

ESG REPORT

2021

ESG REPORT 2021

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Gareth Whiley
Managing Partner

"Whilst it has certainly been an extraordinary year, ESG and corporate social responsibility has long been a strategic focus for Silverfleet. In our latest ESG Report we are pleased to reflect on our extremely positive progress across the firm and our portfolio.

In last year's report we had begun to see the fruits of our labour with an uplift in the majority of our portfolio companies' benchmarking scores.

This positive trend continued throughout 2020, and we are encouraged by the 'can-do' attitude our investee companies have demonstrated in receiving feedback and adopting recommendations.

With Covid-19 highlighting the importance of the 'social' pillars of businesses' operations, a key theme in this year's report is employee wellbeing; an area which has been prioritised by companies in response to the pandemic. We look at the range of meaningful initiatives our companies have taken to support employees throughout this unprecedented and challenging period.

In Silverfleet's ESG Report 2021 we reflect on our progress measured against last year's set objectives, examine the third year of portfolio benchmarking data (and second full update review), and outline our vision for the next stage of our ESG journey."

Introduction

2021 marks Silverfleet's tenth year of being a signatory to the UN Principles for Responsible Investment, reflecting the long-standing and strategic importance we place on embedding ESG throughout investment processes, strategy and the firm.

The pandemic has created global challenges and introduced uncertainty on a scale not seen for over one hundred years. Notwithstanding this landscape, in our third annual report we are pleased to reflect on the positive progress we have made in furthering our ESG agenda.

Over the past year we have placed particular emphasis on the importance of employee wellbeing. This report highlights a number of examples of initiatives our portfolio companies rapidly adopted to support employees throughout this difficult period.

We also outline our objectives for the coming year, demonstrating that any reverberating effects of the pandemic will not hinder efforts to improve standards throughout all areas of our operations.

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Covid-19

At the start of the pandemic, the firm swiftly established a Covid-19 working group, which issued a detailed checklist of action items to all portfolio companies across all aspects of business operations, financial performance, liquidity and communications.

Together with proactively engaging with lenders, these measures helped minimise overall disruption, aligned streams of communication between stakeholders, and highlighted the resilience of our portfolio.

Whilst the impact of Covid has highlighted the 'social' aspect of ESG in relation to global supply chains and employee wellbeing, we are undeterred in our own overall ESG focus, and our portfolio companies have proven their ability to mitigate Covid-related risks without compromising their own ESG progress.



OVERALL PROGRESS

2020

Objectives

PORTFOLIO

Initiate climate change preparedness discussions and programs

Roll-out ESG KPI reporting to all portfolio companies

Conduct gender pay gap analysis across the portfolio, with action plans to mitigate any identified gaps

FIRM

Silverfleet to become carbon-neutral for 2020

Develop a structured, impactful relationship with our chosen charity partners for 2020

Achievements

Initiated deeper discussions with portfolio company management teams to highlight the importance and impact of climate change reporting

Instigated and automated ESG KPI collection across the portfolio, with importance of data collection emphasised to company management teams

Through automated ESG KPI reporting, data gathering for a comprehensive Gender pay gap analysis of the portfolio has started

The firm became carbon neutral across all offices in October 2020

Fundraised for XLP (London), Joblinge (Munich) and Parrains Par Mille (Paris)

Recently announced a new charity partner for 2021; Resurgo, a London-based youth employment charity

Further 2020 Achievements

Witnessed continued improvements in portfolio company ESG scoring

Became a signatory to the iCI Climate Change initiative

Conducted an in-house introductory training session on TCFD

Became a participant in 100 Black Interns programme

Demonstrated continued support for Level20 through mentorship scheme



2020 PROGRESS

Commitment to addressing climate change

Carbon neutrality

This year we have taken several steps to address the risk climate change poses on our portfolio whilst acknowledging the impact of our own operations on the planet. In October 2020, we were pleased to announce that the firm achieved carbon neutral status across all offices.

Commencing with our 2019 carbon footprint, and working with Carbon Footprint - founding members of the Quality Assurance Standard (QAS) for carbon offsetting - this certification forms part of Silverfleet's long-term commitment to sustainable investing. We view the Firm's net-zero carbon achievement as setting a clear benchmark for our investee companies in measuring and reducing emissions. This has been highlighted and discussed with management teams during our annual ESG benchmarking process, with several companies actively assessing their own route to becoming carbon neutral.



iCI Signatory



In January 2021, Silverfleet became a signatory to the iCI Climate Change initiative, a collective commitment by private equity firms to understand and reduce carbon emissions of their portfolio companies.

