Transformation. It’s what chemicals do, what materials create, what pharmaceuticals support. As an investor, SK Capital drives company transformation in a way that’s sustainable – in all meanings of the word – more efficient, lower impact, reduced risk and long-lasting.
WELCOME TO SK CAPITAL’S FIRST SUSTAINABILITY REPORT.

Sustainability has been integral to SK Capital since its founding in 2007. In fact, it is central to the firm’s mission statement: “we sustainably create value for our stakeholders in all economic environments.” To achieve this mission, we are fortunate that our strategy is focused on the so-called “industry of industries,” because chemicals and materials play such a vital role in the global economy and our daily lives. SK Capital firmly believes that sustainable products, processes and corporate practices – when combined with science and ingenuity – can deliver enormous benefits to society and the environment.

So far, 2020 has been an extraordinarily challenging year, yet we are proud to report the progress our portfolio companies are making on their ambitious sustainability goals. Furthermore, we’ve undertaken a significant firmwide initiative to formalize our Sustainability Program across our portfolio management activities. This includes formalizing the Environmental, Social and Governance (“ESG”) integration into our investment process and establishing a proprietary set of ESG Principles and frameworks for identifying the most material sustainability-linked factors affecting our investments. This enhanced Sustainability Program is a full-portfolio approach that now directly links value to sustainability in a way that reflects the founding values of the firm.

While SK celebrates many sustainability-related successes across all of its portfolio companies, let us first acknowledge the risks and challenges associated with managing a diversified portfolio of investments in our sectors of focus. In November 2019, an explosion occurred at the Port Neches, Texas site of TPC Group, an SK Capital investment since 2012. This unfortunate accident occurred despite the robust safety protocols the company had in place and the substantial capital and maintenance expenditures made since the firm first invested. Incidents of this nature remind us of the high stakes associated with operating safely and the implications on all stakeholders, especially the surrounding communities in which our portfolio companies operate.

Our firm’s overarching strategy is to identify businesses with untapped potential, and this sometimes includes considering investments in companies that have historically lacked a focus on sustainability. Rather than shy away from these opportunities, SK Capital strives to engage with businesses by using the sustainability lens, supported by our industry and operating experience, to appropriately allocate capital and other resources to drive improvements. This often necessitates additional investment in upgrading physical assets or revitalizing R&D programs to support a business on its path to achieving sustainable growth.

A good example of this is Ascend Performance Materials’ recent introduction of Acteev™ textile resin, a breakthrough solution specially formulated with zinc ion technology to provide long-lasting >99% antimicrobial efficacy, including against SARS-CoV-2. This technology had been in development for several years, but with the recent pandemic and shortage of effective materials for masks, filters and other PPE, the company accelerated the product launch and is in the process of commercializing a broad line of products.

This is the SK commitment to sustainability – a constant eye toward the material factors that enhance value, minimize risk and promote sustainable returns. As a firm, we are proud to embrace sustainability and, as investors, we believe it is essential. We thank you for your ongoing support as we seek to responsibly deliver value for all our stakeholders.

“As a firm, we are proud to embrace sustainability and, as investors, we believe it is essential.”

**Acteev™ technology has been shown in laboratory tests to destroy SARS-CoV-2, the coronavirus that causes COVID-19, and other pathogens including H1N1, norovirus, and MRSA. In vivo studies of Acteev™ technology have demonstrated over 99% reduction in specific bacteria such as staphylococcus and E. coli.** All data presented on this page comes from testing performed by independent third-party laboratories. Testing conducted on various end forms. Testing by University of Cambridge found a >3 log (99.9%) reduction in SARS-CoV-2 and MRSA viruses upon instant contact on proprietary DR textile fabric with Acteev technology as compared to an identical basis weight plain dye DR textile fabric without Acteev technology. Acteev Protect does not protect users or others against disease-causing bacteria. Not all claims are permitted in all jurisdictions, including in the United States. Some device designs currently under review with the U.S. Food and Drug Administration. Ascend has more than 15 patent families pending on Acteev technology.

