

A large, dense crowd of people, primarily of African descent, is shown from the chest up. They are all looking towards the camera with various expressions of interest and engagement. The image is overlaid with a semi-transparent blue filter.

# Operating Principles for Impact Management

BluePeak Disclosure Statement

June 2023



Operating Principles for  
Impact Management

### Disclaimer

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## 1. Overview of BluePeak

**BluePeak Capital LLP** (BluePeak) is an alternative asset management firm established in 2019. The firm was founded to fill a financing gap and focus exclusively on the provision of bespoke financing solutions for impactful businesses across Africa.

BluePeak Private Capital’s flagship fund, **BluePeak Private Capital Fund SCSp** is an impact-driven private capital fund that seeks to generate positive, measurable social and environmental impact alongside a financial return. The aim of BluePeak is to partner with its investee companies in order to

- (i) **promote positive impact and**
- (ii) **reduce the negative impacts investees have on their stakeholders and local ecosystems in an effort to attain the United Nations Sustainable Development Goals (SDGs).**

BluePeak has developed a system which helps its Investment Team track the positive impact of its investments and its investee companies on the communities where those investee companies operate. The **Impact Data Tracking System (IDTS)** defines clear measurable key performance indicators (KPIs), for each of the major sectors BluePeak intends to invest in, which contribute to the achievement of the SDGs.

## 2. Commitment & alignment with the operating principles for impact management

BluePeak (the “Signatory”) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Impact Principles”). This Disclosure Statement serves to fill BluePeak’s obligations pursuant to Principle 9 of the Impact Principles and confirms alignment of BluePeak Private Capital Fund (the “Covered Assets”) with the nine principles commencing 30 June 2023. **The total assets under management in alignment with the Impact Principles is US\$ 139.4 m as of publication of this disclosure statement.**



# Principle 1

## Define strategic impact objective(s), consistent with the investment strategy:

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

BluePeak is focused on generating positive, measurable social and environmental impact alongside a financial return. Investing in African companies will create an impact on the local and regional economies where those companies operate. By developing the Impact Data Tracking System, BluePeak will track positive impact generated by its investments while ensuring ESG<sup>1</sup> compliance to minimize negative outcomes.

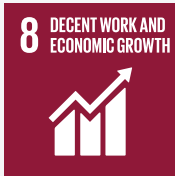

**BluePeak is committed to deploy capital in sectors that are aligned with the Fund's core themes:**

- **Resilience:** support businesses to boost regional manufacturing capabilities, while up skilling people;
- **Inclusivity:** proactively design investments to maximize participation for women and reduce inequalities;
- **Climate change:** consider climate risk and resilience, ensuring that environmentally friendly business practices are adopted; and

The aim of BluePeak is to partner with its investee companies in order to (i) promote positive impact and (ii) reduce the negative impacts investees have on their stakeholders and local ecosystems in an effort to attain the **United Nations Sustainable Development Goals**.

1. Environmental, Social & Governance.

BluePeak has selected three main focus areas for its impact agenda which are aligned with the SDGs:

	CORE CONTRIBUTION	IMPLICIT CONTRIBUTION	THESIS
INCLUSIVITY			Maximize participation for women and reduce inequalities
RESILIENCE		 	Support business to accelerate regional sustainable growth, while upskilling people
CLIMATE CHANGE		 	Consider climate risk and resilience

BluePeak will also look to actively deploy capital to sectors which directly uplift quality of life for millions of people (e.g healthcare, pharmaceuticals etc.) to promote well-being.

These focus areas are aligned with the priorities of BluePeak as well as the broader global development agenda and the Fund's investors base, amplifying the impact that will be made. BluePeak will also track any other key impact themes that are sector or geography focused. BluePeak will look to tailor bespoke KPIs while ensuring alignment with the SDGs.



## Principle 2

### Manage strategic impact on a portfolio basis

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognising that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Impact and ESG Factors are fully embedded in BluePeak's investment process. KPIs and value-add indicators will be selected by the Investment Team at the due diligence stage and systematically incorporated into the monitoring plan for each investment.

Impact focused due diligence findings allow BluePeak to establish the impact potential of the investment, the baseline of status for each impact theme (Inclusivity, Resilience, Climate Change) and any sector or geographical impact opportunities.

The Investment Committee will validate the proposed impact targets to be achieved during the holding period and indicators to be monitored. These indicators will be included in the investment documentation.

Performance against these indicators will be reported internally on a quarterly basis, usually in the Quarterly Supervision Reports of the Fund, and externally on a yearly basis in line with investors requirements.

BluePeak developed an Excel dashboard to track and measure impact of its portfolio companies. This dashboard will serve as a basis for the preparation of an annual Sustainability report. The report will include the review of each portfolio company progress against its ESG and impact action plan as well as the progress of the Fund against its impact objectives.

