

Verifier Statement

Independent Verification Report

Prepared for Lightrock: June 8, 2021

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, Lightrock engaged BlueMark to undertake an independent verification of the alignment of Lightrock’s impact management (IM) system with the Impact Principles. Lightrock’s assets under management covered by the Impact Principles (Covered Assets) totals \$782 million², for the period ending 03/2021.

Summary assessment conclusions

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

Principle 1: Lightrock has articulated three impact objectives defined through correlated sub-themes. Each of the sub-themes are linked to SDG targets and impact metrics. Lightrock has developed theories of change for underlying impact objectives, supported by an evidence base. The firm has also developed transaction-level impact case studies.

Principle 2: Lightrock integrates impact considerations throughout the investment process, summarized within internal policies. Impact execution, due diligence, portfolio management and review stages are clearly defined. Lightrock could more explicitly link its staff remuneration policy and evaluation rubric to the achievement of impact outcomes sought.

Principle 3: Lightrock establishes its impact contribution through defining and agreeing operational improvement with investees. Lightrock also contributes to investee impact via active shareholder engagement, including capacity development. The firm could develop an evidence-based contribution narrative and initiate a measurement framework.

Principle 4: Lightrock’s ex-ante impact assessment leverages tools based on the IMP. The tool details each core impact theses and relevant KPIs, aligned to IRIS+. Lightrock could explicitly integrate the size of the challenge addressed in targeted geographies, and incorporate industry frameworks (e.g., SMART/SPICED) when selecting impact KPIs.

Principle 5: Lightrock has developed and implements a customized ESG management system, consistently applied to investments, leveraging the IFC Performance Standards. Lightrock classifies projects based on risks and develops Action Plans to address these. Lightrock continuously engages with Portfolio Companies, including updating Action Plans.

Principle 6: Lightrock monitors investments’ impact performance against expectations and Action Plans. Data review, monitoring and sources are codified in investment documents. Lightrock could document its policy of engaging investees in impact underperformance cases and develop tools and/or methodologies to evaluate impact outcomes.

Principle 7: Exit memos require documentation of the impact achieved, value creation initiatives implemented, an exit impact performance assessment, and lessons learned. Lightrock could develop processes on how impact performance could be sustained (e.g., investee action or acquirer selection) and document each exit using the memo.

Principle 8: Lightrock has developed internal feedback loops, which the Impact Team directs to refine processes. The Impact Working Group maintains a detailed list of action items to improve operations. Lightrock could incorporate reviewing other positive and negative impacts (e.g., unintended impacts) in its investment review.

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 the Disclosure Statement as of 03/31/2021. BlueMark’s assessment did not include verification of the AUM figure.

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Assessment methodology and scope

Lightrock 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 June 8, 2021. 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.³

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

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