Triton

Climate report 2024/25

Task Force on Climate-Related Financial Disclosures TCFD

Contents

Our Climate-related Financial Disclosures

Our TCFD report covers all assets under management. This report sets out the 11 TCFD recommended disclosures within each of the four pillars outlined by the Taskforce and required to meet the underlying regulatory requirements:

- Governance - focuses on Triton's governance structure around climate-related risks and opportunities
- Strategy - climate-related risks and opportunities identified over the short, medium, and long term
- Risk Management – describes how risks are assessed and managed at each stage of the investment process
- Metrics & Targets - used to assess climate-related risks and opportunities, aligned with strategy and risk management

This report shares Triton's approach to managing climate-related risks and opportunities, from the perspective of:

1. Triton's operations; and
2. Triton's portfolio – across private equity & credit

In so doing, we aim to describe and illustrate the ways in which we integrate climate change in analysis, risk-mitigation, opportunity-identification and overall investment business.

Climate at Triton

This is Triton's second Climate report to meet the requirements of the Task Force on Climate-Related Financial Disclosures (TCFD). TCFD is focussed on reporting and on the impact which companies from many corners of the economy, including private equity firms such as Triton, have on the global climate.

The world is facing an existential threat from climate change. Every country, company and organisation must now address the societal, environmental and economic risks which global warming has brought. The infographic on this page shows major types of weather-related disaster in the categories where warming intensifies the frequency and severity of such events[1]. The focus on climate from all stakeholders – investors, regulators, companies and employees, customers and civil society – is intensifying, meaning the response must be ever-more robust and transparent.

[1] The Intergovernmental Panel on Climate Change (IPCC), the pre-eminent global scientific body, convened by the UN, is responsible for assessing the science related to climate change. It provides policymakers with regular, comprehensive, and authoritative scientific assessments on climate science knowledge, which they use to inform climate policy decisions. The following IPCC resource discusses the level of scientific confidence that anthropogenic climate change increases specific categories of extreme weather event:
Chapter 11: Weather and Climate Extreme Events in a Changing Climate | Climate Change 2021: The Physical Science Basis

Triton Climate Report 2024/25

Global Disasters in Numbers - 2024

Aggregate weather disasters faced across the world

16 Droughts

19 Mass movements

26 Extreme temperature events

106 Storms

168 Floods

11 Wildfires

Note: The counts of each climate-exacerbated physical impact in this diagram are those that meet the criteria of the EM-DAT database methodology, more specifically "a situation or event that overwhelms local capacity, necessitating a request for external assistance at the national or international level; it is an unforeseen and often sudden event that causes great damage, destruction, and human suffering."

Source: https://files.emdat.be/reports/2024_EMDAT_report.pdf

"All continents will have to speed up the transition towards net zero, and deal with the growing burden of climate change. Its impact is impossible to ignore. Heatwaves across Asia. Floods from Brazil to Indonesia, from Africa to Europe. Wildfires in Canada, Greece and California. Hurricanes in the US and the Caribbean. Climate change is still on top of the global agenda. From decarbonising to nature-based solutions. From building a circular economy to developing nature credits."

From a speech by Ursula von der Leyen, 2025, Davos[2]

After decades of political and multinational progress on climate diplomacy, technological advancements with clean technologies, and innovation in green finance, have we turned the corner on combatting climate change? Much progress has been made, yet this notion should be considered against the fact that the atmospheric carbon level continues to rise, which drives warming, and is now at around 429 parts-per-million (ppm)[3], vs 280ppm in prehistoric times[4]. Perhaps of greater concern is the fact that the amount that we add to this level each year is showing no signs of slowing. In April 2025, the US National Oceanic & Atmospheric Administration (NOAA) released data showing that in 2024 there was a record-high rate of year-over-year increase in CO2 concentrations. Growth was 3.75 parts per million in 2024 — 25% larger than the previous record jump of 2.96 ppm, set in 2015.

We believe that the TCFD is playing a positive role in making climate-related disclosures more consistent and therefore more comparable. This allows stakeholders to engage robustly and with confidence with entities responsible, directly or indirectly, for greenhouse gas emissions. Therefore, we are supportive of the ambition of the Taskforce and its framework.

Private equity firms like Triton have both a role to play, and an opportunity to benefit from, investing in decarbonisation actions necessary to achieve the goals adopted via the Paris Agreement of 2015. We can use our capital, long-term strategies and influence with our portfolio companies to drive investments towards the low carbon economy. This is implementable both by investing in climate solutions providers and by lowering the operational emissions of our portfolio companies.

[2] Davos 2025: Special address by Europe's Ursula von der Leyen | World Economic Forum

[3] As of April 2025, Trends in CO2 - NOAA Global Monitoring Laboratory

[4] Trends in CO_2 - NOAA Global Monitoring Laboratory

[5] References to:

(a) "Manager" are references to the Triton entity that is the manager or alternative investment fund manager, as applicable, of the relevant Triton Fund;

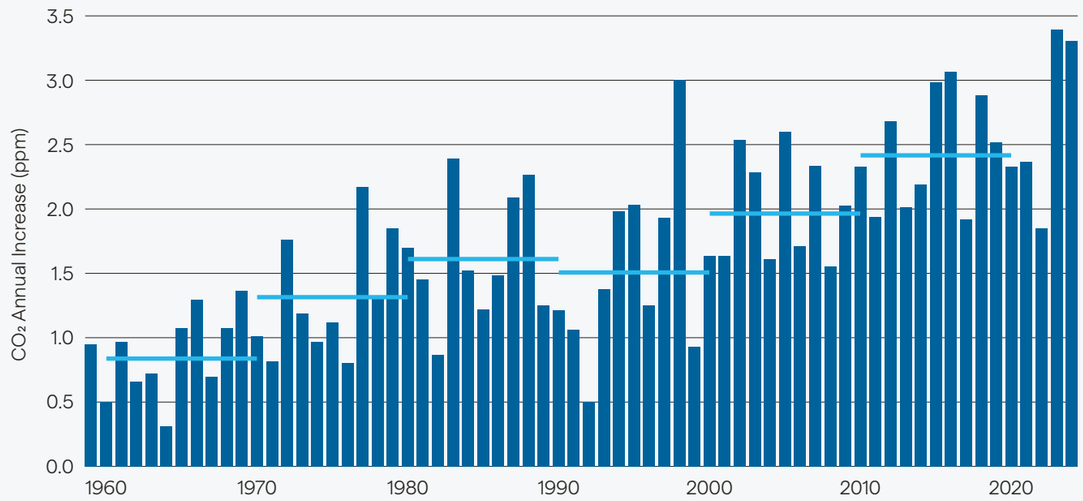
(b) "TIA LLP" are references to Triton Investments Advisers LLP;

(c) "Triton" are references to Triton Investors SCSp, Triton Nordic Sub-Advisory Group AB, Triton GP HoldCo S.À.R.L. and any of their associates (including TIA LLP), but excluding, for the avoidance of doubt, any Triton Fund;

(d) "Triton Fund" are references to any investment fund or managed account arrangement managed or advised by a Triton entity from time to time.

Triton Climate Report 2024/25

Annual increase of CO_2 at Mauna Loa, Hawaii, USA



Source - Global Monitoring Laboratory (GML) of the National Oceanic and Atmospheric Administration

Note: The Mauna Loa research centre is the most commonly quoted for atmospheric carbon levels, due to lack of anthropogenic distorting factors in a remote and unpolluted location. The data in the chart shows the amount of carbon being added to the atmospheric level still in a growth trend - i.e. the amount of carbon human activity is adding to the atmosphere increases each year, with pre-industrial levels at 280 parts per million (PPM) and the April 2025 level at 431ppm. A level of 450ppm is typically cited as the threshold atmospheric carbon level for 2 degrees of global warming, the less ambitious of the Paris Agreement maximum warming targets.

Compliance Statement[5]

This TCFD report is issued by Triton Investments Advisers LLP (TIA LLP), which is authorised and regulated by the UK Financial Conduct Authority. This is the second such report that has been prepared to meet the UK FCA requirements that are derived from the Task Force on Climate-related Financial Disclosures (TCFD). The disclosures in this report, including any third party or group disclosures cross-referenced in it, comply with the requirements under the FCA's ESG 2 rulebook.

While this TCFD report is issued by TIA LLP, the information covers, unless otherwise stated, Triton's general approach to responsible investment, sustainability and climate-related matters.

