



BLUE EARTH CAPITAL AG

# Impact Principles Disclosure Statement

December 2024



# Operating Principles for Impact Management

## BLUE EARTH CAPITAL AG

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Blue Earth Capital AG (the "Signatory") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Impact Principles").

BlueEarth is a leading global impact investment firm. BlueEarth's funds span private equity, credit, funds and co-investments, working across the capital structure with the flexibility and solutions to create positive social and/or environmental impact, whilst delivering attractive financial returns.

This Disclosure Statement<sup>1</sup> applies to all funds (the "Covered Assets") under management by Blue Earth Capital AG, including:

- BlueEarth Impact Fund I L.P.
- BlueEarth Opportunities I L.P.
- BlueEarth Botnar Mandate, L.P. Inc.
- BlueEarth Botnar Mandate Annex, L.P. Inc
- BlueEarth Impact Fund II
- BlueEarth Credit Strategies II
- BlueEarth Climate Growth Fund I, S.C.A., SICAV-RAIF
- BlueEarth SF Global Impact Fund, S.C.A., SICAV-RAIF
- BlueEarth Impact Fund III
- BlueEarth Developed Markets Impact Fund I
- BlueEarth Global Impact Credit
- BlueEarth Ascent Impact Fund

As of the publication of this statement, the total assets under management in alignment with the Impact Principles is USD 1.4 billion.



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<sup>1</sup> The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

**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.

**Alignment:**

- BlueEarth has developed an investment strategy consistent with the firm's mission to provide access to essential services, promote inclusive growth and support climate action.
- Our investment strategy is underpinned by an evidence-backed Theory of Change (ToC), which describes how the firm intends to achieve impact on people, planet, and markets and systems. Our ToC describes the intended pathways of change from BlueEarth's Investor Contribution to investee and market system outputs, and ultimately to impact and the SDGs. We draw on available evidence to support our assessment of the specific challenges we seek to address. The ToC is used to frame BlueEarth's approach to defining, monitoring, managing and communicating Impact Measurement and Management (IMM) internally, and to investment partners and stakeholders.
- The investment strategy explicitly integrates the SDGs, both at the portfolio level and by constructing logic models linking investees' expected impact outputs to specific SDG targets in impact assessments. BlueEarth develops a logic model for each investment that links the investees' Outputs to Outcomes, Impact, and applicable Sustainable Development Targets (SDTs).
- The following graphic maps the core SDGs targeted by each of our impact pillars: Inclusive Growth; Access to Essential Services; and Climate Action.

**Inclusive Growth:** We seek to achieve increased financial health for underserved individuals and to advance economic development and job opportunities via the provision of financial services to SMEs facing financing gaps.

**Access to Essential Services:** We seek to achieve improved wellbeing of underserved populations.

**Climate Action:** We seek to accelerate decarbonization and the transition to net zero, increase resource efficiency, and improve society's resilience and adaptive capacity to manage the physical impacts of climate changes.

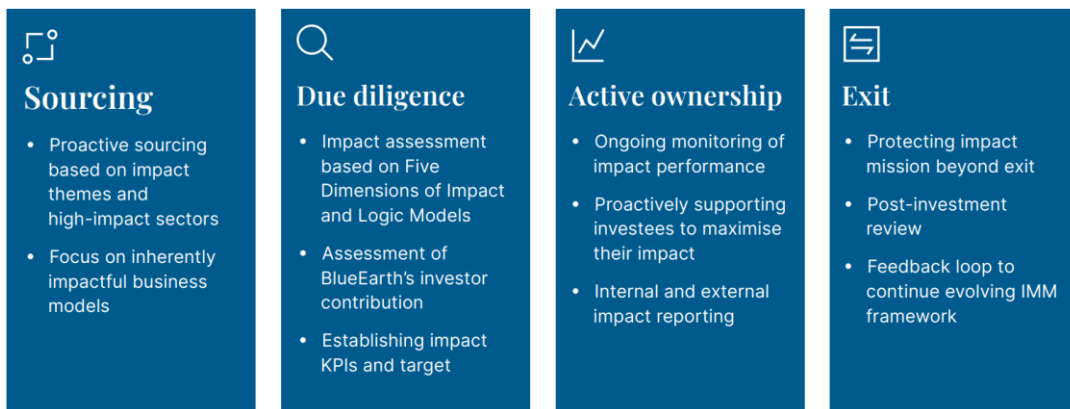
- BlueEarth specifically uses logic models to:
  - assess the causal relationships between inputs, outputs, short-term outcomes and long-term outcomes (impact) of an investment
  - link measurable outputs of an organization to the SDTs/SDGs
  - establish impact KPIs in support of SDTs/SDGs
- BlueEarth's Annual Impact Reports gauge the proportionality of the firm's portfolio-level impact to its committed capital. Additionally, on an annual basis BlueEarth assesses the pro-rata impact attributable to the Fund through its investments.

