



# RI Spotlight

October 2023

# Investing in water





**\$436 billion**

value of water-related opportunities reported by companies globally CDP<sup>1</sup>

**60%**

estimated increase in global food production needed to ensure global food security in 2050 Food & Agriculture Organisation (FAO)

**7 in 10**

of the world's mega-cities are water stressed Water Resources Group<sup>2</sup>

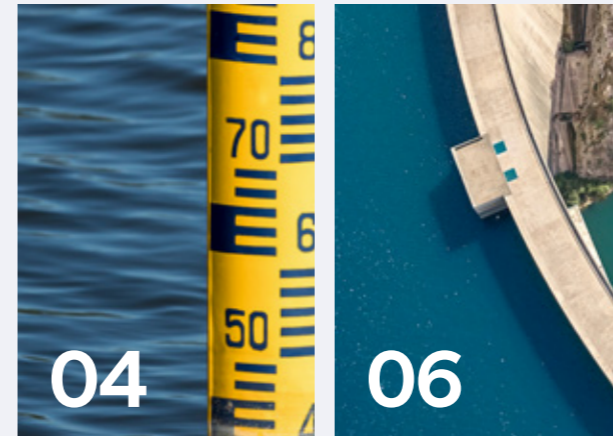
**84%**

decline in global freshwater biodiversity since 1970 Worldwide Fund for Nature (WWF)<sup>3</sup>

<sup>1</sup> <https://www.cdp.net/en/reports/downloads/6925>

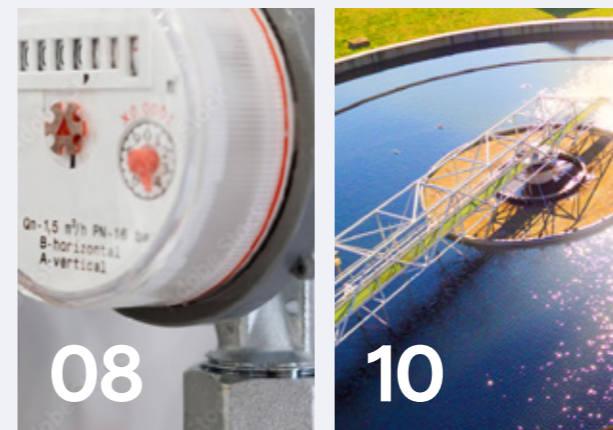
<sup>2</sup> Agoncillo, J. (2020), 50L Home Coalition: Ending our dependence on freshwater for urban sanitation systems, 2030 Water Resources Group, available at [www.2030wrg.org/50l-home-coalition-ending-our-dependence-on-freshwater-for-urban-sanitation-systems/](http://www.2030wrg.org/50l-home-coalition-ending-our-dependence-on-freshwater-for-urban-sanitation-systems/) [accessed 16 June 2021].

<sup>3</sup> [www.panda.org/wwf\\_news](http://www.panda.org/wwf_news)



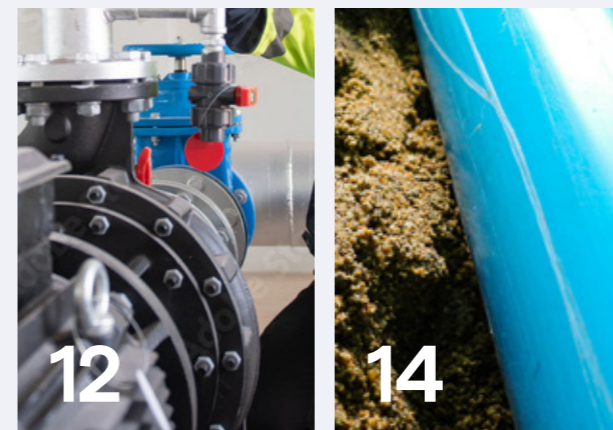
04

06



08

10



12

14

# Contents

**04** Welcome from our Managing Partners

**06** Why is there investment in water technology in economies around the world?

**08** Managing water risks at Triton

**10** A focus for policy-makers

**12** Investing across the water value chain

**14** Interview with Thomas Cheung, Investment Professional in Business Services

*“40% shortfall in the available global water supply by 2030”*

UN-Water



# Welcome from our Managing Partners



Peder Prahl  
CEO & Firm  
Managing Partner



Martin Huth  
Firm Managing  
Partner

Water - nothing is more critical to life on earth. Society needs water for domestic use, energy, manufacturing, agriculture and perhaps no ecosystem could survive without consistent patterns of availability. Yet through climate change, pollution, population growth and the demand driven by increasing affluence, we are placing ever-greater pressure on water resources.

