

Aldine Capital Partners, Inc.

Environmental, Social and Governance Policy

Overview & Commitment

Responsible investing has been a core value of Aldine Capital's ("Aldine") investment strategy since its founding in 2006 and we believe that an Environmental, Social, and Governance ("ESG") management policy can fuel growth, mitigate risk, and drive value-creation. Aldine is aligned with the SBA program and has been investing in lower middle market companies with the commitment to consider how our investment decisions may impact broader communities. Businesses that comprehend ESG are often well positioned to create long-term value and sustainable growth and we consider ESG-related issues an important part of this commitment, and we will continue to be cognizant of ESG during the investment lifecycle (sourcing, diligence and post-investment monitoring).

The purpose of this policy is to define Aldine's approach to integrating the consideration of ESG into investments. Aldine will consider material ESG issues in its due diligence and in the monitoring of its investments to the extent reasonably practicable under the circumstances, subject, in all cases, to Aldine's duty to maximize the returns on investment for its investors and the provisions of any legally binding documents.

Aldine maintains that the thoughtful management of environmental, social, and governance, regulatory, geopolitical, and reputational issues make Aldine a better investor, and is an essential part of long-term business success in a rapidly changing world. Companies that carefully manage ESG and stakeholder risk should be better positioned in the future as diminishing resources, changing consumer demands, evolving norms, and increased regulation are expected to pose greater challenges and opportunities for companies around the world. Aldine seeks to reduce risk and enhance value by building a proactive focus on these issues, wherever possible.



Investments & Partnerships

At Aldine, our investment professionals are tasked with the primary identification of risks which include ESG diligence and risk mitigation. Once a deal is identified, our team discusses the potential strategy and outcome of the deal which inherently includes ESG-related issues. If a risk is deemed to be too material in nature and any sort of remediation plan would fall outside the team's risk tolerance levels, then the prospective deal would likely be put on hold until facts and circumstances can be properly adapted to better fit our investment strategy. Any question of integrity, or evidence of ESG negligence or otherwise questionable conduct by management of a prospective investment would result in an immediate rejection within our processes. As a baseline standard, we ask all of our partners to maintain strict compliance with all applicable laws and regulations pertaining to human rights, corporate governance, privacy, safety, and the environment. During diligence and after closing (if applicable), we share our ESG-related diligence findings and recommendations with our new management partners. Post-close, should material ESG related weaknesses be discovered, we would conduct a comprehensive action plan with each of our companies and monitor these action plans through our accompanied board rights.

Stewardship and Compliance

Aldine creates a transparent reporting culture that includes quarterly updates on the portfolio to all of our stakeholders. Annually, we do an investor presentation in which we take a deeper dive into Fund-wide performances and we get into specific details about each portfolio company, in which, any ESG-related findings are shared. As an oversight tool, Aldine also has implemented an LP Advisory Board which, collectively, has a wide-array of investments within their own portfolio and the members of this board are uniquely positioned to share and promote best practices and resources to Aldine as they emerge. We have adopted and implemented policies and procedures reasonably designed to prevent violation of the federal securities laws and regularly review those policies and procedures for their adequacy and the effectiveness. Lastly, we receive audits on all of our investment funds from both the SBA and an accounting firm registered with the PCAOB in order to help ensure we stay in statutory compliance and to help assist us in staying up-to-date in the continually evolving regulatory landscape.

Quality and Growth

Aldine is focused on making long-term investments that create organic growth and operating enhancements over the course of the investment life. We look to align with strong, well-positioned partners that share our high regard for ethics and discipline. We strive to make a positive and lasting impact on the communities in which we operate and as a fiduciary of the SBA program, we are well-aligned to common ESG practices and will continue to seek training and new learning opportunities to continually develop as a firm.

Aldine ESG Considerations

Aldine believes consideration of ESG factors is an important part of its investment management process and that the evaluation of relevant ESG factors can aid in comprehensively identifying investment risks and opportunities. Environmental factors may include climate change, natural capital, and pollution/waste. Social factors may include human capital, product liability and stakeholder opposition. Governance factors may include elements of corporate governance and corporate behavior. Aldine is committed to evaluating material factors from this policy in both the pre-investment and investment management phases of each portfolio company. For purposes of this policy, Aldine uses professional judgment to determine whether the risk profile of each ESG category (as outlined in the table below), both individually and collectively, are material and would be too pervasive to complete or hold the investment (depending on which phase was being assessed). Aldine considers this “materiality” to have both quantitative and qualitative factors that would more likely than not, impair a portfolio company’s ability to create or preserve economic value, environmental or social value, or alternatively would likely result in reputational risk.

The Table below outlines the framework of Aldine’s ESG assessment process.

ESG Assessment Framework

Assessment Framework				
Step:	1.) Evaluate Potential “Gating Issues”	2.) Conduct Diligence on Company-Specific Issues	3.) Document and Review Findings	4.) Monitor and Manage
When:	Pre-Screening	Commercial and Legal/Compliance Diligence	Investment Committee Evaluation	Post-Investment
What:	<ul style="list-style-type: none"> • Investment identification • Investment intent declaration (LOI or IOI) <ul style="list-style-type: none"> ▶ ESG assessment by deal team • Operating memo <ul style="list-style-type: none"> ▶ ESG assessment and discussion with full internal team • Term sheet 	<ul style="list-style-type: none"> • Due diligence <ul style="list-style-type: none"> ▶ Continued ESG assessment by deal team and 3rd party providers 	<ul style="list-style-type: none"> • Investment committee <ul style="list-style-type: none"> ▶ ESG assessment by investment committee • Investment completion <ul style="list-style-type: none"> ▶ ESG risk-assessment checked off on investment checklist 	<ul style="list-style-type: none"> • Portfolio management <ul style="list-style-type: none"> ▶ ESG considered at least semi-annually at valuation meetings and annually at the LP Advisory Board Meetings • Investment exit