



*Responsible  
Investment  
Report  
2019/2020*

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This Responsible Investment report covers Triton's performance in 2019, and includes forward-looking statements for 2020. Unless otherwise stated, all data refers to calendar year 2019.

All numerical data provided in the "Portfolio ESG Performance" section relates to 34 portfolio companies which reported ESG data to Triton for calendar year 2019. The data in this section is accurate as of 31 December 2019.



# Welcome from our Managing Partners

## *We are delighted to welcome you to Triton's first Responsible Investment report.*

This new report aims to outline – for our investors, employees and everyone in our portfolio companies – the importance of environmental, social and governance (ESG) issues to Triton's business, and our approach to managing and improving performance.

### **Creating value through responsible investment and ownership**

Triton's aim is to build better businesses. Our strategy is to invest in companies that we feel are fundamentally sound but face specific challenges that we can help to solve. We work in partnership with our portfolio companies to drive professionalisation and digitisation, creating returns for investors.

Better businesses will play a crucial role in a sustainable world, and ESG is a critical element of Triton's toolkit for building them. That's why we apply an ESG lens to every Triton investment, from sourcing to exit. Our responsible investment policy and approach are aligned with the Ten Principles of the UN Global Compact.

Climate change, resource scarcity, digitisation and social responsibility present clear risks and opportunities for us and our portfolio companies. Deploying our expertise, we support portfolio companies to drive positive change by sharing knowledge and encouraging a free-flowing learning culture, gaining from each other's expertise and experience.

### **Building trust with stakeholders**

We want to be at the forefront of this agenda for the long term – not only because it is the right thing to do, but because it ensures we meet our stakeholders' priorities. Our trusted relationships, combined with our ESG expertise, give us a competitive advantage in securing new investment opportunities.

Our investors expect both excellent returns and high ESG standards. Few are interested in businesses without strong governance, engaged leadership and employees, and efficient resource use. Likewise, it is difficult to imagine the most talented people wanting to work for a company without a safe workplace, a culture of integrity, and meaningful work. Customers and consumers increasingly want credible, transparent sustainability information about the companies they buy from. As their trust becomes harder to win, it's clear that the ESG agenda is here to stay.

Triton's proven record on ESG integration means that we have clear expectations of all our portfolio companies, and hold ourselves and others to account for our performance.

### **Celebrating progress in 2019**

This report charts our performance in the calendar year 2019 – a year in which we made good progress towards integrating ESG into the heart of our business.

Triton launched a digital platform for due diligence, strengthening our identification of ESG risks and opportunities before acquisition. We encouraged all portfolio companies to drive improved performance on ESG issues by reporting regularly to the board and moving towards integrated management systems. Several of our portfolio companies made positive progress on their ESG Action Plans

with our support, including assessing climate-related risks and opportunities, improving health and safety metrics, and strengthening anti-corruption controls.

Our achievements were recognised externally by the UN Principles for Responsible Investment (PRI), who rated us A+ for two modules in our annual Transparency Report.

### **Addressing challenges**

Diversity of thought and experience helps us serve customers and run our businesses more effectively. In 2019, 18% of Triton investment professionals and 12% of the managers in our portfolio companies were female. We are working to address this and are accelerating our diversity agendas both internally and with our portfolio companies.

The challenge of more frequent, sophisticated cyberattacks is growing for all businesses. To strengthen our approach, we asked all portfolio companies to complete maturity assessments in 2019. We are continuing this programme in 2020 by supporting our portfolio companies to implement improved controls, including appointing cybersecurity officers.

### **Creating value in unusual times**

We cannot write this introduction in 2020 without mentioning the COVID-19 pandemic. As well as the impact on public health, the pandemic has demonstrated that, as a society, we are capable of making significant change to the way we live, travel and work – in ways that would have seemed impossible in 2019.

As we evaluate which of those changes should become permanent, at Triton we expect our talented people to hold us to account, challenging us and our portfolio companies to demonstrate our firm commitment to ESG.

### **Looking to the future**

The world continues to change at pace, and we confidently predict that ESG issues will increase in importance. Like most businesses, we have opportunities to engage with greater impact.

An exciting recent commitment is Triton's active membership of Initiative Climat International (iCI). This will help keep us on track as we support portfolio companies to navigate the risks and opportunities associated with the transition to a low-carbon economy.

To build better businesses we intend to stay ahead of the ESG curve, encouraging over the next few years the mindset, culture and processes that will be the norm in five years' time. That means integrating sustainability into the heart of our value creation programme, aligning with the UN Sustainable Development Goals, and aiming to make a positive impact on environmental, social and governance issues through all our investments.

As we continue our long-term commitment to integrating ESG into our investment activities, we invite others – from inside and outside our industry – to join us.



**Peder Prahl**



**Martin Huth**

## Meet the ESG team



**Graeme Arduis**  
Head of ESG

"It has been eight years since we founded Triton's ESG programme, making responsible investment a key part of our approach to value creation. Since then, we have developed our in-house ESG capability to deliver the same hands-on, active support to portfolio companies that Triton provides across all key value creation levers. I'm proud that our hard work has been recognised with an A+ rating from the UN Principles for Responsible Investment (PRI) in both 2019 and 2020.

We're beginning to capture the financial value creation from our ESG programme, piloting this approach with metrics linked to energy efficiency improvements, accident minimisation and absenteeism reduction. In 2019, it was positive to see the results of our portfolio companies' hard work on employee safety and welfare, focusing on improving metrics and targets to keep people safe and, for some, gaining industry recognition for excellent performance.

Finally, it has been a pleasure to represent Triton at the industry associations that are engaging strongly on ESG, including the BVCA, Invest Europe and, most recently, the PRI-endorsed Initiative Climat International."



**Amandeep Singh Johal**  
Legal Counsel Portfolio Governance

"In 2019, we actively strengthened our risk management framework to incorporate ESG-related opportunities, and made real progress in integrating ESG factors into our investment analysis, supporting portfolio companies to measure, manage and report on their ESG-related risks and opportunities. I was proud to be part of developing good governance at our portfolio companies, helping them to nurture a culture of "doing the right thing" and striving for the highest standards of integrity and transparency. We focused on how to review and improve compliance management systems through regular risk assessments and improvement measures, and on encouraging boards to engage on ESG through an annual deep dive, which we supported with guidance materials and a workshop."



**Matthew Johns**  
ESG Professional

"As an active investor, we have a key role to play in assessing potential climate change impacts on our portfolio companies and helping them explore the commercial opportunities of addressing them. I was pleased to lead a dedicated workshop on this topic at our ESG Forum, and to follow up with formal assessments of climate-related risks and opportunities, reviewed at board level. Our goal is to enhance senior engagement on climate change, support climate adaptation and mitigation, and capitalise on the positive momentum behind the global transition to a low-carbon economy. We have also taken responsibility for our carbon footprint through a carbon offset programme that will compensate for Triton's carbon footprint as well as that of our portfolio companies."



**Louise Davis**  
ESG Legal Professional

"For me, the highlight of 2019 was supporting our portfolio companies to strengthen their anti-bribery and corruption controls. We developed a risk assessment and a clear, menu-driven control system that was easy for portfolio companies to implement, with promising results so far. I'm also excited about Triton's new, AI-based compliance screening platform that helps us surface key ESG-related questions in the deal process – the earlier our knowledge about ESG risks and opportunities, the better we can support portfolio companies to create value during Triton's ownership."

# About Triton

*Triton is an investment firm with a strong heritage of investing in businesses in the Nordic, DACH<sup>1</sup> and Benelux regions<sup>2</sup>. However we have a growing pan-European focus as evidenced by recent investments in Italy, Spain and the UK.*

We are a multi-strategy investment firm, with a focus on private equity and credit. Our investment strategies are:

- Triton Mid-Market Funds (TMM), which invests in mid-cap companies targeting equity investments of €100m to €400m. Triton is currently investing from Triton V, its fifth fund under this strategy;
- Triton Smaller Mid-Cap Fund (TSM), which seeks to invest in smaller mid-cap companies, typically through equity investments of €20m to €75m; and
- Triton Debt Opportunities (TDO), which primarily invests in non-control 'debt to hold' positions in loans and bonds. Triton is currently investing from TDO II, its second fund under this strategy.

In Private Equity, we aim to create value by investing in, and partnering with, portfolio companies. Together, we address barriers to growth, realise market opportunities and unlock full potential by expanding businesses in a responsible way.

Triton's sector-driven approach focuses on Business Services, Consumer, Health and Industrial companies. Detailed sector-based knowledge with local understanding sits at the centre of our investment activity.

We believe it is essential to have detailed knowledge of markets, industries and long-term trends to uncover the most suitable investment opportunities.



## Business Services

- 26 investments since 2002
- Examples: food logistics, storage providers, multidisciplinary installation services



## Health

- 8 investments since 2004
- Examples: care homes, allergy diagnostics equipment manufacturers



## Consumer

- 13 investments since 2002
- Examples: branded goods, pet food producers



## Industrials

- 33 investments since 1999
- Examples: industrial goods, building and construction, energy and resources, chemicals

*Triton in numbers<sup>3</sup>*

**12**  
Offices

**300+**  
Employees



**190+**  
Institutional investors



**70+**  
Investments made since 1999



**260+**  
Add-on investments supported

# Our portfolio

*We work in partnership with portfolio companies to unlock their full potential, building better businesses across the world.*

Triton funds' portfolio in numbers<sup>4</sup>

**44**

Companies in portfolio

**€18.2bn+**

Combined sales

**100,800**

Employees

**€14bn**

Sponsored funds total commitments

## Triton's portfolio companies

### Denmark

Dantaxi  
LOGSTOR

### Finland

European Directories Group

### Germany

All4Labels  
Arvos Group  
AVS Verkehrssicherung  
BFC  
Fläkt Group  
IFCO  
Kelvion  
Leadec  
Meine Radiologie Holding  
NORRES  
Renk  
Talis  
Univativ

### Italy

Bormioli Pharma

### Luxembourg

DSI Underground  
Dywidag  
EQOS Energie  
Seves Group

### Netherlands

Royal Reesink  
Sunweb Group  
Unica

### Norway

Cubility  
DeepOcean  
Flokk  
Glamox  
Norstat

### Spain

Fertiberia

### Sweden

Aleris  
Ambea  
Assemblin  
Ewellix  
HiQ  
Kährs Group  
Opti Group  
Polygon  
Ramudden  
Unident