Unless otherwise provided, the information included relates to the period from 1st January to 31st December 2024.

Signed: Matthew Couch
CFO

Dated: June 2025

Triton at a glance*

Founded in
1997

Professionals accross
11 offices

Integrated operating & specialist teams

€21 billion
Raised since inception

200+
Institutional investors

100+
Investment advisory professionals across three investment strategies

60+
Operational and functional specialists supporting value creation throughout the investment life cycle

Portfolio companies

100+
Investments since inception

700+
Add-on acquisitions completed

€24 billion+
Combined portfolio revenues

100,000+
Full-time employees at portfolio companies

Core Triton sectors

- Business Services
- Industrial Tech
- Healthcare

Strategies
Capital raised

€17bn
Mid-Market PE

€1.3bn
Smaller Mid-Market PE

€2.6bn
Credit

*As of December 2024

Triton and its portfolio companies benefit from West Park and the services provided by it. Since its formation in 2007, West Park has become a core part of Triton's "Building Better Businesses" strategy and approach. West Park is able to provide a range of value-adding services to support the investment process and portfolio companies that would otherwise be provided by third parties.

Triton

Mid-Market PE | **Smaller Mid-Market PE** | **Credit**

West Park

- Full Potential
- Leadership & Culture
- CFO Excellence
- Digital
- Sustainability
- Debt Financing
- Transaction Tax / Legal
- Procurement
- Communications
- Operational Specialists

Triton's Sustainability Framework

At Triton, we continue to be guided by the core belief that investing sustainably is aligned with investing profitably. It is our firm belief that value can be created and realised through a deep understanding of sustainability themes and drivers. The evidence that better management of sustainability factors is linked to value creation has continued to build in external studies (see Appendix 1 for a curated literature review).

"One of the essential functions of financial markets is to price risk to support informed, efficient capital-allocation decisions"

TCFD

Triton continues to embed sustainability factors into its investment process, while being guided by materiality, which can be company or sector specific. To build better, higher quality, businesses we integrate analysis of environmental risks and opportunities, focus on factors affecting a range of societal stakeholders, and set robust governance programmes to underpin their delivery. To ensure effective delivery, we invest in our team, processes, and are continually improving transactional support offered to our investment teams.

Triton's Responsible Investment (RI) policy was introduced in 2012 – it is reviewed at least annually and is available on our website. We have also been a signatory to the United Nations-backed Principles for Responsible Investment Initiative (UN PRI) since 2012.

Regulatory and industry initiatives continue to increase data and reporting requirements. There has been a year-on-year increase of around 22% in the number of overall sustainability data points collected and analysed by the Sustainability Team to ensure alignment with regulation and investor queries.

Triton Climate Report 2024/25

Triton's involvement with industry initiatives on climate change

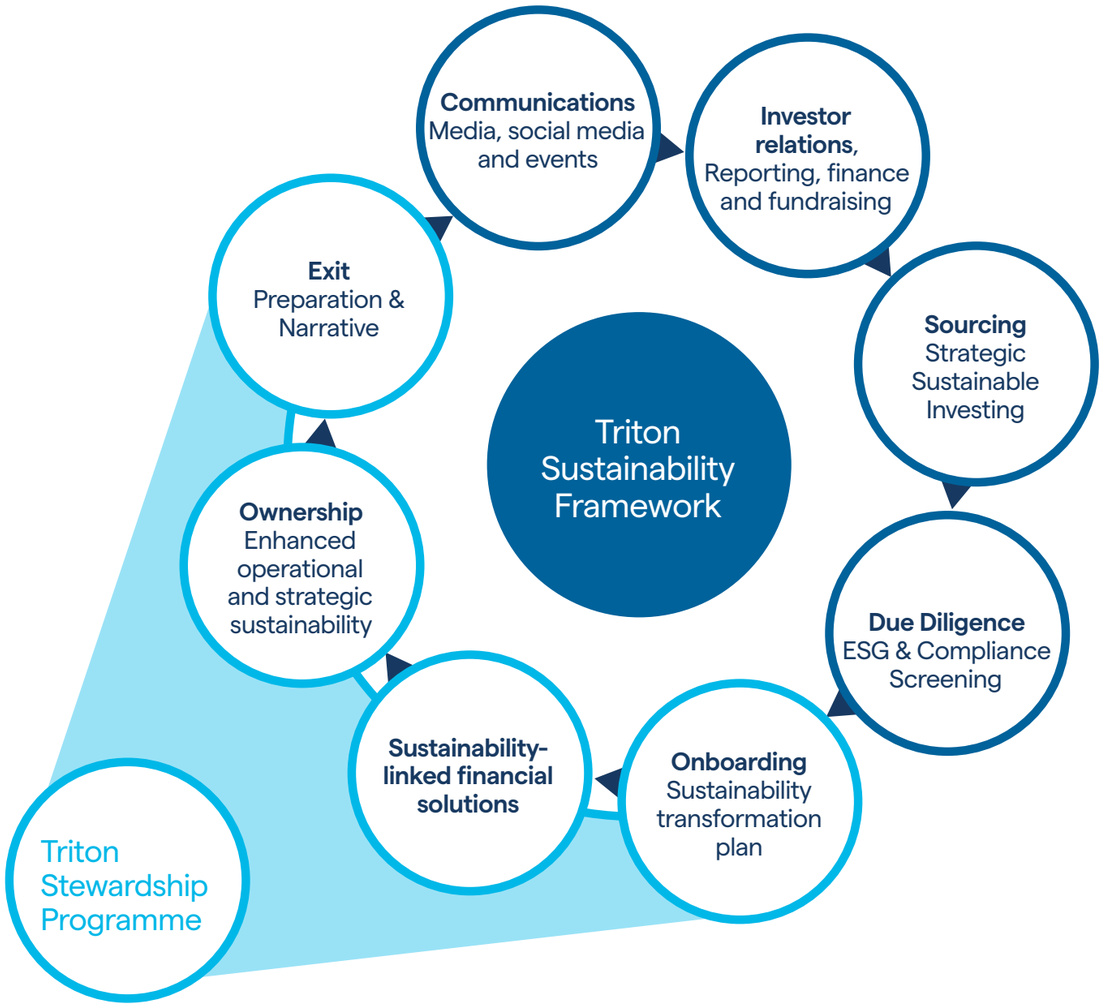
We recognise that alignment and standardisation of reporting is an important step in the development of sustainability and we continue to engage actively in multiple industry bodies, including Invest Europe and the British Venture Capital Association to support this work.

Triton's CEO is a founding member of the Private Equity Sustainable Markets Initiative Taskforce (PESMIT). Triton is represented on the Climate Change Working Group and the Biodiversity Working Group, which also considers climate change factors, habitat preservation and nature-based solutions. In 2023, the workstreams published reports on valuing carbon in private markets as well as private equity guidance to drive positive change in biodiversity and natural ecosystems.

West Park's Head of Sustainability sits on the Global SteerCo of Initiative Climat International (iCI). In 2022, Triton worked in partnership with other investment firms through the iCI to publish guidance on TCFD reporting, greenhouse gas accounting and setting Science Based Targets within the private equity industry.

Triton is also a member of the ESG Data Convergence Initiative (EDCI), first reporting ESG data and assessing energy and climate-related benchmarks from comparable private companies in 2022.

For further details on our Sustainability Framework, please refer to our Sustainability Reports.



Timeline of Triton's involvement with climate change initiatives within Triton and within the industry

2012	2012 Signed UN PRI Approved Responsible Investment policy
2013	Appointment of Sustainability Team Member of BVCA and EVCA RI
2020	Triton is proud to be a founding signatory of Initiative Climat International UK network ("iCI"). The Head of Sustainability is a member of the global SteerCo.
2021	Hired Head of Sustainable Investing Commitment to Science-Based Target (SBT) First sustainability-linked facilities for Triton funds V & TSM II, including ratcheting climate metrics
2022	Triton worked in partnership with other investment firms through the iCI to publish TCFD guidance, GHG accounting and setting Science Based Targets within the private equity industry. First participation in the ESG Data Convergence Initiative (EDCI), assessing energy and climate-related benchmarks from comparable private companies
2023	Triton's CEO is a founding member of the Private Equity Sustainable Markets Initiative Taskforce (PESMIT), where Triton is represented on the Climate Change Working Group and the Biodiversity Working Group. In 2023, the workstreams published reports on valuing carbon in private markets as well as private equity guidance to drive positive change in biodiversity and natural ecosystems. Ongoing membership of the ESG Data Convergence Initiative (EDCI) Published Energy efficiency in private equity spotlight
2024	Published first Triton Climate report Science-Based Target validated Ongoing membership of the ESG Data Convergence Initiative (EDCI)

Governance

In line with TCFD recommendations and supplementary guidance for the financial sector, this section focuses on Triton's governance structure around climate-related risks and opportunities.

