

## VERIFIER STATEMENT

## Independent Impact Management Verification

Prepared for the EBRD: April 6, 2020



European Bank  
for Reconstruction and Development

## BACKGROUND

As a signatory of the Operating Principles for Impact Management (the Principles), the European Bank for Reconstruction and Development (the EBRD) is committed to disclosing the degree of alignment of its impact management (IM) system with the Principles.<sup>1</sup> The EBRD engaged Tideline to undertake the assessment.

## ASSESSMENT METHODOLOGY

Tideline reviewed the EBRD's set of IM tools and processes for the purpose of assessing its degree of alignment with the Principles.<sup>2</sup> To do so, Tideline used a proprietary rubric informed by:

1. The text of each Principle and associated implementation guidance;
2. Tideline's proprietary process assessment criteria, which are mapped to each Principle; and
3. Tideline's retained knowledge of the state of IM practices

## SUMMARY ASSESSMENT

Tideline conducted an assessment to verify the EBRD IM system's degree of alignment with the Principles. As of 31 December 2019, the EBRD's AUM covered by the Principles totaled US\$51.702 billion. Key takeaways from the assessment are:

- **Areas of strength:** The EBRD's strategy documents lay out clear and consistent transition impact objectives (Principle 1) and the quantification of expected and actual impact enables the management of strategic impact on a portfolio basis, alignment of compensation with impact achievement, and monitoring of progress relative to expected impact for each investment (Principles 2, 6). The EBRD's "Enhanced Approach to Additionality" establishes an evidence-based narrative of the Bank's contributions to the achievement of impact (Principle 3).
- **Areas for improvement:** Tideline identified opportunities for further alignment, including additional steps to consider the sustainability of impact beyond the investment term in private debt investments, drawing on the Bank's standardized approach to the sustainability of impact at exit in private equity (Principle 7).

## ABOUT TIDELINE

Tideline Advisors, LLC is 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, focused on the design and verification of IM systems with leading asset owners and managers. In 2020, Tideline established a subsidiary with a separate, dedicated team focused on impact management verification.

Tideline has offices in New York, NY and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA.

<sup>1</sup> Principle 9 states that signatories shall "publicly disclose alignment with the Principles and provide regular independent verification of the alignment: The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the 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> Tideline's full assessment for the EBRD states each of the Principles, describes the EBRD IM processes covered by the Principles, and identifies areas where further alignment is appropriate and feasible. The scope of Tideline's assessment procedures does not include the verification of the resulting impacts achieved. Tideline's assessment is based on its analyses of publicly available information and information in reports and other material provided by the EBRD. Tideline has relied on the accuracy and completeness of any such information provided by the EBRD. The assessment results represent Tideline's professional judgment based on the procedures performed and information obtained.

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**DETAILED ASSESSMENT**

Tideline assessed the EBRD IM system on its degree of alignment with the Principles, using the following four ratings: Advanced (limited need for enhancement); High (a few opportunities for enhancement); Moderate (several opportunities for enhancement); and Low (substantial enhancement required).<sup>3</sup>

The chart below summarizes Tideline’s verification of the EBRD’s IM system:<sup>4</sup>

PRINCIPLE	ALIGNMENT
1. Define strategic impact objective(s), consistent with the investment strategy	ADVANCED
2. Manage strategic impact on a portfolio basis	ADVANCED
3. Establish the Manager's contribution to the achievement of impact	ADVANCED
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

<sup>3</sup> The decision to publicly disclose the results of Tideline’s detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of the EBRD.

<sup>4</sup> Tideline’s full assessment for the EBRD states each of the Principles, describes the EBRD IM processes covered by the Principles, and identifies areas where further alignment is appropriate and feasible. The scope of Tideline’s assessment procedures does not include the verification of the resulting impacts achieved. Tideline’s assessment is based on its analyses of publicly available information and information in reports and other material provided by the EBRD. Tideline has relied on the accuracy and completeness of any such information provided by the EBRD. The assessment results represent Tideline’s professional judgment based on the procedures performed and information obtained.