### Switzerland

Lamina Technologies

### UK

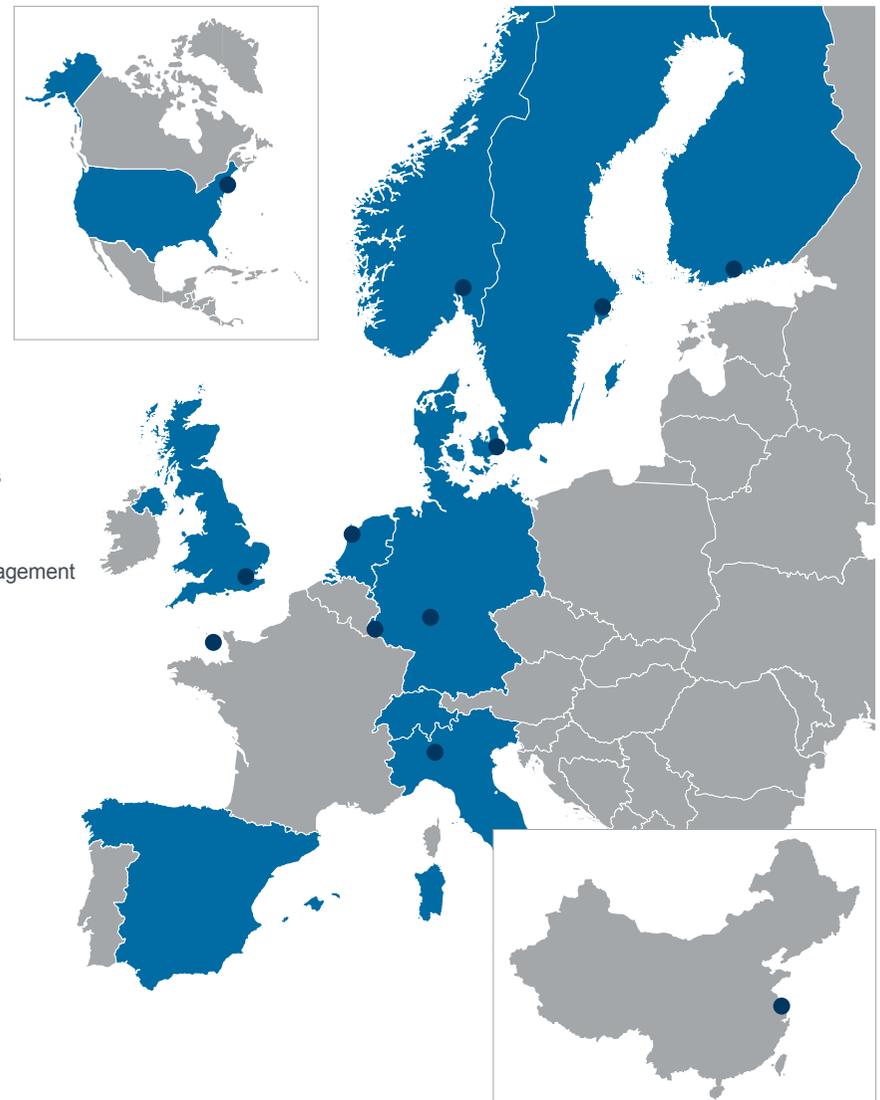
Atrahs  
Chevron Traffic Management

### USA

WernerCo

### ● Office locations

Copenhagen  
Frankfurt  
Helsinki  
St Heller  
London  
Luxembourg  
Milan  
New York  
Oslo  
Shanghai  
Stockholm  
Amsterdam



# Creating and protecting value

*Triton focuses on companies with the potential to create sustainable, long-term value through changing economic cycles. Environmental, Social and Governance (ESG) considerations are a key element of value creation at Triton.*

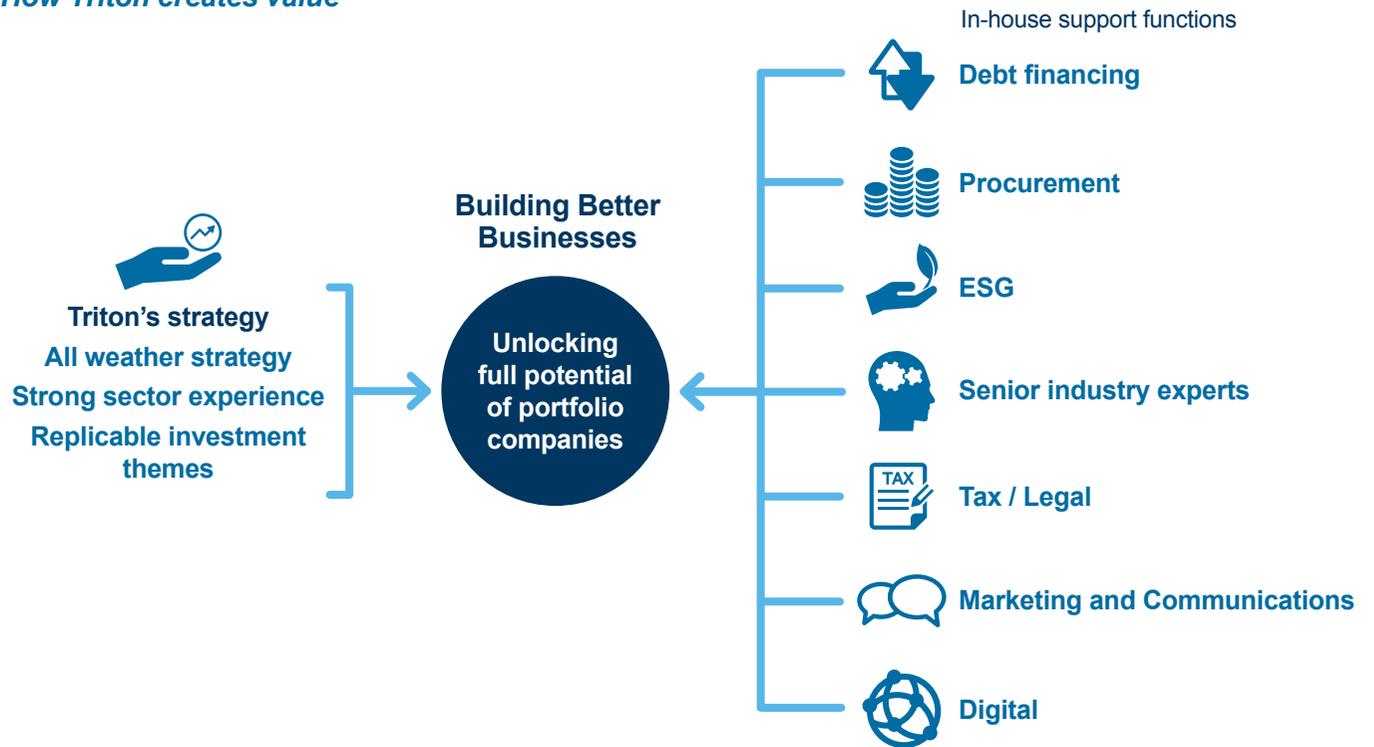
## Quantifying the value of ESG improvements

In 2019, Triton piloted an exercise to estimate the financial value created and protected through improvements in energy efficiency and reductions in accidents and absenteeism. This exercise has helped us to demonstrate improvements in ESG performance, assign a financial value to the ESG initiatives undertaken during our ownership, and identify priority areas of support for individual portfolio companies.

We know that the ESG improvements made by Triton's portfolio companies result in better outcomes and aim to demonstrate how these improvements create and protect value by translating them into financial terms.

In 2020, we will extend the number of portfolio companies included in the scope of the assessment, and also estimate the value of our insurance initiative that aims to improve premium, coverage and service throughout the portfolio.

## How Triton creates value



# Integrating ESG considerations

*Triton aims to be a forward-looking and responsible investor and owner. Our ESG programme enables responsible investment to be a key part of Triton's approach to value creation, and a growing differentiator for Triton and its portfolio companies.*

We believe that ESG risks and opportunities will continue to rise in significance. The world faces dramatic resource constraints: material extraction has tripled over the last 50 years, and 25% of the globe currently faces a water crisis<sup>5</sup>. Government policies are shifting, including (among others) ESG disclosure requirements from the European Union. Investors are justifiably interested in ESG performance, with over \$30 trillion in assets under management now viewed through an ESG lens<sup>6</sup>. Growing numbers of customers, consumers and employees prefer to buy from or work for more sustainable companies. And, as the long-term effects of the COVID-19 pandemic impact businesses and the communities in which they operate, good management of ESG issues will only become more important.

Triton's expertise in building better businesses through strong governance, respect for the environment and consideration for people and their communities gives us a competitive advantage that is likely to grow as these existing trends intensify.

## Responsible investment policy

Triton's Responsible Investment (RI) policy was introduced in 2012 and is reviewed annually. It was developed in alignment with the UN Global Compact's Ten Principles, the Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises. The RI policy's last update strengthened our focus on material ESG topics such as climate change, circular economy, transparency and ethics. The full policy is available on our [website](#).

The RI policy is implemented through Triton's ESG programme and applies to all of Triton's investment funds, direct operations, portfolio companies and business partners. It spans Triton's own operations and the investment cycle, from pre-acquisition to exit.

To find out more about Triton's ESG performance, see pages 16 and 17. For portfolio company activities and performance, see page 18 onwards.



## Responsible Investment timeline

### 2019

Sixth ESG Forum focused on 'Capturing Value Creation'  
Launched portfolio company annual ESG Awards  
See page 19 for more details

### 2018

Introduced online ESG reporting tool  
Formalised portfolio company ESG bi-annual review process  
Grew ESG team with two new members  
Fifth ESG Forum focused on 'Enhancing Culture'

### 2017

Fourth ESG Forum focused on 'From Reactive to Proactive'  
Started diversity programme

### 2016

Third ESG Forum focused on 'Value Protection to Value Creation'

### 2015

Second ESG Forum focused on 'Risk Management'

### 2014

Rolled out ESG programme to portfolio companies  
First ESG Forum focused on 'Policy Implementation'

### 2013

Appointed ESG team

### 2012

Signed UN PRI  
Approved Responsible Investment policy

# Driving accountability and performance

*Responsibility for the ESG agenda lies with the board of each portfolio company. Triton supports them through a strong ESG governance structure that aims to deliver on our RI policy and build better businesses.*

At Triton, the Chief Financial Officer (CFO) has overall responsibility for the ESG programme, supported by advice and recommendations from the Investment Advisory Committee (IAC) to the Manager Board who makes investment decisions.

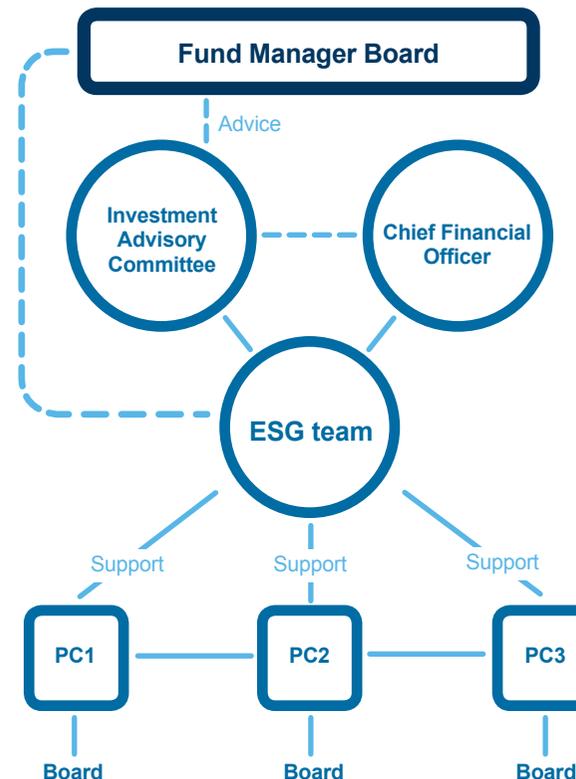
Triton's dedicated ESG team of four full-time professionals is co-ordinated by the Head of ESG and the Legal Counsel Portfolio Governance, who report to the CFO. The ESG team provides regular updates to the relevant IAC and Manager Boards on the ESG programme.

In all cases, the portfolio company board has ultimate responsibility for the ESG agenda. The relevant Triton investment captain and the Chairman of the board will co-ordinate with the CEO, and this 'Troika' oversees and supports the board in managing these issues effectively.