Board oversight of climate-related risks and opportunities

Portfolio management

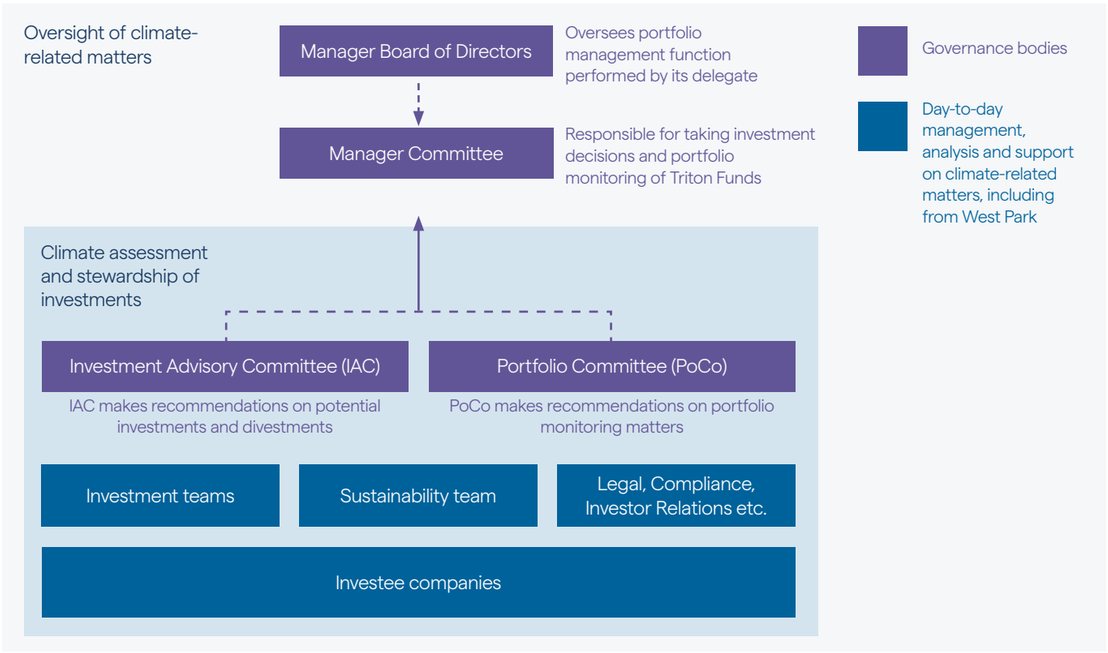
The approach of Triton Investments Advisers LLP (TIA LLP) to governing climate-related risks and opportunities is a central part of the firm's strategy to work with portfolio company management to build better, higher quality business. We believe this ensures the effective implementation of Triton's Sustainability Framework.

For TIA LLP, its governing body, the Manager Committee, has ultimate accountability and oversight of, and is therefore responsible for climate-related issues across the investment process and the overall portfolio. As the delegated portfolio manager in respect of the Triton Funds, TIA LLP is responsible for managing climate risks and opportunities as part of investment decision-making and portfolio stewardship, with the Manager responsible for overseeing climate-related risks and opportunities for the relevant Triton Fund as a whole.

The Manager Committee receives general and portfolio-wide sustainability updates, including on climate-related topics, at least twice a year. During Manager Committee meetings, detailed strategy and targets are discussed and approved, as well as progress against climate-related targets. The board of the Manager also receives similar sustainability updates, both in the context of the Manager's risk management function in respect of the Triton Funds and for the purposes of the Manager's general oversight of TIA LLP, as its delegate. TIA LLP does not delegate any of its functions and therefore the interaction between climate-related risks and opportunities and delegation is not addressed in this report.

The Investment Advisory Committee (IAC) of the relevant Triton Funds provides oversight on sustainability topics, including climate, as part of its advice and recommendations to TIA LLP, in the context of investments, divestments and other uses of fund capital matters. The Portfolio Committee (PoCo) oversees sustainability and climate-related topics and performance in the context of private equity portfolio company monitoring. The Manager Committee takes advice from the IAC and PoCo.

The diagram below shows an overview of our governance structure for the oversight of climate related risks and opportunities:



TIA LLP, the Manager, the IAC and the PoCo are supported by West Park's Sustainability functional specialists (the Sustainability Team). The Sustainability Team collaborates with investment teams and functions including Legal, Compliance, Corporate Governance, Investor Relations, Communications and, where possible, with portfolio companies themselves, on climate-related issues.

Operations

The CFO, reporting to the CEO, is responsible for ensuring that climate-related risks and issues are understood, mitigated and adequately addressed across Triton operations. The Sustainability Team provides updates and advice to senior leadership on climate-related issues and recommends approaches and actions to the firm's wider climate ambitions.

Management role in assessing and managing climate-related risks and opportunities

Triton's Responsible Investment (RI) Policy governs how ESG and climate factors are integrated across all investment strategies – both private equity and credit – and portfolio management.

For potential private equity investments, understanding the risks and opportunities associated with climate change starts with sourcing. Our Sustainability team supports the investment teams in assessing attractive target companies with positive climate tailwinds. These include providers of products and solutions which support the energy transition, resource efficiency, circular economy and climate change adaptation.

The RI Policy requires potential investments to be reviewed for sustainability and climate impacts, risks and opportunities. Sustainability factors, including topics and issues relating to climate change, form an integral part of the due diligence on potential investments. The Sustainability Team coordinates an assessment of material climate-related risks and opportunities, which is analysed and assessed by the IAC in the context of making an investment recommendation to the Manager Committee.

Once an investment has been made, the Sustainability Team and relevant investment teams monitor material climate-related risks and opportunities at the company, based on available information. Since 2014, Triton's Debt Opportunity strategy (TDO) has invested in the debt of businesses. Three funds have now been raised within this strategy. TDO invests in the credit of mid-market European companies, primarily in the same key sectors as Triton's private equity funds. TDO focuses on investments in senior secured debt of companies via the secondary market, as well as providing primary and asset-backed lending on an opportunistic basis.

For credit investments, information is gathered from public sources as well as leveraging third-party research providers, such as RepRisk.

For private equity investments, the ability and progress of each portfolio company to analyse and manage ESG risks and opportunities, including around climate change, is actively monitored through Triton's Stewardship Programme. The Head of Sustainability reports to the Manager Committee and the Board of Directors of the Manager on portfolio-wide climate due diligence matters and the overall operation and effectiveness of the Stewardship Programme.

Strategy

> Climate-related risks and opportunities identified over the short, medium, and long term.

Triton proactively identifies and manages climate risks and opportunities throughout the investment cycle.

Assessment of cllimate-related risks and opportunities are presented across three time horizons:

- Short term (to 2030)
- Medium term (to 2040)
- Long term (to 2050)

The rationale for selecting these horizons is that it helps to inform the relevant Triton Fund's investment strategy, as well as assess risks and opportunities through an investment's hold period, the lifetime of a Triton Fund, and the longer term beyond Triton's investment in a company.

The tables below outline the latest assessment of material climate-related opportunities and risks that have been identified across Triton's operations, the private equity portfolio and the credit portfolio. This represents all of Triton's operational and investment activities. The assessment also highlights the potential impact of the risk and opportunity across the relative timescales.

