



**Bregal**Investments

# Responsible Investment Report 2017



## About Bregal

Bregal Investments is the private equity platform that forms part of the COFRA Group, a privately held group of companies headquartered in Switzerland which also include a global fashion retail business (C&A) and real estate business (Redevco). Bregal Investments was founded in 2002 and has grown extensively since then, with over €1.2 billion invested to date. The firm focuses on transforming and growing businesses for future success, with its funds focusing on longer-term value creation. Typically these businesses have an enterprise value of under €500 million.

### Front cover

SolarReserve, a portfolio company of Bregal Energy, is a leading global developer of utility-scale solar power projects, which include electricity generation by solar thermal energy and photovoltaic panels. The image shows the Crescent Dunes Solar Energy Facility located in Nevada, US, the first utility-scale facility in the world to feature advanced molten salt power tower energy storage capabilities. See SolarReserve case study p30.

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## Our commitment to responsible investment

At Bregal, Environmental, Social and Governance (ESG) issues are a fundamental part of our decisions to invest in companies as well as our proactive ownership. We believe that a company's approach to ESG is a solid indicator of its prospects of long-term, sustainable value creation.

During our ownership, we work with each company to address the material ESG issues relevant to their strategy and our investment case.

In this inaugural Responsible Investment Report, we outline the ESG approach we are implementing and share examples of how we are collaborating with our portfolio companies to improve their ESG performance. We also introduce the Bregal Sustainable Development Fund, which aims to support individual portfolio companies in investing in projects that improve ESG aspects of their business model.

We trust this report shows our ongoing commitment to responsible investment.

### UN PRI

In September 2017, Bregal Investments LLP, on behalf of all Bregal funds, became a signatory to the United Nations Principles for Responsible Investment (UN PRI), a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.

The UN PRI is the world's leading proponent of responsible investment.

Signatory of:



These six principles are:

1. We will incorporate ESG issues into investment analysis and decision-making processes;
2. We will be active owners and incorporate ESG issues into our ownership policies and practices;
3. We will seek appropriate disclosure on ESG issues by entities in which we invest;
4. We will promote acceptance and implementation of the principles within the investment industry;
5. We will work together to enhance our effectiveness in implementing the principles; and
6. We will each report on our activities and progress towards implementing the principles.

## **A letter from our Co-CEOs** Quentin Van Doosselaere & Steven Black

We are pleased to present Bregal Investments' first external Responsible Investment Report, which coincides with the launch of a €40 million Bregal Sustainable Development Fund, created to help our portfolio companies invest in ESG-related improvement projects.

By way of introduction, Bregal Investments is part of the COFRA Group – a family-owned business that, for over six generations, has fostered a tradition of engaged entrepreneurship and a commitment to the power of business to positively impact society. Bregal's approach to responsible investment is therefore grounded in a rich tradition.

Established in 2002, Bregal Investments is a global family of private equity and fund investment vehicles. Since inception, we have invested in excess of €12 billion across our platform. Our firm started as a private equity fund-of-funds business, targeting fund investments in mid-market private equity funds. During the last decade, we have expanded our business significantly by establishing several direct investment funds, focusing on mid-market private equity investments in North-America and Europe. The Bregal platform currently comprises the following direct investment funds: Bregal



Unternehmerkapital, Bregal Milestone and Bregal Freshstream in Europe; Bregal Sagemount, Bregal Partners and Bregal Energy in the US, as well as our fund-of-funds business, Bregal Private Equity Partners. A significant milestone in 2017 was Bregal Sagemount's \$960 million fundraising of their second fund (Bregal Sagemount II). We are delighted that Bregal Sagemount II is the first Bregal fund with commitments from external institutional investors.

At the end of 2017, the 53 portfolio companies across the Bregal funds globally employed in excess of 29,000 employees and generated €4.3 billion total consolidated revenues. We pride ourselves on the growth in the breadth and reach of the Bregal platform in recent years. At the same time, we are conscious of the responsibilities towards all our stakeholders; whether they are our employees, our investors, or the local communities in which our companies operate.

In September 2017, Bregal Investments became a signatory to the UN Principles for Responsible Investments (UN PRI) on behalf of all its investment funds. We implemented these principles in our investment processes and ownership practices. We also seek to join forces with other investors to contribute to the development of a more sustainable and socially responsible financial system.

Our commitment to responsible investing is an ongoing process aiming to create long-term, sustainable value for our investors, whilst continuously raising our ESG standards to realise tangible improvements in the environmental and social sustainability performance of our portfolio companies. We are strongly committed to the integration of Environmental, Social and Governance (ESG) considerations in our investment and ownership approach. To underscore our commitment to responsible investment, last year Bregal Investments appointed a dedicated, in-house Director of Corporate & Social Responsibility to head our ESG efforts across the Bregal platform and to lead the implementation of our ESG approach. In addition, all Bregal funds have made one of the investment managers responsible for day-to-day ESG matters as an ESG 'point person'. Through our influence with investment managers and portfolio companies, Bregal has the opportunity to reach a wide audience and promote the integration of ESG considerations in business strategies.

In our role on the investment committee, both of us seek to champion investments in companies with a high level of business integrity and operating standards. The starting point of our responsible investment approach is to invest in well-run companies with sound business models, robust business integrity and an ability to have a positive impact on local communities but also society at large. We are conscious that in a broad portfolio of investments, across a wide range of industries, this can be challenging.

In light of this, each Bregal investment committee has introduced, or will shortly introduce annual ESG portfolio reviews to discuss the performance and progress on their respective portfolio companies' material ESG issues. These portfolio reviews increase the transparency and awareness around negative ESG impacts and ESG-related risks, but also highlight ESG improvement opportunities with the potential to create incremental value.

“Our commitment to responsible investing is an ongoing process aiming to create long-term, sustainable value for our investors, whilst continuously raising our ESG standards.”

Quentin Van Doosselaere Co-CEO

“The starting point of our responsible investment approach is to invest in well-run companies with sound business models, robust business integrity and an ability to have a positive impact on local communities but also society at large.”

Steven Black Co-CEO

Unique to the private equity industry, the €40 million Bregal Sustainable Development Fund (the SD Fund) aspires to further embed our ESG aspirations in our core business of creating the highest risk-adjusted returns for our investors. The SD Fund will provide attractive financing to existing portfolio companies across the Bregal platform, exclusively targeting ESG improvement projects such as renewable energy, energy efficiency, supply chain improvements and eco-efficient products. At Bregal, our ESG ambition is to move beyond just measuring and reporting ESG impact, but also to committing capital to support our companies to transition to more environmentally and socially sustainable business models. It is with that in mind that the SD Fund aims to enable our management teams to make meaningful ESG progress during the Bregal ownership period.

As far as our own organisation is concerned, we recently performed a carbon footprint analysis and subsequently part of our company became carbon neutral through the support of a borehole rehabilitation project in Ethiopia. In 2018, we aim to roll-out the carbon neutral initiative across the Bregal platform.

Furthermore, as part of the COFRA Group, Bregal is committed to corporate philanthropy and has been running a corporate giving programme since 2011, through which we encourage all our colleagues to participate in and to support charitable organisations that they personally relate to or are directly involved in, by providing grants to charitable organisations. In addition, Bregal has a matching grant programme, funded by the COFRA Foundation, to match and promote donations to charitable organisations and make a positive contribution to society.

Together with all our colleagues, we are proud to present in this Responsible Investment Report some of the initiatives we have developed to date, and thank our colleagues for their hard work and continuous commitment to ensure we are a responsible investor and owner.

## ESG approach

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Bregal Investments is a private equity platform consisting of five direct investment funds and a fund-of-funds business, deploying long-term, patient capital by investing in mid-market companies in the US and Western-Europe. Hence, we have exposure to a multitude of different industries and investment strategies.

We aim to consistently address Environmental, Social and Governance (ESG) aspects in all our investments. As part of the COFRA Group, a sixth-generation family business, the overarching principles of responsible investment across the Bregal platform are inspired by the legacy of engaged entrepreneurship and a commitment to the power of business to positively impact on society.

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## Pre-investment

### Screening & due diligence

At the pre-investment phase, the deal teams screen for relevant ESG aspects of an industry and the individual company. Dedicated ESG due diligence is performed on potential investments with a considerable or high level of ESG impact, both internally and with specialist consultants. This often includes site visits and an assessment of the company's main operations.

In our ESG due diligence we try to determine the materiality of the ESG issues identified and whether ESG considerations are addressed by management. We make a distinction between investment risks, operational excellence and strategic value considerations. Subsequently, the deal team evaluates whether these issues might have an impact on the investment case or valuation of the company. But often the ESG issues identified can be mitigated or managed when addressed thoroughly. However, the deal team might seek contractual protection against the identified ESG investment risks.

During ESG due diligence, as with other due diligence workstreams, regular updates are provided to the investment committee on progress and issues identified. Before we decide to make a commitment, the key ESG risks and opportunities, as an integral part of the investment process, are discussed with the investment committee.

### Investment decision-making

The ESG profile of a company and its industry has increasingly become an important consideration during our investment decision-making process. As stewards of long-term capital, we consistently ask ourselves whether Bregal is the right owner of a company and whether we should be active in a particular industry. In the past, ESG considerations have been the primary reason to refrain from pursuing an investment, which often had to do with issues or fundamental concerns about a business model. However, in the majority of cases, the ESG assessment provides an overview of relevant risks and opportunities and also gives an indication of how well the business is managed. During our investment approval process, ESG considerations are a standard part of our investment committee memos.

## Active ownership

Post-investment, our deal teams work closely with the management team to prepare a 100-day plan or value creation agenda. This plan guides the strategic direction of the business for the next three to five years and prioritises the key value creation initiatives. Bregal has the ambition to integrate an ESG roadmap as part of the broader value creation plan. This is only in case ESG aspects are material for the business and our investment case, in terms of investment risks or value creation opportunities.

We support management in preparing this comprehensive ESG plan. As shown in the six-step ESG approach, the main elements

of the ESG plan are a prioritisation of ESG issues, a materiality matrix, an overview of initiatives to improve ESG and KPIs to report and monitor progress. The purpose of this ESG plan is to guide management in embedding material ESG issues in their strategy.

The Board of Directors of each of our portfolio companies are Bregal's primary platform to define the long-term strategic direction of the business and to drive the value creation agenda, including ESG performance and progress. We encourage our Boards to discuss the ESG priorities and the performance and progress of meeting these priorities at least once a year more extensively.

