

Verifier Statement

Independent Verification Report

Prepared for European Development Finance Institution - Management Company (EDFI MC): December 7, 2023

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, EDFI MC engaged BlueMark to undertake an independent verification of the alignment of EDFI MC’s impact management (IM) system with the Impact Principles. EDFI MC’s assets under management covered by the Impact Principles (Covered Assets) totals \$165.7 million², for the year ending 12/2023.

Summary assessment conclusions

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

Principle 1: EDFI MC’s two impact facilities, AgriFI and ElectriFI, focus on sustainable agribusinesses and clean energy respectively. Each facility’s thesis is substantiated with evidence, aligned with the SDGs and measurable indicators. To further align, the firm should expand its facility-level theories of change to address both short- and long-term outcomes.

Principle 2: EDFI MC implements a consistent impact management process, using proprietary scoring and data management tools to assess and monitor impact across the portfolio. To further align, the firm should refine documentation to reflect recent updates and continue exploring ways to link impact performance with staff incentives.

Principle 3: EDFI MC clearly articulates its financial contribution to the expected impact of each investment and has recently developed a Technical Assistance Policy. To further align, the firm should develop an approach for tracking their investor contribution activities and identifying opportunities for refinement.

Principle 4: EDFI MC assesses the expected impact of each investment in line with the Impact Management Project’s five dimensions of impact, using a newly-developed scoring tool and facility-specific due-diligence questionnaires. To further align, the firm should refine its calculation of composite scores and contextualise ex-ante tools by asset class.

Principle 5: EDFI MC integrates ESG considerations across all stages of the investment lifecycle, including ex-ante risk assessments and investment-level action plans to support risk mitigation. Progress is monitored using annual reports.

Principle 6: EDFI MC consistently monitors the impact of each investment against predefined impact KPIs on a semi-annual basis and assesses portfolio impact progress against annual facility-level targets. To further align, the firm should refine its management of impact underperformance, and incorporate end-beneficiary insights to validate results achieved.

Principle 7: EDFI MC outlines a broad approach to responsible exits within its Exit Strategy Policy. To further align, the firm should refine its policies to explicitly highlight considerations for sustaining impact at exit and ensure that tools and processes used across the investment lifecycle are aligned with these considerations.

Principle 8: EDFI MC’s systematic impact review process captures investee impact performance against predefined targets, which are aggregated to inform firm-wide progress. To further align, the firm should implement structured forums to facilitate discussion, identify unintended impacts and leverage key learnings to refine its impact strategy and IM system.

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 disclosed by EDFI MC to BlueMark as of 12/2023. BlueMark’s assessment did not include verification of the AUM figure.

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Assessment methodology and scope

EDFI MC 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 October 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.³

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