Summary of principal climate opportunities

Category	Opportunity	Time horizon	Potential Impact
Resource efficiency	More efficient buildings, technology, operations and transport at portfolio companies/ Triton Leverage energy incentives	Short / Medium term	Operating cost savings Greater value of fixed assets Supply chain resilience
Products and services	Investment strategies with climate focus Portfolio companies with products/ services supporting climate mitigation or adaptation	Short term	Greater portfolio company revenue/ demand Access to new and emerging markets Higher valuations Improved market reputation
Market	Changing consumer demand towards lower emission products & services across investments Shifting investor trends to more climate-focussed strategies or climate-related KPIs	Medium term	Attraction & retention of investors Brand value and reputation Greater portfolio company revenue/ demand Lower cost of capital
Technology	Market shift to lower emissions and climate-resilient technologies impacting portfolio companies Investor allocation preferences shifting to climate specific goals or climate-related funds	Medium term	Greater portfolio company revenue, market share and valuations Investor allocation preferences shifting to climate specific goals or climate-related funds

Summary of principal climate risks

Category	Risk	Time horizon	Potential Impact
Physical (acute)	Increased severity and frequency of extreme weather such as flooding (coastal, pluvial and fluvial), storms, extreme heat, wildfires and drought & water stress	Short / Medium term	Higher operating costs Inventory damage, impairment and/ or asset write-downs Greater insurance premiums, losses from uninsurable events in 'high risk' locations Breached covenants and/or missed interest payments Revenue impact from business disruption Capital expenditure to address damage, where not covered by insurance
Physical (chronic)	Changes in precipitation patterns Rising average temperatures Rising sea levels	Long term	
Policy & legal	Increased climate disclosure and regulations relating to investments, funds, Triton operations or suppliers Increases in regulated carbon pricing Risk of penalties for non-compliance Exposure to climate-related litigation	Short / Medium term	Compliance (and/ or non-compliance) costs Reputational damage Impact to fundraising/ changing investor demands Breached covenants and/or missed interest payments Higher operating costs Increased likelihood of stranded assets
Technology	Market shift to lower emissions and climate-resilient technologies impacting portfolio companies Investor allocation preferences shifting to climate specific goals or climate-related funds	Short / Medium term	Loss of portfolio company revenue, market share and valuations Impact to fundraising/ changing investor demands
Market	Changing consumer demand towards lower emission products & services Higher raw materials pricing Market uncertainty Shifting investor trends to more climate-focussed strategies or climate-related KPIs	Short / Medium term	Lower valuations of portfolio companies if they experience reduced sales Increased operating costs Impact to fundraising/ changing investor demands
Reputation	Stakeholder concerns Negative climate controversies Uncertainty	Short term	Negative stakeholder perception Impact to fundraising/ changing investor demands/ lower valuations of portfolio companies

Impact of climate-related risks and opportunities on businesses, strategy, and financial planning

Triton's direct operations are relatively asset light. In 2024, Triton operated from 11 offices, all of which are leased, and employees have the ability to work remotely. The Sustainability team collaborates with Legal, Compliance and Office Managers to ensure compliance with the relevant climate-related regulation, including the UK Energy Savings Opportunity Scheme (ESOS) and the EU Energy Efficiency Directive (EED).

Our continued view is that the potential financial impact of climate change is more material for the portfolios we manage than for our direct operations.

In 2023, we undertook qualitative and quantitative climate scenario analysis for our private equity portfolio, covering 50 portfolio companies. In 2024, we have supplemented this scenario analysis with a qualitative physical and quantitative transition climate risk assessment for our credit portfolio, covering 42 investments for the year to 31 December 2024. Conducting comprehensive scenario analysis for private credit is inherently more challenging due to limited availability of data, so our assessment is based on the extent to which information is available, particularly from public data sources.

We analyse several climate scenarios, aligned with IPCC assessment scenarios, as well as the Network for Greening the Financial System (NGFS)[6], as our base frameworks. The scenarios are as follows:

Climate scenarios used for physical and transition risk & opportunity analysis

NGFS	'Orderly transition'	'Disorderly transition'	'Hot house world'
GHG emissions	Low	Low - Intermediate	High – Very High
NGFS scenario	Net Zero 2050	Delayed Transition	Current Policies
IPCC Shared Socio-Economic Pathways (SSPs)	SSP1: The sustainable and 'green' pathway	SSP2: The 'Middle of the road'	SSP3 'Regional rivalry' / SSP5 'Fossil-fuelled development'

More transition risks ⟷ More physical risks

[6] NGFS Scenarios Portal

Summary of physical risk scenario analysis

Physical climate risk scenario analysis has been conducted for the private equity and credit portfolios, with the support of external advisers.

During scenario-based screening, we used physical location information (latitude/ longitude) for portfolio company and credit investment sites. For private equity, we used primary data for operating locations, where available, whilst for credit, we were restricted to public information sources for location data.

The geolocations of relevant sites were assessed against physical climate hazard maps across different climate scenarios and time horizons. Risk scores (on a 1-5 scoring basis) was then applied to each site and investment for both the credit and private equity portfolio. Given greater data availability for private equity, Triton has been able to evaluate the risk score based on likelihood, impact and level of exposure.

Triton Sector	2020	2040	2050
Business Services			
Industrial Tech			
Healthcare			
Consumer[7]			

Key:

Higher risk | Higher-moderate risk | Moderate risk | Lower-moderate risk | Lower risk / opportunity

Notes: Scenarios covered: NGFS Delayed Transition/ SSP1; NGFS Current Policies/ SSP3 & SSP5

The summary above depicts score averages across climate scenarios. Overall portfolio exposure to acute and chronic physical climate hazards is increased for higher emissions scenarios (NGFS Current Policies/ SSP3 & SSP5).

Across all sectors and climate hazards assessed, "flooding" and "drought & water stress" were identified as the most relevant physical risks. For the private equity portfolio, where we have much better access to data and engagement with portfolio companies, we therefore prioritised these specific risks for more detailed scenario analysis and financial integration.

At a micro level for a portfolio company or credit investment, the level of exposure is highly dependent on i) specific location of the site; ii) criticality of the site and iii) level of protection and risk mitigation measures. We also noted that certain sub-sectors have physical risk vulnerabilities e.g. for healthcare, industrial tech and consumer investments with manufacturing sites and service companies that support aircraft operations and shipping. In these cases, climate screening, due diligence and subsequent engagement where possible with portfolio companies on these topics become key to identifying and managing these risks.

[7] Triton invests in business services, industrial tech and healthcare as its core sectors. This category refers to legacy consumer investments".

Summary of transition opportunity and risk scenario analysis

Transition opportunity and risk scenario analysis was conducted for the private equity and credit (risk only).

For private equity, we analysed transition opportunity and risk scenarios leveraging portfolio company data of total asset value, energy consumption and greenhouse gas (GHG) emissions intensity[8] against NGFS carbon pricing projections. Climate-Value-at-Risk (CVAR) ranges for each portfolio company were then determined as a measure of the present-value impact to financial performance by climate change.

For credit investments, we similarly assessed sensitivity to carbon price changes, considering both the development of carbon prices as well as decarbonisation efforts of investee companies over time, utilising NGFS projections. Due to data limitations, greenhouse gas emissions were either taken from public data sources or estimated using industry averages, where investee company-specific data was not available. The impact on credit risk was then assessed by analysing the impact of carbon price changes onto debt/ EBITDA ratios, as a proxy for investee company ability to repay debt.

Transition risk and opportunity analysis summary for private equity and credit, by sector:

	Transition risks (private equity & credit)			Transition opportunity (private equity only)		
Triton Sector	2030	2040	2050	2030	2040	2050
Business Services						
Industrial Tech						
Healthcare						
Consumer						

Key:

Higher risk | Higher-moderate risk | Moderate risk | Lower-moderate risk | Lower risk / opportunity | Lower-moderate opportunity | Moderate opportunity | Higher-moderate opportunity | Higher opportunity

Notes: Scenarios covered: NGFS Delayed Transition/ SSP1; NGFS Current Policies/ SSP3 & SSP5

Transition opportunities

Portfolio companies across all sectors have positive opportunities resulting from climate change, with value potential higher in lower emissions scenarios and increasing over time.

Across all sectors, we assessed opportunities resulting from "resource efficiencies" to be the most material across the private equity portfolio, which was then brought forward for additional quantified scenario analysis.

Opportunities were identified as greatest for portfolio companies that had higher GHG emissions intensities and lower percentages of renewable energy usage.

[8] GHG operational emissions intensity is defined as Scope 1 and 2 GHG emissions per €1 million revenue

Portfolio Case Study

DEEPOCEAN

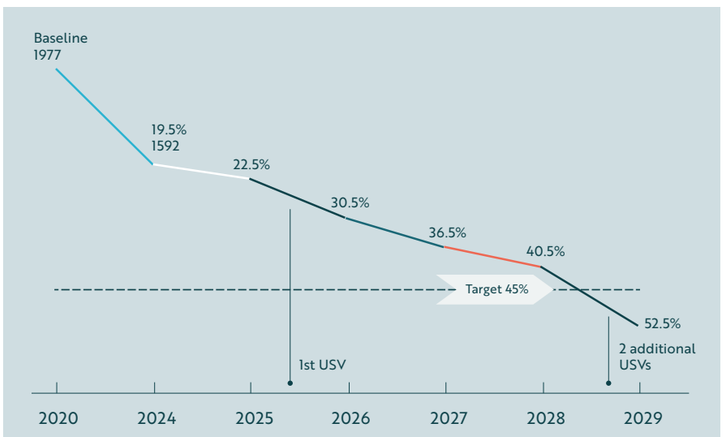
DeepOcean – Resource efficiencies through digitalisation

DeepOcean is a Nordic-based sub-sea services provider, delivering a range of services including surveying, engineering, project management, installation, maintenance and recycling for various industries including oil and gas, offshore renewables and ocean minerals.

