



Responsible Investing Report
2023



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Introduction



Introduction

About this Report

Welcome to the inaugural Responsible Investing (RI) Report of Transom Capital Group, LLC (“Transom”). The purpose of this report is to provide transparency on our responsible investing process, governance, and our consideration of Environmental, Social and Governance (“ESG”) risks and opportunities. This report covers two main topics, Responsible Investing, which covers ESG-related activities in our investments, and Responsible Operations, which covers ESG-related activities at the Transom firm-level.

The report covers activities for through December 31, 2023.

About Transom

Transom is a leading operations-focused, middle market private equity firm, with a proven track record of driving returns. The firm’s operating thesis is that we can best support our portfolio companies by leveraging our team of experts, all of whom possess real-world experience in leadership roles in the types of businesses we aim to transform. We draw on this experience to form collaborative partnerships with management teams and realize a shared desire to turn potential into tangible value. Additionally, we view our private equity strategy as a unique and transformative vehicle to create positive outcomes for owners, employees, and investors.

Since 2008, we have specialized in unlocking portfolio company potential through our operational approach to value creation or “ARMORSM” model. This proprietary ARMOR model applies a systematic approach to value creation, which ensures all stakeholders are aligned, all timelines are clear, and all goals have a path to being achieved.

Transom has a deep-rooted commitment to responsible investing and considers ESG factors throughout our investment process, including during the acquisition, monitoring, and return phases. We believe that our responsible investing approach may enhance financial returns, mitigate risks, and more closely align to the firm’s and our stakeholders’ objectives.



Annual Update

Although responsible investing has always been important at Transom, during this past year, we significantly expanded and formalized our responsible investing strategy, processes and procedures. Our aim was to implement ESG integration across our portfolio in a consistent and meaningful way, so as to properly manage ESG-related risks and opportunities.

Firstly, Transom updated its “Responsible Investment and Stewardship Policy” (“RI Policy”). Changes included, (1) establishment of a responsible investment governance structure with explicit responsibilities, (2) an approach to stewardship, (3) an approach to sustainability outcomes, (4) updated information regarding ESG integration into pre-investment and post-investment processes, and (5) an added overview of the objectives of the policy.

Secondly, Transom refined and formalized its ESG integration into pre-investment and post-investment processes. This included the development of new processes and tools to be implemented throughout the investment lifecycle, including our “ESG Assessment Dashboard,” ESG due diligence questionnaires, and ESG KPI data tracking templates.

Thirdly, Transom provided ESG training to Transom firm-level employees and portfolio-company management. The objective of firm-level training was to facilitate effective responsible investing implementation by deepening understanding of ESG factors, how these factors can impact value, and the tools and processes necessary to evaluate them. The objective of portfolio-company education was to explain ESG objectives, discuss expectations, and provide guidance on ESG KPI data collection and improvement tactics. Additionally, Transom has implemented regular ESG touchpoints with portfolio companies as part of our proprietary “Objectives, Goals, Strategy and Measurement (OGSM)” process, which is part of Transom’s “People Playbook” to drive transformational change within a portfolio company.

Finally, Transom has improved its transparency around responsible investing through enhanced disclosures. We have developed a “[Responsible Investment](#)” micro-site on our website, with a summary of our commitment and approach, as well as a link to our RI Policy. We have also developed our responses to the “Responsible Investment Due Diligence Questionnaire (DDQ),” in order to provide detailed information on our responsible investing process to Limited Partners (LPs). The format of this DDQ was based on the “Limited Partners’ Private Equity Responsible Investment Due Diligence Questionnaire,” which is part of the Institutional Limited Partners Association’s (ILPA) DDQ and complements the PRI’s Reporting Framework. This DDQ disclosure is available upon request.



A Note from Leadership

We are excited to share with you our inaugural Responsible Investing report. At Transom, we have long believed in integrating environmental, social, and governance (ESG) into our work. This past year we have worked to build upon our existing processes and formalize our approach to responsible investing, whether that's limiting investments to high-risk industries, mitigating potential climate-related risks prior to acquisition, or helping a portfolio company align people strategy with business strategy. In order to do the best job driving returns, we have to look for ways to create economic value as well as value to the employee base of the company and to our investors. While our investment periods may be limited, our focus on long-term health for our people, our companies, and the world at large is what drives us forward.

As you'll see in this report, we became a signatory to the "United Nations Principles for Responsible Investing" (UN PRI) last year. The six principles dovetail directly with our work and provide a widely-used framework for us to express and report on our efforts. We also recently released an updated "[Responsible Investment and Stewardship Policy](#)" which formalizes the many informal components of our investment process that incorporate ESG considerations and establishes governance for responsible investment practices.

We believe that incorporating responsible investment practices is in the best interest of our investors, employees, and other stakeholders, and that these actions can have a positive impact on our holdings as well as other investors and operators.

Strong ESG practices are a core component of a successful value creation strategy – they improve business outcomes, increase employee innovation, and drive overall productivity.