In practice, portfolio company CEOs designate responsibility for delivery of the ESG agenda to their management team. Depending on the company, this might be the CFO, in-house counsel, HR, Communications Director, Quality Health Safety Environment Director, or a dedicated Sustainability role. These individuals are supported by the Triton ESG team every step of the way.

Our ESG governance structure allows Triton's portfolio companies to mitigate risks and realise opportunities related to ESG issues, helping them create and protect value under our ownership.

## ESG governance



# Listening and responding to stakeholders

*Triton’s activities impact the environment and the people and communities where we and our portfolio companies operate. We aim to work positively with all stakeholders, taking their views into account when we prioritise ESG considerations.*

In 2020, we will engage stakeholders formally on Triton’s updated materiality matrix and share with them this Responsible Investment Report, our first, for their feedback. We intend to boost Investor Relations communication on ESG topics through written updates, video interviews, and event round tables (e.g. at our AGM), and by integrating ESG updates into our quarterly investor calls. Additionally, we will bolster our ESG communications on our website, including SDG mapping of portfolio companies, and broaden our ESG coverage into the DACH region as part of future stakeholder engagement.

| Stakeholder group                    | Investors and lenders  | Government and regulators  | Current and potential employees   | Portfolio companies   | Media and opinion leaders  | Industry and peers   | General public  |
|--------------------------------------|--|--|---|---|--|--|---|
| <b>Example methods of engagement</b> | <ul style="list-style-type: none"> <li>• Fundraising</li> <li>• Information requests and due diligence questionnaires</li> <li>• Advisory Board meeting</li> <li>• Annual General Meeting</li> <li>• Quarterly Investment Reports</li> </ul> | <ul style="list-style-type: none"> <li>• Industry association participation</li> <li>• Periodic meetings</li> <li>• Triton Industry Board</li> <li>• Other Triton internal events</li> </ul> | <ul style="list-style-type: none"> <li>• Periodic firm-wide updates</li> <li>• Training and development</li> <li>• Appraisal and objectives process</li> <li>• Recruitment process</li> </ul> | <ul style="list-style-type: none"> <li>• Triton-led Forums e.g. ESG, Procurement, Human Capital, Marketing and Communications</li> <li>• Bi-annual ESG review calls</li> <li>• ESG KPI reporting</li> <li>• Monthly ESG call</li> </ul> | <ul style="list-style-type: none"> <li>• Quarterly / yearly roundtable meetings</li> <li>• Conference participation</li> <li>• Press releases</li> <li>• Media enquiries and interviews</li> <li>• Social media</li> </ul> | <ul style="list-style-type: none"> <li>• Industry association memberships</li> <li>• Industry working groups and committees</li> <li>• Trade shows and conference participation</li> <li>• Trade association interaction, briefings and campaigns</li> </ul>   | <ul style="list-style-type: none"> <li>• Website</li> <li>• Social media</li> <li>• Conference participation</li> </ul>   |
| <b>ESG topics raised</b>             | <ul style="list-style-type: none"> <li>• Climate change</li> <li>• Diversity</li> <li>• Anti-bribery and corruption</li> <li>• Corporate governance</li> </ul>   | <ul style="list-style-type: none"> <li>• Transparency</li> <li>• Diversity</li> <li>• Anti-bribery and corruption</li> <li>• Health and safety</li> <li>• Cybersecurity</li> </ul>           | <ul style="list-style-type: none"> <li>• Human capital</li> <li>• Diversity</li> <li>• Climate change</li> </ul>  | <ul style="list-style-type: none"> <li>• Health and safety</li> <li>• Climate change</li> <li>• Anti-bribery and corruption</li> <li>• Cybersecurity</li> <li>• Crisis management</li> </ul>  | <ul style="list-style-type: none"> <li>• Climate change</li> <li>• Transparency</li> <li>• Diversity</li> <li>• Health and safety</li> <li>• Overall ESG programme at Triton and its portfolio companies</li> </ul>        | <ul style="list-style-type: none"> <li>• Climate change</li> <li>• Resource efficiency</li> <li>• Transparency</li> <li>• Diversity</li> <li>• Anti-bribery and corruption</li> <li>• Health and safety</li> <li>• Cybersecurity</li> <li>• Overall ESG programme at Triton and its portfolio companies</li> </ul> | <ul style="list-style-type: none"> <li>• Climate change</li> <li>• Transparency</li> <li>• Diversity</li> <li>• Health and safety</li> <li>• Overall ESG programme at Triton and its portfolio companies</li> </ul> |

# Identifying material ESG topics

*To ensure we focus on our most important ESG topics, in 2019 Triton undertook its first formal materiality analysis. We identified and prioritised our ESG impacts, risks and opportunities according to their importance to internal and external stakeholders.*

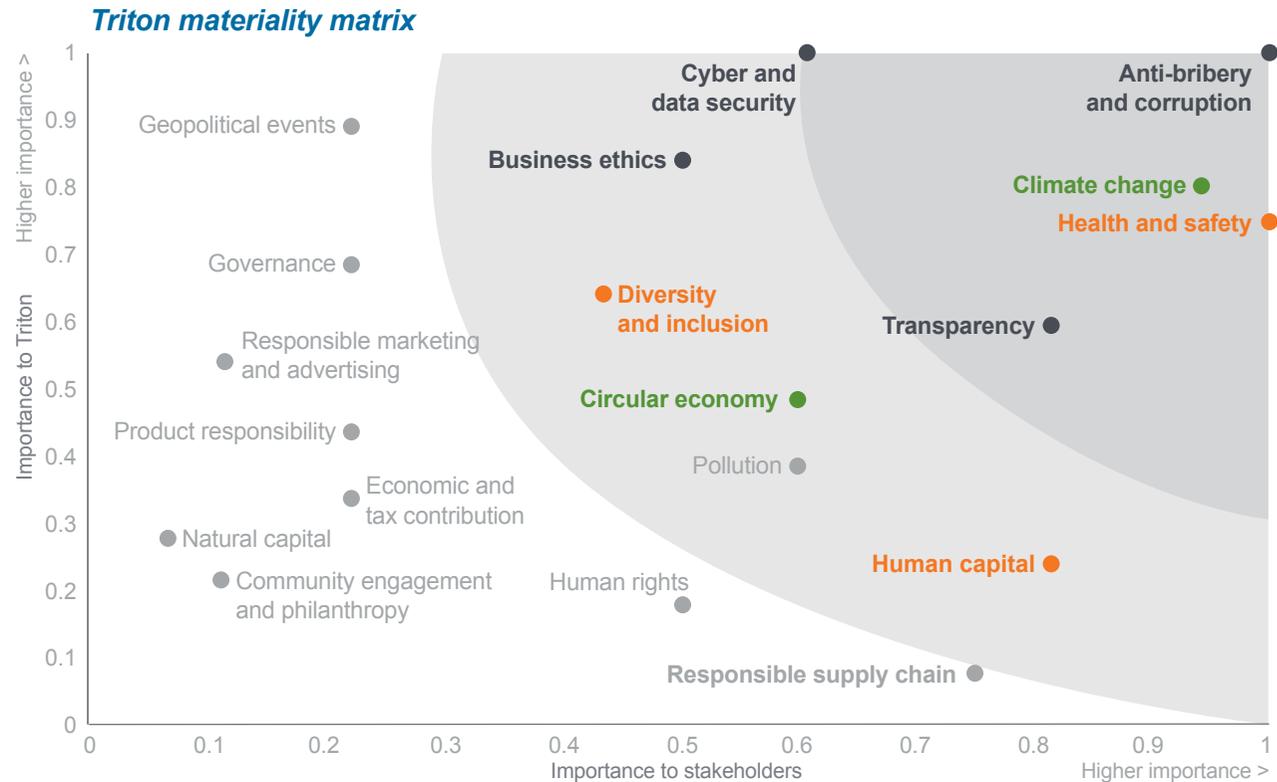
Triton's assessment takes into account the material topics affecting both Triton itself and the sectors in which we invest. The prioritised topics provide a consolidated overview of the portfolio, while each portfolio company's material topics are identified and managed separately as part of its ESG Action Plan.

Our materiality process is supported by a third-party tool<sup>7</sup> that analyses the information available from public sources including company reports, regulations, voluntary initiatives, news and social media, to provide an external, data-based perspective on regulatory, strategic and reputational risks and opportunities. The Triton ESG team engaged with internal stakeholders – including Marketing and Communications, Investor Relations, deal teams, Sector heads, Human Capital and HR – during the materiality process.

The material topics identified frame our priority ESG activities and the disclosures in this report. We plan to review the materiality matrix during 2020, including a formal consultation with internal and external stakeholders.

● Environment  
● Social  
● Governance

Lower priority  
 Medium priority  
 Higher priority



# Material ESG topics

## Triton's ESG priorities

### Governance

#### Business ethics

Fair, transparent and moral codes of conduct and business practices, including fair competition.

#### Anti-bribery and corruption

The risk of illicit giving or acceptance of payment and the abuse of entrusted power for private gain.

#### Cyber and data security

Control over personal information and protection against unauthorised use of electronic data.

#### Transparency

Systematic recording, reporting, communication, and analysis of corporate developments, performance, management.

### Environment

#### Climate change

Human-induced changes in global and regional weather patterns and emissions of greenhouse gases.

#### Circular economy

An alternative to a traditional linear economy (make, use, dispose) in which we keep resources in use for as long as possible, extract the maximum value from them whilst in use, and improve environmental efficiency by increasing output whilst reducing resource input.

#### Pollution

Contamination of natural resources due to harmful substances, excessive use, or exploitation.

We do not report on pollution as a separate topic in this report because the starting point for action is our work on circular economy and resource efficiency.

### Social

#### Health and safety

Social, economic, psychological, health, safety, and physical conditions of employees in their workplace.

#### Human capital

Initiatives, policies, procedures, rules, and cultural elements concerning life in the workplace.

#### Diversity and inclusion

Heterogeneity of an entity's workforce and equal opportunity and remuneration for employees of different backgrounds.

### Emerging topic

#### Responsible supply chain

Supply chain activities and operations, including upstream and downstream engagement, and flows of resources and information.

## Material topics for portfolio companies

As part of the investment decision-making process, all potential portfolio companies are reviewed for ESG risks and opportunities.

Recent material ESG factors identified include:

- climate transition risk associated with climate change-related policy changes and customer sentiment towards carbon-emitting activities;
- soil and groundwater contamination and remediation on production sites;
- employee health and safety in manufacturing facilities;
- labour standards in direct operations and supply chains;
- bribery and corruption risk associated with the use of sales agents; and
- cybersecurity and data protection.

We used this analysis to inform deal documentation, e.g. inclusion of contractual protection, quantification of risk for bid price reduction, and as an input to our post-acquisition full potential plan for the company in question.

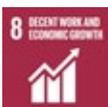
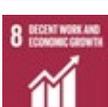
# Contributing to the UN Sustainable Development Goals

*The United Nations' (UN) Sustainable Development Goals (SDGs) set out a blueprint for a prosperous and sustainable world.*

Triton believes that businesses have an important role to play in delivering positive social and environmental change. The SDGs can help us to identify and prioritise our ESG activities and demonstrate measurable impact against our goals.

In 2019, we aligned our material ESG topics to the SDGs to which Triton and its portfolio companies can make the biggest contribution. Several of Triton's portfolio companies – including [Flokk](#), [Kährs](#), [Unica](#), [Optigroup](#) and [Assemblin](#) – have mapped their own material impacts against the SDGs to shape their ESG initiatives and sustainability reporting.