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Barry Siadat
Co-founder and Managing Director

Jamshid Keynejad
Co-founder and Managing Director
Bonding Industries.

The specialty chemicals and materials sectors are viewed as the “industry of industries,” engineering and producing molecules into the vital materials that protect food, create medicines, brighten clothes, decorate homes and power cars.

What makes these industries special though, is the “molecular link” from product to product. A byproduct of one process can serve as an input to another. Through manufacturing of specialty chemicals, materials and pharmaceuticals, SK Capital’s portfolio companies transform these elements into the valuable substances and solutions its customers need to produce countless products — and strive to do so in a safe and sustainable manner.

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SK Capital Mission: “We Sustainably Create Value for Our Stakeholders in All Economic Environments.”

SK Capital believes success emanates from unwavering adherence to the firm’s principles. These core values contribute to a relentless determination to sustainably protect and grow investor capital. Sustainability principles have always been central to the SK investment model, which is why the firm has formalized its Sustainability Program.

SK Capital’s ESG Principles.

BY INTEGRATING ESG INTO ITS INVESTMENT MANAGEMENT PROCESS, SK CAPITAL SEeks TO:

Identify incremental value-creation opportunities and potential risks to make better investment decisions to enhance returns.

Ensure portfolio companies act in a responsible manner towards their stakeholders.

1. SYSTEMATIC IMPLEMENTATION:
ESG implementation should be systematic throughout the investment, ownership and exit process.

2. FOCUS ON MATERIALITY:
Focus attention on ESG factors that are material to any given investment; materiality can be determined by assessing any factor’s importance to stakeholders and the magnitude of business, environmental or social impact.

3. ENGAGE AND COMMUNICATE WITH STAKEHOLDERS:
Work closely with stakeholders — colleagues, investors, portfolio companies, regulators, among others — in order to:

- learn and enhance our consideration of ESG risk factors and
- inform stakeholders about our ESG integration practices.

4. IMPROVE ESG PERFORMANCE:
As active investors, we partner with businesses where our ownership and involvement can potentially transform and improve the business’ ESG risk profile. Through corporate governance and management engagement, SK seeks to improve the ESG performance and reporting practices of our investments.
SK Capital endeavors to drive sustainability in every investment. If a portfolio company’s processes and products are already sustainable, the firm has the experience to build on that record. With companies that initially lack a sustainability focus, SK seeks to engage and drive value through improvement.

### SK Capital’s Portfolio Companies Seek to Find Sustainability-Linked Value Creation in Three Main Areas:

- **Improving Sustainability of the Inputs from the Supply Chain**
- **Creating Products that are More Sustainable or Contribute to the Sustainability of Downstream Processes**
- **Making Processes More Efficient, Reducing Emissions and Waste**

With a focus on sustainability since the firm’s inception, SK Capital sees the value of investing with an ESG mindset. In 2020, SK formalized our Sustainability Program, which reflects our leadership team’s long standing focus on sustainability and our deeply held belief that a focus on sustainability drives tangible value creation in our sectors of focus.

One important component of SK Capital’s Sustainability Program is the more formalized integration of ESG considerations into the firm’s investment process. From the initial screening stage through advanced due diligence, ESG-related risks and opportunities are evaluated and factored into an investment’s value proposition.

As with any SK value creation initiative, management teams are key. SK seeks to consistently partner with portfolio company leadership on ESG-related initiatives and challenges, driving change and performance.

