

January 2020

ATL Partners ESG Annual Report

With the start of the New Year ATL Partners is pleased to share our inaugural ATL Partners ESG Annual Report. ATL believes that taking environmental, social and corporate governance (“ESG”) considerations fully into account in its business decisions is essential for two reasons: First, ESG considerations help our team develop sustainable, long-term strategies for our portfolio companies, driving real value for our shareholders. Second, and of equal importance, a comprehensive ESG policy enables us to create positive and meaningful impact to our environment and to our society. In the following report, we will overview our progress in 2019, both on the home front and alongside our portfolio companies, in this critically important element of our business.

ESG Firm-Wide Update: ATL Partners

ATL Partners’ firm wide ESG policy is modeled on the United Nations Principles for Responsible Investing. We seek to engage in ESG issues across the investment decision-making process, including establishing a formal ESG policy for each portfolio company upon acquisition as part of our 180-day plan. This approach provides a framework for our investment team as well as our portfolio companies. ATL also takes ESG considerations very seriously across day-to-day business issues. As the saying goes, “If you want to change the world, start with yourself.” At ATL Partners we take this to heart and as such each of us holds our commitment to environmental improvement, social justice and equality, and fair governance very seriously.

First, ATL encourages all employees and Executive Board members to give back to the community. ATL Partners Executive Board members are offered the option to waive all or some of their annual board stipends in lieu of a donation in their name to a charity of their choice. In 2019, an astounding 55% of ATL Executive Board stipend funds were directed to charitable causes. In addition, last month ATL both increased its donation-match policy and also amended it so as to encourage all employees to give back to the community through more than our wallets; that is, through active engagement. Today, charitable donations made by an employee up to \$500 are fully matched by the firm. However a donation to an organization to which that employee also invests his or her time and effort in a way that provides for direct contact with the constituencies each organization serves are now matched up to \$2,000. We are pleased to report that in 2019, ATL Partners donated over \$130k to worthwhile causes. Such charities included:

- **The Tiny Miracles Foundation**, Providing support and services to families with premature babies
- **Futures and Options**, a non-profit organization focused on empowering New York City’s underserved youth through career development, mentorship & paid internships

- **The McCarton Foundation**, Educating and empowering children with autism
- **Room to Grow Organization**, Providing educational, nutritional and life-sustaining support to children born in poverty
- **Literacy, Inc.**, Providing reading and learning opportunities for underprivileged children
- **Big Brothers Big Sisters of America**, Helping children reach their potential through professionally supported one-to-one relationships with volunteer mentors
- **Into The Light**, Providing support & counseling to victims of abuse
- **A Kid's Place**, Providing shelter & a home for abused children



ATL Partners donated over \$130k to worthwhile causes in 2019

Should you have interest in supporting any of these worthy organizations we would be happy to discuss them with you further.

ATL seeks to be environmentally responsible during the normal course of business. In 2019 the team went paper-free for all Investment Committee meetings and eliminated all use of plastic bottles from its office. We source products that are made from sustainable sources or recycled materials or that are designed to be easy to reuse or recycle when practicable. Finally, at the time of this report's publication, the ATL team is in the process of establishing a carbon offset policy for all travel taken by employees.

While our focus on ESG starts on the home front, it extends into each of our portfolio companies. We are pleased to share the progress each of our three active portfolio companies made in 2019.

ESG Portfolio Company Update: Rock-it Cargo

Rock-it Cargo ("Rock-it") is the largest global provider of international forwarding solutions to the music touring, fine art, sports, corporate events, and other "zero-failure tolerance" markets. Since ATL's acquisition of the company in July 2018, Rock-it has become a leader in the industry for ESG, with peers in freight-forwarding turning to our policy for guidance.

