

Responsible Investment Policy

# Blackpearl

Capital Management

Below, we present our responsible private-equity investment policy, which details our beliefs in terms of responsible investment, the principles we adhere to and our compromises, the resources we have committed in order to carry out this policy, as well as the way we integrate ESG factors in our investment selection process. Finally, we address our commitments in terms of transparency and promotion of the responsible investment.

The objective of this document is to reflect the way in which in Blackpearl Capital Management S.G.E.I.C. (hereinafter Blackpearl) integrates environmental, social and good governance (ESG) considerations in our investment process, from investment decisions to the day-to-day subsidiaries management decisions.

In addition, the public nature of the policy responds to the obligations of the Disclosure Regulation (EU 2019/2088) at manager level.

## **1. OUR RESPONSIBLE INVESTMENT BELIEFS**

***Our Objective:*** "To promote the excellence and growth of our affiliated companies"

***Our Value Proposition:*** "Invest in SMEs to boost their growth and take them to the next level"

At Blackpearl we manage private equity funds aiming to create **long-term sustainable business groups seeking operational excellence**, with a comprehensive model that combines both the investment team professionals and the industrial experts who add value to each subsidiary's management.

We invest in companies that face shareholding, financial, strategic or management challenges, that need a financial and strategic partner. In this process, we believe that the only way to invest being consistent with our mission is by integrating the environmental, social and corporate governance factors throughout the investment process, seeking to generate long-term financial value.

This belief allows us to **align ESG factors with our fiduciary work**, supporting our subsidiaries in terms of growth and long-term cash generation, mitigating the impacts that their growth has on their environment, and seeking a positive impact on employment preservation and creation.

In addition, the integration of ESG factors in the investment process allows us to address our stakeholder's sustainability concerns:

- Investors;
- Human resources;
- Investees companies;
- Public administrations, and
- Society in general

## **2. PRINCIPLES AND COMPROMISES**

## **Our values**

Blackpearl's values that guide our actions are:

- Commitment to our Companies
- Responsibility and transparency in our relationships
- Pursuit of excellence

## **Commitment to UN PRI**

Blackpearl operates following the principles recognized in the main international agreements, specifically, under the umbrella of the United Nations, the International Labour Organization and the OECD.

Additionally, always with the objective of integrating better sustainability practices, Blackpearl has internally committed to comply with the **United Nations Principles for Responsible Investment (“UN PRI”)** and externally it is in signing process.

The principles that we commit to are the following:

- Incorporate ESG matters into investment analysis and decision-making processes.
- Incorporate ESG matters in our investees companies' management practices and policies.
- Encourage our investees companies to report on any ESG issues that concern them.
- Promote the acceptance and application of the principles among the investment industry.
- Work with other signatories to improve effectiveness in the application of the principles.
- Report our activities and progress in the application of the principles.

## **Commitment to the Sustainable Development objectives**

Blackpearl is committed to contribute through its activities to the achievement of the Sustainable Development Goals (SDGs) seeking an impact on society and future generations.

In this sense, **we have identified four primary Sustainable Development Goals** that are structured throughout our investment process:

- **SDG 7: Goal 7.a**  
We seek to promote access to clean energy research and technology, including renewable sources, energy efficiency, the advanced and cleaner fossil fuel technologies, and promote the investment in energy infrastructure and clean technologies.
- **SDG 8: Goals 8.3, 8.4 and 8.8. Decent Work and Economic Growth**  
We seek to promote economic growth as a source of social welfare and preservation and/or growth of stable jobs.
- **SDG 9: Industry, Innovation and Infrastructure**  
The invested capital allows our subsidiaries to modernize and develop their industries, adopting clean production processes and achieving an efficient resource

management.

➤ **SDG 16: Promote Just, Peaceful and Inclusive Societies**

We promote the integration of best practices in corporate governance in each of our subsidiaries.

