

# Verifier Statement

## *Independent Verification Report*

Prepared for U.S. Development Finance Corporation: 06/22/2021

### Introduction

As a signatory of the Operating Principles for Impact Management (the Principles)<sup>1</sup>, DFC engaged BlueMark to undertake an independent verification of the alignment of DFC's impact management (IM) system with the Principles. DFC's assets under management covered by the Principles (Covered Assets) totals \$31.1 billion<sup>2</sup>, for the month ending 05/31/2021.

### Summary assessment conclusions

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

*Principle 1:* DFC has identified 3 impact pillars related to economic growth, inclusion and innovation, which are linked to measurable impact metrics. DFC demonstrates a clear link between its objectives and strategy through the Roadmap for Impact strategy. To further align, DFC could link to SDG targets at the corporate strategy-level.

*Principle 2:* DFC uses the Impact Quotient (IQ) scoring system to manage impact throughout the investment lifecycle. To further align, DFC could ensure that there is a clear process in-place to aggregate and review impact data at the portfolio-level. In addition, the firm could consider more explicitly aligning staff incentive systems to the achievement of impact.

*Principle 3:* DFC frames its contribution as both financial and non-financial additionality. Guidance for integrating additionality into all transactions is provided in the Additionality Directive. DFC could capture a wider framing of additionality into policies and monitor through client surveys and portfolio sampling to conduct evaluations.

*Principle 4:* DFC's IQ tool governs its IM approach. The tool allows DFC to score and prioritize projects based on expected performance along its 3 verticals. DFC has selected industry-standard metrics from IRIS+ and HIPS0. To further align, DFC could standardize its process to identify and mitigate risk factors that could result in variance from expected impact in addition to consistently seeking opportunities to increase impact throughout the assessment process.

*Principle 5:* DFC has developed a robust Environmental and Social (E&S) management process, integrated throughout the investment lifecycle, including taking an active E&S-engagement approach to address investee gaps and risks. DFC monitors investee E&S performance regularly, drawing on industry standards (e.g., IFC Performance Standards).

*Principle 6:* DFC collects impact data from investees annually through a standardized survey tool. However, DFC is yet to fully implement additional impact monitoring processes. To further align, the firm should implement forthcoming tools and processes, and consider further developing tools and/or methodologies to capture impact outcomes.

*Principle 7:* DFC does not yet have a policy or procedure for considering the effect of exit on sustainability of impact, although this a goal for future IQ Performance Evaluation activities. DFC could build on the IQ Guidance for evaluating projects and integrate this into an exit policy and procedure/template, tailored to various asset classes.

*Principle 8:* DFC plans to conduct project performance evaluations to collect and assess unexpected impacts and derive lessons. DFC could ensure to document this process upon execution and ensure lessons learned directly feed into operational and strategic investment 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 reported to BlueMark as of 06/22/2021. BlueMark's assessment did not include verification of the AUM figure.

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### Assessment methodology and scope

DFC 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 22, 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 DFC staff responsible for defining and implementing the IM system;
3. Testing of selected DFC transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to DFC, 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 DFC in accordance with the agreement between our firms, to assist DFC in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit DFC to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate DFC’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 DFC 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 DFC. BlueMark has relied on the accuracy and completeness of any such information provided by DFC. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from DFC.