Last month, Rock-it’s Chief Administrative Officer Sasha Goodman published an essay in the Airforwards Association (AfA) on the critical importance of incorporating an ESG program into corporate policies and oversight. In the article, Sasha offers strategies for other shippers and freight forwarders to employ in order to significantly cut greenhouse gas and air pollution while simultaneously driving business value. We have attached Sasha’s article to this note as an appendix.



ESG Article authored by ATL Portfolio Company, Rock-it Cargo. Full article attached in appendix.

Sasha is also a well-respected voice for women in logistics. She launched and now co-chairs the Women’s Networking Event at the annual Air Cargo Conference in January and frequently appears on panels and interviews about women in the industry. She was also lauded by the Women in International Trade organization for being a role model to other women in the field and for advancing economic empowerment of women through her work at Rock-it.

Rock-it’s focus on ESG now extends into all of its brands. Last month, Dietl International, a branch of Rock-it and the second largest mover of fine art globally, made significant strides to its ESG initiatives for its flagship Art Basel event through a carbon offset initiative. The company offset 644 tons of CO2 in support of a forest preservation site in Brazil. See press release here: [Dietl International Offsets 644 Tonnes of CO2](#). Dietl was also featured in Artnetnews for its commitment to reducing its carbon footprint. The article can be found here: [artnet News: The Art Industry is Grappling with How to Shrink Its Carbon Footprint](#).

In 2019, Rock-it has established a number of key initiatives to bolster its already commendable ESG program. As an international logistics company, the company takes the environmental impact of its global operations very seriously. In addition, the demands from Rock-it’s core artist customer base continue to increase in scale and frequency which puts pressure on its business to respond in-kind. As such, the company established corporate partnerships with two organizations dedicated to analyzing and reducing its carbon footprint. First, Rock-it partnered with Clean Cargo, a transportation research network that provides

Rock-it with comprehensive emissions data on all of its carriers and trade lanes. Rock-it can now leverage this data to educate clients as an added offering given the increasing demands for more environmentally-friendly work, and also work to cut its own carbon footprint when feasible. Second, Rock-it has partnered with Sustainable Travel International to develop an emissions-offset program for clients. Through these two partnerships Rock-it is able to meet its clients' increasing demands for environmentally friendly businesses which puts Rock-it in a leading position. It is an example of “doing well by doing good.”

Given Rock-it's global reach across major international transportation hubs, the company is also acutely focused on international social issues such as human trafficking. Rock-it is currently developing a Human Rights Policy and is in the process of identifying geographic “hot spots” throughout its supply chain where the highest risk of human trafficking occurs per capita. Furthermore, the company has formalized governance protocols and procedures across the platform, and requires all employees be trained on anti-corruption and other regulatory requirements for international trade.

Finally, ATL encourages all of its portfolio companies to give back to local communities and in line with this policy, Rock-it has also partnered with the Covenant House to develop a job readiness program for under-educated youths.



Rock-It Cargo recently partnered with the Covenant House to develop a job readiness program for under-educated youths.

ESG Portfolio Company Update: Pilot Freight Services

Pilot Freight Services (“Pilot”) is a full-service provider of freight forwarding, e-commerce home delivery, and logistics services. Under ATL's ownership, Pilot has implemented a company-wide ESG policy and bolstered its focus on ESG matters. Each quarter, the board of directors reviews ESG updates as part of its required reporting package and actively reviews business practices for areas to enhance the company's ESG policy.

