

Verifier Statement

Independent Verification Report

Prepared for Closed Loop Partners: November 3, 2020

Introduction

As a signatory of the Operating Principles for Impact Management (the Principles)¹, Closed Loop Partners engaged BlueMark to undertake an independent verification of the alignment of the Closed Loop Leadership Fund's (Leadership Fund, or CLLF) impact management (IM) system with the Operating Principles for Impact Management (the Principles). As of September 2020, the Leadership Fund's assets under management total \$83 million.²

Summary assessment conclusions

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

Principle 1: The CLLF has clear impact objectives, which have been mapped to the Sustainable Development Goals (SDGs) and to positive and measurable impact metrics. The Fund could take steps to more clearly articulate the consistency of its impact objectives and investment strategy.

Principle 2: The Leadership Fund uses a standard set of impact metrics to consider impact at each stage of the investment process, facilitating impact monitoring at the portfolio-level and across investments. The Fund could consider aligning staff incentive systems with impact achievement.

Principle 3: The CLLF assesses its expected investor contribution for each investment in the due diligence process, projecting incremental impact stemming from its investment beyond a baseline. The Fund could compile further evidence in support of its investor contribution narrative.

Principle 4: The Leadership Fund assesses positive impact potential through impact projections, including for indirect impacts, and has impact metrics aligned with IRIS+. The Fund could take steps to assess additional impact considerations in the diligence process, in addition to impact indicators.

Principle 5: The CLLF identifies and assesses potential environmental risks, as well as other Environmental, Social, and Governance (ESG) risks, in the due diligence process. The Fund could further align its ESG management processes with industry standards, as well as further formalize its approach to monitoring ESG risk and performance on an ongoing basis.

Principle 6: The Leadership Fund has a clear process to collect impact data on a quarterly basis, capturing progress toward expected positive impact and investment outcomes. The Fund could further specify its processes to engage with investees in instances of impact underperformance.

Principle 7: The CLLF has identified considerations relevant the sustainability of impact at the time of exit, including the potential effects of different types of exit. The Fund could take additional steps to standardize and document its approach to assessing the sustainability of impact at exit.

Principle 8: The Leadership Fund has articulated a high-level process to review impact data collected through quarterly monitoring. The Fund could further standardize its approach, including the review of expected and actual impact and other positive and negative impacts.

¹ 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."

² Assets under management figure as reported by Closed Loop. BlueMark's assessment did not include verification of the AUM figure.

Verifier Statement

Independent Verification Report

Prepared for Closed Loop Partners: November 3, 2020

Assessment methodology and scope

Closed Loop Partners provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Closed Loop Leadership Fund. The scope of BlueMark’s work was limited to processes in place as of September 2020. 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.³

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

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