

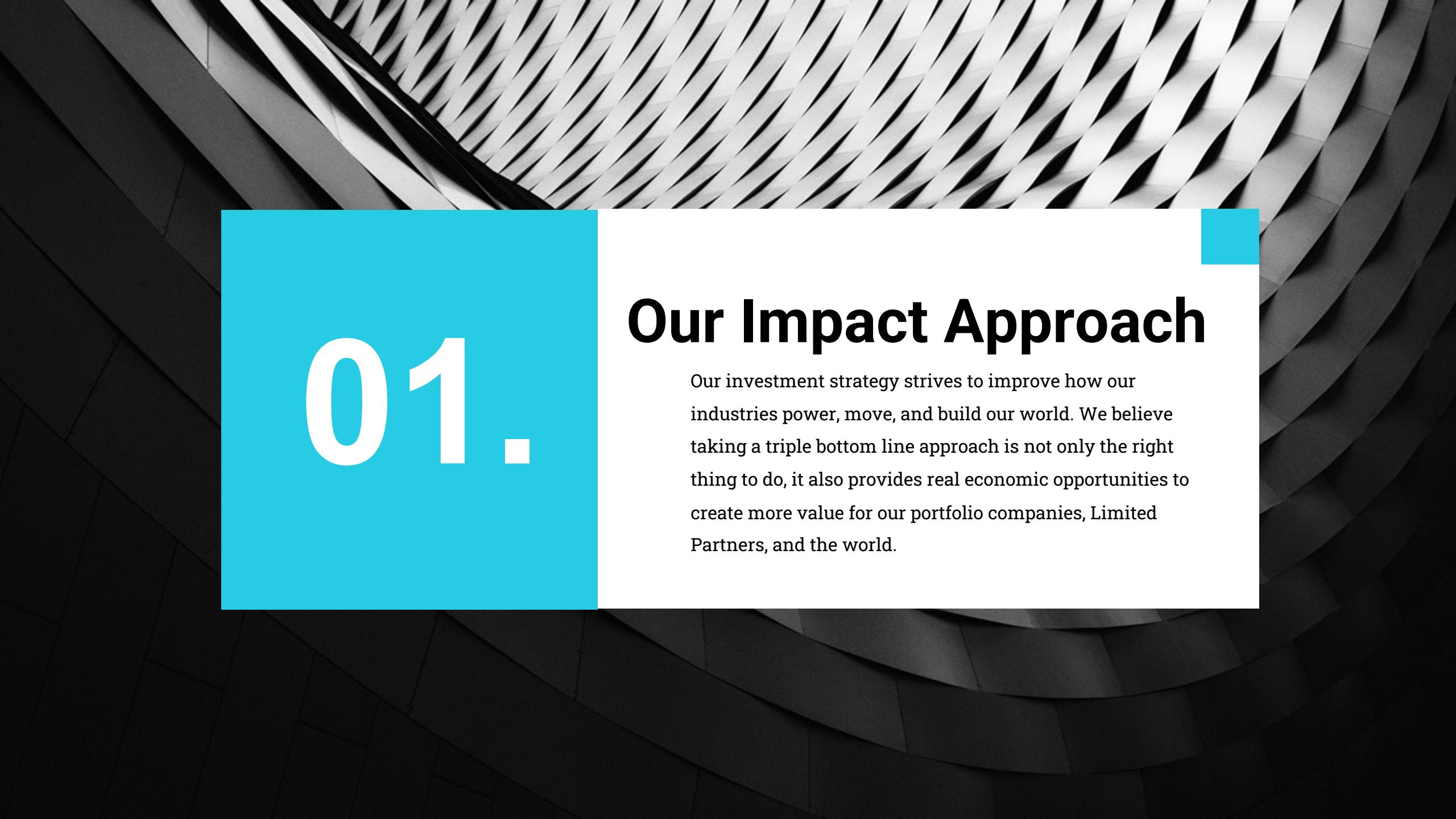
**Blackhorn  
Ventures**



# **Thematic Impact Approach**

October 2022





01.