Russ Roenick

*Co-Founder & Managing Partner
Transom Capital Group*



Ken Firtel

*Co-Founder & Managing Partner
Transom Capital Group*



Nathan Dastic

*Chief Financial Officer & Chief
Compliance Officer
Transom Capital Group*



Annual Highlights

Significant expansion and formalization of our responsible investing strategy, processes and procedures made this year.

Signatory of:



- In 2022, Transom became a **signatory to the UNPRI**
- We plan to publish our **first public UNPRI Transparency Report in 2024**
- *2023 Transparency Report responses available upon request*

Responsible Investing

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Portfolio Companies (“Portcos”) tracked ESG Key Performance Indicators (KPIs), including GHG emissions ⁽¹⁾

ESG trainings conducted at Portcos on ESG data collection

Responsible Operations



Conducted ESG training for investment professionals

Calculated Scope 1 & 2 GHG Emissions, and Scope 3 Category 15 “Financed Emissions”



1) As of December 31, 2023.



Responsible Investing



Oversight of Responsible Investing

Governance

Oversight at the Firm-level

- To support the integration of responsible investment and ESG, Transom has formed an internal Responsible Investing (RI) Steering Committee, which is aided by external consultants. This group is comprised of executive-level employees, including Russ Roenick, Co-Founder and Managing Partner, and Nathan Dastic, Chief Financial Officer & Chief Compliance Officer.

Oversight of ESG Integration into Investment Decisions

- Transom's Investment Committee (IC), which oversees our investment activities, is regularly updated on and oversees ESG efforts. Additionally, the IC reviews ESG risks and opportunities discovered during our ESG Due Diligence process as part of their review prior to investment.

Education

- Transom believes that effective ESG implementation requires a deep understanding of ESG factors, how these factors can impact value, and the tools or processes necessary to evaluate them. As a result, we hired an external consultant to conduct ESG training for Transom firm-level employees this year, and plan to conduct such trainings at least annually.





Integration of Responsible Investing at Transom



Transom's Commitment to Responsible Investment Practices

Transom is committed to responsible investing and managing ESG factors throughout our investment lifecycle. We believe that incorporating responsible investing practices into our investment process enables us to be better stewards of our investors' capital, to drive sustainable value creation at our portfolio companies and to create transformative positive societal outcomes on systematic issues.

Transom became a signatory to the UNPRI in 2022. We commit to align our investment practices and operations with the UNPRI's six principles ("the Principles"), where consistent with our fiduciary responsibilities and this policy:

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

Signatory of:



Transom's Commitment to Human Rights

Transom is committed to protecting human rights, and we take efforts to ensure there are no human rights violations across our investments. To this end, we have recently enhanced our due diligence around potential human rights issues as part of our pre-investment ESG Risk Assessment and continue to monitor for potential incidents throughout the investment lifecycle. This year, we are working to implement human rights policies as part of portfolio companies' formalized ESG policies.



Integration of Responsible Investing at Transom



Transom incorporates ESG objectives into our investing activities throughout the investment lifecycle. These ESG activities are integrated throughout Transom's proprietary ARMORSM Value Creation Process (Acquisition, Restructuring, Monitoring & Operations, Return), and help us to measure, manage and mitigate ESG risks while leveraging ESG opportunities throughout the investment lifecycle.

Pre-Investment ESG Integration

Transom's ESG due diligence may affect the selection of investments if significant potential risks or ESG-related financial implications are identified at the pre-investment stage. The Acquisitions team reviews all risks for potential roadblocks to investment, and the Investment Committee reviews again prior to deal close.

- **Exclusion** – the Acquisitions team is responsible for applying fund-level ESG exclusion policies related to sectors, products or services deemed high-risk (exclusions are unique to each fund)
- **ESG Due Diligence** – the target company ESG due diligence process includes an ESG Materiality Assessment and ESG Risk Assessment.
 - *ESG Materiality Assessment* – we determine which ESG topics are material to the portfolio company, utilizing our proprietary tool, the “ESG Assessment Dashboard,” which incorporates the guidance of UNPRI and the Sustainability Accounting Standards Board (SASB). We also conduct a review of these potential topics taking into account macro-economic and business-model specific factors.
 - *ESG Risk Assessment* – we conduct a two-phased ESG risk assessment including ESG red flag due diligence, and then commercial and operational ESG risks and opportunities, based on the target company's sector and industry.
- **Investment Decision** – a summary of ESG Due Diligence is included in the Investment Committee's review of any investment and informs the holistic picture of a target company and the decision on whether to move forward with investment.



Integration of Responsible Investing at Transom

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Post-Investment ESG Integration

Transom believes it is important to have appropriate systems and processes in place to manage ESG risks and opportunities on an ongoing basis throughout the investment lifecycle for each portfolio company. Thus, ESG factors are incorporated throughout the ownership period of the portfolio company. Transom oversees and guides progress on ESG KPIs as well as remediation of ESG risks.