Provision of safe drinking water and sanitation is a core development target. It allows for a healthier, more resilient and productive population. Globally, much progress has been made in this respect – in the past 25 years, the share of the global population using an improved drinking water source rose from 76% to 90%<sup>4</sup>. The UN Sustainable Development Goals target safe and affordable drinking water for all of society by 2030. This remains a major infrastructure challenge, in terms of build-out and then maintenance over time, though progress continues to be made.

In Europe, where Triton focuses its investment strategies, some countries face material - and accelerating - challenges to their water systems. In Southern nations in particular, including Spain and Italy, droughts are lasting longer, running through seasons other than summer and increasing pressure on economically important agribusiness sectors. In Northern European nations,

such as Germany, the Netherlands, Belgium and UK, droughts are increasingly a risk, but floods are often more damaging to businesses and homes. Triton works with portfolio companies (PCs) to manage water-related risks to their operations around both scarcity and quality.

Meanwhile, Triton is also focused on water-related investment opportunities. We focus on four sectors where we have built deep expertise – Industrial Technology, Consumer, Healthcare and Business Services. With mounting pressures caused by imbalances in water demand/supply, we think there are opportunities to invest around this theme, across all four of these sectors.

In this short note, we consider how Triton maps and manages water-related risks and opportunities.

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<sup>4</sup> World Bank, 2017



*“Water is the primary medium through which we will feel the effects of climate change”*

UN-Water



# Why is there investment in water technology in economies around the world?



## Water scarcity

Water is not evenly available around the world – some areas have very little. This has led to investment in technologies that can help increase the resilience of water, such as desalination, greywater recycling and rainwater harvesting.



## Circular economy

Water is typically used in a linear way – captured, used and disposed. We think circularity will play an increasing role in this sector, as in others, and is crucial also as climate risks grow. Companies, municipal and local authorities, agribusiness and homes will aim to minimise waste from drinking, sanitation, irrigation, heating and cooling.



## Climate change

Amongst the impacts of global warming are increased frequency and severity of extreme weather events, including more frequent and severe droughts and floods. Changing temperatures can also lead to more pathogens which render water unsafe to drink.



## Demographics and development

Populations continue to grow in a majority of global economies, and people are becoming wealthier. With these changes, the demand grows for drinking water, and also for agricultural, industrial, and energy production purposes.



## Regulation

Many regulators have introduced rules and incentives to drive adoption of water-efficient technologies. In Europe, the EU Green Deal forms the cornerstone for the Bloc's environmental agenda. Specific rules and directives then target aspects of water.



## Aging water infrastructure

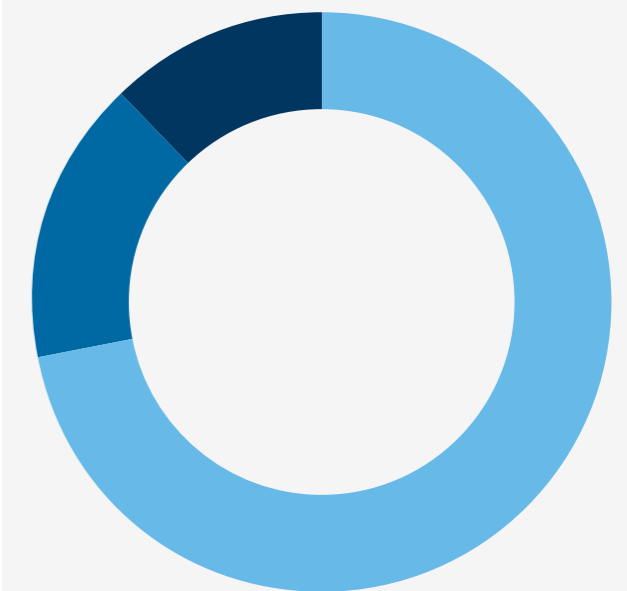
Many countries have aging water infrastructure that needs to be upgraded or replaced. This presents an opportunity for investment in new technologies that can improve water quality, reduce leaks, and increase efficiency.



