



2022 Annual Report

Environmental, Social and Governance

Our Commitment to ESG

Since its founding in 1986, Centre Partners has fostered exceptional partnerships with our management teams and portfolio companies, built on collaborative and respectful relationships and built out an extensive network of resources.

Centre Partners recognizes the necessary role that environmental, social and governance (ESG) plays throughout the investment lifecycle in both the consumer and healthcare industries and in day-to-day firm operations. Over the past five years, Centre Partners has continued to expand and strengthen our ESG program and integrate ESG considerations into both our investment processes and ownership practices.

During 2022, Centre Partners continued to execute its formal ESG program guided by our ESG policy, due diligence, and monitoring procedures. One major initiative included within our ESG program is conducting third party ESG due diligence and reporting for all new platform acquisitions. Additionally, we continue to collect and track material ESG data and metrics which are customized for each of our existing portfolio companies in order to monitor ongoing performance and quantify improvements over time.

ESG Governance

Our set of ESG principles, which seek to integrate ESG considerations into our investment process, align with the guidelines established by the UN Principles for Responsible Investment (UN PRI) and the Private Equity Growth Capital Council's Guidelines on Responsible Investment (GRI).

ESG Due Diligence

Centre Partners performs a third-party diligence review of all potentially material ESG topics for each new platform investment to simultaneously identify areas of risk that may affect the performance of the business and also detect opportunities to enhance the value of our businesses. Material topics and metrics are tailored to individually suit each company's operations and industry.

Active Ownership

Priority ESG focus areas identified during due diligence for each portfolio company are leveraged to establish material and relevant ESG metrics that, through established monitoring and reporting procedures, quantify the extent to which ESG standards are successfully being integrated across the portfolio.



Enhancing ESG Capabilities

In 2022, Centre Partners continued to engage a dedicated ESG third-party advisor to conduct pre-investment ESG due diligence on all new potential portfolio companies.

Utilizing the Sustainability Accounting Standards Board (“SASB”), material ESG topics for our portfolio companies are used to identify potential areas of ESG risk or value creation opportunities for Centre Partners and the portfolio companies’ management to be cognizant of during the onboarding process.

Additionally, Centre Partners continues to implement our ESG monitoring and reporting strategy to comprehensively measure each portfolio companies’ ESG performance across their identified ESG focus areas. Centre Partners collects a variety of metrics on an annual basis from all of our portfolio companies, including turnover, year over year changes in total employment, safety violations, total employee ethnicity, as well as total workforce, senior management, and board diversity. The ongoing tracking of ESG data and reporting has enabled each portfolio company to establish benchmarks and improve material ESG metrics.



Focus Areas and ESG Highlights

Centre Partners continues to monitor ESG focus areas throughout the duration of ownership of our portfolio companies.

Throughout the past year, the companies have implemented a number of initiatives to manage material ESG topics to their business operations. A few examples of such initiatives and programs which have been implemented throughout 2022 are highlighted below:

	<p>Manufacturer and supplier of wet wipes and other personal care products for leading CPG brands, as well as retail customers</p>
<p>Focus Areas</p> <ul style="list-style-type: none"> Water & Wastewater Management Product Quality & Safety Employee Engagement, Diversity & Inclusion Product Design & Lifecycle Management Supply Chain Management Employee Health & Safety 	<p>Highlights</p> <p>Continues to remain a participant in the Safer Choice program, developed by the US Environmental Protection Agency (EPA) Pollution Prevention Program to help participating companies utilize practices that reduce, eliminate, or prevent pollution at its source. The Program also encourages participants to invest in research and reformulation to help consumers, businesses, and purchasers find products that perform and contain ingredients that are safer for human health and the environment.</p> <p>Demand from customer base has led Guy & O’Neill (“G&O”) to deliver fully plant-based fabrics in products in place of synthetic fabrics, with approximately 13% of total company sales associated with plant-based products. As market demand for plant-based products continues to grow, G&O is poised to help more customers realize their goals for sustainable product offerings.</p> <p>Maintains a robust recycling program, diverting over 430 tons of waste from landfills tor recycling facilities in 2021.</p> <p>Completed a thorough review of the company’s sustainability practices and performance to report comprehensive metrics surrounding electricity and gas consumption, water usage, and waste management to their customer base.</p> <p>Expanded upon standard employee sexual harassment training to include training regarding gender equality due to customer engagement and interest surrounding gender equity.</p>
	



