



# PATRIOT CAPITAL RESPONSIBLE INVESTING



2021 ANNUAL REPORT

*Experience. Flexibility. Responsiveness.*

# Patriot Capital Overview

---

For more than 22 years, Patriot Capital's family of funds has been providing debt capital and minority equity investments to small and medium-sized privately held companies. Over this time, Patriot has invested more than \$1 billion of capital across six institutional funds, in support of more than 140 platform businesses and numerous add-on acquisitions. In addition, Patriot has expanded its reach over the years from the initial Baltimore office through new office openings in Chicago, Dallas and Charlotte.

**140+ Platform  
Investments  
Across 6 Funds**

**\$1B+ Invested  
Capital**

**32 Active  
Portfolio Companies**

**9,711 Employees  
Across the Portfolio**

**39% Employees  
Located in LMI Zone**

**47% Ethnically  
Diverse Workforce**

*Portfolio Information as of 12/31/2021, across the Patriot Capital III SBIC and Patriot Capital IV portfolios*

---

Since its inception, Patriot Capital is proud to have made job creation and access to funding for lower middle market businesses – the hallmarks of the SBIC program – key tenants of our investment strategy. Our adoption of a formal Responsible Investing strategy furthers our commitment to become advocates for change in the investment industry.



# Patriot Capital's Responsible Investing Policy

---

The Patriot Capital team made the collective decision to strengthen our commitment to our investors, our partner portfolio companies and other stakeholders by adopting a formal strategy on Responsible Investing as it relates to our funds. To memorialize this commitment and promote further acceptance of these principals across the investment community, Patriot became a signatory to the United Nations Principles for Responsible Investment ("PRI").

Patriot's Responsible Investing commitment is centered around the following framework of values:

## **Culture**

We seek to partner with and support management teams that strive to be an employer of choice and uphold standards related to hiring, compensation, training and development, and employee health, safety, and engagement.

## **Compliance**

We aim to work with companies that are a steward of their physical, human, environmental, and digital resources and operate with strong internal controls and compliance.

## **Community**

We aspire to support companies that are an active member of the communities in which they operate and seek to be representative of that community within its workforce. We look to work with companies that have an established history of community involvement and philanthropy or that may have a defined social benefit that is core to the company's mission.

Patriot's commitment to Responsible Investing is embedded in our full investment process — from initial opportunity screening, to underwriting and finally, to active portfolio management. The framework outlined above was determined from a comprehensive survey of our entire team and is reflective of the values we collectively share and prioritize. Using these values, we developed an internal Responsible Investing methodology to govern how we screen, monitor, and manage our Responsible Investing commitment.

Patriot commits to providing our stakeholders with aggregate annual reporting from our Responsible Investing framework, which will be publicly available on Patriot's website.

It is our sincere hope that our commitment to Responsible Investing can foster a dialogue around the importance of these issues and, ultimately, drive positive impact and change both within our portfolio and across the broader investment community.



# Patriot Capital's Responsible Investing Process

## Step 1:

### Annual Quantitative Survey

- Sent to companies in February requesting feedback by mid-March
- Requests are primarily focused on assessing wage disparities, employment in underserved areas and diverse company representation (employees, board, ownership)
- The annual template is available upon request
- Information received from all survey respondents is aggregated
- Completed for 2020 and 2021

## Step 2:

### Biannual Qualitative "Check-In" Discussion

- Request for meeting sent in late summer, targeting completion of discussion by mid September
- The intent of the call is to have a conversation with our companies on a few key ESG (Environmental, Social & Governance) topics to hear what they are doing, what challenges they are facing and what progress they are making on the issues
- In advance of the call, the companies are asked to provide their current employee handbook, a sample recent job posting and a copy of the company's current disaster/cyber contingency plan
- Completed for 2021

## Step 3:

### Annual Responsible Investing Report & Ongoing

- Report to be shared each year
- UNPRI Signatory ongoing reporting requirements for the transparency report and assessment report; early FY 2023 represents first reporting period
- Third Party DEI (Diversity, Equity & Inclusion) Assessment on Patriot Capital conducted in August 2022
- Patriot Capital Responsible Investing Policy annual review

# Process Participation

---

## **Step 1: Annual Quantitative Survey**

We sent our year end data request to companies in February 2022 for YE 2021. We requested information from **32** active portfolio companies in Patriot Capital III & IV (our two most recent funds) and received detailed responses back from **27** companies.