## Our six-step ESG approach:

- 1 **Industry relevance** Determining the current ESG impacts throughout the value chain
- 2 **Materiality matrix** Materiality of key issues for company and stakeholders
- 3 **Company performance** Company performance on key issues and status quo
- 4 **ESG Roadmap** Translating management's long-term ESG vision into this year's initiatives
- 5 **KPIs and targets** Setting targets on ESG priorities and monitoring KPI performance
- 6 **Sustainable Development Fund** Selectively funding ESG initiatives of portfolio companies

## Example of our ESG approach Taziker Industrial – Bregal Freshstream

See Taziker case study p16 ▶



4 ESG Roadmap		Taziker's ESG impact			
		Low	Moderate	Considerable	High
Material issues	2018 Initiatives	Medium-term initiatives		Investment required	Long-term vision
<b>A</b> Employee well-being	Capture and report upon the number of referrals following a health assessment	Trend analysis enabling improvement campaigns		Low	Employee health should be improved by coming to work
<b>B</b> Employee safety	Increase workforce engagement in safety Trend analysis dashboard	Safety standards across sites/teams Maintain an open, responsive ethos to health & safety		Low	Be recognised as a leader in safety, striving to reach a zero Lost-Time Injury Frequency Rate
<b>C</b> Abrasive waste	Explore alternative preparation technology Research alternative recycling routes	Reduce the reliance on grit blasting by using alternate preparation techniques Send contaminated abrasive for recycling		Low	Zero to landfill
<b>D</b> Energy and fuel usage	Capture and report upon energy usage Start reporting on relative diesel usage	Increase share of renewable energy Report vehicle fuel usage		Medium	Become a carbon neutral organisation
<b>E</b> HR and good employment	Capture and analyse health statistics Minimum standards of site welfare	Career development plans Develop employee satisfaction scoring scheme		Medium	Position Taziker as employer of choice in the industry

Material issues are identified. A distinction is made between strategic value (red), operational excellence (grey) and investment risk (yellow) items.

Concrete ESG improvement initiatives for the current year (part of the budget) and the medium term (next 2–3 years).

Potential investments in order to realise long-term vision. Sustainable Development Fund might finance these projects.

Management vision of long-term development of their company within the boundaries of sustainable development.

## A letter from our Director Corporate & Social Responsibility Alvar de Wolff

The investment strategies of all Bregal investment funds centre around building good businesses, growing these businesses and making them more resilient to create long-term value for our investors. We believe that by including Environmental, Social and Governance (ESG) considerations in our investment strategy, we can ensure that our portfolio companies are more resilient and remain successful during and after Bregal's holding period.

At Bregal, there is a high level of awareness on ESG impact and a robust decision-making process to ensure that we invest in sectors or industries which we are comfortable with. We aim to invest responsibly and fundamentally believe that business can be a powerful and effective vehicle to support and promote a transition to a more sustainable society.

Historically, Bregal focused its ESG efforts mainly on investment risk considerations as well as ensuring that portfolio companies met certain minimum criteria in terms of environmental and social standards. In September 2017, Bregal Investments became a signatory to the UN PRI and have rolled out the implementation of annual ESG portfolio reviews with dedicated ESG point-persons in our investment teams and, as such, committed to further strengthen our responsible investment practices by proactively addressing and improving the ESG performance of portfolio companies during Bregal's ownership period. This has resulted in a foundation with both clear guidance and expectations from our LPs, as well as buy-in from our investment teams.

Bregal Investments' portfolio, through its five direct private equity funds, comprises 53 portfolio companies across Europe and North-America. A key pillar of our ESG approach is that we consider how much ESG impact there is in each of our portfolio companies, making a distinction between 'High', 'Considerable', 'Moderate' and 'Low' impact. Overall, approximately 40–45% of our portfolio falls in the categories of 'Low' and 'Moderate' impact. These companies are generally professional services or software companies, which tend to have lower operational ESG impact. For these companies, we have put in place measurement and reporting standards, including tracking and reporting energy usage from data centres, data security, privacy policies and employee well-being.





Companies in the 'Considerable' and 'High' category potentially have a more significant ESG impact due to their manufacturing footprints, complex and long supply chains, potential health & safety challenges, and other environmental, social or governance challenges. For the investments that are categorised as having 'High' or 'Considerable' ESG impact, we have the ambition to embed ESG considerations in the companies' strategies and to initiate or accelerate the improvement of ESG performance during our ownership. In these cases, we are conscious of the fact that it takes time, in many cases several years, before meaningful progress in terms of ESG is realised.

To achieve improvement in ESG performance, we support the management teams of our portfolio companies in formulating a vision for the long-term growth of their business within the boundaries of sustainable development. This exercise usually uncovers ESG challenges in our portfolio companies' own operations as well as along the value chain. Addressing these challenges will require attention from management and from the Board as part of their responsibility to build a long-term oriented, sustainable business. This long-term vision will be part of each portfolio company's ESG roadmap and subsequently we will also formulate short- and medium-term ESG initiatives to improve each company's ESG performance.

We currently have several investments in our portfolio that carry 'High' or 'Considerable' ESG impact that are considered ESG leaders in their sector, such as Taziker Industrial in the UK, which operates in an industry with potential occupational health & safety challenges and established an exemplary safety culture, and American Seafoods, a business that applies successful sustainable fishery management to ensure sustainable-

“The initial priority in our ESG approach is to try to improve the quality of discussions at the Board of each portfolio company concerning ESG matters to ensure the Board's focus on relevant ESG priorities and appropriate ESG targets.”

Alvar de Wolff Director Corporate & Social Responsibility

harvested, wild-caught fish. Both companies have already won several ESG-related industry awards in recognition of their achievements and operating standards. This recognition inspires us in our challenge to support all of our portfolio companies to move towards best-in-class ESG performance.

The private equity business model has a strong focus on governance, often owning a majority stake and controlling the Board of mid-market companies, and has proven to be very successful in the rigorous execution of sound business strategies and value creation plans, resulting in the creation of significant financial value. Using this strong focus on governance, and with the right priority at Board level, the private equity model is also suitable to drive structural ESG performance improvements. Therefore, the initial priority in our ESG approach is to try to improve the quality of discussions at the Board of each portfolio company concerning ESG matters to ensure the Board's focus on relevant ESG priorities and appropriate ESG targets.

At Bregal, we are conscious of the potential tension between private equity return requirements and sustainability improvements. To further improve the alignment of our ESG ambitions with our goal of creating superior returns for our investors, Bregal has established the €40 million Bregal Sustainable Development Fund (the SD Fund), which provides Bregal portfolio companies with funding on attractive terms to invest exclusively in ESG improvement projects. The SD Fund enables our teams to invest in sustainability projects of portfolio companies which, in a typical private equity setting, are unlikely to be approved due to their long(er) payback period. However, these ESG-specific projects now have the potential to become a lever to create additional financial value, whilst also supporting the company in its transition to a more sustainable business model.

For the purpose of this report, we have selected eleven case studies to give a fair reflection of our portfolio and to showcase the ESG approach of the Bregal platform. In selecting these eleven companies, circa 20% of the portfolio, we are illustrating the diversity of our portfolio and how we address a wide range of ESG risks and opportunities.

We are therefore pleased to publish Bregal's first Responsible Investment Report, which illustrates our commitment to responsible investing and offers further and more in-depth examples of our journey to date to create long-term, sustainable value for all stakeholders.

## Bregal Sustainable Development Fund

### Funding and supporting portfolio companies' ESG ambitions

The Bregal Sustainable Development Fund (the SD Fund) is a €40 million fund which provides loans at attractive terms to existing portfolio companies to invest in ESG-related improvement projects. The SD Fund has been launched in Q2 2018.

The purpose of the SD Fund is to support portfolio companies in transitioning their business models towards greater environmental and/or social sustainability by providing funds to invest in improvement projects which meet strict ESG criteria. The SD Fund aims to fund strategic relevant ESG projects which materially improve the performance of the company, whilst potentially enhancing the overall return of the investment.

Realising any substantial ESG improvements often requires funding. However, the payback period for ESG-related improvement projects may be too long for portfolio company management and its Board to decide to deploy scarce equity or operating cash to these projects. By launching the SD Fund we encourage our deal teams to take the next step in our ESG journey and to realise tangible ESG improvements.

The SD Fund is unique in the private equity industry and underscores our commitment to ESG. It offers attractive funding to realise untapped value creation potential and enhances our overall investment returns, whilst doing good.

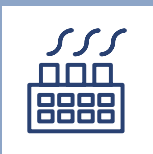
#### Eligible projects

SD Fund-eligible projects will substantially improve the sustainability performance of the company on ESG aspects relevant to the business. The improvement might be within the company's own operations as well as upstream in the supply chain or downstream at the consumer level. Eligible projects include but are not limited to:



#### Renewable energy

Investments related to new and ongoing renewable energy projects, such as rooftop solar, wind, biomass projects or associated energy storage solutions.



#### Emissions and waste

Projects to reduce emissions from the company's own operations or supply chain.

Investments related to projects that enhance recycling, material recovery, reuse and landfill waste diversion.



#### Sustainable water management and conservation

Investments in water efficiency projects such as upgrades to water efficiency fixtures or investments in water filtration.

## Financial highlights

Total fund commitment

€40m

Anticipated loan per company

€250k – €5m

“With the launch of the Bregal Sustainable Development Fund we take the next step in fully incorporating ESG in our value creation approach.”

Quentin Van Doosselaere Co-CEO



### Energy efficiency

Company operations – Investments in production processes or product efficiency improvements of at least 20% vs the incumbent technology or existing asset base.

Green buildings – Investments in upgrades of buildings in line with green building improvement certifications LEED and BREEAM. Projects include LED lighting, passive cooling systems, insulation etc. resulting in at least 20% energy efficiency gains.



### Ecosystem impact

Investments in impact reduction of company operations or its supply chain on terrestrial and aquatic biodiversity. Projects to protect and conserve nature.



### Eco-efficient product development

Development and introduction of environmentally friendly products, with eco-label or environmental certification, sustainable packaging and distribution.



### Supply chain improvements

Investments in enhancing operating standards of suppliers through improvements of health & safety standards, chemical usage, liveable wages of employees and supply chain transparency (i.e. supplier standards or chemical substances monitoring).

## Overview of funds



### BregalUnternehmerkapital

#### Equity Capital for mid-sized companies in German-speaking Europe

Bregal Unternehmerkapital specialises in majority and minority holdings, especially in mid-sized companies based in Germany, Switzerland and Austria – the 'Mittelstand'. Bregal Unternehmerkapital currently manages around €2 billion in overall assets, with €800 million available for new investments.

Portfolio companies	Employees
12	14,410
Assets under management*	Turnover
€1.0bn	€2.0bn



### Freshstream

#### UK and Benelux-focused middle market private equity fund

Bregal Freshstream invests in growing businesses based in Western-Europe, with a particular focus on the UK and Benelux markets. Bregal Freshstream focuses on businesses where their capital and support enables management teams to grow through strategic and operational change.

Portfolio companies	Employees
8	3,663
Assets under management	Turnover
€0.3bn	€0.7bn



### BregalPartners

#### Equity Capital for mid-sized companies in North-America

Bregal Partners invests in industry leading middle market companies that generate \$5 million to \$75 million or more of EBITDA. Bregal Partners seek to invest between \$20 million and \$90 million of equity in three core verticals: consumer and multi-unit; food and beverage; and energy services.

