BLUE MARK

THE FUND ID
BY BLUEMARK

Introducing a fund-level impact rating

OCTOBER 2024

About BlueMark

BlueMark is a leading independent impact verification and intelligence provider for the impact and sustainable investing market. As a certified B Corp, BlueMark's mission is to **strengthen trust in impact investing** by equipping investors with impact verification services, benchmarks, and analytics. BlueMark's verification methodologies draw on a range of industry standards, frameworks, and regulations, including the Impact Management Project (IMP), Impact Performance Reporting Norms (Reporting Norms), Operating Principles for Impact Management (Impact Principles), SDG Impact, Sustainability Disclosure Requirements (SDR), and Sustainable Finance Disclosure Regulation (SFDR).

At the time of the publication of this report, **BlueMark has completed more than 248 verifications for impact investors managing a combined $326 billion in impact-oriented assets.** Learn more about BlueMark and impact verification at www.bluemark.co.

Acknowledgments

The lead authors for this report are **Tristan Hackett** (Senior Director), **Anna Nikolova** (Senior Associate), and **Emily Philpott** (Associate). We would like to recognize the outstanding contributions of **Aparna Ramanujam** (Associate) and **Feier Zhao** (Analyst), who led this report's data analysis and visualization. We would also like to thank our marketing and design team—**Jess Carden** (Marketing Manager), **Sarah Kaledin** (Marketing Senior Analyst), **Dmitriy Ioselevich** (17 Communications), and **Dustin O'Neal** (Great Jones Studio) for their help in writing and producing this publication.

Our research

BlueMark's data, research, and expert market analysis have informed numerous industry reports and thought leadership. Examples of BlueMark's efforts to work with the market to clarify best practices and inform the design of frameworks include:

Making the Mark V
Our annual flagship report which helps to set a standard for rigor in the verification of impact management practices and creates transparency on prevailing and best practices in impact management.

Raising the Bar (I and II)
With the support of **The Tipping Point Fund on Impact Investing (TPF)** and **The Rockefeller Foundation**, and based on extensive market consultation, BlueMark has published a series of reports to strengthen the quality and usefulness of impact performance reporting by impact investors. These two reports contributed to developing the Reporting Norms and the CFA UK's Impact Investing Exam.

Allocator Field Guide
In collaboration with **CASE at Duke** and with the support of TPF, BlueMark consulted with more than 50 asset allocators and managers globally to develop a resource that provides practical guidance and recommendations to help investors strengthen their approach to conducting impact due diligence and ongoing impact management of fund managers.

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Foreword

How can the complex and variable impact attributes of investment products be distilled into something that is simple to interpret and easy to use?

This challenge has animated many investors, consultants, data providers, and organizations seeking to streamline the evaluation and management of investment products over the years. Within the impact investing industry, clarifying how to effectively and efficiently interpret a product's impact credentials is a major topic of conversation, with many market participants seeing this clarity as a necessary precursor to unlocking additional capital.

At BlueMark, we've been at the forefront of this conversation through improving the industry's understanding of what it means to both effectively manage a portfolio of investments to deliver positive impacts and report impact results in a complete and reliable way. Since 2020, the methods we've developed to verify and benchmark impact management and reporting practices—including a Practice Leaderboard, Practice Benchmark, and Reporting Evaluation Framework—have been widely adopted and leveraged by diverse market actors globally.

Through our work and conversations with LPs, GPs, and other stakeholders, we came to see the need for a more comprehensive and accessible mechanism to assess the increasing variety of impact funds. **The concept for the Fund Impact Diagnostic (or "the Fund ID") emerged from these conversations and the growing consensus that the impact investing market was ready for a rating system that simplified the exchange of information between asset managers and asset allocators.**

The Fund ID seeks to do this by offering an easy-to-interpret holistic assessment of a fund manager's impact credentials across four key pillars of impact accountability— **Strategy, Governance, Management,** and **Reporting**—building on our existing verification services[1] as well as established frameworks[2] and market norms.

We were intentional to avoid making the Fund ID a measure of "good" or "bad" impact based on our belief that it is more appropriate to

1. To date, BlueMark has delivered over 248 independent assessments to help investors understand strengths and gaps in their approach to impact investing and reporting. For our full suite of services, please visit: BlueMark | What we do.

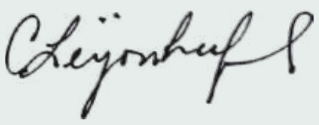
2. The four pillars broadly map to those underpinning key sustainability and impact disclosure frameworks, including TCFD/IFRS S1 and SDG Impact Standards, among others.

assess "how" impact is being pursued by an investor than it is to place a value judgment on the impact outcomes they are pursuing. As a result, the Fund ID is designed to include descriptive information about the *"why"* (i.e., a fund's impact strategy and objectives) and the *"what"* (i.e., a fund's portfolio impact results data) alongside a rated judgment about the *"how"* (i.e., a fund's approach), ultimately offering a complete picture of a fund's overall approach and credibility that includes contextual information, portfolio data, and benchmarked ratings.

To evaluate how effectively the Fund ID assesses and clarifies the key features of a manager's approach, we conducted a pilot program with a cohort of 37 leading sustainable and impact funds, over 90% of which said they would recommend the Fund ID to other firms. In this report, we're excited to share key learnings from the pilot, which have reinforced our conviction in the market's appetite for impact ratings and, more importantly, the potential of a rating tool to help drive investment decisions that account for impact.

We envision a not-too-distant future where Fund ID ratings are widely used, guiding capital based on objective information about which strategies deliver meaningful impact and which do not.

The launch of the Fund ID marks the start of this journey. We are grateful for the participation and thoughtful engagement of our clients, investors, advisors, and especially those who participated in the pilot, to help get us started.



Christina Leijonhufvud

BLUEMARK CEO
TIDELINE MANAGING PARTNER

Introduction

A market primed for impact benchmarks and ratings

Now a **$1.2 trillion industry,**[3] impact investing continues to capture the interest and capital of investors globally.[4] But as this market has grown, so too has scrutiny over the credibility and transparency of funds making sustainability and impact-related claims.[5] Critiques of impact investing include the ambiguous and subjective definition of "impact," lack of regulatory oversight, and weak outcome data,[6] which collectively limit comparability and credibility in the market and affect the ability of market actors to make well-informed decisions. Indeed, **87% of the impact investors surveyed by the GIIN for its 2024 "State of the Market" report said that "comparing impact results to peers" was the topmost challenge for the continued development of the impact investing industry.**[7]

While impact investing is still on a journey toward becoming a mainstream investment practice, recent market developments signal that the industry is primed for increased scale and standardization. These developments include the widespread adoption of voluntary frameworks, emerging regulations, and increasing sophistication of tools related to impact management and measurement (IMM) (see Spotlights on page 9).

As a result of the increased awareness and adoption of these frameworks and tools, investors have a clearer understanding of market expectations and best practices than ever before. However, they also now face new challenges in navigating a complex landscape. Asset allocators, in particular, struggle to determine which frameworks—or specific aspects of those frameworks—are most relevant to different strategies and whether fund managers are adopting them effectively. Many have called for a reliable and efficient way to assess and compare sustainability and impact products.

3. The GIIN (2022): GIINsight: Sizing the Impact Investing Market 2022

4. Morgan Stanley (2024): Sustainable Signals

5. Morningstar Indexes (2023): Voice of the Asset Owner Survey 2023 Quantitative Analysis

6. Philipp Golka (2024): Epistemic gerrymandering: ESG, impact investing,and the financial governance of sustainability

7. The GIIN (2024): State of the Market 2024

SPOTLIGHT

Voluntary *and* Regulatory Frameworks *in* Impact Investing[8]

A number of frameworks, standards, and regulations have established expectations for best practice in impact investing, growing in recent years and propelling the industry toward consensus. Some prominent examples include:

- **Global Impact Investing Network (GIIN) IRIS+ System:** The industry-standard system of metrics for impact investors to measure, manage, and optimize their impact.
- **Impact Performance Reporting Norms (Reporting Norms)**: Facilitated by Impact Frontiers, these are a set of norms designed to establish shared expectations for the reporting of impact.
- **Operating Principles for Impact Management (Impact Principles)**: A framework for investors to inform the design and implementation of their impact management systems, ensuring that impact considerations are integrated throughout the investment lifecycle.
- **SDG Impact:** A set of voluntary standards designed to help businesses and investors embed sustainability and the SDGs into their decision-making and management practices.
- **Sustainability Disclosure Requirements (SDR):** Rules and guidance established by the UK's Financial Conduct Authority (FCA) aimed at raising the bar on sustainable finance practices for UK-domiciled asset managers. SDR comprises product labels, naming and marketing rules, and disclosure requirements.
- **Sustainable Finance Disclosure Regulation (SFDR):** Rules and guidance established by the European Union designed to increase the transparency around sustainable investment claims for all financial market participants and advisors. SFDR requires disclosures on how ESG factors are integrated at both an entity and product level and includes product categorization requirements.

8. The Impact Management Platform System Map for Investors and Financial Institutions provides a comprehensive map of resources for the impact investing industry. For additional descriptions of the frameworks and initiatives referenced within this paper, please refer to Appendix II.

In response to this market gap, BlueMark developed the Fund Impact Diagnostic ("the Fund ID"), a unified fund-level rating that integrates fundamental practices from various frameworks into one cohesive instrument. History offers multiple examples of the power of a rating or scoring system. For instance, credit ratings first emerged in the early 1900s.[9] Today, the credit markets are bigger than the equity markets,[10] and credit ratings are widely used to set coupon rates for corporate and sovereign bonds to ensure that investors understand the risk-return profile of each borrower. In the early 2000s, ESG ratings for public companies emerged to make it easier for investors and other market actors to assess and manage the risks in their portfolios.

However, it is important to note that the introduction of ESG ratings has not been universally embraced by market actors.[11] While a thorough exploration of the ESG rating industry is beyond the scope of this paper, the Fund ID is designed to avoid its most significant pitfalls, namely, an algorithmic approach to calculating scores based on partially available data, a reliance on proxy indicators due to the lack of primary data and analysis, and a focus on internal processes and operations over results.

Criticism notwithstanding, the use of ratings and benchmarks is ubiquitous in the investment management and business worlds. When B Lab was founded in 2006, the non-profit organization introduced the B Impact Assessment (BIA) as a tool that companies could use to regularly measure and improve their impact across key areas related to sustainability. Since then, more than 150,000 businesses have completed the assessment, with those scoring above a certain threshold earning the honor of being certified as a B Corp and joining the more than 8,000 B Corps around the world that are committed to using business as a force for good.

Reflecting on this history and its own standing as a certified B Corp, BlueMark sought to launch a holistic impact rating system applicable globally across various investment strategies and sectors through the Fund ID. The goal was to create an integrated tool that helps investors effectively understand, communicate, and enhance their impact according to fundamental best practices—addressing key accountability and information gaps in the industry.

9. Mascia Bedendot, Lara Cathcart, and Lina El-Jahel (2023): Bond ratings and volatility: Early evidence from the introduction of credit ratings

10. SIFMA (2024): Capital Markets Factbook, 2024

11. Brian Tayan (2022): ESG Ratings: A Compass without Direction

SPOTLIGHT

Benchmarking Initiatives *in* Impact Investing

While the Fund ID aims to address a specific market gap by providing a rating to compare the credibility and characteristics of sustainable and impact funds, we recognize the importance of other benchmarking initiatives that also aim to increase comparability and accountability in impact investing:

- **Impact certifications and benchmarks:** Assessments that evaluate and report the impact performance of companies and/or funds based on a set of established criteria. Examples include 2X Certification for gender equity, Science-Based Targets initiative (SBTi) for decarbonization, GRESB for real assets sustainability, and the World Benchmarking Alliance sector benchmarks.
- **Impact outcome benchmarks:** Analytic tools and datasets developed to help impact investors compare impact KPIs and performance across sectors that they commonly target (e.g., agriculture, education, financial inclusion). Examples include the 60 Decibels Impact Performance Benchmarks and the GIIN's Impact Performance Benchmarks.
- **Impact valuation methodologies:** Frameworks to quantify the financial value of environmental and social impacts, providing data that can be used for benchmarking. Examples include the Return on Sustainability Investment (ROSI™) methodology led by NYU Stern Center for Sustainable Business and the Impact Accounting Methodology led by the International Foundation for Valuing Impacts (IFVI).

