

Responsible Investment & Sustainability Report

2024



TABLE OF CONTENTS

- About AE Industrial Partners.....Page 1
- Letter from Our Co-CEOsPage 2
- Letter from Our Head of Sustainability..Page 3
- Oversight & Management.....Page 4
 - Governance.....Page 5
- Firm Level Initiatives.....Page 6
 - Charity Initiatives.....Page 7
 - Corporate SponsorshipsPage 9
 - Industry Engagement.....Page 9
 - Conference Appearances.....Page 10
- StrategyPage 12
 - Responsible Investment Integration Across the Investment Lifecycle.....Page 13
 - Climate Strategy.....Page 14
 - Progress Across Our Portfolio.....Page 15
 - AE Ventures.....Page 16

- Examples of Sustainable SuccessPage 17
 - Alpine Air ExpressPage 18
 - G.S. Precision, Inc.....Page 19
 - Calca SolutionsPage 20
 - Columbia Helicopters.....Page 21
- PerformancePage 22
 - Portfolio PerformancePage 24
 - Firm Level PerformancePage 25
- Disclaimers.....Page 26



About AE Industrial Partners

AE Industrial Partners is a private investment firm with \$6.3 billion of assets under management focused on highly specialized markets including national security, aerospace and industrial services. AE Industrial has completed more than 130 investments in market-leading companies that benefit from our deep industry knowledge, operating experience and network of relationships across the sectors where the firm invests. With a commitment to driving value creation in partnership with the management teams of its portfolio companies, AE Industrial primarily invests across private equity, venture capital and aerospace leasing. For more information, please visit aeroequity.com.

PRIVATE INVESTMENT FIRM SPECIALIZING IN HIGHLY TECHNICAL TARGET MARKETS



\$6.3B

ASSETS UNDER
MANAGEMENT



91

PROFESSIONALS
as of 10/1/2024



130+

INVESTMENTS CLOSED
SINCE 2015

LETTER FROM OUR CO-CEOs



Dear Investors and Stakeholders,

As we reported in 2023, organizations continue to seek more efficient use of natural resources and — especially in the aerospace sector — make progress toward decarbonization goals, as applicable. As these efforts continue to gather momentum, we see exciting opportunities for efficiency across our key target markets of national security, aerospace and industrial services, driven by advancements in product design, materials, efficiency and technology.

With the geopolitical landscape growing increasingly complex, we are also committed to working with our portfolio companies to develop programs and products that we believe may help stabilize our domestic supply chain, promote national security and foster global stability. As a highly specialized investor, it is our belief that bolstering safe-

ty and security through capital investment is an important step in securing a more sustainable future.

While we think supply chains have largely recovered from the effects of the pandemic, the labor market remains tight, making implementation of solid governance policies to support operating capabilities more important than ever, especially for middle-market businesses. We remain committed to working with our portfolio companies to build and develop oversight programs that we think will enable them to manage and protect value by developing certain sustainability initiatives, while managing risks that may be material to them and promoting employee safety.

We also continue to invest in exciting early-stage businesses through our AE Ventures platform, with a focus on businesses that are seeking to develop cutting-edge

technologies and making innovative use of materials.

As we look forward to the year ahead, we will continue seeking opportunities with companies that are aiming to transform the sectors in which we operate through innovation while we collaborate with our portfolio companies to help advance and refine their sustainability programs. We also work to invest responsibly, mitigate material risks and safeguard the operations and people of our portfolio companies, as relevant and applicable, as we seek to create and protect value for our investors.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Michael Greene'.

Michael Greene
Co-CEO

A handwritten signature in blue ink, appearing to read 'David Rowe'.

David Rowe
Co-CEO



LETTER FROM OUR HEAD OF SUSTAINABILITY

At AE Industrial, we take pride in our role in sustainability, innovation and responsible governance. With a sustained focus on managing risk and protecting value across our portfolio, we aim to support portfolio companies in improving across our key metrics of energy efficiency, emissions reduction, employee engagement, safety and material use through our Value Creation Assessment (VCA) Scorecard.

Safety is at the heart of our philosophy. By setting goals and tracking performance with respect to incident rates, lost days, customer escapes and data breaches, portfolio companies are seeking to drive improvement by adhering to best practices and maintaining robust sustainability programs.

Over the past two years, we have made significant strides in reducing emissions intensity and financed emissions of our private equity portfolio. This achievement is a testament to our commitment to efficient energy use amid rising revenues. As part of developing our

Climate Strategy, we are currently considering a net zero by 2050 goal. Our ongoing collaboration with the ESG Data Convergence Initiative has allowed us to benchmark our performance against industry standards from 425 peers and 4,300 portfolio companies.

We are also aiming to be a catalyst for growth, leveraging our scale to open doors that were previously out of reach for our portfolio companies. By showcasing leaders and sharing best practices through case studies, toolkits and direct engagement, we are helping our portfolio companies share knowledge and elevate each other, while engaging in healthy competition. If one company makes progress, others are inspired to follow suit. Our vision is to scale this model to benefit more companies, creating a vibrant ecosystem for innovation.

