

# Verifier Statement

## *Independent Verification Report*

*Prepared for IFU: March 24, 2021*

## Introduction

As a signatory of the Operating Principles for Impact Management (the Principles)<sup>1</sup>, IFU engaged BlueMark to undertake an independent verification of the alignment of IFU's impact management (IM) system with the Principles. IFU's assets under management covered by the Principles (Covered Assets) totals €836.2 million<sup>2</sup>, for the year ending 31/12/2019.

## Summary assessment conclusions

BlueMark has independently verified IFU's extent of alignment with the Principles. Key takeaways from BlueMark's assessment are as follows:

*Principle 1:* As part of its new 2021- 2024 Investment Strategy, IFU has two clearly defined impact objectives related to (1) building the green economy, and (2) building a just and inclusive economy. The impact objectives are linked to appropriate SDG targets, and underpinned by a theory of change and four related focus areas.

*Principle 2:* IFU has outlined its approach to integrating impact considerations throughout the investment process. Policies clearly articulate the IM processes within due diligence, execution, and monitoring. IFU has accountability mechanisms for IM system execution and links staff incentives to achievement of impact targets through an annual bonus system.

*Principle 3:* IFU has a process in place to assess its financial and non-financial contribution(s) to investee achievement of impact. An external evaluation has assessed IFU's additionality. To further align, IFU could build a robust evidence base demonstrating its contribution to the achievement of impact.

*Principle 4:* IFU's new impact management system facilitates a clear process for assessing each investment's expected impact, from screening, using the Project Screening Tool, to the conclusion of due diligence, as reflected in key transaction templates. Baseline value and ex-ante targets are set for the investment's expected impact throughout the investment lifetime. IFU could develop a catalogue of commonly used indicators mapped to key impact themes and industry standards, with supporting guidance on selection.

*Principle 5:* IFU has implemented a clear Environmental, Social, and Governance (ESG) risk identification and management process, aligned with industry standards, through its Sustainability Policy. IFU could further increase its alignment by instituting protocols for responding when ongoing monitoring indicates ESG underperformance.

*Principle 6:* IFU has recently operationalized a new process, utilizing its Results Framework, to monitor impact performance on a regular basis. To further align, IFU could document and formalize its protocol for engaging investees in cases of impact underperformance and further develop tools or methodologies to capture impact outcomes.

*Principle 7:* IFU's Sustainability Policy commits to registering development impact considerations at the time of exit, which, to date, has primarily been operationalized through self-assessment reports. IFU could further align by more intentionally exploring and documenting considerations to ensure long-term impact at the time of exit.

*Principle 8:* IFU collects impact performance data annually on an actual vs expected basis, leveraging its Annual Sustainability Report framework. IFU could further align by formalizing and standardizing its process to extract lessons learned from each investment's impact and ensure they are able to influence future decisions.

<sup>1</sup> Principle 9 states that signatories "shall publicly disclose, on an annual basis, the alignment of its impact management systems with the 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."

<sup>2</sup> Assets under management figure as reflected in the IFU Disclosure Statement as of 31/12/2019. BlueMark's assessment did not include verification of the AUM figure.

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### Assessment methodology and scope

IFU provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Covered Assets. The scope of BlueMark’s work was limited to processes in place related to the Covered Assets as of March 24, 2021. BlueMark’s assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.<sup>3</sup>

BlueMark’s full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Principles, using BlueMark’s proprietary rubric, and examining processes and policies against the following criteria:
  - *Compliance* of the IM system with a threshold level of practice;
  - *Quality* of the IM system’s design in terms of its consistency and robustness; and
  - *Depth* of sub-components of the system, focused on completeness
2. Interviews with IFU staff responsible for defining and implementing the IM system;
3. Testing of selected IFU transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to IFU, outlining areas of strong alignment and recommended improvement, as well as BlueMark’s proprietary benchmark ratings on the extent of alignment to each of the Principles.

### Permissions

This statement, including our conclusions, has been prepared solely for IFU in accordance with the agreement between our firms, to assist IFU in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit IFU to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate IFU’s alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than IFU for our work or this statement except where terms are expressly agreed between us in writing.

### About BlueMark

BlueMark, a Tideline company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to “strengthen trust in impact investing” and to help bring more accountability to the impact investment process. BlueMark is a wholly owned subsidiary of Tideline Advisors, LLC, a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, working with leading asset owners and managers to design and implement impact management systems.

BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; Portland, OR; and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA. For more information, please visit [www.bluemarktideline.com](http://www.bluemarktideline.com).

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<sup>3</sup> The scope of BlueMark’s assessment procedures does not include the verification of the resulting impacts achieved. BlueMark’s assessment is based on its analyses of publicly available information and information in reports and other material provided by IFU. BlueMark has relied on the accuracy and completeness of any such information provided by IFU. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from IFU.