

## Environmental, Social, and Governance Policy

### **The Importance of Responsible Investing**

We believe that responsible investing is the only way to achieve long-term capital appreciation and build world-class companies.

We are committed to responsible investment on a personal and organizational level and seek to demonstrate and materialise our commitment while navigating the challenges of growth equity investment in dynamic SMEs by strict adherence to the highest professional and ethical standards and by a common vision to do good for the companies we invest in, their stakeholders, the local communities, the regional economies, and the environment.

We believe that good corporate governance is one of the most fundamental factors for successfully navigating the challenges of rapid growth in the companies we invest in. It ensures proper risk management, transparency, and an avenue for constructive discussions where the opinion of all stakeholders can be considered.

We are also convinced that our joint concern and pro-active initiatives for social and environmental matters is not only the right thing to do, but also provides an important framework for risk management and an inspiration for all stakeholders in the companies we invest in.

We, therefore, incorporate ESG policies at every level of our investment process and encourage our investees to themselves serve as an example of how caring for the community and the environment is in fact a prerequisite for financial success rather than an afterthought.

### **Our ESG Objectives**

Our overall objective is to meet globally recognized ethical, sustainable, responsible investment, and corporate governance standards at the Fund and at investee companies' level. By achieving this, we want to ensure that our operations and investee companies provide an inclusive, safe, and healthy working environment, maximize the chance of company success by instituting good corporate governance, and engage in pro-active initiatives to help the environment and the society.

We commit not to invest directly or through our investee companies in any coal-related activities, or higher risk business activities that may include:

- a) involuntary resettlement;
- b) risk of adverse impacts on indigenous peoples;

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- c) significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage; or
  - d) significant occupational health and safety risks.

Our key ESG objectives are:

- **Reduce Our Environmental Footprint** – Our objective is to make a contribution to the reduction of greenhouse emissions by investing in environmentally-friendly businesses and helping them reduce their carbon footprint as well as pro-actively undertake other initiatives that support the environment.
- **Create Opportunities for All Stakeholders** – Employees are key stakeholders in our investments and their satisfaction and wellbeing is vital for our long-term success. We aim to support all employees in their professional development and focus on helping disadvantaged minorities in securing sustainable jobs.
- **Support Our Communities** – We aim to enrich the lives of our local communities by creating employment, undertaking social initiatives, and serving as an example of successful development.
- **Commit to Highest Ethical, Governance, and Disclosure Standards** – We aim to serve as an example in our region of investing according to the highest ethical, governance, and transparency standards. We don't believe in managing conflicts of interest – we design our operations in a way that there aren't any.

## Our ESG Approach

We conduct our activities in compliance with the ESG requirements of the national laws and abide by the widely recognized standards adopted by our investors, particularly IFC's E&S Performance Standards and EBRD's Performance Requirements on Sustainable Development. In addition, we operate in line with the UN Principles for Responsible Investing ("PRI") and Invest Europe Code of Conduct. We intend to become a signatory of PRI and members of Invest Europe.

BPC has integrated ESG considerations into its investment processes, ownership practices, and daily operations as detailed in our Applicable Requirements and Procedures ("AR&P"). Our ESG actions are guided by the following framework:

- **Responsible Ownership and Investment Selection** – We carry out a rigorous evaluation of target companies, including also the ESG aspects, before making any investment and consider the findings carefully in investment decisions. Our mandate prohibits us from investing in the following sectors, which are deemed harmful for the environment or have negative social impact – companies engaged in arms manufacturing, manufacture of tobacco, spirits, gambling, forestry logging operations, human cloning, and genetically modified organisms, as detailed in our Exclusion List (Annex 1).
- **Integration and Risk Assessment** – As part of our investment process, we perform due diligence on potential environmental, social, or governance risks. We use various sources of data and if necessary, we will enrol the help of specialized external highly experienced consultants familiar with applicable requirements to ensure that all potential ESG issues are identified and evaluated. ESG matters are integrated throughout our investment process – we consider ESG factors as part of our original investment theses, we diligence ESG matters in our investment process, and we draft ESG correction plans if required. We also deploy relevant KPIs and encourage our investees to track relevant KPIs and monitor potential risks factors.
- **Post-Investment Monitoring and Engagement** – We work with our investees, transaction partners, and peers to advance the principles of responsible investment. We research and bring to our market latest global practices and we share our philosophy broadly to positively influence the regional investment community and

firms. BPC will require that ESG issues are regularly discussed during management meetings with investee companies, in particular reporting relevant ESG KPI and progress made with respect to any corrective actions that were included in the initial corrective plans.

- **Reporting** -- We report to our investors in a timely and transparent manner our progress, issues, and positive examples of ESG initiatives from our Fund and from our investees. We have developed a list of KPIs on economic, social, governance, and environmental issues, which are an integral part of our investment process. Jointly with our investees, we submit an Annual Sustainability Report to our investors, summarising our activities and progress on ESG issues.

## **Management and Organisation**

Responsible investing is part of the day-to-day activities of each investment professional. Primary responsibility for ESG matters lies with the investment team for each deal, who are responsible for the risk assessment, correction plan, monitoring, and reporting of ESG issues. Overall responsibility and coordination are with our dedicated ESG Officer, who supports the investment team with initiatives to monitor and improve the operational and environmental efficiency across the portfolio. ESG issues are regularly reviewed by our managing partners and our advisory board members who provide a broader oversight and guidance on our ESG measures.

Approved by BlackPeak Capital's Managing Partners on 7<sup>th</sup> June, 2021