As impact data matures, it is expected that the market will align around a key set of tools and methodologies for rating and benchmarking the practices and results of impact investors. BlueMark is committed to working in close collaboration with these other benchmarking initiatives to find areas of alignment and to help educate the market on the benefits of different approaches.

Introducing the Fund ID

Background

The Fund ID is a rating system that enables investors to make informed decisions by providing an objective assessment of a fund's impact approach and progress over time. The assessment encompasses the core aspects of a fund's impact and ESG strategy, governance and management processes, and reported results. The output of the BlueMark evaluation is a Fund ID ratings and assessment report, which provides a shorthand for both fund managers or investors into funds (i.e., allocators) to better understand the strengths and gaps in a fund's approach and performance. The rating methodology was designed primarily to support the analysis and credentialing of investment products in private markets seeking to generate measurable social and environmental impact, however, its principles apply broadly to entities investing in or managing other asset classes.

When designing the Fund ID, BlueMark leveraged its extensive experience developing and delivering impact verification services, knowledge of the impact investing landscape, and deep understanding of existing standards and regulations, to create **a unified tool that helps investors understand, credibly communicate, and improve upon their approach to delivering impact.**

To validate the ability of the Fund ID to produce consistent and discriminating ratings, the methodology was tested prior to the pilot using data from a subset of BlueMark's previous private markets' clients. We plan for the methodology to be dynamic and evolve based on pilot findings, market feedback, and changes to market standards—enabling fund managers to continually gauge their alignment with evolving best practices.

FIGURE 1

THE FOUR PILLARS OF IMPACT ACCOUNTABILITY

Assessment Framework

The Fund ID assessment framework is structured across four key pillars of impact accountability: **Strategy, Governance, Management,** and **Reporting.** Each pillar includes a set of underlying criteria and expectations aligned with key industry standards[12] that form the basis of pillar level scores and the overall rating for the fund.

STRATEGY

A fund's impact strategy is inextricable from its investment strategy, which guides how it intends to drive impact through its investment approach and processes. In practice, a Fund's impact strategy is codified within investment strategy documentation and related policies and procedures (i.e., Private Placement Memorandum, Impact, and ESG policy), which is backed up with supporting detail and research (i.e., theory of change, research studies).

The Fund ID Strategy pillar assesses the *clarity* of a fund's impact strategy, including the level of evidence and detail guiding its stated impact objectives, the *safeguards* embedded within the strategy, including its stated approach to managing negative impacts and risks, and strategy-level *commitments*, including portfo-

12. The four pillars and their corresponding Fund ID criteria have been mapped to industry standards and frameworks in Appendix III.

lio-level targets and pledges or commitments associated with external frameworks.

GOVERNANCE

A fund's governance is manifested in how it integrates impact within core decision-making bodies and relevant management teams to ensure the successful execution of its strategy. In practice, a fund's governance includes oversight and decision-making bodies (i.e., investment committees and leadership), the impact and/or investment team personnel, and incentive structures in place to ensure accountability to impact goals.

The Fund ID Governance pillar assesses the nature of oversight structures, including the level of impact and ESG representation in leadership and investment committees, the resourcing to execute the impact and ESG strategy, including relevant expertise and sufficient capacity on the team, and the accountability through aligned incentive structures, including both staff and investee-level incentive systems.

MANAGEMENT

A fund's management of impact encompasses its approach to evaluating, monitoring, and managing investments in line with the fund's strategy. In practice, impact management includes the impact and ESG policies, tools, and processes used for conducting diligence, monitoring and engaging on performance, conducting exits, and adapting based on learnings.

The Fund ID Management pillar analyzes the strength of a fund's impact management approach across the investment lifecycle starting with screening and due diligence, including the quality of a fund's impact and ESG assessment tools, through monitoring and management, including processes for impact data analysis and engagement, and ending with exit and review, including processes related to responsible exits and portfolio review.

REPORTING

A fund's impact reporting encompasses the information a manager discloses to communicate the social and/or environmental performance of their strategy to key stakeholders. In practice, fund reporting includes quarterly or annual reports to fund investors in addition to voluntary or mandated disclosures to regulators or standard-setting bodies.

The Fund ID Reporting pillar assesses the completeness of information within a fund's reporting, drawing on frameworks like the Reporting Norms, the reliability of the data used, including data management and quality control systems, and the level of transparency provided, including methodological assumptions and public availability of reported results.

FIGURE 2

THE FUND ID RATING SYSTEM

FUND RATING	% SCORE	DESCRIPTION
	75% AND ABOVE	Funds receiving a Platinum rating consistently employ leading practices and align with industry standards across all four pillars of the Fund ID assessment.
	51-75%	Funds receiving a Gold rating implement most to all fundamental best practices across the four key pillars of the Fund ID assessment.
	25-50%	Funds receiving a Silver rating implement many best practices across the four key pillars of the Fund ID assessment, but do not address certain fundamental aspects.
	UNDER 25%	Funds receiving a Bronze rating implement few to no best practices across the four key pillars of the Fund ID assessment.

Rating Approach

To assign a rating, BlueMark reviews the scope and execution of a fund's approach to each pillar through structured analysis of key documents and discussions with fund managers against a scoring rubric. There are two versions of the assessment, depending on the stage of the fund:

1. **Design-stage:** For funds that have yet to deploy capital or are still in fund-raising mode, the Fund ID assessment evaluates how effectively the fund is set up to manage for impact but does not include an analysis of the fund's reporting.
2. **Implementation-stage:** For funds that have deployed capital and are in execution mode, the Fund ID includes the full set of criteria across the four Fund ID pillars.

This approach ensures that the assessment criteria and level of evidence required to substantiate the fund's approach are appropriate to the

fund's stage. The Fund ID is designed to be completed annually, such that funds receiving a "Design-stage" assessment prior to closing are expected to progress to the full "Implementation-stage" assessment in the following years.

Two levels of summary ratings are generated by the assessment:

1. **Overall rating:** Platinum, Gold, Silver, or Bronze—calculated by totaling the score earned across the underlying criteria in each of the four assessment pillars.
2. **Pillar ratings:** Advanced, High, Moderate, or Low—calculated based on the number of criteria met within each pillar. The number of criteria per pillar varies, and each criterion has a different point value and weighting based on importance. Strategy represents 18% of total available points, Governance 18%, Management 37%, and Reporting 23%. The pillar-level ratings ladder up to inform the overall rating of a given fund.

Impact Results and Profiling Information

The ratings are accompanied by descriptive information related to each pillar (e.g., Strategy—target themes, geographies, AUM, etc.) and data about the fund's impact results (i.e., % of capital deployed to target impact themes and associated key impact metrics). Impact results are explored further in the Impact Results and Profiling Data **(pg 42)** section and are a component of the Fund ID that has been designed to help stakeholders understand and interpret how a fund is progressing towards its stated impact goals alongside the assessment ratings.

Pilot Ratings and Insights

This section introduces the funds that participated in the pilot cohort and includes anonymized Fund ID ratings for the cohort. Using these insights, in addition to those collected from fund managers following the completion of each assessment, the BlueMark team has begun to refine the methodology, incorporating suggestions from participants to improve the overall effectiveness and relevance of the Fund ID.

PILOT COHORT PARTICIPANTS

BlueMark recruited a cohort of 37 leading funds managed by 33 distinct fund managers to pilot the Fund ID, conducted between February and September 2024. Pilot participants included:[13]

13. This list includes the 32 fund managers who gave permission to be named in this publication.

ABC Impact
ABC Impact Fund I, ABC Impact Fund II

African Infrastructure Investment Managers
(a subsidiary of Old Mutual Alternative Investments)
African Infrastructure Investment Fund 4

Alder
Alder III

Bain Capital Double Impact

Beacon Fund
Beacon Fund

Bintang Capital Partners
*Bintang Capital Partners Sequel Fund**

Blackstar Stability
Distressed Debt Fund

Blue Earth Capital
BlueEarth Climate Growth Fund I, BlueEarth Developed Markets Impact Fund I, BlueEarth Impact Fund III

BlueOrchard Finance Ltd.
Green Earth Impact Fund

Blume Equity
Blume Equity Fund I SCSP

Bridges Fund Management
Bridges Property Alternatives Fund VI

Developing World Markets
SDGs Credit Fund

Ecosystem Integrity Fund
Fund V

GLIN Impact Capital
Fund I

Impact Expansion
Impact Expansion Fund I

KKR
Global Impact Fund II

LGT Capital Partners
Crown Impact II Fund

LGT Private Debt
Crown Impact Private Debt Fund

Old Mutual Alternative Investments
Housing Impact Fund South Africa

Omnivore Capital
Omnivore Agritech and Climate Sustainability Fund 3

Open Road Alliance
Open Road Impact Fund

Positive Ventures
Decisive Investments Fund II

Proterra Asia
Proterra Asia Food Fund 3

Quona Capital
Quona Fund III

S2G Ventures
Multiple Funds

Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation
Japan Impact Investment II Limited Partnership (HATARAKU FUND)

Summa Equity
Fund III

Sweef Capital
SWEEF I

The EuroMena Funds
EuroMena III

The Vistria Group, LP

TIME Investments
TIME: Social Long Income

TowerBrook Capital Partners
TowerBrook Delta

Trill Impact
Trill Impact - Private Equity

Women's World Banking Asset Management
WWB Capital Partners II

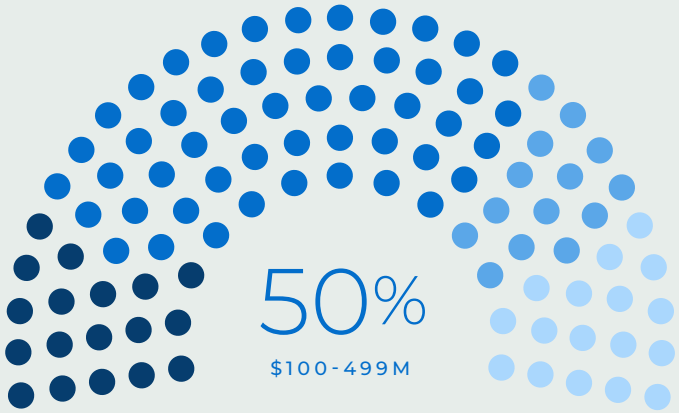
*Bintang Capital Partners' ratings data was not included in this report due to the timing of the engagement.