### Deal Evaluation Process

- Sustainability factors are considered in every potential investment, evaluated as both a risk and opportunity
- Investment Committee takes a formalized and standardized approach to the consideration of ESG factors, including “traffic light” screening process and full diligence at execution stage

### ESG Toolkit and Sustainability Framework

- In-house proprietary framework for identifying sustainability topics that are specific to our sectors of focus
- Toolkit defines a standard set of evaluative questions qualifying a target company’s Sustainability Focus, Sustainable Process and Operations and Sustainable Products and Services

### Portfolio Management and Value Creation

- Investment process seeks to identify sustainability-linked value creation initiatives to pursue during the holding period
- We believe that the full-cycle approach helps drive attractive returns to our investors by shaping businesses with a lasting, sustainable footprint beyond SK’s ownership
ESG AND SUSTAINABILITY APPROACH

A Focus on Environmental, Security, Safety and Health is the Foundation of Success

SK Capital’s Sustainability Program seeks to determine which ESG factors are most material to a given investment. In our industries of focus, the topics of environmental, security, safety and health are always a material factor for consideration.

Operating businesses in a safe manner is of paramount importance to SK Capital, and safety is always the first item on the agenda of each portfolio company’s Monthly Operating Review.

Most of SK Capital’s portfolio companies have aligned their environmental, health, safety and security (EHS&S) around the American Chemistry Council’s Responsible Care program. This framework offers a familiar and respected foundation for SK Capital’s Sustainability Program. In addition to looking to Responsible Care — which is a program designed for chemical manufacturers — SK Capital has adopted concepts from other frameworks to tailor our Sustainability Program to the business of managing Limited Partner capital and a portfolio of private investments.

Companies also commit to public reporting and undergo mandatory facility audits to certify their performance. This reporting is made publicly available on the ACC’s website (responsiblecare.americanchemistry.com).

GUIDANCE FROM ESTABLISHED INDUSTRY FRAMEWORKS

Responsible Care® is the chemical manufacturing industry’s environmental, health, safety and security (EHS&S) performance initiative. It is a 36-year old global initiative practiced in 68 economies. Participation is a condition of membership for American Chemistry Council (ACC) members and requires CEO-level commitments. The Responsible Care Guiding Principles are at the heart of these commitments with pledges to improve EHS&S performance for facilities, processes and products throughout the entire system.

SK Capital’s 7 Core Areas of Sustainability Focus is a proprietary investment framework that supports our investment teams as we seek to identify the most material areas of concern for businesses in our sectors of focus. Each of the 7 Core Areas identifies subtopics that are likely to be material factors, which our investment teams and Investment Committee will consider throughout the investment and portfolio management process.

SK engages with its current portfolio in each of the 7 Core Areas of Sustainability to promote more sustainable practices. As with other areas material to investment, the firm places a premium on the contribution of its management teams and their ability to build long-term strength in their businesses.

SK CAPITAL — 7 CORE AREAS OF SUSTAINABILITY

- AIR QUALITY
- WATER USAGE
- ENERGY & WASTE
- EMPLOYEE ENGAGEMENT
- COMMUNITY ENGAGEMENT
- PRODUCTS & PROCESS
- SUSTAINABILITY FOCUS
Diverse Voices Enhance Value.

Diversity and inclusion at SK Capital means more than a developing program or area of focus. It is part of a deeply held belief system that every voice counts and collaboration means confronting one’s personal perspectives. At the corporate level, the firm continues to challenge itself to advance in this area, and it is of paramount importance. The guiding light for this effort will come in part from the SK portfolio, and the firm is working with the Archroma CEO, Heike van de Kerkhof, on this strategic sustainability topic.

Teams make better decisions than individuals 66% of the time, and diverse teams make better decisions 87% of the time.

Heike van de Kerkhof spent 28 years in increasingly senior roles at DuPont and its Chemours spinoff, then two years as a senior executive at BP. Named one of “The Most Powerful Women” in the Fortune 500, Ms. van de Kerkhof’s executive career began in 2000 when she was named global manager for the automotive market for DuPont’s Safety & Protection line of business. In 2008 she was promoted to managing director of DuPont’s Packaging & Industrial Polymers operations in Europe before, in 2012, moving to a similar position in DuPont Titanium Technologies. When her division was spun off in 2015, she became global sales director for Chemours’ titanium dioxide products. Ms. van de Kerkhof joined Archroma as CEO in January 2020 and serves as a CEO-in-Residence to help drive important sustainability initiatives throughout the SK Capital portfolio.