We also seek opportunities for continuous improvement. In our 2023 portfolio company review, we discovered that higher employee engagement survey responses

correlated with lower turnover rates. Inspired by this insight, we are encouraging our portfolio companies to conduct employee surveys, with the goal of enhancing retention and financial performance. In addition, in 2024, all our investments have adopted their own Human Rights and Anti-Child Labor policy or signed onto ours.

Through these actions, AE Industrial is striving to not just be a leader in our industry, but also to contribute to sustainability-related initiatives and performance across our target investment sectors. We believe the year ahead holds exciting possibilities for us, filled with opportunities to collaborate and achieve further improvements. We look forward to this journey with optimism and continued determination.

Sincerely,

Jennifer Essigs
Head of Sustainability



Oversight & Management

Governance

Senior executives at AE Industrial are responsible for monitoring the implementation of our Responsible Investment Policy, Processes and Practices.

“Our team of dedicated professionals is committed to deep collaboration and partnership with our portfolio companies as we seek to identify innovative solutions to further sustainability initiatives across our target markets.”

— Kirk Konert, Managing Partner

AE Industrial's Responsible Investment Committee is responsible for oversight, modification and effective implementation of the policy. The Responsible Investment Committee provides quarterly updates to our senior governing body, the Valuation, Risk & Operations Committee, on any material policy modifications or significant new initiatives focused on responsible investment and sustainability at both the Firm and the portfolio levels.

THE COMMITTEE MEETS ON A QUARTERLY BASIS AND COMPRISES THE FOLLOWING SENIOR PROFESSIONALS:



Natalie Chehrazi
Senior Associate
PSO Group



Charlie Compton
Managing Partner



Leanne Erickson
Chief Compliance Officer



Jennifer Essigs
Head of
Sustainability



Michael Greene
Co-CEO



Florent Groberg
Vice President
PSO Group



Kirk Konert
Managing Partner



Bryan McElwee
Partner



Carla Monti
Sustainability Analyst



Brian Schettler
Partner
Head of AE Ventures



Tess Sprechman
Vice President
Head of Investor Relations



Laurence Vigeant-Langlois
Managing Director

FIRM LEVEL INITIATIVES



CORPORATE SUSTAINABILITY

AE Industrial works to ensure the Firm achieves a competitive advantage in climate mitigation while adhering to its business objectives and seeking to meet the growing demand for environmentally responsible practices. AE Industrial has partnered with a third-party consultant to complete a greenhouse gas (GHG) emissions accounting exercise of our portfolio's Scope 1 and Scope 2 and the Firm's Scope 3 emissions leveraging the Partnership for Carbon Accounting Financials (PCAF) standards.

CREATING AN INCLUSIVE WORKPLACE

The Firm seeks out the guidance of our peers and advisors to align our efforts with good industry practices in pursuit of a more inclusive environment for our workforce and the employees across our portfolio companies.

In September 2024, AE Industrial held our Third Annual Women's Retreat titled ElevateHER: A Leadership Summit for Women in Aerospace & National Security, which brought together female leaders from

several portfolio companies as well as the Firm's female investors and close advisors. The event highlighted the themes of developing a brand, overcoming obstacles and building connections.

The Firm has sought to deepen our commitment to an inclusive and engaged workplace with the hiring of Megan LeFevre as our new Human Resources Manager and co-leader of AE Industrial's People and Culture Committee.



"It has been rewarding to join an organization like AE Industrial that is genuinely committed to fostering a more inclusive workplace. AE Industrial believes that we operate better with diverse talent bringing a broad range of perspectives, fair compensation and inclusive workplaces, and I am excited to continue to increase engagement within the Firm as we grow and evolve."

— Megan LeFevre, Human Resources Manager

CHARITY INITIATIVES



Through AE Industrial’s sponsorship, charitable giving and volunteer hours, the Firm aims to promote social responsibility. By supporting charitable causes, the Firm seeks to support the broader community and help create a positive impact. We believe that giving back to local causes enables the Firm and our employees to build relationships and directly address pressing community needs. Our goal is to contribute to a productive and resilient local economy where we live and conduct business.

JANUARY 2024: AE Industrial employees attended Habitat for Humanity’s inaugural private equity build day. Local private equity firms joined together to help build homes for local families in need in Palm Beach county.

APRIL 2024: Employees attended The Hands and Feet’s annual fundraising gala in Boca Raton, Florida. The Hands and Feet organization provides local foster families in need with everything from toiletries to furniture.

APRIL 2024: AE Industrial sponsored the Muscle Shoals High School Rocketry Team

as they participated in the national competition and won the Spirit of the American Rocketry Challenge award. The rocketry team students based in Muscle Shoals, Alabama build rockets and conduct launches overseen by the National Association of Rocketry, to compete in national and international competitions with fellow students.

MAY 2024: Employees golfed at the United Way charity golf tournament. The United Way organization works with local communities on a variety of issues from educating young adults, providing safe housing,

helping build credit and helping manage crisis response.

MAY 2024: AE Industrial sponsored Living Skills in the Schools (LSIS), a local community outreach organization that works with schools in the area to proactively address substance abuse and prevention. By bringing preventative substance abuse education into schools for students in kindergarten through high school, LSIS aims to educate and empower young students to build rapport and resilience within their communities.