**84% response rate**

## **Step 2: Qualitative “Check-In” Discussion**

We conducted **16** annual “Check-In” interviews in July 2021, to cover certain qualitative discussions around our Responsible Investing framework, out of **32** active companies in Patriot Capital III & IV. The next check-in will be Summer 2023.

**50% response rate**

# Culture

---

We seek to partner with and support management teams that strive to be an employer of choice and uphold standards related to hiring; compensation; training and development; and employee health, safety, and engagement.

The core components of the “Culture” category of our framework include questions and requests around:

## 1. Fair compensation & benefits

- a) Survey respondents reported a total of **8,285 employees** across 27 companies, averaging 307 employees per portfolio company
- b) **39%** of all portfolio company **employees** reported working at a location in a **Low-To-Moderate Income (LMI) zone**. **60%** of all portfolio companies have at least **one facility** located within an **LMI zone**
- c) The average **hourly pay rate** across all 8,285 employees at the 27 reporting portfolio companies was **\$24.24**
- d) Less than **40%** of companies currently **track pay gap disparities** by gender across similar roles – Patriot is encouraging portfolio company management teams to track this metric

## 2. Active policies around employee health, safety & well-being

- a) **70%** of all portfolio company employees are **enrolled** in the portfolio company's **healthcare** program
- b) The average number of **safety incidents per employee** across the portfolio was **0.04**, with almost **30%** of portfolio companies reporting **no incidents** in 2021

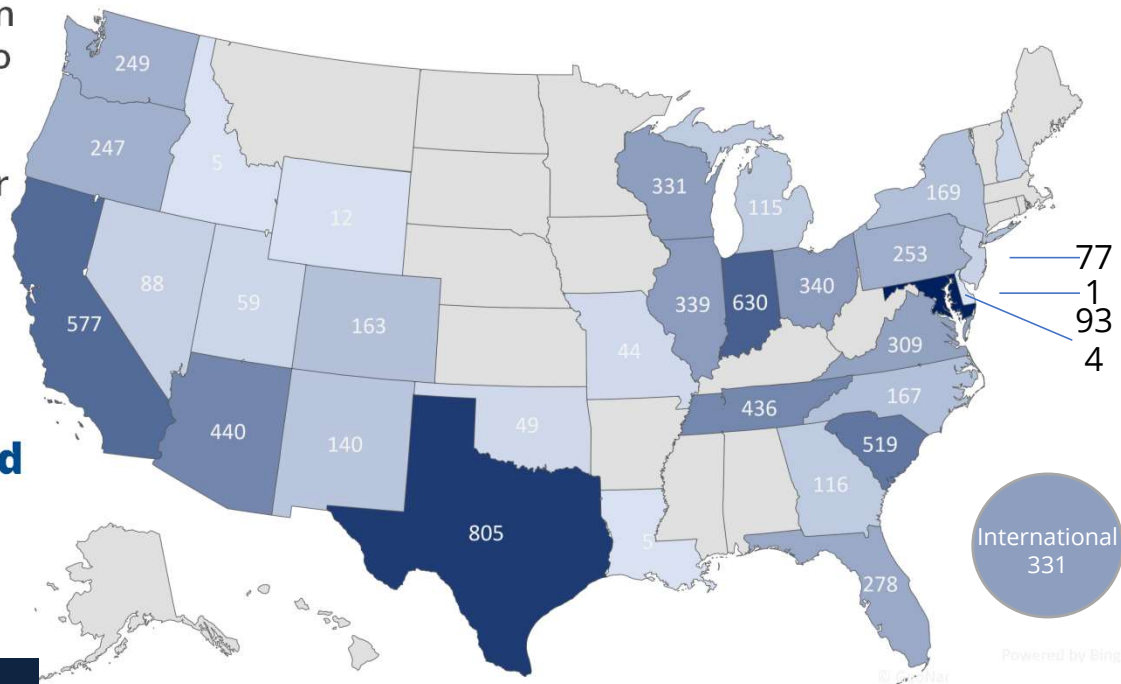
## 3. Development, retention & training

- a) Total **turnover** reported across the portfolio companies was **under 30%**, of which **71%** was **voluntary** and **29%** was **involuntary** – this is significantly lower than the U.S. national turnover rate in 2021 of nearly 54%
- b) **67%** of Patriot portfolio companies have in place an active **mentorship, internship or job training program** and over **62%** of companies offer **reimbursement for continuing education**

