



Bregal Investments



# Responsible Investment Report

2018-19



## 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. The COFRA group also includes a global fashion retail business (C&A) and a real estate business (Redevco). Bregal Investments was founded in 2002 and has grown extensively since then, with more than €13 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.

Signatory of:



## Front cover

American Seafoods, a portfolio company of Bregal Partners, harvests and processes a diverse array of seafood products from sustainably managed fisheries in US waters off Alaska and the Pacific Northwest. The image shows the *American Triumph* heading back out to the Bering Sea to fish for pollock.

Note: all figures presented are as at December 2018 unless otherwise stated.

## Our commitment to responsible investment

At Bregal, Environmental, Social and Governance (ESG) issues are a fundamental part of our decision 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.

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# 2018-19 highlights

## First three investments from Bregal Sustainable Development Fund

The SD Fund provided loans to three Bregal portfolio companies to fund ESG improvement projects and has built a strong pipeline of prospective projects

- Enprecis case study See p18
- Aqua Terra case study See p24

## Social Impact initiative launched

We aim to actively contribute to the positive social impact of our portfolio companies

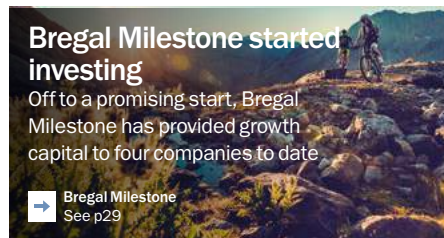
- Total Vision Care case study See p22



## Bregal Milestone started investing

Off to a promising start, Bregal Milestone has provided growth capital to four companies to date

- Bregal Milestone See p29



## Bregal Unternehmerkapital Fund II

# €1.2bn

raised, and fund closed in October 2018

- Bregal Unternehmerkapital See p10



## Carbon neutrality at Bregal Investments platform

In 2018, we finalised a carbon assessment of our own organisation and became carbon neutral through the support of a reforestation project in Colombia

- Carbon offsetting See fund overview pages



## Bregal Partners Fund II

# \$650m

raised to invest in consumer and multi-unit, food and beverage, and business services

- Bregal Partners See p19



## Bregal Sagemount Credit Opportunities Fund II

# \$244m

raised to date to finance growth companies\*

- Bregal Sagemount See p14

\* estimated final fund size to be \$300-\$324m



# A letter from our Co-CEOs

Quentin Van Doosselaere  
& Steven Black



Since its inception in 2002, Bregal has invested in excess of €13 billion and has grown from a private equity fund-of-funds model to a global private equity platform.

We have direct investments in 57 companies in North-America and Europe, employing more than 35,500 people and generating approximately €5 billion of consolidated revenues.

While much has changed over the past 17 years, our core values of fairness, integrity and excellence have endured and continue to guide our path to growth. During this period, the role of corporations in society has changed fundamentally. It is no longer credible for companies to ignore their impact on society and the environment. And with that comes the responsibility for every business to contribute to a more sustainable world.

At Bregal, we believe in the power of business and entrepreneurship. We also acknowledge that private capital providers such as ourselves have an obligation to support companies to create positive social value. Generational issues such as climate change, increasing income inequality and equal opportunity must be addressed with business as part of the solution.

We are conscious of the responsibilities we have towards all our stakeholders. We strive to champion a responsible investment approach focused on creating long-term, sustainable value. This means we seek to foster a culture of responsible ownership by building trust with our management teams, investing in the long-term prosperity of our businesses and contributing to the local communities in which our companies operate.

The best-performing companies in terms of sustainability also tend to outperform financially. Higher employee satisfaction, better resource efficiency and active stakeholder engagement are some of the drivers behind this. These companies are also more likely to have a sense of purpose, which in turn guides their long-term ambition, making financial performance and positive social impact inextricably linked. We believe this trend will only strengthen, particularly as vocal and purpose-driven younger generations become a larger part of the workforce and consumer base.

“At Bregal, we believe in the power of business and entrepreneurship. We also acknowledge that private capital providers such as ourselves have an obligation to support companies to create positive social value.

Quentin Van Doosselaere Co-CEO

“We strive to champion a responsible investment approach focused on creating long-term, sustainable value. This means we seek to foster a culture of responsible ownership by building trust with our management teams, investing in the long-term prosperity of our businesses and contributing to the local communities in which our companies operate.

Steven Black Co-CEO

At Bregal, we aim to tangibly support our companies to improve their Environmental, Social and Governance (ESG) performance, be it the sustainability of their business or by creating positive social impact. Last year, we launched the €40 million Bregal Sustainable Development Fund, dedicated to supporting ESG improvement initiatives that are aligned with the UN Sustainable Development Goals, throughout our portfolio. This year, we made the first investments from the fund. We invested in energy efficiency at Blue Harvest Fisheries and scientific research at Deutsche Pflegegruppe to further improve quality of care. The availability of capital exclusively dedicated to ESG projects has helped further to raise awareness about the importance of sustainability within our own funds as well as in the boardrooms of our portfolio companies.

In 2018, we also launched our Social Impact initiative, through which we support Bregal portfolio companies to engage with their local communities and address social causes and business-relevant impact.

In this report, you will read about restaurant chain Ruby Slipper, providing free meals to furloughed US government workers, and about Total Vision Care, a vision care company providing free eye care to underprivileged local communities. In 2019, we plan to scale these initiatives and help our companies further to define their sense of purpose and to engage with their local communities.

Bregal itself, as part of the COFRA group, has been running a philanthropy programme funded by the COFRA Foundation since 2011. We encourage everybody at the firm to participate by supporting charitable organisations they are passionate about. We are particularly proud that last year more than 60% of our colleagues participated in our philanthropy initiative and actively contributed to close to 100 charitable organisations.

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

# ESG approach

A letter from our Head of ESG & Responsible Investing

Alvar de Wolff



At Bregal, our commitment to responsible investment means that we aim to consistently contribute to building great companies and creating long-term, sustainable value for our investors, while at the same time having a positive impact on society.

In 2018, we made significant progress in incorporating Environmental, Social and Governance (ESG) issues into our investment strategies. I am pleased that this Responsible Investment Report offers the opportunity to showcase how we address aspects of ESG and some of the challenges we face.

### Prioritise

Board-level awareness of sustainability is key in creating sustainable value. Our experience shows that prioritising material ESG aspects and consistently aiming for improvement can contribute meaningfully to the overall performance of a business. Therefore, an essential part of our ESG approach is to support our portfolio company management teams in formulating a vision for the long-term growth of their businesses within the boundaries of sustainable development: the ESG Roadmap.

### Invest

Our €40 million Bregal Sustainable Development Fund was just an idea 18 months ago. The investments we have made through the fund to date, including Blue

### Three aspects of ESG at Bregal:

These aspects are presented in more detail over the next three pages →

- 1 Prioritise | ESG Roadmap
- 2 Invest | Sustainable Development Fund
- 3 Contribute | Social Impact initiative

Harvest Fisheries, Enprecis Group and Aqua Terra, all of which are featured in this report, underscore that ESG projects have significant potential to create both sustainable impact as well as incremental financial value.

### Contribute

Today, society expects that business also serves a social purpose. Financial performance is often no longer sufficient to retain and engage the best talent and to satisfy consumer demands. Through our recently launched Social Impact initiative, we provide grants to our portfolio companies to help them reinvigorate and define their purpose and proactively contribute to business-relevant social and environmental causes.

This report provides insight into our ESG approach and showcases how we work with our companies and investors to realise our commitment to responsible investment. We are proud of our achievements so far and strive to continue to improve and build on our efforts in the future.

1 Prioritise | ESG Roadmap

An ESG review encompasses portfolio company management's long-term industry view on sustainability, both environmentally and socially, and prioritises initiatives to further improve ESG performance.

Post-investment, Bregal deal teams work closely with portfolio company management to prepare a 100-day or value creation plan to guide strategic direction and prioritise value creation initiatives. We aim to integrate material aspects of ESG in our value creation plans, so we drive progress in financial as well as ESG performance.

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

The Board of Directors of each of our portfolio companies is Bregal's primary platform to monitor ESG performance and progress and we encourage them to discuss ESG priorities more extensively at least once a year.

See Blue Harvest Fisheries case study, p20 →



Example company ESG Roadmap: Blue Harvest Fisheries (BHF), Bregal Partners

ESG themes	Action plan	Mid-term objectives	Investment required	Management vision
<b>A Sustainable fishery</b>	Develop certification plan for multi-species groundfish (non-certified species) Stakeholder discussion on fishery standards	Continued efforts on reducing bycatch All seafood is sustainably certified	Medium	BHF is recognised for its sustainable practices and markets 100% sustainably certified seafoods
<b>B Occupational health &amp; safety</b>	Report on incident rates for vessels and operations Conduct safety audit according to new standard	Certify operations by new safety standard Conduct employee engagement survey	Low	BHF is employer of choice with industry-leading safety standards
<b>C Product safety</b>	Continue efforts on product safety	–	Low	Food safety is best-in-class
<b>D Energy and carbon</b>	Conduct energy audit Implement detailed fuel consumption reporting	Invest in rooftop solar panels Implement energy efficient measures	Medium	Processing operations are carbon neutral
<b>E Resource efficiency</b>	Measure and monitor waste streams Implement water reduction plan	Implement lean principles Conversion of fish waste into liquid fertiliser	Low	Waste and water usage are minimised

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

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

Potential investment opportunities in order to realise long-term vision. These might be eligible for financing from the Sustainable Development Fund.