Pilot Cohort Profile[14]

FIGURE 3

PILOT FUNDS: ASSETS UNDER MANAGEMENT[15]

FUND AUM	% OF PILOT COHORT
$0-100M	19%
$100-499M	50%
$500-999M	14%
$1000M+	17%



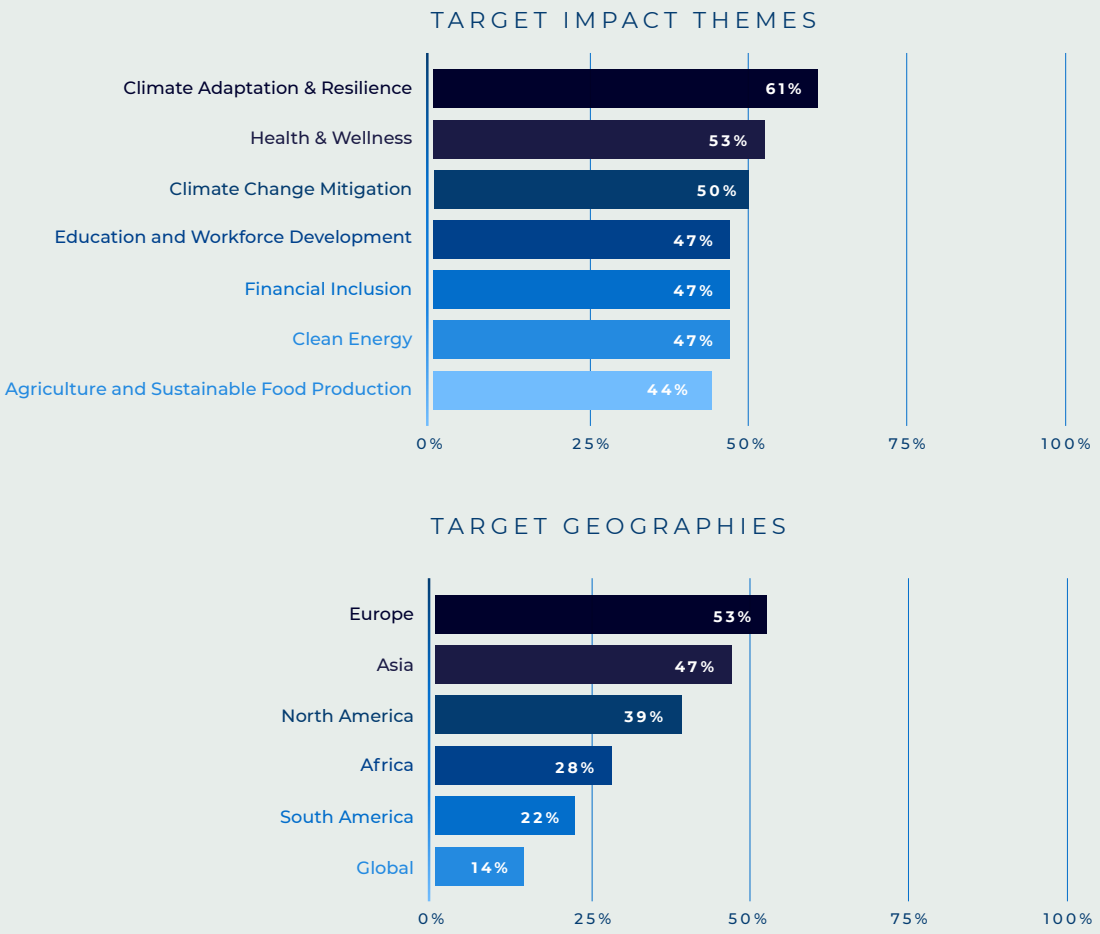
The large majority of pilot funds **(70%)** invest in private equity strategies, followed by **19%** in private debt, and **17%** in real assets across a range of fund vintage years, AUM sizes, target geographies, and impact themes. The majority of funds **(58%)** were launched in the past one to three years, with the largest proportion of funds **(50%)** falling in the $100-$499M AUM range. Almost all **(94%)** funds target market-rate or above-market returns.

14. Additional profiling information for the pilot cohort is presented in Appendix I.

15. The figures in this section represent the number of funds with a specific characteristic as a percentage of 36 pilot funds (rather than as a percentage of their total AUM). They do not add up to 100% for asset class, impact theme, and geography, given that some funds target multiple.

FIGURE 4

PILOT FUNDS: TARGET IMPACT THEMES AND GEOGRAPHIES



Pilot funds predominantly take a multi-theme approach to impact investing, with **47%** targeting five or more impact themes. Among those, the most common impact themes are Climate Change (Adaptation and Resilience **(61%)** and Mitigation **(50%)**),[16] Health and Wellness **(53%)**, and Education and Workforce Development **(47%)**. The most frequently targeted regions for investment are Europe **(53%)**, followed by Asia **(47%)** and North America **(39%)**. Half of the pilot funds focus solely on developed markets, while a third concentrate exclusively on emerging markets.

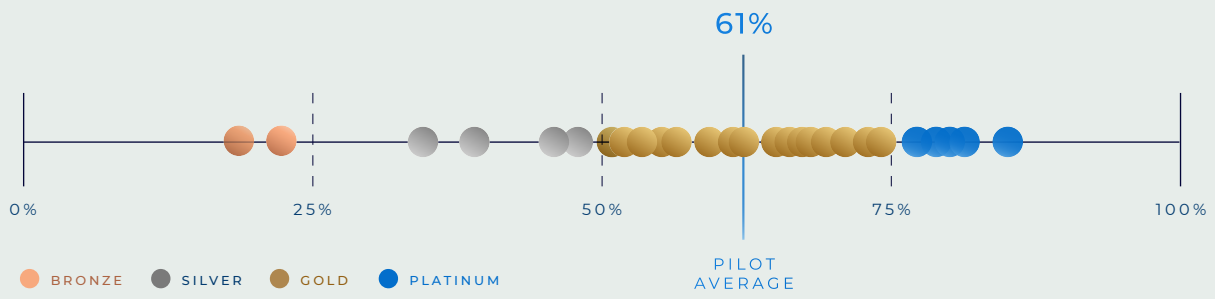
16. Investments within the Climate Change Adaptation and Resilience theme focus on solutions for adjusting to and dealing with the effects of climate change (e.g., drought-resistant crops) while those under Climate Change Mitigation are focused on investing in solutions to reduce or prevent greenhouse gas emissions (e.g., renewable energy). BlueMark included these as separate themes due to their distinct focus areas, one on managing the impacts of climate change, and the other on addressing its root causes.

Overall Ratings and Insights

FIGURE 5 shows the distribution of Fund ID ratings for 36 pilot funds, while FIGURE 6 presents a comparison of the ratings across various fund profiles.

FIGURE 5

DISTRIBUTION OF OVERALL RATINGS

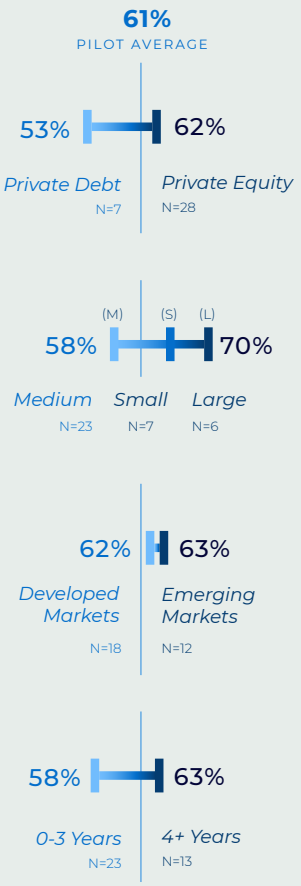


Key Insights

- Pilot funds scored an average of 61% of total available points, equivalent to a Gold rating. This average rating and high proportion of Gold-rated funds indicate that the Fund ID is an ambitious yet achievable impact rating system, with the majority of participants scoring well on core rating elements but still having room to more completely align their Fund's impact approach with best practices.
- Gold was also the most common rating, achieved by 22 of 36 pilot funds. Seven pilot funds achieved the highest rating of Platinum, five received Silver ratings, and just two received Bronze. Despite the relatively high proportion of Gold- and Platinum-rated funds, there was a large spread across the individual funds' performance, with scores ranging from 19% to 86% of total points achieved.

FIGURE 6

OVERALL SCORES BY FUND PROFILE



ASSET CLASS

Comparison of average Fund ID scores across **private debt** and **private equity** investors

ASSETS UNDER MANAGEMENT

Comparison of average Fund ID scores with **small** ($ <100m), **medium** ($100-999m), **and large** ($1000m+) **target AUMs**

TARGET MARKETS

Comparison of average Fund ID scores across investors exclusively focused on **emerging markets** and **developed markets**

VINTAGE YEAR

Comparison of average Fund ID scores across **fund vintages** of **0-3 years** and **4+ years**

Key Insights

- Average scores across different asset classes, vintage years, AUM sizes, and target markets remained close to the overall pilot average **of 61%,** falling in the range of +/- 10%. At this stage in testing the Fund ID, this is a positive indication that the instrument can be applied to many types and stages of strategies and yield similar results.
- Funds of all sizes were able to score highly on the assessment. Both small (<$100M AUM) and large (>$1B AUM) funds outperformed the average score for overall ratings. Interestingly, medium-size funds between $100M and $999M scored below the cohort average, potentially due to the fact that they represented the largest segment of participants, and contained the widest range of scores.
- Large funds earned the highest average scores, potentially benefiting from having more resources to develop and implement impact processes. Larger funds (>$1B AUM) achieved a higher average score for their overall rating (**70%**, equivalent to a Gold), relative to small and medium-sized funds. The spread between large funds and others was most notable in the Reporting pillar, where they scored **71%**, compared to small and medium-sized funds which scored close to **50%**.

OVERALL RATINGS

Feedback and Learnings

- While the instrument is intended to award achievable ratings, we also recognize that the relatively high proportion of Gold and Platinum scores may be due to selection bias in our pilot sample, which consisted of leading impact investors committed to impact verification and field-building efforts (slightly over half were previous BlueMark clients).
- In the future, we anticipate a broader range of ratings will be awarded. Further, we plan to refine our scoring instrument based on this initial testing to ensure an appropriate level of ambition for the market today.
- We will also be reviewing the rating criteria closely to ensure that the Fund ID does not unduly award larger firms for having more discretionary capital and resources to dedicate towards impact management, which was a priority point of feedback echoed by participants during engagements and in the post-pilot feedback surveys.

Pillar-level Ratings and Insights

This section takes a deeper dive into the pilot funds' pillar-level ratings, accompanied by insights into comparative strengths and gaps across **Strategy, Governance, Management,** and **Reporting.**

Strategy

The Strategy pillar seeks to assess the depth of an impact strategy, including the clarity of its objectives, the existence of safeguards to manage negative impacts, and relevant fund commitments. The specific scoring criteria and their weighting are described in FIGURE 7 below.

FIGURE 7

STRATEGY SCORING CRITERIA

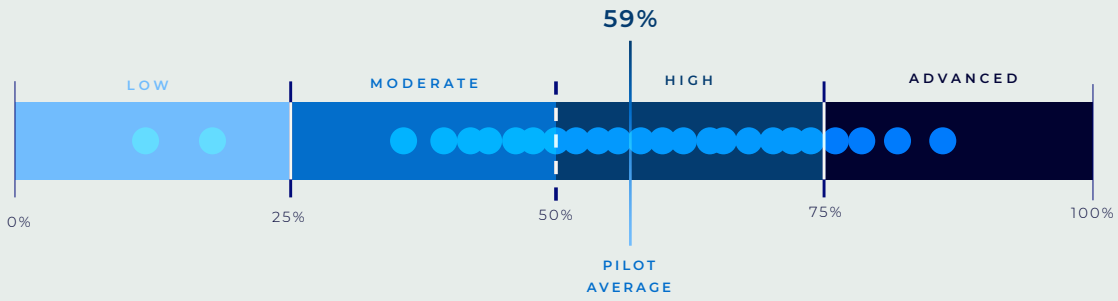
SUB-PILLAR	SCORING CRITERIA
Clarity >50% OF PILLAR SCORE	• Impact objectives related to investment strategy • Evidenced-based theory of change • Existence of cross-cutting or systems-change goals • Strategy for contributing to the impact of investments
Safeguards >20% OF PILLAR SCORE	• Documentation of impact risks and/or unintended consequences associated with the impact strategy • Articulation of approach to managing material ESG risks and negative impacts as part of the strategy
Commitments >20% OF PILLAR SCORE	• Portfolio-level targets or commitments linked to impact objectives • Ambition and relevance of portfolio-level impact targets • Impact eligibility criteria or thresholds for inclusion • Industry-aligned impact and ESG commitments • Industry engagement and knowledge-sharing

FIGURES 8 and 9 show the distribution of the Strategy pillar and sub-pillar scores among 36 pilot funds.

