

Verifier Statement

Independent Verification Report

Prepared for CAF: July 4, 2024

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, Corporación Andina de Fomento (CAF) engaged BlueMark to undertake an independent verification of the alignment of CAF's impact management (IM) system with the Impact Principles. CAF's assets under management covered by the Impact Principles (Covered Assets) totals \$3.1B², for the period ending June 2024.

Summary assessment conclusions

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

Principle 1: CAF has clearly defined impact objectives focused on promoting sustainable development for its member regions. Each objective has a corresponding impact narrative that links CAF's investment activities to the SDGs. To improve, CAF should build out its impact narratives into more comprehensive theories of change.

Principle 2: CAF plans to leverage the MIDES and VSP tools to compare impact performance between investments and manage portfolio-level impact. To further align, CAF should establish clear mechanisms to review and report portfolio-level impact. CAF should also more formally incorporate impact into staff performance reviews.

Principle 3: CAF assesses its investment-level financial additionality within the MIDES kit. To improve, CAF should specify non-financial investor contribution activities within the MIDES kit and consider developing value creation plans with investees.

Principle 4: CAF uses the VSP tool and MIDES kit to assess the expected impact of prospective investments. Impact metrics are identified within the MIDES kit. The MIDES report is reviewed by the investment committee and incorporated into investment decision-making.

Principle 5: CAF's Environmental and Social Risk Management Unit assesses ESG risks and develops ESG action plans for each investment. CAF monitors progress towards action plans with quarterly checks and site visits as needed.

Principle 6: CAF is piloting a process to collect impact data annually, drawing on impact performance data to update the MIDES score for each transaction. CAF also reviews the impact performance of its investments in ex-post evaluations. To further align with the Principles, CAF should monitor impact performance relative to targets and consider collecting stakeholder feedback to validate impact outcomes.

Principle 7: CAF assesses the sustainability of impact after exit within ex-post evaluations, completed after the use of proceeds has been received or after exit. To improve, CAF should develop a process to consider the sustainability of impact at the time of exit, either within ex-post evaluations or in a separate exit memo.

Principle 8: CAF plans to conduct ex-post evaluations for all investments as they close and will leverage this process to review impact performance. To improve, CAF should develop a process to review impact performance during the investment period. In addition, CAF should implement a formal process to translate lessons learned identified in the review process into strategic and operational improvements.

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 BlueMark's client intake survey June 3rd, 2024. 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 CAF’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	HIGH
2. Manage strategic impact on a portfolio basis	HIGH
3. Establish the Manager's contribution to the achievement of impact	HIGH
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	MODERATE
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	MODERATE

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

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 CAF.

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Assessment methodology and scope

CAF 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 2024. 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 CAF staff responsible for defining and implementing the IM system;
3. Testing of selected CAF transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to CAF, 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 CAF in accordance with the agreement between our firms, to assist CAF in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit CAF to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate CAF’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 CAF 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; and Portland, OR; and is headquartered at 154 W 14th St, 2nd Floor, New York, NY 10011. 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.bluemark.co.

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