



QUAD-C

## **QUAD-C MANAGEMENT, INC.**

Environmental, Social and Governance (ESG) Policy

**January 2025**

## **Overview**

Founded in 1989, headquartered in Charlottesville, Virginia, Quad-C Management, Inc. ("Quad-C" or the "Firm") has been dedicated to the middle market where it has established strong relationships and demonstrated its ability to acquire, grow, and exit market-leading companies. The Firm focuses on making control private equity investments in middle market companies in sub-sectors within Industrials and Services. For over 35 years, Quad-C has focused on established middle market companies where there is an opportunity for the Firm to partner with management teams to improve strategic positioning, enhance the organization, and accelerate earnings growth. Moreover, Quad-C's investing and operating principles allow the Firm to consider and address ESG risks and opportunities throughout the investing lifecycle, including through annual monitoring.

This policy defines the Firm's approach and procedures to incorporate environmental, social, and governance ("ESG") considerations into the Firm's investment analysis and decision-making processes. The Firm believes ESG considerations can reduce risk and create value while also aligning with the firm's philosophy of being a responsible corporate citizen. The Firm is also committed to respecting the human rights of those that may be affected by its investment activities and expects its investee companies to comply with applicable national, state, and local laws in the countries in which they operate, including those laws relating to the environment, labor, and ethical business practices.

As part of the Firm's commitment to ESG management, Quad-C is a member of the American Investment Council (AIC) and aligns its ESG program with the Guidelines for Responsible Investing (Appendix 1). Additionally, in developing this policy, the Firm has given consideration to the United Nations-supported Principles for Responsible Investment (Appendix 2), as well as other codes and standards. The Firm acknowledges the value of such industry standards; however, Quad-C seeks to utilize tailored ESG initiatives for each of its investments, aligned with commercial best practices. As such, Quad-C uses its own judgment and third-party ESG expertise to properly identify material risks and opportunities pre- and post-investment across a wide range of ESG issue areas, as well as to carefully monitor recommendations for ongoing risk management and value creation.

This policy and its effectiveness will be periodically reviewed, and this policy will be updated as determined to be appropriate. This policy applies to all go-forward platform investment opportunities considered by the Firm and the investments that the Firm makes from its current and future investment funds. Each of the Firm's employees are responsible for implementing the principles and practices laid out in this policy.

## **Operationalizing ESG**

### *Investment and Portfolio Company Management*

ESG considerations relating to individual investments will be evaluated as part of the due diligence and underwriting process. Prior to final commitments and closing, investment professionals will communicate a summary of ESG findings and recommendations for prospective investments to the final Investment Committee. The Investment Committee will factor ESG analyses into the decisions to pursue prospective investments.

Quad-C will rely on the advice and expertise of a third-party ESG advisor to assist with formal ESG due diligence. Findings and recommendations from formal ESG due diligence will be included as part of investment committee materials and discussed prior to close. If an investment is made, findings from ESG due diligence will be included in post-closing value creation plans.

After an investment is completed, Quad-C will conduct formal annual ESG monitoring across all investments to track progress against findings and recommendations from transaction ESG diligence, and to identify new risks and areas for continuous improvement. Annual monitoring provides the Firm with visibility into the ongoing ESG performance of investments. Quad-C will also

receive visibility into ESG performance during the course of normal board reporting, where ESG will be discussed at least annually.

#### *Issues Considered in ESG Diligence and Ownership*

The Firm will conduct formal ESG due diligence that considers material ESG risks and opportunities based on potential investments' unique operations. Risks identified during investing will be managed and mitigated throughout the investment lifecycle, including during annual monitoring. Below is a non-exhaustive list of material ESG risks the Firm will consider, which is subject to evolution based on emerging best practices.

- **Diversity, Equity, and Inclusion:** Regularly tracking employment data within the portfolio including female/minority representation; promoting diverse perspectives to sustain an innovation based competitive advantage; protecting employees from discrimination and harassment in the workforce to maintain a reputation as a top employer.
- **Social and Labor Conditions:** Supporting fair working conditions and refining the employee value proposition to attract top talent; engaging a workforce of in-demand highly skilled employees; improving employee retention capacity.
- **Ethics and Compliance:** Conducting business ethically and in compliance with applicable laws and regulations; setting standards and providing guidance to employees and affiliated third parties to prevent conflicts of interest and encourage ethical behavior.
- **Supply Chain Social and Environmental Management:** Considering ESG risks and opportunities of supply chains; maintaining visibility for short-term and long-term benefits and mitigating risk of resource depletion, human rights abuses, and corruption.
- **Environmental Management:** Ensuring compliance with environmental laws; recognizing and reducing environmental degradation, waste production, and water usage; identifying opportunities for environmental stewardship and sustainability initiatives.
- **Climate Change:** Considering both physical and transition risk of climate change; assessing feasibility of tracking applicable KPIs. Adopting business continuity and disaster recovery plans where appropriate.
- **Data Privacy and Security:** Fulfilling the duties of a trusted data custodian by safeguarding sensitive data to prevent the exploitation of consumer personal information and proprietary portfolio company/customer information by malicious actors.

