

Verifier Statement

Independent Verification Report

Prepared for ABC Impact: June 30, 2022

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, ABC Impact engaged BlueMark to undertake an independent verification of the alignment of ABC Impact’s impact management (IM) system with the Impact Principles. ABC Impact’s assets under management covered by the Impact Principles (Covered Assets) total \$300 million², for the period ending December 31, 2021.

Summary assessment conclusions

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

Principle 1: ABC has an impact strategy focusing on five impact themes aligned to 14 SDGs. ABC has developed a fund-level theory of change as well as theme-level theories of change that describe the social and environmental challenges and market gaps it aims to address, supported by a description and evidence base as to how its investments will help to achieve its target social and environmental outcomes.

Principle 2: ABC has processes for managing impact performance across its portfolio, such as an impact scoring tool. To further align with this principle, ABC could link staff appraisals with impact performance that directly influence compensation.

Principle 3: ABC has multiple strategies for contributing to the impact of its investees, such as ESG action plans and technical assistance (TA). To further align, ABC could develop a more structured process to articulate its expected contributions ex-ante and ex-post.

Principle 4: ABC assesses expected impact as part of its investment process. This is achieved through the utilization of proprietary tools based off leading industry standards. To further align, ABC could make more explicit the linkages of investment specific KPIs to industry standards.

Principle 5: ABC embeds ESG risk identification and management throughout the investment lifecycle. The firm has established approaches for ESG assessments, developing and implementing ESG action plans, and monitoring ESG compliance and performance.

Principle 6: ABC monitors the impact of each investment on an ongoing basis. In instances of impact underperformance, specific staff members are assigned to improve performance. To further align, ABC could expand the scope of data captured from investees to include short- and medium-term outcomes.

Principle 7: ABC has developed a Responsible Exit Policy which outlines its Responsible Exit Process. ABC’s approach to responsible exits is based on two guiding principles, 1) ensuring a minimum threshold for impact and ESG performance at exit, and 2) ensuring continuity of impact and ESG performance post-exit through selecting the right buyer.

Principle 8: ABC has a clear process for reviewing impact performance. The management committee consistently modifies the impact assessment framework and impact screen to better suit the various investments ABC is pursuing. To further align, ABC could formalize the processes for evaluating learnings to identify operational improvements.

¹ Principle 9 states that signatories “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.”

² Covered Assets figure as reflected in ABC Impact’s 2021 Impact Report. BlueMark’s assessment did not include verification of the Covered Assets figure.

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Detailed assessment conclusions

The chart below summarizes findings from BlueMark’s verification of ABC Impact’s extent of alignment to the Impact Principles, using the following four ratings:³

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).⁴

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	ADVANCED
2. Manage strategic impact on a portfolio basis	HIGH
3. Establish the Manager's contribution to the achievement of impact	HIGH
4. Assess the expected impact of each investment, based on a systematic approach	HIGH
5. Assess, address, monitor, and manage potential negative impacts of each investment	ADVANCED
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	ADVANCED
7. Conduct exits considering the effect on sustained impact	HIGH
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	HIGH

³The 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 ABC Impact. BlueMark has relied on the accuracy and completeness of any such information provided by ABC Impact. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from ABC Impact.

⁴The decision to publicly disclose the results of BlueMark’s detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of ABC Impact.

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Assessment methodology and scope

ABC Impact 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 June 30, 2022. 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 draft 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.⁵

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

1. Assessment of the IM system in relation to the Impact 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 ABC Impact staff responsible for defining and implementing the IM system;
3. Testing of selected ABC Impact transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to ABC Impact, 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 Impact Principles.

Permissions

This statement, including our conclusions, has been prepared solely for ABC Impact in accordance with the agreement between our firms, to assist ABC Impact in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit ABC Impact to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate ABC Impact’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 ABC Impact 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.

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