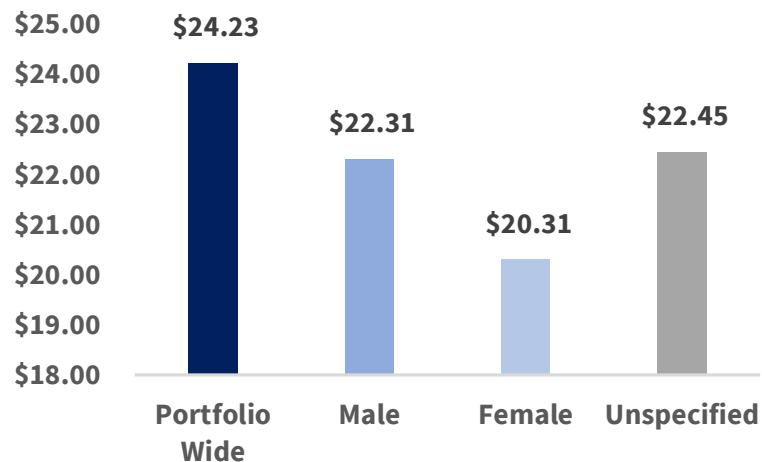
# Culture: Portfolio Employees & Wages

The chart to the right details the breakdown of employees by state for **26** of the portfolio companies (out of **32** active) that participated in our Annual Survey. These employee amounts reported represent over **85%** of the total active employees in the Patriot III and Patriot IV portfolios.

**Over 60% of all portfolio companies had at least one facility located in an LMI Zone and 39% of employees reporting working in an LMI Zone.**



## Average Hourly Wages



**Only 8 of 27 reporting portfolio companies (30%) have a starting wage under \$14/hour.**

**The average starting wage out of 27 companies was \$15.04/ hour.**

**On average, 67% of employees reported are hourly and 33% are salaried.**

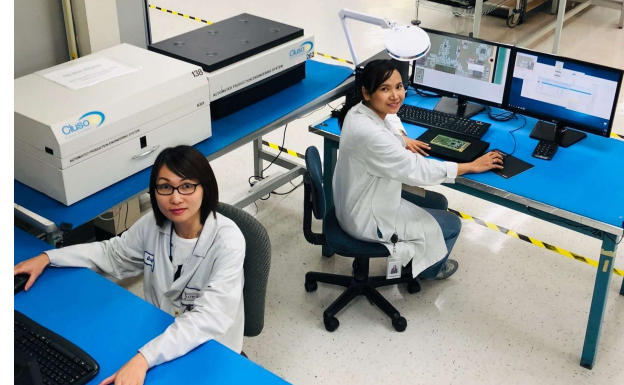


# Culture: Company Highlight

---



**NAPROTEK™**



Naprotek is a leading provider of high-reliability, quick-turn electronics manufacturing serving regulated and specialty end markets with complex customer needs. The company has a highly skilled workforce of **217 individuals** as of December 31, 2021, across three facilities in CA and NH.

Across the hourly employee base (**61%** of the total employee base), the average hourly wage is one of the highest in the PC IV portfolio, **62%** of the hourly employee base is **female** and **49%** of all supervisory, manager, and functional leader roles are held by **female** employees. **73%** of the hourly employee base is also **ethnically diverse** (non-white). Naprotek was founded by Najat El-Ayi Badriyeh, originally from Tripoli, Lebanon where she immigrated from in the early 1990s.

Naprotek is committed to not only its people, as evidenced by its active employee appreciation days, but also overall safety. The company conducts frequent safety audits and emergency evacuation drills, all led by a Safety Committee that is represented by the diverse workforce. In addition, the company recently appointed a DEI lead for the business — currently the Director of Program Management.