DeepOcean has a target to achieve a 45% reduction in carbon intensity by 2030. In 2024, the business implemented a digital platform, Maress, to calculate emissions data and support vessel energy efficiency planning.

The platform has enabled informed operational and strategic decision making to support the reduction of fuel consumption, emissions and operating costs. The data has allowed the business to evaluate the potential of new technologies, alternative fuels, remote operation centres, retrofitting of vessels and uncrewed surface vessels based on carbon intensity indicators.

Impact: DeepOcean has achieved a 20% reduction in carbon intensity relative to its 2020 baseline, despite a 49% increase in fleet operation hours.



Source: DeepOcean Group Annual Report 2024.
USV - Uncrewed Surface Vessel.

Transition risks

In the medium term, most of the private equity and credit investments were found to have moderate sensitivity to transition risks. The greatest exposure to carbon pricing was found to be for investments with energy-intensive manufacturing (across industrial tech, healthcare and consumer sectors) or services businesses connected with operating assets such as aircraft or shipping vessels.

Overall, "**policy & legal**" transition risks were assessed to be the most likely across all sectors, particularly in lower emissions scenarios and from 2040 onwards, where carbon prices are modelled to increase sharply.

The impact of transition risks on profitability is also dependent on the development of the investment's GHG emissions over time. Therefore, our assessment of and engagement with the most exposed portfolio companies to accelerate decarbonisation is critical in mitigating these risks.

Triton is not using climate-related scenarios in our financial planning at the moment. Climate impacts which have been assessed have interdependencies, long term impacts and have a range of uncertainty that is challenging to immediately incorporate into projections. We look to build on this and consider it as part of future climate risk assessments and scenario analysis.

Resilience of Triton's climate strategy

Triton developed its climate strategy based on its assessment of climate-related risks and opportunities impacting Triton and the wider portfolio.

Validated Science Based Target

In December 2021, Triton announced its own commitment to setting a Science Based Target[9]. In October 2024, the Science Based Target initiative (SBTi) validated Triton's near-term target.

Triton continues to believe that this strategy will also align with the ambitions of Triton Fund investors, attract potential portfolio companies and their management teams, and help develop businesses aligned with core sustainability drivers.

At Triton, we review our sustainability commitments annually. We remain comfortable with and committed to our position on climate change. We are conscious of proposed, upcoming revisions to the SBTi and will study any changes carefully, in light of our position and target under the SBTi.

Triton actively works with portfolio companies to support the assessment of their carbon emissions (including Scope 3 measurements), the development of own emissions reduction targets and developing SBTs before taking these through to implementation.

[9] Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels.

Portfolio Case Study

Assemblin Caverion Group

Assemblin Caverion Group (ACG) – Climate engagement

Assemblin Caverion Group (ACG) provides solutions and services across the full lifecycle of the built environment, with expertise spanning across a range of capabilities including electrical, heating and sanitation, ventilation, and smart buildings. The business employs over 20,500 skilled professionals in nine countries.

In April 2024, Triton Portfolio Company, Assemblin Group merged with one of Triton's newly acquired businesses, Caverion Corporation, forming ACG.

The business consolidated energy and climate information as part of the integration process. In June 2024, ACG published its SBTi commitment and in December 2024, the SBTi approved ACG's near term greenhouse gas reduction targets.

Assemblin Caverion Group commits to the following reductions:

- Absolute scope 1 and 2 GHG emissions by 42% by 2030;
- Absolute scope 3 GHG emissions from use of sold products by 42%; and
- Reduce all other absolute scope 3 GHG emissions by 42% by 2030 from a 2023 base year.

The company aims to adopt other sustainability goals and targets during 2025-2026.

Launch of Finland's Wisest School campaign

In 2024, Caverion partnered with Microsoft to launch a Minecraft competition for schools across Finland to encourage children to 'rebuild' their school in the most energy-efficient way. The campaign reached 15 million hits across various media channels and has engaged young people as well as future and current employees on sustainable construction and building operations.

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Portfolio company engagement on climate adaptation and resilience

Portfolio company-specific outputs from our climate scenario analysis have been shared with each respective portfolio company. Investment teams, supported by the Sustainability Team, engage portfolio companies to understand and evaluate climate change impact on their business operations, strategy and financial planning.

The analysis is also being used to engage portfolio companies on their action plans for climate mitigation and adaptation. This includes supporting more detailed reviews at a site level, as well as the development of business continuity and crisis management plans that integrate potential impacts of climate change.

Sustainability-linked financing

Triton has established a sustainability-linked revolving credit facility for several of its private equity funds: Triton Fund V in 2021, Triton Smaller Mid-Cap Fund II in 2022, and most recently, Triton Fund 6 in 2024. This facility includes ratcheting climate and wider environmental metrics, including the percentage of portfolio companies having committed to a Science Based Target and have waste and/ or water management programmes in place.

Sustainable financing further incentivises Triton's engagement with portfolio companies to accelerate their own decarbonisation journeys, reduce potential climate transition costs and encourage climate resilience through resource efficiencies.

Article 8 fund classification

Triton most recent private equity funds are classified as Article 8 under the Sustainable Finance Disclosure Regulation ("SFDR"), which promote environmental and social characteristics. This includes Triton Fund V, Triton Smaller Mid-Cap Fund II, and Triton Fund 6.

Each of these Triton Funds track environmental indicators, including GHG emissions intensity and energy efficiencies over time.

Sustainable sourcing

Triton continues to target businesses that bring goods and services to market which we believe are supported by sustainability drivers and where demand growth is underpinned by positive macro factors. Analysis of key sustainability trends and underlying themes enables better understanding of associated risks and opportunities.

Over 2024-25, Triton developed an internal Sustainability Alignment Tool (SAT), for categorising PC revenue streams where they are catalysed, positively or negatively, by a range of sustainability trends. The SAT maps revenues against high-level sustainability trends (across environmental, social and governance) and underlying themes. So, to illustrate, Climate change is a trend, with two underlying themes – 'Decarbonisation & energy transition' and 'Climate change adaptation'. Other climate related themes include resource efficiency & circular economy as well as biodiversity loss.

There were multiple drivers for the creation and use of the SAT, including enabling determination of Article 8 alignment of Funds, discussions with investors, tracking any transition in the business model of a portfolio company during ownership, internal reporting and analysis across funds and sectors, portfolio company marketing to potential buyers and to enable consistency in analysis of tailwinds and headwinds during sourcing and due diligence.

A portfolio company may have revenues which are positively catalysed by one or more themes. Equally, a portfolio company may face headwinds from sustainability themes. Meanwhile, some portfolio companies may have some business divisions, and therefore revenue streams, which benefit from tailwinds, and others which simultaneously face headwinds. The SAT captures such data and analysis.

In 2024, we conducted a full analysis of the PE portfolio, to understand how portfolio company revenue is aligned to these sustainability trends and themes.