She speaks German, English, French and Dutch and holds a bachelor’s degree in mechanical engineering from University Monchengladbach in Germany and an MBA from European University in Switzerland. Ms. van de Kerkhof served as a non-executive director at Neste and is an active fundraiser for a girls’ school in Afghanistan.
Sustainability in both the product and the process: that’s how SK Capital thinks about enhancing its portfolio’s ESG profile. SK’s portfolio is a showcase of this focus — dealing with challenges, driving initiatives and creating value.
End to End Sustainability Focus.

Archroma is a global, diversified provider of dyes and specialty chemicals serving the branded and performance textiles, packaging and paper, and coatings, adhesives and sealants markets. With a heritage dating back to 1886, the company delivers specialized performance and color solutions in over 100 countries.

Archroma could not reach its sustainability goals unless they were shared by its entire supply chain. That is why the company selects specific vendors to source over 7,200 raw materials, with an eye to environmental impacts as well as other quality, security and cost concerns.

Many notable retail clothing lines are using the patented EarthColors technology to enhance their traceability and sustainability.

EARTHCOLORS DYES

- Creates warm shades from fully traceable natural leaves, nutshellsh and other overlooked resources
- In some cases, products are 100% composed of raw materials from the natural waste of the agricultural and herbal industry

DENISOL® INDIGO FOR DENIM

- Aniline-free indigo dye reduces environmental impact and employee health risk, without compromising on the iconic, deep violet-blue that consumers associate with denim jeans
- Liquid indigo solution is manufactured in an award-winning “zero liquid discharge” manufacturing plant
- Compliant with major eco-standards and fashion retailer requirements; suitable for current eco-labeling (e.g. bluesign® and GOTS)

Sustainability as a Competitive Advantage.

While Archroma creates products that are sustainable, the company takes a holistic approach, incorporating sustainability-minded principles throughout its process and often winning business based on its “zero discharge” and “zero landfill” approaches. These goals apply not only to sourcing, production, packaging and shipping, but also to employee safety and workplace diversity.

2020 Sustainability Targets.

Archroma has achieved great success against its occupational safety, customer resource optimization and talent management targets, and is focused on extending its greenhouse gas baselining.

OZONATION FOR WASTEWATER BIODEGRADABILITY

- In 2018, Archroma and Beijing Chemical University developed a catalytic ozonation step for wastewater to improve biodegradability and reduce effluent color value
- The project took only 6 months to implement
- Operating costs will be only $0.5/m³ of wastewater, and the company is evaluating rolling this effective, low-cost program out globally

ARCHROMA RECEIVED A RATING OF GOLD FROM ECOCADIS FOR ITS ESG PROGRAM.

* Source: Archroma Management

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Fully Ingrained Sustainability.

SI Group produces the performance additives and intermediates that go into pharmaceuticals, plastics, lubricants, fuels, tires and many other consumer products. SI Group has a hundred-year record of reliability and innovation, as well as a passion for safety, chemistry and extraordinary results.

Sustainable Products.

**WESTON 705:**
Next generation liquid phosphite antioxidant that is nonylphenol-free, reducing human health concerns. U.S. FDA approved its use in plastic packaging for baby formula.

**ETHANOX 4716:**
SI Group is investing to expand capacity of this key component for engine lubricants which reduces oxidation and enables customers to achieve better fuel economy, lower emissions and meet higher regulatory standards.

Operationally Focused.

SI Group’s commitment to operational excellence leads inexorably to a robust environmental policy. Its “balanced plant” initiative seeks to convert all incoming raw materials into usable products, minimizing waste in all its forms. In this and many other ways, the company continuously seeks to reduce its ecological impact.