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

2 Invest | Sustainable Development Fund

We are funding and supporting Bregal portfolio companies' ESG ambitions by providing loans at attractive terms to finance improvement initiatives aligned with the UN Sustainable Development Goals.

Launched in Q2 2018, the Bregal Sustainable Development Fund (SD Fund) is a €40 million fund intended for investments in improvement projects that contribute to the sustainability performance of Bregal portfolio companies.

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.

Achieving 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 realise tangible ESG improvements.



See Aqua Terra case study, p24 →  
See Enprecis case study, p18 →



Eligible projects



**Renewable energy**

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



**Energy efficiency**

Investments in production processes, green buildings or product efficiency improvements of at least 20% vs the incumbent technology or existing asset base.



**Ecosystem impact**

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



**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.



**Water management and conservation**

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



**Eco-efficient product development**

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



**Supply chain improvements**

Investments in enhancing operating standards of suppliers through improvements in health & safety standards, chemical usage, liveable wages and supply chain transparency.



**Miscellaneous**

Any initiatives with a material positive impact on the company's social or environmental performance, relevant for the business but not covered by the other categories.



3 Contribute | Social Impact initiative

See Total Vision Care case study, p22 →



Our Social Impact initiative aims to support Bregal portfolio companies to engage with their local communities and address social causes and business-relevant impact.

In 2018, supported by the COFRA Foundation, Bregal launched an initiative to further align our philanthropy with the ESG-related opportunities we have in our portfolio. We aim to support our portfolio companies to engage with their local communities and to create positive social and environmental impact. We believe such positive impact is relevant for the long-term prospect of any business.

Consumers and employees, particularly from younger generations, increasingly express a desire to be associated with businesses and brands that share their values and sense of purpose.

Our Social Impact initiative aims to support portfolio companies to create positive social impact. We believe that this is most fruitful in areas relevant to the long-term prospects of the business.

Approach to supporting initiatives

When considering an initiative, we assess the opportunity from different angles, with positive social impact always being our key priority



# Overview of funds

Today, the Bregal Investments private equity platform consists of six direct investment teams and a fund-of-funds team active in Europe and the US.

## Bregal Unternehmerkapital

### Equity capital for mid-sized companies in the DACH region

Bregal Unternehmerkapital specialises in majority and minority holdings, especially in mid-sized companies based in Germany, Switzerland and Austria – the 'Mittelstand'. Bregal Unternehmerkapital currently has €950 million available for new investments.

Portfolio companies	Employees
<b>14</b>	<b>13,591</b>
Assets under management	Turnover
<b>€1.1bn</b>	<b>€2.0bn</b>



→ See p10

## Bregal Sagemount

### Private capital for growth companies in North-America

Bregal Sagemount provides flexible capital to market-leading technology 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.

Portfolio companies	Employees
<b>15</b>	<b>9,677</b>
Assets under management	Turnover
<b>\$0.8bn</b>	<b>\$0.9bn</b>



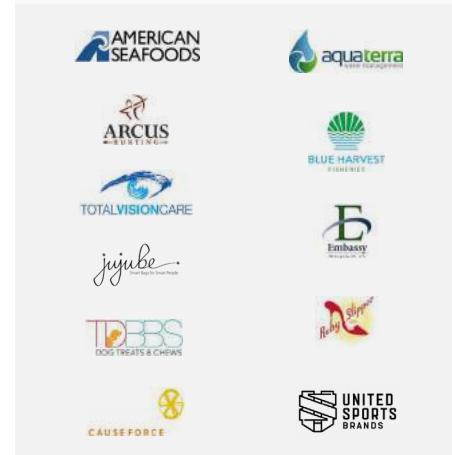
→ See p14

## Bregal Partners

### 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 seeks to invest between \$20 million and \$90 million of equity in three core verticals: consumer and multi-unit; food and beverage; and business services.

Portfolio companies	Employees
<b>11</b>	<b>6,071</b>
Assets under management	Turnover
<b>\$0.8bn</b>	<b>\$1.0bn</b>



→ See p19

 **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 in which their capital and support enables management teams to grow through strategic and operational change.

Portfolio companies	Employees
<b>9</b>	<b>4,625</b>
Assets under management	Turnover
<b>€0.4bn</b>	<b>€0.9bn</b>



→ See p25

 **BregalMilestone**

**Flexible growth capital and strategic assistance for European companies**

Bregal Milestone is a €400 million fund dedicated to making investments in Europe. Bregal Milestone provides flexible growth capital and strategic assistance for European companies.

Portfolio companies	Employees
<b>4</b>	<b>1,590</b>
Assets under management	Turnover
<b>€0.1bn</b>	<b>€0.3bn</b>



Includes 2019 investments

→ See p29

 **BregalEnergy**

**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	Employees
<b>4</b>	<b>130</b>
Assets under management	Turnover
<b>\$0.2bn</b>	<b>\$0.1bn</b>



→ See p32

 **Bregal**  
Private Equity Partners

**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 between €10 million and €40 million. BPEP also makes co-investments of approximately €5-€15 million per company and invests in secondary transactions.

Funds invested	Number of managers
<b>105</b>	<b>69</b>
Assets under management	
<b>€1.0bn</b>	

→ See p36

Fund overview



**Bregal**Unternehmerkapital

# Equity capital for mid-sized companies in the DACH region

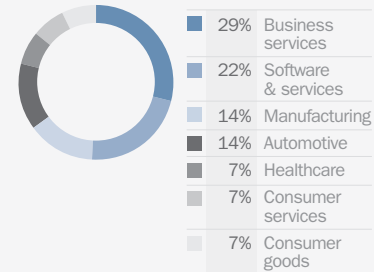
Bregal Unternehmerkapital (BU) specialises in majority and minority holdings, especially in mid-sized companies based in Germany, Switzerland and Austria – the ‘Mittelstand’. Bregal Unternehmerkapital currently has €950 million available for new investments.

14	13,591	€1.1bn	€2.0bn
Portfolio companies	Employees	Assets under management	Turnover

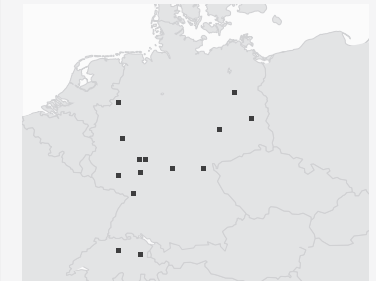
509 tCO<sub>2</sub>e Carbon footprint at fund level } Offset by planting 2,647 trees

Portfolio

Investments by sector



Investments by geography



Key ESG issues

- Health & safety
- Carbon emissions
- Energy management
- Good governance

Highlights

- Successful fundraising for BU Fund II (~€1.2 billion)
- Establishment of Rehms Academy See p11 →
- Roll-out of ESG reviews at portfolio companies
- Several SD Fund investments submitted for consideration

Future focus

- Implement ESG reviews of BU Fund I and II portfolio companies
- Explore further SD Fund projects focused on energy efficiency and renewables
- Launch Social Impact initiative at one or more portfolio companies

Bregal Unternehmerkapital

Company case study

# Rehms

Rehms Building Technology (Rehms) is a provider of technical building services to office, commercial and residential buildings and facilities in Germany. The company focuses on the heating, ventilation & air-conditioning (HVAC) sector, where it covers all separate areas of competence.

Customers are typically general contractors or larger corporates. Rehms offers a broad range of services from planning, engineering, pre-assembly and installation to service and maintenance.



€145m

2018 sales

904

Employees

Sector

Technical building services

Head office

Borken, Germany

**Bregal Unternehmerkapital** Company case study

**Our investment opportunity**

**Growing market for building services**

The market for technical building services in Germany grows 4-5% per annum, structurally outgrowing construction demand.

**Quality leadership**

Rehms has become a quality leader in its industry with highly trained employees and superior project execution know-how.

**Platform for consolidation**

Management has a solid track record of acquiring smaller businesses to gain a national footprint in Germany and to add competencies to the Rehms Group.

**ESG impacts**

**€140k**

total investment for the academy in FY18

**106**

apprentices (+19% since acquisition in 2017)

**8**

dedicated trainers at the Rehms Academy

**2,480**

training hours (+18% vs FY17) for 414 employees (+18% vs FY17) in 2018

**ESG performance and progress**



**Good corporate governance**

Good corporate governance and a strong compliance culture are key focus areas in Bregal Unternehmerkapital's Environmental, Social and Governance (ESG) approach for Rehms. Management and Bregal have the ambition for the company to be recognised as an industry leader in terms of compliance and business conduct.

In 2018, Rehms' management has made significant progress in establishing high compliance standards, including: i) the introduction of regular compliance audits by external advisors reporting directly to the board; ii) the adoption of a Code of Conduct and compliance guidelines, which include an anti-bribery and corruption policy; iii) regular CEO communication in the internal company magazine *WIR* addressing Rehms' compliance culture; and iv) compliance and data privacy have become mandatory agenda items for management meetings. For all Rehms' employees, a *Rehms Digital Compliance Guide* has been launched, which is available as a smartphone app to ensure accessibility by all employees.

