other responsibilities, Tony acts as the onsite safety coordinator, performing weekly checks on hoists and forklifts to ensure that all safety requirements are met. Tony has reduced the company's expenses considerably over his tenure by problem solving and bringing various operations in-house that were formerly managed by outside vendors. Tony is an integral part of his team's success – he displays Teamvantage's core values consistently and presents a positive attitude to all of those around him.



Cesily St. Germain
Customer Success Manager, Gatekeeper



With Cesily's leadership, Gatekeeper's daily revenue has increased by an average of over \$5,000 per day. Additionally, employees appear to be more satisfied with their jobs, which is exemplified by their strong performance and willingness to increase productivity and customer responsiveness.



Kamila DeAngelis
Human Resources Manager, EasyPak



Kamila increased EasyPak's capability to attract and hire talent by establishing local relationships, developing nontraditional sourcing avenues, refining their selection process, and creating a local employer brand that is now recognized in the community. Through Kamila's efforts, EasyPak went from a 90% temp-to-hire recruiting strategy to 90% direct hire. The company's turnover rate has decreased, while the average length of employment has increased as a result of these efforts.

Looking Forward

It has been said that great buildings can only be built on strong foundations. At Graham Partners, we are grateful for the strong sustainability heritage of the Graham Group.

KINOVA
Medical Devices & Life Sciences

Over the past decade, this legacy has informed our ESG program and enabled us to **deliver meaningful value to our stakeholders through sustainability initiatives**. Today, we are building upon our prior successes and harnessing our expertise in a measured approach that can be systematically applied across our portfolio.



Throughout this process, Graham Partners is working to develop a robust, cohesive ESG program that is measurable and both complements and promotes the growth strategies of our partners and portfolio companies. Through these more comprehensive and science-based efforts, we hope to leave a profound, lasting impact on the companies that we own, as well as their employees, our investors, and the planet.

As we grow, we aspire to **exceed the expectations of our current partners**, utilize the program to inspire new relationships, and further establish Graham as an employer of choice in the marketplace.

In 2022, our goal is to parlay this framework into execution across the portfolio and to demonstrate its value to all stakeholders over time. Thank you for your support of our investment activities. We look forward to sharing more as we take this next step in our ESG journey with you.

28 | Represents committed capital raised since inception through the Graham Partners funds together with Graham led co-investments, which differs from Regulatory Assets Under Management. Regulatory Assets Under Management totals approximately \$2.5B as of December 31, 2021, adjusted for subsequent events.

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 can offer control or minority capital solutions and typically targets companies with EBITDA up to \$50 million.

Since the firm's founding in 1988 by Steven Graham, Graham Partners has closed over 140 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 \$3.7 billion, which differs from Regulatory Assets Under Management.²⁸

Investors include high-net-worth individuals, college and university endowments, foundations, public and private pension plans, funds-of-funds, and other institutional 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 independent operating businesses, investment firms and philanthropic entities, which all share in the common legacy of entrepreneur Donald Graham.