AE INDUSTRIAL EVENTS & CHARITY SPONSORSHIPS



CORPORATE SPONSORSHIPS & INDUSTRY ENGAGEMENT

CORPORATE SPONSORSHIPS

AE Industrial remains committed to supporting organizations who are dedicated to supporting more sustainable practices and bolstering an increasingly diverse workforce.

We were honored to have partnered with six groups who are dedicated to building a pipeline of diverse candidates in the aerospace and financial services industries.



INDUSTRY ENGAGEMENT

AE Industrial continues to support and collaborate with industry networks and initiatives focused on a broad range of topics, including responsible investment, to gain industry insights and interact with our peers.





CONFERENCE APPEARANCES SUPPORTING SUSTAINABILITY & INCLUSION

Private Equity International's Responsible Investment Forum

February 2024 – New York, New York

Jennifer Essigs, Head of Sustainability of AE Industrial, moderated a panel discussion on how firms can best support their portfolio companies in working towards a more sustainable future while promoting value creation and ESG improvements.

Sponsors for Educational Opportunity's 15th Annual Alternative Investments Conference (AICON)

March 2024 – New York, New York

Charlie Compton, Managing Partner of AE Industrial, participated in a panel discussion on how he is thinking about portfolio management and business innovation in the face of macro

uncertainty, geopolitical instability, and inflation.

Aviation Festival Americas

May 2024 – Miami, Florida

Laurence Vigeant-Langlois, PhD, Managing Director of AE Industrial, spoke on a panel discussing sustaining diverse talent in aviation through more inclusive practices.

Markets Group's 12th Annual Private Equity New York Forum

May 2024 – New York, New York

Jennifer Essigs, Head of Sustainability of AE Industrial, sat on a panel discussion detailing how ESG continues to grow within the private equity industry and how to best understand the relationship between corporate sustainability practices and company financial performance.

Private Equity International's Women in Private Markets

May 2024 – New York, New York

Jennifer Essigs, Head of Sustainability of AE Industrial, participated in a panel discussion on how sustainability has evolved into themes and metrics that create value for stakeholders, as well as AE Industrial's unique approach to responsible investment in driving value creation.

Sahar Global Summits: 5th Annual Gender Equity in Private Markets Investor Summit

June 2024 – Rye, New York

Michael Greene, Co-CEO and Managing Partner of AE Industrial, participated in a panel discussion on the importance of retaining female talent in the finance industry.





Strategy



We recognize the importance of implementing robust integration practices across our investment lifecycle to manage and mitigate material risk and support our goal of maximizing investor value. Given our focus on control-oriented investments in founder and family-owned businesses, AE Industrial is committed to leveraging our influence to support sustainability practices.

RESPONSIBLE INVESTMENT INTEGRATION ACROSS THE INVESTMENT LIFECYCLE²



DUE DILIGENCE

We evaluate the materiality of sustainability risk factors in our pre-investment due diligence (through third-party providers) for all platform investments, as well as for non-platform and add-on investments. As part of due diligence, AE Industrial seeks to identify and debate any red flags, significant risks and potential ownership-stage risk mitigation strategies.



OWNERSHIP

As part of our Value Creation Assessment (VCA) meetings, AE Industrial leverages our scorecard to engage with portfolio company management and enable value creation. Read more about our VCA scorecard on page 23.



EXIT

AE Industrial seeks to incorporate responsible investment considerations into our exit process. We strive to help portfolio companies build competencies and processes during the investment lifecycle. Upon exit, we are ready to share the historical progress of the portfolio companies on sustainability topics with the acquiring firms.

Climate Strategy

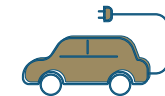
In the past year, we have aimed to adapt and advance our Climate Strategy to ensure the Firm achieves a competitive advantage in climate mitigation while adhering to its business objectives and meeting the growing demand for environmentally responsible practices. As part of developing our Climate Strategy, we are currently considering a net zero by 2050 goal.

SNAPSHOT OF OUR CLIMATE STRATEGY AND OPERATIONALIZATION FRAMEWORK²



INTEGRATION OF MATERIAL CLIMATE CONSIDERATIONS

Incorporate material climate-related factors into the investment process and identify material climate risks and opportunities as part of due diligence.



GHG EMISSIONS ACCOUNTING AND REDUCTION

Measure GHG emissions at the firm and portfolio level across Scope 1, Scope 2 and potentially material Scope 3 emissions using GHG Protocol and support emission reduction for portfolio companies where material.



STAKEHOLDER ENGAGEMENT AND COLLABORATION

Provide support and resources to portfolio companies in implementing relevant climate strategies and initiatives and collaborate with industry stakeholders to support industry climate practices within AE Industrial's target markets of national security, aerospace and industrial services.



CLIMATE REPORTING AND OVERSIGHT

Disclose and monitor climate performance as part of our broader reporting framework where applicable and relevant and maintain Responsible Investment Committee oversight to ensure the effectiveness of the Climate Strategy.



PROGRESS ACROSS OUR PORTFOLIO³

We continue our commitment to making advances in products and technology that provide environmentally responsible and more efficient solutions in the industries in which we invest. Backed by market and regulatory tailwinds we seek opportunities within the following focus areas: Clean Energy Infrastructure, Energy Efficiency, Safety and Sustainability Innovation.