Next steps in 2019 include the introduction of company-wide compliance training for middle management as well as other relevant departments and the implementation of a company-wide compliance management system.



**Good employment**

In Rehms' business philosophy, its technical staff and highly qualified personnel are a strategic differentiator. This is underscored by the launch of the Rehms Academy, an internal training and development programme for company employees and apprentices, to further build and strengthen their capabilities.

Rehms' long-term goals are to become the employer of choice in its industry and to ensure the company delivers its projects with the highest quality standards.

The Rehms Academy is an important milestone in achieving these goals. In 2018, a new dedicated building for the Rehms Academy was opened in which its eight dedicated training employees host training courses and seminars for up to 100 employees at the same time.

## Bregal Unternehmerkapital Company case study

## ESG performance and progress continued

**Green buildings**

Demand for Rehms' services is supported by secular sustainability-related growth drivers such as the increasing focus on energy efficiency, smart buildings and the installation of more eco-friendly HVAC equipment. With its planning division, Rehms is regularly reviewing its customers' plans for improvement potential in terms of energy and heat efficiency and actively recommends green building technology in the offers submitted. The company's strong expertise in smart buildings, which is showcased by Rehms' highly automatised headquarters, further represents an increasingly important differentiator in the HVAC industry. With its service division, Rehms is contributing to the most energy efficient operation of building equipment, both through scheduled maintenance and ongoing improvement.



“ Rehms and Bregal have established a flagship project with Rehms Academy: all employees of Rehms Group – from apprentice to senior management – are sensitised and trained for their responsibilities in-house. Taking responsibility for the education of young people, Rehms has doubled the share of apprentices in its workforce from 10% to 20%. With its modular training workshop, Rehms Academy offers the ideal environment for vocational training.

Heinz-Josef Rehms CEO, Rehms



“ While Mr Rehms has always held his employees to the highest ethical standards, it was important for us to implement a top-notch compliance system at Rehms to create transparency in a rapidly growing company. Supported by an external service provider, the management team has developed a comprehensive app-based compliance guide and a rigorous training programme to ensure that Rehms' compliance standards are shared throughout the organisation.

Jan-Daniel Neumann Managing Director, Bregal Unternehmerkapital



Fund overview



**BregalSagemount**

# Private capital for growth companies in North-America

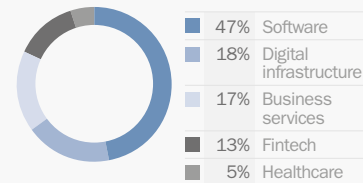
Bregal Sagemount provides flexible capital to market leading technology companies in high-growth sectors across a wide variety of transaction situations. Bregal Sagemount focuses on industries with strong secular tailwinds and companies with recurring or re-occurring revenue streams.

15	9,677	\$0.8bn	\$0.9bn
Portfolio companies	Employees	Assets under management	Turnover

661 tCO<sub>2</sub>e Carbon footprint at fund level > Offset by planting 3,438 trees

Portfolio

Investments by sector



Investments by geography



Key ESG issues

- Data privacy & security
- Talent management
- Good governance
- Carbon emissions

Highlights

- Enprecis becomes carbon neutral company funded by SD Fund See p18 →
- Commissioning of company ESG reviews
- Incorporation of ESG due diligence in the investment process

Future focus

- Finalise company ESG reviews
- Carbon footprint and data storage efficiency assessment at portfolio companies
- Further pursue SD Fund projects to improve IT efficiency



Bregal Sagemount Company case study

# Steele Compliance

Steele Compliance Solutions (Steele) is a leading provider of third-party management software, educational content and due diligence investigation services primarily focused on the anti-bribery, anti-corruption and anti-money laundering compliance markets. Steele's compliance platform enables large global companies to centrally manage and risk stratify their third-party distributors, agents, representatives and joint venture partners while conducting due diligence, training and monitoring to ensure compliance and minimise both the risk and the severity of regulatory action.



\$40m

2018 sales

162

Employees

Sector  
Third-party  
compliance  
software

Head office  
San Francisco,  
CA, USA

Bregal Sagemount Company case study

**Our investment opportunity**

**Secular tailwind in ABAC compliance**

Steele is a market leader in third-party risk management and compliance, and provides a comprehensive platform of services handling most regulatory requirements.

**Large and growing addressable market**

Companies are responding to: (a) an increasingly global business world, and (b) the rapid rise in compliance enforcement action and severity by the US Department of Justice and other regulatory bodies, by outsourcing their third-party compliance to specialist software and services providers.

**Predictable revenue model**

Opportunity to increase the revenue share of recurring software as a service (SaaS) revenues from its Securimate product, its AI solution and several accretive acquisitions.

**ESG impacts and performance**

8.7%

annualised voluntary employee turnover

15.4%

ethnic minority employees

51.9%

female employees

**ESG performance and progress**

**Positive ESG impact of core business**

Steele enables its clients to mitigate ESG risks, including bribery and money laundering through software, due diligence, monitoring and training. The company also provides other compliance services and solutions around business ethics and supply chain management, often through its subsidiaries (e.g. Compliance Wave) and partners (e.g. Whistleblower Security).

The UN Sustainable Development Goals explicitly address bribery, corruption and money laundering in Goal 16 (Peace, Justice and Strong Institutions) and aim to “substantially reduce corruption and bribery in all their forms”. They estimate that corruption losses represent more than 5% of global GDP (\$2.6 trillion) and bribes exceed \$1 trillion, annually.

Moreover, beyond the obvious costs that bribery, corruption and money laundering impose on society, relevant regulations also impose significant monetary fines on corporate violators. Therefore, Steele’s services enable customers to mitigate ESG risk exposure and embrace compliance best practices, while also contributing to the pursuit of international sustainability goals and the overall betterment of society.



“We are in the business of compliance and ethics. ESG is critically important to Steele and we pride ourselves on not only helping other organisations exceed their ESG goals, but also being a role model in the business world for ESG standards.”

Eric Lochner CEO, Steele Compliance



Bregal Sagemount Company case study

ESG performance and progress continued

**Good employment and diversity**

Steele has 162 employees, of which 78% are full-time workers. In addition, the company works with a globally distributed network of contractors to conduct the field portion of due diligence investigations.

Given the knowledge-intensive, professional service and software development nature of the business, management's main ESG priority continues to be managing its labour force as best as possible. As of September 2018, Steele has an annualised voluntary staff turnover rate of 8.7%, well below the industry average for professional services of 36.2% in the US.

To proactively track employee engagement and pre-empt potential issues, the company conducts exit interviews for all voluntary departures in addition to periodic engagement surveys. Subsequently, any feedback trends (positive or negative) that are identified are then incorporated into action plans.

**Data privacy and security**

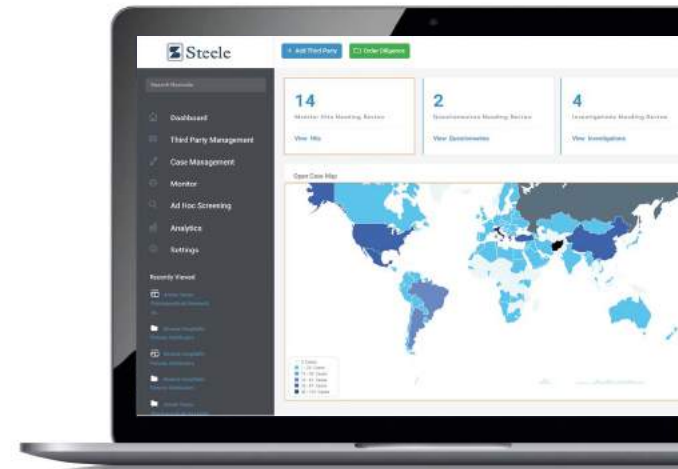
Data privacy and security are relevant ESG themes for Steele, since the company collects substantial third-party personal, identifiable information.

The company has assigned clear responsibilities for data privacy and security to its dedicated Data Protection Officer, IT Director and General Counsel. Bregal's ESG review of the company confirmed that management exhibits a strong understanding of various privacy regulations. In 2019, management anticipates formalising further internal policies on data privacy and security training in order to maintain its strong ESG track record.



“After adding anti-bribery compliance to our list of key diligence areas, Bregal Sagemount undertook a comprehensive review of potential investment opportunities in the space. We are proud to have partnered with the industry leader in Steele and we are excited by the growth it is experiencing.

Daniel Kim Partner, Bregal Sagemount



Bregal Sagemount Bregal Sustainable Development Fund



# Carbon neutral platform

SD Fund loan  
**\$2.0m**

Migration and consolidation of local servers and data storage to a carbon neutral cloud solution.



SaaS for loyalty programmes in the automotive industry  
Troy, MI, USA

### Background

The IT industry is a growing energy consumer, resulting in a significant global carbon footprint. Globally, data centres and other IT equipment account for circa 3-4% of carbon emissions. The migration to the cloud is driving the need for more data centre capacity, which in turn is increasing energy consumption. Enprecis Group is a growing consumer of data centre services as it scales its business.