Private equity plays a key role within the global economic engine, and we have committed to the iCI's key workstream on 'Climate Risk Training Materials' to further support industry education. As an iCI signatory, we participate in monthly forums with our peers to share ideas and discuss best-practice in analysing and mitigating carbon emissions, helping to reduce overall exposure to climate-related financial risks.

Climate change education

Instigating direct communication with Chairs and CEOs of our portfolio companies has been key in affirming Silverfleet's commitment to addressing environmental risks. In early 2021 the firm ran an in-house introductory training session on climate change and TCFD to raise awareness across the team, with the goal to conduct and formalise climate risk assessments in partnership with our management teams over the coming year.

Diversity and Inclusion

Earlier this year we asked all portfolio companies to report their gender pay gap, which included a narrative statement and action plan alongside gender pay gap figures. This process has now been automated, making it easier for our companies to report on their progress each year and for us to directly address areas for improvement with management teams.

Through data collection this year we also formalised the process for collecting gender pay gap data which will enable us to conduct a portfolio-wide comprehensive pay gap analysis. With the results anticipated in Summer 2021, this assessment will be used as a method of highlighting where any disparity exists, and focusing the minds of the firm and our management teams to ensure this is removed.

In our continued support for Level20, a not-for-profit organisation dedicated to improving gender diversity in the European private equity industry, Gareth Whiley, Silverfleet's Managing Partner, became a mentor for Level20 members. The scheme aims to help mentees gain confidence in formulating and taking ownership of their own career paths, leading to long-term success and staff retention for employers.



KPI reporting

Assessed in conjunction with our annual qualitative reviews, ESG data forms a key component of our ability to comprehensively benchmark our portfolio's progress. This year we successfully rolled out and automated KPI data collection through iLevel, our portfolio monitoring tool, gathering environmental and people-related data.





2021 OBJECTIVES

Further our efforts to address climate change risks and opportunities

Whilst we are acutely aware of our own impact as a firm on the global environment, we cannot ignore the cumulative scale of operations across our portfolio companies.

Consequently, we view the Firm's net-zero carbon achievement in 2020 as setting a clear benchmark for our own investee companies in measuring and reducing emissions, with the ultimate goal of working towards carbon-neutrality across both our portfolio and at the Firm level. In 2021 we will continue to raise awareness amongst management teams through direct engagement, and, where possible, support our companies in becoming carbon neutral.

We will also provide support for our investee companies to assess their own climate-related risks through the adoption of frameworks such as Task Force on Climate-related Financial Disclosures (TCFD), which in turn will provide the building blocks to conduct the first climate risk and opportunity assessment of our entire portfolio.

Complete first comprehensive portfolio gender pay gap analysis report

Using tools built within iLevel, our portfolio monitoring platform, we aim to complete the first pay gap analysis of our portfolio. This information gathering exercise will equip us with the data and evidence we need to engage in meaningful dialogue with our management teams, to assess companies' current status and help to address areas for improvement.

Re-affirm our commitment to an inclusive and diverse workplace

This summer we look forward to welcoming our first intern joining from the 100 Black Interns initiative, an internship programme supported by leading players in the investment management industry striving to address the chronic underrepresentation of talent in the sector. Since its launch, the programme has garnered extraordinary support with 200 investment management companies offering internships to students in the UK as a way of encouraging greater diversity within the financial services industry.

Cybersecurity focus

We will also be conducting a cybersecurity deep-dive review across our portfolio to assess the level of exposure to cyber threats.



PORTFOLIO PERFORMANCE

We have recently completed a comprehensive annual ESG update review across all portfolio companies.

We are delighted that the majority of companies have made progress since their initial full ESG review.

For seven companies this now represents their second update review, with all either sustaining a high level of performance or improving from the initial assessment.

Of the four companies receiving their first update review, three have shown an improvement whilst STAXS has retained a high level of performance.

This again shows the results of a commitment to enhance ESG management through the strength of partnership between Silverfleet and management teams.

The assessment contains both general and company specific parameters. Recommendations are made to enhance and challenge existing performance levels, working towards aligning ESG management with business objectives.