GRAHAM
PARTNERS

www.grahampartners.net



General Disclosures

The Operations Team is comprised of certain GPOC employees and third-party contractors, who provide consulting services to the portfolio companies of the Graham Partners funds and, in certain instances, to the Graham Partners funds themselves, or to Graham Partners, its affiliates and related parties. On a full-time equivalent (FTE) basis, the Operations Team currently approximates 20 people, and includes 13 full-time employees of GPOC with backgrounds in procurement, manufacturing operations, FP&A (financial planning and analysis), revenue enhancement, ESG, tax and financial controls, among other areas as of 12/31/2021. This FTE approximation does not include time spent by GPOC employees and others related to fund accounting, valuation and other administrative services, which are generally charged to the Graham Partners funds. GPOC is a wholly owned subsidiary of Graham Partners and has been subject to annual audit by the independent auditor of the Graham Partners funds since its inception in 2008. GPOC's services are provided by GPOC staff, outside specialty consulting firms or operations executives who operate as third-party contractors to the portfolio companies of the Graham Partners funds and, in certain instances, to the Graham Partners fund entities themselves, or to Graham Partners, its affiliates and related parties. As further described below, since its inception, GPOC has operated at a break-even, passing through compensation and overhead costs with no mark-up, subject to annual audit by the auditor of the Graham Partners funds. In conjunction with an acquisition of a portfolio company, GPOC may receive a pre-funded amount of cash from the portfolio company to be used to pay for future GPOC services, related expenses, or other expenses as directed by the portfolio company. Upon the sale of the portfolio company, any unused pre-funded amounts are returned to the portfolio company by GPOC. GPOC's consulting services are subject to consulting agreements with the applicable portfolio companies. The operational consulting, accounting and other specialized advisory services GPOC provides to the Graham Partners funds and their portfolio companies are passed through by GPOC with no mark-up and are disclosed in the quarterly financial statements and annual audited financial statements of the Graham Partners funds. In addition to the services provided by operations executives, GPOC also employs certain accounting and other personnel who provide fund accounting, reporting and valuation services to certain of the Graham Partners funds, as well as information technology services to certain of the portfolio companies. GPOC is an alternative to the outsourcing of such services to third parties, and Graham Partners believes that outsourcing would result in higher costs for the portfolio companies and the Graham Partners funds. GPOC's services reflect pass-through expenses provided at cost, and its costs are intended to be at or below market rates, with GPOC operating at break-even; for the avoidance of doubt, the compensation and related costs and expenses incurred by GPOC, including overhead such as rent, office renovation costs, furnishings, technology, insurance, property taxes, and utilities allocable to the workspaces related to these services are also passed through to the Graham Partners funds, the portfolio companies or Graham Partners, its affiliates and related parties, as applicable, at cost, and no substantial cumulative net income is generated for Graham Partners or any affiliate thereof, including GPOC. GPOC has been subject to an annual audit by the independent auditor of the Graham Partners funds each year since its inception in 2008, and has operated at a break-even every year since its inception. In accordance with the terms of the applicable limited partnership agreements, portfolio companies of the Graham Partners funds customarily grant stock options and other incentive equity directly to management, board members who are not employees of Graham Partners, external operations executives and in certain cases to GPOC, its affiliates or GPOC operations executives who advise the portfolio companies; such equity incentive awards (and any amounts paid in respect thereof) are not subject to off-set, are in addition to other payments made to such recipients, if applicable, and, with respect to such equity and similar awards paid to GPOC, its affiliates and GPOC operations executives, constitute costs that are borne by the portfolio companies and, indirectly, the Graham Partners funds and other equity investors in the portfolio companies. The presence of such options and/or other equity-linked incentives may be dilutive and are considered in connection with the quarterly valuation process for each of the Graham Partners funds. For the avoidance of doubt, other than grants to GPOC, its affiliates or GPOC operations executives, any such equity incentives that may be granted to Graham Partners or its employees are subject to off-set. However, any historical options, equity-linked incentives or compensation rights related thereto that may have been granted to employees of GPOC, who subsequently become employees of Graham Partners, remain in place in connection with their previous service and are not subject to off-set. Graham Partners believes that outsourcing would result in higher costs for the Graham Partners funds and the portfolio companies, considering both the cost of GPOC's service fees and any equity-linked incentives. Options or other equity incentives are granted to GPOC or its affiliates by certain portfolio companies of certain of the Graham Partners funds, but not all portfolio companies. Those portfolio companies which grant such options or equity-linked incentives to GPOC or its affiliates do so subject to an agreement with GPOC or its affiliates, and the equity-linked incentives are typically contingent based upon various performance metrics or liquidity provisions correlating with increases in portfolio company value during the period in which the applicable Graham Partners fund owns an interest in the portfolio company. For the avoidance of doubt, if a portfolio company increases in value and the options or equity-linked incentives that were granted also appreciate in value, the portfolio company that provided such incentives may implicitly compensate GPOC at a different imputed rate than when no appreciation has transpired at all or when no options or other equity incentives were granted in the first place. Therefore, certain portfolio companies and other recipients of GPOC's services, including Graham Partners, its affiliates and related parties, which do not grant options or other equity incentives to GPOC or its affiliates, may receive GPOC's services at a lower effective cost than