## Triton's priority Sustainable Development Goals

| SDG   | Target   | Priority topic  | Triton activity and measurement   |
|---|--|---|---|
|    | <p><b>16.5</b> Substantially reduce corruption and bribery in all their forms</p> <p><b>16.6</b> Develop effective, accountable and transparent institutions at all levels</p>   | <p>Anti-bribery and corruption</p> <p>Business ethics</p> <p>Transparency</p> | See pages 16, 21 and 22 for details of our work on transparency, business ethics and anti-bribery and corruption.   |
|    | <p><b>7.2</b> By 2030, increase substantially the share of renewable energy in the global energy mix</p> <p><b>7.3</b> By 2030, double the global rate of improvement in energy efficiency.</p>                              | Climate change  | See page 16 for Triton's climate approach and find out about our work with portfolio companies on climate risks and energy transition on pages 24 and 25. |
|    | <p><b>13.1</b> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p> <p><b>13.2</b> Integrate climate change measures into policies, strategies and planning</p> |   |   |
|    | <b>8.4</b> Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation.   | Circular economy  | See page 7 for our approach to quantifying the value of ESG improvements.   |
|   | <b>12.5</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.   |   | See page 26 for examples of our portfolio companies' activities on waste, resources and the circular economy.   |
|  | <b>8.8</b> Protect labour rights and promote safe and secure working environments for all workers.   | Health and safety   | See our work to strengthen health and safety practices in portfolio companies on page 28.   |
|  | <b>8.7</b> Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking.   | Responsible supply chain  | See page 29 for details of supply chain programmes at Triton portfolio companies.   |
|  | <b>12.7</b> Promote procurement practices that are sustainable, in accordance with national policies and priorities.   |   |   |
|  | <b>10.2</b> By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.                           | Diversity and inclusion   | See our work on diversity at Triton on page 17 and support for portfolio companies on page 29.  |

# Embedding ESG into the investment cycle

*Triton's ESG programme is based on our responsible investment policy and applies to all investment strategies.*



In Private Equity, which accounts for 92% of Triton's funds under management,<sup>8</sup> ESG risks and opportunities are identified and managed throughout the investment cycle – from initial research to our final exit from the company. The diagram to the right shows our approach to embedding ESG into the Private Equity investment cycle.

In our Credit strategy, which accounts for 3% of Triton's funds under management, Triton holds minority debt positions and therefore does not have a controlling stake in the businesses in which it invests. Target companies are subject to sector-level screening for ESG risks, compliance and criminal checks to identify corruption, fraud or sanctions, and a second, more specific screening for ESG risks related to the company. If necessary, assurances and safeguards are put in place pre-acquisition, and the ESG performance of investee companies is monitored during ownership.

## Pre-investment

ESG forms an integral part of Triton's investment decision-making process for all potential investments.

- Online screening for ESG risks for target company.
- ESG due diligence conducted by third-party experts.
- Material ESG risks and opportunities raised at Investment Advisory Committee.
- Major issues can lead to recommendation not to proceed, further investigation and/or formalised ESG actions in 'full potential plan'.
- Process is tracked through a 'Transaction Checklist' which requires formal sign-off from the ESG Team.

## Post-investment

Triton's proprietary ESG programme rolled out as part of full potential plan, aiming to complete ESG Action Plan within six months of acquisition.

- Kick-off period: Portfolio company senior management discusses due diligence follow-up actions, Triton's ESG programme and the company's existing ESG approach.
- Responsibilities: CEO assigns ESG actions to portfolio company management. Triton supports materiality assessment and drafting of ESG Action Plan.
- Approval: Portfolio company board approves ESG Action Plan and implements a compliance and monitoring framework, including minimum set of ESG policies.

## Ownership

Triton encourages both 'top down' and 'bottom up' approaches to ESG management, with ongoing support from Triton ESG team.

- Portfolio companies report on ESG policies, programmes and performance to Triton through an online ESG scorecard.
- ESG leaders participate in review calls or meetings and a site visit with the Triton ESG team, discussing material and emerging ESG topics.
- Compliance with ESG Action Plan is signed off annually at board level.

## Exit

Analysis of ESG risks and opportunities is a central element of Triton's exit preparations.

- Triton commissions external ESG vendor due diligence to assess performance and progress made during Triton's ownership.
- Detailed documentation made available to interested potential buyers, who can ask specific questions about ESG issues as part of their own due diligence.
- Triton conducts ESG readiness assessments in the case of potential IPO exits.

# Selected case studies

FläktGroup



IFCO



MRH



Chevron



Ovako



## Case Studies

### Aligning investments with ESG trends

ESG considerations are increasingly becoming part of the investment theses that shape Triton's strategies. Recently, Triton made investments in companies which address or benefit from ESG trends or are dealing with challenging ESG issues.

**FläktGroup**, a European market leader for cooling and ventilation systems, has made energy efficiency core to its brand and product innovation process. Triton recognises this commitment as core to value creation at FläktGroup.

**IFCO**, a provider of reusable packaging for fresh produce supply chains, operates over 290 million reusable plastic containers that prolong shelf life and reduce waste, carbon and water use. Increasing awareness of food waste among grocers will help to drive value creation.

**Aleris** and **MRH**, Triton investments in the Health sector, are responding to the increasing demand for high-quality healthcare services driven by a rapidly ageing population in Northern Europe.

Triton's investments in **AVS**, **Chevron** and **Ramudden** – work zone safety companies that manage traffic flow for critical repairs – was driven by the growing demand for safe and sustainable repairs and upgrades in high-risk situations.

## Case Studies

### Exiting companies with a track record of ESG performance

As part of Triton's exit preparations, the ESG team assesses the progress made on material topics throughout our ownership.

**Befesa**, a company specialising in the collection and recycling of steel dust and aluminium residues, reduced its Lost Time Injury Frequency Rate (LTIFR) by more than 43%<sup>10</sup> during Triton's ownership (2015-2018) – significantly reducing both the frequency and severity of accidents. Befesa was listed on the Frankfurt Stock Exchange in 2018.

Triton acquired Akea (now **Eleda Group**), a provider of construction services, in June 2017. Under Triton's ownership, the company developed a strong governance structure with ESG at its core, enabling it to grow through acquisition. By Triton's exit in 2019, Eleda Group had achieved a reduction in LTIFR, engaged its on-the-ground workforce on ESG management through digital communications, and produced an industry award-winning sustainability report which summarised ESG improvements made by the company.

**Ovako**, a leading producer of engineering steel for the bearing, transport and manufacturing industries, reoriented its business to focus on recycled scrap steel, bringing its carbon footprint per tonne of finished steel product produced to 80%<sup>11</sup> below the industry average. This, along with a substantial reduction in its LTIFR during Triton's ownership (2014-2018), helped to secure a strong exit price.

Triton's ESG team has supported several portfolio companies through Initial Public Offering (IPO) readiness processes to be listed on public stock exchanges. In addition to Befesa, other examples include Alimak Hek (NASDAQ Stockholm), Orion (New York Stock Exchange) and Stabilus (Frankfurt Stock Exchange).

# Triton ESG performance

*Triton has been committed to leadership through effective ESG policies, programmes and performance since 2013. In 2019, our activities focused on strengthening internal business ethics, reviewing our employee engagement and refining our approach to climate change.*

## Governance

We set the highest standards of corporate governance, and expect a culture of integrity in our business partners and portfolio companies.

### Business ethics

Triton has an established compliance management system and a team of compliance professionals to oversee its implementation and manage our relationships with regulators. In 2019, we launched Trust in Triton, our updated code of ethics, which references Triton's group wide policies on essential governance topics such as market abuse/inside information, anti-corruption, competition, cyber and data security, and anti-money laundering. Training is conducted face-to-face and through e-learning, and Triton's whistleblowing/SpeakUp system allows employees to raise concerns.

Triton's [Modern Slavery Statement](#) is available on our website. In 2019 we assessed key suppliers for modern slavery risk and introduced a specific clause addressing this issue in supplier contracts.

### Utilising technical solutions

Triton uses online screening providers<sup>12</sup> to identify and quantify a target company's exposure to ESG issues, business conduct and compliance risks by reviewing a variety of sources such as legal databases, criminal records and media coverage. We implemented a new in-house bespoke screening platform in 2019, enabling governance analysis of potential investments. In addition to due diligence, it also supports real time monitoring of ESG risks in existing and potential portfolio companies.

### ESG awareness and training

ESG training for Triton employees is refreshed and repeated regularly. Each training session is customised to the function or team taking part, including new joiner inductions. Teams that are critical in delivering Triton's RI policy, including Manager Boards and Managers, receive training and updates at least annually. Training sessions are mandatory and cover why ESG matters to Triton, the ESG programme, how ESG is integrated into transactions and how we engage with portfolio companies.

## Triton's Scope 2 and Scope 3 emissions in 2019<sup>13</sup>



## Environment

Environmental issues – including carbon reduction, environmental management and prudent use of resources – are increasingly important for all companies, including Triton.

### Climate change

Triton's direct impact on climate change is relatively small, but it is important that we demonstrate good practice and build our own expertise in managing climate impacts. We published our first UNPRI Climate Transparency Report during 2019, available on the [Triton website](#).

In 2019, Triton conducted a gap analysis of its internal processes against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In response to the findings of this review, we:

- strengthened the assessment of climate-related risks and opportunities in pre-acquisition due diligence and vendor due diligence;

- established an ongoing objective for new portfolio companies to assess climate-related risks and opportunities; and
- developed an energy transition strategy for Triton and its portfolio companies, including improving energy efficiency, switching to renewable energy, and offsetting the remaining carbon emissions.

Triton's emissions are offset as part of Triton's carbon offset programme. See page 24.

### Sustainable building management

All Triton offices have initiatives in place to reduce their impact on the environment, led by their office managers. Key themes include energy and water efficiency, waste minimisation and recycling, providing reusable cups and cutlery, and supporting sustainability initiatives among suppliers.

Triton's London office is the first new-build project in the UK to achieve both a BREEAM New Construction Outstanding rating for its shell and core, and the WELL Gold Certification. Triton's offices in Frankfurt obtained LEED Platinum status, and the Luxembourg building aims to gain BREEAM Excellent certification.

# Triton ESG performance

## Social

Triton's investment strategy is grounded in our sector expertise and long-term support for portfolio companies – which means our success as a company is based on attracting and retaining expert talent across our sectors and functions. Triton's Talent team aims to align business strategy and results for investors by developing the right skills and promoting a culture that attracts people who care about building better businesses.

### Employee engagement

To understand more about what motivates our people, in January 2019 we transitioned to quarterly engagement pulse snapshots, comparing our scores against industry benchmarks quarterly.

Triton's engagement level increased throughout 2019, and is now higher than the Financial Services benchmark. Triton is rated at or above benchmark in 23 of 45 survey dimensions, including employees' sense of engaging with meaningful work and the ability for individuals to live a physically healthy lifestyle. In 2020, we will address some areas for improvement, including employee development and work/life balance.

### Wellbeing

Triton's policies to support wellbeing include parental leave at 6 months' full pay, a wellbeing hub giving mental health advice, and a personal wellbeing allowance.

### Performance management

Triton conducts bi-annual review processes, designed to support the personal development of employees and facilitate an informed and fair compensation scheme.

## Training and development

In partnership with external experts, Triton is rolling out a training programme covering areas such as productivity and leadership skills. Other training programmes include technical and role-specific training (including ESG), coaching for transition to senior roles, and a mentor programme for junior professionals.