# Compliance

---

We aim to work with companies that are a steward of their physical, human, environmental, and digital resources and operate with strong internal controls and compliance. In addition, we seek to avoid investing in companies that materially benefit from data gathered on behalf of consumers or customers, unless there is a clear consent being made to provide this data.

The core components of the “Compliance” category of our framework include questions and requests around:

## 1) Strong Internal Controls and Culture of Compliance and Data & Customer Privacy

- a) Over **85%** of portfolio companies have an **active cyber insurance** policy – Patriot is placing increased importance on such policies as we pursue new investment opportunities
- b) More than **65%** of portfolio companies conduct periodic **third-party threat assessments** to aim to minimize vulnerabilities
- c) More than **50%** of Patriot portfolio companies have a customer or supplier that asks the company for **annual ESG-related reporting**
- d) **11%** of portfolio companies reported a **data/security breach in the last twelve months**
- e) Nearly **38%** of portfolio companies reported offering ongoing cybersecurity training for employees
- f) **None** of the portfolio company respondents reported having a **formal ESG policy** in place today

# Community

---

We aspire to support companies that are an active member of the communities in which they operate and seek to be representative of that community within its workforce. We look to work with companies that have an established history of community involvement and philanthropy or that may have a defined social benefit that is core to the company's mission.

The core components of the "Culture" category of our framework include questions and requests around:

## 1) Diverse Representation in the Workforce

- a) From the 27 portfolio companies that reported employee data, **47%** of all employees across the portfolio were **non-white**
- b) **25%** of employees across the portfolio identify as **female**

## 2) Diversity & Inclusion at the Board and C-Level

- a) **52%** of the reporting portfolio companies have **at least one female** member of their executive teams
- b) **33%** of companies have **at least one** person representing an **ethnic minority** in their executive teams

## 3) Active Involvement in the Community - Volunteer & Philanthropic Partnerships / Societal Impact

- a) **67%** of respondents organize company-led active **philanthropic** and/or community partnerships, including scheduled volunteering and annual donations of time, goods, or profits

# Community: Company Highlight

---



November 2018 - PC IV Investment



Orion Talent was founded in 1991 with the mission of bringing the energy, skills, and commitment abundant in military candidates to the greater marketplace, or, as they like to say, From the Battlefield to the Boardroom®.

By 2007, Orion Talent was the nation's largest military recruitment firm and had offices from coast to coast, 50+ annual hiring events, and the ability to rapidly place candidates when and where clients needed.

In 2016, Orion Talent acquired an award-winning RPO firm, Novotus, and added recruitment process outsourcing, recruitment optimization and outsourcing capabilities to its service offering. The acquisition of Accolo followed in 2019 and further strengthened Orion's position in the RPO field. In October 2020, Orion Talent acquired HirePurpose, a leading provider of military job posting distribution to military and female job seekers. In 2021, the company expanded its HirePurpose service offering with the launch of the first-of-its-kind diversity job distribution alerts platform and programmatic job distribution. As of October 1, 2022, this proprietary database has more than 500,000 diverse job seekers.

Today, Orion Talent is elevating the recruiting experience by building diverse, resilient workforces that drive winning outcomes. The company remains committed to its military DNA, while developing a full suite of technology-driven Talent Acquisition solutions, powered by a diversity-rich network of top talent.

As of December 31, 2021, the company employed more than **340 individuals**, of which **55% were female** and **28% were veterans**. Orion has hired **165 new personnel in the YTD September 2022** time period, of which **70% are women** and **47% are ethnically diverse**.



# Contact Us

---



## **Baltimore (Headquarters)**

509 S. Exeter Street, Suite 210  
Baltimore, MD 21202  
(443) 573-3010



## **Chicago**

150 S. Wacker Drive, Suite 2400  
Chicago, IL 60606  
(312) 924-2833



## **Charlotte**

307 W. Tremont Avenue, Suite 200  
Charlotte, NC 28203  
(704) 943-0290



## **Dallas**

3963 Maple Avenue, Suite 300  
Dallas, TX 75219  
(214) 679-5034