In addition to our assessment of the portfolio, we have spent considerable effort automating ESG reporting utilising our iLevel portfolio monitoring software and reporting tool, such that we can efficiently and accurately evaluate company performance across a number of key performance indicators.

PORTFOLIO PERFORMANCE

Key ESG enhancements across the Silverfleet portfolio



	2018	2019	2020	Key initiatives
	4.0	4.5	5.0	<ul style="list-style-type: none"> Ongoing deployment of ISO 14001 Environmental Management System. Increase in near miss safety reporting. Completed annual Anti-Bribery & Corruption training.
	3.0	3.5	5.0	<ul style="list-style-type: none"> Move to deliver remote learning will continue to reduce business travel. Working towards becoming a Carbon Neutral business. Introduction of an automated HR system, to include enhanced Learning & Development opportunities. Introduced Lifeline, internal mental health e-learning platform.
	4.5	5.0	5.0	<ul style="list-style-type: none"> Introduction of an energy consumption per finished product KPI. Ongoing activity to reduce environmental impacts. Introduction of a supplier audit tool. Commenced automation of HR processes, introduced Leadership Programme – Develop@Prefere
	4.0	4.5	4.5	<ul style="list-style-type: none"> Delivered Leadership Programme and introduced HR system. Enhancements to safety performance. Ongoing succession planning process and skills matrix.
	N/A	3.5	4.0	<ul style="list-style-type: none"> Appointment of Learning & Development Manager. Launched new employee benefits package and introduced new employee wellbeing platform. Published Modern Slavery Statement and included this within suppliers Terms & Conditions.
	3.5	3.5	4.0	<ul style="list-style-type: none"> Renewable energy now sourced for Head Office and shops. Increased focus on sustainable fashion and fabrics.

	2018	2019	2020	Key initiatives
	3.5	3.5	4.0	<ul style="list-style-type: none"> Introduction of more structured performance management framework and created an Employee Forum. Introduced Mental Health Toolkit. Ongoing improvements to safety management.
	N/A	4.0	4.0	<ul style="list-style-type: none"> Transition completed in moving to an e-learning system. Absenteeism rates halved in past 12 months. ESG established as a key element of the company's strategic plan.
	N/A	3.5	4.0	<ul style="list-style-type: none"> Enhanced new joiner onboarding process, improving engagement levels. Creation of a Community Committee under the banner of TQtogether. Launched cyber security training to all employees.
	N/A	3.0	3.5	<ul style="list-style-type: none"> Safety KPIs displayed on the workfloor and improved levels of safety governance. Established an internship programme.
	3.0	3.5	3.5	<ul style="list-style-type: none"> Ongoing wellbeing support to all staff. Improved discipline around near miss reporting, with low number of reported incidents.
	N/A	N/A	3.0	<ul style="list-style-type: none"> Installed solar panels at Denmark office. Collectia Academy supports employee development. Gender pay gap review completed.

EMPLOYEE WELLBEING

Taking a proactive approach to workplace health and wellbeing has never been more important.

Portfolio companies have recognised this by establishing a culture that encourages and promotes positive wellbeing. For some this has involved escalating embedded disciplines already in place to support recruitment and retention strategies. For others this has involved introducing new practices to create more coordinated wellbeing strategies.

A focus on wellbeing over the past year has helped to deliver a number of benefits, including:

- Higher levels of employee engagement
- Individuals being more in control of their mental wellbeing
- Physically healthier employees
- Building positive team relationships

For our portfolio companies, effective employee engagement simply boils down to making someone feel they matter. This has become ever more important over the course of the pandemic, with companies working hard to create more accepting and open cultures, offering additional training and creating a personal approach.

Effective employee engagement is being delivered across our portfolio through:

1. Leadership

We believe that a genuine wellbeing strategy will only work when the precedent is set from the top down.

Our leadership teams have therefore also been the wellbeing champions, communicating regularly to employees on the importance of wellbeing and leading by example.

2. Addressing the stigma

Addressing the stigma and misunderstanding around mental health has been addressed through both leadership training and also raising awareness with all employees. This has helped managers identify the signs of a member of the team struggling and knowing how to have a conversation. For example, to support employees through the pandemic Wangen Pumpen ran a two-day resilience training course for all staff.