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**DATE OF INITIAL INVESTMENT:**
*2013*

**HEADQUARTERS:**
UNITED STATES

**OTHER LOCATIONS:**
30 FACILITIES IN 10 COUNTRIES

**EMPLOYEES:**
2,897

**MARKETS SERVED:**
HEALTH & WELLNESS, PHARMACEUTICALS, INDUSTRIAL, TRAVEL, FOOD & PACKAGING, HOUSEHOLD ITEMS, AUTOMOTIVE, ELECTRICS, CONSTRUCTION

**FUND(S):**
III, V

**OPTIMIZATION & YIELD IMPROVEMENT (“WASTE TO GOLD”)**

SI Group seeks to capture as much of the ~$50 million of theoretical annual “waste” as possible through operational excellence.

- Recent wins: a) achieved a 10% raw material cost reduction by converting a waste stream to saleable product in China with technology and optimization and b) $300k/year improvement in yield losses in Singapore with process optimization.
- Near-term opportunity: $1 million/year optimization of disposal costs in the U.S. by converting waste streams for customer consumption.

**PRODUCT LOSSES**

**DISTILLATION LOSSES**

**REACTION LOSSES**

**HANDLING LOSSES**

% RAW MATERIAL YIELD VERSUS THEORETICAL

THEORETICAL YIELD 100% (IDEAL STATE)

IMPROVEMENT OPPORTUNITY = ~$50 MILLION/YEAR

CURRENT STATE YIELD = 93 - 94%

- SI Group promises to conduct all aspects of its business to safeguard employees, communities and the environment.
- Every critical step in the process and vital piece of equipment is inspected in order to protect everyone whose life is touched by SI Group’s products.
- The ultimate goal is zero negative impact on people, the environment, and SI Group’s own reputation.
Safe, Sustainable Nutrition & Health.

Niacet is the world’s largest producer of organic acid salts, performing essential safety functions in food, feed and pharmaceutical applications. The company fills vital everyday needs producing mold inhibitors in baked goods and animal feed, listeria inhibitors in processed meats and pharmaceutical solutions for kidney disease.

Niacet’s products serve diversified, highly regulated end markets and provide innovative solutions for food and feed safety and quality standards, as well as pharmaceutical products. The company also provides clean label alternatives that set new standards for efficacy and health benefits.

PHARMA
• Highly regulated acetates that perform essential functions in dialysis solution and insulin production
• Calcium Acetate used to treat hyperphosphatemia, a condition characterized by elevated blood phosphorus levels that affects end stage renal disease patients
• In certain pharmaceutical applications, Niacet is the only producer globally who can meet its customers’ demanding specifications

FOOD SAFETY
• Provian line of products keeps food safe from pathogens like Listeria monocytogenes, Salmonella and E-coli
• For meat, Provian products extend shelf life and enhance food safety, at a more cost-effective price point than alternatives
• Provian K is designed to preserve meat products using a low sodium content. Provian Plus, a new product, is specifically developed for plant-based protein meat substitutes

CLEAN LABEL
• On the leading edge on the clean label trend by developing a vinegar-based product offering easily understood and recognized by consumers
• Vinegar is an ingredient based on the natural process of fermentation. Vinegar does not have any safety restrictions for human health and is used in many food preparations across the world
• The Progusta NDV product combines a taste-enhancing effect with shelf life extension and microbial control

FOOD & FEED
• Solutions to support the movement toward cleaner food chains using fewer antibiotics in the production of animal agriculture
• Produce critical products to protect against mold, rope and other pathogens in bakery products and animal feed
• Combat the effects of mold spores and bacteria while also preventing spoilage and improving feed’s digestibility

PRODUCT & SERVICES
• To be a good citizen and contribute to the well-being of the community

EMPLOYEE COMMITMENT
• To maintain and develop a superior workforce through careful employee selection and training
• To provide safe working conditions through education and improved facilities
• To provide a method where all employees share in the growth and prosperity of the corporation and take pride in their personal and the corporate accomplishments

LOCAL COMMITMENT
• To be a good citizen and contribute to the well-being of the community

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Empowering, Innovating and Operating

With history dating back to 1949, Ascend Performance Materials has grown into the world’s largest producer of nylon 6,6 resins, as well as a leader in the manufacture of fibers and specialty chemicals. These proprietary technologies are central to the production of nylon, plastics and synthetic fibers found in thousands of commercial and industrial products.