## Our Impact Approach

Our investment strategy strives to improve how our industries power, move, and build our world. We believe taking a triple bottom line approach is not only the right thing to do, it also provides real economic opportunities to create more value for our portfolio companies, Limited Partners, and the world.

# How we think about impact

We invest in visionary companies that are changing how our highest-emitting industrial sectors – energy, transportation, and the built environment – use resources. Our impact approach is integrated with our investment strategy, meaning we always look for opportunities where a company's impact potential can be directly linked to additional commercial value creation.



## Creating Value

We view impact potential through the lens of creating economic value for companies by expanding their addressable market, adding new revenue streams, and increasing their competitive advantage.



## Supporting Companies

We partner with portfolio companies with high but unrealized impact potential to help them articulate, operationalize, and monetize the value of their impact potential alongside their business value proposition.

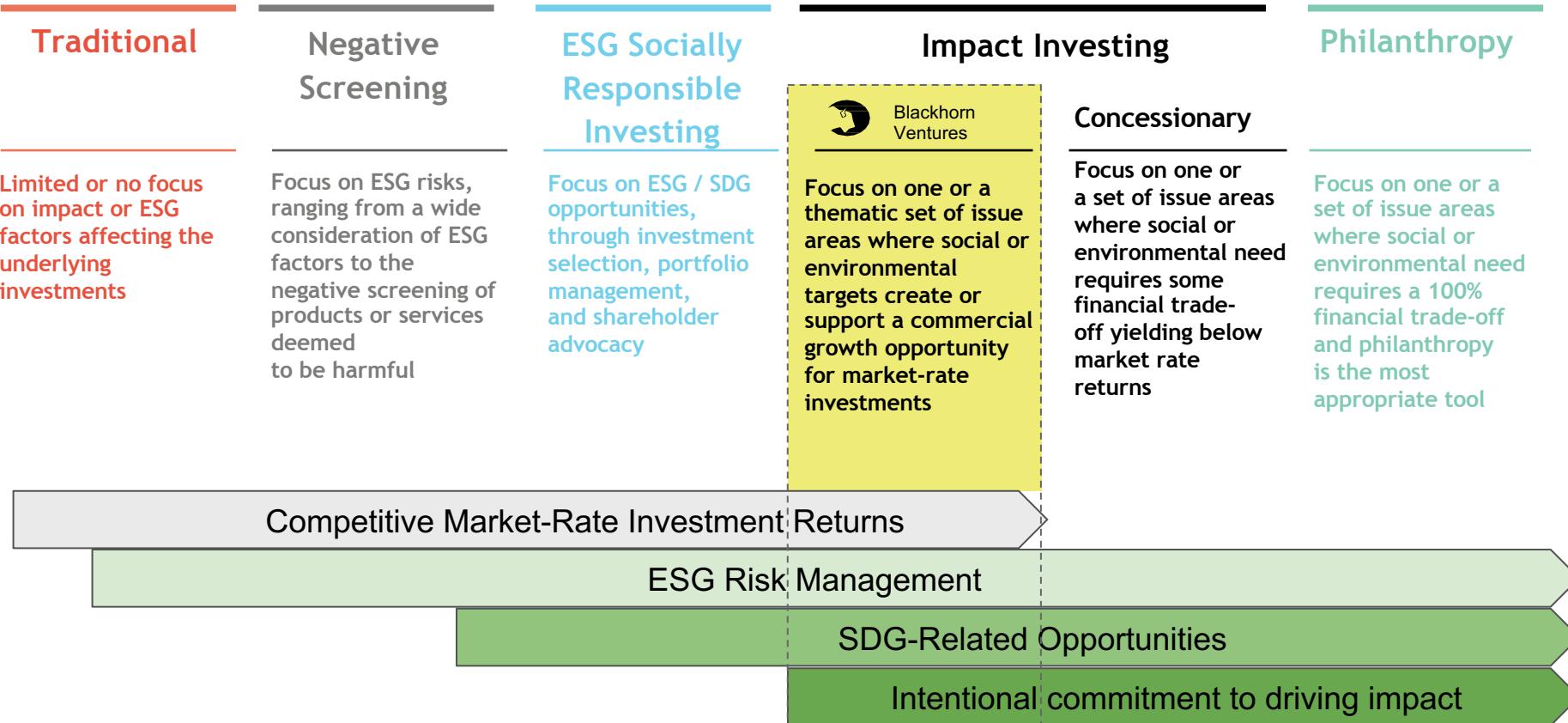


## Providing Domain Expertise

We understand the highest value creating impact levers within each of our target sectors. This positions us to uniquely complement and attract generalist impact and climatetech co-investors for our portfolio companies.



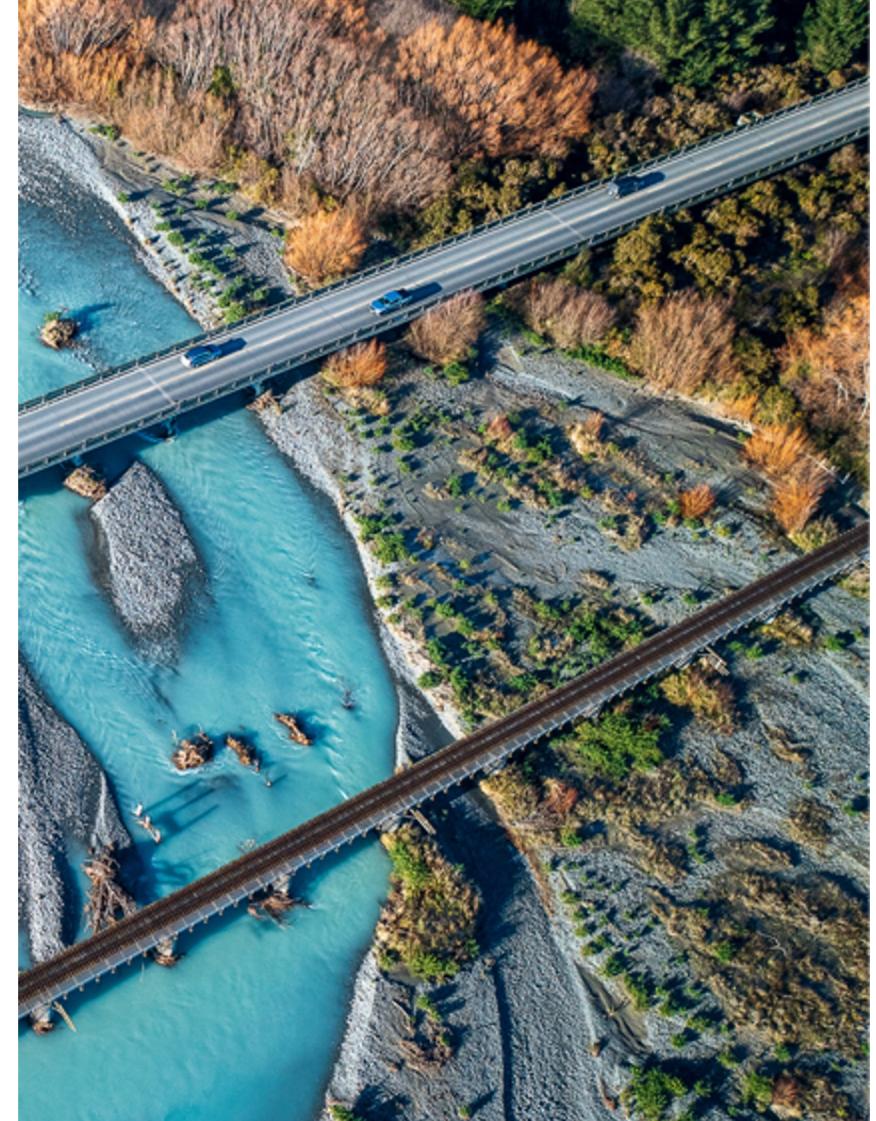
# How We Fit Within the Spectrum of Responsible Capital