## Urbanisation

One in four cities – representing over \$4 trillion in economic activity – are already water stressed<sup>5</sup>. As the world continues to urbanise, we think water infrastructure will be at the forefront of metropolitan agendas.

## Water use by type



72% water used by agriculture  
16% by municipalities for households and services  
12% by industry

Source: UN Water, 2021

<sup>5</sup> McDonald, R., Weber, K., Padowski, J., Flörke, M., Schneider, C., Green, P.A., Gleesone, T., Eckman, S., Lehner, B., Balk, D., Boucher, T., Grill, G. & Montgomery, M. (2014), Water on an urban planet: Urbanization and the reach of urban water infrastructure, *Global Environmental Change*, Volume 27, July 2014, Pages 96-105, available at [www.sciencedirect.com](http://www.sciencedirect.com)



# Managing water risks at Triton

The ESG team works with PCs to assess and manage their operations' water consumption and processes. We ask PCs to report on their water consumption, wastewater discharge and emissions to water on an annual basis. Currently, 51% of Triton PCs have a water management programme, up from 40% last year and 30% the year before that<sup>6</sup>.

Several Triton PCs use and rely on water in their production and business models. Below are a few examples of how PCs have sought to improve their processes.



## IFCO

IFCO is a leading global provider of reusable packaging solutions for fresh foods, operating a pool of over 290 million Reusable Plastic Containers (RPCs) globally, these RPCs are used for over 1.3 billion shipments of fresh fruits and vegetables, meat, poultry, seafood, eggs, bread, and other items from suppliers to grocery retailers every year.

*"Principles of circular economy are crucial to IFCO's business model, and water is crucial here. The company continues to innovate to find use technologies which decrease demand for new water resources."*  
Stephan Förschle, Triton Business Services Sector Head

At IFCO, the wash and sanitation processes for crates have been optimised, involving exact water temperatures and water pressure. Due to the importance of water in IFCO's circular economy business model, the company has created a Water Stewardship programme, and developed and piloted a ground-breaking water reuse technology - the water is sent through new hydro-cyclone filtering technology, which can filter over 40 gallons of water per minute for reuse. IFCO can thus reduce its total use of freshwater by up to 50%.

## Fertiberia

Fertiberia is a fully integrated producer of crop nutrition solutions and mission-critical environmental and industrial solutions.

*"Fertiberia needs water for several of its processes, and also now as the raw material for the production of green hydrogen via electrolysis."* Roland Oelschläger, Triton Senior Industry Expert

Water is a key raw material used by Fertiberia in its processes - in the production of ammonia, as a solvent in various production processes and as a coolant.

To drive efficiency, Fertiberia's production units use condensate recovery units as part of the process in addition to the recovery of water at its ammonia plants.

## bormioli pharma

Bormioli Pharma is a provider of primary pharmaceutical packaging solutions and drug delivery systems. The company is a multi-technology platform active across plastic, moulded and tubular glass.

*"Water is important to the company's production processes. By introducing improvements to production efficiency (including glass furnaces), the company has reduced its water consumption by 35% in 2022 compared to 2021."* Moritz Gudenus, Triton Investment Advisory Professional

Bormioli Pharma has also assessed its operational risks and identified droughts and associated water scarcity. The company has therefore set in place ambitious water reduction targets.

## All4Labels

GLOBAL PACKAGING GROUP

All4Labels is one of the world's leading label companies serving sectors such as home and personal care, healthcare, food and beverage and industrial.

The company's printing presses require frequent cleaning of printing rollers in colour management processes. This necessitates water and chemical cleansers, potentially harmful to the environment if discharged without treatment, to remove the ink residue from the rollers.

*"At All4Labels, environmental management sits at the core - the company continues to invest in new technologies including solutions which reduce water system pressures."* Herbert Doleisch, Triton Senior Industry Expert

The company is currently testing laser cleaning technology, which incinerates the ink residue with a high-power light beam.

The benefits of laser cleaning include zero water consumption, no use of chemicals, and the avoidance of any disposals into local ecosystems.

<sup>6</sup> Data from February 2021, 2022 and 2023.



# A focus for policy-makers

Triton believes that the European regulatory approach has created a broadly supportive environment for investment in water-related infrastructure and technologies, in terms of water quality, supply, flood resilience and wastewater.