Ascend’s ESG orientation stems from its clearly delineated values and focus on three key elements: plants, products and people.

Ascend’s leadership sets the example as our CEO serves on the board of the American Chemistry Council, our VP of ESSH serves on the board of the Texas Chemical Council, and our Sustainability Director serves on the Texas Chemical Council Sustainability Committee.

Key Initiatives.

**ACTEEV™:**
- Acteev™ proprietary fabric and filter technology is used to form protective layers integral to face masks, apparel, upholstery, air filters and more. It prevents unwanted microbes from causing contamination and has greater than 99% efficacy at deactivating bacteria, fungi and viruses, including COVID-19.
- Submitted 510(k) premarket notifications with the U.S. Food and Drug Administration to use Acteev™ technology in surgical masks.
- Ascend is launching nonwoven technology for face masks and other end uses including filtration and medical-use textile fiber.

**REDUCING EMISSIONS:**
- In 2019, Ascend announced a $175 million project to install cogeneration units at its Decatur, Alabama facility in order to eliminate the use of coal-fired boilers. This is the largest single investment the company has made and targets an anticipated 50% emissions reduction at the plant.
- In 2019, Ascend expanded its emissions reduction efforts by developing a new technology that captures nitrous oxide emissions and converts them to nitric acid, a useful raw material.

**EMPOWERING PEOPLE**

- Workforce health and safety
- Employee engagement, recruitment and development
- Diversity and inclusion
- Community engagement and relations

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<th>Recordable Injury Rate</th>
<th>Process Safety</th>
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<th>Ascend Cares Volunteer Hours</th>
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<tr>
<td>2019</td>
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**COMMITHMENT TO ZERO**

- Commitment to Zero is Ascend’s long-range plan to entirely eliminate personal safety incidents, process safety incidents and environmental releases.
- As a process, safety is centralized within the organization up to the vice president level, and each location hosts a site-level Environmental, Health and Safety Manager.
- This site leader is supported by a dedicated team including resources specifically dedicated to product stewardship and sustainability.
- Ascend uses the Hazard Recognition Plus (HRP) thought process to identify and address hazardous situations, with some level of instruction given to all employees.
- Most locations in the U.S. are OSHA VPP Star sites, and all of our locations worldwide are certified either ISO 14001 or RCMS.

**INNOVATING SOLUTIONS**

- Sustainable products
- Research and development
- Circular economy
- Supply chain

**OPERATING WITHOUT COMPROMISE**

- Energy
- Greenhouse gas emissions
- Air quality
- Water and wastewater
- Waste and hazardous waste

While Ascend creates sustainable products, the company is equally committed to sustainable process. The same motivations that cascade into goals for efficient manufacturing and packaging, low-impact shipping and reduced waste also apply to standard-setting for vendor management, employee safety and workplace diversity.

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ACTEEV™ technology has been shown in laboratory tests to destroy SARS-CoV-2, the coronavirus that causes COVID-19, and other pathogens including HPV16, influenza A and B, and common cold viruses such as rhinovirus. It was also tested against Staphylococcus aureus, E. coli and other Gram-positive and Gram-negative bacteria. It was tested in various end forms and by the University of Cambridge found a >3 log reduction of Staph and E. coli. All claims are permitted in all third-party laboratories. Testing conducted on various end forms.

As a process, safety is centralized within the organization up to the vice president level, and each location hosts a site-level Environmental, Health and Safety Manager.

We’ve made significant improvements over the last five years. To take us further, we ha assigned an Ascend black belt resource to identify and prioritize energy efficiency improvement projects.

We are transitioning away from coal as an energy source to natural gas. This conversion will be complete with the 2021 startup of our superpower units in Decatur, Alabama.

These case studies represent a selection of SK Capital’s portfolio companies and are not meant to be a comprehensive representation of the portfolio.
SK Capital Portfolio is an Essential Link in the Chain.