✓ CLEAN ENERGY INFRASTRUCTURE

The decarbonization megatrend buoyed by policy tailwinds is driving significant investment opportunities in companies that are building and supporting the infrastructure, technologies, products and services that can enable greater access to cleaner energy.

CDI Engineering has strategically repositioned its business to focus on the growth opportunity within the renewable energy markets including engineering solutions in renewable power generation, renewable fuels and energy efficiency and conservation.

✓ ENERGY EFFICIENCY

We believe tailwinds driving the energy efficiency market include public policies and programs that help drive the effective implementation of energy efficiency projects or promote energy savings as well as rapid deployment of materials and technologies that improve energy efficiency.

Applied Composites is competitively positioned to fulfill the growing demand for composites and help its consumers build more energy-efficient equipment through its build-to-print and build-to-spec services.

✓ SAFETY

AE Industrial operates in safety-critical markets, including

national security, aerospace and industrial services, with regulatory oversight where accidents and hazards can have significant repercussions. Providing enterprise safety solutions in our target markets is a business imperative and synergistic opportunity. In response to evolving regulations and the importance of promoting safety, a number of preventive, proactive and predictive safety solutions are emerging.

Altus Fire & Life Safety, which AE Industrial exited in August of 2024, offers a suite of solutions, from the design, engineering, installation and servicing of fire and life safety systems to training, consulting, crisis management and business continuity services.

✓ SUSTAINABLE INNOVATION

AE Industrial is committed to investing to create value for our platform investments in products and technology that provide environmentally responsible and more efficient solutions across our vertical markets of national security, aerospace and industrial services.

Redwire Space is playing an important role in NASA's mission towards a propulsion system utilizing fuel-free solar sail technology. We believe that this innovation presents a variety of possibilities for space missions, including studying space weather and its effects on Earth.

AE VENTURES

At AE Ventures, we are excited about the role we are playing in enabling and fostering the technologies that we think are driving the future of sustainability.

In our key markets of national security, aerospace and industrial services, we partner with innovative start-ups, providing essential capital, resources, relationships and industry experience to help them accelerate and scale operations. This includes important advancements across the hardware and software landscape and throughout the entire supply chain, in areas such as energy consumption and efficiency, emissions controls and materials performance.

As the venture capital arm of AE Industrial, our visibility

of emergent businesses also allows us to share insights in an integrated way across our private equity portfolio and help portfolio companies align with cutting-edge sustainability technologies.

SUSTAINABLE INNOVATION WITHIN AE VENTURES' PORTFOLIO

SparkCognition develops industrial artificial intelligence (AI) solutions that allow organizations to solve critical problems and empower them to run more efficient, secure and profitable businesses. By leveraging AI tools, SparkCognition enables renewable energy customers to improve operational efficiency and reduce maintenance costs. SparkCognition's solutions provide real-time insights, AI-enabled forecasting and proactive recommendations to maximize

energy production and minimize asset downtime. SparkCognition was recently selected by National Grid Renewables to optimize performance and efficiency of renewable energy assets. National Grid Renewables' solar and onshore wind project portfolio generates roughly over 3,000 GWh of renewable energy annually across the United States. National Grid Renewables will use SparkCognition's asset performance management solution to maximize energy production and revenue and minimize maintenance costs on solar, onshore wind and battery storage systems projects.

Salient Motion designs and manufactures modular, compact motion control systems for aerospace, national security and industrial applications. The company's proprietary, advanced motion control technology reduces size and

weight of electromechanical systems and increases power efficiency by up to 15%. Salient Motion customers include small drone producers, vertical take-off and landing (VTOL) manufacturers and industrial and aerospace original equipment manufacturers. Its small, light motor controllers require fewer resources to stock, transport, install and maintain, and less power to operate, so customers benefit from significant cost savings with lead times reduced by up to 5x.



Examples of Sustainable Success within Our Focus Areas

We are aiming to deepen our capabilities with a focus on enabling portfolio companies to build robust, strategic programs, policies and practices for effective risk management and value creation.



ALPINE AIR EXPRESS



EMISSIONS AVOIDED AND SAFETY IMPROVEMENT WITH VIRTUAL PILOT TRAINING

Founded in 1979, Alpine Air Express (Alpine) is an air-freight business and on-demand air-cargo operator serving routes throughout the Western United States. Using a fleet of Beechcraft 99 (BE-99) aircraft that have been retrofitted to operate as cargo carriers, Alpine's roster of top-tier clients includes the United States Postal Service and

United Parcel Service.

The company has maintained a strong focus on maximizing efficiency, while simultaneously improving the safety of its training programs, which are conducted in a virtual environment. Alpine is also investing in hybrid propulsion technology and other innovations that are playing a role in reducing the carbon impact of shorter regional flights.

Recently, Alpine engaged with Air Training Support (ATS) to develop a ground-based training system for the BE-99. ATS provided Alpine with a King Air

200 Flight Training Deck (FTD) that required conversion to operate effectively.

Alpine worked with ATS to convert the King Air 200 FTD into the first-of-its-kind BE-99 FTD. After several months of testing and configuration changes, the King Air 200 FTD was certified as Level VII – the highest level achievable – by the Federal Aviation Administration (FAA). This state-of-the-art system features a 180° wrap around screen with projector visuals of both engines, the terminal environment and terrain configured to mirror the BE-99. Alpine pilots can use the system to train through system checks, run-ups, departures, arrivals, required maneuvers, emergency situations and approaches. The BE-99 FTD has reduced the number of flight training hours required of pilots and allowed Alpine and its skilled trainers to simulate emergencies that would be too dangerous or impossible to conduct in an actual aircraft, including hot starts, hung starts, V1 cuts, engine fires, gear extension/retraction failures and flap asymmetry.

