

# Verifier Statement

## *Independent Verification Report*

*Prepared for Big Society Capital (BSC): March 23, 2021*

### Introduction

As a signatory of the Operating Principles for Impact Management (the Principles)<sup>1</sup>, Big Society Capital (BSC) engaged BlueMark to undertake an independent verification of the alignment of BSC's impact management (IM) system with the Principles. BSC's assets under management covered by the Principles (Covered Assets) totals £6.50 million<sup>2</sup> for the year ending December 31, 2020.

### Summary assessment conclusions

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

*Principle 1:* BSC has clearly defined social impact objectives and related focus areas that are supported by an extensive evidence base, underpinned by distinct impact theses, and further linked to positive and measurable impact metrics.

*Principle 2:* BSC's investment management process embeds impact throughout each stage in the investment lifecycle, drawing on IMP's dimensions, as well as impact that occurs via the relevant systems change model. The roles and responsibilities for managing impact data are well-defined and documented throughout.

*Principle 3:* BSC has developed a framework approach to categorize and deliver various types of support to fund managers and has made efforts to establish an evidence base pertaining to the value of its contributions. Articulation and monitoring of these practices at the investment-level could be more consistent.

*Principle 4:* BSC's impact assessment framework enables assessment of expected impact using the IMP dimensions captured in the DD toolkit and IC Memo. BSC could further align to Principle 4 by more formally aligning metrics to industry standards (where relevant), as well as embedding considerations to mitigate impact delivery risks.

*Principle 5:* BSC has established a policy to identify and avoid ESG risks, which is operationalized through an ESG Due Diligence checklist to assess material risks and create any supporting plans. The firm could undergo a process to review and align to industry standards, as relevant, and formalize regular monitoring ESG risks and engagement with managers.

*Principle 6:* BSC monitors and structures impact performance data through the Impact Canvas tool and assesses impact performance through various forums, such as Performance Committee meetings and Portfolio Review Days. Through these forums, BSC engages investees if monitoring or review discussions indicate impact underperformance.

*Principle 7:* BSC's due diligence process encourages teams to explicitly consider the sustainability of impact post-exit. BSC could further align with Principle 7, by more consistently exploring key criteria and potential strategies for influencing long-term impact at the time of exit.

*Principle 8:* BSC reviews impact performance during regular intervals and captures key takeaways in BSC's Learning Database. The firm could further enhance alignment to Principle 8 by formalizing its internal infrastructure to facilitate IM system feedback loops, and by integrating a more formal review of unintended impacts, both positive and negative.

<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 BSC Disclosure Statement as of March 2021. 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 BSC’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	ADVANCED
2. Manage strategic impact on a portfolio basis	ADVANCED
3. Establish the Manager's contribution to the achievement of impact	ADVANCED
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	MODERATE
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

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

<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 BSC.

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### Assessment methodology and scope

BSC 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 January 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 BSC staff responsible for defining and implementing the IM system;
3. Testing of selected BSC transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to BSC, 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 BSC in accordance with the agreement between our firms, to assist BSC in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit BSC to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate BSC’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 BSC 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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