**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 recognizing 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.

**Alignment:**

- BlueEarth manages impact achievement by specifying clearly defined impact criteria throughout the investment process.



- On a portfolio basis, screening tools are used to disqualify potential investments for both financial and impact considerations from the outset. In the due diligence and execution phases, the investment process incorporates a systematic Impact Assessment, based on the five dimensions of impact<sup>2</sup>. This approach is applied across all asset classes, enabling a consistent evaluation of impact across our portfolio.
- BlueEarth manages impact achievement post investment through value creation initiatives and through regular monitoring reviews that track impact considerations via investor quarterly and annual impact reporting.
- Blue Earth Capital AG is fully owned by the Blue Earth Foundation, a Swiss Stiftung (not-for-profit charity/trust), that protects the impact mission of BlueEarth. BlueEarth's profits, including carried interest, are recycled via the foundation to support deep impact initiatives and business ventures that help to deliver a more equitable and sustainable future.
- The firm is currently assessing how best to establish formal links between impact performance and staff incentive structures.

<sup>2</sup> As developed by the Impact Management Project and now overseen by Impact Frontiers.

### Principle 3: Establish the Manager's contribution to the achievement of impact.

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.

#### Alignment:

- BlueEarth has established a clear narrative on its contribution to the achievement of impact for investees (i.e., "investor contribution"), through financial and non-financial channels.
- BlueEarth has developed a rating scale to assess its expected investor contribution of capital invested on each direct or fund investment opportunity, to determine at the due diligence stage where an investment is likely to have outsized impact.
- Our financial contribution includes:
  - **Innovative, flexible, agile financing products, structures and capital:** We are able to deploy bespoke solutions when needed, sometimes through structures that aren't widely available on the market. Via our credit strategy, we consider impact covenants or sustainability linked levers to help catalyze additional impact for investees.
  - **Capital mobilization:** we invest to grow new and/or undersupplied markets in both developed and emerging economies. We are sometimes the first institutional investor and add value by attracting other institutional investors. Via our impact secondaries strategy, we are playing a catalytic role in building an efficient secondary market for impact investments, which is currently underdeveloped.
- Our non-financial contribution includes:
  - **Hands-on support to our investees:** we engage proactively and provide hands-on support to our investees on their commercial strategy, governance and reporting, impact measurement and management, ESG risk management, and impact integration. We have board representation on all Private Equity (PE) investments and seats on Limited Partnership (LP) advisory committees for many of our fund investments, which we use to actively support and help drive impact.
  - **Introductions to BlueEarth's network:** we provide our investees with access to and strategic use of our network to support their business. We also work with investees to secure additional investors across the business lifecycle: when we lead investment rounds, when investees raise new rounds, and when we exit an investment.

**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.

**Alignment:**

- BlueEarth operates a clearly defined, systematic process to assess and quantify the expected impact of investments, incorporating the five dimensions of impact, standardized metrics (e.g., IRIS+<sup>3</sup>), and the relative importance of the SDG target(s) addressed by companies in the geographies in which investees operate.
- BlueEarth drives standardization and comparability (across sectors and asset classes) in the firm's Impact and ESG Assessments of investees. A proprietary scoring mechanism is used to assess the expected impact on a 1 to 4 scale for each dimension of Impact and ESG. This includes assessing the relative size of the challenge addressed, the scale of projected impact across all direct investments, the risks of actual impact realised being below expectations, and opportunities to mitigate these risks.
- Each investment will be assigned an overall impact rating, considering the relative weighting of the five impact dimensions and the specific context of the geography and impact sectors targeted.

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<sup>3</sup> Global Impact Investment Network's [Impact Reporting and Investment Standards](#)

**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.

**Alignment:**

- BlueEarth has a comprehensive and documented Impact and ESG assessment process to identify, avoid, and mitigate impact and ESG risks in the impact screening and due diligence phases of the investment process.
- Impact risks, such as mission drift risk, are taken into consideration in our proprietary Impact Assessment. While BlueEarth's assessment and management of ESG risks varies according to the strategy and the level of influence, an ESG risk assessment framework is integrated into the Investment Committee's investment decision-making process for all investments.
- BlueEarth also applies a proprietary ESG scorecard for fund investments, and a comprehensive ESMS tool for private credit investments that requires rigorous consideration of downside ESG risks at each stage of the investment process. For direct equity investments, BlueEarth has developed a proprietary DD assessment tool and comprehensive ESG questionnaire for management and will seek to play a more active role in supporting, and where necessary intervening, to ensure investee companies respond appropriately to any ESG issues that arise.
- BlueEarth negotiates responsible investment standards into legal documentation where possible and monitors its investments on an ongoing basis to ensure that any potential ESG or reputational issues are quickly identified and properly managed.
- BlueEarth is a signatory to the UN-backed Principles for Responsible Investment (PRI) and the ESG Data Convergence Initiative.
- BlueEarth has developed an exclusion list, setting out a range of sectors and activities that the firm will not invest into, due to elevated risks of negative social and/or environmental outcomes.