Triton Climate Report 2024/25

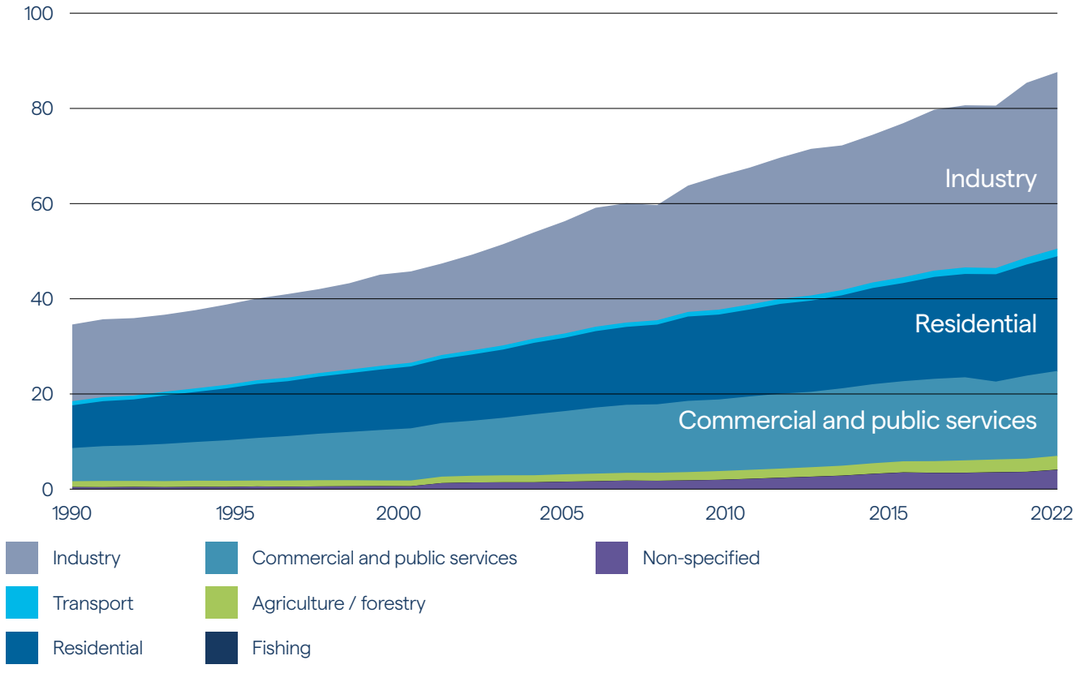
Electrification – a major climate-related investment theme

The world's demand for electricity continues to grow and is set to maintain this trend. Despite consistently taking measures to improve energy efficiency, a rising population and greater affluence mean overall energy consumption increases over time, and an increasing proportion of this energy consumption is from electricity generation.

We have further discussed this theme, in greater detail, in two Spotlight notes - Energy efficiency in private equity (2023) and Sector focus – Business Services (2025).

Climate policy is a challenge to the use of fossil fuels. What can replace using the heat derived by burning fossil fuels to create power, heat buildings, enable industrial processes and drive transport? The major answer, as things stand, is greater, low-carbon electricity. This means more renewables, as well as potentially hydro and nuclear power generation where natural conditions and policy are favourable. To many observers, this decarbonisation driver has become the key impetus behind the energy transition. This presents a material opportunity for companies able to supply into, build out and maintain this new energy system.

Electricity consumption by sector, World, 1990-2022, in millions of Terajoules (TJm)



Source: International Energy Agency - World Energy Balances

In 2024, Triton Funds invested in Trench and Hanab, two portfolio companies that specialise in driving the energy transition.

Portfolio Case Study - Trench

TRENCH

Specialises in power engineering and the design of specialised high voltage electrical products serving utility and industrial customers around the globe.

Sustainability themes

Climate change

Decarbonisation and energy transition, Climate change adaptation

Trench Group is ideally positioned to enable and benefit from the Energy Transition which constitutes a key investment theme for Triton. The company has a differentiated competitive positioning in the Transmission & Distribution (T&D) component market, underscored by its deep technical know-how, an optimised product portfolio, its market positioning across all three segments and the long-standing and diversified relationship with blue chip customers.

Portfolio Case Study - Hanab

Hanab

Multi-utility service provider with dedicated focus on solutions in the fields of energy & utility, connectivity and building installation services.

Sustainability themes

Climate change

Decarbonisation and energy transition, Climate change adaptation

Natural Resources

Water resilience, Resource efficiency

Hanab offers integrated solutions including feasibility studies, advice, design, installation, realisation, and maintenance. The company has been instrumental in helping accelerate the energy transition, digitalisation, and modernisation of the built envionment in the Netherlands. The company is ideally positioned to benefit from the opportunities arising from the energy and digitisation transition.

Triton examines potential investments using a sustainability lens and seeks to back companies that benefit from long-term megatrends such as the energy transition, and will continue in this approach.

Risk Management

Organisational processes for identifying and assessing climate-related risks

Climate-related risks are assessed and managed at each stage of the investment process.

Pre-Investment

For a prospective investment, the Sustainability and investment teams conduct a preliminary risk assessment, considering potential material climate risks and opportunities, based on available information.

Where Triton seeks to acquire a company, or a majority thereof, into the private equity portfolio, external ESG due diligence is conducted, and where relevant, enhanced climate due diligence is included in scope. Triton assesses climate factors, based on financial materiality and the likelihood and scale of any adverse climate impact.

The types of risks and opportunities considered at the screening or due diligence phase can include, but are not limited to energy consumption, GHG emissions and wider environmental impacts such as waste, water management and emissions-to-water, climate strategy and decarbonisation potential as well as the exposure of the business' products & services exposure to climate-related market based or regulatory headwinds or tailwinds that can provide opportunities for growth. We also typically assess, based on available data, physical and transition risks at a high level relative to the company's risk mitigation measures and management. The result of the assessment is discussed, considered and assessed by the IAC, before any recommendation is made to the Manager Committee.

Post-Investment

Developing and emergent climate risks and incidents are continuously monitored through the ownership period, as part of our portfolio monitoring process for private equity and credit (based on available information and through leveraging RepRisk, a third-party ESG research tool).

For private equity portfolio companies, Triton operates its Stewardship Programme. We have integrated climate factors into preserving and enhancing the value of businesses as a priority topic for several years.

As part of the Stewardship Programme, portfolio companies are supported to:

- Enhance emissions reporting
- Identify, manage and report material climate- and nature-related risks and opportunities
- Develop a climate strategy with a clear decarbonisation pathway, and levers for achieving this pathway, ideally in line with an SBT
- Establish a risk management framework and risk register
- Establish Business Continuity Plans (BCPs) and Crisis Management Plans, including adapting to the physical impacts of climate change
- Conduct their own enhanced climate scenario analyses for material risks

Triton Climate Report 2024/25

Portfolio companies are encouraged to identify and effectively manage climate-related risks and opportunities. We are leveraging our climate scenario analysis to accelerate engagement, prioritisation and drive action at the portfolio company level.

For credit investments, post-investment engagement opportunities, and the ability to influence company day-to-day operations, are more limited. Ongoing diligence can be enabled and enhanced through third-party research tools and regular reviewing of publicly available information such as published sustainability reports. This allows monitoring of climate-related performance, climate incidents and risk management processes.

Processes for identifying, assessing, and managing climate-related risks, within overall risk management

We recognise that developing a climate strategy drives resilience and allows portfolio companies to mitigate transition and physical risks and leverage climate opportunities. Climate reporting is then critical to enable businesses to track and demonstrate progress internally and for external stakeholders, including investors. The investment and the Sustainability team directly engage with portfolio company boards and senior management to support and encourage the adoption and implementation of an appropriate ESG action plan for the business.

In 2024, the Sustainability team engaged portfolio companies on several climate topics, including portfolio-wide training on climate risks and opportunities to the full CFO & ESG network at portfolio companies and hosting a training webinar to communications professionals on driving transparency and credibility in climate claims and tackling greenwashing.

The Sustainability, Risk & Compliance, Legal and Corporate Governance teams continue to closely collaborate to identify upcoming climate regulations as well as discuss and manage material risks and escalated issues, including climate-related risks. Material climate-related risks and mitigation measures have been centralised in Triton's enterprise risk management system, alongside other business-wide and sustainability risks. The Head of Sustainability periodically reports to the Manager Committee on material climate-related risks, mitigation measures and upcoming regulation.

Metrics & targets

Metrics used to assess climate-related risks and opportunities - aligned with strategy and risk management

Triton's carbon footprint

> At Triton, we believe that there are sequential steps that are critical in driving performance and increasing resilience to climate change. Specifically this includes; establishing metrics and a baseline, setting targets, and measuring progress against those targets.

Triton quantifies and reports Scope 1, 2 and 3 greenhouse gas emissions, in alignment with the GHG Protocol. In 2024, Triton worked with an external provider to improve reporting and get a more complete view of GHG emissions, including:

- Incorporating benchmarks to fill in data gaps for certain offices (leased)
- Assessing GHG emissions of additional Scope 3 categories such as purchased goods and services, operational waste and employee commuting.