FIGURE 8

DISTRIBUTION OF STRATEGY PILLAR SCORES AND RATINGS

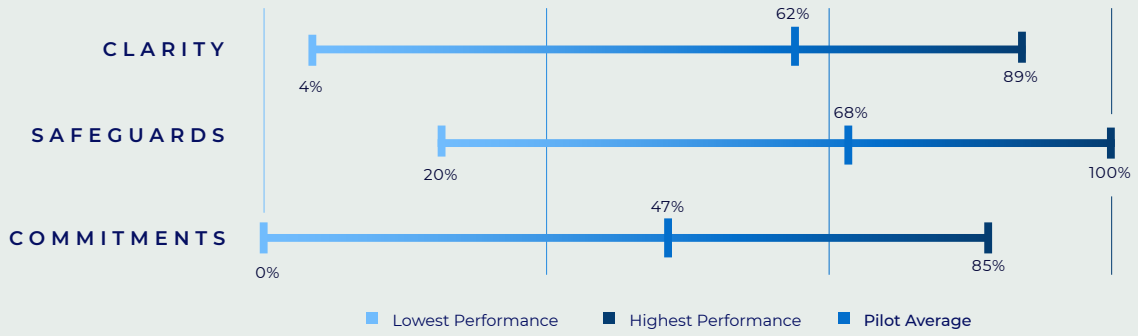
Distribution of Impact Strategy Pillar Ratings (n=36)



The average Strategy score was **59%**, falling slightly below the overall Fund ID average of **61%**. The assessment showed that most participants have core components of an impact strategy in place, such as basic safeguards for managing risks and negative impacts and well-defined impact objectives in Fund documents. However, only four funds scored above 75% to earn an Advanced rating, having implemented additional elements to strengthen their impact strategy, such as establishing portfolio-level targets related to their impact objectives.

FIGURE 9

DISTRIBUTION OF STRATEGY SUB-PILLAR SCORES



KEY SUB-PILLAR INSIGHTS

- **Safeguards was the highest-scoring Strategy sub-pillar, averaging 68%**, Strong performance was underpinned by the **94%** of funds with a strategy that includes integration of ESG issues and risks, including **81%** with exclusionary criteria and **56%** with a strategic intent to drive value creation through ESG engagement. However, only **8%** of participating funds identified impact risks within their strategy documents and theories of change.
- **Clarity had an average sub-pillar score of 62%,** driven in part by the **94%** of pilot funds with impact objectives that were clearly defined in fund documents and a subset of **56%** that supported them with well-evidenced theories of change. Funds demonstrated relatively weaker performance in articulating the systems-change components of their strategies **(36%)** and describing their investor contribution strategies in line with best practice frameworks (e.g. Investor Contribution 2.0) (only **8%** of participants).
- **Commitments was the lowest-scoring Strategy sub-pillar, with an average score of 47%**. While the majority of funds demonstrated strong industry engagement, with **89%** of funds making at least one industry-aligned commitment (e.g., Impact Principles, Principles for Responsible Investment, 2X Challenge) fewer had established fund-level targets as part of their strategies. Specifically, setting ambitious, relevant targets was a gap for many in the cohort, with **31%** of funds establishing broad portfolio-level commitments related to impact (i.e., % of portfolio targeting an SDG goal), and only **19%** developing specific impact targets related to their outcomes sought (i.e., emissions reduction or target stakeholders reached).

STRATEGY PILLAR

Feedback and Learnings

- Certain criteria in the Strategy pillar did not apply to all funds in the pilot, such as incorporating systems-level change objectives, setting impact performance targets at the portfolio level, and aligning investor contribution strategy directly to the Investor Contribution 2.0 framework. We will be revisiting the suitability of these types of criteria in the rating scheme.
- We received feedback, particularly from allocators, that the criteria in the Strategy pillar should not only assess the depth and clarity of an impact strategy but also include criteria that can directly rate and classify the type of impact being pursued by the fund. We will seek to incorporate aspects of this in future iterations based on additional stakeholder input.
- Certain industry commitments and engagement (i.e., signatory bodies, industry networks) require payment and resourcing that may disproportionately affect smaller funds, which we will also be revisiting to ensure a level playing field for signaling commitment.

Governance

THE GOVERNANCE PILLAR seeks to assess the strength of a fund's impact and ESG governance structures, focusing on the team's expertise, resources, and capacity to execute the fund's impact objectives. It also examines the mechanisms in place to ensure accountability for delivering on these objectives.

FIGURE 10

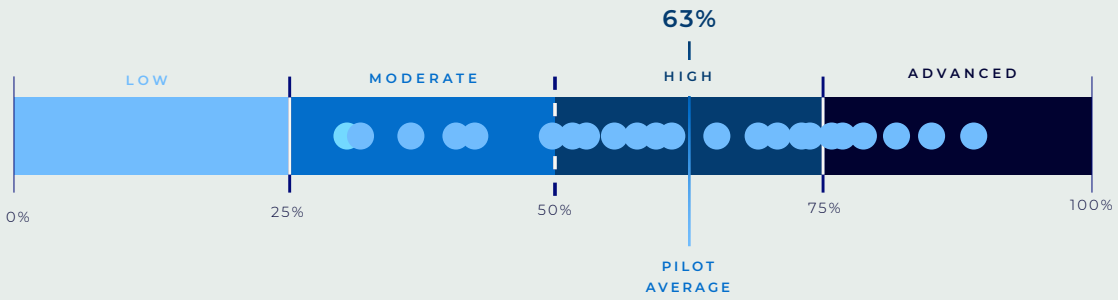
GOVERNANCE SCORING CRITERIA

SUB-PILLAR	SCORING CRITERIA
Oversight >20% OF PILLAR SCORE	• Existence of impact and ESG governance bodies • Articulation of impact and ESG roles and responsibilities • Extent of impact and ESG representation on the investment committee and within investment decision-making
Resourcing >35% OF PILLAR SCORE	• Depth of impact and ESG management expertise • Depth of expertise within focus themes and/or sectors • Approach to impact and ESG training and capacity-building • Organizational alignment and integration to execute the impact strategy
Accountability >20% OF PILLAR SCORE	• Impact-linked incentive structures for fund staff • Impact-linked incentive structures for investees

FIGURES 11 and 12 show the distribution of the Governance pillar and sub-pillar scores among 36 pilot funds.

FIGURE 11

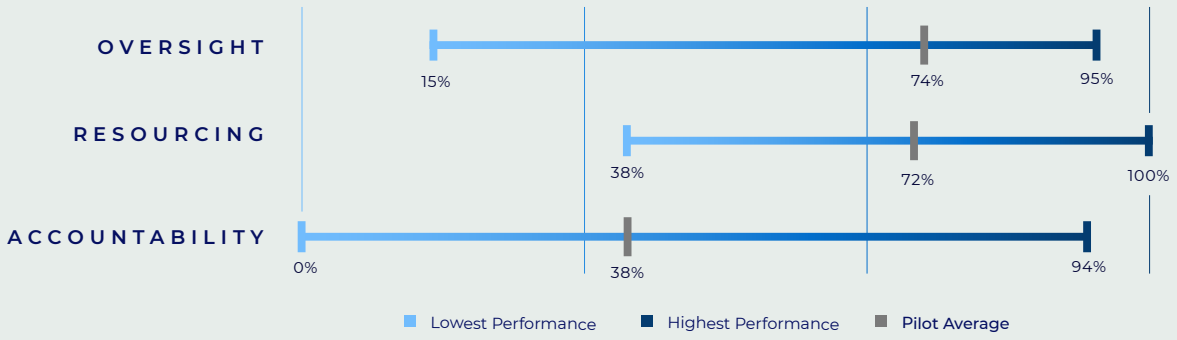
DISTRIBUTION OF GOVERNANCE PILLAR SCORES AND RATINGS



The average Governance score was **63%**, suggesting that most pilot participants have embedded impact and ESG into their core decision-making structures and teams, such as having impact and ESG representation at the investment committee and team members with impact management or sector-specific knowledge related to the strategy. Nine funds scored above **75%** to earn an Advanced pillar rating, driven by their use of impact-linked incentives with staff and/or investees.

FIGURE 12

DISTRIBUTION OF GOVERNANCE SUB-PILLAR SCORES



KEY SUB-PILLAR INSIGHTS

- **Oversight was the highest-scoring sub-pillar, averaging 74%.** Strong performance on this sub-pillar was reflected in **75%** of funds having clear leadership and decision-making structures related to impact and ESG considerations. However, only **33%** of pilot participants had impact representation on their investment committees, indicating that dedicated impact or ESG personnel were not always included in those structures.
- **Resourcing had an average sub-pillar score of 72%.** The majority of participants have dedicated impact or ESG teams, with **64%** having at least one dedicated full-time employee (FTE) and an additional **26%** having between 4-5 FTEs. Slightly over half of funds **(53%)** provided staff members with regular, ongoing training on impact management best practices, and 19% extended this training to portfolio companies.
- **Accountability was the lowest scoring sub-pillar, with an average score of 38%.** 75% of fund managers had established mechanisms to incentivize impact performance for staff members (either through implicit review processes or variable pay mechanisms), but only **17%** aligned these incentives directly with the impact outcomes of the fund. To incentivize investees, **67%** of funds incorporated impact and/or ESG reporting requirements into their investment agreements, while **33%** used impact-linked financing structures (e.g., investee management incentives tied to impact goals, sustainability-linked loans).

GOVERNANCE PILLAR

Feedback and Learnings

- Assessing certain aspects of Governance proved challenging due to the inherent diversity of structures and teams across funds and subjectivity involved in evaluating resource capacity for impact and ESG management, such as the level of team expertise. This difficulty was exacerbated by the relative lack of guidance and standards regarding impact team resourcing expectations.
- There is wide diversity in how different managers staff and structure their ESG and impact committees, with some leveraging firm-level committees and others creating ones that are fund-specific. The design of the Fund ID criteria did not fully account for this variability, which may have affected impact scores.
- Pilot participants consistently indicated that the Accountability sub-pillar was weighted disproportionately high, especially given the complexity and differing views on the appropriateness of linking financial incentives to impact performance targets in certain fund contexts. As a result, we will be revisiting the applicability of incentive criteria and its weighting in future iterations of the assessment.

Management

THE MANAGEMENT PILLAR assesses how well a fund has integrated its impact objectives into its investment management activities. Scoring criteria focus on a fund's approach to impact and ESG management across investment screening and due diligence, monitoring and management, and exit and review, and were drawn directly from BlueMark's Practice Verification assessment.[17]

FIGURE 13

MANAGEMENT SCORING CRITERIA

SUB-PILLAR	SCORING CRITERIA
Screening and Due Diligence >35% OF PILLAR SCORE	• Assessment process covering multiple dimensions of impact (Who, What, How Much, Impact Risk) for each investment • Assessment process for expected investor contribution • Evidence of research conducted and engagement with end stakeholders to inform impact assessments • Process to establish relevant impact KPIs and targets with investees • Assessment process covering identification of material ESG risks for each investment • Alignment of assessment process to industry standards

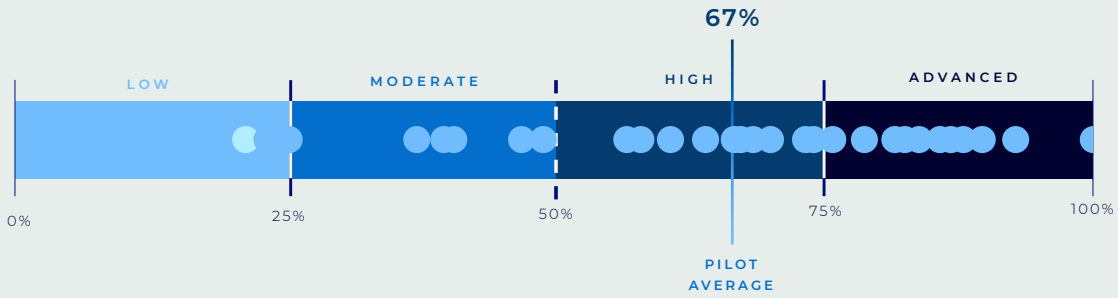
17. BlueMark's Practice Verification assesses the level of alignment between an investor's approach to IMM and industry best practices and frameworks, such the Impact Principles. For more information, please refer to our flagship report, Making the Mark (2024), and visit bluemark.co.