Human Resources – ESG	Human Resources – ESG (cont.)
<p>Environmental</p> <p>Air and Water Pollution</p> <ul style="list-style-type: none"> Zoom Video Conferencing Encourage customers to paperless e-Bill Paperless for all business-related to job <p>Energy Efficiency</p> <ul style="list-style-type: none"> Encourage customers to paperless e-Bill Paperless for all business-related to job <p>Hazardous Materials</p> <ul style="list-style-type: none"> 60 US Corporate and 10 US Franchise FAA Licensed Certified employees <p>Social</p> <p>Customer Satisfaction</p> <ul style="list-style-type: none"> Customer survey results remain positive with a high level of satisfaction. Average response rate of 6.5% with 95% confidence level and 85% of all customers responded to survey. Results were highly positive across the board. Opportunities include competitive pricing, speed of issue resolution, billing timeliness and accuracy and providing sales leads to Partners. <p>Data Protection and Privacy</p> <ul style="list-style-type: none"> GDPR Compliance is 100% complete 100% Compliance in high security jurisdiction (i.e. EU, UK, Japan) in the Hispanic population (21% increase) 100% compliance in the White and Non-Specified Categories for Q2 2019 All employees: 17 with disabilities, 150 Hispanic and 150 non-residents applied to Pilot postings Pilot hired 1 intern, 1 disabled, 3 female and 20 made minorities <p>Emergency Activities</p> <ul style="list-style-type: none"> 100% of employees from 100% of all active disaster relief ALP post-off reduction offered to all employees in June <p>Staff Attrition & Retention</p> <ul style="list-style-type: none"> Average tenure decreased by 0.5 months due to restructuring and top grafting Retention bonuses: 19 employees participated, Bonus Dollars: \$3 paid out Time to fill from job posting an average of 15 days for Q2 2019 Retention 100% promising for new hires in addressing potential candidates <p>Human Capital Strategy and Talent Management</p> <ul style="list-style-type: none"> Q2 2019 Promotions: 7 <p>Job Creation / Social Dashboard</p> <ul style="list-style-type: none"> Assessing our presence on job boards including modifying our LinkedIn contract for better candidate sourcing Discussions with LinkedIn to provide employee training Formed the 5-Quarter contract, an new upgrade social media platform Engaging other members. Literately addressed service within new contract. <p>Labor Standards / Workplace Safety</p> <ul style="list-style-type: none"> Real Time Reporting - Q2 2019 6 calls vs Q2 2018 6 calls <p>Product Safety and Liability</p> <ul style="list-style-type: none"> 62 paid claims Q2 2019 vs 84 paid claims per Loss Reports in Q2 2018 <p>Supply Chain Management</p> <ul style="list-style-type: none"> CFRAT Partner Monitored - Q2 2018 - 201 vs Q2 2019 - 124 	<p>Governance</p> <p>Accounting Standards</p> <ul style="list-style-type: none"> Pilot prepares its financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"). These financial statements are audited by a registered independent accounting firm whose reports are filed by the Audit Committee of the Board of Directors. <p>Anti-Competitive Behavior</p> <ul style="list-style-type: none"> Pilot is a small competitor in a large market <p>Board Composition</p> <ul style="list-style-type: none"> Pilot's Board of Directors is comprised of experienced transportation industry experts and strong financial leaders <p>History and Corporate</p> <ul style="list-style-type: none"> International Parties: 2017 - 2018 - 100% - 100% - 100% - 100% - 100% - 100% - 100% - 100% - 100% - 100% <p>Business Ethics</p> <ul style="list-style-type: none"> Internal investigations conducted by the new team - 10 Total - 10 Closed - 0 Open State Bill Tracking, Manager Performance - 100% - 100% - 100% - 100% - 100% - 100% - 100% - 100% - 100% - 100% <p>Compliance</p> <ul style="list-style-type: none"> # of Business Audits - Q2 2018 10 vs Q2 2019 10 # of License Audits - Q2 2018 10 vs Q2 2019 10 # of Total New Parties Screened - Q2 2018 10 vs Q2 2019 10 <p>Executive Remuneration</p> <ul style="list-style-type: none"> Executive compensation is disclosed clearly and at market rates <p>Risk Management</p> <ul style="list-style-type: none"> Experts Audited - Q2 2018 10 vs Q2 2019 10 Partnership Audited - Q2 2018 10 vs Q2 2019 10 # of Business Agent (BIA) Audits - Q2 2018 10 vs Q2 2019 10 # of Business Agent (BIA) Audits - Q2 2018 10 vs Q2 2019 10 # of CCC - 100% Screened in Q2 - Q2 2018 10 vs Q2 2019 10

Each quarter the Pilot board reviews ESG progress and actively seeks to enhance the company's ESG policy.