Portfolio companies	Employees
10	6,267
Assets under management	Turnover
\$0.7bn	\$1.0bn



\* Please note that fund financials are denoted in local currencies

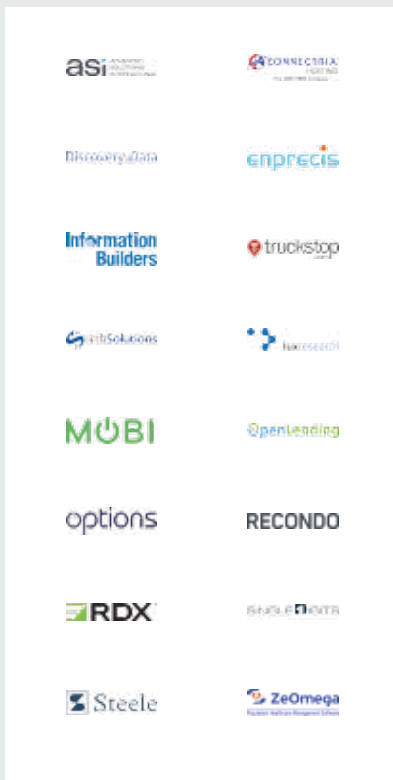




**Private Capital for Growth Companies in North-America**

Bregal Sagemount provides flexible capital and strategic assistance to market-leading companies in high-growth sectors across a wide variety of transaction situations. Bregal Sagemount focuses on industries with strong secular tailwinds and companies with recurring or re-occurring revenue streams. Sagemount manages multiple funds with more than \$1.7 billion of capital allocated to investments in growth companies.

Portfolio companies	Employees
<b>17</b>	<b>4,839</b>
Assets under management	Turnover
<b>\$0.7bn</b>	<b>\$0.8bn</b>



**Energy, power and renewables-focused middle market fund**

Bregal Energy, previously known as Good Energies Capital, is a private equity fund broadly focused on the North-American energy sector. Bregal Energy targets equity investments of up to \$100 million to support growth-stage companies and the deployment of proven technologies across the North American energy sector.

Portfolio companies	Assets under management
<b>6</b>	<b>\$0.3bn</b>



**Private equity funds, co-investments and secondaries**

Bregal Private Equity Partners (BPEP) manages a diversified portfolio of private equity fund investments, with fund commitments that typically range from €20 million to €50 million. BPEP aims to build 25-30 long-term GP relationships in Europe, North America and selected emerging markets. When appropriate, Bregal will make co-investments of up to €50 million per company and invest in secondary transactions.

Funds invested	Number of managers
<b>90</b>	<b>61</b>
Assets under management	
<b>€1.0bn</b>	



**Bregal**Unternehmerkapital

# Novem

Novem is the world-market leader in the manufacturing of high-quality trim and decorative function elements for car interiors.

The company's products comprise trim parts made of wood, aluminium and premium synthetics, such as veneered panels for dashboards, centre consoles and door panels and decorative trim parts with functional features and integrated lighting.

Novem's customers include some of the most prestigious automobile manufacturers (OEMs) in the premium segment, such as Audi, BMW, Daimler, Volvo, GM, Porsche and Maserati. The company operates eleven production facilities in Germany, Italy, the Czech Republic, Slovenia, Honduras, Mexico and China and has a logistics centre and a sales office in the US.

**novem**

Revenues

**€654m**

Employees

**6,210**

Sector

**Automotive**

Head office

**Vorbach, Germany**

## Portfolio company case studies Novem

### Our investment opportunity

#### Global market-leading position in wooden, metallic interior trim parts

Novem is the clear market leader in wooden decorative trim parts and is more than two times larger than the number two player.

#### Internationalisation

Significant further growth potential in China and North-America on the back of recently opened or expanded local production facilities, for example through new local customer accounts.

#### High barriers to entry

Manufacturing of interior trim parts requires experienced and, in comparison to other automotive supply manufacturing activities, semi-skilled and skilled labour. Interior trims are increasingly important as a differentiating factor for OEMs.

### ESG industry relevance

The automotive industry is reliant on a complex supply chain, with seamlessly integrated production of different parts into the production planning cycle of OEMs, which requires a highly efficient component production and delivery system. In this production process, continuous improvements in resource efficiency are essential to reduce costs, increase competitiveness and minimise the impact on the environment.

Besides the ongoing aspiration to improve resource efficiency in production, the key challenge for the automotive industry in terms of sustainability is the transition from technologies based on the internal combustion engine to lower carbon intensive, alternative technologies such as electric cars.

The industry requires a skilled and dynamic workforce. In the ESG materiality assessment of OEMs, human capital and a skilled labour force are key areas of focus for themselves and external stakeholders. To ensure continued growth, the industry is focused on increasing the take-up of automotive careers, the training and retention of employees, as well as addressing the challenges posed by new technologies and an ageing workforce. In addition, safety standards in production are paramount.

### ESG performance and progress

#### Good employment and health & safety

Novem's highly skilled and motivated workforce is essential in continuing the company's further growth on a global scale. Novem has adopted a Code of Conduct, which guides the company's efforts in building a relationship of fairness and trust with its employees. Regular safety training is in place in order to check status and ensure compliance with Novem's high workplace safety standards (e.g. fire safety).

Health & safety standards in the production facilities are a top priority. Safety performance has been constant at a very high level: the yearly 'accidents at work' average per employee was c. 0.03 throughout 2016 and 2017. Similarly, the days of 'Absence due to accidents' remained at a low level of only c. 0.3-0.4 days per employee per year throughout 2016 and 2017. In addition, Novem actively promotes the hiring of disabled employees in its workforce. By the end of 2017, Novem employed 132 disabled employees compared to 107 at the beginning of 2015.

#### Resource usage and waste

Novem production plants are certified in accordance with ISO/TS 16949 as well as DIN EN ISO 14001 and DIN EN ISO 50001, ensuring quality management standards and management of environmental responsibilities. Resource usage is tracked per part produced and the company continually seeks to improve its performance.

In 2017, the electricity cost per produced part was reduced by 13.8% to €0.31. Fuel costs per part produced decreased by 15.6% to €0.05. The recycling ratio in 2017 was on average 82.1%, which was slightly lower than the 85.6% realised in 2016. Furthermore, equipment costs per worker decreased from on average €19.1 per worker in 2016 to €18.3 in 2017.

#### Responsible sourcing

In general, Novem's key product ingredient, wood veneer, is considered a sustainable material (in comparison, for example, to aluminium or synthetic material) in terms of carbon dioxide footprint. Further, Novem ensures sourcing of wood veneer exclusively from certified suppliers which are regulated by EUTR (European Timber Regulation), which ensures that only legally sourced timbers are brought to market. Novem's largest veneer supply partners (which include ALPI and Danzer) are known to incorporate sustainability in their corporate strategies. Novem is mainly processing European woods (sourced from countries such as Italy, Czech Republic, Spain, Austria and Finland) as well as North-American and Chinese woods, but no tropical woods.



“Social responsibility and sustainability are important pillars of Novem's long-term strategy. Management sees entrepreneurial activity as creating an obligation towards the sustainable development of society and our environment.”

Günter Brenner CEO, Novem



**Bregal**Unternehmerkapital

# Onlineprinters

Onlineprinters is the leading online platform for individualised B2B sales and marketing products focusing on Small and Medium-sized Enterprise (SME) customers.

Onlineprinters almost exclusively markets its products via the internet. The company produces more than 1,500 printed products including flyers, posters, advertising banners, catalogues and brochures. Onlineprinters produces more than 2.5 billion print runs per annum and serves more than 1,000,000 customers in 30 European countries. The company was established in 1984 in Neustadt an der Aisch, Germany and now also has operations in Southend-on-Sea (UK), Aarhus (Denmark) and Szczecin (Poland).

 **Onlineprinters**

Revenues

**c.€200m**

Employees

**1,400**

Sector

**Business services**

Head office

**Neustadt an der Aisch,  
Germany**



## Portfolio company case studies Onlineprinters

### Our investment opportunity

#### Platform model with highly diversified SME customer base

Onlineprinters is serving an attractive base of more than 1,000,000 customers with a high share of recurring revenues. The company's superior technological capabilities allow for efficient acquisition and retention of customers.

#### Buy-and-build opportunity in fragmented market

The acquisitions of Solopress in the UK and LaserTryk in Denmark have improved the international as well as growth profile of Onlineprinters and have significantly strengthened its market position as one of the three largest European online printers.

#### Operational improvement potential

As the business grows both organically and through acquisitions, the company benefits from efficiencies in marketing, production and sourcing. Particularly, the successful optimisation of its online marketing processes.

### ESG priorities and performance



#### Responsible paper sourcing and paper waste

Onlineprinters promotes the usage of FSC- and PEFC-certified papers by its customers. During the period 2015–2017 the use of certified sustainable paper increased by 10% per annum. Paper waste is both an important economical and environmental consideration. In general, online printing generates 30–40% less paper waste compared to traditional printing due to a more efficient gang-run printing process. However, by nature of printing processes, waste levels are still significant. Onlineprinters has reduced its waste level from 33% in 2016 to below 30% at the end of 2017. This compares to a theoretically achievable, optimal level of 20%. The paper waste stream is 100% recycled.



#### Energy usage and emissions

Energy consumption relates to printing machinery operations, lighting and heating as well as logistics and transportation. This is an important cost driver and Onlineprinters' dedicated energy management officer is responsible for continuous improvements in energy efficiency. In 2011, the company was certified ISO 50001 for its energy management processes.



#### Good employment

With 1,400 employees, of which the majority work in the production facilities, occupational health & safety standards and employee well-being are essential. During 2015-2017, Onlineprinters realised a 24% reduction in the number of employees' sick days. In September 2017, nine high school graduates joined Onlineprinters as part of its apprenticeship programme. Operational personnel receive extensive training to be able to operate the high-tech printing machines.

### ESG industry relevance

The supply chain of the printing industry has a considerable impact on the environment and is relatively labour intensive with c. 770,000 employees in the EU. The European printing sector operates under strict environmental regulations and companies increasingly focus on undertaking ambitious voluntary initiatives to improve their sustainability. The printing sector is inter-connected with forest-based industries such as wood-working, pulp and paper, hence the sustainability of sourcing paper is an important ESG aspect for the industry. The Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) are global verification and certification schemes ensuring the responsible management of the world's forest by certifying paper supply and labelling them eco-friendly.

Direct ESG impacts of printing companies mainly relate to chemical and solvent usage, Volatile Organic Compounds ('VOCs') emissions, waste streams and energy usage.



“In 18 months of Bregal ownership, we almost doubled our revenue and have a unique position in the European online printing market. With the “Imprim Vert” certificate we now comply to one of the toughest ecological printing standards in Europe.”

Michael Fries CEO, Onlineprinters



Freshstream

# Taziker Industrial

Taziker Industrial (TI) is an independent provider of structural strengthening, refurbishment, coating and maintenance services to the UK Rail sector and other growth markets.