**The Green Deal** is the European Union's flagship policy initiative aimed at making the EU economy more sustainable, including by reducing greenhouse gas emissions. Water plays a significant role in the initiative, including in these areas:

- **Zero-pollution ambition:** includes water pollution – with initiatives to improve water quality, reduce nutrient pollution, and address emerging pollutants.
- **Sustainable agriculture and food systems:** which can help reduce water use and water pollution in the agriculture sector, via more sustainable irrigation practices, reduced use of pesticides and fertilizers, and a transition to more sustainable food production systems.
- **Biodiversity and ecosystem restoration:** healthy ecosystems can help to regulate water flows, improve water quality, and support the availability of freshwater for human use.
- **Circular economy:** reduce waste and promote the efficient use of resources, including water. This includes initiatives to promote water reuse and recycling, reduce water waste, and promote more efficient water use in industrial processes.
- **Climate action:** promote water efficiency, reduce water consumption, and support the development of climate-resilient water infrastructure.

*"Water is at the heart of our Stewardship Programme. We work with our PCs to establish a water management programme, and through this manage their water-related risks. The number of PCs to have established a programme forms one of the KPIs linked to our sustainability-linked loan financing programme, and this ratchets up year-on-year."*

Graeme Arduis, Head of ESG

Delivering on the high-level ambition of the Green Deal are these, more focussed, European water-related regulations:

**The Water Framework Directive:** aims to protect and improve the quality of water resources. It sets out a framework for water management, including quality monitoring and assessment, and requires member states to take action to achieve good water status.

**The Urban Waste Water Treatment Directive:** requires member states to ensure that urban waste water is collected and treated before discharged into water bodies.

**The Drinking Water Directive:** sets out quality standards for drinking water in the EU, and requires member states to monitor and ensure safety.

**The Floods Directive:** requires member states to assess and manage flood risk, and to develop flood risk management plans which drive development of relevant infrastructure.

A financial initiative, the **European Regional Development Fund**, provides financial support for projects that promote economic development and social cohesion in the EU, and has been used to support a number of projects in water value chains.

## Climate change and the hydrological cycle

Climate change affects the entire water system. It causes greater variability in precipitation, as well as decreased natural storage of water in snow and ice. This in turn drives increased variability in the flow of rivers, leading to both flooding and drought. It also affects evapotranspiration and run-off. Water quality is also impacted through changes in temperature, precipitation and drought, increasing risks to human health.

The Intergovernmental Panel on Climate Change (IPCC) has repeatedly highlighted the challenges posed by climate change to water resources. The IPCC's more recent Assessment Reports (AR5, AR6 and the Special Report on Climate Change and Land) found that climate change is likely to exacerbate water scarcity in many regions of the world, particularly in arid and semi-arid areas, and is likely to result in changes to precipitation patterns including more intense rainfall events, floods and longer periods of drought.





# Investing across the water value chain

Investing around the water challenges and value chain demands which Europe and the world faces is, for Triton, a true example of a megatrend – one which affects every continent and most sectors. As such, we have mapped out products, services and solutions which we believe are investable across all our four major investment sectors – Industrial Tech, Business Services, Consumer and Healthcare.

Triton has made water-focussed investments across its Business Services and Industrial Tech Sectors, including:

## TALIS

Talis is a European market leader in water control equipment. Talis designs, manufactures and supplies equipment used across the water supply chain (production, transmission, distribution and sewage), as well as irrigation, desalination and fire suppression.

Talis' primary products include valves; connection and repair products; house connections; security and control products; and others. Its products are used for water infrastructure maintenance, upgrades and new construction across Developed Europe as well as in Asia, Middle East and Latin America.

## 2.3 billion

people living in water-stressed countries, of which 733 million live in high and critically water-stressed countries UN-Water<sup>7</sup>

<sup>7</sup> UN Water, 2021



OCU Group is an innovative UK infrastructure services provider, delivering a range of capabilities and expert competencies in utility, civil, mechanical, and electrical engineering.

From headquarters in Stockport, UK, OCU holds long-term contracts with customers across a range of infrastructure sectors, including water, power, telecommunications and rail. The company offers expertise in horizontal directional drilling, which can be crucial to laying new water piping with minimal environmental disruption. Water infrastructure services form a key element in OCU's growth plans.

