



**Bregal**  
Unternehmerkapital

## Principal Adverse Impact Statement

## EU Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation ("SFDR" or "the Regulation") entered into force on 10 March 2021. The Regulation requires in-scope firms to provide information to investors with regards to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment.

Bregal Investments LLP, as a UK firm, and Bregal Unternehmerkapital GmbH are not directly subject to SFDR. However, they have elected to comply with certain provisions of the SFDR.

This document specially addresses Article 4 of the Regulation:

*"Financial market participants shall publish and maintain on their websites a statement on due diligence policies with respect to principal adverse impacts of investment decisions on sustainability factors, taking due account of their size, the nature and scale of their activities and the types of financial products they make available".*

This document applies in respect of Bregal Investments LLP and Bregal Unternehmerkapital GmbH (together "BU"). BU has determined that this policy applies in respect of its investment decisions and also in respect of the provision of investment advice and so references to investment decisions should be read as including the provision of investment advice.

More information related to the SFDR, and BU's approach to ESG (Environmental, Social, Governance factors) and Responsible Investment in general, can be found on BU's website <https://www.bregal.de/>, including:

- Sustainability risk policy
- Remuneration policy in relation to the integration of sustainability risks
- Responsible Investment policy

Article 4 of the Regulation requires for regulatory technical standards to be published, to supplement the high-level requirements of Article 4. As at 10 March 2021, those regulatory technical standards have not yet come into force. This policy will need to be reviewed and may need to be updated once the regulatory technical standards are finalised.

## Summary

BU considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated principal adverse impacts statement of BU. This principal adverse impacts statement covers the reference period from 10 March 2021 to 31 December 2021.

BU uses the definition of principal adverse sustainability impacts derived from Recital 20 of the Regulation and Article 2(24): *"Those impacts of investment decisions that result in negative effects on*

*sustainability factors, with sustainability factors referring to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.”*

### **Description of Principal Adverse Sustainability Impacts**

BU will take necessary preparations to gather, monitor and report the principal adverse sustainability impact indicators listed below. BU will provide an updated version of this statement in order to reflect any changes required to comply with the regulatory technical standards are finalised, once finalised.

BU expects to provide a qualitative ex-post report for the period 10 March 2021 to 31 December 2021.

BU expects to provide a revised version of this statement including a quantitative report by no later than 30 June 2023, with the indicators reported over reporting year 2022. From 2024 onwards, BU will provide historical comparisons with previous reference periods. BU will also seek to detail actions taken and actions planned for the future, as well as targets set for each PAI indicator to avoid or reduce the PAI identified where possible.

1. GHG emissions
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity-sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

### **Description of policies to identify and prioritise principal adverse impacts**

BU will report on all indicators related to principal adverse impact on sustainability factors as set out in Table 1 of Annex I of the Regulatory Technical Standards of the Regulation

Furthermore, BU will select at least one additional indicator related to principal adverse impacts on a climate or other environment related sustainability factor that qualifies as principal as set out in Table 2 of Annex I, as well as at least one additional indicator related to principal adverse impacts on a social, employee, human rights, anti-corruption or anti-bribery sustainability factor that qualifies as principal as

set out in Table 3 of Annex I. BU will select these additional indicators based on the probability of occurrence and severity of adverse impacts (including their potentially irremediable character).

Measurement of principal adverse impacts will, to some extent, be subjective and based on judgement. BU will seek to ensure accuracy by implementing internal and/or external reviews where doing so would reduce the margin of error and/or increase confidence in the indicators.

BU has formally approved these policies by 10 March 2021. BU's Head of ESG and Responsible Investment will be primarily responsible for the implementation of these policies. However, all investment team members will be educated with regards to principal adverse impacts on sustainability factors in order to integrate these considerations in the investment process, as detailed below.

### **Engagement policies**

BU proactively engages with its portfolio companies regarding principal adverse impacts on sustainability factors. Through these engagements, portfolio companies measure and report relevant information on the context of the principal adverse impacts affecting their businesses.

BU will exercise its fiduciary duty as responsible stewards and will aim to improve upon the identified principal adverse impacts for each portfolio company. As BU funds are majority owners in portfolio companies, BU has access to senior management and has the potential to wield significant influence with regards to the management of principal adverse impacts.

Engagements will be carried out over time in a structured format. Management teams are encouraged to assess and prioritise company-specific ESG (including Principal Adverse) impacts as part of a 100-day plan and to formulate a long-term strategic direction. Impacts can relate to both own operations and the extended supply chain. Ideally, these priorities will be included in the broader value creation plan. Subsequently, we aim to focus on the 3-4 material ESG issues and to start monitoring and tracking performance on KPIs and improvement initiatives.

Where applicable, BU will, in cooperation with portfolio companies, set targets and milestones to measure the success of the engagement as it relates to the measurable improvement in one or several of the identified principal adverse impacts on sustainability factors.

In BU's minority holdings, the governance structures might not allow BU to control the incorporation of ESG considerations to the extent desirable. In such circumstances, we commit ourselves to promote and undertake reasonable efforts to consider ESG aspects.

### **Adherence to international standards**

The BU Responsible Investment Policy is in line with internationally recognized standards for responsible business operations and investment practices. More specifically, BU has implemented the United Nations Principles for Responsible Investment (UN PRI) in its business practices and seeks to ensure that portfolio companies adhere to and comply with the principles in UN Global Compact, UN's Universal Declaration of Human Rights and guidelines outlined in the Organization for Economic Co-Operation and Development (OECD) for Multinational Enterprises.

Finally, at BU, we acknowledge the responsibility we have as an investor and plan to announce a climate strategy this year to help transition our portfolio in line with science-based climate targets. BU supports the goals set out by the 2015 Paris Agreement. BU measures and monitors the carbon emissions of the portfolio companies as defined by the Greenhouse Gas Protocol. Specific targets for reduction of climate gas emissions are set for each of the portfolio companies.