TI provides an integrated package of services to ensure ageing critical infrastructure assets in demanding environments are structurally strong, surface protected and safe to use. Founded in 1969, the company has a long history of completing large volumes of complex and time-critical projects to the UK's Rail infrastructure, often to aged, Victorian-era structures.

## TAZIKER INDUSTRIAL

Revenues

£63m

Employees

570

Sector

**Industrials**

Head office

**Bolton, UK**

## Portfolio company case studies Taziker Industrial

### Our investment opportunity

#### Leading UK provider of rail bridge strengthening services

As the leading railway maintenance contractor, Taziker has long-term framework contracts in place with its key customers, including Network Rail.

#### High barriers to entry due to highly specialist expertise

The experience and quality of the Taziker workforce has created a clear competitive advantage and differentiation from its main competitors.

#### Industry-leading safety track record

Key customer Network Rail benchmarks safety performance of its contractors. During the past five years TI has continuously outperformed the industry in terms of safety performance and management.

### ESG industry relevance

The railway bridge maintenance contracting industry is a highly regulated critical environment with significant compliance and health & safety requirements, along with the need to obtain and maintain key operating licences that are increasingly difficult to acquire. The contractors perform their services in challenging conditions, often working at height and with trains continuing to operate. Therefore, occupational health & safety standards are a 'licence to operate' in the industry and have become a key differentiator for the leading Tier 1 contractors.

In addition to safety standards, operational staff might be exposed to or use hazardous substances such as paints, coatings, solvents and detergents. Personal protection equipment and hygiene are essential in ensuring a safe working environment. In addition, for surface preparations, the industry mainly uses sandblasting techniques, which can potentially result in exposure to dust as well as noise emissions which can cause injuries.

Environmental impacts mainly relate to abrasive waste from sandblasting operations and carbon emissions from on-site diesel generators and the fleets of cars and vans.

### ESG priorities and performance

#### Employee well-being

All of TI's people undertake an annual self-certification medical, followed by a visit to one of TI's appointed doctors, where they receive eyesight, blood pressure and BMI checks and a consultation to discuss any health concerns.

Operational staff, exposed to noise, chemicals, hand-arm vibration syndrome (HAVS) and dust, undertake further examinations, such as audiometry measurements, dermatitis checks and body vibration assessments. Staff also provide a blood and urine sample every three months to measure their lead exposure and identify any related conditions at an early stage. In 2018, TI will implement a KPI for blood lead level and report upon average levels as well as monitor the use of TI's Employee Assistance Programme.

#### Employee safety

The company's strong ethos in health & safety has also contributed to its successful safety track record. TI have embraced a Behavioural Safety Programme, helping to improve the safety culture and on-site attitude to work across all sites. The implementation of technology that allows operating staff to immediately report close calls and the cause has been pivotal.

In 2018, TI continues to enhance its safety management by increasing workforce engagement for close calls, implementation of a trend analysis dashboard and the development of minimum training and experience levels for each role description.

#### Abrasive waste

Abrasive waste from sandblasting is TI's primary waste stream and a significant environmental impact. Moreover, the operating expenses of sending the grit waste to landfill continues to increase. The company formulated a long-term ambition to transition to a business model which sends 'zero to landfill'. In 2018, management will conduct research and trials of alternative preparation technologies and research alternative recycling routes for contaminated waste.

#### Energy and fuel usage

In the long term, TI has the ambition to become a carbon neutral company. The company uses more than 1.5 million litres of diesel a year for its on-site generator, which makes fuel consumption one of the most relevant ESG impacts of the business. Alternative, low carbon technologies will be explored and the company will increasingly be powered by renewable energy.



“Safety in Taziker Industrial is at the forefront and is the foundation of everything we do, the goals we have set ourselves to achieve and the culture we embed in all employees and supply chain partners. Our aim is to get everyone home safe every day.”

Paolo Benedetto Acting CEO, Taziker Industrial



Freshstream

# Euro Caps

Euro Caps produces Nespresso™ compatible coffee capsules and Dolce Gusto® compatible capsules for retailers and coffee companies.

The company was founded in 2012 by a group of entrepreneurs. The single-serve coffee market accounts for more than c. 35% of the overall coffee market and is the fastest growing segment. Euro Caps sells its private label coffee capsules mainly to Western-European retailers and coffee brands. Euro Caps has developed and offers more than 100 different coffee blends and produces c. 3 million capsules per day in its two production facilities.

**EURO CAPS™**  
*Custom Packaging*

Revenues

€86m

Employees

293

Sector

**Consumer**

Head office

**Rotterdam,  
the Netherlands**

## Portfolio company case studies Euro Caps

### Investment opportunity

#### Market growth of premium single-serve coffee

The single-serve coffee market is growing on the back of convenience trends, variety of choice and consistent high quality. In addition, the number of single-person households continues to increase.

#### Clear market leader benefiting from scale

As first-mover, Euro Caps has become the largest Nespresso™ compatible coffee capsules producer in the world with unrivalled scale and production capacity.

#### Quality and R&D capabilities

Euro Caps has built a dedicated R&D and testing team of coffee experts, which is unrivalled by its direct peers. This enables the company to continue leading the industry in quality and innovation.

### ESG industry relevance

The coffee industry is a high-risk industry from an ESG perspective, with significant potential impacts upstream in the supply chain. An estimated 80% of the global coffee supply is produced by 25 million smallholders<sup>1</sup>. For their living standards, these smallholder farmers and their local communities are often dependent on the success and profitability of their coffee production. Challenges are poverty, commodity price fluctuations and increasingly erratic rainfall patterns caused by climate change<sup>2</sup>. Environmental challenges of the industry include the loss of biodiversity, soil deterioration, water management and the destruction of forests and wildlife habitats.

The supply chain of coffee is long and complex with multiple actors comprising growers, traders, roasters, processors, distributors and retailers. This makes transparency and accountability in the supply chain a structural challenge. The industry has acknowledged many of the potential ESG-related challenges inherent to the coffee industry and aims to demonstrate its responsibility for ESG performance through several certification schemes, such as Rainforest Alliance, UTZ and Fairtrade.

### ESG performance and progress

#### Supply chain impacts

Euro Caps focuses on the grinding, blending and packaging of coffee. Retail customers often dictate the type of coffee and certification standards they require. Euro Caps sources from several coffee roasters and, as such, the direct impact of Euro Caps on coffee standards is limited compared to coffee brands buying more directly. By 2020, Euro Caps targets to buy a 100% certified coffee. Currently, 84% of its coffee is certified by Rainforest Alliance, UTZ or Fairtrade.

#### Consumer waste

A key area of focus for Euro Caps' R&D efforts and budget is directed towards the development of a biodegradable capsule in the near future. The company is also working with existing suppliers and potentially new suppliers to stay on top of the latest developments in this area. Until now, it is still challenging to find biodegradable alternatives that combine sufficient technical product quality and biodegradability, but the technology is developing rapidly.

#### Manufacturing footprint

The ESG impacts from Euro Caps' production process mainly relate to energy usage and waste. The company sources 100% green electricity and is committed to reducing its energy usage through process optimisations and retrofits (i.e. LED lighting). In 2018, management plans to perform a carbon footprint analysis, which should offer insight into potential further improvements in reducing its direct impact.

#### Employee well-being

Vitality and the well-being of employees are key pillars of Euro Caps' operational performance. Absenteeism levels, staff turnover and training programmes are managed well. In addition, Euro Caps participates in the projects "De Harde Leerschool" and "Heilige Boontjes", programmes which prepare underprivileged youth with poor career prospects from the Rotterdam area for a career or further education. The company aims to hire a number of new employees through these programmes per annum.



“Euro Caps believes in knowledge: about coffee, materials and quality. Knowledge to share and develop. It's the key to growth and success. We want to make a positive impact on the development of our colleagues, coffee farmers, the environment and the coffee chain as a whole.”

Nils Clement CEO, Euro Caps

1 Source: Fairtrade Foundation website

2 Source: Rainforest Alliance website



**BregalPartners**

# American Seafoods

American Seafoods is one of the largest seafood companies in North America and one of the largest harvester-processors of sustainably-harvested wild-caught fish in the world, producing more than 500 million meals of lean protein per year.

The company owns and operates a fleet of six large catcher-processor vessels operating out of Dutch Harbor, Alaska and Seattle, Washington. A leader in the global seafood industry, American Seafoods provides customers the world over with consistently high-quality seafood products. American Seafoods' vessels harvest and process on board Alaska pollock, yellowfin sole, and Pacific cod in waters off Alaska and Pacific hake off the coasts of Oregon and Washington. This at-sea processing within hours of harvest produces the highest-quality products possible.



Revenues  
**\$393m**

Employees  
**826**

Sector  
**Fishing**

Head office  
**Seattle, WA, US**

Operational office  
**Dutch Harbor, AK, US**

## Portfolio company case studies American Seafoods

### Our investment opportunity

#### Access to abundant and well-managed, sustainable natural resources

American Seafoods has protected rights to harvest wild Alaska Pollock in the US Bering Sea, which is the largest US fishery by volume, accounting for one-third of total catches of seafood in the US.

#### Market-leading company in attractive segment of pollock fishery

American Seafoods is the largest harvester in the US Bering Sea of Alaska Pollock and Pacific hake fisheries, with almost half the directed allocations to catcher-processors in those fisheries.

#### Favourable global trend of increasing protein demand

Growth in per capita seafood consumption is due to increased awareness of the health benefits of eating lean fish, which is high in protein and contains omega-3s, coupled with a greater consumer focus on sustainably caught-wild fish traceable to its origin.

### ESG industry relevance

The Alaska Pollock fishery is sustainably managed by the North Pacific Fishery Management Council and National Marine Fisheries Service. Using annual surveys, scientists measure available biomass and generate conservative catch limit recommendations. Subsequently, fishery managers set harvest quotas at or below recommended scientific levels ensuring the fishery's long-term sustainability.

In 1999, Congress passed the American Fisheries Act, enabling the catcher-processors and other sectors of the Bering Sea Alaska Pollock fishery to establish cooperatives and thereby allocate amongst themselves their share of the annual quotas and the small amounts of bycatch, being fish caught unintentionally, needed to catch it. This has improved the sustainability by reducing bycatch, improving yields and supporting important scientific research.

There are two independent, federally mandated observers aboard the company's vessels at all times while fishing to monitor harvest, ensure compliance with all federal fishing and safety regulations, and collect important scientific information used in the management of the fishery.

While bycatch is an inevitable side-effect of any fishing activity, the US Alaska Pollock and Pacific hake fisheries are among the world's cleanest.

### ESG performance and progress



#### Sustainability of the fisheries

All four fisheries that the company harvests from are Marine Stewardship Council (MSC) certified, providing independent assurance that the fisheries are well-managed and sustainable. The Bering Sea/Aleutian Islands Alaska pollock and US Pacific hake fisheries have the highest MSC scores of any other whitefish fisheries, with scores of 96.3 and 95.5 out of 100 respectively. In 2018, the Alaska Pollock fishery is seeking recertification with the Alaska Seafood Marketing Institute's Responsible Fisheries Management programme. In addition, American Seafoods continues to test gear modifications to further reduce bycatch and cooperates with the non-profit SeaState to avoid high-bycatch areas.



