

Verifier Statement

Independent Diagnostic Verification Report

Prepared for Bain Capital: December 10, 2020

Introduction

Bain Capital engaged BlueMark to undertake an independent diagnostic verification of the alignment of Bain Capital Double Impact's (BCDI) impact management (IM) system with the Operating Principles for Impact Management (the Principles).¹ BlueMark's diagnostic conclusions are intended to provide Bain Capital with learning output on the extent of its alignment.

Summary assessment conclusions

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

Principle 1: BCDI has established clear impact objectives that have been mapped to the Sustainable Development Goals (SDGs), including to underlying SDG Targets and Indicators. BCDI develops an evidence-based theory of change and selects positive, measurable impact metrics for each investee in the diligence process.

Principle 2: BCDI takes a few approaches to manage impact on a portfolio basis, including assigning ratings using a standardized impact screening tool and implementing B Lab's B Impact Assessment. BCDI also links staff incentive systems with impact achievement by incorporating an evaluation of progress against specific social and environmental objectives for each portfolio company into staff performance reviews.

Principle 3: BCDI assesses its expected investor contribution for each portfolio company during due diligence, capturing potential value-add initiatives for each affected stakeholder group, and develops a roadmap to measure, manage, and enhance social and environmental impact. The firm has compiled evidence supporting its investor contribution narrative through the regular monitoring and review of portfolio company engagements.

Principle 4: BCDI's ex-ante impact assessment process includes developing downside, base case, and upside scenarios for a company's expected impact, as well as an assessment using the Impact Management Project's (IMP) dimensions of impact, among other considerations. The firm draws on IRIS+, and other metrics sets, to select impact indicators.

Principle 5: BCDI's Environmental, Social, and Governance (ESG) management process includes an upfront assessment of ESG performance and risks, annual B Impact Assessments for each portfolio company, and several proprietary tools designed to improve portfolio company performance. The process draws on key industry standards.

Principle 6: BCDI monitors impact performance, including the comparison of actual and expected performance, on an ongoing basis and had a clear process of collecting and reviewing impact performance data. BCDI could consider further documenting its approach to engaging with investees in the case of impact underperformance.

Principle 7: BCDI has a standardized and documented approach to considering the sustainability of impact at the time of exit, including actions to attract mission-aligned buyers, an assessment of the proclivity of potential acquirers to sustain impact, and covenants that may help to embed impactful practices post-exit.

Principle 8: BCDI has a structured process to review each investment's impact performance on a quarterly basis, evaluating the impact achieved, lessons learned, and successes and failures. This portfolio review process includes the comparison of actual impact performance with expectations and an assessment of any unexpected negative impacts.

¹ Bain Capital is not currently a signatory to the Impact Principles. BlueMark's diagnostic verification was undertaken as an independent assessment exercise and does not represent an official verification of the alignment to the Principles.

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Detailed assessment conclusions

The chart below summarizes findings from BlueMark’s verification of Bain Capital Double Impact’s extent of alignment to the Principles, using the following four ratings:²

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).³

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

² 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 Bain Capital. BlueMark has relied on the accuracy and completeness of any such information provided by Bain Capital. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from Bain Capital.

³ 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 Bain Capital.

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Assessment methodology and scope

Bain Capital provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system. The scope of BlueMark’s work was limited to processes in place as of December 10, 2020. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.⁴

BlueMark’s full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the 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 Bain Capital staff responsible for defining and implementing the IM system;
3. Testing of selected Bain Capital Double Impact transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to Bain 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 Principles.

Permissions

This statement, including our conclusions, has been prepared solely for Bain Capital in accordance with the agreement between our firms. We permit Bain Capital to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Bain 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 Bain 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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