Since acquisition, Pilot has made a number of improvements to its ESG efforts. Such improvements include a new video conferencing policy to reduce the need for executive air travel, moving its client base to e-invoice from paper, and reducing overall paper file usage significantly. Of note, Pilot is now an active member of the EPA SmartWay Transport Partnership. Pilot continues its push to promote diversity and equal opportunity within its employee base and, since ATL's acquisition in 2016, female employees at the director level and higher has increased 57 percent as of December 31, 2019.

Pilot has been doing a lot of work to enhance its governance and global regulatory compliance, which started with ATL's 180-day plan at the time of close, and has continued under the leadership of Pilot's General Counsel who started late 2017. Specifically, the team is wrapping up a program to enhance regulatory & global compliance policies with an audit by the Bureau of Industry and Security to vet its implementation, and also brought Amber Road onsite to run restricted party screening on trade partners.

Finally, in line with ATL's policy to encourage all portfolio companies to give back to the community, Pilot partnered with Alex's Lemonade Stand Foundation as its primary charitable partner to support research funding for childhood cancer.



Pilot President John Hill (left) and CEO Gordon Branov (right) presenting a check to Liz Scott, Alex's Mother & Co-Executive Director of Alex's Lemonade Stand, Pilot's primary charitable partner



“Lemonade Days” are held at Pilot stations to raise money to support children’s cancer research

ESG Portfolio Company Update: Valence Surface Technologies

Valence Surface Technologies (“Valence”) is the largest independent aerospace surface finishing platform in North America. Since closing the acquisition of Valence in June, ATL has been working closely with Valence management to ensure best practices in ESG. ATL’s diligence on all potential platform acquisitions includes ESG diligence, so environmental diligence was a major focus given the nature of the company’s service offerings. The Valence team already holds itself to the highest standards for environmental consciousness and environmental impact in the industry, and our collective teams are in the process of making even further progress in setting best-in-class standards in areas like waste watering treatment for the aerospace surface treatment market.

The ATL-Valence team is in the process of finalizing a formalized, comprehensive ESG policy that incorporates all aspects of the business, so as to crystalize the company’s practices in each of those domains. Furthermore, the company is working on a number of initiatives to ensure it is a leader in environmental practices beyond simply being compliant with key regulations. This includes: 1) actively working to reduce chromic processing, 2) reducing water consumption through new water system investments, and 3) decreasing air emission through investments in scrubber and air makeup machinery.

Also of note, Valence’s Talent Team has made significant recent developments to improve the company’s efforts with respect to social initiatives. For example, Valence’s Everett site, near Seattle, was recently recognized for its inclusive hiring practices as it received an inclusive employer award and was recently profiled in an article about its focus on hiring workers with disabilities (see article [here](#)).

Valence has also made some initial strides with respect to charitable giving, including several sponsorships for national charities such as the Boys & Girls Clubs of America.



**BOYS & GIRLS CLUBS
OF AMERICA**

Valence supports the Boys & Girls Clubs of America.

We look forward to sharing additional updates on Valence’s ESG progress as our partnership with the company develops.

We are pleased to share our progress and look forward to sharing our continued progress throughout the year. Should you have any questions for us do not hesitate to reach out to our team at IR@ATLpartners.com

Sincerely,

ATL Partners



In the United States alone, freight transportation accounts for 16 percent of corporate greenhouse gas emissions. If the industry does not take proactive steps through route optimization and cleaner fleets, by 2040 the greenhouse gas emissions will be 40 percent over today's figures.

Given this reality, it stands to reason that freight should increasingly take center-stage in corporate sustainability efforts. Gone are the days when saying, "we recycle," was a sufficient and acceptable answer.