#### Labour standards and safety on board the vessels

While commercial fishing is, by nature, a hazardous occupation, American Seafoods aims to be best-in-class in health and safety performance in the industry. In 2014, American Seafoods became the first fishing company to complete a 4-pillar, Sedex Members Ethical Trade Audit (SMETA) with no corrective actions. This audit was successfully completed again in 2017. SMETA's 4-pillars comprise health & safety, labour standards, environment and business ethics. In 2018, the company is implementing an enhanced

claims database and IT programme that classifies injuries by type and root cause to further improve safety standards on board.



#### Energy usage and carbon/water footprint

The carbon footprint and the amount of energy required to bring proteins to the market has become more important to consumers in recent years. In 2012, American Seafoods was one of the first fishing companies in the world to measure its products' carbon footprints. The analysis concluded that wild-caught Alaska Pollock has one of the lowest carbon footprints of any protein source. For the years measured, the carbon footprint of American Seafoods' products made from Alaska Pollock was 1.42 kg CO<sub>2</sub>/kg finished product. This compares favourably to chicken (2.2), pork (4.4), and beef (23.8) – and plant-based proteins such as tofu (2.0).

In 2018, American Seafoods is commissioning an updated carbon footprint analysis that will include for the first time its operational water footprint. As all vessels produce all the fresh water required by desalinating salt water, the results are expected to show that American Seafoods' products compare favourably to all other protein sources, including plant protein. In addition, fuel consumption KPIs will be introduced and monitored. Ongoing upgrades to the fleet will seek to improve fuel efficiency, where possible.



### “American Seafoods recognises our enormous responsibility to the quota rights assigned to us.

We place the highest expectations on ourselves to harvest and transport sustainably wild-caught white fish around the world with the smallest possible environmental footprint and highest state of freshness. Our specially designed mid-water trawlers are emblazoned with our 'Pride of the Sea' logo to remind our team members of our mission and our extremely high standards.”

Mikel Durham CEO, American Seafoods



**BregalPartners**

# Ruby Slipper

The Ruby Slipper Café is an award-winning restaurant concept, known for adding New Orleans flair to Southern breakfast, brunch, and lunch offerings. The company currently has nine locations in Louisiana, Florida, and Alabama, with an additional location opening in New Orleans, LA in Q4 2018.

The Ruby Slipper Café was founded in May 2008, three years after Hurricane Katrina devastated Jennifer and Erich's New Orleans Mid-City neighbourhood. As the city recovered from that life-changing storm, the founders seized the opportunity to turn a blighted corner store into a vibrant gathering place where neighbours could enjoy unique New Orleans-inspired food in an authentic and vibrant atmosphere.



Employees

**320**

Sector

**Food retail**

Head office

**New Orleans, LA, US**



## Portfolio company case studies Ruby Slipper

### Our investment opportunity

#### Unique restaurant concept

Breakfast/brunch is arguably one of the more attractive segments within the restaurant space, because

- daypart has fewer dedicated players vs. crowded lunch or dinner
- it caters to millennial population that continues to drive growth in the category
- lower price points in breakfast/brunch, even in premium segment.

#### Roll-out potential

Ruby Slipper Café's menu has wide appeal and the concept has significant roll-out potential. White space opportunity is credible, with meaningful upside if we can prove out the concept in new market in the Southern part of the US.

#### Opportunity to build growth platform

Clear opportunity to partner with founders to build infrastructure for future growth, with goals of further investing in brand-building, community engagement, real estate strategy, people and systems, and other infrastructure required for this next chapter of growth.

### ESG industry relevance

ESG considerations are crucial within the foodservice industry, especially when it comes to reducing supply chain footprints, promoting the equitable treatment of employees, and using responsibly produced ingredients. The footprint of the food sourced is often several times the size of the restaurants' own operations, therefore responsible sourcing is important. Over the last decade, consumer behaviour has been changing, resulting in an increasing consumer preference for fresh, local, healthier, low-impact ingredients. Other ESG aspects are the ever-increasing focus on food safety and traceability of ingredients.

Consumer demand for food concepts continues to shift towards more authentic, fresh and local produce as well as more sustainable, high-quality food offerings. These trends have resulted in the rise of 'better ingredients' chains. Many concepts today, especially newer 'upstart' chains, focus beyond just providing good food, and devote considerable efforts into their food concept, local community aspects and broader corporate and social responsibility.

### ESG performance and progress

The ESG priorities discussed below reflect our initial findings of due diligence. We assessed the ESG performance of Ruby Slipper based on available information at that time. Below are select highlights:

#### Local community

Dating back to its founding, the company has placed a significant emphasis on being involved in the local community and supporting local causes, events and businesses. For example, the company is a meaningful supporter of Liberty's Kitchen, a local organisation that provides foodservice-based training to New Orleans youth aged 16–24 who are out of work and out of school. Jennifer sits on the board of Liberty's Kitchen, and the company currently employs a number of alumni from the programme. Outside of the foodservice space, Ruby Slipper partners with EdNavigator, an organisation of former teachers, school leaders, and counsellors who help families develop customised education plans and set clear learning goals. Through this partnership, eligible employees have access to expert Navigators who provide personalised guidance and hands-on support with school.

#### Food quality and health & safety standards

The company recognises food safety and health standards as an area of utmost importance. In addition to food safety audits from regulatory agencies, the company hires a third-party to run unannounced food safety audits and also performs internal checks. All audits are conducted per California requirements, which has the strictest food safety laws in the country. The company has had few food safety issues historically, though audit results are used to continuously realise further improvements.



#### Sourcing of ingredients and food offering

New Orleans has always had a rich history of unique and distinctive food. The local cuisine blends Creole, Cajun and French influences. Reflecting this, the Ruby Slipper menu showcases various items which are not only New Orleans inspired, but also made from fresh and locally sourced ingredients when possible. The company's sourcing strategy is focused on procuring fresh ingredients from local suppliers. For example coffee is exclusively provided by a FairTrade certified local supplier, French Truck Coffee, and the company's orange juice is sourced from a nationally acclaimed local supplier, Natalie's Orchid Island Juice which boasts 100% US-made and sustainably produced products. Similarly, the company only serves Gulf Shrimp sourced from Inland Seafood, a south-eastern seafood distributor committed to sustainability. Though management already takes ESG considerations into account in their sourcing strategy and food offerings, this will continue to be an area of focus for their ESG roadmap going forward.



#### Environmental impact

Since the beginning of 2017, the company has phased in many changes in an effort to be more environmentally mindful. All New Orleans locations now use LED lighting, coffee grinds waste is supplied to a non-profit (Sugar Roots Farm) and is used as compost in their free-range farm, and there has been a concerted effort to recycle plastic, metals and glass. Going forward, the company is exploring opportunities for additional food donations and food waste reduction initiatives.



“Giving back to our community in the wake of Hurricane Katrina was the building block on which we started this company.

Over the past ten years, we have stayed true to investing in and bettering both our community and team members through partnerships with various local causes, such as Liberty's Kitchen. Emphasising CSR has not only helped focus us in that thinking, but has also helped us to further develop and grow our ability to give back.”

Jennifer Weishaupt CEO, Ruby Slipper



**BregalSagemount**

# Connectria

Connectria is a provider of public, private, and hybrid managed hosting and related services, primarily to customers based in the US.

The company provides a range of basic to complex multi-vendor solutions and supports a range of technologies.

Connectria operates out of four data centres, two of which are in the St. Louis area. Since the company does not typically offer co-location services, the customer has no need to physically touch their infrastructure which means Connectria can serve a distributed customer base without a corresponding nationwide footprint.



Employees

**150+**

Sector

**Managed IT hosting  
and services**

Head office

**St. Louis, MO, US**

## Portfolio company case studies Connectria

### Our investment opportunity

Differentiated model in an increasingly commoditised, managed hosting sector Connectria has established a reputation for providing differentiated, customised hosting and managed services to demanding clients, resulting in a highly recurring base of revenue. The company's long-running expertise in providing hosting and managed services for IBM i means the company can compete for business where many providers cannot.

#### Meaningful opportunity to enhance Connectria's organic growth

Sagemount Growth Factors actively works with our portfolio companies to expand organic growth. Given a significant number of Connectria's leads today are derived from inbound prospects, a great opportunity exists to accelerate lead generation and prospecting through targeted outbound sales. This, in coordination with continued inbound sales, will lead to accelerated growth.

#### Well positioned to take advantage of the growing need for hybrid cloud

Connectria's managed public cloud and hybrid hosting offerings complement internally hosted solutions and position Connectria to take advantage of the growing popularity of offerings from Amazon (AWS) and Microsoft (Azure). Management has identified managed public cloud services as an area of significant growth potential as enterprises look to take advantage of the benefits of hyperscale public clouds for a portion of their workloads.

### ESG industry and company relevance

Connectria operates within the broader IT infrastructure industry and manages hardware on behalf of its clients. While the company does not directly own any data centres, the industry is a significant energy user. Globally, data centres consume up to 3% of all electricity production while producing 200 million metric tons of carbon dioxide. The migration to the cloud is driving the need for more data centre capacity, which in turn is increasing energy consumption. Connectria is actively working with its data centre partners to reduce emissions as much as possible.

Connectria employs more than 150 individuals and has developed an ESG-focus surrounding reducing energy usage, improving workplace culture and diversity, and instituting recycling programmes in its offices.

### ESG performance and progress

#### Data centre energy usage and carbon footprint

Connectria operates out of four data centres across St. Louis MO, Lewisville TX and Philadelphia, PA. The company has 450+ rack capacity with a combined contracted power capacity of 2,000+ kW. The company does not own any of these data centres, so management has a limited impact on the carbon footprint of these systems. The company has begun a process of data collection to better understand the broader carbon footprint of its environments and is working with its co-location providers to reduce emissions, improve power usage effectiveness and decrease both direct and indirect energy usage.

#### Employee culture

Connectria maintains a strong 'No Jerks Allowed' culture and has won numerous accolades as a top place to work. The company provides generous health and wellness benefits to employees, including fitness centres with personal trainers, on-site company-paid flu shots, a smoking-cessation programme, CPR training, and tickets to baseball and hockey games. Connectria pays 100% of employees' health, dental and disability insurance and makes a minimum 3% contribution to their 401(k) accounts, whether the employee contributes or not.

#### Energy efficient lighting and recycling at its offices

Connectria has instituted a 'Go-Green' programme at its St. Louis headquarters and has made significant efforts to both reduce waste and the company's carbon footprint. All lighting has been replaced with energy efficient bulbs and is set with motion sensors to control lighting. The company has also replaced many disposable cups and plates with reusable materials and instituted a significant recycling programme.