3. Creating a network of champions

Not only have portfolio companies raised awareness through training but they have also appointed wellbeing champions or mental health first aiders. This allows trained individuals to offer help to someone experiencing a mental health problem before seeking professional help.

Spotting the early signs of a mental health problem can allow the company to make earlier supporting interventions before this can escalate. For example, Riviera has introduced Health First Aiders and a Mental Health Taskforce focussed on helping to raise awareness of mental health across the company.

Collectia

your money

New joiners are automatically enrolled in Collectia's healthcare insurance, Collectia Care, providing third party mental health support and access to a range of support networks.

In addition, this package offers employees in Denmark access to a range of benefits – including massages and in-house haircuts.



Riviera has also introduced an Employee Assistance Programme alongside a Mental Health toolkit.



Prefer Resins is rolling out an Employee Assistance Programme throughout the Group, providing employees access to a team of qualified counsellors and providing a range of lifestyle support initiatives.



Lifetime Training has introduced 'Lifeline', a community on its internal e-learning / intranet solution for employees to learn more about mental health and to access supporting material and resources.



EMPLOYEE WELLBEING

4. Communicate employee benefits

Visibility of employee benefits linked to wellbeing have become more prominent. Good communication of employee benefits, through the company intranet, emails, display materials and now dedicated wellbeing platforms is key to promoting a sustainable corporate culture. Benefit programmes now include a greater emphasis on wellbeing and access to Employee Assistance Programmes. Softer interventions include office communications and group mindfulness and yoga sessions.

5. Engagement

Successful initiatives have recognised the strong link between employee engagement and wellbeing. We have seen a significant increase in levels of engagement across the portfolio. This includes more regular pulse surveys to understand engagement levels at any given time.

Companies are also beginning to move away from the completion of formal annual performance reviews and instead to more regular career discussions or check-ins. We have also seen the birth of virtual coffee chats, employee quiz competitions, virtual talent shows and a real mix of innovative initiatives to keep employees engaged and motivated.

For example, Lifetime Training has formally engaged with employees on a weekly basis via 'Keeping in Touch' updates, offering advice on effective working from home to ensure mental health remains a key priority.

TrustQuay

TrustQuay has initiated a number of activities to support employee wellbeing. These include:

Delivering an **externally facilitated mental health toolkit webinar**, focused on upskilling managers and HR teams to better spot poor mental health of employees before it becomes a more serious problem. Other webinars covered wellbeing tips for working from home, and a stress resilience toolkit for employees.

Through the pandemic the business also provided **ongoing wellbeing communication** to all employees, such as encouraging and providing ideas on how employees can take a break during the working day.

This has helped to build resilience and allow individuals to manage their own wellbeing whilst raising awareness across the business to help provide a supporting network.

CAREfertility

CARE Fertility has launched a new Wellbeing Centre on its CARE Carousel employee rewards platform. In addition to already established benefits, employees can now access Move, Munch, Money and Mind.

This shows evidence of strong leadership and commitment to support employees' mental, physical and financial wellbeing.

Move Selection of exercise videos and articles to help meet individuals' fitness goals.

Munch Collection of tasty recipes and featured healthy eating articles.

Money Expert guides, tips and tools to help individuals manage their finances and improve financial wellbeing.

Mind A collection of mindfulness videos and tips to reduce stress, increase productivity, and help with sleeping better.



OUR CONCLUSION

ESG is a key component of Silverfleet's investment philosophy, and this is reflected in our achievements this year despite the challenges and uncertainty caused by the pandemic. Equipped with our third set of annual benchmarking data, we are encouraged by investee companies' willingness to act on recommendations made in prior year assessments, resulting in continued positive momentum.

Whilst our portfolio has demonstrated resilience to the effects of Covid-19, we are delighted that our companies have embraced the opportunities presented by the pandemic, including the rapid adoption of innovative technology to support initiatives around employee wellbeing.

Despite this year's positive progress, however, we acknowledge there is still work to be done. In particular, we will continue to raise awareness of climate change and the need to monitor associated risks.

We will also continue to drive cultural buy-in from our management teams emphasising the importance of addressing ESG issues and appraising opportunities within their own companies. Furthermore, we look forward to presenting our inaugural gender pay gap analysis across the portfolio, which will mark yet another key milestone in Silverfleet's ESG journey.