SUB-PILLAR	SCORING CRITERIA
Monitoring and Management >20% OF PILLAR SCORE	• Regular monitoring of impact performance and ESG risk data • Impact performance reviewed relative to expectations for each investment on a regular basis • Engagement on impact underperformance and/or unexpected ESG risks • Review of impact outcomes through gathering end-stakeholder or third-party data
Review & Exit >20% OF PILLAR SCORE	• Depth of impact and ESG management expertise • Depth of expertise within focus themes and/or sectors • Approach to impact and ESG training and capacity-building • Organizational alignment and integration to execute the impact strategy

FIGURES 14 and 15 show the distribution of the Management pillar and sub-pillar scores among 36 pilot funds.

FIGURE 14

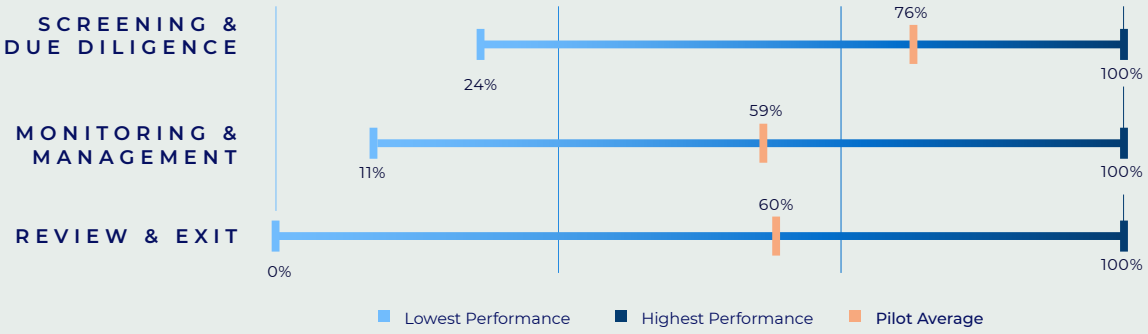
DISTRIBUTION OF MANAGEMENT PILLAR SCORES AND RATINGS



The Management pillar had the highest average score out of the four pillars in the Fund ID assessment at **67%**, showing that most funds have implemented fundamental IMM practices, such as utilizing robust impact due diligence and impact monitoring frameworks. Notably, 14 funds scored over 75% to earn an Advanced pillar rating, which was the most across any pillar, and reflects the relatively higher consensus in the market on what 'good' impact management practice looks like.

FIGURE 15

DISTRIBUTION OF MANAGEMENT SUB-PILLAR SCORES



KEY SUB-PILLAR INSIGHTS

- **Screening and Due Diligence was the highest-scoring sub-pillar, with an average score of 76%.** This high performance was driven by the **94%** of funds that have a process in place to assess the expected positive impact of each investment prior to investment. Comparatively, about half of participants **(47%)** have a process in place for assessing potential negative or indirect impacts (including ESG risks), and only about a third of funds **(31%)** demonstrated more advanced practices such as engaging with stakeholders to inform their ex-ante impact assessment.
- **Monitoring and Management had an average sub-pillar score of 60%,** driven by the **89%** of funds that had a process in place to monitor impact performance data and 56% that had a process to monitor material ESG risks. However, managers struggled with several leading-edge practices, such as actively monitoring their impact contribution activities and results **(8%)** and supplementing their monitoring data with third-party impact data (i.e., benchmarks, thresholds etc.) to better understand performance **(6%)**.
- **Funds scored similarly on Review and Exit (59%).** The majority of funds had processes to review and document the impact and ESG performance of each investment (**89%** and **78%**, respectively) by employing methods such as impact scoring tools and aggregating common KPIs. Relatively fewer funds had review processes that also assess how an exit would affect the sustainability of impact **(67%)**.

MANAGEMENT PILLAR

Feedback and Learnings

- The Management pillar overlaps with many of the core elements of BlueMark's Practice Verification so there were fewer new learnings pertaining to the assessment methodology than for the Strategy and Governance pillars.
- We piloted two versions of the Management assessment for "Design" and "Implementation"-stage funds, with the latter version requiring additional transaction-level evidence to be able to verify the implementation of a system. Going forward, we plan to revisit the appropriate level of evidence and criteria required for Design-stage funds to ensure a similar level of robustness across both assessments.
- The pillar is currently heavily weighted, representing over one-third of the total points available. As we refine the methodology, we plan to re-calibrate its weight through adjustments in scoring criteria to be more closely aligned with other pillars.

Reporting

THE REPORTING PILLAR assesses a fund's reported impact results and supporting narrative to ensure alignment with best practices. It also takes into account the strength of the data collection and management systems used to ensure data quality and accuracy. Scoring criteria focus on the completeness of the fund's reporting to investors, the reliability of the data used in reporting, and the level of transparency provided, drawing directly from BlueMark's Reporting Verification and the Reporting Norms.[18]

FIGURE 16

REPORTING SCORING CRITERIA

SUB-PILLAR	SCORING CRITERIA
Completeness >50% OF PILLAR SCORE	• Articulation of impact objectives, including impact theses and role of investor contribution • Impact performance metrics reported over time and relative to baselines and/or targets • Disclosure of ESG performance, including unexpected risks and negative impacts • Qualitative context on performance learnings and stakeholder feedback • Qualitative narrative on results from engagement and contribution activity

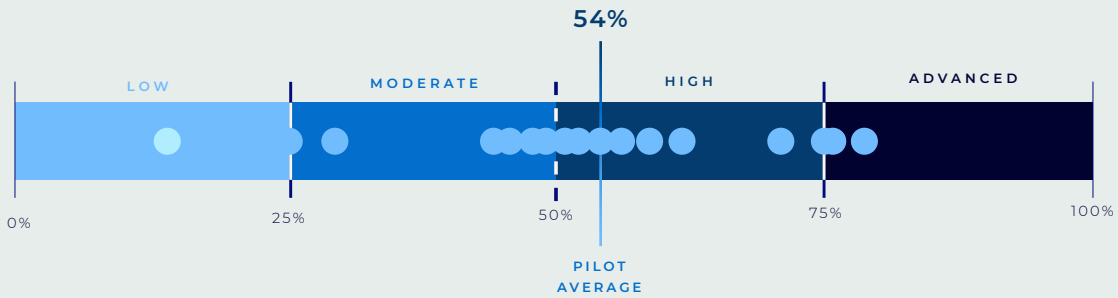
18. BlueMark's Reporting Verification assesses the strength of an investor's reporting, incorporating industry best practices and frameworks such as the Reporting Norms. For more information, please refer to our field-building research in Raising the Bar: Aligning on the Key Elements of Impact Performance Reporting (2022) and Raising the Bar 2.0: BlueMark's Framework for Evaluating Impact Reporting (2022); and visit bluemark.co.

SUB-PILLAR	SCORING CRITERIA
Reliability >20% OF PILLAR SCORE	• Impact and ESG management approach clearly articulated • Relevant impact metrics defined and/or linked to industry standards • Data sources, calculation methodologies, and assumptions described • Internal quality control and assurance mechanisms in place
Transparency >10% OF PILLAR SCORE	• Reporting coverage and consistency • Reporting frequency to key stakeholders • Level of public transparency

FIGURES 17 and 18 show the distribution of the Reporting pillar and sub-pillar scores among the 29 Implementation-stage pilot funds that had issued stakeholder reports at the time of the Fund ID assessment.

FIGURE 17

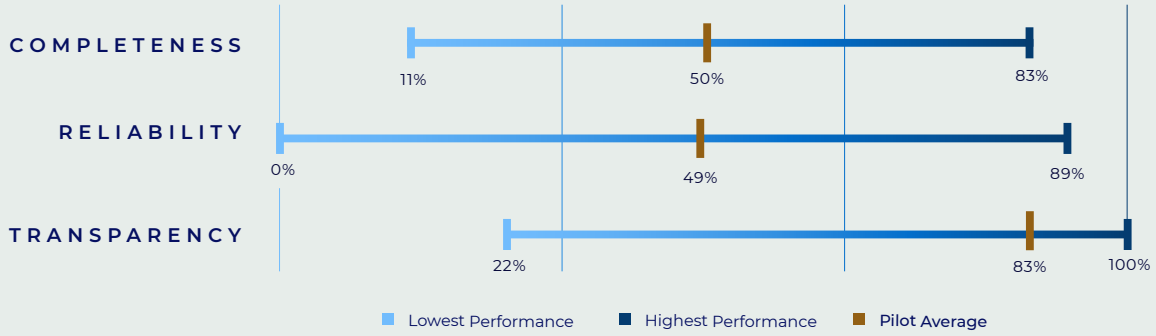
DISTRIBUTION OF REPORTING PILLAR SCORES AND RATINGS



The Reporting pillar had the lowest average score among the four pillars in the Fund ID assessment at **54%**, with only two funds scoring above 75% to earn an Advanced rating. This may indicate a lack of consensus on best practices for impact reporting, which is only more recently being addressed with the introduction of common standards like the Reporting Norms.

FIGURE 18

DISTRIBUTION OF REPORTING SUB-PILLAR SCORES



KEY SUB-PILLAR INSIGHTS

- **Transparency had the highest average score (83%) of any sub-pillars in the Fund ID assessment,** driven by strong consistency of reporting impact performance across all investments **(86%)** and adherence to a regular reporting schedule on at least an annual basis **(100%)**.
- **Completeness sub-pillar had an average score of 50%, indicating that this is a challenging area for investors.** While **93%** of funds included information about their impact objectives in their report, many struggled to provide sufficient qualitative context around their impact strategy, scoring only **21%** on this criterion. Many funds also missed opportunities to enhance the robustness of their reporting, for instance, **42%** identified target stakeholders in their strategy documents, but only **31%** included descriptions of key stakeholders in their reporting.
- **Funds scored similarly on Reliability, with an average of 49%**. While **52%** of funds clearly described their impact and/or ESG management approaches (i.e., frameworks used and their integration in the investment lifecycle) within reporting documents, just **3%** regularly assured their data through internal quality control processes or third-party providers.

REPORTING PILLAR

Feedback and Learnings

- The pilot highlighted the difficulty of assessing funds with differing reporting frequencies and audiences (e.g., quarterly vs. annual, public vs. LP-only), while still employing consistent criteria across these varied contexts.
- Additionally, some of the Reporting criteria proved to be a significant “stretch” for certain types of funds, such as gathering stakeholder feedback across investments or accessing data to compare impact performance relative to a benchmark. In response to both of these considerations, we are working to ensure that the criteria for this pillar are adaptable to different fund contexts.
- One broader challenge in assessing funds’ impact reporting is the nascent nature of industry standards, such as the Reporting Norms. Unlike more established impact management frameworks and regulations, the Norms are still in the early stages of development, meaning that they are not yet as widely accepted or adopted. As a result, they may continue to evolve, requiring that our methodology be similarly adaptable.

