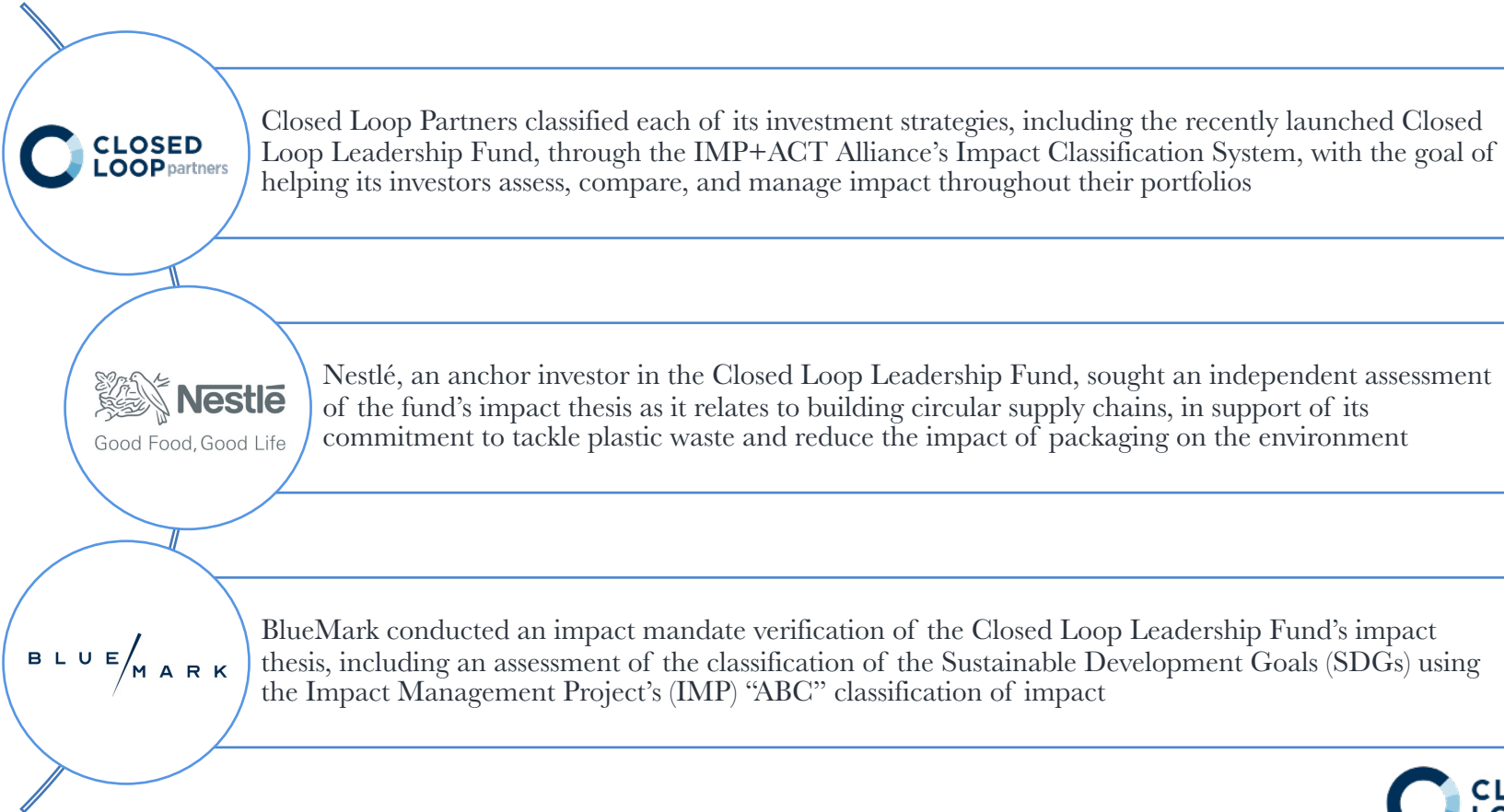


Case Study:  
Verifying  
Classification  
Information



# Verification background and goals

Closed Loop Partners and Nestlé engaged BlueMark to conduct a third-party assessment of the Closed Loop Leadership Fund’s impact thesis and classification through the Impact Classification System (ICS).