In 2019, approximately 73% of Triton employees and 56% of Investment Advisory Professionals (IAPs) received training. In 2020, we will introduce development plans for all IAPs.

## Diversity and inclusion

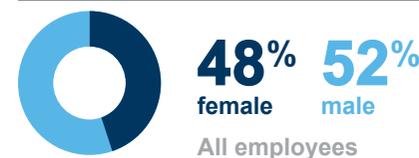
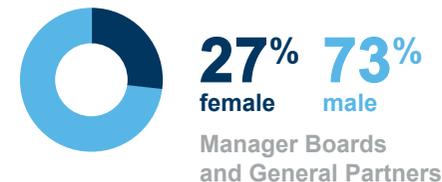
We believe that a team that represents diverse backgrounds, experiences, perspectives and insights will lead to better decisions and a stronger, more successful organisation.<sup>14</sup> In 2016, we formed a diversity taskforce made up of senior professionals across the firm, reporting to the Executive Committee.

We aim to increase the proportion of female Investment Advisory Professionals (IAPs) at Triton to at least 20% by the end of 2020. In 2019, approximately 18% of IAPs were female. We recognise that there is a long way to go on gender balance within our industry, and these targets are a stepping stone.

Our Family Friendly Leave Policy includes gender-neutral leave benefits. Diversity is now an agenda item on Talent and Succession reviews.

In 2020, we will develop Triton's inclusion policy and strategy, identify senior sponsors for this work, and extend our diversity targets beyond gender. We will also review our approach to recruitment, onboarding and development, to improve the attraction and experience of diverse talent. This will include mandatory unconscious bias, conscious inclusion, and 'Working with Respect' training.

## Gender breakdown at Triton<sup>15</sup>



## Industry leadership

Triton participation in ESG-related industry activities includes:

### UN Principles for Responsible Investment (PRI)

Signatory since May 2012. A+ rated for 'Strategy and Governance' and 'Private Equity' in 2019 and 2020.



### Invest Europe

Head of ESG is Member of the Core Group of the Responsible Investment Roundtable and Responsible Investment Advisory Group.



### British Private Equity & Venture Capital Association (BVCA)

Head of ESG is Member of the Responsible Investment Advisory Group (RIAG).



### Initiative Climat International (iCI)

Founding member of the UK network. iCI aims to align with the Paris Agreement and reduce portfolio company carbon emissions.



### Level 20

Sponsor of Level 20, to grow female representation in private equity.



### Swedish Private Equity & Venture Capital Association (SVCA)

Triton's Head of Tax/Legal sits on SVCA's Board.



# Portfolio ESG performance

*Our proprietary ESG programme enables us to work proactively to engage our portfolio companies to raise the bar on material topics, respecting their expertise and partnering with them to share best practice.*

## Onboarding new portfolio companies

In the first year of ownership, Triton works with portfolio companies to assess the adequacy of their compliance initiatives and introduce improvement controls, including a minimum set of group-wide ESG-related policies and a dedicated Compliance Officer. Portfolio companies work with the Triton ESG team to ensure that these are fit for purpose under Triton's ownership. Once these are in place, portfolio companies will establish a continuous improvement cycle by conducting risk assessments, implementing improvements and training employees.

## Engaging boards on ESG issues

We expect portfolio companies to formally sign off compliance with their ESG Action Plan at board level annually. During 2019, Triton encouraged all portfolio companies to arrange regular board reporting of ESG issues, and an annual deep dive report. By the end of 2019, 62% of portfolio companies reported that their board received documented reporting on ESG issues at least twice a year, with 21% reporting that their board reviews ESG reports every month.

In consultation with portfolio companies, Triton sets annual portfolio-wide ESG focus areas to drive improvement across the portfolio.

Portfolio company focus areas in 2019 were:

### General

- Report to board regularly on ESG issues
- Move towards integrated management systems for ESG.

### Environment

- Comply with EU Energy Efficiency Directive
- Assess climate-related risks and opportunities, reviewed at board.

### Social

- Track lagging and leading health and safety metrics
- Implement key actions from employee engagement survey
- Reduce absenteeism.

### Governance

- Conduct anti-corruption risk assessment and implement improvement controls
- Implement employee training on business partner policy.

Triton's ESG team supports portfolio companies through one-to-one review calls, site visits and ad-hoc meetings to discuss material ESG topics and emerging issues; monthly portfolio-wide calls to share best practices and discuss emerging industry trends; and an annual ESG Forum (see page 19).

Triton's focus areas for its portfolio companies in 2020 will include:

- conducting ESG materiality assessments for new portfolio companies;
- quantifying ESG targets for material issues;
- implementing climate change-related management actions arising from 2019's board reviews and developing wider programmes to manage material environmental impacts;
- conducting supplier ESG risk assessments and developing a supply chain programme to manage material risks;
- implementing whistleblowing or SpeakUp systems; and
- undertaking anti-trust and business partner risk assessments and implementing improvement controls.

## Portfolio company reporting

Portfolio companies are expected to report on ESG policies, programmes and performance to Triton through our online ESG scorecard. In both 2018 and 2019, over 90% of portfolio companies reported their ESG data to Triton through the scorecard, risk report and/or meetings and calls.

In 2019, we focused on improving reporting from portfolio companies to Triton, rolling out a broader set of ESG reporting expectations – including human resources, whistleblowing and supply chain – and supporting portfolio companies to improve the quality and completeness of their reporting.

## Portfolio-level data in this report

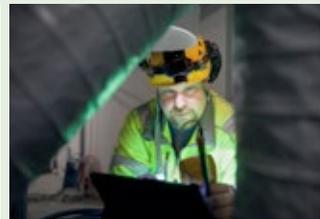
In 2019, 34 (81%) of Triton's 42 portfolio companies reported to us on key ESG issues through our online reporting system. The remaining eight companies were acquired during 2019 and were not expected to report on these issues until 2020. All data in this "Portfolio ESG Performance" section relates to Triton's portfolio companies in the calendar year 2019. All numerical data provided in the "Portfolio ESG Performance" section relates to the 34 portfolio companies which reported ESG data to Triton and is accurate as of 31 December 2019.

# Triton's ESG Forum and Awards

*For the past six years, Triton has held an annual ESG Forum attended by portfolio company representatives responsible for the ESG agenda. The focus of the forum is to network, share best practice and learn about pertinent ESG topics.*

Triton uses the event as an opportunity to share portfolio-wide ESG objectives, reflect on achievements in the previous year, and support portfolio companies on focus areas for the upcoming year. The theme of the inaugural ESG Forum in 2014 was an introduction to Triton's ESG programme, followed by annual Forums on themes such as risk management, moving from value protection to value creation, and enhancing ESG culture.

The 2019 ESG Forum focused on Capturing Value Creation, including sessions on climate change, anti-bribery and corruption, health and safety, and board engagement. It also saw the introduction of Triton ESG Awards, made in four categories – Environment, Social, Governance, and overall ESG – to companies that could demonstrate the positive impact and value of their ESG actions. Each winner received a donation from Triton to a charitable cause of their choice.



## Environment Award winner: Polygon

Polygon delivers significant value for both customers and the environment through its core business: restoring damaged property and limiting the disposal of waste to landfill. The company has focused on quantifying its positive climate impact and telling a positive story to customers, creating value through brand differentiation.

Polygon's Environment Award was for use of the Lightfoot tool in the UK, which reduces the company's fuel consumption – which accounts for 80% of its energy use – by giving feedback to drivers on their fuel efficiency. Over four years, the programme has reduced fuel consumption by 15%, saving around £300,000.<sup>16</sup>

Axel Gränitz, President and CEO, said, *"Polygon operates in a sector where environmental issues have a material impact every day. We take our role in addressing them very seriously, and this award is a testament to all our employees working in the field every day."*



## Social Award winner: DeepOcean

DeepOcean, a provider of subsea inspection, maintenance and repair services for the energy industry, won the Social Award for its safety programme, 'ACT for Safety'. Each season, the company focused on a different element of health and safety, in line with its ACT philosophy of 'Attitude, Courage and Teamwork'.

DeepOcean measured leading indicators (such as the number of inspections conducted and corrective actions implemented) as well as lagging indicators (such as incident frequency rates). In the first year of the Act for Safety campaign, 43 inspections were conducted across operational sites, leading to 79 corrective actions to improve safety.



## Governance Award winner: Eleda

Eleda, a provider of construction services, won the Governance Award for its work on improving its overall governance structure with ESG at the core.

When Triton acquired Eleda in 2017, it had around 230 employees. This increased to nearer 800 employees over the next two years. To engage a growing number of employees (the majority of whom work on site) in its ESG programme, the company developed a concise set of employee documents including a code of conduct, company manual and supporting policies.

The company communicated these documents to employees through targeted town hall events, newsletters and the employee intranet. Eleda also developed a mobile phone app on employees' mobile phones, so that relevant policies, training and guidance can be accessed anywhere. Eleda's work was recognised by the Swedish Construction Federation, which awarded the company Best Sustainability Report 2018.



## Overall ESG Award winner: Chevron

Chevron Traffic Management is a work zone safety company operating throughout the UK. The company was awarded the overall ESG prize for its senior leadership engagement, measurement of ESG impact, and integrated approach to managing material topics. A comprehensive suite of performance indicators helps the company manage its ESG issues, including improvements in fuel efficiency, 96% of the company's total energy cost.<sup>17</sup>

Chevron's integrated approach to health, safety, people and leadership has seen improvements in employee recruitment and retention. Its outstanding health and safety performance has been a deciding factor in several of the company's successful bids for new contracts.

Tim Cockayne, CEO, said, *"At Chevron we are committed to building sustainable working practices for the benefit of generations to come and we've never been afraid to set ambitious goals and to continually challenge ourselves to be better."*



# Governance

*Good governance is the foundation of building better businesses, and Triton encourages its companies to operate at all times with integrity. In 2019, we focused on supporting portfolio companies to conduct proactive risk assessments – particularly on anti-bribery and corruption – to identify potential weaknesses and improvement measures.*



**29%**

of portfolio companies reported publicly on their ESG performance



**94%**

of portfolio companies had a written code of conduct



**79%**

of portfolio companies had a company-wide whistleblowing/SpeakUp system in place



**72%**

of relevant employees (on average) received training on anti-bribery and corruption in the past two years

# Governance

## Transparency

Transparency enables companies to bring challenging issues to the surface and make improvements. It is also the foundation of stakeholder trust in business: 71% of people agree that if they perceive a brand is putting profit over people, they will lose trust in that brand forever.<sup>18</sup> Trust is particularly important for businesses delivering public services, including Triton's portfolio companies in health services and traffic management. Triton is therefore committed to reporting on its performance publicly, through our PRI Transparency Report, available on our website, and this Responsible Investment report.

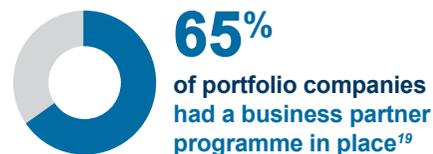
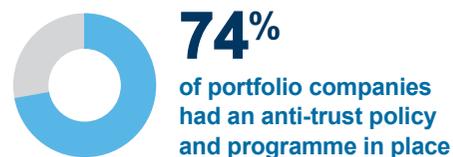
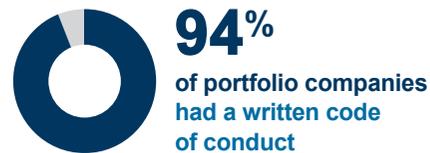
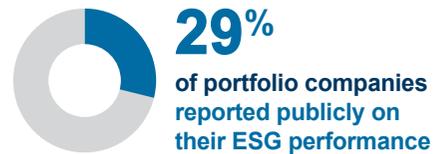
In 2020, we will run a training webinar on ESG reporting, with the support of external experts.