### Sustainable Development Fund project

Enprecis Group has become a carbon neutral business through: (i) the elimination of inefficient data centres; (ii) consolidation of its SaaS platforms into Microsoft Azure's carbon neutral cloud solution; and (iii) offsetting the remaining corporate-level carbon footprint of Enprecis Group through the acquisition of carbon credits. The cloud migration will also avoid the regular hardware replacement cycle, reducing future resource requirements as technologies evolve.

The project results in energy savings from the use of an upgraded, more energy efficient IT infrastructure from cloud resources as well as energy savings due to the centralised, shared nature and scale benefits of cloud infrastructure using Microsoft Azure. This cloud solution from Microsoft has been carbon neutral since 2012 and is targeting 60% renewable energy use by 2020.



Energy efficiency

**c.310 MWh**  
Annual energy savings



Emissions and waste

**441 tCO<sub>2</sub>e**  
Carbon emissions reduction

### Outlook

In addition to the positive reductions in its environmental impact, Enprecis Group now benefits from reduced complexity in its IT infrastructure and SaaS platform. This simpler infrastructure can be operated at a fraction of the cost, dramatically improving profitability. Due to the industry it serves, being carbon neutral offers Enprecis a unique market position and a corresponding growth opportunity. The firm is committed to continue eliminating and offsetting any remaining carbon emissions on an ongoing basis.

As the SD Fund project also consequentially enhances financial returns, Bregal can use this project as a blueprint to optimise the IT infrastructure and carbon emissions of similar portfolio companies.



“Enprecis is committed to taking a leadership role serving the global car manufacturers – demonstrating how to deliver market-leading solutions in an environmentally friendly, socially conscious manner. We're proud to become the first carbon neutral provider in our industry.

Jon Sonnenschein CEO, Enprecis Group

Fund overview



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

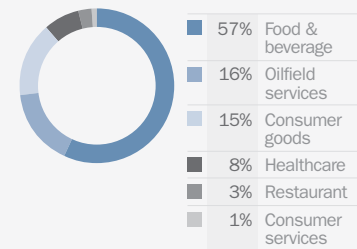
Bregal Partners invests in industry-leading middle market companies that generate \$5 million to \$75 million or more of EBITDA. Bregal Partners seeks to invest between \$20 million and \$90 million of equity in three core verticals: consumer and multi-unit; food and beverage; and business services.

11	6,071	\$0.8bn	\$1.0bn
Portfolio companies	Employees	Assets under management	Turnover

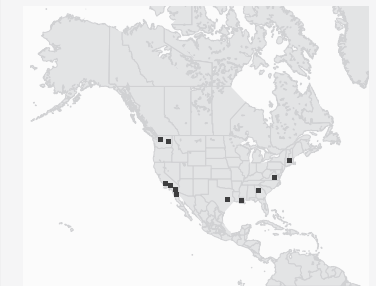
410 tCO<sub>2</sub>e Carbon footprint at fund level } Offset by planting 2,131 trees

Portfolio

Investments by sector



Investments by geography



Key ESG issues

- Sustainable fisheries
- Supply chain management
- Health & safety
- Talent management

Highlights

- SD Fund projects at Blue Harvest Fisheries and Aqua Terra See p20 & p24 →
- Launch of Social Impact initiative at Total Vision Care See p22 →
- Roll-out of ESG reviews across entire portfolio

Future focus

- Follow up on identified value creation opportunities
- Carbon footprint and reduction assessment
- Further pursue SD Fund initiatives, e.g. rooftop solar at Blue Harvest Fisheries

Bregal Partners Company case study

# Blue Harvest Fisheries

Blue Harvest Fisheries harvests, processes and markets wild-caught, sustainably certified Atlantic sea scallops, Pacific cod, haddock, Acadian redfish, Atlantic pollock (saithe), tuna and swordfish.

The company harvests seafood from US waters with a fleet of 15 scallop vessels and five groundfish vessels.

Blue Harvest is a member of the National Fisheries Institute, American Scallop Association, Sustainable Harvest Sector, Fisheries Survival Fund and Blue Water Fishermen's Association and supports their efforts to ensure responsible practices throughout the industry.



**\$81m**

2018 sales (PF)

**193**

Employees

Sector  
Fishery industry

Head office  
New Bedford, MA,  
USA

**Bregal Partners** Company case study

**Our investment opportunity**

**Premium seafood platform**

Vertically integrated seafood platform with strong positions in the attractive Atlantic scallops and New England groundfish fisheries.

**Well-managed, sustainable fisheries**

The fisheries are managed by the New England Fishery Management Council and National Marine Fisheries Service ensuring sustainability of the biomass and ecosystems.

**Potential for further consolidation**

The New England groundfish fisheries are fragmented. Blue Harvest's recent acquisition of Atlantic Trawlers underscores the potential for consolidation.

**ESG impacts and performance**

93.3

MSC score Atlantic scallops (average, 2017)

>84%

sustainably certified seafood

94.7

MSC score US Gulf of Maine and George Bank haddock, pollock and redfish (average, 2018)

**ESG performance and progress**

 **Sustainability of fisheries**

Both the Atlantic scallop and groundfish fisheries are sustainably managed by the New England Fishery Management Council (NEFMC) and the National Marine Fisheries Service. Scientists periodically measure the status of the biomass, advise sustainable fishing rates, and assess habitat and ecosystem impact of fishery activities. The NEFMC manages the scallop fishery under the Atlantic Sea Scallop Fishery Plan and sets a total allowable catch, which is allocated to permit holders via 'days-at-sea' and trips to 'closed areas'. The council manages the groundfish fishery under the Northeast Multispecies Fishery Management Plan (FMP). The FMP regulates the fishery by time/area closures, gear restrictions, minimum size limits, and by moratoriums on permits and days-at-sea restrictions. More than 84% of Blue Harvest's total 2018 product offer was harvested from Marine Stewardship Council (MSC) certified fisheries in US waters. The company's objective is to have 100% of all its targeted species harvested from sustainably certified fisheries by 2021.

 **Health & safety standards**

The fishing industry is one of the most hazardous industries in the world. Blue Harvest is committed to ensuring the highest occupational health & safety standards on board its vessels and in its processing facility. The company has created a Safety Committee

to oversee safety performance and improvement initiatives. Crews are required to participate in monthly safety drills and safety performance is tracked and monitored for continuous improvements. Blue Harvest is also a key supporter of the Responsible Fishing Scheme (RFS). The RFS is a voluntary, vessel-based programme for certifying high standards of crew welfare and responsible catching practices on fishing vessels at sea. Initial review of the RFS safety framework is expected to be completed by the end of 2019.

 **Energy and resource efficiency**

Blue Harvest has established a number of core ESG KPIs to measure and track company environmental impact projects. Energy and fuel consumption, as well as water consumption and waste generation, are the primary focus areas for continuous improvement. To support the company's initiatives, the Bregal SD Fund provided a \$400k loan in 2018 for investment in freezer upgrades and insulation, which resulted in energy savings of \$120k per annum and carbon footprint reduction of 310 tCO<sub>2</sub>e due to an energy saving of 780 MWh.



“At Blue Harvest, we believe it takes a better seafood company to deliver the best seafood. So, we hold ourselves to a higher standard. We operate honestly and openly. We source sustainably. And we deliver exceptional quality seafood, every day.

**Keith Decker** CEO and President, Blue Harvest Fisheries

Bregal Partners Social Impact initiative

# Access to eyecare

Total Vision Care established a corporate-level programme to provide access to eye care for disadvantaged youth in the local communities in which Total Vision operates.



Provider of advanced optometry services  
San Diego, CA, USA

## An interview with Dr Beverly Biances, OD, Director of Charitable Outreach

**Q** Why is access to eye care important? And why did you start this initiative?

**A** Access to eye care for children, adolescents and the underserved is essential to ensure equal opportunities for education and career development. In children, most vision problems that interfere with reading and learning are very treatable once detected. However, putting off vision exams can do irreversible damage.

Unfortunately, the use of eye care services is uneven in the US. Low-income groups are often deprived of vision care. In addition to general financial and insurance coverage barriers, the lack of access to qualified vision care professionals presents a major challenge for people in low-income communities and medically underserved areas.

### ESG impact achieved to date

<b>117</b>	<b>100</b>
Eye exams conducted	Pairs of glasses provided

**Q** What is the project about?

**A** At Total Vision, we are committed to helping underprivileged communities receive access to eye care and eye wear. When we started Total Vision with a few dozen doctors, we knew that several doctors were already engaged in community outreach initiatives and were making a positive impact. The Social Impact initiative enabled us to establish a corporate-level community outreach programme to provide access to eye care for disadvantaged youth and underserved individuals in our local communities, and it will allow Total Vision to cover a larger portion of the local community than the individual practices had previously been able to alone.

**Q** How have you been able to help disadvantaged youth?

**A** Total Vision participated in its first pilot community project on 3-5 February 2019. We partnered with VSP Eyes of Hope to provide vision care to the San Diego County Offices of Education (SDCOE), which serve the most vulnerable students between the ages of 15 and 18. The school nurses of SDCOE preselected low-income, uninsured high school students who needed eye exams and glasses. Total Vision provided 117 eye exams and found 100 students in need of



## Bregal Partners Social Impact initiative

glasses. For several students this was their first eye exam and first pair of glasses. We were able to replace broken and lost glasses that the students' families could not afford to replace. For others, Total Vision doctors were also able to diagnose children with poor vision efficiency and eye teaming, which results in difficulty in learning.