In accordance with article 5 of the Sustainable Finance Disclosure Regulation (SFDR), employees are remunerated through the payment of an annual salary and through various bonus schemes. The Fund promotes sound and effective risk management with respect to sustainability risks, ensuring that the structure of remuneration does



not encourage excessive risk-taking with respect to sustainability risks and (ii) is linked to risk-adjusted performance. The inclusion of sustainability risks in the areas of environment, social affairs and corporate governance is therefore explicitly included in the remuneration scheme of BluePeak. Employees shall be assessed on their adherence to ESG factors and impact.



## Principle 3

### Establish the Manager's contribution

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Progress against BluePeak's core themes listed above will be closely monitored and measured through its IDTS. BluePeak's approach to impact is of gradual improvement, as such the Fund only takes credit for the incremental improvements achieved throughout the investment horizon and with the help of the portfolio company. BluePeak carries out due diligence on impact and ESG alongside other due diligence streams and includes impact goals into facility agreements and/or sets internal goals at the time of investment. The impact approach is embedded across all steps of the investment process starting from the Preliminary Investment Committee phase until monitoring and exit. Value creation continues post-Investment by monitoring implementation of KPIs, developing action plans if required and maintaining a close dialogue with management and influence through board representation.



## Principle 4

### Assess the expected impact of each investment, based on a systematic approach

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact?

The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

Impact focused due diligence findings allow BluePeak to establish the impact thesis of the investment, the baseline of status for each impact theme (Inclusivity, Resilience, Climate Change) and any sector or geographical impact opportunities.

BluePeak will be assessing the impact for each potential investment based on the five dimensions of impact. Expected impacts are identified and quantified from Preliminary IC<sup>2</sup> to Closing. The Investment Team, the E&S Officer and the Investor Engagement team are all involved in the different steps of the investment process. This impact due diligence exercise follows the impact dimensions and seeks to answer the following fundamental questions:

<b>WHAT</b>	• Targeted SDGs
<b>WHO</b>	• Key characteristics of the group of people that BluePeak is trying to impact
<b>HOW MUCH</b>	• State of the company impact at time of investment
<b>CONTRIBUTION</b>	• State of the company's impact at time of exit (targets) • What are the changes BluePeak can reasonably take credit for?
<b>RISK</b>	• How would BluePeak's outcome turn out worse or differently than what was expected?

The impact approach is embedded across all steps of the investment process starting from the Preliminary IC phase as illustrated below:

STAGE	ACTIONS
<b>Preliminary IC</b>	<ul style="list-style-type: none"> <li>• Understand the company's operations, industry, growth strategy etc. Identify relevant SDGs to target (e.g. SDG 3 for healthcare, SDG 4 for education etc.) and applicable KPIs from IRIS+ or Hipso in addition to the Hipso Joint Impact Indicators ("JII") for cross portfolio KPIs. Bespoke KPIs can be developed when needed.</li> <li>• Include selected SDGs and KPIs in the investment memorandum</li> <li>• Present the findings to the investment committee (IC) members.</li> </ul>
<b>Due diligence</b>	<ul style="list-style-type: none"> <li>• Detailed impact assessment.</li> <li>• Impact, targets and KPIs are discussed/negotiated and agreed with the company management.</li> <li>• Based on the results of the impact focused due diligence, an Impact Data Tracking Dashboard (IDTD) will be prepared for each investment and forms the baseline from which the progress against the expected impact outcomes is measured.</li> </ul>
<b>Approval IC</b>	<ul style="list-style-type: none"> <li>• The IDTD is integrated in the final IC documentation and presented to the IC members.</li> </ul>
<b>Closing</b>	<ul style="list-style-type: none"> <li>• An Impact Action Plan (IAP) is included in the legal documentation.</li> </ul>
<b>Monitoring</b>	<ul style="list-style-type: none"> <li>• BluePeak will monitor the progress against the KPIs established before closing the transaction.</li> <li>• The IAP Plan will be monitored on an annual basis and BluePeak will generate an annual Impact Report.</li> </ul>

BluePeak developed an Excel dashboard to track and measure impact of its portfolio companies. This dashboard will serve as a basis for the preparation of the Impact Report.





## Principle 5

### Assess, address, monitor and manage potential negative impacts of each investment

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

BluePeak believes that ESG factors positively contribute to investment performance, and to a more stable, sustainable business and inclusive global economy. The Fund is classified as an article 8 fund as per the Sustainability Finance Disclosure Regulation (SFDR) and actively promotes ESG factors.