ENVIRONMENTAL OUTCOMES AND ENHANCED EFFICIENCY

Alpine has reduced certain GHG emissions and fuel consumption through innovative training solutions developed in collaboration with ATS.

KEY ACHIEVEMENTS



Over 50% Avoided GHG Emissions and Fuel Consumption Per Pilot:

From 2021 to 2023, Alpine's energy efficiency measures, use of ground-based training for the BE-99 and decreased fuel consumption per pilot contributed to reduce Alpine's Scope 1 emissions by **51.01%**. This notable reduction highlights Alpine's work to promote sustainability and efficient operations in the aviation industry.



33% Decrease in GHG Emissions and Fuel Consumption While Expanding Training Capacity:

While the number of pilots trained increased from **22 in 2021 to 30 in 2023**, Alpine successfully lowered the scope 1 GHG emissions and fuel consumption for training by **33%**. This achievement demonstrates the scalability and efficiency of Alpine's training program, aiming to set an example for more sustainable growth in aviation.



Halving the Environmental Impact of Training:

The portion of fuel consumption and emissions attributed to training activities was reduced from **3.38%** in 2021 to just **1.79%** in 2023. This reduction underscores the effectiveness of Alpine's strategy to conduct training in a virtual environment, therefore, minimizing the environmental impact of its training operations.

In addition to improved pilot training and assessment and lower pilot training costs, the initiative has delivered certain sustainability outcomes, including:

- ✓ **Lower Fuel Consumption:** The use of the new FTD has contributed to the cut down on the need for actual flight hours, resulting in less fuel consumption.
- ✓ **Decreased Aircraft Emissions:** A reduction in training flight hours has reduced Alpine's GHG emissions profile and contributed to progress towards the company's goal of reducing its environmental impact and GHG emissions.

G.S. PRECISION, INC.



KEY INFORMATION



Up to 80% of the used garnet is reutilized



70% reduction in the cost of disposal of garnet

RECYCLING PROGRAM FOR ALMANDINE GARNET

G.S. Precision, Inc. (GSP) is a leading Vermont-based provider of complex, highly engineered components and assemblies to the aerospace and defense industries. To create its components, GSP uses almandine garnet, a non-toxic abrasive alternative to slags and silica sand, for waterjet cutting of nickel-based aircraft alloys, titanium, stainless steel and aluminum. Following the cutting process, GSP separates the garnet from the water and deposits it into a bag weighing more than a ton that needs to be removed from the site.

The process resulted in GSP producing 286 tons of spent garnet per year, all of which had to be deposited in Vermont's one and only landfill.

In 2024, GSP, under AEI's

guidance, partnered with GMA Garnet Group to initiate a recycling program that sends truckloads of non-hazardous used garnet to GMA's Philadelphia processing plant. The freshly recycled almandine garnet is being repurposed by GMA for several purposes, including sand for townships to spread on winter roads, concrete filler that construction companies can use at sites or additional waterjet cutting processes.

Thanks to the recycling program initiated in May 2023, GSP has been able to reduce the amount of waste it sends to Vermont's landfill by 572,000 pounds, while saving the company nearly \$41,500 annually. Based on the success of the program, AEI is exploring opportunities with other portfolio companies to develop similar materials recycling and repurposing programs at their manufacturing sites.





CLEANAZINE COLLABORATION

Calca Solutions (Calca) is a specialty products business that manufactures high-purity hydrazine (HPH) for in-space propellant and defense use cases, as well as hydrazine derivatives for agriculture, water treatment, pharmaceutical and industrial applications.

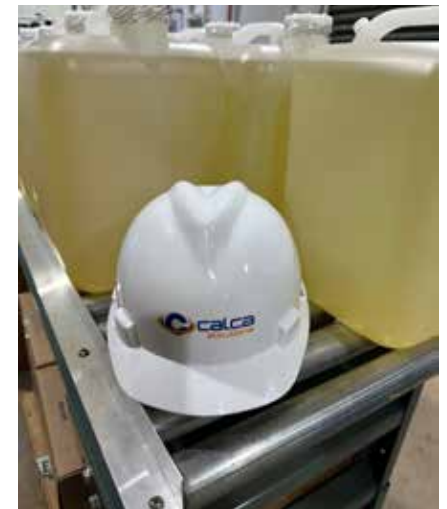
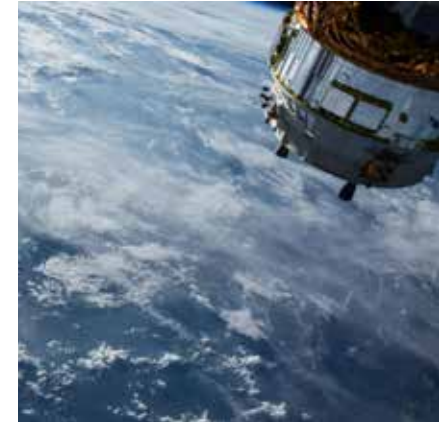
Calca has more than 70 years of experience producing mission critical space propulsion materials through a longstanding relationship with the Defense Logistics Agency — Energy (DLA-E). The company is playing an important role in helping the U.S. government onshore multiple chemicals to help secure its domestic supply chain, which is critical to national security. Satellites, lunar landers and space vehicles rely on hydrazine thrusters for altitude control

and orbit maintenance, and demand for HPH is increasing due to growth in commercial and U.S. government satellites. Non-toxic disposal of hydrazine that does not rely on incineration or traditional neutralizing agents has been challenging.