### **3. RESOURCES**

Blackpearl considers that the human team is key to success, and therefore considers necessary to have an ESG governance structure that defines, manages, measures and evaluates the ESG actions to be implemented. This ESG governance structure reflects and, therefore, is a consequence of our comprehensive investment and portfolio management model:

- **Board of Directors:** is responsible for defining, approving and ensuring compliance with the ESG strategy, including among its functions (i) supervision and (ii) ultimate responsibility for the development of the strategy, implementation and monitoring of results.
- **ESG Manager:** comprised by a Blackpearl partner:
  - In charge of coordinating and managing ESG issues at a management level.
  - Responsible for coordination and management of the ESG issues at a subsidiary level.
- In order for the team to have the capacity to consider ESG factors in their activities, we will carry out **specific training sessions**.
- **ESG policies and procedures:** ESG risk analysis is included in mandatory internal procedures, detailed in point 4.
- **Performance evaluation**, including ESG matters in the calculation of our professional's annual variable remuneration. The inclusion of sustainability risks in the analysis and investment's decision-making is among the concepts that are evaluated.
- **ESG knowledge**, with the external support of a specialized ESG advisor.

### **4. INTEGRATION OF ESG FACTORS IN THE INVESTMENT PROCESS**

Blackpearl considers ESG criteria throughout the investment process, including sustainability risks and analysis of the principal adverse impacts in terms of sustainability.

Our understanding of the Disclosure Regulation is the division of ESG risks into two categories:

- **Sustainability risks** that occur when there is an environmental, social or governance event or situation that, if it occurs, could have a significant negative impact on the value of an investment (financial risk);
- **Principal adverse impacts (PAIs)**, on the other hand, these are the adverse impacts of investment decisions from an environmental, social or governance (non-financial risk) perspective.

**Blackpearl commits to gather the environmental, social and governance indicators on an annual basis**, although for the moment they are not aligned with the obligations detailed in the technical standards of the Disclosure Regulation (EU 2019/2088).

**We incorporate our priority SDGs into our processes**, being these SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure)

and SDG 16 (Peace, Justice and Strong Institutions). ). Blackpearl's investment model process, that allows us to maximize the intrinsic value of investee companies, includes the following steps:

### ➤ **Identify**

This phase consists of the identification and selection of opportunities that are included within our investment strategy. In this phase we reject all those companies with an activity excluded because it is contrary to our values or those of our investors. We also actively select the opportunities that allow us to preserve and generate employment, aligned with SDG 8.

The **excluded activities or businesses** are the following:

- real estate activities;
- financial services as defined in Law 22/2014;
- the manufacture and distribution of tobacco and distilled alcoholic beverages;
- human cloning, including human cloning for reproductive purposes;
- pornography;
- illegal economic activities (ie production, trade or other activities that are illegal under the laws or regulations applicable to the Fund or to the company or entity in question);
- financing of the manufacture and trade of arms and ammunition of any kind (this restriction will not apply to the extent that such activities are part of explicit policies of the European Union or that complement them); or investments in subsidiaries that directly take part (as determined at the time of the initial investment in that subsidiary) in the manufacture of antipersonnel mines, cluster bombs, or chemical or biological weapons; direct participation understood as; (i) the manufacture of a weapon in its entirety or in its majority, or (ii) the manufacture of key components linked to the ammunition of the weapon, such as, for example, sub-munitions, rifles and warheads;
- casinos and similar companies;
- research, development or technical applications related to programs or solutions that (a) are specifically aimed to support any of the activities listed in sections (iii) to (viii) above, or (b) are designed to enable illegal access to electronic data networks or the illegal downloading of electronic data;
- prospecting for oil and/or gas and any other activity aimed at extracting oil and gas;
- betting (including gambling houses and online betting);
- opaque funds (blind pools), hedge funds (hedge funds) or other collective investment programs that involve the payment of some kind of management commission, Success Commission or other type of remuneration;
- single issue debt securities, although, for clarification purposes, the Fund may invest in: (a) any debt instruments created in connection with an Investment in equity or equity-linked securities; (b) debt instruments with returns comparable to share capital or with a capital component; or (c) debt instruments with an embedded component, for exchange or conversion into shares;
- investments that meet the requirements to be considered "microfinance investment";
- improper or speculative investments in derivatives; and
- Any other activity in which the Fund cannot invest under Law 22/2014.

Our list of exclusions is regularly reviewed and updated to include any controversial issues deemed relevant by our investors.

### Investment Committee

Companies that meet our investment criteria and do not belong to any of the excluded sectors are subject to an internal Due Diligence analysis process by the investment team.