Leading manufacturer of branded and private label Hispanic foods, including cheeses, desserts, and meats

Focus Areas

GHG Emissions & Energy Management
Water & Wastewater Management
Product Quality & Safety
Employee Health & Safety
Employee Engagement, Diversity & Inclusion
Animal Welfare
Chain Management

Highlights

Launched its first employee engagement survey through the third-party platform, Quantum, the results of which will be utilized to inform future action items and next steps to improve overall employee satisfaction. Sabrosura plans to continue to conduct these engagement surveys along with periodic “pulse surveys” to optimize the employee experience and culture across the company.

Implemented a tier progression skill program in select locations, which is intended to drive employee pay increases based on skills acquired through training and assessments.

Engaged with a workers’ compensation broker to perform proactive safety assessments of Sabrosura’s plants and develop recommended changes and policies to improve safety performance.

Engaged with a third-party training provider which will cover a diverse range of topics for employees such as health and safety, proactive manager training, as well as diversity, equity, and inclusion (DEI) topics.



AT&T National Authorized Retailer and service provider offering connected mobile devices, accessories and other devices and services

Focus Areas

Energy Management
Employee Recruitment, Development & Retention
Workforce Diversity & Inclusion
Customer Satisfaction
Data Security
Data Privacy
Business Ethics

Highlights

Updated its employee commission plan, driving an increased sense of alignment between the Company and its employees at each store location.

Looking to develop and implement a community engagement program involving the company’s employees.

Provided significant opportunity for training, development and advancement to its entry-level workers; a large majority of the Company’s Area, District and Store Managers were promoted internally.

For the eighth consecutive year, and the first year as Alliance Mobile, earned the award for Metro Detroit’s The Best and Brightest Companies to Work For®.



Provider of medical and psychological evaluations and case review services.

Focus Areas

Data Security & Customer Privacy
Employee Health & Safety
Employee Engagement, Diversity & Inclusion
Business Ethics
Customer Welfare

Highlights

For the second consecutive year, zero HIPAA breaches have been reported, which is tracked through the IMA reporting system, EthicsPoint.

Made two new key hires, the Compliance Officer in Clinical Research, who is focused on data compliance and clinical compliance, and a new Chief Information Officer, to oversee the data security of IMA’s information technology systems.

In the process of implementing a DEI Committee which will be led by the Director of Recruitment.





Provider of landscaping services for residential and commercial customers

Focus Areas

Energy and Fleet Management
Water Management
Employee Health and Safety
Employee Engagement, Diversity & Inclusion
Labor Practices
Supply Chain Management and Materials Sourcing
Business Ethics

Highlights

Created a dedicated position to oversee fleet safety, ensure Department of Transportation (DOT) compliance, as well as develop and implement new safety programs and training for drivers – both preventative and post-incident.

Created a one-page acknowledgement form for suppliers to ensure that United's vendors abide by the company's standards. Additionally, United is currently in the process of rolling out a new software application, Aspire, which will assist in tracking supplier compliance with company standards, when to reassess required insurances and certifications, etc.

Installed ice and filtered water machines at all branch locations to help improve heat illness prevention efforts for its workforce.

Beginning to track diversity metrics across its entire workforce, including gender, ethnic background, veteran status, etc.



TASTEMAKERS, LLC.
SETTING THE TREND.

Leading developer and marketer of retro arcade games and other specialty gaming products

Focus Areas

Energy Management
Employee Health & Safety
Employee Engagement, Diversity & Inclusion
Data Privacy & Security
Supply Chain Management and Materials Sourcing
Business Ethics
Intellectual Property and Competitive Behavior

Highlights

Utilizes a third-party platform, Pivot88, to track regularly conducted supplier and vendor audits in real time.

The company utilizes an outsourced Chief Technology Officer to help to manage the email and file systems as well as flag any potential deceptive or phishing emails.



