

Verifier Statement

Independent Verification Report

Prepared for Quona Capital: February 4, 2021

Introduction

As a signatory of the Operating Principles for Impact Management (the Principles)¹, Quona Capital (Quona) engaged BlueMark to undertake an independent verification of the alignment of Quona’s impact management (IM) system with the Principles. Quona’s assets under management covered by the Principles (Covered Assets) totals \$372,000,000², for the period ending 12/31/2020.

Summary assessment conclusions

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

Principle 1: Quona has established clear impact objectives that encompass the various investment vehicles it manages. The firm has mapped its portfolio to four ‘Quona-wide’ Sustainable Development Goals (SDGs), and an additional four SDGs which are linked to a subset of portfolio companies. Quona has developed an evidence-based Theory of Change at the portfolio level and selects positive, measurable impact metrics in the diligence process.

Principle 2: Quona manages for impact on a portfolio basis through its proprietary ‘Access, Quality, Markets’ (AQM) framework, which is used to articulate each investment’s impact thesis and guide the selection of meaningful impact KPIs that are monitored and reported throughout the holding period. To further align with Principle 2, Quona could consider more directly linking staff incentive systems to the achievement of impact.

Principle 3: Quona engages with and takes an active management role with investee companies. Though the firm has a well-articulated value-add proposition, Quona could further document the implementation and monitoring of its investor contribution activities, as well as compile more standardized supporting evidence, beyond anecdotal case studies.

Principle 4: Leveraging the AQM framework, Quona’s diligence processes call for investment teams to articulate the impact thesis and identify standard key impact metrics ex-ante. Quona could strengthen its ex-ante impact assessment by incorporating a more structured analysis of expected impact and degree of alignment to the AQM framework.

Principle 5: Quona has a well-documented ESG risk identification process and works with investee companies to establish an action plan to address identified risks. Quona also leverages annual E&S reports to monitor and report on ESG matters on an ongoing basis. To enhance alignment with Principle 5, Quona could further document processes for identifying and mitigating risks throughout the investment lifecycle.

Principle 6: The firm monitors the performance of investee companies on an ongoing basis through portfolio dashboards, which report on key financial, operational, and impact metrics. Though Quona sees impact as being integral to overall company performance, Quona could more explicitly review impact performance against the expected impact thesis.

Principle 7: To date, the Quona team and investment committee have not documented discussions on the potential effect of exits on the sustainability of impact. Moving forward, Quona intends to implement an exit memo template to help to capture such considerations. The firm could consider using the exit memo to capture factors such as the proclivity of potential acquirers to sustain impact and/or the effectiveness of initiatives undertaken during the holding period.

Principle 8: While portfolio dashboards provide a review of impact performance over time, investment reviews are often more focused on financial/operational performance. Akin to the recommendations for Principle 6, the firm could benefit from having more intentional and explicit reviews of impact performance, as well as standardized documentation of lessons learned, which Quona is working to embed in its quarterly review process.

¹ Principle 9 states that signatories “shall publicly disclose, on an annual basis, the alignment of its impact management systems with the 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 The AUM provided here is based on total committed capital across Quona’s accounts (two funds and two separately managed accounts). BlueMark’s assessment did not include verification of the AUM figure.

Verifier Statement

Independent Verification Report

Prepared for Quona Capital: February 4, 2021

Assessment methodology and scope

Quona 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 February 4, 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 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 Quona staff responsible for defining and implementing the IM system;
3. Testing of selected Quona transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to Quona, 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 Quona in accordance with the agreement between our firms, to assist Quona in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit Quona to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Quona’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 Quona 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 Quona. BlueMark has relied on the accuracy and completeness of any such information provided by Quona. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from Quona.