“At Connectria, we integrate corporate responsibility and sustainability principles into our business strategy, operations and culture.

As part of our 'No Jerks Allowed' company philosophy, we encourage our employees to incorporate CSR-oriented practices in the workplace, and it is also part of the criteria we use when reviewing vendors. Ultimately, our goal is to ensure that we put CSR efforts in place that are effective and lasting.”

Richard Waidmann President and CEO, Connectria



**BregalSagemount**

# Options

Options is the leading global provider of hedge fund technology, financial technology managed services and IT infrastructure services and is based in London, UK

Options is a leading provider of cloud-enabled managed IT services, offering front to back office managed infrastructure to financial services customers globally including desktop, colocation, application hosting services and technology consultancy services. Over 200 firms globally leverage the Options platform, including the leading global investment banks, hedge funds, funds of funds, proprietary trading firms, private equity houses and exchanges.

Options operates out of seven regional offices and over 30 data centres in financial cities around the world. Since the company offers managed services for production critical infrastructure, including colocation and complex application environments, a global footprint is integral to serving its customer base effectively. As such, Options is organised to provide secure access to its environment in the key financial sector regions where its customers and major exchanges are located. Facilities are leased from strategic data centre partners in-region including Equinix.

options

Revenues

£50m

Employees

190+

Sector

**Financial technology managed services and IT infrastructure services**

Head office

**London, UK**

## Portfolio company case studies Options

### Our investment opportunity

#### Differentiated model in an increasingly commoditised managed hosting sector

Options has established a reputation for providing differentiated, customised hosting and managed services to clients in the financial services industry, resulting in a high level of stickiness. The company's long-term expertise in providing hosting and managed services for key financial applications means the company can compete for business where many providers cannot. Further, Options' managed co-location service is robust and hard to replicate.

#### Favorable industry dynamics with growing addressable market

The managed hosting and infrastructure market is expected to grow at a robust rate for the foreseeable future, driven by the increasing adoption of complex computing technologies, rapid movement of workloads into an online environment, requirements for high availability and disaster recovery, and growth in creation of data and IP traffic.

**Significant growth potential through investment in personnel and acquisitions**  
Sagemount's capital will allow Options to accelerate the pace of key, value-add hires and explore small to mid-size acquisition opportunities that expand Options' value proposition to customers.

### ESG industry relevance

Options operates within the broader IT infrastructure industry and manages hardware on behalf of its clients. While the company does not directly own any data centres, the industry is a significant energy user. Currently, data centres consume up to 3% of all global electricity production while producing 200 million metric tons of carbon dioxide. The migration to the cloud is driving the need for more data centre capacity, which in turn is increasing energy consumption. Options has an active dialogue with its data centre partners to reduce emissions as much as possible.

Options employs more than 190 individuals and has developed an ESG focus surrounding reducing energy usage, improving workplace culture and diversity, and instituting recycling programmes in its offices.

### ESG performance and progress

#### Data centre energy usage and carbon footprint

Options operates out of over 30 data centres around the world. As the company does not own any of these data centres, management has a limited impact on the carbon footprint of these systems. That said, the company partners with green certified facilities where possible, including Equinix whose leading energy efficient and environmentally sustainable data centres account for almost half of the Options footprint. Management has begun a process of data collection to better understand the broader carbon footprint of its environments and is working to lobby with management of its co-location providers to reduce emissions, improve power usage effectiveness and reduce both direct and indirect energy usage.

#### Employee culture

Options has 190+ full-time employees in nine regions globally and places a huge emphasis on personal and professional development for all its employees. The firm engenders this culture through continual exposure to the its global client base, upward mobility and the encouragement of further learning through employee training and certification schemes. Additionally, each office provides peer mentoring for new starts, a weekly 'lunch & learn' series and employee award schemes for exceptional performance.

Health and wellbeing is fundamental to Options' employee culture. Since 2015, the firm has entered relay teams in the Belfast City Marathon. In 2018, 25 employees ran the race for Action Cancer, a Northern Irish charity, raising over £5,000 in the process. Additionally, the firm offers generous health and wellness benefits to employees, gym discounts and fresh fruit in each of its offices.

The company is ahead of many of its peers when it comes to gender diversity (20%–25% female) and is actively working to hire women within its workforce. Of all post-graduate employees hired in the last two years, 46% were female.

#### Focused on offering career opportunities to postgraduate workers

Beginning in 2014, Options developed very strong ties to Queen's University and Ulster University in Belfast. This has resulted in a pool of highly educated graduates, both technical and non-technical, joining the firm in each of the last four years.

Options offers graduates the chance to travel the world, work with cutting-edge technologies and learn from some of the leading technologists in the financial services industry. As a result, Options is now one of the most in-demand graduate employers in Belfast and the success of the programme has fueled the growth of the Belfast office from a headcount of 15 in 2015 to 70+ at the end of 2017. The firm is currently planning for a further graduate intake in June and September of this year.

#### Emphasis on energy efficient lighting and recycling at its offices

Options has put recycling programmes in place in its offices globally in an effort to both reduce waste and positively impact the company's carbon footprint. Additionally, all office lighting has been set to motion sensors to control lighting. The firm expects to drive greater efficiencies in the coming 12 months as it upgrades and improves related technologies in its data centres and offices worldwide.



“Options continues to focus on maintaining and improving our culture of employee fulfilment and environmental sustainability, which are both imperative to our long-term success.”

Nigel Kneafsey CEO, Options



**BregalEnergy**

# Birchill Canada

Birchill is an exploration and production company with a rich history in the Calgary oil and gas landscape spanning over 20 years.

The company has control of over 280 sections of land and the corresponding resources, coordinates drilling efforts and production of natural gas from conventional plays in Western Canada. Birchill is also constructing a gas plant and gathering system servicing over 130 current and future drilling locations.

Birchill is committed to its 'Dedication to Zero' policy – minimise environmental impacts, emissions and wildlife disturbance, zero employees or contractors' injuries, and others. Birchill Canada is the fourth venture where Bregal backs the Birchill team. All previous rounds have been successfully developed without major sustainability incidents.



Employees

8

Sector

Energy

Head office

Calgary, AB, Canada

## Bregal's role in the energy transition

The investment strategies of all Bregal investment funds centre around building good businesses, growing these businesses and making them more resilient in order to create long-term value for our investors.

This strategy is mirrored in our approach to investment in energy sources. We invest in well-run energy businesses which have a role to play in meeting the world's energy needs, in businesses which operate in a responsible way and in those which improve the resilience of the energy mix as we transition to a lower carbon future, whilst safeguarding shared economic prosperity.

Our energy portfolio in North-America focuses on natural gas exploration and production, power generation and renewables, such as solar and wind. Hence, we aim to only invest in energy sources which have a clear role in the energy transition.

The abundance of natural gas in this region has transformed the market and accelerated the transition away from more carbon-intensive coal-fired power generation. Gas-fired generation is the only technology of its scale able to solve the intermittency issues of renewables. As such, we believe it represents an important stepping stone on the long-term transition to a clean, sustainable economy.

This transition is of paramount importance and we invest extensively in renewable energy globally. Renewable investments currently comprise half of our interests in the sector by number, and around one-third by value.

We are at the forefront of innovation, supporting the commercialisation of new technologies that make the renewable base as reliable as traditional power generators have been in meeting the rising energy demand of economic growth worldwide.

## Portfolio company case studies Birchill Canada

### Our investment opportunity

**Invest in natural gas as transition fuel**  
Birchill focuses on natural gas plays, which we believe have a role to play in the energy transition. Natural gas abundance has triggered a market transformation in North-America by offering a more cleaner alternative to coal-fired power generation.

#### Secure strategic autonomy by owning the midstream

Over the past year, Birchill has developed and constructed a processing plant and gathering system, allowing the company to control its production, including environmental and safety aspects. The area Birchill operates in is remote and heavily controlled by publicly listed competitors

### ESG industry relevance

While fracturing techniques have been used by industry for over 60 years, high-density hydraulic fracturing is a relatively new approach to natural gas extraction. Similar to other commodities' extraction, hydraulic fracturing is not without risks:

**Contamination of water supply** – Methane can migrate to the water table as a result of extraction and production procedures. This can happen through cracks in the well cement, not the actual fracturing process. Preventative best practices include surface casing and cementing, monitoring the well integrity, and taking water samples from wells before drilling starts, in order to immediately identify changes in water quality.

**Water and chemical usage** – Chemicals used in the fracking fluid can pollute ground and surface water, even after the well is no longer in use, if not disposed of appropriately. Waste water from fracking can also leave elevated levels of contaminants if it is not treated properly. Regulations in Alberta require disposing of frac water to licensed sites.

**Fugitive emissions** – Leaks from the shale wells of methane or other substances may cause pollution.

**Increased seismic activity** – Human activity can induce seismic activity related to energy development projects. Drillers can minimise earthquake risks through monitoring and prevention. Best practices suggest building a good understanding of the background seismicity in the area of interest, before starting drilling. Faulting is identifiable through 3D seismic and can be avoided if the area is deemed to be of high risk.

### ESG performance and progress



#### Environmental integrity

The oil and gas industry is highly regulated in Alberta with some of highest operational and environmental standards in the world. Birchill is often going over and above local regulations to ensure safe and sustainable exploration and production operations.

Birchill is capable of drilling at least three wells from the same pad site, which minimises the footprint of developed well sites. It also reduces disturbance to forested areas. Birchill prioritises using existing infrastructure wherever possible, and coordinates with other companies in the area to co-design access infrastructure and minimise environmental impact.

Birchill ensures that potential spills are isolated and dealt with immediately. The clean-up requirement for releases in Canada is to match the background level before operations start. Through diligent contractor management and practices, the potential for spills are minimised. Any spills that do take place are cleaned up immediately to ensure contamination doesn't spread. Birchill discloses the full list of substances used in the fracking water.



#### Fugitive emissions and energy usage

Birchill plans for limited impact and employs technologies to minimise fugitive emissions. The gas plant is electrified via the local permanent utility, as opposed to running natural gas generator sets, thus substantially reducing site emissions compared to industry practices in remote regions. Electric-driven air compressors supply site instrumentation, chemical pumps, and compressors with dry air instead of gas to minimise or eliminate site emissions as much as practical.

Wherever possible, low gas consumption instrumentation devices are used at the producing well sites. Flaring gas while production testing is kept to a minimum by doing these procedures in-line to the gas plant.



#### Health & safety

There were no reportable safety incidents reported in 2017 conducting operations including lease construction, drilling and completions, pipelining and gas plant construction.

All contractors are pre-screened prior to being hired to ensure they have the appropriate safety certifications. Contractors are also required to undergo Birchill's orientation prior to engaging in work if they will not always be directly supervised by Birchill.



“Under the umbrella of world-class regulation, we developed a corporate culture that prioritises ‘going beyond’ and identifying sustainable options. The advancement of low-cost technology has been a large contributor to this initiative.”