## Business ethics

Business ethics are a core component of the reputation and brand. Triton supports portfolio companies to put in place a code of conduct and training programme as one of its first ESG-related actions under ownership. This is followed swiftly by standalone policies on key topics such as anti-trust, and mechanisms for employees to raise concerns.

Triton will support all portfolio companies to implement a whistleblowing or SpeakUp system during 2020, and to conduct an anti-trust risk assessment and implement improvement controls. In addition, given that one of the most significant compliance risks stems from third parties, all our businesses are expected to conduct a business partner risk assessment and make the relevant improvements.

Triton's ESG team supports the portfolio companies through appropriate tools such as template policies, example risk assessments and suggested improvement controls.



### Case Study

## Supporting the ESG spirit at DSI Underground

During 2019, DSI Underground – a specialist supplier to the mining and tunnelling industry – launched its new Compliance Management System with a refreshed code of conduct, the DSI Underground Spirit.

The code sets standards of behaviour for all 1,700 employees worldwide, helping them to conduct business with responsibility, integrity, and respect. It is supported by a compliance programme to drive culture change within the group, including mechanisms for prevention and detection of non-compliance, and a new whistleblowing hotline and SpeakUp app for employees, suppliers, business partners and the public. An online learning system was established at the end of 2019, and employees now receive a regular DSI Underground Spirit newsletter that communicates on ESG initiatives and progress.

The leadership team has made adherence to the DSI Underground Spirit its first agenda item in management meetings, and reviews relevant KPIs – for example, resource efficiency and safety statistics – regularly.

Michael Reich, Group CEO, said: *“The world demands a sustainable approach with minimal impact on local communities and our planet’s ecology. The management team and I take adherence to the DSI Underground Spirit very seriously. The compliance programme reinforces DSI Underground’s commitment to a responsible and sustainable business model and to promoting better practices in the industry.”*



Find out more about DSI Underground Spirit on the [DSI Underground website](#).

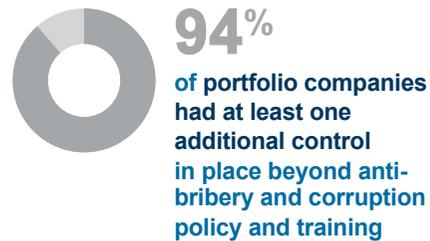
# Governance

## Anti-bribery and corruption

Tackling bribery and corruption was identified as Triton's most material ESG topic because of the fundamental importance of trustworthy business practices and the significant financial and reputational risk of high-profile corruption incidents.

Triton's approach to anti-bribery and corruption covers policies, programmes, regular training and additional controls such as auditing, gift and hospitality pre-clearance systems, and regular reporting to the board. In 2019, portfolio companies were expected to carry out anti-bribery and corruption risk assessments to identify weaknesses and improvement opportunities, with the support of the Triton ESG team.

Anti-bribery and corruption remains a key challenge for all businesses, so in 2020 portfolio companies will be expected to implement the improvements identified in their anti-bribery and corruption risk assessments, with the support of the Triton ESG team.

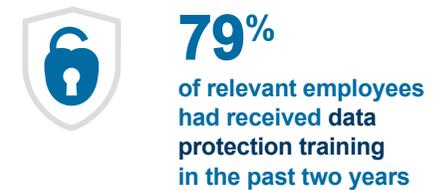
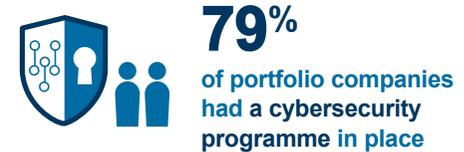


## Cyber and data security

Cybersecurity and data protection have become significant risks globally, as more businesses become digitalised, governments introduce data protection and privacy laws, and cyber attacks become more sophisticated.

In 2019, Triton worked with an external expert to conduct a systematic, portfolio-wide assessment of cybersecurity risk. Some 81% of portfolio companies conducted a cybersecurity maturity assessment with a third-party expert and identified improvement controls. Portfolio companies also responded to the EU's General Data Protection Regulation (GDPR), which came into force in May 2019. Measures included appointing a data protection officer, establishing or refreshing GDPR policies, and training employees on the changes required.

In 2020, portfolio companies will be expected to appoint a cybersecurity officer, reporting to the board. Triton will provide support, including training and webinars, through its Digital and ESG Teams.



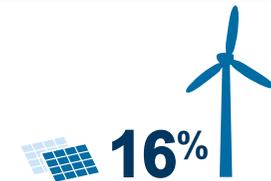
# Environment

*Climate change leads the growing list of environmental issues that present material risks and opportunities for modern businesses. In 2019, we focused on supporting portfolio companies to review their approach to climate change, as well as building capabilities for the circular economy.*



**76%**

of portfolio companies had an environmental compliance programme



**16%**

of the total energy use of portfolio companies was renewable



**59%**

of portfolio companies undertook a climate risk/opportunity assessment



**65%**

was the average recycling rate across the portfolio

# Environment

## Climate change

The climate change agenda has evolved to become one of the most significant global risks in today's society, with 'climate action failure' ranking first for potential impact in the 2020 World Economic Forum Global Risks Report.<sup>20</sup> In fact, all top five risks now relate to climate change, with extreme weather as the number one global risk. These risks are acknowledged by investors worldwide, with investors managing over \$37 trillion calling on governments to take action.<sup>21</sup> Climate risks and opportunities are an equally compelling priority for Triton.

Physical climate impacts are increasingly likely to cause financial, operational and supply chain disruption. At the same time, there are significant business opportunities arising from the transition to a low-carbon economy. Examples include new technologies (such as electric vehicles, solar and wind energy), resource efficiency, growth in customer and consumer demand for low-carbon solutions, and gaining access to finance. Governments are introducing policies – including carbon pricing, disclosure obligations and tax credits to offset sustainability investments – to incentivise companies to manage their climate-related risks and opportunities.

Climate change is a material topic for all Triton portfolio companies, but has particular relevance within the Consumer and Industrials sectors (where consumer expectations and/or high carbon intensity drive significant risks and opportunities), and for companies who can provide solutions to climate-related challenges.

### Performance in 2019

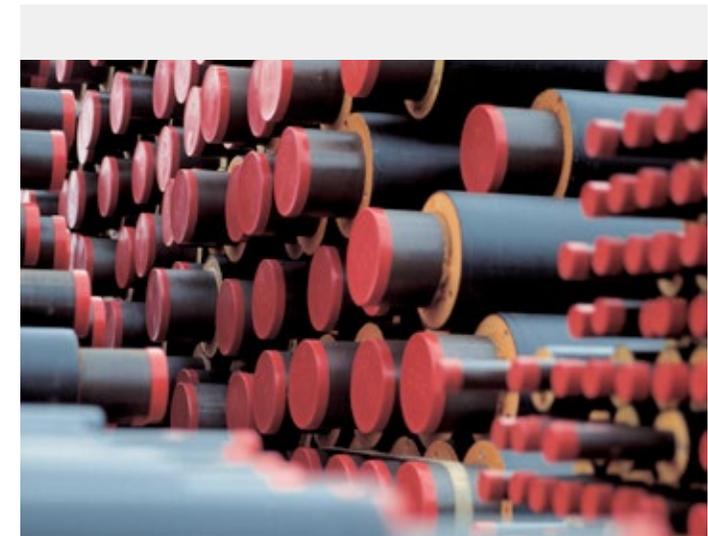
Some 62% of Triton's portfolio companies have an energy and emissions programme in place to manage their impacts. Several portfolio companies have taken significant steps forward on climate change in 2019, particularly where their carbon emissions are relatively large, or where they can contribute solutions.

- **Leadec**, a provider of technical services for the automotive and manufacturing industries, has identified electric vehicles as a key customer priority.
- **Dantaxi**, a nationwide aggregator of taxi services, rolled out over 100 electric vehicles in its fleet, making it Denmark's leading operator of electric taxis.
- **Seves**, a manufacturer of insulators for power transmission and glass blocks for buildings, is exploring carbon footprinting of its products to demonstrate its environmental credentials.
- **DeepOcean**, a provider of subsea inspection, maintenance and repair services for the energy industry, has a carbon reduction target and is moving towards underwater vehicles designed with environmental considerations.
- **Sunweb**, an online tour operator, was the first in its sector to automatically offset all carbon from customer trips, funding independently verified projects that meet international standards of best practice.

### Portfolio Scope 1 and Scope 2 carbon emissions 2019



Portfolio carbon intensity of **24.4kg CO<sub>2e</sub> per €1,000 revenue**<sup>23</sup>



#### Case Study

### Enabling the transition to low-carbon energy at LOGSTOR

LOGSTOR is the leading supplier of pre-insulated pipe systems for district heating and cooling, as well as for other industries. The company's energy-efficient pipe systems have the very best insulation properties and ensure that only a minimum of energy goes to waste when transported over long distances.

Indoor heating and cooling often account for a large proportion of household energy consumption, so improvements in energy efficiency in this area can significantly reduce carbon emissions. District energy systems, which distribute water from a central hub and return it once a premises has been heated or cooled, are an energy efficient and cost-effective way of regulating household temperature.

District heating and cooling work with any source of energy, and can act as an energy store when supply exceeds demand – both critical factors during the transition to low-carbon energy. Where heating and cooling are combined, they can also reduce peaks in demand by converting excess heat into cooling in the summer.

Kim Christensen, President & CEO, said, "We have the ambition, and we work tirelessly towards greener processes and circular product solutions. We also work throughout Europe to increase the district heating share of the energy mix."



To find out more about district energy, see the [LOGSTOR website](#).

# Environment

## Portfolio energy transition

During 2019, Triton developed an energy transition strategy for its portfolio, encouraging portfolio companies to improve their energy and resource efficiency, and to switch to renewable energy sources where possible.

Increasing numbers of portfolio companies are choosing to source renewable energy: in 2019, 16% of the total energy use of portfolio companies was renewable. Triton aims to increase this percentage in the coming years.

Underpinning this strategy is Triton's carbon offset programme, in partnership with ClimateCare, that will capture or prevent the release of over 300,000 tonnes of CO2e per year into the atmosphere – enough to compensate for reported portfolio company Scope 1 and 2 emissions and the Scope 2 and 3 emissions of Triton's own footprint.

Triton's project portfolio consists of high-quality, independently verified projects to decarbonise grid electricity in India, and to protect a vital carbon sink in the Gola Rainforest National Park, Sierra Leone. Not only will the projects seek to reduce carbon and protect wildlife, they also aim to improve lives by empowering communities, build resilience and tackle poverty.

## Understanding climate risks and opportunities

Triton's focus in 2019 was to raise awareness of climate change and integrate its consideration more rigorously across our portfolio and investment processes. During the year, Triton supported its portfolio companies to conduct an assessment of relevant climate-related risks and opportunities in line with guidance from the Task Force on Climate-related Financial Disclosures (TCFD).

Climate change remains a key focus area for portfolio companies in 2020, when they will be expected to implement management actions arising from their board reviews of climate-related risks and opportunities. Triton will also consolidate the company assessments at a portfolio level to identify potential hotspots of risk or opportunity.



