



RESPONSIBLE INVESTING POLICY

January 2024

1. BACKGROUND AND PURPOSE

Arsenal Capital Partners (“Arsenal”) believes that companies with environmental, social, and governance (“ESG”) standards are typically better managed, have fewer business risks, and ultimately deliver better value. As such, Arsenal endeavors to incorporate ESG management into its investment decision-making and management practices to maximize risk-adjusted returns for its investors.

This Responsible Investing Policy (the “Policy”) describes Arsenal’s approach to responsible investing, including the consideration of material ESG issues.¹ As a member of the IFRS Sustainability Alliance, Arsenal seeks to incorporate the SASB engagement guide in due diligence to identify material ESG considerations that are relevant for its investments in the industrials and healthcare sectors, in which the firm invests, as described in Section 8 below.

Arsenal recognizes that industry guidelines and practices for ESG management will evolve over time; therefore, the firm will continuously review and revise this Policy to ensure that it develops accordingly.

2. OBJECTIVES

Arsenal’s approach to responsible investing aims to accomplish the following:

- Incorporate material ESG considerations into Arsenal’s investment process. This encompasses the assessment of material ESG considerations in the due diligence process and continues post-acquisition through active engagement with Arsenal’s portfolio companies.
- Be proactive and transparent in communicating Arsenal’s responsible investing approach with investors, current and prospective portfolio companies, and any other key stakeholders.
- Continue to strengthen Arsenal’s responsible investment approach.

3. SCOPE AND LIMITATIONS

This Policy applies to all Arsenal investments in accordance with local laws and regulations. Arsenal seeks to incorporate material ESG considerations in the responsible investing approach throughout the investment period. In cases where Arsenal has limited ability to conduct diligence or to influence and control responsible investing considerations in connection with an investment, Arsenal will only apply those elements of this Policy that it determines to be practicable in light of the underlying facts and circumstances. For example, this may include instances where Arsenal is a minority investor and has limited governance rights.

This Policy was last updated in January 2024. Arsenal will review this Policy annually and make updates as deemed necessary.

¹ The term “material” should not be equated to, or taken as, a representation concerning the “materiality” of any particular ESG factor under the U.S. federal securities law or any similar legal or regulatory regime globally.

4. FOCUS AREAS

Arsenal engages with its portfolio company management teams to focus on these key areas, among other considerations:

Environmental Considerations	<ul style="list-style-type: none"> Greenhouse gas emissions measurement Energy reduction initiatives Water and waste management Reduction of pollution and appropriate handling of hazardous waste
Social Considerations	<ul style="list-style-type: none"> Employee health and safety Diversity, equity, and inclusion Employee engagement and retention Supply chain management
Governance Considerations	<ul style="list-style-type: none"> Corporate governance and oversight Risk management Conflicts of interest Data privacy and information security

5. ROLES AND RESPONSIBILITIES

Arsenal’s investment professionals have primary responsibility for ensuring proper management of ESG issues at the portfolio company level, with the support of Arsenal’s Head of Responsible Investing.

Arsenal’s Head of Responsible Investing is responsible for providing ESG-related expertise, facilitating implementation of Arsenal’s responsible investing approach at each portfolio company, and for ensuring the update and relevance of this Policy.

Arsenal has established a formal cross-functional responsible investing committee whose primary responsibilities are to: (i) assist in setting Arsenal’s general strategy with respect to ESG matters, and consider and recommend practices that support this strategy; (ii) discuss current and emerging ESG matters that may be relevant to Arsenal; (iii) help drive internal implementation of relevant ESG-related initiatives; (iv) set the tone and reinforce the culture within Arsenal regarding its responsible investing approach; and (v) ensure adherence to Arsenal’s Responsible Investing Policy. The committee is chaired by Arsenal’s Head of Responsible Investing and convenes at least three times annually.

6. TRANSPARENCY AND STAKEHOLDER ENGAGEMENT

Arsenal is committed to being transparent with its investors regarding its responsible investing practices. To that end, Arsenal reports annually on its progress through its Responsible Investing Report. In addition, Arsenal provides informal verbal updates, fund- and/or asset-level reports to

its investors, and as applicable, provides an update on its responsible investing approach at its annual investor meeting. Finally, Arsenal will notify its investors of significant, negative ESG incidents as deemed necessary.