**Q** What are your plans going forward? Will you continue with this initiative?

**A** Yes, for sure. Our practices operate in local communities and it is important to build trust and give back to the community. Doing good in our local communities creates a sense of satisfaction for our doctors and staff. Strengthening our relationship with stakeholders such as VSP, SDCOE and other partner vendors will benefit our company in the long term. This enables us to leverage and maximise the donations, both monetary and in-kind contributions.

Total Vision also plans to build strong relationships with local high school nurses since they are often tasked with identifying students with vision difficulties. We plan on providing the school nurses with training so they will be able to recognise vision deficiencies that can interfere with learning. Going forward, Total Vision would like to develop a 'Total Vision Scholarship' to allow school nurses to provide access to vision care for their uninsured students.

Once the nurses identify a student with visual difficulties, they will be directed to one of our practices for treatment.

We plan to repeat the pilot project with VSP and other partner vendors on a quarterly basis. In addition, we have established a Charitable Council comprised of partner doctors in order to plan and coordinate future events. The members of this council will rotate annually to ensure that all doctors who are interested have an opportunity to participate and play a role in the outreach.



“At Bregal Partners, we are proud to support Total Vision Care’s local community initiative to provide free eye exams and glasses to disadvantaged students. We believe that creating positive social impact will benefit the company and its key stakeholders in the long term.”

**Charles Yoon** Managing Partner, Bregal Partners



Bregal Partners Bregal Sustainable Development Fund

# Water recycling systems

SD Fund loan  
**\$2.8m**

Installation of four water recycling systems to provide sustainable water supply to oil producers.



Oilfield water management and logistics services  
Houston, TX, USA

## Background

Water management has become a very meaningful topic for oil and gas producers in the US and Canada, due to its costs, operational challenges and ecological impacts, particularly in the Permian Basin in Texas, the most prominent oil and gas producing basin in the US. Water demand in the past few years has continued to increase as operators improve completion efficacy. Permian wells now use about twice as much water as they did in 2015, or more than 500,000 barrels per well.

## Sustainable Development Fund project

Aqua Terra recently partnered with De Nora Water Technologies, a leading designer of water treatment technologies, to pilot a water recycling programme in the Permian Basin. A \$2.8 million loan from the Bregal SD Fund has enabled the company to invest in four water recycling systems for four of Aqua Terra's largest disposal sites. Given Aqua Terra's proximity to its customers, the majority of recycled water can be transported to producers and reused. This greatly reduces environmental impact, due to a reduction of water consumption, reduced trucking activity and cleaner water injected into saltwater disposal wells.

## Outlook

The investment in water recycling capabilities enables Aqua Terra to further cement its position as an industry leader in water management and recycling with the highest environmental and health & safety standards.



Sustainable water management and conservation

**2.8m**

barrels of water to be recycled

**4%**

recycled water (percentage of total water)



Emissions and waste

**98%**

reduction of iron in processed water

**80%**

reduction of suspended solids in processed water

The company envisions that government regulators will increasingly mandate the use of recycled water by oil and gas producers. Aqua Terra is well positioned to benefit from this trend, whilst continuously striving to reduce the environmental impact of the business and to raise industry standards.



“Having the flexibility to utilise our existing infrastructure for water recycling truly puts Aqua Terra a step ahead of everyone else in the water management space. It not only allows for us to address our customers' needs, both efficiently and cost effectively, but it also allows for Aqua Terra to contribute to the sustainability of fresh water resources in the oilfield.

Cory Hall, CEO, Aqua Terra

Fund overview



# UK and Benelux-focused middle market private equity fund

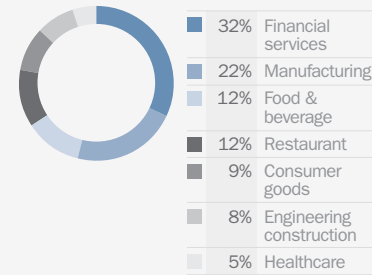
Bregal Freshstream invests in growing businesses based in Western-Europe, with a particular focus on the UK and Benelux markets. Bregal Freshstream focuses on businesses where their capital and support enables management teams to grow through strategic and operational change.

9	4,625	€0.4bn	€0.9bn
Portfolio companies	Employees	Assets under management	Turnover

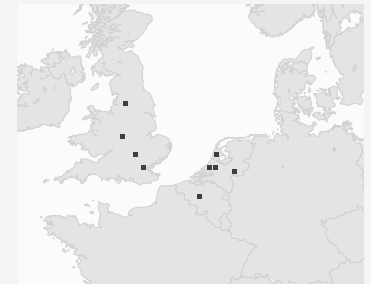
183 tCO<sub>2</sub>e Carbon footprint at fund level } Offset by planting 951 trees

Portfolio

Investments by sector



Investments by geography



Key ESG issues

- Health & safety
- Materials & waste
- Supply chain management
- Carbon emissions

Highlights

- Roll-out of ESG reviews across portfolio
- Social audit scheme successfully implemented at Radley's suppliers
- Best practice sharing on health & safety at Verwater and Taziker

Future focus

- Conduct employee engagement surveys across portfolio
- Continue to follow up on ESG objectives at portfolio companies
- Identify eligible SD Fund and/or Social Impact projects

Bregal Freshstream Company case study

# Radley

Founded in 1998, Radley is a leading British handbag and accessories brand in the growing affordable luxury market with a multi-channel distribution network primarily across the UK and the US.

The Radley brand blends creative design, quality materials, immaculate craftsmanship and personality in its products. Inspired by the wave of creative entrepreneurship in Camden Market in London, Radley handbags and accessories are predominantly made from leather.

**RADLEY**  
LONDON

**£94m**  
2018/19  
sales

**498**  
Employees

Sector  
Accessories  
  
Head office  
London, UK



**Bregal Freshstream** Company case study

**Our investment opportunity**

**Strong Radley brand**

The Radley brand is one of the most trusted handbag brands in the UK, with a loyal customer following.

**International expansion**

The universal style of handbags and strong British heritage offer significant potential for international expansion. Radley has successfully expanded to the US in partnership with major retailers.

**Leverage multi-channel platform**

Radley has effectively implemented a multi-channel strategy, combining its presence on UK high streets, through its own shops and in department stores, along with strong growth of its online business.

**ESG impacts**

**100%**

of leather tested under revised testing standards

**100%**

of wet blue leather traceable

**ESG performance and progress**



**Supply chain transparency and certifications**

Radley's technical department covers every aspect of product integrity, working with suppliers and vendors alike to maintain the high-quality product the company delivers to its customers. Product testing standards are set as world-class and follow PROP65 (US-specific) and REACH (EU-specific) programmes. In October 2018, Radley implemented a new supplier manual through which all its suppliers commit to mandatory yearly audits, product testing protocols, social and ethical standards and product quality compliance. On the back of its growth in the US, the company has further diversified its supplier base in Asia with a strong focus on ESG standards in line with its new supplier manual.



**Fair labour standards**

Radley sources its products predominantly in India and China. To ensure socially acceptable working conditions in its supply chain, the company has adopted the Social Accountability (SA8000) standards. SA8000 is an auditable certification standard for the global apparel industry which encourages suppliers to develop, maintain and apply socially acceptable practices in the workplace. In 2018, Radley committed to a target to have 100% of its suppliers compliant with SA8000

standards by 2019. In addition to SA8000 audits, Radley's Head of Supply Chain and Technical performs ad-hoc factory audits to ensure compliance.



**Environmental impact**

The Leather Working Group (LWG) has established a rating scheme for leather sourcing, scoring tanneries on environmental factors such as water use, energy use and pollution, and safety. In 2018, Radley introduced an ESG target relating to the environmental impact of its supply chain, most notably the tanneries which operate further upstream. The 2019 target is that 100% of the tanneries in Radley's supply chain have at least an LWG 'Bronze' rating.



“Radley's ability to manage environmental, social and governance matters demonstrates important and necessary leadership, good practice and corporate citizenship. This is essential to sustainable and responsible growth, which is why we are increasingly integrating these factors into our business DNA and performance measures.

Justin Stead CEO, Radley

**Bregal Freshstream** Company case study

**An interview with Martyn York, Head of Supply Chain and Technical**

**Q** Can you describe what a typical Radley tannery looks like?

**A** Our partner tanneries are well-maintained industrial facilities with a sense of pride in the workforce. They are typically large, open, well-lit buildings with clearly defined areas for each process; clean, ordered and organised from end to end. All of our tanneries are LWG accredited, which sets a standard for cleanliness, streamlined management of process and a deeply considered approach to water and waste management.

**Q** What is your approach to working together with the suppliers?

**A** My approach from the start was to bring suppliers onboard to see the benefits of following a clearly defined audit and testing programme. A project brief went out to the supply base stating what our goals would be over the next few years in a structured, measured way. I've worked with factories for 30 years and I believe honesty and fairness are my drivers; this is how I worked with the supply base and they responded very positively to my requests. We've worked in partnership, as the audit process benefits the whole supply chain whom I have visited frequently to cement relationships.