Forest rangers, Gola Rainforest National Park

## Climate risks and opportunities for Triton portfolio companies

Portfolio companies<sup>23</sup> own assessments of their climate-related risks and opportunities demonstrated the wide range of severity and time-frames of climate change impacts. Examples include:

### Immediate

- Changes in precipitation patterns causing increased flood risk in manufacturing facilities.
- Increased severity of extreme weather events impacting a warehouse's ability to receive and deliver products.
- Increased costs of raw materials due to changes in energy input prices.

### Medium term

- Increased costs of transitioning fleet and upgrading site infrastructure to support electric vehicles.
- Potential mandates on and regulation of existing products and services, particularly in industrials companies.
- Increased use of recycling from scrap material in the production process.

### Short term

- Increased use of recycling through sale of reject material to other industries.
- Enhanced emissions and environmental reporting obligations.
- Rising temperatures resulting in higher labour costs due to need for more breaks in production.

### Long term

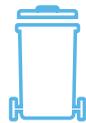
- Potential shift towards decentralised energy generation reducing demand for certain product lines.
- Increased supplier costs passed onto business arising from climate-related disruption and investment in resilience.
- Increased costs of transitioning service offering to customers operating greener business models.

# Environment

## Circular economy

The challenges of resource scarcity and waste management mean that an entirely new approach – one in which resources are re-used time and again – is gaining traction. With a \$4.5 trillion opportunity by 2030<sup>24</sup>, there are clear opportunities for Triton portfolio companies to thrive in the circular economy by transforming their business models and leading their sectors.

From 2020 onwards, portfolio companies will be expected to develop a programme to manage their material environmental impacts, which for many companies will include identifying and realising opportunities from circular economy initiatives. The Triton ESG team will support the portfolio by raising awareness of circular economy principles and encouraging companies to report on waste minimisation and recycling.



**73%**  
of portfolio companies had a waste management programme



**65%**  
was the average recycling rate across the portfolio



**61%**  
of portfolio companies had a water management programme



### Case Study

#### *Circular design at Flokk*

Flokk, a market leader in the design, development and production of workplace furniture in Europe, is an industry leader in the development of sustainable products. To maintain this position as the company grows, the company has defined three focus areas for sustainability: Climate, Resources and Health.

More than 95% of the environmental impact of Flokk's products is generated before the components arrive at its factories, so a strong focus for the company is reducing impact in product design and development, and procurement of raw materials and components.

Circular design has been a cornerstone of Flokk's sustainability approach since 1993, when the company defined five criteria as a basis for its product development: low weight, few components, right choice of materials, long lifespan, and design for disassembly.

In 2018, the HÅG Capisco, one of the company's most sustainable designs, represented Norway at the Nordic Design Competition, a prize presented at the UN Climate Summit that year. More recently, two products – RH New Logic and BMA Axia Vision – were produced with 60% and 63% recycled materials respectively<sup>25</sup>.

*“Environmental performance is spreading as deciding purchasing criteria in our market, our strong position is as such a true commercial asset. On top, it attracts talent when we hire.”*



Find out more about Flokk's sustainability priorities on the [Flokk website](#).

# Social

*Building better businesses means engaging employees and fostering a culture of support in every company. In 2019, our focus was on improving health and safety across the portfolio and investing in Triton's Human Capital function. We expect the COVID-19 pandemic to increase stakeholder focus on social responsibility, employee welfare and human rights.*



**95,100**  
employees in  
portfolio companies



**1,107**  
jobs created in 2019<sup>26</sup>



**91%**  
of portfolio companies had  
a safety management programme



**59%**  
of portfolio companies  
conducted an annual employee  
engagement survey

# Social

## Health and safety

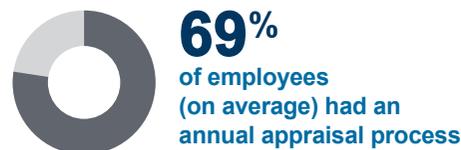
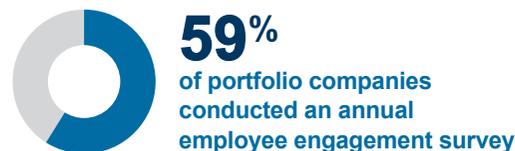
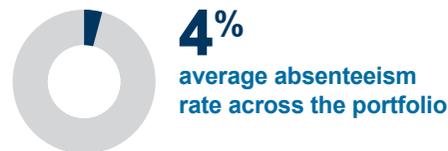
Keeping people safe in their workplace is not only a moral imperative, but also a critical foundation for health and wellbeing. Good management of health and safety is a strong enabler of operational efficiency, productivity and engagement. In 2019, Triton supported portfolio companies to become more proactive on health and safety by moving from measuring lagging to leading indicators.



As part of their 2020 focus areas, portfolio companies will be asked to conduct loss prevention reviews (designed to prevent loss of life, health and property arising from an incident). The Triton ESG team will support portfolio companies with training from external experts.

## Human capital

Engaged and motivated employees stay with companies longer and perform better;<sup>27</sup> and a company's people are its most important assets in terms of innovation, productivity, delivering high-quality products and services, and driving customer loyalty. Triton's dedicated Human Capital team provides expert advice and support to portfolio companies to create and protect value, focusing in five key areas: leadership, diversity and inclusion, employee engagement, talent attraction, and organisational design and effectiveness.



Engaging employees will remain a key challenge for businesses into the future. In 2020, we will develop clear measures of success based on the five dimensions of Triton's human capital strategy, and pilot them with the portfolio companies in our latest fund, T5.



### Case Study

## Strengthening engagement and safety at Bormioli Pharma

Bormioli Pharma, a leading Italian manufacturer of packaging for the pharmaceutical industry, has taken strong steps in 2019 to engage and motivate its employees on critical issues such as safety, and carried out its first company-wide employee engagement survey.

In June 2019, the company took a creative approach to improving health and safety. Instead of traditional refresher training, 400 employees were invited to a theatrical event that brought to life a culture of safety in a way that was simple and impactful. The show was also attended by local and regional authorities.

At the end of November 2019, Bormioli also launched a major engagement survey – called Speak Up – to measure employee satisfaction and identify areas for improvement in the work environment.

The survey was distributed to over 1,200 employees in four languages and showed an overall employee engagement level of just over four on a scale where the maximum score was six. The next step will be to identify priority areas for improvement that will support employee satisfaction.

Andrea Borgatti, Human Resources Director, said: *“We’ve been delighted to be able to share our innovative approach to health and safety training with other Triton portfolio companies; and, in return, best practices among these companies have been invaluable in shaping our first employee engagement survey.”*

To find out more about the company's approach to ESG, including circular economy, see the [Bormioli Pharma website](#).

# Social

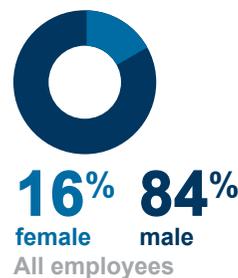
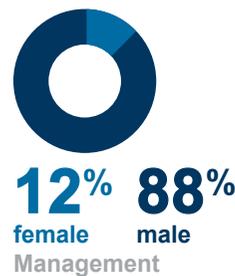
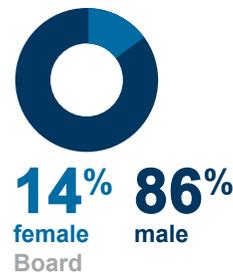
## Diversity and inclusion

Taking into account a range of perspectives leads to better business decisions. Triton is committed to attracting and retaining the most talented people, which means that our pool of potential employees must be as wide as possible.

Triton's diversity focus since 2016 has been on gender, with a short-term goal encouraging all portfolio companies to have at least one woman on the board and one woman in top management. As of 31 December 2019, approximately 45% of portfolio companies have at least one woman on the board and/or one woman in top management, and 41% have a diversity programme in place.

Diversity is an area for significant improvement within portfolio companies (and at Triton; see page 17 for details). From 2020, we will continue to support portfolio companies to put in place a diversity programme, expecting each of them to define a roadmap by the end of 2020. We will support portfolio companies to appoint leaders who can provide competency-based evidence that they work actively to be open and inclusive, and increase the proportion with women on their boards. We also aim to begin the roll-out of unconscious bias training across portfolio companies during 2020.

## Gender breakdown of portfolio company employees (average in 2019)

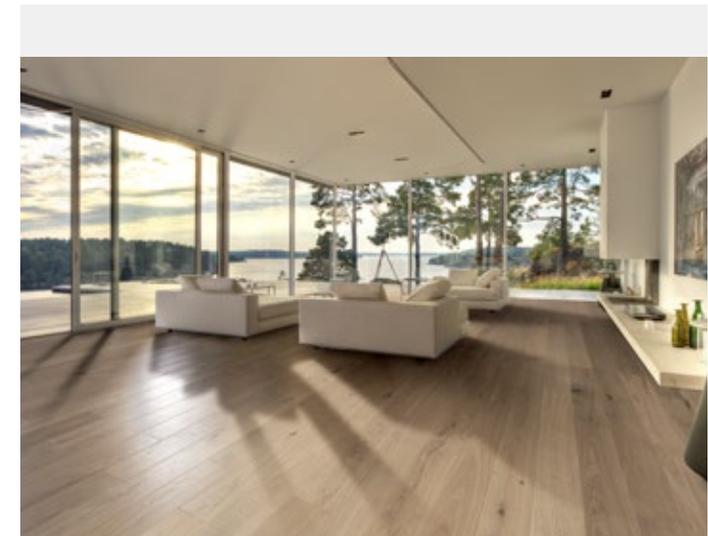


## Responsible supply chain

Problems in the supply chain – both social and environmental – can represent significant physical, financial and reputational risks for companies. Collaboration with suppliers can reduce costs, increase productivity and help companies to innovate, meeting changing customer requirements. Following the COVID-19 pandemic, we expect increased scrutiny on social issues in supply chains. Triton's focus in 2019 was to support portfolio companies to implement supply chain policies and audit key suppliers.



Supply chain management will be a key focus area for 2020, and Triton expects portfolio companies to conduct a supplier ESG risk assessment and develop a supply chain programmes to manage material risks. To support this objective, Triton will run training sessions on supply chain topics for portfolio companies with the support of external experts.



### Case Study

## Assuring supply chain standards at Kährs Group

The Kährs Group is a leading manufacturer of wood and resilient flooring, with over 150 years' experience in the industry. Wood is a crucial resource for the company, as well as being critical for the health of the planet, so Kährs has a strong responsible supply chain programme and has a strong history of purchasing wood with sustainable forestry certifications. In 2018, 90% of the wood purchased for the company's Swedish operations was from certified sources.

For many decades, Kährs has used the wood offcuts from its factory to generate energy. In 2019, a new biomass energy generation facility was built at the company's Nybro factory, creating additional value from what would otherwise be a waste stream.

In order for the technology to be certified as positive for the environment, the company was required to carry out additional audits of over 450 suppliers in 26 countries. The project received certification from the Sustainable Biomass Program in January 2020.

Bruce Uhler, sustainability lead at Kährs Group, said: "Triton is an extremely supportive owner, offering ongoing support and encouragement to Kährs while guiding us in ESG aspects that benefit all stakeholders, making us a stronger organization."

For more information on sustainable biomass, see the [Kährs Group website](#).

