

Verifier Statement

Independent Verification Report

Prepared for Aqua Capital: November 15, 2023

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, Aqua Capital engaged BlueMark to undertake an independent verification of the alignment of Aqua’s impact management (IM) system with the Impact Principles. Aqua’s assets under management covered by the Impact Principles (Covered Assets) totals \$1.1 billion², for the year ending 12/2023.

Summary assessment conclusions

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

Principle 1: Aqua Capital has a clearly defined impact strategy centered on four key impact pillars that help shape the firm-level theory of change (ToC). To further align, Aqua should continue to build out its supporting evidence-base and consider developing theme-specific ToCs.

Principle 2: Aqua compares impact across investments through the firm’s Impact Assessment Tool and ESG+I Scoring System, which produces a composite impact score updated quarterly. To further align, Aqua should more explicitly link staff incentive systems with the achievement of impact.

Principle 3: Aqua has a clear approach to assessing investor contribution: the Impact Assessment Tool evaluates the firm’s contribution to each investment and notes opportunities for impact value creation in IC Memos. Aqua evaluates the effectiveness of its contribution strategies via case studies and surveys of portfolio companies.

Principle 4: Aqua utilizes its proprietary Impact Assessment Tool to assess the impact of investments, creating a composite impact score in line with the IMP’s 5 Dimensions, while the ESG+I Scoring System evaluates potential negative impacts of investments. Impact KPIs collected across investments are aligned with IRIS+ metrics.

Principle 5: Aqua has a comprehensive ESG framework applied across the investment lifecycle, including utilizing third-party E&S due diligence as necessary and developing ESAPs for each portfolio company. Aqua has identified 48 common ESG+I KPIs to track across the portfolio on a bi-annual basis, allowing the firm to monitor ESG performance and risk events.

Principle 6: Quarterly ESG+I Questionnaires and bi-annual monitoring of Aqua’s 48 portfolio-wide KPIs allow the firm to collect and monitor impact data. To further align, Aqua should establish investment-specific impact targets and develop a formal protocol for addressing impact underperformance.

Principle 7: For each exit, Aqua completes an Exit Readiness Assessment to address the sustainability of impact at and beyond exit, as well as screening potential buyers to evaluate impact alignment.

Principle 8: Aqua reviews the impact performance of investments in its annual Impact Report and conducts quarterly reviews of portfolio-wide goals. To further align, Aqua could more systematically review data collected on negative impacts of investments.

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 Aqua’s draft Disclosure Statement as of 11/15/2023. 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 Aqua 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	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	MODERATE
7. Conduct exits considering the effect on sustained impact	ADVANCED
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 Aqua Capital. BlueMark has relied on the accuracy and completeness of any such information provided by Aqua. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from Aqua.

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 Aqua Capital.

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Assessment methodology and scope

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

About BlueMark

BlueMark, a Delaware-registered public benefit 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 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. Its outside investors include S&P Global, Temasek Trust Capital, Blue Haven Initiative, Gunung Capital, Tsao Family Office, Ford Foundation and Radicle Impact. For more information, please visit www.bluemarktideline.com.

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