# Learnings from classification and verification

Drawing on the verification results, Closed Loop Partners updated the classification of its investment strategies in the Impact Classification System, supporting Nestlé and other investors to manage impact in their portfolios.



- Impact classification, supported by independent verification, offers several potential benefits:
  - Asset managers can more clearly articulate their impact objectives to investors
  - Asset allocators can compare impact intentions across investment strategies to manage portfolio-level impact
  - Impact investors can avoid “rainbow washing” through proper use of the Sustainable Development Goals (SDGs)



# Impact mandate verification overview

The BlueMark impact mandate verification focuses on the clarity of the client's impact thesis, the degree to which it is supported by an evidence base, and the alignment of target objectives and indicators with industry standards.



## Clarity

The clarity of the client's thesis, investor contribution narrative, and underlying assumptions



## Evidence

The extent to which the thesis and underlying assumptions are supported with evidence



## Alignment

The alignment of the impact objectives and metrics with widely accepted goals and standards (e.g., SDGs, IMP)

### Integration of industry standards

The approach is grounded primarily in a subset of the *Operating Principles for Impact Management...*



**OPERATING PRINCIPLES  
FOR IMPACT MANAGEMENT**

... and draws on a suite of other impact investing industry standards\* to illustrate best practice in particular areas.

**SUSTAINABLE DEVELOPMENT GOALS**

**IMPACT  
MANAGEMENT  
PROJECT**

**IRIS+**

\* **Note:** Although the standards listed are those most often referenced, the assessment methodology also draws upon and assesses the use of other industry standards.



# Impact mandate verification approach

BlueMark's impact mandate verification is typically conducted over five to six weeks, often during the early stages of fund formation or execution.




- Review materials comprising the client's impact thesis, including theories of change, documentation of the investor's contribution to impact, and supporting evidence
- Conduct an initial interview to answer preliminary questions
- Conduct desk research and interviews with subject matter experts to inform assessment

- Assess materials against the three components of a credible impact thesis:
  - *Clarity*
  - *Evidence*
  - *Alignment*
- Present preliminary findings to the client team on a preview call

- Prepare final deliverables:
  - Presentation on the degree of alignment of the client's impact thesis with best practice
  - Recommendations pertaining to areas of strength and areas for improvement
- Hold final call to discuss BlueMark's findings and any recommended action items

# Verification excerpt: Classification of SDG12

As part of the verification, BlueMark assessed the Closed Loop Leadership Fund’s alignment with each of the Sustainable Development Goals (SDGs) using the Impact Management Project “ABC” framework.

Verification process	Example assessment for SDG 12
<p>Step 1: Assess alignment</p> <ul style="list-style-type: none"> <li>BlueMark assesses the clarity of the connection between the investment strategy and the SDG, including SDG Targets</li> </ul>	<ul style="list-style-type: none"> <li>BlueMark identified a clear connection between the investment strategy and SDG 12, including three relevant SDG Targets: 12.2, 12.5, and 12.6</li> </ul> 
<p>Step 2: Assess classification</p> <ul style="list-style-type: none"> <li>BlueMark assesses the quality of the connection between the investment strategy and the SDG using the “ABC” framework:           <ul style="list-style-type: none"> <li><u>Act to Avoid Harm</u> – Prevents or reduces significant effects on negative outcomes for people and planet</li> <li><u>Benefit Stakeholders</u> – Generates various effects on positive outcomes for people and the planet</li> <li><u>Contribute to Solutions</u> – Generates one or more <i>significant</i> effect(s) on positive outcomes for <i>otherwise underserved</i> people and the planet</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>BlueMark concluded that the Closed Loop Leadership Fund likely <u>Contributes to Solutions</u> with respect to SDG 12 through investments that focus on stewardship of natural resources, diverting significant resources from landfill, and reducing GHG emissions</li> </ul> 