7. EXCLUSIONS

Arsenal believes that certain business practices are incompatible with responsible investing strategies and detrimental to society. Therefore, Arsenal refrains from making direct investments in alcohol (except for medical use), tobacco, gambling, prostitution, and pornography.²

8. RESPONSIBLE INVESTING PROCESS

Due Diligence

Arsenal conducts ESG diligence on all potential platform investments as well as significant add-on investments. By evaluating ESG considerations during investment due diligence, Arsenal takes a proactive approach to identifying ESG risks and opportunities prior to making an investment. Many of Arsenal's investment leaders have spent decades in management and operating roles within the industries where Arsenal invests, providing for deep domain knowledge of how ESG issues and opportunities manifest themselves within industrial and healthcare portfolio companies.

Arsenal incorporates the SASB engagement guide during its due diligence process to identify sector specific ESG considerations. Arsenal also engages third-party advisors to conduct ESG diligence.

Investment Committee Approval

Arsenal includes a summary of the identified material ESG risks and opportunities in its investment committee memos. Arsenal's investment committees take responsible investing considerations into account when making investment decisions.

Ongoing Management

Post-acquisition, Arsenal proactively engages with each portfolio company on its responsible investing approach. As part of a company's onboarding plan, including the 100-day plan, Arsenal seeks to work with each portfolio company to identify the prioritized ESG attention areas to focus on over a several-year period and develop key performance indicators for each area. The attention areas are tailored to each company based on sector-specific improvement opportunities identified in the due diligence process, while taking into consideration the portfolio company's maturity level. During the hold period, these attention areas are reviewed on an ongoing basis and may be updated, as deemed necessary. Each portfolio company establishes annual objectives against each key attention area, and Arsenal measures the company-level performance against these objectives and reports on the progress annually. Arsenal's investment

² Exclusions described in this paragraph apply solely to Arsenal's portfolio companies whose primary business operations relate to the sectors listed above. It does not apply to Arsenal's portfolio companies' customers, which may operate in such sectors.

and operating partners are deeply involved in driving each portfolio company's progress against the identified ESG attention areas, and updates on key initiatives and objectives are discussed during portfolio company board meetings. For companies where Arsenal does not have a controlling interest, the firm aims to use its influence, for example, through its representation on portfolio company boards, to guide the portfolio company toward implementing responsible investing practices.

Exit

As part of divestiture, Arsenal prepares a summary of the qualitative and quantitative data related to the portfolio company's responsible investing performance and, where applicable, provides an overview of how Arsenal has created value and managed the investment during its ongoing management of the investment.

9. STEWARDSHIP

Arsenal is aligned with the stewardship definition of the United Nations-supported Principles for Responsible Investment ("PRI").³ Therefore, Arsenal seeks to actively engage with its portfolio companies to encourage sound responsible investing practices as detailed in Section 8 above. In addition, Arsenal may partner with, or support, its portfolio companies in facilitating discussions with external stakeholders with the intent of positively influencing industry standards or practices that are aligned with Arsenal's responsible investing approach.

Through its collaboration with industry groups, Arsenal participates in knowledge sharing to help further responsible investing practices across the private equity industry. This collaboration takes place through its memberships and commitments as outlined in Section 10 of this Policy.

10. FRAMEWORKS, MEMBERSHIPS AND COMMITMENTS

To continually align its responsible investing program with leading practices, Arsenal has formally joined and/or actively engages with leading industry organizations and frameworks. Below are some of the frameworks and sustainability organizations with which Arsenal is affiliated:

- Signatory to the PRI
- Member of the Initiative Climat International ("iCI")
- Member of the IFRS Sustainability Alliance
- Member of ILPA ESG Data Convergence Initiative ("EDCI")

Arsenal recognizes that climate change is an important consideration as it represents significant challenges for the global economy and the broader society. To improve and increase the management and reporting of climate-related financial information, Arsenal has begun taking steps toward aligning with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

³ Principles for Responsible Investment, "About Stewardship," <https://www.unpri.org/stewardship>.

Arsenal has aligned its responsible investing approach to the principles of the UN Global Compact. To that end, the firm aims to operate in a way that meets fundamental responsibilities in the areas of human rights by conducting its business in an ethical and responsible manner.