Verifier Statement
Independent Verification Report

Prepared for Blue Earth Capital: February 28, 2023

Introduction
As a signatory of the Operating Principles for Impact Management (the Impact Principles)\(^1\), Blue Earth Capital engaged BlueMark to undertake an independent verification of the alignment of BlueEarth’s impact management (IM) system with the Impact Principles. BlueEarth’s assets under management covered by the Impact Principles (Covered Assets) totals $887,000,000\(^2\), for the year ending 12/2022.

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

**Principle 1:** BlueEarth has articulated three core three impact objectives which span social and environmental goals, and which are pursued through direct, fund and debt investments across twelve sectors that can be mapped to the SDGs. Impact metrics are set primarily at the investment level as a component of deal-specific theories of change.

**Principle 2:** BlueEarth selects from a common set of impact KPIs based on theme and asset class, enabling portfolio-wide management of impact data. To improve, BlueEarth should explicitly align staff incentives with impact performance.

**Principle 3:** BlueEarth uses a standardised rating scale to assess its expected contribution for each investment. To further align, the firm should consistently compile evidence to validate its expected contribution to the impact of investments.

**Principle 4:** Investment Committees are responsible for developing impact ratings in line with each of the IMP’s impact dimensions. Ratings are complemented by a selection of provisional impact metrics and associated targets. Where relevant, provisional metrics are aligned to IRIS+.

**Principle 5:** BlueEarth has a robust ESG assessment framework which is aligned with relevant industry standards and differentiated across each investment strategy. ESG data for debt investments is monitored quarterly, and annually for equity and funds investments.

**Principle 6:** Impact data is collected from the debt portfolio quarterly and annually for equity and funds. Impact data is aggregated within KPI Reporting master files. To further align, BlueEarth should explicitly outline data collection responsibilities at a policy level for each strategy and formalise an approach for addressing impact underperformance.

**Principle 7:** BlueEarth has a responsible exit framework applied consistently across all exits. To improve, BlueEarth should ensure that documentation throughout the investment lifecycle outlines relevant tools for embedding impact.

**Principle 8:** BlueEarth’s annual impact report provides an overview of impact across each strategy and quarterly monitoring report for debt investments facilitate reflections on impact performance and potential next steps. To further align, BlueEarth should standardise impact review processes and develop formal feedback loops.

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\(^1\) 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.”

\(^2\) Assets under management figure as reflected in BlueEarth’s draft Disclosure Statement as of 12/2022. BlueMark’s assessment did not include verification of the AUM figure.
Detailed assessment conclusions

The chart below summarizes findings from BlueMark’s verification of BlueEarth’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).\(^1\)

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

\(^1\)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 BlueEarth. BlueMark has relied on the accuracy and completeness of any such information provided by BlueEarth. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from BlueEarth.

\(^2\)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 BlueEarth.
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Assessment methodology and scope

BlueEarth 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 2023. 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 BlueEarth staff responsible for defining and implementing the IM system;
3. Testing of selected BlueEarth transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to BlueEarth, 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 BlueEarth in accordance with the agreement between our firms, to assist BlueEarth in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit BlueEarth to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate BlueEarth’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 BlueEarth 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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