The next step would be taken by the Investment Committee; If it is favourable, a non-binding offer will be presented, initiating the Due Diligence process.

## ➤ **Analyse**

In this phase, the elements for the development of the proposed Business Plan are analysed and proceed to the closing of the operation. Our Business Plan includes clear value generation levers, and we aspire to include value creation criteria from the ESG perspective in the Plan.

### Due Diligence ESG

Our ESG Due Diligence process is carried out internally, including the analysis of the following aspects:

- Alignment with this Responsible Investment Policy, specifying whether it belongs to the list of excluded activities.
- Analysis of financial materiality of the sectors and geographic location regarding the main risks, adverse events and ESG opportunities.
- Specific analysis of the company regarding the main risks, adverse events and ESG opportunities.

### Investment Committee internal approval

The ESG Due Diligence conclusions are part of the aspects that are presented to the Investment Committee. Likewise, relevant aspects detected on which action must be taken to remedy risks or take advantage of the ESG opportunities presented by the operation will be highlighted.

Blackpearl will encourage the subsidiary company to implement the ESG action plan defined based on objectives, planning and resources.

Specifically, if material sustainability risks or significant adverse incidents were identified in the Due Diligence phase, Blackpearl commits to the Investment Committee to request that the company develop the identified recommendations that mitigate such risks.

## ➤ **Surface**

Once the transaction is closed, we seek to implement the necessary changes that, in the first place, ensure adequate governance in the company. In addition, we ensure that our investees have an ESG governance structure and a basic ESG action plan, aligned with the intrinsic value drivers. The implementation of these actions will be coordinated by an ESG manager in the investee who will ensure that ESG issues are dealt with at least two councils per year.

The basic ESG action plan will include a set of ESG actions common to the entire portfolio aiming to provide the subsidiaries with minimum ESG standards. These minimum standards seek to make a priority contribution to SDG 16, specifically targets 16.5 (reduction of corruption and bribery) and 16.7 (inclusive, participatory and representative decisions). At a minimum, it will look for:

- Adherence to Blackpearl's ESG policy.
- The appointment of an ESG manager in the subsidiary.
- The incorporation of ESG matters in at least two councils per year.

- The definition and calculation of ESG KPIs that make it possible to measure the main adverse incidents and monitor the progress made.

### ➤ **Empower**

When it comes to empowering, we seek to identify and implement additional external and/or internal value levers, exploring different options, such as add-ons, new business lines or uncovering hidden assets.

In this phase, the conclusions of the ESG Due Diligence are especially important, allowing us to explore the additional value creation levers generated by the inclusion of sustainability based on financial materiality and sector particularities, being able to generate new business opportunities or better long-term risks management. Our experience allows us to confidently commit to SDGs 9.2 – helping to promote inclusive and sustainable industrialization, contributing to job creation, 9.3 – promoting access to financing for SMEs and 9.4 – promoting industry modernization by adopting clean industrial technologies and processes.

Subsidiaries must report on the progress of their ESG action plans, and on an annual basis the ESG KPIs.

### ➤ **Materialize**

The monetization of ESG actions carried out during the subsidiaries' management phase occurs at the time of divestment.

Blackpearl's objective in this phase is to demonstrate that we have contributed to the creation of an excellent company, and that ESG has been a basic pillar when achieving this excellence and long-term sustainability. To this end, a report detailing the results and conclusions of the ESG actions carried out during the investment period, as well as the contribution to the Sustainable Development Goals, will be shared with future buyers.

## **5. TRANSPARENCY AND INFORMATION**

When we formalize the signing of the UN PRI, we will commit to prepare the UN PRI Transparency Report on an annual basis, in which we report our progress in the integration of responsible investment principles.

**Blackpearl commits to gather the environmental, social and governance indicators on an annual basis**, although for the moment they are not aligned with the obligations detailed in the technical standards of the Disclosure Regulation (EU 2019/2088).

## **6. RESPONSIBLE INVESTMENT PROMOTION**

We are aware of the importance of promoting responsible investment in our sector. For this reason, we want to help to promote the integration of ESG practices among our investors and in the market in which we operate. In this sense, we seek to actively participate in the promotion of responsible investment among the investment community and society in general, participating in conferences and events whose purpose is to promote and share best practices.