E-commerce platform providing branded footwear products

Focus Areas

Energy Management & Resource Efficiency
Employee Recruitment, Development, & Retention
Employee Engagement, Diversity, & Inclusion
Data Security
Data Privacy
Supply Chain Management
Product Stewardship & Safety

Highlights

To ensure continuity of business operations, KNS utilizes backup solutions for all IT systems on cloud hosting platforms as well as a live backup solution for internet connectivity.

Assessing potential initiatives surrounding employee diversity and inclusion. Additionally, KNS recently deployed training programs for company leads and management-level employees regarding a number of DEI topics such as LGBTQIA+.

Utilizes cybersecurity training via the third-party KnowBe4 and employs phishing email tests to determine the effectiveness of such data security training.





Seafood-themed quick-service restaurant group

Focus Areas

Energy Management & Resource Efficiency
Waste Management
Food Safety
Health & Nutrition
Labor Practices
Supply Chain Management & Materials/Ingredient Sourcing

Highlights

Leverage the Store Waste Attack Tool (SWAT) application to take inventory and reduce food waste. Generates preparation sheets to forecast food demand for each meal period.

Disciplined use of Restaurant Labor Scheduler (RLS) that forecasts labor demand needs in 15-minute intervals.

Deploys automated messages and surveys through the platform Eloops on employees' 30-day anniversary of employment, allowing Captain D's to track the quality of their onboarding training as well as job satisfaction of new employees.

Constant evaluation of potential new suppliers globally to meet the Company's product needs, with an emphasis on both resource efficiency and sustainable procurement to deliver cost savings and continuity of supply.



1. [Fast Food and Counter Workers \(bls.gov\)](#). Please note that, at the time of pre-investment due diligence, the data made most recently available for state and national industry averages by BLS is from May 2020.

One World Fitness Case Study



One
World
Fitness



Leading owner and operator of fitness clubs under the Planet Fitness banner

Focus Areas

Energy Management
Customer Welfare
Employee Health & Safety
Employee Engagement, Diversity & Inclusion

Highlights

One World ensures pay equality across its employee base, regardless of gender, ethnicity, and other factors

One World conducts on-site audits from corporate, utilizes cameras for monitoring within each club, and a number of safety training courses available to all employees.

This past year, One World conducted pilot studies at several club locations through the company, Compology, to monitor waste and recycling at trends via cameras with artificial intelligence (AI) software which is able to track whether a club's waste or recycling streams are contaminated, when waste and recycling is picked up, and how full each bin is. Utilized these metrics, optimized pickup schedules can be determined.

One of the lingering results of the COVID-19 pandemic is the affect this years-long event has had on Americans: around 77% of all American reported that some aspect of their health has been affected by the pandemic while around 60% have experienced increased loneliness. Due to this effect of the pandemic as well as the fact that 80% of the American population does not exercise or is not a member of a gym, One World has dedicated itself to supporting its club and community members to improve their overall health and wellness:

With around 20% of clubs located in low-income areas, One World is able to offer low membership fees of only \$10 per month, further increasing the accessibility of their club to everyone.

One World has been able to attract customers who have never joined a gym before, with around 30% of One World's total client base comprised of first-time gym members.

Offers over 1,000 free online workouts to everyone, including non-One World members to help promote health for everyone.

Improved handicap accessibility for their members through audits with the National Council for Independent Living as well as full Americans with Disability Act (ADA) compliance. One World has also installed a number of new equipment which is accessible to a wider range of club members.

This past summer break from school, One World invited teens ages 14- to 18-years old to a free program. During the course of this summer program, over 90,000 teens participated and reported positive feedback on their mental health, connecting with their classmates, and making staying healthy a lifelong journey. Many of these teens joined as permanent members at the end of the summer, continuing their fitness journey.

Key Theme Across the Fund

Energy and Water Efficiency

In a landscape of inflationary cost pressures and challenges to continuity of supply, our companies are proactively taking steps to reduce energy and water usage through tracking consumption from their business operations as well as improving their overall efficiency and reduce their operating expenses. The energy initiatives have the environmental benefit of reducing greenhouse gas (GHG) emissions associated with electricity generation.



Utilizes motion sensors in facilities and have changed over 50% of total lighting to LED lightbulbs.