## Assemblin

Assemblin is a Nordic technical installation and services company for private and public real estate companies as well as public authorities.

The company operates within water sanitation, plumbing services, as well as electrical, heating and air conditioning services.

We believe water-related investments may be attractive across many sectors. Industrial technologies include treatment, filtration and purification equipment, as well as reuse, efficiency and recycling technology. At the more digital end, smart water management technologies which use data and analytics to monitor and optimize water use and reduce waste are likely to see increasing demand. In Business Services, opportunities abound to install and maintain many of these industrial technologies. And for consumers, home water technologies include water filtration units for kitchens, water-harvesting, pool maintenance, flood walls and pumps.

As challenges around the water cycle grow, we think opportunities to make attractive investments may grow, in existing and new solutions.



# Interview

## In conversation with Thomas Cheung, Emma Andersson and Ashim Paun



**Thomas Cheung**  
Investment  
Advisory  
Professional



**Emma Andersson**  
ESG Professional



**Ashim Paun**  
Head of Sustainable  
Investing

### **AP** Why is Triton focussed on water?

**TC** Water is of course essential to consumption in homes, to industry, and to a healthy planet. Even where population and affluence aren't major demand drivers, the unpredictability of weather associated with climate change is increasing scarcity, which is likely to drive unit prices up. This means that there is a requirement to invest in companies which ensure businesses and consumers have a resilient supply for the foreseeable future.

### **AP** Which areas of the system are currently seeing demand for water investments?

**TC** Maintaining water quantity and quality requires careful management and infrastructure. We see increasing demand for both capital works and maintenance spend. New installations are critical to the efficiency and stability of the system, but ageing infrastructure in the West is also driving a pickup in replacement cycles. Delivering value for money for the end consumer is also driving a regulatory preference for maintaining and extending existing solutions where possible. We therefore believe demand for water-related products and services will grow in coming years.

### **AP** Triton's Stewardship Programme helps our portfolio companies towards systematic and structured governance, with pivots towards more sustainable products and services, and to achieve de-risked operational performance. On this last point, what do we do around water?

**EA** Water has continued to be a strategic focus area within Triton's Stewardship Programme. We are pleased that this KPI has improved year-on-year although there remains much to be done. We continue to work with our portfolio companies to ensure they have a water

management programme established. The number with a programme in place has now risen from 30% in 2020 to 51% in 2022.

### **AP** Water risks are very location-specific, both in terms of demand and supply. How should we navigate this?

**EA** As part of our focus on water, the ESG team has mapped PCs geographical locations to identify water risk such as scarcity, risk and stress. This helps Triton and its PCs to understand its water footprint and what actions to take to mitigate and remediate.

### **AP** Are technological advancements needed to meet the water challenges of the world?

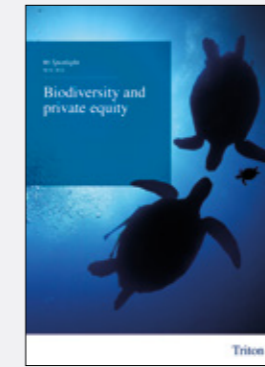
**TC** Much of what we see as necessary is pretty low-tech – piping, pumps, filters, valves, dams and reservoirs have been around for some time. That said, demands across the water system are changing and, in many cases intensifying. Droughts and floods are increasing in frequency and intensity so new technological advancements seek to meet the growing challenge. At the high-tech end of the spectrum, sensors and digitalised solutions aim to optimise water consumption and drive greater efficiency, often in conjunction with existing equipment such as water suppliers, irrigation, and stormwater management. It's an exciting time to be part of the sector delivering innovative and sustainable solutions for today and tomorrow.