Construction of our gas plant demonstrates our culture of sustainability, with hundreds of moving parts and micro decisions on design, equipment and processes. In constructing over 20kms of pipeline connecting our eight wells and gas plant, 100% of welds were x-rayed to ensure pipeline integrity and guard against future leaks.

We have constructed a gas plant that is leading edge relative to industry standards and our competitors: A source of pride for the Birchill team.”

Pat Oliver President and CEO, Birchill Canada



**BregalEnergy**

# SolarReserve

SolarReserve is a leading global developer of utility-scale solar projects, generating electricity using both solar thermal and photovoltaic technologies. The company has commercialised a proprietary, advanced solar thermal technology with integrated energy storage that solves the intermittency issues experienced with other renewable energy sources.

The company currently has more than \$1.8 billion of projects in operation worldwide. Since inception, SolarReserve has developed and secured long-term power contracts for 775 megawatts of solar projects, representing \$3.4 billion of project capital.

**SOLARRESERVE**

2017 Sales

**\$8.3m**

Sector  
**Energy**

Head office  
**Santa Monica, CA, US**



## Portfolio company case studies SolarReserve

### Our investment opportunity

**Leading global integrated solar business**  
SolarReserve has a leading position in the high-growth solar power generation and energy storage market. The global portfolio is strategically positioned to secure power offtake contracts, and includes advanced solar thermal technology (Concentrating Solar Power or 'CSP'), photovoltaic (PV) technology, and hybrid (combined CSP and PV).

### Proprietary storage technology

SolarReserve commercialised the world's most efficient and lowest cost CSP with integrated storage. The technology allows solar power to operate as baseload generation and dispatch when energy is needed most, at a fraction of the cost of battery and other storage technologies. Underscoring its technology leadership, the company has a portfolio of 108 US and global patents and patent applications.

### Development pipeline

The 6.6 gigawatts of utility scale solar CSP and PV generation projects build to a diversified global development portfolio. Solar energy infrastructure investment opportunities with long-term offtake agreements executed, in or advanced negotiation, in the US, South African, Australian, Chinese and Chilean markets.

### ESG industry relevance

At the 2015 United Nations Climate Change Conference in Paris (COP21), 195 countries committed to limit global warming to well below 2°C. Subsequently, national actions to reduce emissions have been ratcheted up. One of the key areas of decarbonisation is the transition to more sustainable power generation, combined with extended electrification. Intermittent renewables, such as solar and wind, will continue and increase their relevance for the future global power mix.

According to Bloomberg New Energy Finance, global annual investments in renewable power rose steadily in 2013–2015, peaking at \$360 billion in 2015 before falling in 2016, and recovering to \$334 billion in 2017. In the past decade, solar power has become the driver of renewable installations, dwarfing other technologies. Since 2005, new investments in solar power multiplied ten-fold, making up 48% of the capital attracted by renewables in 2017. As cost competitiveness continues to improve, 2018 is expected to outstrip the record high of 98 gigawatts of capacity installed worldwide in 2017.

### ESG performance and progress

**⚡ Sustainable path to power generation**  
The company aligns with a vision of a rapidly increasing share of renewable power generation throughout the world. As renewable energy penetration grows, the need for utility-scale renewable generation with storage technology is increasingly important to mitigate intermittency problems, deliver power into peak demand periods, and support transmission system reliability. SolarReserve's technology offers a sustainable solution for this problem in two ways. First, by operating as a baseload generator – 24/7, SolarReserve's CSP plants are reliable sources of supply that can be dispatched by the grid operator whenever needed, irrespective of the sun resource at the time. Second, the plant can increase its output from 50% to 100% in just 30 minutes, having the ability to counterbalance the large intra-day swings in production triggered by highly correlated renewable generation without storage.

**🦅 Avian impact**  
During the construction of Crescent Dunes, one specific issue that the project has raised was the avian fatalities, caused by flying into the solar flux. SolarReserve engineers designed and implemented heliostat standby configuration that minimises intensity of flux above and around the receiver in order to minimise risks to birds. This new collector field standby aiming strategy forms a pancake shape flux pattern in the sky that is less than four suns. Over the last year, avian fatalities averaged just four to five per month, primarily from collisions with buildings and structures, typical for any industrial facility, and with much lower rates than avian fatalities associated with conventional fossil fuelled facilities.

**👤 Local community**  
SolarReserve also seeks to be an active and responsible member in the local community. In Tonopah, Nevada, construction work of the Crescent Dunes project has created 1,050 jobs at the peak of the activity. In the operations stage, the company is consistently supporting multiple programmes that improve the quality of life and education in Tonopah, a community of 2,500 people. Over the years, SolarReserve and individual SolarReserve staff members have donated and volunteered in programmes for the local schools, supporting the purchase of a new local ambulance.

SolarReserve's South Africa PV projects, now in operation, created more than 2,000 construction jobs and included extensive training to local workers on PV project installation and operations. A percentage of project revenue is set aside for enterprise and socioeconomic development, including funding local startup businesses and improvements to local schools and hospitals.

A long-standing partner of the Bright Star Schools in Los Angeles, SolarReserve seeks to contribute to making a lasting impact in the lives of students living in low-income households or local institutions for neglected or delinquent children. Each year, the SolarReserve Sustainability Scholarship, a merit-based \$5,000 scholarship, is awarded to a college-bound senior with an interest in pursuing a career concerning environmental protection and sustainability. Also, SolarReserve provides summer internships to two students annually, and SolarReserve staff participate in various school improvement projects.



**“A seasoned management team and our world leading energy storage technology are at the core of SolarReserve's success.**

We're active in markets with the right mix of attributes in favour of utility-scale solar generation capacity, particularly with respect to solar thermal projects with integrated molten salt energy storage, SolarReserve's core technology. The technology cost-effectively delivers dispatchable electricity on demand, operating just like a conventional power generation asset but without any carbon emissions or hazardous waste. It has helped establish the US as the leader in solar thermal technology, and is becoming the global industry standard for solar thermal projects. SolarReserve is also committed to serving our communities, a core component of our culture.”

Kevin Smith CEO, SolarReserve



**BregalEnergy**

# IMG Midstream

IMG Midstream develops, owns and operates quick start, small-scale natural gas-fired power generation projects within the PJM Interconnection.

PJM is the largest competitive wholesale electricity market in North America, providing power to more than 65 million people. IMG owns four operating projects totalling circa 84 MW and has a development pipeline of an additional 16 projects.



Revenues  
**\$13m**

Employees  
**26**

Sector  
**Energy**

Head office  
**Pittsburgh, PA, US**



## Portfolio company case studies IMG Midstream

### Our investment opportunity

#### Growth in decentralised distribution

In the US, the retirement of coal-fired power plants and the increasing penetration of renewables drive demand for peaking, on-demand and flexible power generation capacity.

#### Uniquely positioned to source low-cost fuel – natural gas

The shale gas development in the US has resulted in a rapid increase in natural gas production. Insufficient pipeline infrastructure compared to production capabilities continues to incentivise local gas producers to seek alternative ways to market their output. IMG is therefore strategically positioned as an off taker of natural gas, while providing economic power to local communities and helping the grid operator balance variability in electricity supply.

#### Roll-out potential of proven concept

The evolution of high-efficiency reciprocating gas engines allows small-scale generators to effectively compete with combined-cycle gas turbines. IMG has developed a replicable standard plant design, with a pipeline of 16 projects to further roll-out its concept. The distributed model conveys the benefits of a diversified portfolio of assets across PJM – positive exposure to multiple spark-spreads through location-driven power prices and diversified gas supply indexes.

### ESG industry relevance

The transition to lower carbon-intensive power generation is the primary ESG consideration of the power market. In the US during the last ten years, electricity consumption has been flat or slightly declining, whilst GDP has grown significantly. This decoupling is driven by energy efficiency measures and structural changes to the economy. Besides the increasing penetration of renewables, the ongoing replacement of ageing coal plants with gas-fired generation is continuing and has resulted in a significant reduction of carbon emissions. Compared with coal, gas-fired generation emits 46% less CO<sub>2</sub> per unit energy output, while combined-cycle gas turbines are even more efficient. Therefore, gas-fired generation might be a bridge technology to a clean energy future. Currently, this type of technology is the only one of its scale that can be flexible enough to complement the variable generation and intermittency from renewable sources such as wind and solar.

### ESG performance and progress

#### Carbon emissions

IMG utilises two advanced emission controls technologies to reduce the emissions created by its engines. The first is an Oxidation Catalyst which utilises a catalyst to oxidise organic compounds in the emission stream. The second emission control device is a Selective Catalytic Reduction (SCR) unit. An SCR uses urea to reduce nitrogen oxides as well as other environmentally-unfriendly air pollutants. Using these control technologies IMG reduces its emitted air pollutants by 80 to 95%. IMG's emission levels are well below both state and federal standards for reciprocating natural gas engines.

IMG management tracks and reports the carbon intensity of its operations with a CO<sub>2</sub> lbs per MWh KPI. The company's target is to remain below 1,117 CO<sub>2</sub> lbs/MWh. During 2017, the average CO<sub>2</sub> lbs/MWh was 997 CO<sub>2</sub> lbs/MWh, which is 10% under our carbon intensity target.

#### Noise pollution

All of IMG's energy centres utilise advanced noise attenuation technologies in order to reduce noise emissions below the US Environmental Protection Agency's (EPA) recommended outdoor protective noise level limit of 55 dBA, which is a similar level to a

conversation in a restaurant. The EPA limit is designed to protect public health and welfare in sensitive areas such as residences, hospitals and schools. Although this is not a requirement for all sites, IMG will implement the same safeguard measures in all operating centres. In 2017, the average noise pollution at the nearest residence was 45.5 dBA, which is 17% below the EPA limit.

#### Employee safety and training

IMG aims to exceed regulations on staff qualifications in the energy centres. Additional to the Occupational Safety & Health Administration's (OSHA's) required trainings, IMG has built a framework of Operator Qualification standards. Each new technician completes a three-month training programme, which ensures step-by-step that they have the essential operational skills for full-plant proficiency.

"IMG has a strong commitment and focus on safety both at the plant operations and corporate level. In 2017, IMG had no major incidents or OSHA recordables. At the end of 2017, IMG hired a full-time EHS specialist to ensure IMG's safety excellence is maintained as the company expands" commented Joe Broadwater, Vice President – Operations and Asset Management.



“IMG strives to minimise its plants' environmental impact through leveraging internal design expertise and advanced emission control technologies. In 2017, IMG further improved its SCR emission control units on the latest design of IMG plants.”

Mike Brady CEO, IMG Midstream

## Bregal Private Equity Partners

Investing in private equity funds and co-investments globally with current exposure to 6 continents.