Impact Results and Profiling Data

This section outlines the Fund ID's approach to tracking impact results and provides examples of how this data can be used to support the interpretation of fund- and portfolio-level impact performance.

Background

Impact results is a component of the Fund ID designed to provide stakeholders a view of a fund's impact performance results by presenting quantitative impact data alongside the Fund ID assessment ratings. Through providing a standardized view of impact results data in addition to key fund profiling characteristics, such as its investor contribution strategy, target themes, commitments and capital deployment to date, we aim to provide a unified view of the Fund strategy and underlying portfolio to support impact performance interpretation.

Due to the subjective and complex nature of impact outcomes and the early stage of impact performance data and benchmarks, BlueMark believes that rating a fund's approach to impact investing—alongside a view into its reported impact results and key characteristics—provides the clearest and most comparable view of overall fund-level impact performance today.

Methodology

The impact results section of the Fund ID assessment offers a standardized dashboard of the fund's capital deployment against stated impact themes, geographies, and SDGs in addition to key metrics related to those themes and their annual performance in relation to baselines and targets, as available. As shown in FIGURES 19 and 20, fund-level impact results are presented in two ways in the assessment reports, and are intended to be updated annually as part of the Fund ID assessment.

1. **Impact capital deployment:** The Fund's AUM deployment against impact themes, geographies, and SDGs versus its stated commitments.
2. **Impact performance metrics:** The Fund's impact performance KPIs against targets and shown over time.

FIGURE 19

EXAMPLE DELIVERABLE FROM FUND ID REPORT: IMPACT CAPITAL DEPLOYMENT

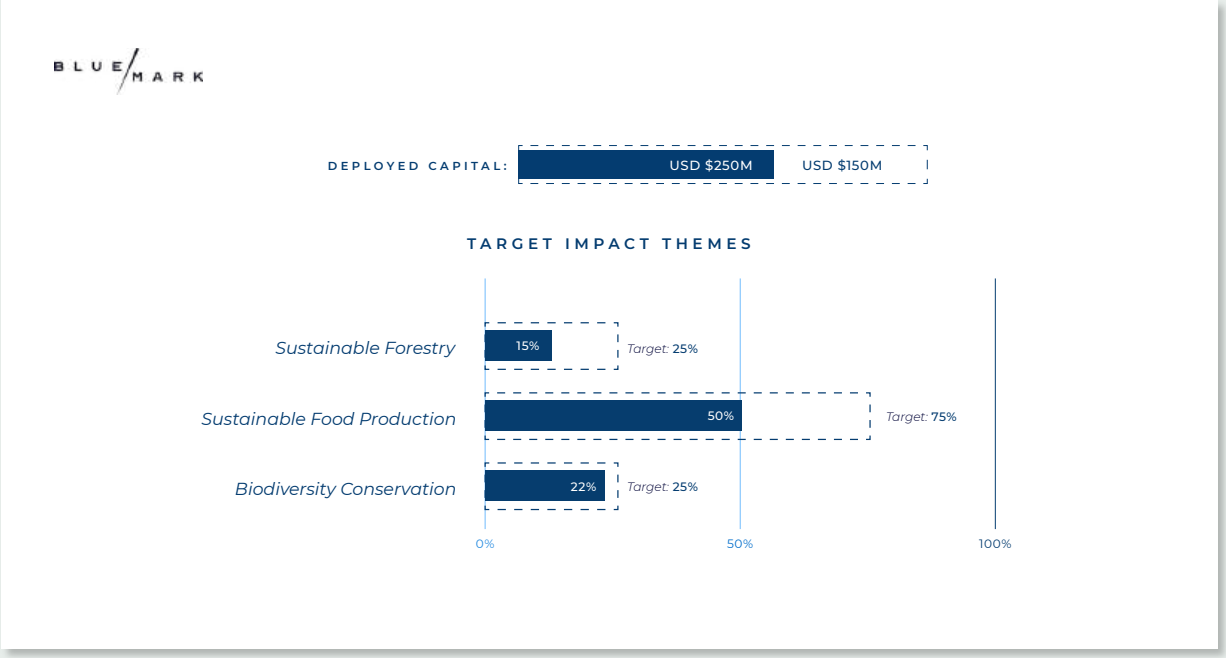


FIGURE 20

EXAMPLE DELIVERABLE FROM FUND ID REPORT: IMPACT PERFORMANCE METRICS

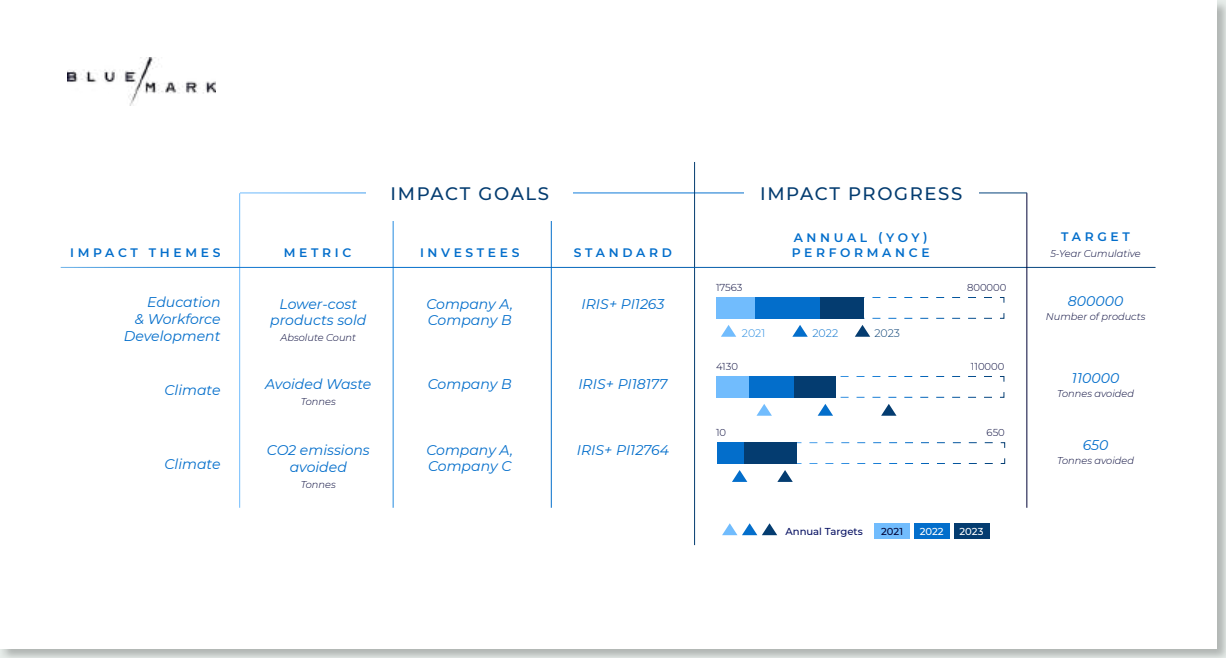


FIGURE 21

PILOT FUNDS:
CAPITAL DEPLOYMENT
BY GEOGRAPHY

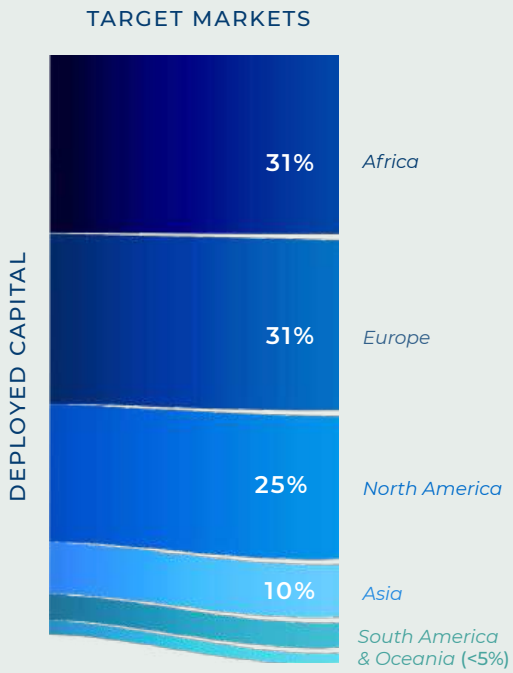
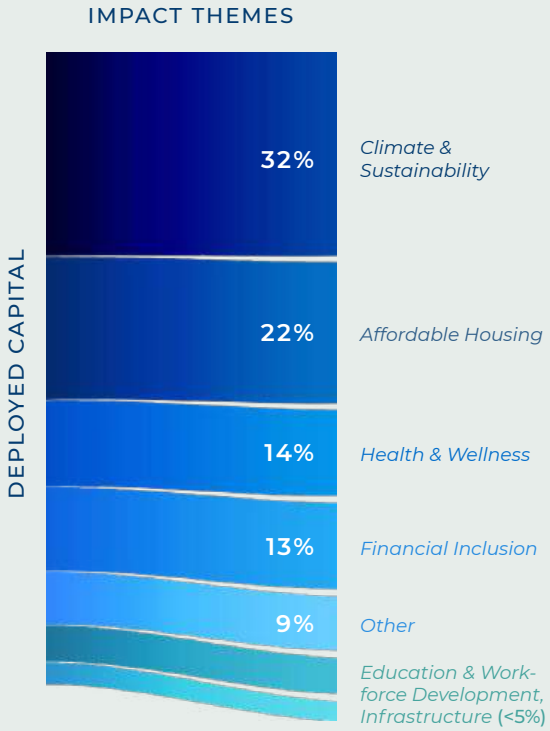


FIGURE 22

PILOT FUNDS:
CAPITAL DEPLOYMENT
BY IMPACT THEME



Pilot Cohort Profile: Capital Deployment

This section presents aggregated information about capital deployment from the pilot cohort to illustrate how this data can be used to gauge portfolio-level performance and track deployment over time. In FIGURES 21 and 22 above, BlueMark has tracked pilot participants' capital deployment to date against their target impact themes and geographies.[19]

Pilot funds have deployed **$4.4B to date**, just over **45%** of their overall target AUM.[20] The most

19. Values represent the percentage of Implementation-stage funds that have deployed any amount of capital towards their self-reported target impact themes and target geographies, as of September 2024. While BlueMark's analysis does not include verification of the actual AUM deployed, funds lacking data on capital deployment were excluded from this analysis, alongside funds still raising capital ("Design-stage"). Values do not represent either the percentage of funds that have met any deployment targets, or the percentage of capital deployed towards an impact theme or geography relative to the total value committed.

heavily invested themes to date are Climate & Sustainability, representing **32%** of deployed capital, followed by social themes of Affordable Housing and Health & Wellness. In terms of geography, pilot funds have the most exposure to Africa and Europe, with **31%** of deployed capital going to each region, followed by North America with **25%**. Despite Asia being the most commonly targeted geography (by **47%** of pilot funds), there has been less overall deployment to date in the region, with just **10%** of assets deployed. This is likely due to more early-stage and/or smaller Asia-focused funds represented in the pilot.

At the aggregated level, this information can help allocators to Fund ID-rated funds organize, track, and report their portfolio-level impact results more efficiently. Since the Fund ID is designed to track deployment progress and key impact metrics for each fund as part of an annual reassessment, the report is also intended to enable fund managers and their stakeholders to have a more efficient mechanism to interpret and report impact results over time.

SPOTLIGHT

Enabling allocator impact management *and* reporting through impact results

Impact results tracking was designed, in part, to support multiple use cases of the Fund ID assessment by asset allocators investing in impact funds.

For allocators with funds in their portfolio that have received Fund ID ratings the impact results data can be used to track and manage a fund's annual progress against stated impact commitments (as shown in FIGURE 20) in addition to serving as a standardized reporting mechanism for their own impact reporting needs.