Cleanazine, a collaboration between NASA and university researchers, was developed as a unique, hydrazine neutralizing solution. Using Cleanazine, the dissolution of hydrazine is based on an organic compound that yields water and stable acid byproducts that are safe to release into sewer systems. Cleanazine provides an advantage in the exothermic reaction it produces; where there was previously an intense chemical reaction, it is now a more mild and manageable reaction, where the output is comparable to warm bathwater. AEI pursued the acquisition of Cleanazine to add to the technology and manufacturing capabilities of the company.

Calca customers that had previously opted for less operationally challenging propulsion material due to concerns about extended cleanup and turnaround time now have the option to quickly neutralize hydrazine thrusters with the use of Cleanazine. The two products will be sold together as propulsion material and treatment.

By integrating Cleanazine into its offerings, Calca is pioneering an innovative solution that complies with environmental and safety standards, enhancing its market position, attracting new customers and opening new market segments. By complying with environmental safety standards and strengthening its role in the domestic supply chain, we believe that Calca is also contributing to national security and driving operational efficiency.





SUSTAINABLE AVIATION FUEL TEST

Columbia Helicopters (Columbia) is a global leader in rotorcraft solutions including full life cycle support for OEM aircraft, holds and engines, as well as tip-to-tail maintenance, repair and overhaul services. Founded in 1957 and headquartered in Aurora, Oregon, Columbia's key customers include the World Food Programme, the U.S. National Forest Service, the U.S. Army and HeliSwiss International.

In Burkina Faso, the Columbia team of skilled helicopter pilots are working to deliver critical food supplies to the people on the ground using the Chinook helicopter, the ideal solution for this mission, but one that has a high emissions profile. In Burkina Faso there have been

occasions where the pilots have had access to Sustainable Aviation Fuel (SAF),⁴ but not Jet A. To increase the ability of the team in Burkina Faso to deliver much needed supplies, and to reduce GHG emissions from this and other similar missions, is the use of SAF, which can be difficult to procure and is often more expensive than Jet A.

AE Industrial's sustainability team is partnering with Columbia and the FAA to develop a plan for a 100% SAF test flight in a 234. AE Industrial's relationships with energy brokers and Boeing have enabled Columbia to gain access to enough SAF to be used in the 234 trial.

In hard-to-abate aerospace segments, the clear path forward is to test and learn

how to best use SAF. With the project ongoing, Columbia and AE Industrial will aim to continue to prepare for the test flight and incorporate the learnings gained through preparation, monitoring safety, aircraft performance and emissions savings results. We are hopeful that the SAF test flight will be the first step for Columbia on the road to reducing its Scope 1 emissions by increasing the ability to find a stable and lower emitting supply of fuel in remote locations.





Performance



AE Industrial seeks to leverage the scorecard to measure portfolio companies' performance across standardized metrics. The scorecard further allows AE Industrial to benchmark and monitor progress against topic-specific targets set for each portfolio company.

MATERIAL SUSTAINABILITY TOPICS IDENTIFIED AND CORRESPONDING STANDARDIZED METRICS WERE INFORMED BY PEER AND LP RESEARCH AS WELL AS LEADING FRAMEWORKS AND STANDARDS



AE Industrial partnered with a third-party consultant to develop a proprietary VCA scorecard that evaluates how portfolio companies are:

1. Performing on topics such as reducing GHG emissions, increasing energy efficiency, promoting occupational health and safety, improving data security and ensuring product safety, where applicable and material to their business
2. Maintaining appropriate oversight by establishing an ESG lead and an ESG committee as well as aligning with AE Industrial's Responsible Investment Policy, where applicable and relevant

2024 VCA SCORECARD SAMPLE

Topic	Reducing Emissions		Promoting Occupational Health & Safety		Improving Data Security	Ensuring Product Safety	Promoting Efficient Use of Resources	Investing in Human Capital		Business Ethics	
	GHG Intensity Scope 1 & 2	Renewable Energy Usg	# of injuries per 1,000 FTEs	# of days lost per 1,000 FTEs	# of Data Breaches	# of Category 1 Customer Escapes	Scrap Rate	Employee Turnover Rate	Employee Engagemt. Survey	Human Rights Policy	Anti-Child Labor Policy
2022	9.32	43%	7.84	0.00	0	0	-	18%	43%	-	-
2023	6.50	47%	12.47	2.08	0	0	2.5%	26%	57%	Yes	Yes
22-23 YoY	-2.82	+4%	+4.63	+2.08	0	0	-	+8%	+10%		
Target	0 by 2050		10.4 in 2025	1.5 in 2025	0	0	2% in 2025	23% in 2025	65% in 2025		
Peer	30.53	24%	24.68	11.12	0.25	0.00	1.25%	21.25%	45%		
Benchmark	25.14	13%	47.15	37.47	-	-	2%	22%	72%		