BluePeak's ESG practice is governed by its Environmental & Social Management System (ESMS), which is based on IFC's Sustainability Framework and Performance Standards. The ESMS is a framework that integrates environmental and social risk management into the business processes of BluePeak. It is a set of actions and procedures that are implemented concurrently with BluePeak's existing risk management procedures. Whilst E&S is led and managed by a dedicated E&S officer, E&S is a firm-wide responsibility, and the E&S officer is supported by the Investment Team for the implementation of the ESMS. Governance is handled directly by the Investment Team.

The ESMS ensures that BluePeak's activities are in compliance with its E&S standards. It helps BluePeak identify and manage Investments with potential ESG risks by conducting ESG due diligence prior to loan disbursement and adequate supervision of projects during the term of the investment agreement.

An Environmental and Social Action Plan (ESAP) developed during the due diligence phase is incorporated in the facility agreement and is de facto legally binding for the investee company. The investment is completed only after the ESAP is outlined and agreed upon with the management team. During the holding period, progress towards the ESG action plan and KPIs is regularly monitored and reported on.

We consider that our activities should manage our environmental & social footprint and contribute positively to global environmental and social well-being as reflected in the UN SDGs. Our ESG policy can be found in this link: (<https://www.bluepeakpc.com/wp-content/uploads/2022/09/ESG-Policy-Sept.pdf>)

**We will aim to ensure that all potential investments are reviewed and evaluated against the Fund's policy commitments including the following E&S requirements:**

- Fund's Exclusion lists which are the European Development Financing Institutions' (EDFI) Exclusion List and the fossil fuel policy of British International Investment PLC published on 12 December 2020.
- IFC Performance Standards 2012 stated on IFC's website ([www.ifc.org](http://www.ifc.org)).
- Applicable national and international laws, regulations and conventions on environment, labour, health, safety and social issues and any standards established therein.
- International Labor Organization (ILO) Basic Terms and Conditions of Employment meaning:
  - ILO #1: Hours of work;
  - ILO #26, #131: Minimum wage;
  - ILO #155: Occ. Safety & Health.
- World Bank's General EHS Guideline as well as any relevant associated Industry Sector Guidelines.
- African Development Bank Group Integrated Safeguards System.

**And the Minimum Safeguards as defined by the EU SFDR:**

- United Nations Guiding Principles on Business and Human Rights.
- International Bill of Human Rights.
- Declaration of International Labor Organization (ILO) on Fundamental Principles and Rights at Work.
- OECD Guidelines for Multinational Enterprises.



## Principle 6

### Monitor the progress of each investment in achieving impact against expectations and respond appropriately

The Manager shall use the results framework (referenced in Impact Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

BluePeak defines clear and measurable KPIs based on the findings of an impact focused due diligence. Company specific KPIs are set through generally approved and bespoke KPIs that meet the industry company specifics and growth strategy. We believe that this approach ensures full commitment from the portfolio companies and clear path for implementation.

An Impact Data Tracking Dashboard will be prepared for each investment to form the baseline from which the progress against the expected impact outcomes. An Impact Action Plan is agreed with the management of each portfolio company and included in the legal documentation. Specific clauses are inserted in the legal agreement to ensure commitment of the management of the portfolio company with meeting the targets and monitoring the pre-agreed KPIs.

Portfolio companies will report on an annual basis on their progress against the target SDGs and their alignment with the **2X Challenge**.

The IAP will be monitored and discussed internally on a quarterly basis as part of the Investment Team's quarterly supervision reports.



## Principle 7

### Conduct exits considering the effect on sustained impact

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

The Fund's financing instruments are considered as self-liquidating instruments, and structure and process of exit are agreed in advance with the investee as part of the loan agreement. BluePeak will use its best efforts to maintain the commitment of the portfolio company post repayment liquidation of the instrument. Nevertheless, an investee impact assessment at maturity of the investment will be made to evaluate the progress against pre-set targets.



## Principle 8

### Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

The IDTS will be assessed annually, and this Disclosure Statement will be updated to reflect any improvements and changes made to the system and be published annually in compliance with the Impact Principles. BluePeak is committed to disclosing the degree of alignment of its impact management system with the Impact Principles on its website.



## Principle 9

**Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment**

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

In accordance with the Impact Principles, BluePeak obtained an independent verification on its alignment with the Impact Principles in June 2023 which can be found in this link <https://www.bluepeakpc.com/wp-content/uploads/2023/06/BluePeak-2023-Verification-Letter-1.pdf>.

The independent verification was conducted by Innpect SA, a specialized impact advisory firm. BluePeak's alignment will be assessed at regular intervals to ensure continuous improvement of its impact framework.

The Disclosure Statement will continue to be updated annually in accordance with the Impact Principles.