# Why our impact approach is particularly timely today

We believe taking a triple bottom line approach is necessary and prudent today as key macroeconomic tailwinds demonstrate the material financial drivers tied to our impact focus and outcomes. Examples include:

- **Inflation Reduction Act (IRA)** - The IRA addresses each of our core sectors of focus – energy, transportation, and the built environment – via tax credits, grant programs, or direct federal investment. This is the largest public dollar investment we've seen to date in order to spur the transition to a clean energy economy.
- **Emergence of Carbon Markets** - The growing emergence of compliance and voluntary carbon markets demonstrates a willingness to pay for decarbonization. As this market grows, it represents a potential additional revenue stream for our portfolio companies making a tangible impact on greenhouse gas emissions.



# Impact Frameworks

We apply impact frameworks established by international standard-setting bodies and industry experts to ensure we take an objective and non-political approach to impact.



We apply the UN SDGs to inform our investment thesis creation by focusing on key thematic areas



We use IMP's Five Dimensions of Impact to guide our impact deal diligence and focus on outcomes



PRI's framework suggests key actions for incorporating ESG considerations into our entire investment process



# SDG's Guide Our Thematic Thesis Creation

Sustainable Development Goals act as a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030. While all the SDGs are integrated, our strategy seeks to directly address six of the UN SDGs. As a thematic investor, these six SDGs inform our top-down thesis creation and areas of focus.

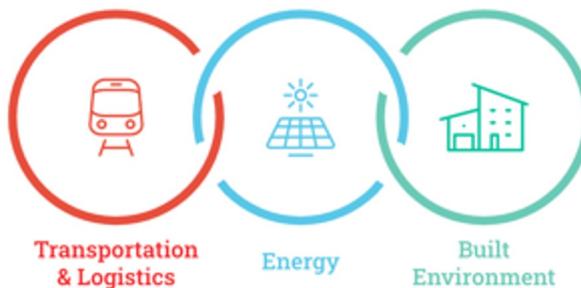


# Blackhorn's Theory of Change & Target Outcomes

Blackhorn focuses on the highest emitting sectors – energy, the built environment, transportation and logistics – to help accelerate a tremendous transformation towards decarbonization.

Our key target outcomes include:

- Improving resource productivity, including energy efficiency, material use, and labor productivity
- Decreasing greenhouse gas emissions
- Improving access to affordable clean energy, housing, transportation, and quality jobs
- Facilitating better labor practices, including better job quality, worker safety, and job access for marginalized communities
- Driving better integration of diversity and inclusion across industrial sectors



The IMP reached global consensus that impact can be deconstructed into five dimensions: What, Who, How Much, Contribution and Risk

IMPACT DIMENSION	IMPACT QUESTIONS EACH DIMENSION SEEKS TO ANSWER
WHAT	<ul style="list-style-type: none"> <li>• What outcome occurs in period?</li> <li>• How important is the outcome to the people (or planet) experiencing it?</li> </ul>
WHO	<ul style="list-style-type: none"> <li>• Who experiences the outcome?</li> <li>• How underserved are the affected stakeholders in relation to the outcome?</li> </ul>
HOW MUCH	<ul style="list-style-type: none"> <li>• How much of the outcome occurs - across scale, depth and duration?</li> </ul>
CONTRIBUTION	<ul style="list-style-type: none"> <li>• What is the enterprise's contribution to the outcome, accounting for what would have happened anyway?</li> </ul>
RISK	<ul style="list-style-type: none"> <li>• What is the risk to people and planet that impact does not occur as expected?</li> </ul>

Source: Impact Management Project analysis.



