

Verifier Statement

Independent Verification Report

Prepared for the Scottish National Investment Bank: December 13th, 2023

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, the Scottish National Investment Bank (“the Bank”) engaged BlueMark to undertake an independent verification of the alignment of the Bank’s impact management (IM) system with the Impact Principles. The Bank’s assets under management covered by the Impact Principles (Covered Assets) totals \$463.2 million², for the year ending December 2023.

Summary assessment conclusions

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

Principle 1: The Bank has a clearly defined and robustly evidenced impact strategy focused on addressing the key challenges facing Scotland. Each of these maps to a core mission for the Bank with a mission-specific theory of change and associated KPIs.

Principle 2: An Impact and ESG Process Guide summarises the Bank’s approach to considering impact at each stage of the investment process. The Bank has developed a database of mission-aligned KPIs to assess portfolio impact, sets portfolio-level impact targets and links compensation to impact performance via its Long-Term Incentive Plan.

Principle 3: For each investment, the Bank scores its potential to be additional during due diligence and monitors the effectiveness of its value-add approach post-investment via Portfolio Customer Surveys. To further align, the Bank could consider developing an evidence base and more detailed investment-level case studies to support its contribution narrative.

Principle 4: The Bank assesses the potential impact of each investment via an investment-level theory of change and impact thesis, setting out intended KPIs for each investment ex-ante. The Bank also assesses the relative size of the challenge addressed by each investment in relation to the scale of the intended solution.

Principle 5: The Bank details its ESG approach in its Ethical Investment policy and monitors investment-level risks via Action Plans and periodic questionnaires. To further align, the Bank should ensure that its monitoring protocols facilitate the identification of new ESG risks.

Principle 6: The Bank has developed clear monitoring guidelines, collecting impact data from direct investments semi-annually and from fund investments annually. Impact performance is reviewed in monthly and quarterly meetings.

Principle 7: The Bank has developed a Responsible Exits Guidance document to help determine the exit readiness of investments. To improve, the Bank should develop an exit checklist or template and formally implement exit considerations across the investment lifecycle.

Principle 8: The Bank has a clear approach to impact review evidenced by investment debriefs, strategy refresh exercises and clear examples of changes made to operational processes based on lessons learned.

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 Bank’s draft disclosure statement as of 12/13/2023. 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 the Bank’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	ADVANCED
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	HIGH
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	ADVANCED
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	ADVANCED

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

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 the Bank.

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Assessment methodology and scope

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