The materials produced by SK Capital’s portfolio remain critical during the Covid-19 pandemic. Existing products and processes help meet the essential day-to-day needs of front line responders and everyday consumers alike. Going beyond the day-to-day, the SK Capital portfolio has reacted flexibly and quickly to meet the rapidly evolving set of needs with new or updated products.

SK Capital thanks the thousands of employees working for its portfolio companies who have made meaningful adjustments and sacrifices to get these important jobs done.

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SI GROUP
A performance additives and intermediates producer

- Makes propofol, which is used for intubation, and supplies POLYBOND™ 3200, a critical component for the manufacturing of face masks and medical applications
- Ramped up production to meet increased demand from pharma and packaging markets

ARCHROMA
A provider of colors and specialty chemicals

- Barrier and antimicrobial products provide two layers of protection for enhanced PPE and medical masks
- Developed a thickener for sanitizing gels which can be manufactured faster and cheaper than similar products

NIACET
A producer of specialty ingredients for food, feed and pharmaceuticals

- Makes shelf stabilizers to ensure scarce food supplies are suitably preserved and transported
- Supplies the acetates needed in treatments for health conditions that exacerbate Covid-19

WAVELENGTH
A developer and manufacturer of active pharmaceutical ingredients (APIs)

- Produces ingredients for therapies to manage respiratory critical-care patients, as well as ease intubation, such as Midazolam and Cisatracurium
- Several governments worldwide have partnered with Wavelength given its proven ability to provide supply and expanding capacity

PERIMETER
A formulator fire safety materials and oil additives

- Diverted fire suppressant foam capacity to produce sanitizer for the protection of healthcare and essential personnel in Spain
- Due to ongoing second wave of COVID-19 in fire prone areas, aerial firefighting is increasingly important as it provides relief to front line workers operating in close proximities

GEON
A compounder of PVC and other high-performance polymers

- Produces materials for such medical applications as tubing, clinical equipment and diagnostics
- Project Collaboration, a no-cost opportunity granting access to the intellectual and manufacturing know-how of the GEON workforce during the pandemic

SUSTAINABLE SUPPLY CHAINS DURING COVID-19
Sustainability has been core to SK Capital’s approach, and it will continue to be so going forward. In practice, this deeply held philosophy means a commitment to evolution, to constant evaluation, to oversight, to advancement, to engagement and — ultimately — to progress.
Feeding Operations with Sustainability in Mind.

Supply chains provide the inputs to transform natural resources, other raw materials and chemical components into end products on a global scale. Procurement and supply initiatives deeply impact not only a company’s financial bottom line, but also its ability to efficiently, safely and reliably deliver for its own customers.

Therefore, while it is natural for strategic decision makers to focus on competitors, products and clients, suppliers are just as important. In the chemicals industry – where quality and safety are of paramount importance – procurement is a sustainable value-add for the SK portfolio?

A: How receptive are company managers to your suggested supply chain modifications and other operational changes?

B: Prior to joining SK Capital, she was the Director of Global Supply Chain for Catalent Pharma Solutions. In addition, Ms. Shook has held a variety of management positions for DuPont, Michelin and Coca Cola Refreshments.

Ms. Shook earned a B.S. in chemical engineering from Drexel University and an MBA from Kenan-Flagler Business School at the University of North Carolina. She is CSCP-certified through APICS and qualifies as a Six Sigma Black Belt.

Q: What is your role at SK Capital?

A: Yes, that’s part of my role. I look for those symbiotic opportunities all over the network. Who makes what, does it make good business sense, can they economically be the supplier of a pure raw material or a custom-manufactured one, is the quality correct? My starting question in any investment always is to look for saving money in procurement, and that naturally leads to an exploration of synergies.

Q: Are you looking to identify opportunities within the portfolio in which one company acts as the supplier and another as the customer?

We have many more of these symbioses than we can count, and I strongly believe they ultimately will drive more economical practice and deliver value. But, what excites me is they also will deliver more sustainable practice throughout the portfolio and be another way that SK attracts top talent.