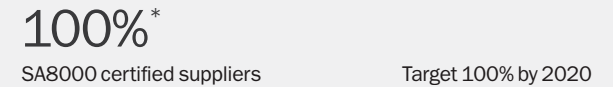
**Q** Could you give examples of improvements?

**A** One supplier in Kolkata was not as good as its audit suggested. Visiting them for the first time, process, workflow, infrastructure and housekeeping were poor. But they made excellent products. The factory management team were tired and not sure what to do next. I rejected their audit and devised a corrective action plan with them, setting clear time targets for improvement. Over six months, the feeling and fabric of the building as well as the workforce changed for the better. The management team embraced the plan: working together they now receive regular orders – and they reached high performance in their audit too.

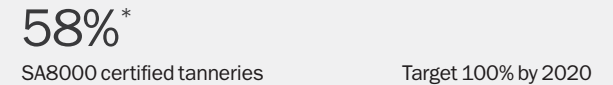
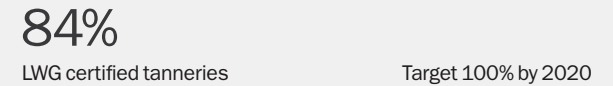
**Q** What are your objectives and vision for the next few years?

**A** My principal objective is supply chain transparency and efficiency, to be able to openly share via our website what and how we do things to land our products with our customers. Analysing the supply chain in detail to improve environmental, social and ethical trade at every level, as well as setting up a Radley & Co foundation are constant drivers for us as a brand. Integrating recycled and sustainable materials into our products and extending that part of the supply chain offers us product diversity, a visible supply chain and a genuine forward-thinking strategy.

**Supplier certification**



\*incl. in progress



\*incl. in progress



Fund overview



**BregalMilestone**

# Flexible growth capital and strategic assistance for European companies

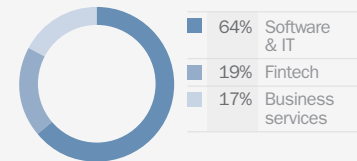
Bregal Milestone is a €400 million fund dedicated to making investments in Europe. Bregal Milestone provides flexible growth capital and strategic assistance for European companies.

4	1,590	€0.1bn	€0.3bn
Portfolio companies	Employees	Assets under management	Turnover

59 tCO<sub>2</sub>e Carbon footprint at fund level } Offset by planting 307 trees

Portfolio

Investments by sector



Investments by geography



Key ESG issues

- Good governance
- Talent management
- Data privacy & security
- Carbon footprint

Highlights

- Launch of Bregal Milestone Fund
- Integration of ESG policy in investment process
- Investments in Arkphire, Greenstorm, Epipoli and Basware

Future focus

- Implementation of ESG reviews
- Complete an SD Fund project at a portfolio company
- Scale-up Greenstorm's e-bike proposition

Bregal Milestone Company case study

# Greenstorm

Greenstorm is a fast-growing provider of e-mobility as a service to hotels and corporate clients across Central Europe. In exchange for offering high-quality e-bikes, e-cars and e-chargers, Greenstorm principally receives payment via hotel vouchers. These hotel vouchers as well as used e-bikes are sold via e-commerce channels across Europe.

In addition to the ongoing geographic expansion, Greenstorm pursues various initiatives to grow its e-mobility offering in adjacent markets.



71

Employees

Sector

E-mobility

Head office

Kufstein, Austria



Bregal Milestone Company case study

**Our investment opportunity**

**Growing e-bike rental and sale market**

Greenstorm has a compelling service offering for hotels, corporate clients and e-bike users, in what is a relatively new but fast-growing market.

**Expansion potential into new regions and market segments**

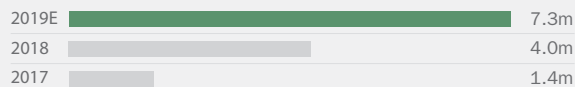
Significant potential to continue profitable growth by expanding into new regions, developing nascent market segments and maximising value from inventory of hotel vouchers.

**Strong team of award-winning entrepreneurs**

Greenstorm is led by a team of multi-award-winning founders and entrepreneurs, strengthened by the recent additions of a new COO and CFO.

**ESG impacts and performance**

Average annual distance travelled on Greenstorm's e-bikes (km)



**ESG performance and progress**

 **Environmental impact**

Greenstorm's business model is centred around the rental and sale of a clean technology (e-bikes and e-cars).

In addition to its e-bike offering, Greenstorm also offers hotel owners the opportunity to acquire the right to use electric or hybrid vehicles to replace petrol or diesel vehicles. The company estimates that the use of its Tesla vehicles placed with clients alone will reduce carbon emissions by more than 1,000 tCO<sub>2</sub> per annum.

Greenstorm aims for continuous improvement of its business processes, such as the return or disposal of used batteries following strict procedures or the printing of its client magazine with a cradle-to-cradle-certified method. The Greenstorm team continues to innovate and explore new routes to market to expand the reach and impact of its e-mobility services.

 **Green tourism and healthy lifestyle**

Greenstorm actively supports green tourism by providing hotels with the equipment, services and marketing support to appeal to customers seeking to explore regions of natural beauty in an environmentally friendly and low-impact way. Through its own communications and social media channels, and the sale of high-quality used e-bikes at attractive prices below recommended retail prices of new equipment,

the company promotes an active and healthy lifestyle. Corporate customers can partner with Greenstorm to provide e-bikes to their employees, cutting down on commuting hours spent in cars.

 **Employee culture and governance**

Greenstorm is run by a tightly knit management team very focused on maintaining its positive family culture as the business grows. The team includes 71 employees of which 38% are female. Following Bregal Milestone's investment, Greenstorm has strengthened its management team with two new C-level executives and put in place a new executive and non-executive structure as a framework for strategic decision-making and further growth.



“At the heart of Greenstorm's business model is our desire to promote a green and active lifestyle. Our success has to go hand in hand with a positive impact on our communities and the environment.

Richard Hirschhuber CEO, Greenstorm

Fund overview



# Energy, power and renewables-focused middle market fund

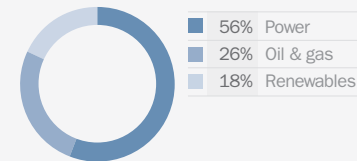
Bregal Energy, previously known as Good Energies Capital, is a private equity fund broadly focused on the North-American energy sector. Bregal Energy targets equity investments of up to \$100 million to support growth-stage companies and the deployment of proven technologies across the North-American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

4	130	\$0.2bn	\$0.1bn
Portfolio companies	Employees	Assets under management	Turnover

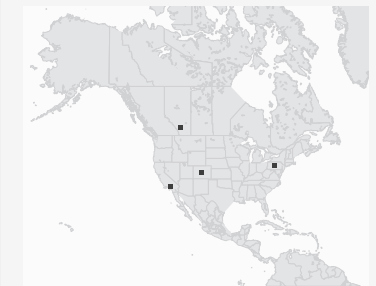
38 tCO<sub>2</sub>e Carbon footprint at fund level > Offset by planting 197 trees

Portfolio

Investments by sector



Investments by geography



Key ESG issues

- Health & safety
- Carbon emissions
- Methane emissions
- Environmental management

Highlights

- IMG Midstream won Pittsburgh airport project with a sustainable design proposal
- Birchill Canada and Inflection Energy maintained their strong operational safety records

Future focus

- Carbon footprint reduction
- Responsible shale gas certifications
- Further integrate sustainability in IMG Midstream's proposition

Bregal Energy Company case study

# IMG Midstream

IMG Midstream (IMG) develops, owns and operates quick start, small-scale natural gas-fired power generation projects in the PJM Interconnection. PJM is the biggest regional transmission organisation in the US providing power to more than 65 million people in the Mid-Atlantic and Mid-West regions.

IMG currently owns five operating projects in PJM with one more project under construction, which will bring its portfolio above 125 MW. In addition, the company has seven projects in its development pipeline.

**\$17m**

2018 sales

**28**

Employees

Sector

Energy

Head office

Pittsburgh, PA, USA



**Bregal Energy** Company case study

**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 power, on-demand and flexible power generation capacity.

**Abundant low-cost gas**

The shale gas development in the US has resulted in a rapid increase in natural gas production. IMG is benefiting from strategic access to low-cost natural gas due to insufficient pipeline infrastructure and its proximity to the gas producers.

**Roll-out opportunity**

IMG has a pipeline of seven projects to further roll-out its concept of high-efficiency gas engines with low installation costs per MW. The distributed model also conveys the benefits of a diversified portfolio of assets across the PJM network.

**ESG impacts and performance**

**17%**

Average noise level 17% below the 55 dBA prescribed by the US EPA

**10.8%**

Average of 996 CO<sub>2</sub> lb/MWh, 10.8% below target level

**ESG performance and progress**

IMG recognises the importance of being socially and environmentally responsible as an integral part of its business model: the company is devoted to playing an integral role in North-America's energy landscape.