# Our Public Commitment to PRI and Growing the Impact Ecosystem

As PRI signatories, we publicly commit to responsible investing and aim to work with investors, fellow fund managers, and entrepreneurs to grow the impact ecosystem and our shared learnings to catalyze private capital towards impactful innovative solutions.

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





**02.**

## **Impact in Our Investment Process**

We apply our impact methodology from thesis creation to portfolio management. This incorporates what each company does, how each company operates, and how we seek to support our portfolio companies post-investment.



# Investment Process



## Thesis Development & Sourcing

Proactive sourcing of thesis-aligned impact investment opportunities



## Due Diligence

Apply our Blackhorn Ventures Impact Evaluation Framework as part of deal due diligence



## Portfolio Management

Support companies in identifying how their impact potential creates commercial value creation opportunities

# Thesis Development & Sourcing

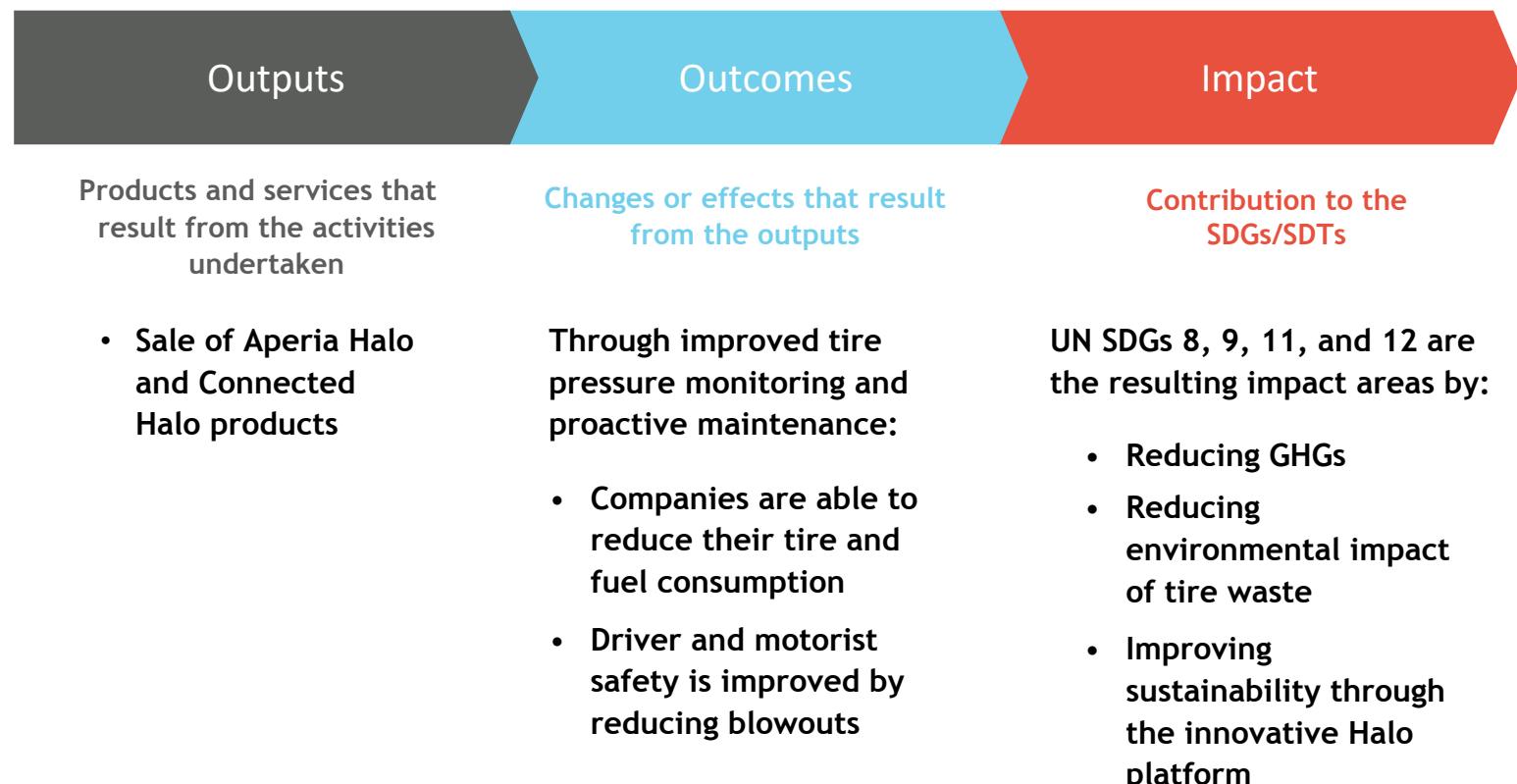
Blackhorn Ventures actively targets pipeline opportunities that are aligned with specific sector and sub-sector impact themes.