PORTFOLIO LEVEL PERFORMANCE



We seek to engage with our portfolio companies to complete Scope 1 and Scope 2 emissions calculation, which was undertaken by 100% of our majority-controlled portfolio companies. In addition, we have begun strategically prioritizing certain sustainability initiatives and supporting portfolio-level initiatives such as reducing and/or managing GHG emissions.¹

2024 PORTFOLIO PERFORMANCE ON VCA SCORECARD

32

Scope 1 and Scope 2 tCO2e per \$1M revenue

76

Days lost to injury per 1,000 FTEs

3

Number of data breaches

2023 PORTFOLIO PERFORMANCE HIGHLIGHTS

73%

of portfolio companies performed equally well or outperformed their industry benchmarks on emissions intensity

20%

of the total electricity used by our portfolio is powered by renewable energy; we see an opportunity to improve our GHG emissions and renewable energy usage

71%

of portfolio companies performed equally well or outperformed their industry benchmarks on days lost due to injury per 1,000 FTEs

PORTFOLIO PERFORMANCE ON ESG OVERSIGHT AS OF AUGUST 2024*

100%

Have a board-level ESG committee in place

100%

Have an ESG lead

100%

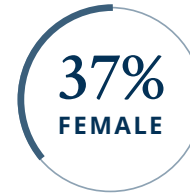
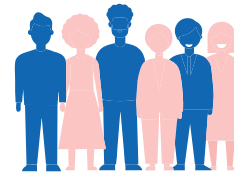
Have a Human Rights policy covering anti child labor and modern slavery

**100% Responsible Investment Policy alignment for control investments that are not publicly traded.*

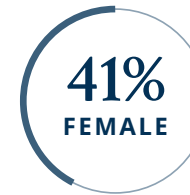
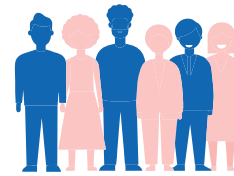
FIRM LEVEL PERFORMANCE⁵



WORKPLACE DEMOGRAPHICS: (As of October 1, 2024)



2023/2024 NEW HIRES: (As of October 1, 2024)



AEI GHG EMISSIONS**

SCOPE 1
0 mt CO₂e

SCOPE 2
0 mt CO₂e

SCOPE 3
51,213
(Category 6 and Category 15)

***As of 9/30/24. AEI partnered with a third-party consultant to complete a GHG emissions accounting exercise leveraging the PCAF standards.*

DISCLAIMERS

This Investor Update includes information on AE Industrial Partners' ("AEI") program for incorporating ESG considerations across AEI's operations, strategies, and funds. Such program is subject to AEI's fiduciary duties and applicable legal, regulatory, and contractual requirements and is expected to change over time. Additionally, the act of selecting and evaluating material ESG factors is subjective by nature, and the criteria utilized or judgment exercised by AEI may not align with the views, beliefs or values, internal policies, or preferred practices of any particular investor or other asset manager or with market trends. There are a variety of ESG principles, frameworks, methodologies, and tracking tools; AEI's adoption and adherence to those discussed herein or to any others is expected to vary over time as ESG practices evolve.

While AEI intends to include ESG as a component of its investment process, as described herein, there can be no assurance that AEI's ESG initiatives, policies, and procedures

as described herein will be applied to a particular investment. AEI is permitted to determine in its discretion, taking into account any applicable contractual commitments or regulatory requirements, that it is not feasible or practical to implement or complete certain of its ESG initiatives, policies, and procedures based on cost, timing, or other considerations; such ESG initiatives, policies, and procedures are not necessarily (and are not purported to be) deployed in connection with each investment. Statements about ESG practices related to portfolio companies also do not apply in every instance and depend on factors including, but not limited to, the relevance or implementation status of an ESG initiative to or within the portfolio company; the nature and/or extent of investment in, ownership of, or control or influence exercised by AEI with respect to the portfolio company; and other factors as determined by investment and operation teams and/or portfolio company teams on a case-by-case basis. For the avoidance of doubt, AEI does not expect to subordinate a fund's investment

returns or increase such fund's investment risks as a result of (or in connection with) the consideration of any ESG factors.

Although AEI view the consideration of ESG to be an opportunity to potentially enhance or protect the performance of its investments over the long-term, AEI cannot guarantee that AEI's ESG program, which depends in part on qualitative judgments, will positively impact the performance of any individual investment or a fund as a whole. ESG factors are only some of the many factors that AEI considers with respect to making investment decisions. To the extent AEI engages with portfolio companies on ESG-related practices and potential enhancements thereto, there is no guarantee that such engagements will improve the performance of the investment, and the market or society may not view any ESG results as desirable. Additionally, there can be no assurance that AEI or its investments will be able to achieve any ESG-related objectives (in the time or manner set forth herein or at all), that their actions will not result in outcomes that could be viewed as having a negative ESG effect, or that any historical trends will continue to occur.

Actual results may be significantly different from the forward-looking statements herein.

