

# Verifier Statement

## Independent Verification Report

Prepared for DPI: September 23, 2021

### Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)<sup>1</sup>, DPI engaged BlueMark to undertake an independent verification of the alignment of DPI's impact management (IM) system with the Impact Principles. DPI's assets under management covered by the Impact Principles (Covered Assets) totals \$879.5 million<sup>2</sup>, for the period ending 08/2021.

### Summary assessment conclusions

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

*Principle 1:* DPI has articulated three focus areas for the ADP III fund, namely Gender, Job Growth and Job Quality, and Climate Change. The firm aims to drive progress in these areas by providing value-add support to investments to enhance their ESG performance. To further align with the principle, DPI could build out its impact thesis with clear, positive, and measurable impact objectives and linkages between the fund's activities and the desired impact goals.

*Principle 2:* DPI integrates impact considerations at various points in its investment process. DPI could further align with the principle by consistently incorporating criteria related to its fund-level impact objectives into its investment decision-making processes and linking its staff incentive systems to the achievement of impact.

*Principle 3:* DPI has a standardized process for assessing 'Value Add and Impact Opportunities' for each investment. Impact Opportunities are prioritized based on likelihood of success and documented in an ESG Action Plan (ESGAP). DPI contributes to ESGAP delivery via active management and oversight. DPI could further align by linking its value-add support to its impact thesis, pursuing Impact Opportunities that are expected to materially contribute to social or environmental impact goals, and measuring the results of these activities.

*Principle 4:* DPI's pre-investment analysis is anchored in the Impact Opportunity Assessment. DPI could further align by considering Impact Opportunities not only in the context of portfolio management and value creation, but also as inputs to the investment decision-making process, alongside financial analysis.

*Principle 5:* DPI has built a robust ESG risk management system which draws on various industry standards and is used throughout the lifecycle of an investment. DPI develops ESGAPs for each investment and has robust monitoring mechanisms in place.

*Principle 6:* DPI monitors ESGAP progress through ongoing conversations with management and annual updates to the ESG & Impact Questionnaires. Reported results are included in annual reports to fund stakeholders. To further align, DPI could enhance these reports to include comparisons of results relative to baseline measurement and/or targets and formalize a process to address issues of impact underperformance.

*Principle 7:* DPI does not have a systematic policy or approach for evaluating the effects of exit on sustained impact but notes that an Exit Assessment report, which discusses ESG progress, is expected to be completed for each investment during the exit process. DPI could increase alignment by formalizing the process for completing these assessments, ensuring that they include information about the likely sustainability of impact results post-exit.

*Principle 8:* DPI has established a process to review portfolio companies' ESG goals at regular intervals as part of Portfolio Management Committee meetings and annual strategy days. To further align DPI could expand its review processes to include consideration of both potential positive and negative impacts, comparisons of expected vs. achieved impact, and opportunities to adapt operational and strategic investment decisions based on learnings.

<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 ADP III Investor List as of 09/23/2021. BlueMark's assessment did not include verification of the AUM figure.

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### Assessment methodology and scope

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