# GRI index

This is Triton's first Responsible Investment report. The Global Reporting Initiative's GRI Standards have been used to guide our reporting, and in preparing this report, we have applied the underlying principles and standards definitions. However, some disclosures may not fully comply with all the GRI's reporting requirements for its 'Core' option.

| GENERAL GRI DISCLOSURES       |  | PAGE     | COMMENT  |
|-------------------------------|--|----------|--|
| <b>Organisational Profile</b> |  |          |  |
| 102-1                         | Name of the organisation                                     |          | Triton Investment Management Limited   |
| 102-2                         | Activities, brands, products and services                    | 5        |  |
| 102-3                         | Location of headquarters                                     |          | Jersey   |
| 102-4                         | Location of operations                                       | 6        |  |
| 102-5                         | Ownership and legal form                                     |          | Triton Investment Management Limited is a private limited company registered in Jersey which is wholly owned by Triton OpCo Sarl   |
| 102-6                         | Markets served   | 5,6      |  |
| 102-7                         | Scale of the organisation                                    | 6        | <a href="https://www.triton-partners.com/about/#tritonataglance">https://www.triton-partners.com/about/#tritonataglance</a>  |
| 102-8                         | Information on employees and other workers                   | 5,27     |  |
| 102-9                         | Supply chain   |          | The majority of Triton's own supply chain is with professional or business services suppliers The indirect impact in relation to the supply chain is found in the portfolio companies within its funds |
| 102-10                        | Significant changes to the organisation and its supply chain |          | This is Triton's first Responsible Investment report   |
| 102-11                        | Precautionary principle approach                             |          | Triton is an investment firm with 44 companies in its portfolio. The precautionary approach is relevant when conducting due diligence on, investing in, owning and developing portfolio companies      |
| 102-12                        | External initiatives   | 17       |  |
| 102-13                        | Membership of associations                                   | 17       |  |
| <b>Strategy</b>               |  |          |  |
| 102-14                        | Statement from the senior decision-makers                    | 3        |  |
| 102-15                        | Key impacts, risks and opportunities                         | 11,12,25 |  |
| <b>Ethics and integrity</b>   |  |          |  |
| 102-16                        | Values, principles, standards and norms of behaviour         |          | <a href="https://www.triton-partners.com/about/#howwebehave">https://www.triton-partners.com/about/#howwebehave</a>  |
| 102-17                        | Mechanisms for advice and concerns about ethics              | 15,21    |  |

# GRI index

| GENERAL GRI DISCLOSURES                            |  | PAGE  | COMMENT  |
|--|--|-------|--|
| <b>Governance</b>                                  |  |       |  |
| 102-18   | Governance structure                                     |       | See page 25 of Triton's RI Transparency Report 2019, available on the PRI website at <a href="https://www.unpri.org/signatories/reporting-and-assessment/public-signatory-reports">https://www.unpri.org/signatories/reporting-and-assessment/public-signatory-reports</a> |
| 102-25   | Conflicts of interest                                    |       | See page 24 of Triton's RI Transparency Report 2019, available on the PRI website at <a href="https://www.unpri.org/signatories/reporting-and-assessment/public-signatory-reports">https://www.unpri.org/signatories/reporting-and-assessment/public-signatory-reports</a> |
| <b>Stakeholder engagement</b>                      |  |       |  |
| 102-40   | List of stakeholder groups                               | 10    |  |
| 102-41   | Collective bargaining agreements                         |       | Only two Triton employees are covered by collective bargaining agreements, representing less than 1% of total employees  |
| 102-42   | Identifying and selecting stakeholders                   | 10    |  |
| 102-43   | Approach to stakeholder engagement                       | 10    |  |
| 102-44   | Key topics and concerns raised                           | 10    |  |
| <b>Reporting practice</b>                          |  |       |  |
| 102-46   | Defining report content and topic boundaries             | 31    |  |
| 102-47   | List of material topics                                  | 12    |  |
| 102-50   | Reporting period   |       | Calendar year 2019   |
| 102-52   | Reporting cycle  |       | Annual   |
| 102-53   | Contact point for questions regarding the report         |       | Triton has applied the underlying Principles of the GRI Standards, however some disclosures may not fully comply with all reporting requirements   |
| 102-54   | Claims of reporting in accordance with the GRI Standards |       | <a href="mailto:esg@triton-partners.com">esg@triton-partners.com</a>   |
| 102-55   | GRI content index  | 30    |  |
| <b>Management Approach</b>                         |  |       |  |
| 103-1  | Explanation of the material topic and its boundary       | 11,12 |  |
| <b>Business ethics</b>                             |  |       |  |
| See GRI General disclosures - Ethics and integrity |  | 16,21 |  |

# GRI index

| SPECIFIC GRI DISCLOSURES                         |  | PAGE  | COMMENT   |
|--|--|-------|---|
| <b>Anti-bribery and corruption</b>               |  |       |   |
| GRI 205: Anti-corruption                         |  |       |   |
| 205-1  | Operations assessed for risks related to corruption  | 21    | Portfolio companies   |
| 205-2  | Communication and training about anti-corruption policies and procedures                   | 16,21 |   |
| <b>Cyber and data security</b>                   |  |       |   |
| GRI 418: Customer privacy                        |  |       |   |
| 418-1  | Substantiated complaints concerning breaches of customer privacy and loss of customer data |       | In 2019, there was one breach of customer privacy involving loss of customer data at a portfolio company. Whilst the public investigation is still ongoing, the company in question has implemented a number of improvement measures. These include conducting a major IT audit to go through each legacy IT system to try and ensure this does not happen again and a process to ensure appropriate safeguards are built into any new IT systems |
| <b>Transparency</b>                              |  |       |   |
| See GRI General disclosures - Reporting practice |  | 12,31 |   |
| <b>Climate change</b>                            |  |       |   |
| 302-3  | Energy intensity   |       | 115.3 kWh per '000 euro revenue   |
| GRI 305: Emissions                               |  |       |   |
| 305-1  | Direct (Scope 1 ) GHG emissions  | 24    | Portfolio companies   |
| 305-2  | Energy indirect (Scope 2) GHG emissions  | 16,24 |   |
| 305-3  | Other indirect (Scope 3) GHG emissions   | 16    | Triton  |
| 305-4  | GHG emissions intensity  | 24    | Portfolio companies   |
| <b>Circular economy</b>                          |  |       |   |
| GRI 306: Waste                                   |  |       |   |
| 306-4  | Waste diverted from disposal   | 26    |   |
| <b>Health and safety</b>                         |  |       |   |
| GRI 403: Occupational health and safety          |  |       |   |
| 403-1  | Occupational health and safety management system   | 28    | Portfolio companies   |
| 403-5  | Worker training on occupational health and safety  | 28    | Portfolio companies   |
| 403-9  | Work-related injuries  | 28    | Portfolio companies   |

# GRI index

| GENERAL GRI DISCLOSURES                    |  | PAGE  | COMMENT             |
|--|--|-------|---------------------|
| <b>Human capital</b>                       |  |       |                     |
| GRI 404: Training and education            |  |       |                     |
| 404-3                                      | Percentage of employees receiving regular performance and career development reviews | 28    | Portfolio companies |
| <b>Diversity and inclusion</b>             |  |       |                     |
| GRI 405: Diversity and equal opportunity   |  |       |                     |
| 405-1                                      | Diversity of governance bodies and employees   | 17,29 |                     |
| <b>Responsible supply chain</b>            |  |       |                     |
| GRI 308: Supplier environmental assessment |  |       |                     |
| 308-1                                      | New suppliers that were screened using environmental criteria                        | 29    | Portfolio companies |
| GRI 414: Supplier social assessment        |  |       |                     |
| 414-1                                      | New suppliers that were screened using social criteria                               | 29    | Portfolio companies |

# About this report

## Scope

This report covers the relevant and significant environment, social and governance (ESG) issues for the calendar year 1 January to 31 December 2019. It gives our stakeholders an overview of our performance in these areas, complementing the information on our website, which primarily describes our business.

All numerical data provided in the "Portfolio ESG Performance" section relates to 34 portfolio companies which reported ESG data to Triton for calendar year 2019. The data in this section is accurate as of 31 December 2019.

Selected statements are correct as of this report's publication date, December 2020.

We have used the Global Reporting Initiative (GRI) Standards as guidance for our sustainability work and framing our reporting principles.

We receive recommendations on our sustainability activities and reporting from our advisers while we ourselves routinely analyse global megatrends, take part in industry initiatives and assess the activities of our competitors. This ensures that we fully understand and keep up to date with key ESG issues.

The report focuses on the ESG topics that we consider most important to our business and to society. It is based on a range of inputs from our stakeholders, including, but not restricted to, our 2019 materiality assessment carried out with Datamaran, the UN's Sustainable Development Goals (SDGs) and carbon foot-printing and offsetting analysis in partnership with ClimateCare.

## Boundary setting

Entities included in this report's performance data include Triton Investment Management Limited, West Park Management Services Limited and Triton Advisers Sweden AB and their respective affiliates including but not limited to investments and portfolio companies of funds managed directly or indirectly by Triton Investment Management Limited.

## Ensuring data quality

In gathering information about our sustainability performance, we applied the widely used principles of balance, clarity, accuracy, reliability, timeliness and comparability.

### Balance

We are committed to communicating honestly and openly about our performance, both when it is good and when it is not. Our aim is to provide our stakeholders with sufficient information about our company for them to form their own judgements concerning Triton's performance.

### Clarity

We strive to make our sustainability reporting accessible and easy to read for anyone, but we are always open to feedback about the way we communicate our material issues.

## Accuracy and reliability

We report ESG performance using an online reporting platform to collect data from portfolio companies.

We check accuracy through periodic (at least bi-annual) calls and meetings with each portfolio company to discuss ESG reporting. In addition to discussing ESG progress in general, ESG performance data shared is also challenged and queried by Triton's ESG team.

All information in this report should not be relied upon for any investment or other decisions.

## Timeliness

At Triton, we report ESG data to Triton's Investment Advisory Committee on at least an annual basis, depending on the nature of the data. We collect data from portfolio companies on a biannual basis. Where necessary, we revise the reporting frequency in order to strike the right balance between obtaining the correct data and observing appropriate time intervals for reporting on them. Annual data gathering and external reporting are aligned with financial data collection.

## Comparability

This is our first Responsible Investment report, and therefore it has been possible to provide only some comparable data. In following years we aim to provide data in time-series to allow comparison of our performance.

It is good practice to report year-on-year comparisons for KPIs, tracking changes in performance. This is challenging for private equity, as the number and type of companies in the portfolio changes each year, and our expectations of portfolio companies increase during our first two years of ownership, as they get up to speed with our ESG programme. We have therefore not made comparisons with previous years in this report. We are exploring ways of comparing meaningful data year-on-year.

For more information contact [esg@triton-partners.com](mailto:esg@triton-partners.com)

## Disclaimer

The information contained in this Responsible Investment Report 2019/2020 (the "Report") is made available by Triton Investment Management Limited ("TIML") (together with its associates, "Triton") for the sole purpose of providing certain information about Triton and funds, partnerships, other collective investment vehicles, managed account arrangement or separate accounts managed or advised by a Triton entity from time to time (together referred to as the "Triton Funds"). In addition to the warnings, disclosures and undertakings below, your attention is also drawn to any other rubrics or warnings provided on the face of any documents comprising the Information.

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All statements of opinion and/or belief contained in this Report and all views expressed and all discussion of past investment performance or decisions, projections, forecasts, or statements

relating to expectations regarding future events represent Triton's own assessment and interpretation of information available to it as at the date of this Report and are subject to change without notice based on market and other developments. No representation is made, assurance given, or implication created that such statements, views, projections, track records or forecasts are correct after such date or that the objectives of Triton will be achieved.

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