

Verifier Statement

Independent Verification Report

Prepared for Vital Capital: January 10, 2023

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, Vital Capital engaged BlueMark to undertake an independent verification of the alignment of Vital Capital's impact management (IM) system with the Impact Principles. Vital Capital's assets under management covered by the Impact Principles (Covered Assets) totals \$350 million², for the year ending December 2022.

Summary assessment conclusions

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

Principle 1: Vital Capital has developed a clear impact thesis that is tied to the SDGs. Additionally, Vital documents its own value creation strategy at the objective level and evaluates the fund's depth of contribution to the SDGs. To further align with best practice, the firm should expand its evidence base to add credibility to its impact thesis.

Principle 2: Vital Capital uses a 'dual gatekeeper' model to assess impact considerations alongside financial ones, with four gating steps and a consistent set of tools to evaluate impact and ESG at both the outset and post-investment. Further alignment would necessitate documented evidence of integrated impact considerations in Vital Capital's staff appraisals.

Principle 3: Vital uses the Impact Rating Tool to assess the firm's contribution to the achievement of impact. To improve, Vital should consistently include evidence supporting Vital's expected investor contribution at the investment-level. Vital may also consider monitoring the impact of investor contribution activities over time to validate investor contribution strategies.

Principle 4: Vital's 4-Gate process outlines a clear standard for evaluating expected positive impact of investments ex-ante. To improve, Vital should systematically use the 4-Gate process and consistently assess medium and long-term impact outcomes for each of its prospective investments.

Principle 5: Vital evaluates ESG considerations alongside its impact evaluations in its 4-Gate process. Each potential investment is evaluated against the IFCs performance standards. To achieve best practice, Vital may consider tracking the results of its ESI action plans over time, in order to validate ESG policy.

Principle 6: Vital Capital collects ESI data from investees quarterly and annually, through surveys completed by portfolio companies. To achieve best practice, Vital should standardize target-setting and baseline-setting practices and include targets/baselines in impact performance templates. Further, Vital may consider developing a consistent process to capture investment impact outcomes ex-post.

Principle 7: Vital Capital has developed a comprehensive framework for considering the sustainability of impact at and beyond exit. To further align, the firm should ensure it consistently captures all impact at exit considerations in standardized documentation for each exit.

Principle 8: Vital Capital regularly reviews the impact performance of each investment and has a policy framework for reviewing its ESIMS. To further align, Vital Capital should ensure that its review of all elements of the ESIMS occurs on a regular cadence.

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 client intake survey as of 11/23/2022. BlueMark's assessment did not include verification of the AUM figure.

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Detailed assessment conclusions

The chart below summarizes findings from BlueMark’s verification of Vital Capital’s extent of alignment to the Impact Principles, using the following four ratings:³

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).⁴

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	ADVANCED
2. Manage strategic impact on a portfolio basis	HIGH
3. Establish the Manager's contribution to the achievement of impact	HIGH
4. Assess the expected impact of each investment, based on a systematic approach	ADVANCED
5. Assess, address, monitor, and manage potential negative impacts of each investment	ADVANCED
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	ADVANCED
7. Conduct exits considering the effect on sustained impact	MODERATE
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	HIGH

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

⁴ The decision to publicly disclose the results of BlueMark’s detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of Vital Capital.

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Assessment methodology and scope

Vital Capital 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 December 2022. 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.⁵

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

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