Triton Climate Report 2024/25

Triton Scope 1, 2 and 3 emissions[10] (tCO2e) for the calendar year 2024

	2024 tCO_2e	2023 tCO_2e	% change	Notes
Scope 1	-	-	n/a	Fugitive emissions from refrigerant usage in leased offices are currently included in Scope 2.
Scope 2				Increase in Scope 2 in 2024 reflects updated measurement of heating and cooling systems and improved reporting across offices.
Location-based	441	330	34%	
Market-based	621	530	17%	
Scope 3				
1. Purchased goods & services	11,570	-	n/a	First year reporting in 2024.
2. Capital goods	3,124	-	n/a	
3. Fuel- and energy-related activities	106	-	n/a	Market-based approach.
4. Upstream transport and distribution	4	-	n/a	First year reporting in 2024.
5. Waste generated in operations	3	-	n/a	
5. Business travel	2,393	3,282	(27%)	Includes hotel stays.
7. Employee commuting	461	-	n/a	First year reporting in 2024.

[10] Excluding financed emissions, reported separately. This data has not been independently assured.

Portfolio-level climate metrics and financed emissions

Financed emissions are the share of GHG emissions associated with investments and represent over 99% of Triton's total carbon footprint.

For private equity, a wide range of climate-related metrics are collected from portfolio companies on a periodic basis, including:

- Scope 1 and 2 GHG emissions
- Scope 3 emissions, split by Scope 3 category
- Total energy consumption and production, and the proportion that is renewable
- Climate strategy, including short-term or long-term decarbonisation goals
- Water consumption and emissions-to-water
- Waste production, including the proportion that is recycled

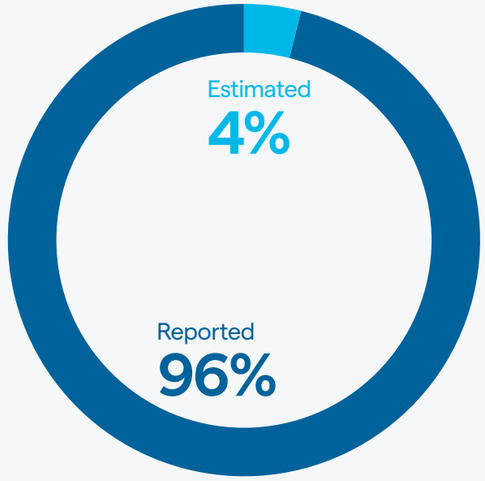
As a member of the ESG Data Convergence Initiative (EDCI), we collect and analyse private market energy and climate benchmarks, such as GHG intensity ratios, and monitor our portfolio companies' performances relative to those benchmarks.

For credit investments, relevant climate metrics are primarily collated from public information sources, such as published sustainability reports.

In 2024, for the first time, Triton worked with an external provider to estimate data gaps where emissions data was partial, or not available, for either private equity or credit investments. As shown below, it is positive to see the high level of coverage of reported Scope 1 and 2 emissions.

Portfolio coverage rates for GHG emissions data, calculated as investments reporting GHG emissions as a proportion of total investments.

Scope 1&2 coverage
(Private Equity & Credit)



Scope 1-3 coverage
(Private Equity & Credit)

In 2024, we also updated our methodology for financed emissions to ensure attribution factors have been calculated in accordance with the PCAF Global GHG Accounting and Reporting Standard. The update to methodology, alongside our exercise to provide coverage of data gaps drives the main difference in emission figures in 2024, in spite of decarbonisation actions taken by many portfolio companies.

Triton's financed emissions metrics for the year to 31 December 2024[11]

Indicator	2024	2023	% change	Notes
Scope 3 Category 15: Investments				Figures in 2024 have been improved: • with updated PCAF methodology • to include gap-filling where data was limited or not available • with more accurate reporting from investments, particular in capturing Scope 3 for the first time • and reflects changes in portfolio composition. Figures for 2023 have been restated to include financed emissions from credit (where specified) and reflects more accurate data from portfolio companies. Where n/a is stated, 2024 is the first year reporting.
Financed emissions (tCO_2e) Scope 1&2	1,571,091	1,087,652	44%	
Financed emissions (tCO_2e) Scope 3	11,800,411	n/a	n/a	
Financed emissions (tCO_2e) Total *– private equity and credit*	13,371,503	n/a	n/a	
Carbon footprint (tCO_2e/ €M portfolio value) *– private equity and credit*	96.9	73.2	32%	
Carbon intensity (tCO_2e/ €M revenue) *– private equity only*[12]	93.5	100.1	(7%)	
Weighted average carbon intensity (tCO_2e/ €M revenue) *- private equity and credit*	60.9	79.9	(24%)	

[11] Data has not been independently assured. Updated methodology for PCAF-aligned attribution factors have only been applied to 2024 figures. Metrics for 2023 have been updated to include credit were applicable and more accurate data from portfolio companies.

[12] Carbon intensity only reflecting private equity as credit makes up a smaller part of the portfolio and relies on more estimated data, hence is not as reliable within an unweighted metric.

[13] As a proportion of eligible private equity and listed equity investments. Credit investments are not currently in scope of Triton's SBTi-validated target.

Tracking progress against Triton's climate-related targets

Triton's near-term Science-Based Target was validated in October 2024.

Triton has committed to reduce its absolute Scope 1 and 2 emissions by 46.7% by 2030 and is already working with portfolio companies to submit and validate their own SBTs. Triton's near-term target is for 36.8% of portfolio companies setting SBTi validated targets by 2028 (from a 2021 base year). Triton's broader aim is for all portfolio companies to have SBTs in place by 2040, if not sooner.

Triton tracks progress against its SBT through several KPIs including monitoring renewable energy consumption across its offices and at the portfolio level, the proportion of portfolio companies that have submitted their own SBTs, validated them and have implemented credible climate transition plans.

In 2024, Triton continued to engage portfolio companies to support carbon footprinting, target setting and decarbonisation measures. The Sustainability Team provided direct support, such as on carbon accounting and SBT submission, in addition to providing training webinars, recommendations for third-party climate advisers as well as facilitating best-practice sharing across portfolio companies.

Triton does not currently incorporate carbon pricing into investment decisions or valuations; however this is under consideration.

Triton's SBT progress status as at 31 December 2024[13]

5
new portfolio company SBT commitments and 2 portfolio company validations in 2024

16 (29%)
portfolio companies that have publicly committed to or have a validated SBT

12%
invested capital that have a validated SBT, with an additional 22% at commitment stage

Engaging portfolio companies on decarbonisation roadmap

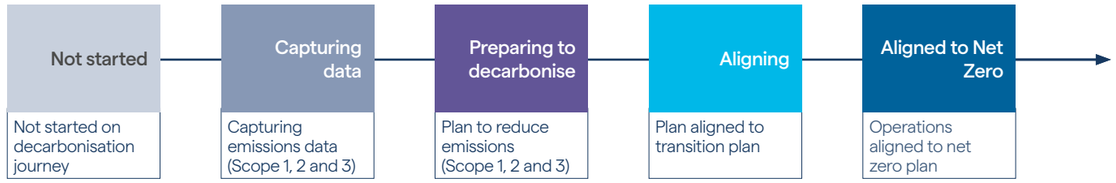
Triton has also assessed its private equity portfolio according to the Private Markets Decarbonisation Roadmap 2.0 (PMDR). The PMDR is an initiative that Triton supported through its role in initiative Climate International (iCI) and the Sustainable Markets Initiative's Private Equity Taskforce (PESMIT).

The PMDR Alignment Scale is used to support portfolio companies align to a roadmap which tracks their maturity in establishing a science-aligned climate strategy and decarbonisation plan.