- The team proactively targets thematically-driven investments, informed by our proprietary understanding of macro and sector-specific industry trends and market opportunities
- Overlay relevant impact frameworks, such as SDGs, with market insights to identify and source attractive investment opportunities from our partners



# Due Diligence – Case Study

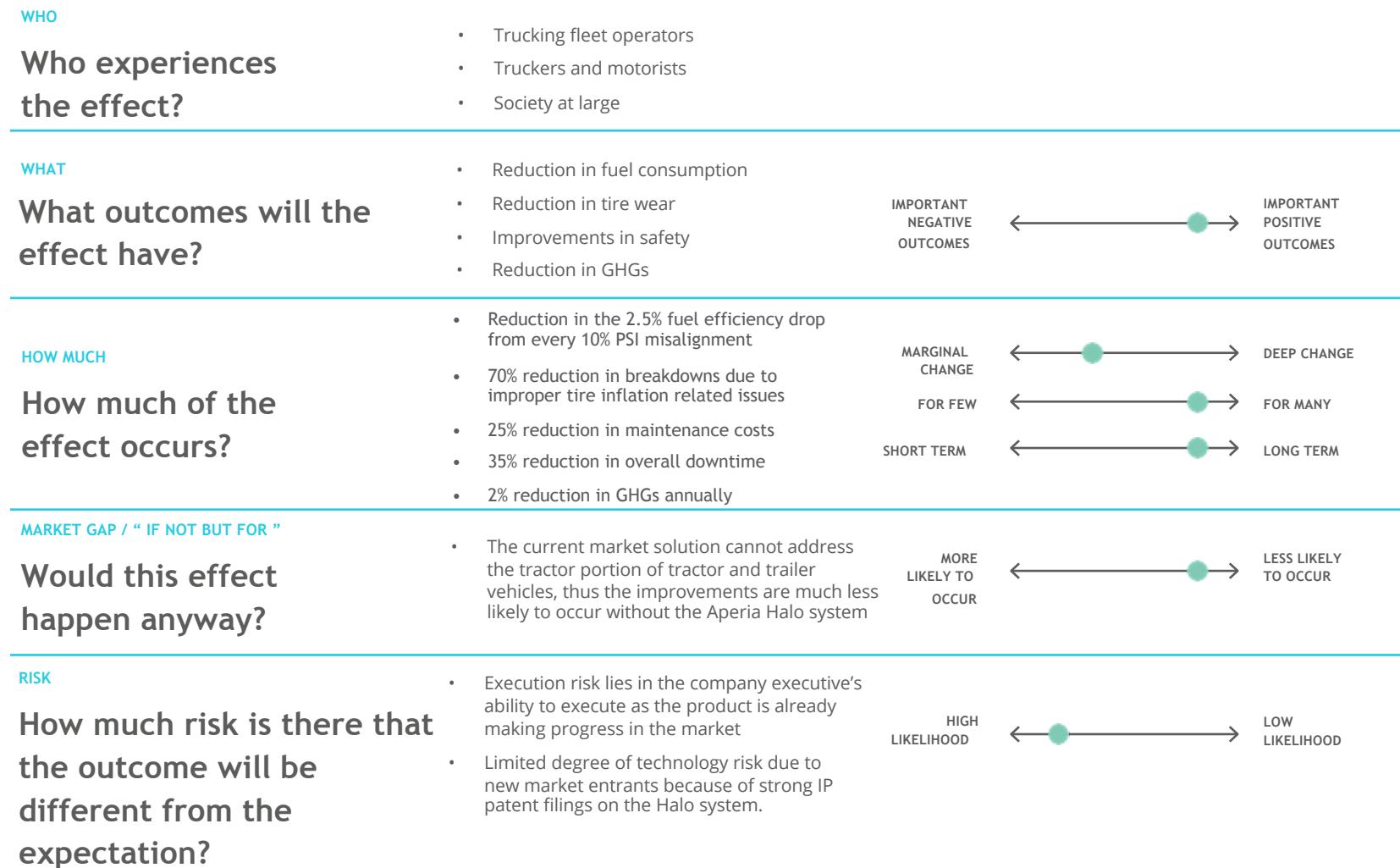
We apply the IMP Theory of Change framework to each potential investment to determine its impact potential. There must be measurable expected outputs and outcomes that align the focus of management's goals with Blackhorn's impact and investment thesis.