Certain information contained herein relating to ESG goals, targets, intentions, or expectations, including with respect to net zero targets and related timelines, reflect current thinking and may be subject to change, and, other than where binding commitments have been made in accordance with Regulation (EU) 2019/2088 ("SFDR"), no assurance can be given that such goals, targets, intentions, or expectations will be met. Further, statistics and metrics relating to ESG matters may be estimates and subject to assumptions or developing standards (including AEI's internal standards and policies).

There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. AEI's ESG practices could become subject to additional regulation in the future, and AEI cannot guarantee that its current approach will meet future regulatory requirements or predict the manner in which any such future requirements (including any

enforcement with respect thereto) could affect an AEI fund or its investments, including with respect to future administrative burdens and costs.

There is no guarantee that AEI will remain a signatory, supporter, or member of any ESG initiatives or other similar industry frameworks.

AEI's case studies presented herein have been selected in order to provide illustrative examples of AEI's application of its ESG program. Descriptions of any ESG achievements or improved practices or outcomes are not necessarily intended to indicate that AEI has substantially or directly contributed to such achievements, practices, or outcomes. For instance, AEI's ESG efforts may have been one of many factors—including such other factors as engagement by portfolio company management, advisors, and other third parties—contributing to the success described in each of the selected case studies. References to these particular portfolio companies should not be considered a recommendation of any particular security, investment, or portfolio company or be used as an indication of the current or future performance of AEI's investments.

In gathering and reporting upon the ESG information contained herein, AEI may depend on data, analysis, or recommendations provided by investments of the AEI or by third-party advisors or data sources, which may be incomplete, inaccurate, or out of date. None of the figures included in this document were audited, assured, or independently verified by auditors or third-party assurance providers. AEI does not independently verify all ESG information it receives from investments or third-party advisors or data sources, and it may decide in its discretion not to use certain information or accept certain recommendations. AEI makes no representation or warranty, express or implied, with respect to the accuracy, fairness, reasonableness, fitness for use, or completeness of any of the information contained herein, and expressly disclaims any responsibility or liability therefor.

Where data is obtained directly from a portfolio company, this data may be inaccurate and the collection of such data may be limited due to human error and/or rounding errors when processing the data. In these situations, the quality and/or consistency will vary between portfolio companies

based on potentially diverging approaches.

There can be no assurance that the list of material ESG topics is exhaustive, and additional topics may be identified as material on an investment-by-investment basis. There is no guarantee that any of the steps taken by AEI and/or third parties to mitigate, prevent, or otherwise address material ESG topics will be successful in preventing or mitigating impacts on returns, completed as expected or at all, or will apply to or continue to be implemented in the future.

AEI's proprietary VCA scorecard applies to investee companies, where deemed relevant.

The inclusion of any third-party firm and/or company names, brands, and/or logos does not imply any affiliation with these firms or companies. None of these firms or companies have endorsed AEI, or any of their respective affiliates. Unless otherwise stated, the information in this report has been compiled as of September 30, 2024.

There is no guarantee that any ESG measures, targets, programmes, commitments, incentives, initiatives,

or benefits will be implemented or applicable to the assets held by funds advised or managed by AEI, and any implementation of such ESG measures, targets, programmes, commitments, incentives, initiatives, or benefits may be overridden or ignored at the sole discretion of AEI at any time and in accordance with relevant sectoral legislation unless otherwise specified in the relevant fund documentation or regulatory disclosures made pursuant to SFDR, as applicable. Any ESG measures, targets, programmes, commitments, incentives, initiatives, or benefits referenced are not promoted to investors and do not bind any investment decisions or the management or stewardship of any funds advised or managed by AEI for the purpose of the SFDR unless as otherwise specified in the relevant fund documentation or regulatory disclosures, as applicable. References to "sustainable", "sustainability", "climate mitigation" or variations thereof are not intended to reflect the meaning of "sustainable investment" or "environmentally sustainable economic activities" under SFDR or Regulation (EU) 2020/852.

FOOTNOTES

1 Any targets applied by AEI across the portfolio are aspirational and intended to apply on a firm level. Any such targets do not apply to specific funds and are not intended to constitute an environmental or social characteristic for the purposes of Regulation (EU) 2019/2088.

2 The information provided in this section is qualified in its entirety by AEI's Responsible Investment Policy, which describes important details and considerations regarding AEI's Responsible Investing approach.

3 The initiatives cited in this section are not necessarily representative of activities or initiatives of AEI or its portfolio as a whole but are illustrative examples of activities or initiatives undertaken by certain AEI portfolio companies.

4 According to the U.S. Department of Energy, SAF is an alternative fuel made from non-petroleum feedstocks that has the potential to reduce emissions from air transportation. For further information on SAF and its attributes please see: [https://afdc.energy.gov/fuels/sustainable-aviation-fuel#:~:text=Sustainable%20aviation%20fuel%20\(SAF\)%20is, reduces%20emissions%20from%20air%20trans-](https://afdc.energy.gov/fuels/sustainable-aviation-fuel#:~:text=Sustainable%20aviation%20fuel%20(SAF)%20is, reduces%20emissions%20from%20air%20trans-)

portation; <https://www.iata.org/contentassets/d13875e9ed784f-75bac90f000760e998/saf-what-is-saf.pdf>

5 Minority status defined using the ILPA Guidance for Team Diversity.



AEROEQUITY.COM