If you are an allocator interested in exploring how to leverage Fund ID for your portfolio and impact management needs, please visit our webpage and reach out.

20. Values represent the percentage of Implementation-stage funds that have deployed any amount of capital towards their self-reported target impact themes and target geographies, as of September 2024. While BlueMark's analysis does not include verification of the actual AUM deployed, funds lacking data on capital deployment were excluded from this analysis, alongside funds still raising capital ("Design-stage"). Values do not represent either the percentage of funds that have met any deployment targets, or the percentage of capital deployed towards an impact theme or geography relative to the total value committed.

IMPACT RESULTS AND PROFILING DATA

Feedback and Learnings

- Standardized collection and reporting of impact results is a challenge for the market writ large given the diversity of approaches to impact measurement and reporting across different strategies. In particular, differences in when and how metrics are reported at the portfolio level versus investment level, inconsistent practices of establishing baseline data and setting targets, and variance in metric types added to the complexity of efficiently collecting and visualizing standardized impact results for our pilot Fund ID assessments.
- Going forward, we plan to further align our impact results data collection and reporting with evolving reporting guidance, such as the Reporting Norms and the Impact Disclosure Task-force, and LP demands to promote further impact data alignment in the market. In addition, we are continuing to refine our methodology to incorporate contextual analysis of the mate-riality, coverage, and ambition of results metrics to better enable interpretation of impact performance over time.

Pilot Reflections and Looking Ahead

Client Feedback

Through both active solicitation of feedback during Fund ID pilot engagements and a follow-up survey, we were able to collect valuable insights from pilot participants as to the usefulness of the Fund ID assessment and key refinement areas.

The survey results showed that participants saw value in receiving a comprehensive assessment of fund alignment to a wide range of industry standards and best practices. Over 70% of pilot participants had completed the post-engagement survey at the time of this paper's publication and scored the Fund ID's overall usefulness an average of 7.6 out of 10. In particular, pilot participants emphasized the learning benefits of the pilot assessment, rating "recommendations to improve" and "engagement with BlueMark team members" as the most valuable aspects of the pilot overall.

Over 90% of respondents also said they would recommend the Fund ID to other firms, with select quotes from our client feedback survey highlighted on the following page.

"BlueMark's verification provided invaluable, objective validation that we have achieved this goal, while also identifying areas for ongoing improvement. I strongly believe that going through BlueMark's accreditation process is essential for impact investors to enhance accountability across the sector and ensure that our IMM efforts lead to meaningful learning and improved outcomes for the communities we serve."

Sweef Capital

"Working with BlueMark's team was an incredible experience. They provided indispensable insights that significantly enhanced our approach to measuring and reporting impact."

Positive Ventures

"Having a firm like BlueMark provide an objective assessment on our impact strategy will benefit us as well as our investors in getting valuable feedback that enhances the impact provided to our target audience."

Blackstar Stability Investment Management

"BlueMark's Fund ID program gave us an independent view of how Quona's impact systems stacked up relative to peers for our most recent fund. The results of the assessment provided clear, objective evidence that Quona has a robust approach to impact strategy, measurement, governance and reporting, and helped us easily identify a few opportunities for improvement."

Quona Capital

Key Learnings and Next Steps

A key objective and emphasis from the pilot was to test and identify areas for methodology improvement to ensure it meets the needs of a still-evolving market. In the next phase of work, we plan to actively refine the methodology to further increase the rating's utility in line with the findings and learnings shared in this paper. In particular, future iterations of the methodology will seek to incorporate the following focus areas:

INCREASED TRANSPARENCY

Greater transparency into the specific criteria and scoring methodology within assessment reports to help clients better interpret and understand how to improve their practices and ratings.

UPDATES TO RATING MODEL

Modifications to the Fund ID scoring weights to help ensure they reflect the relative importance of different criteria to investors, while also ensuring parity across a broad diversity of fund types regardless of size or focus.

ADAPTATIONS TO IMPACT STRATEGY

Refinements to how the methodology rates the Strategy pillar to ensure it appropriately reflects a fund's intentionality and additionality, thereby responding to feedback from several fund managers and stakeholders on the over-weighting of documentation- and process-considerations in the methodology.

IMPACT RESULTS INTEGRATION

Further integrating reported impact results dashboards alongside the Fund ID ratings to provide a clearer view of impact performance over time and in relation to practices, while also promoting increased alignment with LP reporting demands and emerging standards.

METHODOLOGY GOVERNANCE AND STAKEHOLDER ENGAGEMENT

We are exploring creating governance structures to formalize and expand oversight of the Fund ID methodology by industry stakeholders to ensure third party oversight of the relevance, credibility, and objectivity of the rating system for the market going forward.

The pilot program confirmed what we have heard from market participants for years about the need for a rating system like the Fund ID and its potential influence on the broader impact and sustainable investing market. In the not-too-distant future, it will be possible to use the Fund ID ratings to track the progress of fund managers over time and better understand which strategies are delivering meaningful impact. This is the ultimate promise of impact ratings–not just in assessing a single fund manager at a single point in time, but the power to assess the overall market both in real-time and over extended periods.

We are grateful for the patience and thoughtful engagement of pilot participants who helped us to pressure test the first version of the Fund ID methodology in their contexts. To gather additional input on the above focus areas, themes, and methodology, we plan to hold additional consultation sessions with various market experts, asset allocators, and fund managers taking place later this year. If you have an interest in providing feedback or engaging on these topics, we invite you to join the Fund ID journey to bring additional accountability, comparability, and credibility to the sustainable and impact investing movements.

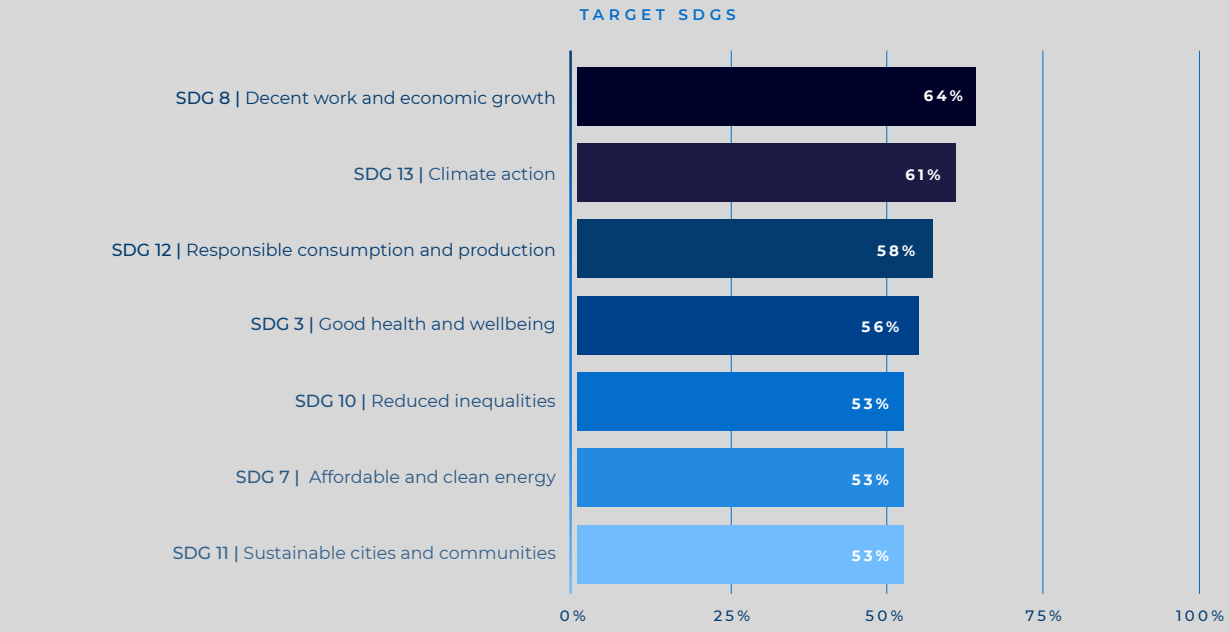
Appendix

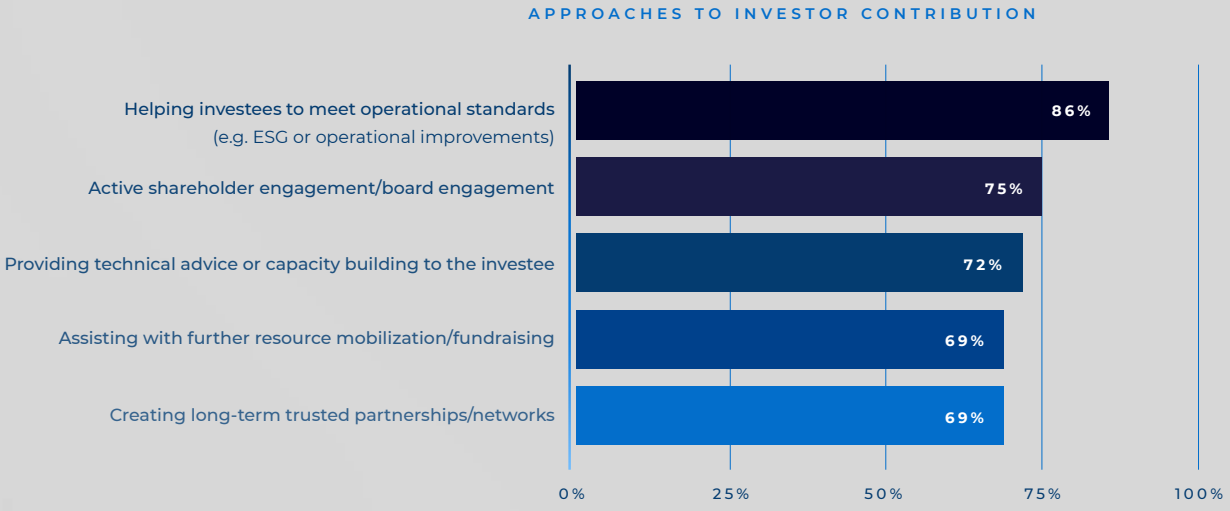
I. Cohort Profiling Data[21]

FIGURES A–D provide additional information on 36 pilot funds' approaches to Strategy, Governance, Management, and Reporting.

FIGURE A

STRATEGY PROFILING DATA FOR PILOT FUNDS

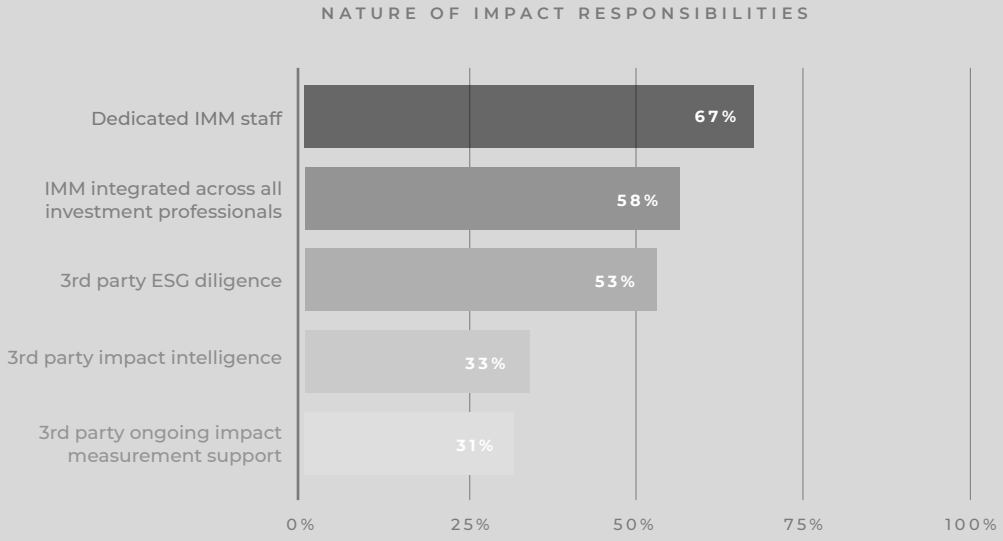




21. The figures in this section represent the number of funds with a specific characteristic as a percentage of 36 total pilot funds (rather than as a percentage of their total AUM). They do not add up to 100% for asset class, impact theme, and geography, given that some funds target multiple.