- **Remediation of ESG Risks** – for any ESG risks determined to be “High Risk” by our team, Transom monitors through regular updates and works to remediate, where possible, with portfolio company management.
- **ESG KPIs** – we provide portfolio companies with instruction and documentation on annual ESG KPI data collection and improvement methodology, and regularly meet with portfolio company management to assess performance.
- **Portfolio Company Education** – we meet at least annually with portfolio companies to educate them on ESG topics and on compliance with our ESG guidelines.



Progress Towards Sustainable Development Goals (SDGs)



Transom's Commitment to the SDGs

At Transom, we align with the SDGs because we believe that driving positive transformation and progress on systematic issues enables us to be better stewards of our investor's capital, reduce risk and take advantage of opportunities. As part of our responsible investing strategy, we are focused on three SDGs where we believe we can have the most impact: gender equality, decent work and economic growth, and climate action.

5 GENDER
EQUALITY



SDG 5: Gender Equality

Transom is committed to improving gender equality.

- **54%** of portfolio company ⁽¹⁾ employees are women, including **47%** ⁽²⁾ of management.

Going forward, Transom aims to further enhance gender equality, including implementing the following at portfolio companies,

- A standardized **DEI policy**, including inclusive work culture and anti-discrimination measures.
- A standardized **Supplier Code of Conduct, including DEI**, to enhance supplier engagement.

8 DECENT WORK AND
ECONOMIC GROWTH



SDG 8: Decent Work and Economic Growth

Transom promotes sustainable economic growth.

- Transom's "**People Playbook**" creates structure within each portfolio company, giving each employee a **clear career path** and the **education** needed to achieve their goals.
- **50%** ⁽³⁾ of investments have established employee well-being programs (with an aim to increase this).
- We monitor for potential Human Rights-related issues within portfolio company value chains.

Going forward, we plan to implement a standardized **Business Code of Conduct, Supplier Code of Conduct** and **ESG policy** at portfolio companies.

13 CLIMATE
ACTION



SDG 13: Climate Action

Transom aims to monitor and mitigate our emissions.

- **80%** of our portfolio companies (**100%** in Fund III & IV) now track their Scope 1 & 2 GHG emissions.
- Transom calculates **Scope 1, 2 & 3 (Category 15: Financed Emissions)**.

Going forward, Transom is developing decarbonization strategies at each of our portfolio companies.

Additionally, our recent acquisition of an EV charging solutions provider further support the development of infrastructure vital for a low carbon economy.

Responsible Operations

The background is a solid blue color with a pattern of overlapping, semi-transparent arches. In the center-right area, there is a graphic consisting of two inverted triangles that meet at their vertices, forming a vertical line. The triangles are a lighter shade of blue than the background.



Transom Firm-level Sustainability

Transom's deep-rooted commitment to ESG also flows through to firm-level efforts. We strive to create value by prioritizing open collaboration, operational excellence, and employee engagement.

At the firm level, Transom has

- Conducted employee engagement surveys to take the pulse of our workforce
- Calculated our firm-level Scope 1 & 2 GHG Emissions, as well as Scope 3 "Financed Emissions"

Scope 1 & 2 Greenhouse Gas (GHG) Emissions

Transom has conducted a Scope 1 and 2 greenhouse gas (GHG) emissions inventory following the GHG Protocol Corporate Standard. Our 2023 GHG emissions footprint comprises emissions from both direct (Scope 1) and indirect (Scope 2) sources, amounting to an estimated 8.57 metric tons CO₂ equivalent⁽¹⁾. This includes:

- Total Scope 1 Emissions: 1.61 metric tons of CO₂e
- Total Scope 2 Emissions (Location-Based): metric tons of 6.95 CO₂e



¹Location-based emissions as of 6/30/2024, includes data collected between 1/1/2023-12/31/2023

Disclaimer



This report was prepared solely for our stakeholders and for informational purposes. The information included herein should not be relied upon in any manner in as legal, tax, investment, accounting or other advice nor should it be considered as an offer to sell or a solicitation of an offer to buy limited partnership interests managed by Transom Capital Group, LLC (“Transom Capital”) or any of its affiliates (collectively, “Transom”). The information included is intended to inform our stakeholders of our responsible investing approach and our internal ESG information. While Transom considers ESG KPIs throughout its investment process, Transom does not limit its investments to those that meet certain thresholds of ESG specific KPIs. Information included in this report, including any views or opinions, should not be assumed that they are representative of each of Transom’s portfolio companies. Further, information related to our portfolio companies should be considered 3rd party information and is believed to be reliable and accurate, however; Transom takes no responsibility in assuring its accuracy.

The information gathered was prepared in good faith and is free from any known error, however, no external assurance was provided. Except where otherwise noted herein, the information provided within this report is based on matters as they exist on December 31st, 2023, and not as of any future date and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after such date. Further, there can be no assurance any targets or goals mentioned in this report will be met nor any initiatives will ultimately be successful.

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