

Independent Verifier's report on the alignment of SPE Capital Partners with the Operating Principles for Impact Management

Provided by Oryx Impact S.L.
June 2nd 2023

Purpose and Scope of Verification

As a signatory of the Operating Principles for Impact Management (Impact Principles), SPE Capital Partners is committed to disclosing the degree of alignment of its Impact Measurement and Management (IMM) system with the Impact Principles. SPE Capital Partners engaged Oryx Impact to undertake an independent verification of such alignment.

This verification report applies to the assets covered by SPE Capital Partners' Impact Principles Disclosure Statement. In this sense, the total assets under management in alignment with the Impact Principles are US\$ 257.7 million as of December 31, 2022.

Assessment summary

Oryx Impact has independently verified SPE Capital Partners' extent of alignment with the Impact Principles. Key takeaways from Oryx Impact's assessment are as follows:

- **Principle 1:** SPE Capital Partners followed a methodology based on the IMP's 5 impact dimensions to establish its impact objectives, align them with the SDG targets and design and Impact Measurement and Management Framework. The framework is used during investment screening, ensuring investees share the fund's impact intent. The fund provides a strong narrative on how key elements of its investment strategy (control stakes, geographies and sectors) are enablers for the fund to pursue and fulfil its impact objectives.
- **Principle 2:** SPE Capital Partner's Impact Assessment, Sustainable Investing Policy and ESMS establish a clear governance structure and guided process to measure and manage impact across the investment lifecycle. It covers pre-investment (enabling baseline data collection and target-setting) holding (assessing performance against targets) and exit (evaluating investment outcomes). The Impact Assessment is a standardised scoring system, allowing fund-wide impact performance aggregation as well as comparison across investments. It covers relevant variables such as scale, depth or how underserved target stakeholders are. To date, there are no financial incentives linked to the impact performance measured by the framework.
- **Principle 3:** SPE Capital Partners has established a strong narrative on its investor contribution, coherent with the investment strategy, and provides detail on the different contribution channels. Currently, it focuses on measuring its contribution at investor level, through monitoring financial performance and institutionalisation of investees. SPE Capital Partners is encouraged to expand its contribution measurement to the enterprise and stakeholder levels to monitor, as much as possible, the causal effect of the investment activities on the outcomes perceived by end stakeholders.
- **Principle 4:** The fund manager's investment team assesses potential deals through its Impact Assessment, covering fundamental questions within the IMP's 5 dimensions, and creating a baseline and target score. Moreover, an impact Due Diligence is carried out by an external party, qualitatively evaluating the impact potential of the investments and proposing an action plan. SPE Capital Partners quantifies the investments' potential impact mostly using output metrics. In this sense, it is encouraged to, whenever possible, quantify outcome metrics as well. It is also encouraged to evaluate impact risks using the IMP's risk categories.

- **Principle 5:** SPE Capital Partner has a process in place to identify ESG risks and it is formalized in its ESMS. It also relies on third party support at pre-investment for expert ESG Due Diligence. A Clearance Note is issued for every investment seeking all parties' commitment to an Environmental, Social and Impact Action Plan, specifying a budget allocation. During the investment period, the fund manager actively engages and manages ESG issues with investees through quarterly monitoring, yearly site visits and Technical Assistance.
- **Principle 6:** SPE Capital Partners collects ESGI performance data on annual basis, updating its Impact Assessment per investee and enabling a gap analysis between baseline, actual, and target scores. As recommended in principle 4, the fund manager is encouraged to use company or sector-specific material outcome metrics for target setting and performance monitoring.
- **Principle 7:** SPE Capital Partners' approach to exits is focused on creating long term value that outlives the investment period, having a pool of buyers aligned with ESGI practices, and sharing achievements and gaps in ESGI during the exit process. As the industry evolves to identify and test impact best practices at exit, the fund manager is encouraged to identifying suitable practices for its investment strategy, to formally integrate them in its Sustainable Investing Policy and ESMS, and to train the investment team to progressively implement them.
- **Principle 8:** Through the establishment of an ESGI committee, SPE Capital Partners has the governance structure needed to implement the principle. Within the committee's roles and responsibilities is the constant improvement and adaptation of the fund manager's IMM Framework. Moreover, evidence of a detailed annual reporting to investors presenting impact performance vs. targets shows strongly documented impact performance. Also, the committee has used findings from impact reviews to improve the Impact Assessment in several occasions.
- **Principle 9:** The Disclosure Statement includes the commitment to comply with Principle 9. The frequency of verification suggested is adequate to SPE Capital's size and IMM maturity.

Assessment Methodology

Oryx Impact reviewed SPE Capital Partners' set of IMM tools and processes using a proprietary methodology informed by:

- I. The text of each Principle and associated implementation guidance;
- II. Oryx Impact's proprietary process for the assessment criteria;
- III. Oryx Impact's retained knowledge and expertise having analyzed over 250 funds to date; and
- IV. Industry-wide available knowledge and research with regards to the Impact Principles' implementation and complementary standards.

Based on the above, Oryx Impact has carried out an extensive analysis of SPE Capital Partners' Disclosure Statement's coherence with its actual practices through:

- I. 7 interviews involving 14 selected members of the SPE Capital Partners' ESGI team, ESGI committee, investment team and investee companies; and
- II. Thorough evidence checks through documentation requests and reviews.

SPE Capital Partners' responsibility

It is the responsibility of SPE Capital Partners to define adequate policies, systems, roles and responsibilities to ensure the Fund is aligned with commitments to its investors related to environmental, social, and governance (ESG) performance and Impact Management, and to align with the Operating Principles for Impact Management to which it is a signatory. It is also the responsibility of SPE Capital Partners to ensure accuracy and comprehensiveness of its reporting to investors on ESG and Impact performance in its investment portfolio in line with recognized international standards, and to prepare its Disclosure Statement in relation to the Operating Principles for Impact Management.

Oryx Impact's responsibility

Oryx Impact's responsibility is to issue a verification report on SPE Capital Partners' alignment to the Operating Principles for Impact Management, based on an evidence-based analysis of its Disclosure Statement. SPE Capital Partners has provided comprehensive documentation to back up the content of its Disclosure Statement. Moreover, interviewees have provided coherent narratives that are aligned with the evidence analysed. In this sense, the verification outcome is positive, as sufficient evidence has been provided and no material incongruences have been identified.

About Oryx Impact

Oryx Impact mobilizes capital for investments in Africa. It leverages internal Impact Measurement and Management expertise, capacity and learning to offer impact advisory services.