Today, more than 60 percent of the combined Fortune 100 and Global 100 have established public greenhouse gas reduction goals. These companies require submitting ESG documentation with bids. Those without supporting documentation do not find themselves making it past the initial round.

Companies looking to establish an ESG program covering sustainable transportation can start by asking themselves, "What are we doing today?" If the answers are shocking and disheartening, don't lose hope. Remember, success can be achieved

incrementally – it just requires a roadmap, timeline and reachable goals.

Courtesy of the Environmental Defense Fund, here are five strategies that shippers (and forwarders) can employ to significantly cut greenhouse gas and local air pollution while simultaneously driving business value:

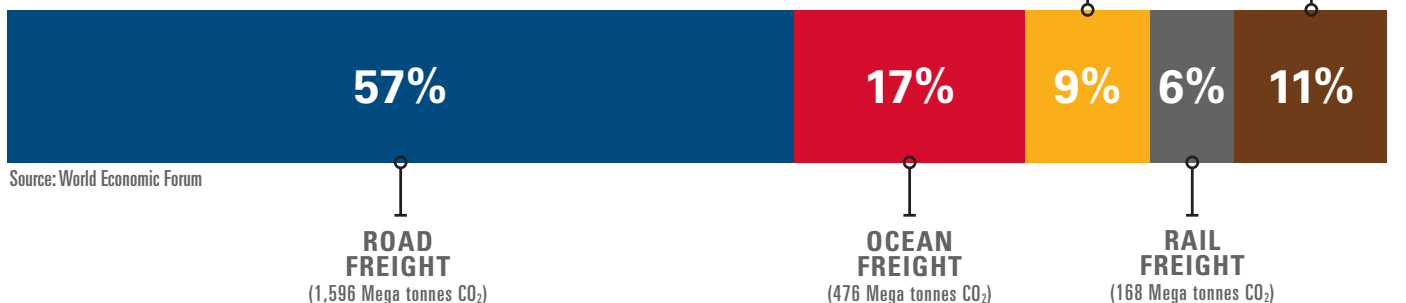
- 1. GET THE MOST OUT OF EVERY SHIPMENT.** Combine freight and adapt packaging to maximize cube utilization. A fuller move is a greener move.
- 2. CHOOSE THE MOST CARBON-EFFICIENT TRANSPORT MODE.** Favor ocean over air and rail over truck.
- 3. COLLABORATE.** Root out opportunities for savings through discussions with internal departments and with suppliers, customers, and vendors.
- 4. REDESIGN YOUR LOGISTICS NETWORK.** Continually optimize your network to maximize cost savings and minimize greenhouse gas emissions.
- 5. DEMAND CLEANER EQUIPMENT AND PRACTICES.** Urge your logistics service providers to use cleaner trucks and cargo handling equipment, and employ other air pollution-reducing practices.

As members of the Airforwarders Association, we also have the unique opportunity to "lead the charge" by helping our members with ways to reduce or offset their carbon footprint and support social and employee development programs relevant to our industry and communities, making them better places to live and work. ✈️

Excerpts and charts courtesy of the Environmental Defense Fund's "The Green Freight Handbook" which can be found online at <http://business.edf.org/projects/green-freight-handbook>.

Sasha Goodman is the vice president and general manager of Rock-it Cargo. Headquartered in Los Angeles, CA, USA, and founded in 1978, Rock-it is a provider of high-touch, mission-critical air, ocean and surface freight forwarding and logistics to the live entertainment and music touring, fine arts, sports and broadcasting, corporate events, industrial power projects, and humanitarian relief end markets. In 2018, Rock-it Cargo was acquired by ATL Partners, a premier sector-focused private equity firm that invests in aerospace, transportation and logistics companies.

57% Heavy-duty trucks account for the dominant share of all logistics-related greenhouse gas (GHG) emissions.



Source: World Economic Forum