# Due Diligence – Case Study Con't

As part of our impact diligence process, Blackhorn applies IMP's Five Dimensions framework to evaluate the cause and effect relationship.

Blackhorn partners with the portfolio company management team to determine relevant impact metrics and KPIs.

<b>WHO</b>	<ul style="list-style-type: none"> <li>Trucking fleet operators</li> <li>Truckers and motorists</li> <li>Society at large</li> </ul>	
<b>WHAT</b>	<ul style="list-style-type: none"> <li>Reduction in fuel consumption</li> <li>Reduction in tire wear</li> <li>Improvements in safety</li> <li>Reduction in GHGs</li> </ul>	 <p>IMPORTANT NEGATIVE OUTCOMES ← → IMPORTANT POSITIVE OUTCOMES</p> <p>MARGINAL CHANGE ← → DEEP CHANGE</p> <p>FOR FEW ← → FOR MANY</p> <p>SHORT TERM ← → LONG TERM</p> <p>MORE LIKELY TO OCCUR ← → LESS LIKELY TO OCCUR</p>
<b>HOW MUCH</b>	<ul style="list-style-type: none"> <li>Reduction in the 2.5% fuel efficiency drop from every 10% PSI misalignment</li> <li>70% reduction in breakdowns due to improper tire inflation related issues</li> <li>25% reduction in maintenance costs</li> <li>35% reduction in overall downtime</li> <li>2% reduction in GHGs annually</li> </ul>	
<b>MARKET GAP / "IF NOT BUT FOR"</b>	<ul style="list-style-type: none"> <li>The current market solution cannot address the tractor portion of tractor and trailer vehicles, thus the improvements are much less likely to occur without the Aperia Halo system</li> </ul>	
<b>RISK</b>	<ul style="list-style-type: none"> <li>Execution risk lies in the company executive's ability to execute as the product is already making progress in the market</li> <li>Limited degree of technology risk due to new market entrants because of strong IP patent filings on the Halo system.</li> </ul>	

# Portfolio Management



## Portfolio Company Support

- Actively work with portfolio companies on how to articulate and implement their impact & ESG objectives and how to integrate impact objectives into their business strategy (e.g., via sales narrative, competitive positioning, branding)
- Support companies in their DEI objectives, such as supporting the creation of diverse candidate pools and intentional recruiting practices
- Provide governance and strategic support through board seat participation