Q: Does their spend compare to the market, how is the team organized, and we are demonstrating through action as well as policy that we hold sustainability concepts to be both dear and valuable.

A: There’s an old saying in data management: “garbage in, garbage out,” and I believe this same concept can apply to manufacturing in the specialty chemicals, materials and pharmaceuticals spaces as well. Securing supply chains — as we’ve seen during the COVID-19 crisis — is critically important to company operations. Local procurement, optimizing ordering and delivery, seeking sustainable alternatives and recycling initiatives — all of these can drive a company’s bottom line.

In several of the SK portfolio companies, I have started over the past year by looking at procurement costs as the first piece. How does their spend compare to the market, how is the team organized, are we really focused on good fundamentals and practices in procurement, and what is our strategy for procurement? These can be small but meaningful wins for a company, they contribute to SK’s value for management teams as a truly strategic partner, and they also significantly enhance an organization’s sustainability.

A: SK Capital approaches every initiative with our management teams in the spirit of partnership — we aim for best-in-class talent, and we place trust in their expertise and decision-making. In terms of supply chain and procurement, I have been approaching these types of projects not necessarily as “ESG”, but rather that it’s just plainly good business to save cash. And, as we achieve greater enhancements to process and structure, we’re building value but we’re also building credibility. This kind of alignment with management is a real hallmark of SK Capital’s investment strategy, and we are demonstrating through action as well as policy that we hold sustainability concepts to be both dear and valuable.

Maybe even more importantly, our conversations are not the first time they have heard SK Capital speak of sustainability. These discussions are there from the screening and diligence phases of every investment. Sustainability is a truly embedded part of the firm’s culture and, therefore, our portfolio’s cultures as well.

Q&A with Amber Shook, SK Capital’s Director of Operational Excellence and Synergies
OVERSIGHT: RESPONSIBILITY FOR RESPONSIBILITY

Sustainability Reporting.

In addition to producing Annual Sustainability Reports for our investors, SK Capital was proud to become a signatory to the United Nations-supported Principles for Responsible Investment, reporting on our Responsible Investment approach and climate impact.

Sustainability Program Oversight.

SK Capital’s Sustainability Program will be driven by all of the members of our firm and supported by our world-class management teams for the benefit of all of our stakeholders.

In order to provide guidance and oversight, SK Capital has established a Sustainability Committee, which meaningfully overlaps with both Investment Committees.

- Establish and maintain ESG policies and procedures
- Regular reporting to the Managing Director group
- Review ESG-related incidents (if any)
- Oversee ESG communication and reporting to external stakeholders
- Continue to advance the Sustainability Program for the benefit of the firm, the portfolio and the investment process
- “Open door” sessions, with access for the entire firm to present sustainability ideas

BARRY SIADAT
Co-Founder
Managing Director

MARIO TOUKAN
Managing Director

HEIKE VAN DE KERKHOF
CEO of Archroma

JACK NORRIS
Managing Director

BEN DILLON
Managing Director

PHIL MCDIVITT
CEO of Ascend

“SUSTAINABILITY OPPORTUNITIES.”

Develop portfolio-wide reporting systems to measure key performance indicators on the most material ESG topics

Continue to look through the lens of sustainability to support thematic sourcing of opportunities

Promote ongoing collaboration across the portfolio to exchange best practices and drive portfolio-wide initiatives

Deepen the link between sustainability and measurable value creation

“We sustainably create value for our shareholders in all economic environments.”

SK Capital’s Sustainability Program and this Sustainability Report are just part of the sequence of steps our firm can take as we follow a path guided by sustainability. The firm and its portfolio companies have identified several topics within responsible investing that have the potential to deliver additional value to our stakeholders:

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For SK Capital, there is no finish line when it comes to evaluating and enhancing the ESG profile of our portfolio. This focus on sustainability has always been ingrained in how we do business and will remain so, transforming the chemicals industry and transforming investments for years to come.