## Spotlights



## Responsible Investment reports





# Triton at a glance

Founded in  
**1997**

Professionals across  
**11 offices**

Integrated operating & specialist teams

**€16 billion**  
raised since inception

**190+**  
institutional investors

**130+**  
Investment and operating professionals across four sector teams

**30+**  
Specialists supporting value creation throughout the investment life cycle



Portfolio companies  
**90+**  
Investments since inception

**450+**  
Add-on acquisitions completed

**€18 billion+**  
Combined portfolio revenues

**100,000+**  
Full-time employees at portfolio companies

- Core Triton sectors
- Business Services
  - Industrial Tech
  - Consumer
  - Healthcare

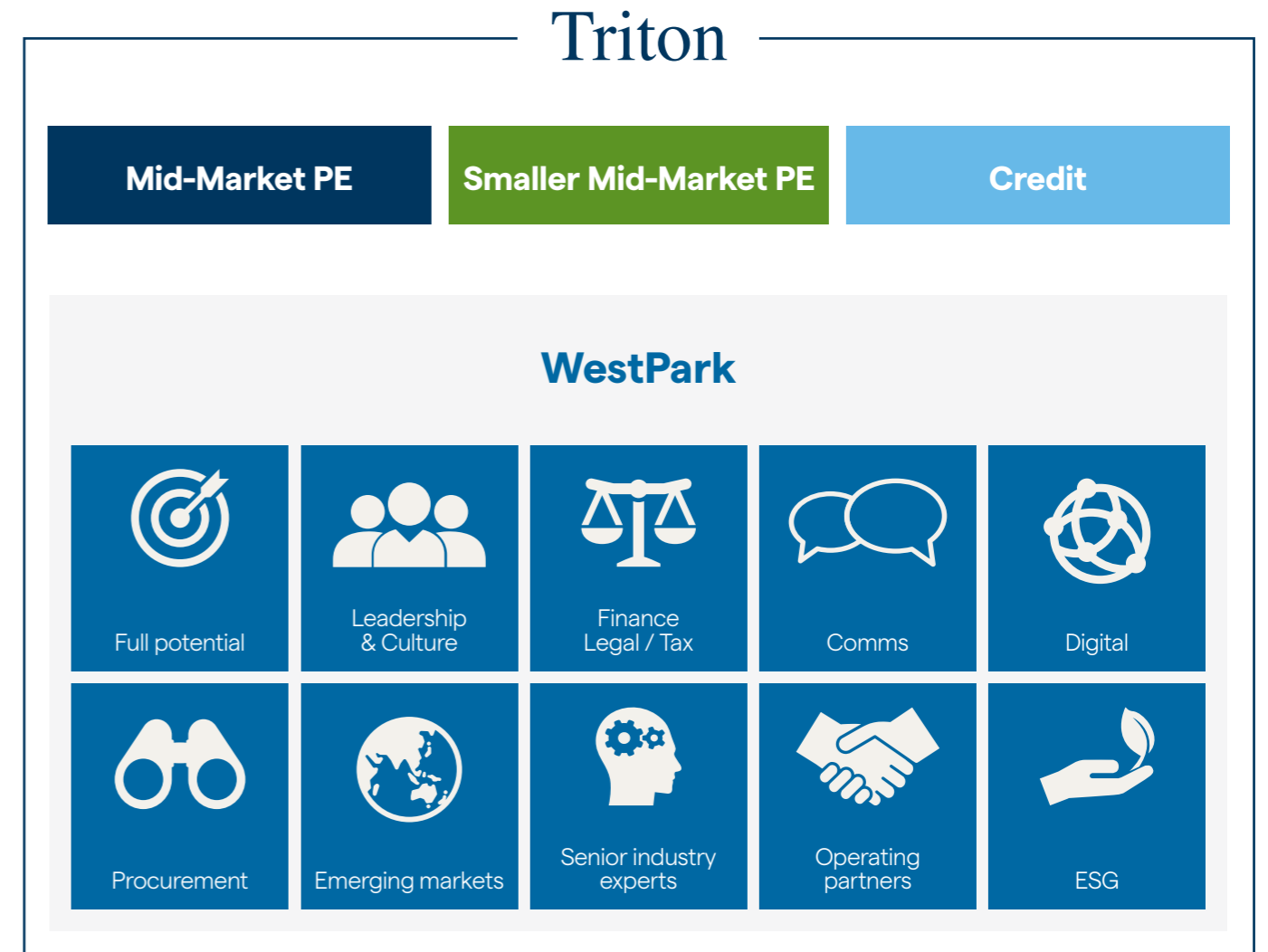
Strategies  
Capital raised

**€13.2bn**  
Mid-Market PE

**€1.3bn**  
Smaller Mid-Market PE

**€1.5bn**  
Credit

Triton and its portfolio companies (PCs) 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.





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