## Monitoring & Reporting

- Partner with companies to identify relevant impact KPIs and targets to measure and track internally and report externally
- Discuss and collect impact and ESG reporting metrics as part of quarterly portfolio company reporting, LP quarterly reports, and our annual impact report



Sample questions from our portfolio company impact survey:

1. What is the best way to quantify your environmental or social impact goals? Would you like help configuring your impact goals?
2. Does your company have a direct impact on reducing greenhouse gas emissions? If not, does it have an indirect impact?
3. Does your company have a direct or indirect impact on labor efficiency, worker safety, and/or access to high-quality jobs? How would you articulate that impact?



# Applying an Environmental Justice Lens

Blackhorn applies an environmental justice lens after investing in a company to understand how it can positively impact communities. There are three core ways we believe our portfolio companies can address environmental injustices.



## Countering Disparities

Technology solutions that counter the effects of environmental disparities for disenfranchised communities who have been disproportionately impacted to date.



## Expanding Access

Business models that expand access – especially for minorities and disenfranchised communities – to clean, affordable resources and provide equitable access to the benefits of the clean transition.



## Supporting Workers

Companies focused on improving job quality and safety and increasing access to clean transition jobs and wealth creation opportunities amongst historically disenfranchised communities.



# 03.

## Case Studies

The following examples demonstrate how we identify impact potential at the pre- and post-investment stages while also identifying areas where impact can enable greater commercial value creation.

# Case Study – Ecoworks

Ecoworks designs and installs prefabricated retrofit building kits to improve their energy efficiency and insulation. Old, energy-wasting buildings are estimated to contribute as much as 40% of all CO<sub>2</sub> emissions.

## Countering Disparities

- Ecoworks intentionally ***targets old and outdated public housing apartment units***, which typically house lower-income residents, and are some of the least energy efficient buildings today.

## Expanding Access to Clean Benefits

- Its energy efficient retrofits ***results in lower energy bills for tenants***, without requiring them to vacate their units for months, increasing their access to affordable, reliable, and modern energy services.

## Enabling Commercial Value Creation

- Ecoworks ***allows landlords to meet new energy efficiency requirements*** (without which their housing stock would be removed by 2030) and potentially earn €0.5-2.0/sq-meter more after renovations.





# Case Study - Foresight

Foresight's cutting-edge risk management mobile technology reduces risk of safety incidents, increases compliance, and generates valuable data to secure lower insurance premiums.

## Supporting Workers

- Foresight targets the US heavy construction industry, which has the highest rate of workplace fatalities, injuries, and illnesses of all US occupations, and primarily employs lower- and middle-income workers, particularly for the most dangerous jobs. Foresight's platform promotes best practices and ***reduces safety incidents by up to 57%***.

## Enabling Commercial Value Creation

- Foresight's technology not only creates a safer work environment, but it has also ***enabled construction employers to lower their insurance premiums by up to 60%***, creating a strong economic incentive for employers to invest in improving their worker safety.

# Case Study – Common Energy

Common Energy provides an easy-to-use platform to connect everyday consumers to new community solar development projects by pre-signing up for new projects and then aggregating local customers.

## Expanding Access to Clean Benefits

- By aggregating residential customers, Common Energy allows consumers to access clean, more affordable energy at utility scale rates rather than individual residential rates, *lowering consumers monthly energy bill at \$0 cost to them.*

## Enabling Commercial Value Creation

- Common Energy is paid by community distributed generation solar developers for aggregating residential customers for their projects. With the Inflation Reduction Act, Common Energy can *receive an additional financial incentive through tax credits for increasing access to clean energy for lower-income and marginalized communities.*



# THANKS

Visit our website to learn more about our ESG and DEI convictions and supporting policies. <https://blackhornvc.com/>

