

Verifier Statement

Independent Verification Report

Prepared for FMO: 24 March 2023

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, FMO engaged BlueMark to undertake an independent verification of the alignment of FMO’s impact management (IM) system with the Impact Principles. FMO’s assets under management covered by the Impact Principles (Covered Assets) totals \$14.412 million², for the year ending 12/2022.

Summary assessment conclusions

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

Principle 1: FMO has a clear impact strategy that targets three core SDGs (8, 10, 13) across three priority sectors of agribusiness, energy and financial institutions. To further align, FMO should ensure that its impact strategy and theory of change are supported by a well-documented, credible evidence base.

Principle 2: FMO has a standardised approach for managing impact throughout the investment lifecycle via the three core pillars of Impact Labels, the Joint Impact Model and Impact Indicators. To further align, FMO should consider aligning staff incentives with impact performance.

Principle 3: FMO screens each investment for its additionality and identifies value creation opportunities for investees where relevant. Case studies showcase the impact of FMO’s value creation activities and the organisation periodically evaluates its additionality through theme- and fund-specific studies.

Principle 4: FMO assesses the expected positive impact of each investment ex-ante, and assigns labels of “Green” or “Reducing Inequalities” to each based on the focus of their intended impact. To further align, FMO should document each investment’s targeted beneficiaries, the scale of intended impact and systematically assess a broader range of impact risks.

Principle 5: FMO has a systematic process for assessing ESG risks ex-ante with investments classified according to their risk level, and environmental and social action plans (ESAPs) developed for each to address and monitor any risks identified.

Principle 6: FMO’s approach to impact monitoring is outlined at a policy level, with impact data collected annually. To further align, FMO should systematically monitor impact indicators identified during due diligence for each investment and formalise a process for addressing impact underperformance.

Principle 7: FMO has a clear process for incorporating impact considerations into exits for equity investments and takes measures throughout the investment lifecycle to ensure that impact is maintained post-exit. To further align, FMO should formalise a responsible exit framework for debt and guarantees.

Principle 8: FMO reviews the impact performance of each investment and conducts evaluations at the thematic and strategic level to capture lessons learned. To further align, FMO should identify the unexpected impacts of its investments, and establish a protocol for using lessons learned improve management practices and strategic decision-making.

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 FMO’s OPIM disclosure statement as of 03/23/2023. BlueMark’s assessment did not include verification of the AUM figure.

Verifier Statement

Independent Verification Report

Prepared for FMO: 24 March 2023

Assessment methodology and scope

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