Total assets under management\*

€1.0bn

Total GPs currently invested in

61

Total funds currently invested in

90

Total companies currently invested in

600+

### ESG ambitions going forwards

- 1 To further integrate ESG in commitment decision-making and performance tracking, particularly using the Invest Europe ESG Due Diligence Questionnaire (DDQ).
- 2 To conduct a portfolio screening annually and engage with the relevant GPs on identified issues.
- 3 Engage with the GPs on ESG topics as part of BPEP's participation on the advisory boards, and encourage GPs to incorporate ESG in their reporting to the LPs.
- 4 To more proactively consider ESG issues in co-investment decisions.

### Background

Bregal Private Equity Partners ("BPEP") specialises in investing in Private Equity Funds. The fund managers (or GPs) invest directly into companies. BPEP acts as a Limited Partner (LP) in the selected funds and co-invests directly alongside a GP. The first ever commitment was made in 2002 and since then approximately 120 commitments to Direct Funds have been made. BPEP makes roughly 10-12 investments per year with commitments ranging from €10-40m. There is a global mandate but the majority of the funds are located in Europe and North-America. The strategies of the direct funds vary broadly, from turnarounds to growth equity to buyouts. The median fund size of the core 40 GP relationships is approximately €500m. BPEP occasionally makes co-investments directly into companies with GPs with equity tickets around €5–20m.

### ESG in fund investing

#### Prior to the investment

Due to the nature of investing in GPs, pre-investment analysis of the GP is crucial since once the commitment is made to the fund, the GP has investment control. Therefore in all investment decisions, BPEP examines the ESG policy and practices of the GP. BPEP performs extensive due diligence on the historic track record of GPs before new commitments are made. As part of this process BPEP aims to discuss potential ESG issues and challenges of these investments. The way the GP has addressed these ESG issues in the past is a good indicator of future ESG performance. Overall during due diligence BPEP aims to ensure that prospective GPs invest responsibly, guided by a solid ESG policy and a structured approach to addressing ESG risks and opportunities.

#### UN PRI

More and more of the GPs are opting to sign the UN PRI. Overall, 27% of GPs backed by BPEP are a signatory of the UN PRI. In Europe, 50% of the GPs are a signatory, whereas in North-America 9%. The discrepancy between the European and North-American GPs remains large, although adoption of ESG in North-American has increased during the last couple of years. BPEP seeks to promote responsible investment practices and ESG with its GP relationships, including signing the UN PRI.

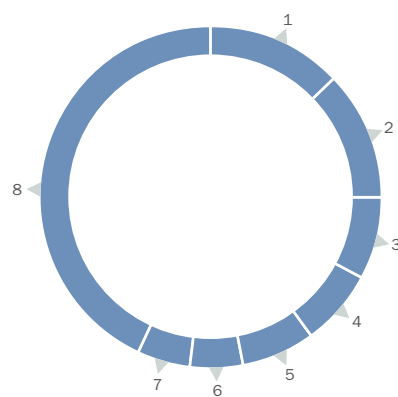
### During the investment period

During the investment period (usually 5-10 years), the influence of an LP is minimal. However, BPEP intends to be represented on the advisory board of its core GPs. LPs with a seat on the advisory board have a greater influence on the GP's strategy during the life of the fund. This is also the main platform to promote ESG and discuss potential ESG issues in the portfolio. In Europe and North America, BPEP has an advisory board seat in 42% and 50% of GPs, respectively.

Further, BPEP has recently begun conducting an annual questionnaire (with 4-5 questions) to help track ESG progress.

### Industry analysis

Understandably, certain industries are more ESG friendly than others. BPEP's exposure across industries is diverse, with the largest exposure (representing circa 13% of the portfolio's fair market value) in the generally lower ESG impact software and services industry. However, the second-largest exposure is in the higher ESG impact industrial sector.



1 Software & Services	13%
2 Industrial	12%
3 Education Services	8%
4 Health Care	7%
5 Retailing	7%
6 Media	5%
7 Food & Beverage	5%
8 Other	43%

## Philanthropy

### COFRA Foundation Grants

Total committed in 2017

**€544,111**

Total committed since inception in 2011

**€1,619,670**

Organisations supported in 2017

**20**

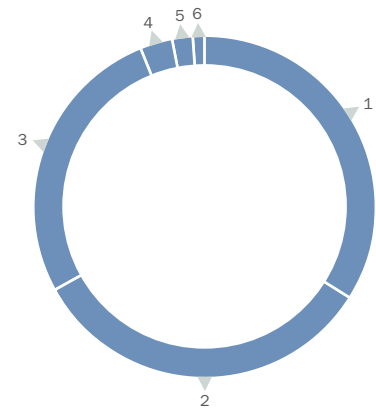
#### Purpose

Our Philanthropy Programme is designed to encourage our employees to become more active in charitable organisations. Consistent with the themes adopted by the COFRA Foundation, we are especially focused on education and training, services for 'at risk' youth and families, as well as climate change. Through this programme, our employees are provided the opportunity to propose a grant to the Bregal Philanthropy Committee and, if approved, a recommendation is made to the COFRA Foundation, who fund the proposed grant in amounts ranging from €10,000 to €50,000 per project.

#### COFRA Foundation

The COFRA Foundation represents many charitable initiatives that aim to help people lead dignified lives. The COFRA Foundation works to improve lives within those communities in which we operate, as well as by inspiring colleagues across the globe to contribute to their own communities. Support is provided in the form of grants, investments, and time or in-kind contributions with a particular emphasis on encouraging employee volunteerism.

#### Grants by sector



1 Social Welfare	<b>34%</b>
2 Education	<b>33%</b>
3 Disadvantaged Young People	<b>27%</b>
4 Healthcare	<b>3%</b>
5 Other	<b>2%</b>
6 International Aid	<b>1%</b>

### Matching Programme

Total committed in 2017

**€69,226**

Total committed since inception in 2013

**€250,992**

Organisations supported in 2017

**46**

#### Purpose

We are a socially conscientious firm which supports, through the COFRA Foundation, charitable causes throughout the world. By supporting the truly charitable initiatives which are important to the people who work for Bregal, we hope to strengthen the spirit of employee volunteerism and engagement that is core to our values. Through this programme the COFRA Foundation will match any contribution by a sponsoring employee from €100 up to €5000 made during any current calendar year.

**Philanthropy continued**

# COFRA Foundation grants



**TEACHFORAMERICA**

**Teach for America US**

2017 donation €22,282

10 million+ students reached across 36 states and 52 regions

Teach For America (TFA) is the US national corps of outstanding recent college graduates who commit to teach for two years in urban and rural public schools and become lifelong leaders in expanding educational opportunity. TFA's mission is to build the movement to eliminate educational inequity by enlisting promising future leaders in this effort. Bregal has continued to support TFA over the past five years, and our 2017 donation funded programme activities to recruit, train, support and accelerate the leadership of TFA corps members and alumni.



**South Bronx United US**

2017 donation €21,117

Building leaders and scholars through Soccer

South Bronx United (SBU) is a non-profit organisation that provides much needed support to the families and youth of the South Bronx. The charity serves more than 1,000 boys and girls each year by combining soccer with academic enrichment and tutoring, college prep, mentoring, immigrant legal services, and more. Most of the students will become the first in their families to go to college and within the past five years, 100% of seniors in the SBU Academy program have graduated high school and 94% have enrolled in college. In addition to our grant, Bregal employees acted as U10 Boys Coaches and served as a Junior Board Member supporting SBU work within the community.



**Room to Grow US**

2017 donation €25,000

Using business to create positive change in communities

Room to Grow is a place, utterly unique in concept, committed to supporting the fundamental needs of babies born into poverty in New York and Boston during their first three years. Founded in 1998 by Julie Burns, Room to Grow offers structured coaching, material goods, and community connections to support parents as they activate their natural strengths and expand their knowledge so children thrive from the start.



**Eastside Young Leaders Academy UK**

2017 donation €56,670

Eastside Young Leaders Academy (EYLA) is an award-winning leadership development organisation for at-risk black males in London. EYLA nurtures the leadership potential of young men, enabling them to complete their schooling, enter university and realise their ambitions by graduating into the world of work. In addition to the monetary donation, members of the Bregal Freshstream team have enrolled as mentors to some of the young leaders. Several of the men have visited our offices to participate in mock-interview coaching and to nurture the mentor/ mentee relationship between the Freshstream team and the young leaders.



**Dein Munchen e.V Germany**

2017 donation €40,000

No Limits: Make the most of your opportunities

Dein Munchen's (DMV) NO LIMITS project provides workshops for underprivileged children where they receive coaching for their future professional life. In 2017 Bregal not only made a monetary contribution but also ran workshops and excursions over a three-month period, including coaching during job application processes, helped them identify their strengths and talents and supported them whilst they explored their options for choosing a profession.



**Bio Bus US**

2017 donation €44,563

The BioBus mission is to help minority, female, and low-income K-12 and college students in New York City discover, explore, and pursue science. Over the past nine years, 200,000 students at more than 500 schools have discovered the thrill of scientific discovery, with many embarking on a path of scientific exploration and sustained pursuit. Bregal has continued to support BioBus over the past two years as they strive to create a world where everyone reaches their full scientific potential.

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# Matching Programme

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## The Horizon Foundation UK

Matched donation €5,000

The Horizon Foundation provides educational scholarships to exceptionally bright and civic-minded young people from disadvantaged backgrounds to attend top secondary schools around the world. Since 2004, the Foundation has educated in excess of 100 scholars from Tibet, Palestine, China, Vietnam, Cambodia, Thailand, Lebanon, Syria, Iran, Pakistan, Iraq, the Philippines, Nepal, the UK and Afghanistan.



## The Alzheimer's Association US

Matched donation €5,000

The Alzheimer's Association is the leading voluntary health organisation in Alzheimer's care, support and research. Bregal's matched donation to the Connecticut Chapter helped essential support programmes and services to people with Alzheimer's and their families within the region.



## Oregon Justice Resource Center US

Matched donation €846

Oregon Justice Resource Center (OJRC) works to promote civil rights and improve legal representation for communities that have often been underserved in the past: people living in poverty and people of colour among them. We work in collaboration with other, like-minded, organisations to maximise our reach to serve underrepresented populations, to train future public interest lawyers, and to educate our community on civil rights and current civil liberties concerns.



## Stiftung Gymnasium Moguntinum Germany

Matched donation €5,000

The foundation promotes and supports education and vocational training of pupils and graduates of the Rabanus-Maurus-Gymnasium Mainz, for example by granting scholarships to facilitate study visits at home and abroad; lectures, seminars, and events that prepare young people for the needs of the professional world; promotion of career choice also by the annual participation 12th grade at the GEVA test; and partial financing of the costs of participation in the 'Global Young Leaders Conference' in the US.



## Constellations Belgium

Matched donation €5,000

Since 2001, Constellations, a non-profit organisation, has worked in the Brussels region to support people with a mental disability, with the mission to develop proper housing for them, thus allowing them to enjoy as happy a life as possible and to survive their parents.

Constellations has already opened five such houses; four more houses are in development.

In summary, it is close to 200 places and an equivalent number of jobs that Constellations will have opened in 12 years (2008-2020).



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