 **Best-in-class emission levels**

As a responsible member of the Marcellus Shale Region, IMG has voluntarily implemented internal design and engineering measures to minimise any potential negative effects that could occur as a result of the development and operation of its facilities. Specifically, IMG utilises selective catalytic reduction (SCR) control technologies to reduce the emissions created by its operations, allowing the company to demonstrate emission levels that are consistently below both state and federal standards for reciprocating natural gas engines. In 2018, with an average of 996 CO<sub>2</sub> lb/MWh, the company outperformed its carbon intensity target of 1,117 CO<sub>2</sub> lbs/MWh by 10.8% with no deviation from emission limits throughout the year.

 **Positive impact on surrounding environment**

IMG is committed to safeguarding the environment and has set a consistent culture of environmental stewardship among its employees and contractors. By locating its facilities near natural gas production as well as local electric substations, its business model is designed to minimise local environmental impact, thereby reducing the need for added infrastructure. The plant's proximity to natural gas supply in turn helps reduce fugitive methane emissions associated with gathering, compression and transmission. This also allows the company to achieve a competitively low cost per kWh, while alleviating stress on the regional grid.

 **Noise pollution**

By utilising advanced noise-cancelling technologies, IMG was able to achieve an average noise pollution level of 45.5 dBA at the nearest residence. The figure is 17% below the 55 dBA prescribed by the US Environmental Protection Agency (EPA), which is equivalent to a conversation in a restaurant. While local noise ordinances are not mandatory at all of IMG's project locations, IMG is proactively implementing the same safeguard measures across its entire project portfolio.

## Bregal Energy Company case study

## ESG performance and progress continued

 Employee safety and training

IMG aims to go above and beyond prescribed regulations on staff qualifications and to continuously improve the company's health, safety and environmental bottom-line. In addition to the Occupational Safety and Health Administration's required training, IMG has built a framework of Operator Qualification standards. Employees go through extensive training in order to enforce high standards, strict corporate policies and responsible and ethical procedures in their daily activities. This includes completing a three-month training programme, which ensures step-by-step that they have the essential operational skills for full-plant proficiency. Also, IMG organises regular meetings where employees are encouraged to discuss safety procedures and to identify ways the company can raise corporate safety standards and awareness.

## Community relations

As many of IMG's employees live and work in the project areas and volunteer in the community, the company regularly communicates with local communities and media about its operations and seeks out opportunities to engage with the public to maintain an open dialogue.



## Gas service to rural communities

IMG acts as supporter and facilitator for the use of locally produced natural gas in rural communities. For the Oxbow Creek Energy project in Pennsylvania, the company chose to work with a local distribution company (LDC) to transport locally produced natural gas from a nearby midstream gathering pipeline to the project site.

The LDC will make natural gas service available to customers that are in the general path of the gas distribution line. As the midstream pipeline pressure is very high, the cost to reduce this pressure for use at local commercial businesses and residences would have been prohibitive. Thus, if not for the investment in the Oxbow Creek Energy projects and inclusion of the LDC as part of the project's natural gas service, neither the project nor the gas distribution line would have been possible in this rural area.



## Local job recruitment

IMG employs 16 people to operate and maintain its fleet of power generation projects. The majority of IMG's operations and maintenance team come from the same local communities where the company invests and operates its projects. Technical aptitude and solid training are essential components to being a safe and good operator, as is reflected in the company's strong operating record.

Recognising this, IMG supports a local trade school by participating in semi-annual job fairs, the funding and awarding of an annual scholarship, and by promoting the hiring of its students at IMG and throughout the general community. IMG's Lead Operations Manager has been appointed to the board of advisors for the school, acting as an ambassador between IMG, the community and the school's staff, helping to shape the curriculum and facilitating the placement of graduating students. IMG has hired seven operators from this local technical trade school.



“In 2018, IMG furthered its commitment to low emission generation through the installation of improved SCR emission controls at its Wolf Run project. These SCR controls allowed IMG to reduce the project's emission limits by up to 65% over its previous Jenbacher plants. IMG's operational fleet continues to minimise its disturbance to the local community through the use of advanced sound mitigation technology which kept IMG's fleet sound levels well below regulatory limits for 2018.

Mike Brady CEO, IMG Midstream

Fund overview



**Bregal Private Equity Partners**

# 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 between €10 million and €40 million. BPEP also makes co-investments of approximately €5-€15 million per company and invests in secondary transactions.

€1.0bn

Total assets under management

69

Total General Partners (GPs) currently invested in

105

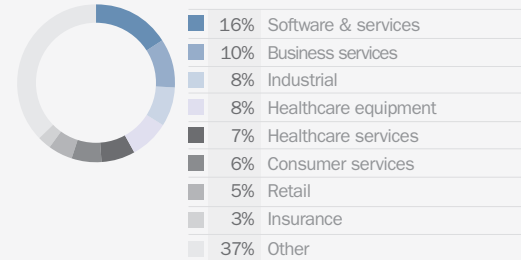
Total funds currently invested in

600+

Total companies currently invested in

Portfolio

Investments by sector



ESG ambitions going forward

- Further integrate ESG in fund commitment decision-making and performance tracking
- Conduct a portfolio screening and engage with the relevant GPs on identified issues on an annual basis
- Actively engage with GPs which do not yet have an ESG policy and provide support through Bregal's in-house expertise
- Engage with other Limited Partners in the industry to share knowledge and determine best-in-class practices

## Background

BPEP specialises in investing in private equity funds (General Partners or GPs). The first ever commitment was made in 2002 and since then more than 130 commitments to primary funds have been made. BPEP makes roughly 10-15 investments per year with commitments ranging between €10 million and €40 million. The majority of the funds are located in Europe and North-America. The strategies of the underlying direct funds vary broadly, from turnarounds to growth equity to buyouts, from country-specific to global and from sector-focused to sector-agnostic. The median fund size of the core 40 GP relationships is approximately €500 million. BPEP also makes co-investments directly into companies led by sponsor GPs with equity tickets of around €5-€15 million.

## ESG within BPEP's investments

BPEP has historically taken ESG risks into account in investment decisions through: (i) a complete exclusion of certain industries; and (ii) a high-level analysis of whether the GP adheres to Bregal's Corporate Responsibility Guidelines. However, in recent years BPEP has taken a more proactive approach in ESG risk management. This is done both prior to investment and during the investment period.

## ESG considerations prior to investment

In all investment decisions, BPEP performs extensive due diligence on the historical track record of GPs.

As part of this process, BPEP aims to discuss potential ESG issues and the challenges of these investments. The way the GP has addressed and considered these ESG issues in the past is a good indicator of future ESG performance. In addition, BPEP examines the ESG policy and practices of the GP. Overall during due diligence BPEP aims to ensure that prospective GPs invest responsibly and take a structured approach to addressing ESG risks and opportunities. Some GPs have not yet established an ESG policy. In such situations, BPEP aims to help GPs through the Bregal platform's in-house expertise.

## ESG engagement during the investment period

BPEP has introduced an annual questionnaire to each of its GPs to help track ESG progress and is conducting a bi-annual screening of the entire portfolio to identify any ESG breaches. In addition, BPEP aims to make ESG a topic on Advisory Boards and in annual general meetings.

## Industry analysis

Certain industries are more ESG friendly than others. BPEP is exposed across diverse industries, with the largest and second largest exposures in the generally lower ESG impact 'software & services' and 'business services' industries (representing circa 16% and 10% of the portfolio's fair market value respectively). However, the third-largest exposure is in the higher ESG impact 'industrial' sector.

## UN PRI and ESG reporting within the BPEP portfolio

Overall, 25% of GPs backed by BPEP are a signatory of the UN Principles for Responsible Investment (PRI). In Europe, 45% of the GPs are a signatory, whereas in North-America it is just 7%. The discrepancy between the European and North-American GPs remains large, although awareness and adoption of the UN PRI and implementation of ESG policies and practices in North-America has increased during the last couple of years.

## Update on last year's ESG goals

BPEP set four goals in 2018: (i) to further integrate ESG considerations into decision-making and performance tracking; (ii) to conduct an annual screening and engage with GPs on ESG topics; (iii) to encourage reporting and discussion of ESG topics at Advisory Boards; and (iv) to consider ESG in co-investment decisions. Progress has been made on each of them. In particular, ESG risk analysis has become increasingly integrated into BPEP's due diligence process.

Going forward, BPEP would like to continue to work on the four goals set last year as well as increase its focus on UN PRI Principle 5 ('we will work together to enhance our effectiveness in implementing the Principles'). We plan to do this by engaging with other LPs to determine, and subsequently implement, best-in-class practices.

# Philanthropy

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.

## COFRA Foundation Grants

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.

€638,994

Total committed in 2018

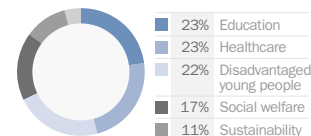
€2,258,664

Total committed since inception in 2011

26

organisations supported in 2018

Grants by sector



## Selected foundations that received a donation



**Dein München e.V.**  
Inclusion of the disadvantaged

Dein München e.V. focuses on inclusion of disadvantaged children and young people in Munich and lets them participate in the social city life through projects in the fields of education, culture and sport.

2018 donation: €45,000



**New York Sun Works**  
Educating youth on sustainability

New York Sun Works builds innovative science labs in urban schools to educate students and teachers about the science of sustainability. It envisions a generation of environmental innovators, empowered to create solutions to global resource challenges.