portfolio companies which have granted options or other equity incentives to GPOC or its affiliates. As described above, compensation arrangements for operations executives may include compensation payments (including salary, bonus, payroll taxes and benefits) and reimbursement for overhead (including rent, property taxes and utilities allocable to the workspaces), an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on predetermined targets or milestones, a profits or equity interest in the applicable portfolio company or other incentive-based compensation. Any payments made to an operations executive, directly or through an affiliate of Graham Partners, including GPOC or its affiliates, will be retained by such operations executive and will not reduce the management fee or any other fees otherwise payable to Graham Partners or its affiliates and will not benefit the Graham Partners funds or the Graham Partners funds investors. For further information regarding GPOC, please refer to Part 2A of Graham Partners' Form ADV, available on the Investment Adviser Public Disclosure website.

Parties should review Graham's Form ADV filed with the Securities and Exchange Commission (SEC). Certain of the information contained in this report represents or is based upon forward-looking statements or information. Forward-looking statements are inherently uncertain, and changing factors, such as those affecting the markets generally, or those affecting particular industries or issuers, may cause events or results to differ from those discussed. Therefore, undue reliance should not be placed on such statements or the conclusions drawn therefrom, which in no event shall be construed as a guarantee of future performance, results, or courses of action.

Graham disclaims any obligation or undertaking to update or revise any such forward-looking statements. References to portfolio companies are intended to illustrate the application of Graham's investment process only, and should not be viewed as a recommendation of any particular security or portfolio company. The information provided about these portfolio companies is intended to be illustrative, and is not intended to be used as an indication of the current or future performance of Graham's portfolio companies. The investments described in the selected case studies do not represent all of the investments made by any Graham Partners fund. The information provided herein is for informational purposes only and is not and may not be relied upon in any manner as advice or as an offer to sell or solicit an offer to buy interests in any Graham Partners fund or other product sponsored or managed by Graham or any of its affiliates. Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum (as amended and/or restated from time to time) and the applicable Graham Partners fund's subscription documents, which will be furnished to qualified investors on a confidential basis at their request for their consideration in connection with such offering.

While Graham strives to implement ESG practices, there can be no assurance that Graham will be able to identify all ESG issues or will be able to successfully implement its ESG policies. The use of ESG metrics in the investment process may be subjective and are not subject to uniform standards, and, as such, there is no guarantee that Graham will be able to accurately assess and measure the ESG risks and ESG compliance of a Graham Partners fund's investments or potential investments. ESG-based exclusionary criteria may result in a Graham Partners fund foregoing opportunities to make certain investments when it might otherwise be advantageous to do so, or selling certain investments due to their ESG characteristics when it might be disadvantageous to do so. Further, the application of ESG considerations in the discovering, developing, negotiating, evaluating, acquiring, structuring, holding, carrying, monitoring, managing, and disposing of a Graham Partners fund's investment could result in higher ESG compliance expenses or costs. The use of ESG criteria may affect a Graham Partners fund's investment performance and, as such, a Graham Partners fund may perform differently compared to similar funds that do not use such criteria. The impact following the occurrence of an ESG initiative/event may vary depending on the nature of the event, asset class, the region, and applicable regulatory regime(s). Where such an event occurs, there could be a negative impact on the value of an underlying asset or other adverse impacts for the underlying asset, Graham or the Graham Partners funds, including as a result of reputational harm.

It should not be assumed that any ESG practices or standards described herein will apply to every investment in which Graham invests or that they have applied to all of Graham's prior investments. ESG is only one of many considerations that Graham takes into account when making investment decisions, and other considerations can be expected to outweigh ESG considerations in certain circumstances. While Graham has valued sustainability for a number of years, Graham started incorporating ESG officially into its decision-making processes in 2016, first through its Gating Committee, and then later through its Investment Committee process. Any ESG information provided herein is intended solely to provide an indication of ESG initiatives and standards that Graham applies when seeking to evaluate or improve the ESG characteristics of an investment as part of the larger goal of maximizing financial returns on investments. Accordingly, certain investments may exhibit characteristics that are inconsistent with the practices or standards described herein.