**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 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.

**Alignment:**

- BlueEarth has a predefined process in place to collect impact data from investees, ensuring alignment on core impact metrics and reporting requirements within legal documentation.
- Impact metrics are identified with management prior to close as outputs from the logic models and must be measurable in a cost-effective manner. This data is then collected quarterly and/or annually, with frequency varying depending on the type of data, the strategy and the asset class. Legal documentation outlines the quarterly and/or annual impact data collection requirements from investees, including expected metrics that are unique to the company or sector, as well as a set of standard metrics that is collected across the portfolio.
- Wherever possible, impact metrics are aligned to recognised standards (most notably IRIS+) and clearly defined in our external reporting (see Annex B of our [2023 Impact Report](#)).
- As part of the impact data gathering and analysis process, the actual impact performance is compared against expected impact to identify areas of underperformance, so that BlueEarth can engage with the investee (as appropriate) and capture the learnings to inform future strategy and decision-making.
- The impact data provided by investees is reported externally within BlueEarth's Annual Impact Report on an aggregated basis, and to investors at the investment product level.

**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.

**Alignment:**

- BlueEarth has a formalized approach to assessing the sustainability of impact during the exit decision making process.
- Exit planning is addressed from the outset of the due diligence process, with proactive sourcing that ensures a priority for high-impact themes and for businesses with impact built into the business model.
- Before an exit decision is presented to the Investment Committee, the investment team uses a proprietary impact risk framework to assess potential exit options from both an impact and a commercial perspective. This Exit Risk Assessment is completed for each investment to examine the potential implications on impact from the exit along the following dimensions: impact results; materiality; timing; impact orientation; governance; and business model. This framework includes asset class specific criteria to ensure appropriate responses are evaluated at or before exit.
- When assessing divestment recommendations, the Investment Committee will review the impact risk assessment alongside financial considerations.

**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.

**Alignment:**

- Through the collection of impact KPIs and the publication of Annual Impact Reports and quarterly fund reports, BlueEarth has a clearly defined process in place to review and document the impact performance of each investment and on an aggregated product and firm-wide basis.
- Through periodic investment monitoring across all asset classes, BlueEarth reviews investees' progress against impact management goals and improves operational, strategic, and management processes based on lessons learnt.
- BlueEarth's impact and ESG framework is overseen by the Impact & ESG Committee, which is backed by the Executive Committee, chaired by a dedicated Impact and ESG Principal, and with representatives from each investment team and IR & fundraising. The committee is responsible for ensuring the continued development of the firm's impact and ESG frameworks according to best practices.

**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.

**Alignment:**

- BlueEarth publicly affirms its alignment with the Impact Principles in this Disclosure Statement.
- Blue Earth Capital has engaged BlueMark<sup>4</sup> to independently verify the alignment of BlueEarth's impact management practices with the Operating Principles for Impact Management, an industry standard for integrating impact throughout the investment lifecycle. BlueMark's first assessment findings were concluded in November 2020, and the firm was recommissioned to undertake a second independent review during Q1 of 2023. BlueMark's latest Verifier Statement is available on our website: [BlueMark Verifier Statement - 2023](#).
- Further external verifications have been undertaken at the investment product level during 2024 for a number of our existing and newly launched products. These assessments were undertaken by BlueMark (through its FundID verification service) and the Sorenson Impact Institute and Impact Evaluation Lab (through the Impact Authenticity Score framework).
- BlueEarth anticipates that the next external verification will be undertaken within the next 12-18 months.

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<sup>4</sup> BlueMark is the leading provider of impact verification and market intelligence. As a first mover in the space, BlueMark has completed over 250 verifications, spanning \$355bn+ in impact AUM (as at end of 2024). BlueMark's verification methodology is grounded in and aligned with evolving industry standards, market frameworks, and regulatory requirements. It has offices in New York, London, Singapore and Brussels, with its principal place of business at 154 W 14th Street, 2nd Floor, New York, NY 10011, USA.