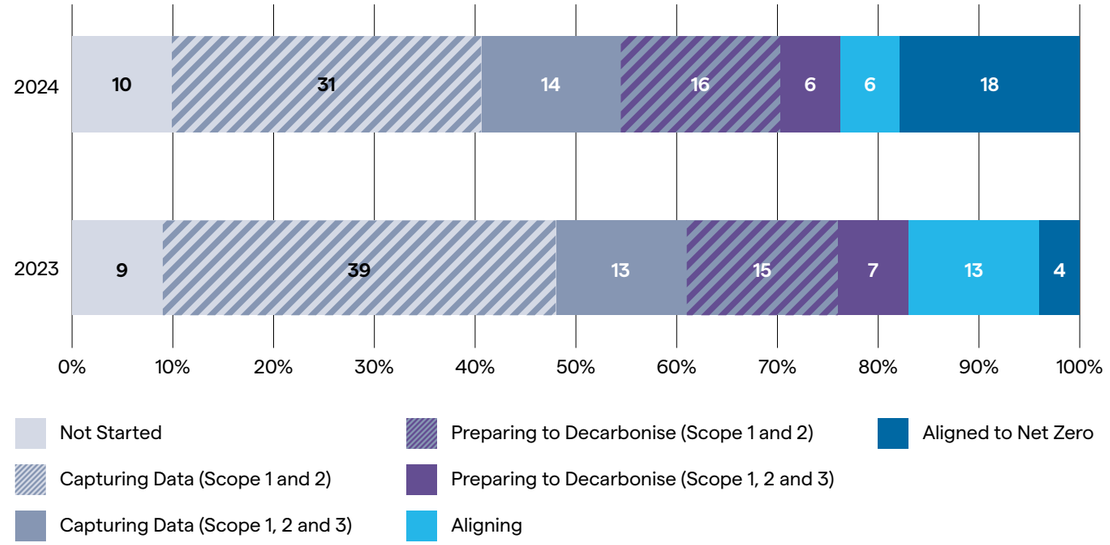
Triton pilot-tested the PMDR over the course of 2023 and has adopted the framework to assess portfolio alignment in 2024, to understand status of each portfolio company and support our engagement strategy on decarbonisation.

Triton Climate Report 2024/25

PMDR Alignment Scale



Portfolio Alignment Status, 2023-2024 (percent of portfolio companies)



Percentages shown above are based on the number of companies per respective stage.

Portfolio Case Study

OCU Group
Energy | Telecoms | Water | Transport

OCU Group – Investing in Fleet Decarbonisation & EV Infrastructure

OCU Group is a diversified UK energy transition and utilities infrastructure provider.

In 2024, OCU Group publicly committed to a Science Based Target, and has already undertaken a programme of decarbonisation initiatives internally and accelerating its support towards the UK's energy transition.

So far, OCU Group has:

- Updated its fleet so 100% of new company cars are fully electric or plug-in hybrids
- Become the first UK contractor to introduce gas-free, electrically heated hotboxes
- Installed 46 EV charging points at depots and offices across the UK
- Implemented a digital solution to provide real-time vehicle tracking and data analytics for efficiency through route optimisation and emissions reduction
- Delivered 3,000+ driver coaching sessions to improve driver behaviour & safety

These initiatives have successfully driven long-term changes that supports decarbonisation, delivers value to employees and customers and reduces costs/ efficiencies of operations.

Incentivising engagement on climate change through remuneration

TIA LLP's Remuneration Policy is aligned with its business strategy and promotes sound and effective risk management. When assessing individual performance, both financial and non-financial criteria are considered. At present, whilst climate-related considerations or KPIs are not explicitly linked to remuneration, TIA LLP's Remuneration Policy is consistent with the firm's approach to integrate sustainability (and climate) risks and opportunities into the investment decision making process and portfolio management activities, as applied in Triton's Responsible Investment Policy.

Through our Stewardship Programme, Triton actively encourages portfolio companies to consider linking remuneration to ESG targets for material topics, including climate change.

Summary alignment index with TCFD recommended disclosures

TCFD Pillar	Recommended Disclosure	Page number(s)
Governance Organisation's governance around climate-related risks and opportunities	Board's oversight of climate-related risks and opportunities.	14
	Management's role in assessing and managing climate-related risks and opportunities.	15; 17
Strategy Actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning where such information is material	Climate-related risks and opportunities the organisation has identified over the short, medium, and long term	18-20; 22-23
	Impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	6; 19-21; 23; 25; 28
	Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	22-25; 28
Risk management How the organisation identifies, assesses and manages climate-related risks	Organisation's processes for identifying and assessing climate-related risks.	28; 32-33
	Organisation's processes for managing climate-related risks.	28; 33
	Processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	33
Metrics & Targets Metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	34-39; 43
	Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	35-38
	Targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	25; 39

Triton Climate Report 2024/25

Appendix 1

Sustainability and performance

Academic research found that, for the market value of companies in the S&P 500, after controlling for variables traditionally thought to explain performance, bad environmental performance is negatively correlated with their intangible asset value of firms (Konar, Shameek, and Mark A. Cohen. 2001. “Does the Market Value Environmental Performance?” Review of Economics and Statistics 83 ②: 281–89.). The paper also found that the magnitude of these effects varies across industries, with larger losses accruing to the traditionally polluting industries. Harvard Business School examined the sustainability reports of 180 companies and used return on assets (ROA) and return on equity (ROE). Specifically, the study found that companies with high ESG performance had an average ROA that was 1.8% higher than companies with low ESG performance, and an average ROE that was 4.8% higher than companies with low ESG performance. (Khan, Mozaffar, George Serafeim, and Aaron Yoon. 2016. “Corporate Sustainability: First Evidence on Materiality.”).

Further research also found a relationship suggesting specific stock markets place a higher value on companies that care for their environment (Wahba, Hayam. 2008. “Does the Market Value Corporate Environmental Responsibility? An Empirical Examination.” Corporate Social Responsibility and Environmental Management 15 ②: 89–99, and Miralles-Quiros, Maria del Mar, Jose Luis Miralles-Quiros, and Irene Guia Arraiano. 2017. “Are Firms That Contribute to Sustainable Development Valued by Investors?” Corporate Social Responsibility and Environmental Management 24 ①: 71–84). However, this is not the case everywhere, with one US study finding “that the stock market does not reward either greenness or toxicity”, perhaps because institutions may shun green stocks due to a belief that corporate investment in positive environmental performance detracts from shareholder value (Endo, Kazumi. 2019. “Does the Stock Market Value Corporate Environmental Performance? Some Perils of Static Regression Models.” Corporate Social Responsibility and Environmental Management).

A meta-study by Friede et al (Friede, Gunnar, Timo Busch, and Alexander Bassen. 2015. “ESG and Financial Performance: Aggregated Evidence from More than 2000 Empirical Studies.” Journal of Sustainable Finance & Investment 5 ④: 210–33.) considered over 2,200 pieces of academic work over recent decades, all of which analysed the relationship between environmental, social and governance factors and corporate, financial performance – the research found that more than 90% of the works considered showed that ESG factors have a positive or neutral impact on financial returns, concluding: "The results show that the business case for ESG investing is empirically very well founded.".

Index provider MSCI found that companies with high ESG ratings outperformed those with low ratings by an average of 2.7% per year from 2007 to 2018 (Giese, Guido, Linda-Eling Lee, Dimitris Melas, Zoltán Nagy, and Laura Nishikawa. 2019. “Foundations of ESG Investing: How ESG Affects Equity Valuation, Risk, and Performance.” The Journal of Portfolio Management 45 ⑤: 69–83).

Deutsche Bank found that companies with strong ESG performance had higher profitability and lower share price volatility compared to companies with weak ESG performance (Friede, Gunnar, Michael Lewis, Alexander Bassen, and Timo Busch. 2015. “ESG & Corporate Financial Performance: Mapping the Global Landscape Deutsche Asset & Wealth Management S11). Arabesque Partners found that companies with strong ESG performance had higher long-term stock returns and lower risk of bankruptcy compared to companies with weak ESG performance. (Clark, Gordon L, Andreas Feiner, and Michael Viehs. 2015. “how sustainability can drive financial outperformance.”). State Street Global Advisors (2019. “The Impact of Board Diversity on Corporate Performance: New Evidence from a Large, Diverse and Long-Standing Sample.”) found that companies with diverse boards had better financial performance than companies with less diverse boards.

Zara (Zara, Claudio, 2019. “Does Sustainability Affect Private Equity Asset Class?”. Bocconi Department of Finance) offers an example of an earlier study of how sustainability can affect performance at a sample of 126 private equity funds. This study relies on a definition of ‘ESG-compliant’ for funds which rests on their asset management companies/general partners being signatories of the UN PRI. The paper found that ESG funds generated more stable returns, in terms of net IRR standard deviation, in comparison with non-ESG vehicles, even if the latter showed a superior net IRR. This evidence was considered to support the idea that ESG funds are a more stable asset class in the medium-long term. The analysis also found that ESG funds contributed to a better portfolio diversification inside large institutional investors - their average Treynor Ratio is better than that figured out for non-ESG funds. The Sharpe Ratio was lower, with a weaker dependence on systematic risk as well as on a lower value for the total risk ratio. Finally, the paper found that ESG funds were able to pursue a better risk hedging against sources of operating volatility, through a superior stability of their portfolios’ composition.

Triton Climate Report 2024/25

Spotlights

Reponsible Investment reports

Climate report 2023/24

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