#### Firm-wide ESG Management

Quad-C's internal operations are subject to many of the same ESG risks and opportunities as the Firm's potential investments, including data privacy and security, ethics and compliance, and diversity, equity, and inclusion. Just as the Firm works with portfolio companies to manage ESG risks and opportunities, the Firm incorporates ESG into its own daily operations.

**Data Privacy and Security:** As part of the investment evaluation and portfolio company management process, the Firm may collect sensitive portfolio company and Limited Partner data. To protect this data, Quad-C maintains a robust data privacy and security program, including an IT/Cybersecurity Committee, outsourced IT and cybersecurity providers, comprehensive cybersecurity policies, 24-hour network monitoring, two-factor authentication, encrypted computers, annual cybersecurity training for all employees, annual penetration testing, and quarterly phishing tests.

**Ethics and Compliance:** Quad-C maintains a Compliance Manual and Code of Ethics which sets standards for employee behavior and processes for overseeing the Firm's activities. Compliance training is conducted at onboarding and by a third-party consultant annually.

**Diversity, Equity, and Inclusion:** Quad-C has made it a firmwide priority to increase diversity and work to foster a diverse and inclusive workplace internally, as research has shown that greater diversity can lead to a positive impact on financial performance. The Firm has partnered with

University of Virginia McIntire Finance Academy that focuses on attracting underrepresented undergraduate candidates to the industry and conducts anti-harassment training annually with a third-party consultant.

**ESG Reporting to Limited Partners**

The Firm is committed to accountability and transparency around ESG-related engagements. The Firm aims to provide Limited Partners with information to assess ESG performance over the course of the ownership period and engage in discussions with respect to ESG as requested. In the event of a material ESG incident at a portfolio company that could distort fund returns, the Firm will notify investors in a timely manner and provide investors with updates as appropriate.

## **APPENDIX 1: American Investment Council (AIC) Guidelines for Responsible Investing**

As part of the Firm's commitment to ESG management, Quad-C is a member of the AIC and aligns its ESG program with the Guidelines for Responsible Investing.

1. Consider ESG issues associated with investments throughout the investment process, including pre-acquisition, ownership, and at exit.
2. Seek to be accessible to, and engage with, relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.
3. Seek to grow and improve the companies in which they invest for long-term value creation and to benefit a broad range of stakeholders. This may include taking steps to mitigate and/or adapt to climate change and other environmental impacts over the long term.
4. Provide appropriate levels of oversight in the areas of audit, risk management, compliance, and potential conflicts of interest and to implement compensation and other policies that align the interests of owners and management.
5. Seek to support and improve the well-being of employees as part of human capital management strategy and in compliance with applicable laws. This includes supporting the payment of competitive wages and benefits to employees; providing a safe and healthy workplace; and respecting rights of employees to decide whether or not to join a union and engage in collective bargaining.
6. Promote high performance workplaces that attract and retain employees with a broad range of business relevant experiences, backgrounds, and viewpoints, consistent with applicable law.
7. Maintain strict anti-corruption policies that prohibit bribery and other improper payments to public officials consistent with the U.S. Foreign Corrupt Practices Act, the OECD Anti-Bribery Convention and similar laws in other countries.
8. Respect the human rights of those affected by their investment activities and seek to confirm that their investments do not flow to companies that utilize child or forced labor or maintain discriminatory policies.
9. Provide timely information to their limited partners on the matters addressed herein, and work to foster transparency about these matters.
10. Work with portfolio companies to advance these principles through appropriate governance structures (e.g., board of directors), with the goal of improving long-term performance and minimizing adverse impacts in these areas, consistent with their fiduciary duties.

## **APPENDIX 2: United Nations Principles for Responsible Investment**

**Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.

**Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.

**Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.

**Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.

**Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.

**Principle 6:** We will each report on our activities and progress towards implementing the Principles.