

# Verifier Statement

## *Independent Verification Report*

Prepared for Insitor: 6 December 2021

### Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)<sup>1</sup>, Insitor engaged BlueMark to undertake an independent verification of the alignment of Insitor’s impact management (IM) system with the Impact Principles. Insitor’s assets under management covered by the Impact Principles (Covered Assets) totals \$33.2 million<sup>2</sup>, for the period ending 11/2021.

### Summary assessment conclusions

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

*Principle 1:* Insitor has identified an overarching impact objective directed at access to basic needs for low-income customers, which is delivered through several related themes linked to SDGs and output metrics. The firm validates target themes and impact needs through research in its various markets. To further align, Insitor could articulate a clear theory of change to link its investment strategy to impact outcomes sought.

*Principle 2:* Insitor embeds impact considerations throughout the investment process alongside financial considerations, which is documented through screening, due diligence, and investment execution in the Investment Policy. To further align, the firm could ensure impact is formally monitored and reviewed at the portfolio-level, and that staff incentive systems are explicitly linked to impact.

*Principle 3:* Insitor lacks a standardized process for identifying and defining its investor contribution. The firm is an active investor and assists investees with sourcing and financing technical assistance on an ad-hoc basis. To further align, Insitor could formalize its assessment of its investor-level financial and/or non-financial additionality as part of its ex-ante impact assessment.

*Principle 4:* Impact assessments are integrated both implicitly and explicitly within Insitor’s pre-investment processes, as evidenced in the Investment Policy and Social Impact Factsheets. To further align with Principle 4, Insitor could further formalize and structure its ex-ante impact assessments, including to ensure consistent assessment of the various impact dimensions from IMP.

*Principle 5:* Insitor deploys a range of processes and tools to identify, mitigate, monitor, and manage ESG risks and opportunities for each investment, leveraging key industry standards. To further align, Insitor could formulate and standardize policies, procedures, and responsibilities for engaging with investees to mitigate underperformance for ongoing ESG performance and risk.

*Principle 6:* Insitor has processes in place to measure and report against impact targets on a regular basis. The firm has an informal process for taking appropriate action in the instances of impact underperformance. Insitor could increase alignment by developing an impact procedures manual to codify the monitoring process and related tools.

*Principle 7:* Insitor has a review process in place at the time of exit that includes sustainability of impact considerations, such as mission-alignment of prospective buyer. To further align, the firm could ensure consistent documentation of this process through exit reports and develop a responsible exit framework to facilitate key impact considerations and action items.

*Principle 8:* Insitor reviews impact performance, including expected versus actual, on a quarterly basis as documented within Quarterly Shareholder Reports. To enhance alignment, Insitor could develop an Evaluation, Review and Learning procedure, including clear feedback loops to the investment thesis, investment decision-making processes, and impact management systems.

<sup>1</sup> 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.”

<sup>2</sup> Assets under management figure as reflected in the IIAFI Shareholders Agreement as of 11/30/2021. BlueMark’s assessment did not include verification of the AUM figure.

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## Assessment methodology and scope

Insitor 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 17 June 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>3</sup>

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