In 2022, engaged with their energy provider to source its facilities' electricity from renewable sources; currently maintains approximately 20% of total energy from renewable electricity sources with a goal to achieve 50% in 2023.

Currently researching the potential installation of rooftop wind turbines at facilities to be able to directly charge electric forklifts with renewable energy.



Sabrosura has implemented several new initiatives throughout 2022 aimed at reducing water and energy consumption.



Maintains an internal overview of water bills so to quickly identify any instances of increased water usage so the company can quickly address any potential problems.

To help efficiently manage energy consumption, Alliance has replaced all incandescent and halogen lighting with more energy efficient option such as light-emitting diode (LED) or fluorescent light bulbs. Additionally, smart thermostats are utilized across company facility locations.



Due to the leased nature of most of the company's facilities, IMA is limited by the breadth of sustainability initiatives which can be implemented. However, IMA Works with their facilities' landlords to make recycling programs available to company staff.

Additionally, within IMA's headquarters location, all lighting has been switched to energy efficient LED light bulbs.



To better track and manage fuel usage for the company's fleet, ULS has installed global positioning systems (GPS) into each fleet vehicle as well as a fleet tracking and management software, Fleetio.



While Tastemakers does not currently maintain any formal internal energy management initiatives for its business operations, it is considered industry best practice to improve product energy management for refurbished gaming systems via lowered power usage and idling modes.



KNS reduces fuel consumption through the use of rechargeable man lifts.

KNS utilizes motion sensors and LED lighting to increase overall facility energy efficiency.



In Fall 2022, Captain D's opened its first Express format location which maintains no indoor dining room seating, no customer doors with frequent opening and closing, as well as a reduced menu. Through the Express format location's reduced physical footprint, decreases in location utilities costs are being realized. The Company anticipates opening a larger number of Express format locations going forward.



Over the years, One World has implemented a number of energy and water management programs and initiatives. Such energy efficiency initiatives and programs include LED lighting in all club locations, working with National Energy & Lighting to conduct laser mapping of clubs to determine the best locations for lighting and to reduce total lights used, and utilization of automatic shutoff as well as motion sensors for lights. For water management, One World uses tankless water heaters as well as low flow meters which save an average of 20,000 gallons of water annually at each club.

One World has installed at least one water refill station at each club location in an effort to encourage customers to bring their own refillable water bottles.

Due to the leased nature of One World's club locations, there are certain restrictions for the company's sustainability initiatives. However, One World has begun to engage with its facilities' landlords in an effort to increase renewable energy usage at its locations. In One World's newest location in Oceanside, California, rooftop solar panels will be installed at the club, allowing this location to become a pilot to better pursue further solar projects at additional club locations.

Additional forward-looking initiatives for One World include the installation of a programmable logic controller (PLC) for heating, ventilation, and air conditioning (HVAC). This controller can help to reduce overall energy usage associated with HVAC through a variety of means, including staggering the use of different air conditioning units based on temperature input taken across the entire club. Additionally, a PLC can be used to levelized the club's energy load as well as reduce total energy usage during peak demand hours for the electrical grid.



Conclusion

Through Centre Partners’ extensive experience and growth within the private equity sector, we have seen that environmental, social and governance (ESG) considerations maintain their importance in today’s investing environment, and implementation of strong ESG programs are key to managing risk and enhancing value through the investment process.



Our evolving ESG strategy has enabled us to identify and develop priority ESG metrics for monitoring at the portfolio company level, track such metrics on a regular and ongoing basis, support ESG initiatives across the portfolio, and establish a recurring reporting process.

In the last twelve months, we welcomed KNS International and Captain D’s to our portfolio after conducting ESG pre-investment due diligence via our third-party advisor. Centre Partners will introduce both companies to our established ESG metrics and monitoring program as well as integrate our ESG standards into the management of these new portfolio companies’ operations.

ESG continues to grow as a priority at Centre Partners and we will continuously work towards improving our approach at both the firm and portfolio company level. Centre Partners will continue to utilize these reporting procedures to establish benchmarks and quantitatively improve ESG performance over time with all future Center VII companies. We also intend to continue refinement of our ESG data collection process as we move into Centre VIII and beyond.





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