

# Verifier Statement

## *Independent Verification Report*

Prepared for FinDev Canada: February 24, 2021

### Introduction

As a signatory of the Operating Principles for Impact Management (the Principles)<sup>1</sup>, FinDev Canada engaged BlueMark to undertake an independent verification of the alignment of FinDev Canada’s impact management (IM) system with the Principles. FinDev Canada’s assets under management covered by the Principles (Covered Assets) totals \$209 million<sup>2</sup>, for the period ending December 31, 2020.

### Summary assessment conclusions

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

*Principle 1:* FinDev Canada has defined strategic impact objectives aligned with relevant SDGs through their Development Impact Framework (DIF). The firm has developed a robust evidence base linking its investment strategy to achieving impact for one of its three objectives. To further align, the firm could continue to develop the evidence base for the remaining two.

*Principle 2:* FinDev Canada has embedded impact throughout the investment process, assessing investments against the three impact objectives, drawing on KPIs for portfolio-level aggregation, and linking staff incentives to impact achievement based on goals tied to overarching DIF targets.

*Principle 3:* FinDev Canada has a clear methodology to assess its impact contribution, which is being further formalized through the launch of an Additionality Framework informed by industry research and peer analysis. To further align, FinDev Canada could institutionalize the ongoing monitoring and reporting of additionality-indicators to validate expected contribution.

*Principle 4:* FinDev Canada has developed a clear two-step process for assessing each investment’s expected alignment to DIF objectives, leveraging internal tools and key industry standards. To further align, FinDev Canada could further build out evaluation of risk factors that could result in variance from expected impact and assessment of indirect impacts.

*Principle 5:* FinDev Canada employs a clear Environmental, Social, and Governance (ESG) risk management process, integrated throughout the investment process, drawing on key industry standards, and codified in an ESG policy. The firm could ensure to consistently and explicitly capture ESG risks and performance data within ongoing monitoring and reporting.

*Principle 6:* FinDev Canada monitors each investment’s performance regularly, specifying data collection and review processes. To further align, FinDev Canada could document and formalize its protocol to engaging investees in cases of impact underperformance and further develop tools or methodologies to capture impact outcomes.

*Principle 7:* Given the institutions early-stage, FinDev Canada has not yet developed a standardized process to consider the sustainability of impact at exit. In time, FinDev Canada could consider developing a framework and process for evaluating exit decisions for various product types against related impact factors.

*Principle 8:* FinDev Canada reviews each investment’s impact performance, including progress against targets, on an annual basis through DI tools. With time and additional track record, FinDev Canada could formalize its process to extract lessons learned from each investment’s impact performance, including an assessment of unintended impacts.

<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 FinDev Canada’s Disclosure Statement as of 12/31/2020. BlueMark’s assessment did not include verification of the AUM figure.

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### Detailed assessment conclusions

The chart below summarizes findings from BlueMark’s verification of FinDev Canada’s extent of alignment to the Principles, using the following four ratings:<sup>3</sup>

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

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	H I G H
2. Manage strategic impact on a portfolio basis	A D V A N C E D
3. Establish the Manager's contribution to the achievement of impact	H I G H
4. Assess the expected impact of each investment, based on a systematic approach	H I G H
5. Assess, address, monitor, and manage potential negative impacts of each investment	A D V A N C E D
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	H I G H
7. Conduct exits considering the effect on sustained impact	L O W
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	M O D E R A T E

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

<sup>4</sup> The 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 FinDev Canada.

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### Assessment methodology and scope

FinDev Canada 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 February 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 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.<sup>5</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 FinDev Canada staff responsible for defining and implementing the IM system;
3. Testing of selected FinDev Canada transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to FinDev Canada, 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 FinDev Canada in accordance with the agreement between our firms, to assist FinDev Canada in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit FinDev Canada to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate FinDev Canada’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 FinDev Canada 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>5</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 FinDev Canada. BlueMark has relied on the accuracy and completeness of any such information provided by FinDev Canada. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from FinDev Canada.