2018 donation: \$40,000



**Eastside Young Leaders' Academy**  
Next generation leaders

The Eastside Young Leaders' Academy in London exists to nurture and develop the leadership potential, health and well-being of children and young people, especially those from black and minority ethnic backgrounds, empowering them to become the next generation of successful leaders.

2018 donation: £50,000



**Pajama Program**  
Good nights for all

The Pajama Program serves children at risk across the US by offering them new pajamas and books so that they can enjoy bedtime. Since inception in 2001, it has delivered 6 million good nights to children affected by poverty.

2018 donation: \$35,000



### Matching grant programme

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 €5,000 made during any current calendar year.

**€100,100**

Total committed in 2018

**€351,000**

Total committed since inception in 2011

**74**

organisations supported in 2018

### Selected foundations that received a donation



**Lambda Legal**  
Civil rights for the LGBT community

Lambda Legal is committed to achieving full recognition of the civil rights of lesbians, gay men, bisexuals, transgender people and everyone living with HIV through impact litigation, education and public policy work.

2018 donation: \$5,000



**Family Gateway**  
Building community-led solutions for deprived families

Family Gateway supports families in the areas of highest deprivation and where children's life chances are lowest. Through the development of community-led solutions, Family Gateway aims to improve the life chances of their children.

2018 donation: \$5,000



**Right To Play**  
Empowering children using the power of play

Using all forms of play – games, sport, poetry, performance, dance, art and music – Right To Play creates lasting impact and empowers over 1.9 million children worldwide with the knowledge and skills to drive change in their lives, their families and their communities.

2018 donation: €5,000



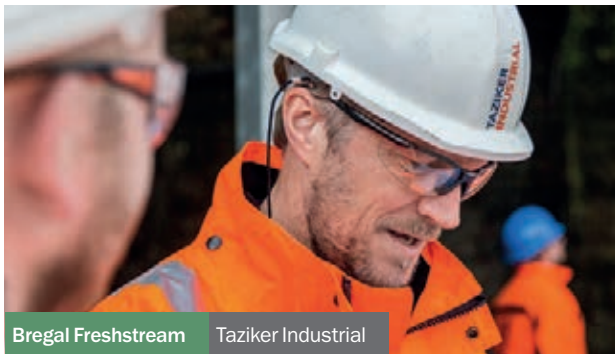
**Hersenstichting**  
Action for healthy brains

Hersenstichting (Brain Foundation) is dedicated to taking action to keep the brain healthy, cure brain disorders and improve patient care. The Brain Foundation facilitates research and promotes the most effective treatments.

2018 donation: €1,000

# Update on 2017 report

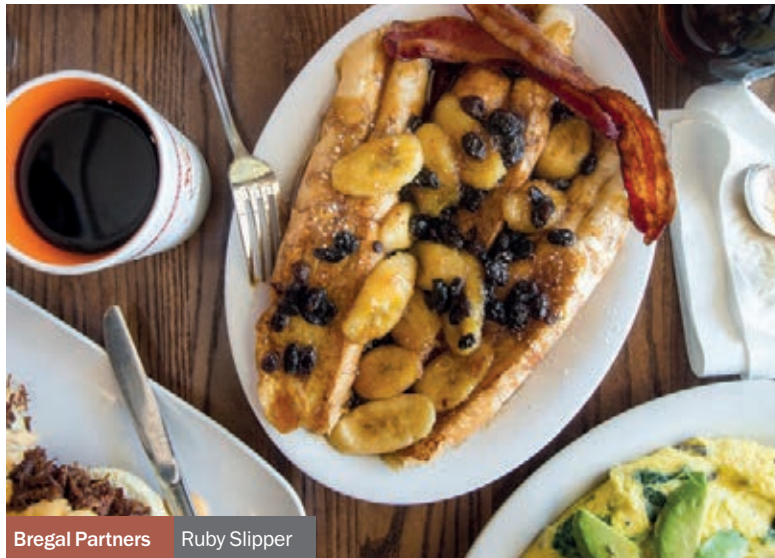
The companies presented in our 2017 Responsible Investment Report have made further progress this year in incorporating Environmental, Social and Governance (ESG) aspects into their business. Some highlights of this progress are presented on the next two pages.



Bregal Freshstream Taziker Industrial

## Leading the industry in ESG

In 2018, the company explored alternative grit blasting techniques and recycling options to lower the impact and costs of landfilling abrasive waste. As the results did not meet Taziker's standards, management now aims to set up a joint programme with a university and peers to tackle this industry issue collaboratively.



Bregal Partners Ruby Slipper

## Doing the right thing

In an effort to help those affected by the US government shutdown, Ruby Slipper started an initiative to offer free meals to furloughed federal employees and their families. With the support of the Social Impact initiative, the company helped more than 7,000 people across all locations and donated circa \$55k worth of meals to those affected.

The initiative was very successful, elicited enthusiastic responses from the local community and media, and is perfectly aligned with Ruby Slipper's purpose of positively impacting the local community and supporting local causes. Going forward, one of the key elements of our ESG plan is to further build on management's vision of supporting the local community through Ruby Slipper's unique New Orleans-inspired concept.



Bregal Sagemount Connectria

## Low carbon opportunity

Connectria management, supported by the SD Fund, is exploring an opportunity to launch the first ever carbon neutral managed cloud solution for IBM Power systems. This proposition should offer its customers an opportunity to significantly reduce their energy and carbon footprint, whilst lowering their operating costs.



Bregal Unternehmerkapital Novem

## Operational excellence

2018 saw Novem's first ESG review by Bregal. The output was a comprehensive ESG plan with improvement initiatives and KPIs for monitoring material ESG topics such as material efficiency, health & safety and energy consumption.

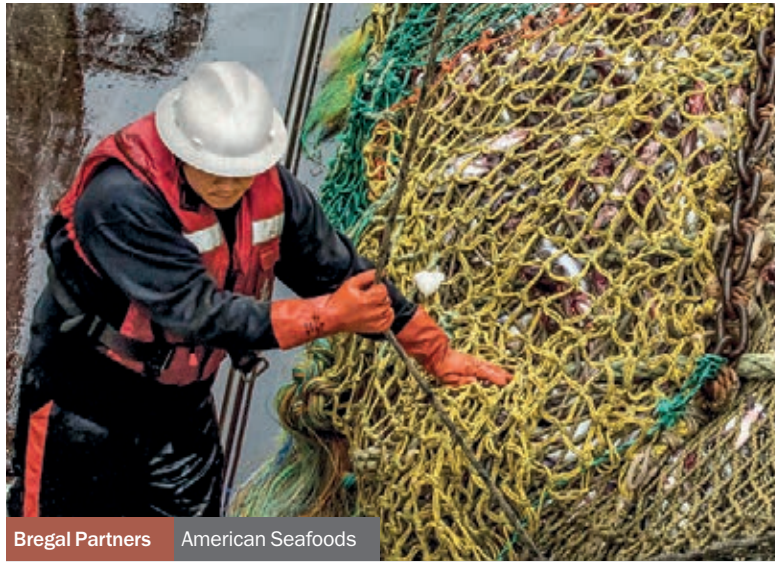


Bregal Freshstream Euro Caps

### Sustainable coffee

Euro Caps furthered its commitment to responsible coffee sourcing. In 2018, Euro Caps agreed a three-year partnership with the World Wildlife Fund in a coffee project to stop deforestation of the Amazon in a specific region in Brazil, through implementing an agro-forestry concept for growing coffee and through that enabling farmers to ensure a sustainable income for themselves and preventing further deforestation.

Another key area of Euro Caps' focus is directed towards the material use of its capsules. The company is working with existing suppliers and potential new suppliers to stay on top of the latest developments in this area.



Bregal Partners American Seafoods

### Becoming the employer of choice

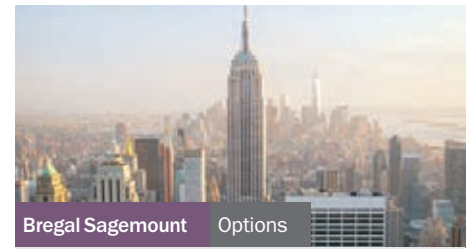
American Seafoods strives to be an employer of choice in its industry, and is implementing a plan to achieve this goal. Beginning this year, it will be conducting extensive outreach with face-to-face interviews and townhall style meetings focusing on deploying change initiatives to optimise employee experience. Phases two and three will assess the success of improvements implemented this year by tracking engagement indicators. This process demonstrates American Seafoods' commitment to its employees and its strong desire to be the industry leader in providing a high-quality working environment.

The carbon footprint of proteins has recently become a critical consideration among consumers. American Seafoods was one of the first fishing companies to measure its products' carbon footprint in 2012. A 2018 update showed that, despite a 46% increase in fish caught, emissions per kilogram of pollock declined by 20%. This was achieved through switching to more efficient refrigerants, using a lower emission packaging manufacturer and additional energy efficiency measures.

Bregal Energy Birchill Canada

0

environmental or safety incidents in more than ten years.



Bregal Sagemount Options

80%

of Options' data equipment is hosted in green-certified data centres.



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