FIGURE B

GOVERNANCE PROFILING DATA FOR PILOT FUNDS



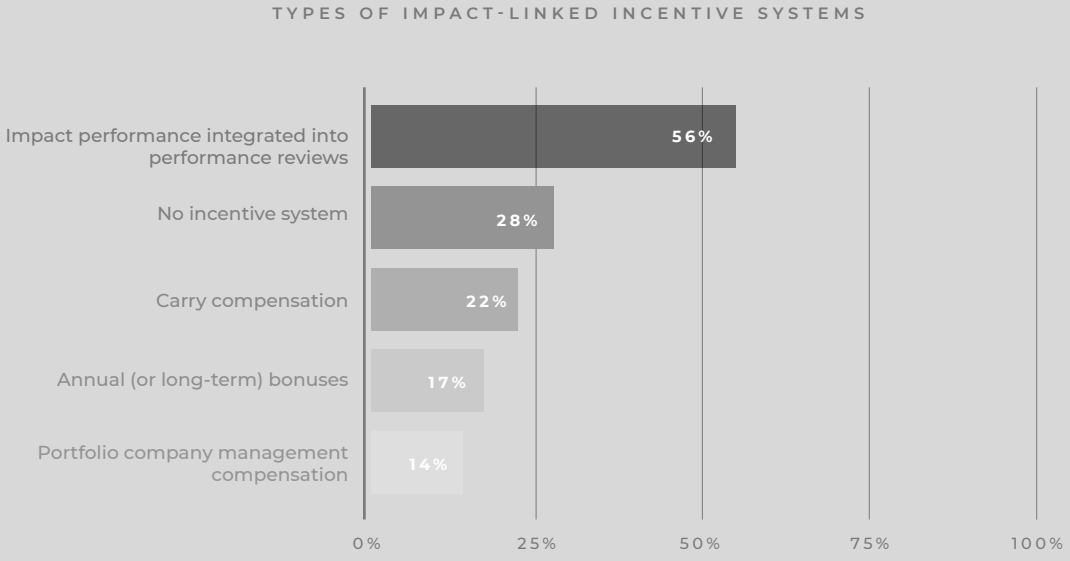
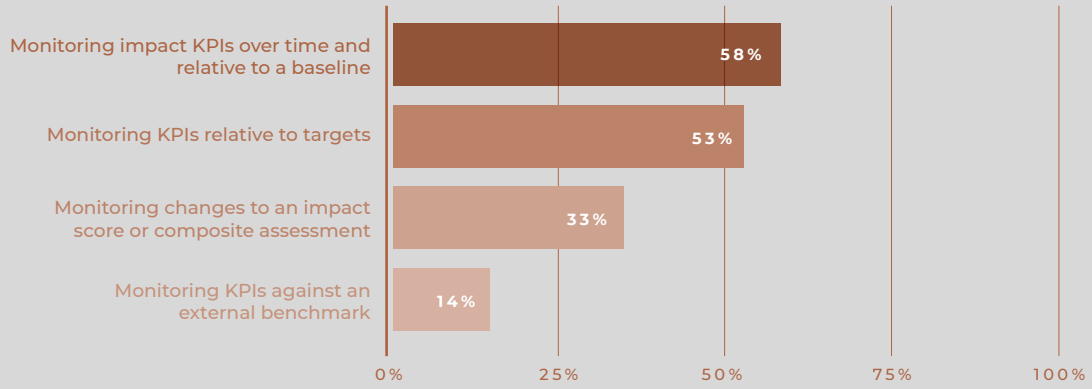


FIGURE C

MANAGEMENT PROFILING DATA FOR PILOT FUNDS

METHODS FOR IMPACT MONITORING



TOOLS AND SYSTEMS USED FOR IMPACT MONITORING

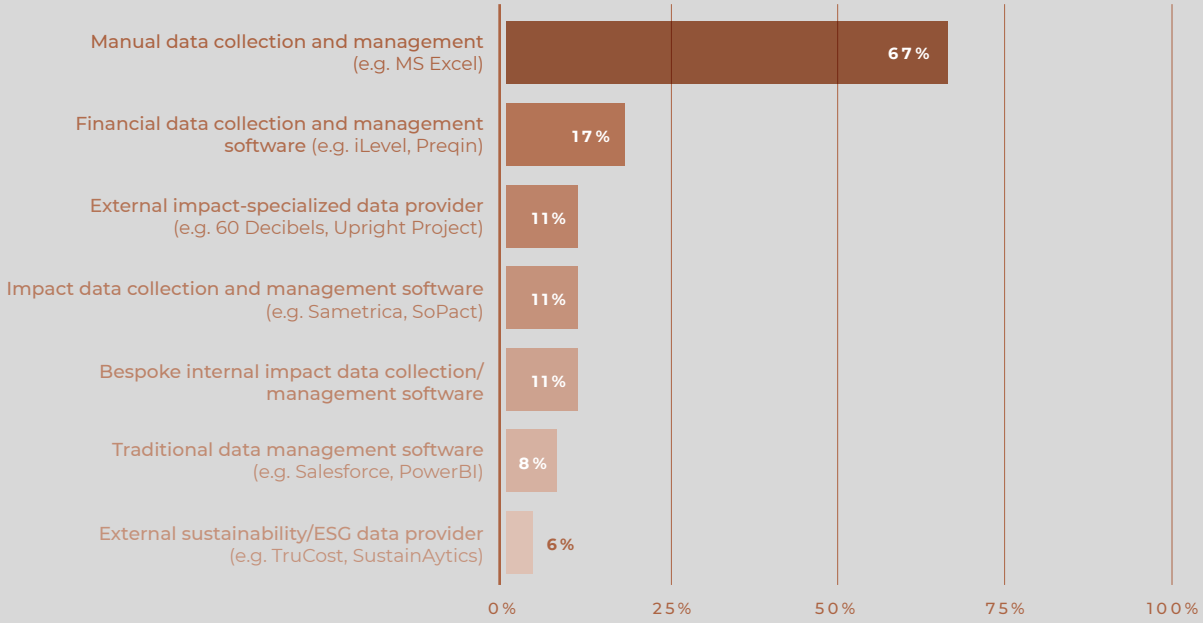
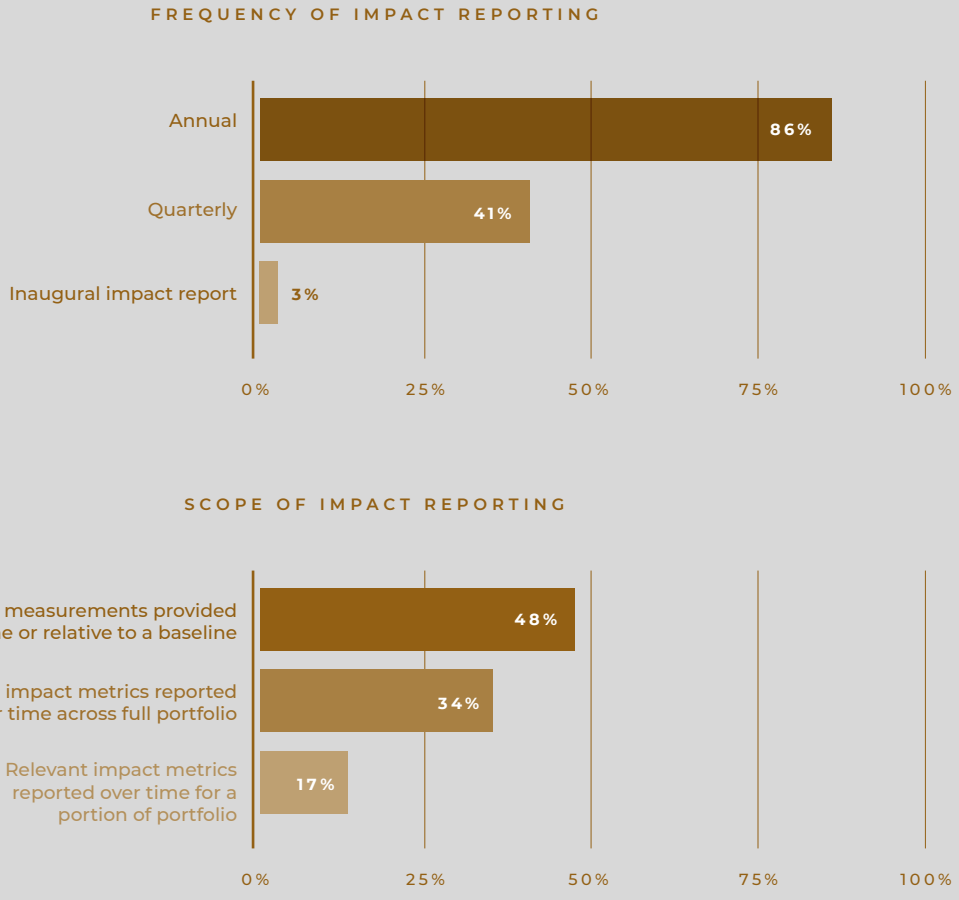


FIGURE D

REPORTING PROFILING DATA FOR PILOT FUNDS[22]



22. This data represents only the 29 Implementation-stage pilot funds that had issued stakeholder reports at the time of the Fund ID assessment.

II. Glossary of Key Terms & Frameworks

KEY TERMS

ESG An acronym that stands for Environmental, Social, and Governance, encompassing factors that influence the impact of an investment. These factors are recognized as integral aspects of risk, return, and the overall performance of investments, emphasizing the identification of opportunities and risks for both financial outcomes and positive societal or environmental impacts.

Impact investing "Investing into companies and organizations with the intent to contribute to measurable positive social or environmental impact alongside financial returns" *(The Global Impact Investing Network).*

Impact management / Impact measurement and management (IMM) "The process by which an organization understands, acts on and communicates its impacts on people and the natural environment, in order to reduce negative impacts, increase positive impacts, and ultimately to achieve sustainability and increase well-being" *(Impact Management Platform).*

Impact output "The product or service provided by an organization's activities that affects stakeholder outcomes, which organizations can affect directly" *(Impact Frontiers)*

Impact outcome "The level of social, environmental, or economic well-being experienced by stakeholders that results from an action or event" *(Impact Frontiers).*

Investor contribution The differentiated role played by an investor to enhance the achievement of the targeted social or environmental outcomes of its investments.

Theory of change A description of how an investor's strategy is connected to their impact objectives, outlining the links between inputs, activities, short-term outputs, medium-term outcomes, and the long-term impact sought. Often referred to as an impact thesis.

KEY IMPACT INVESTING FRAMEWORKS AND INITIATIVES

ILPA ESG Assessment Framework Created by the Institutional Limited Partners Association (ILPA), this is a resource to help LPs evaluate and benchmark the degree to which GPs are integrating ESG considerations into their investment processes. For more information, please visit: https://ilpa.org/resource/ilpa-esg-assessment-framework/

Impact Disclosure Taskforce A network of financial institutions, capital markets participants, and industry stakeholders working to create voluntary guidance for entity-level SDG impact disclosure. Their goal is to establish mechanisms for complete and reliable impact reporting. A key part of their work is the Sustainable Development Impact Disclosure (SDID), which helps entities report their intended and actual impact on the SDGs. For more information, please visit: https://www.cgdev.org/blog/an-update-on-impact-disclosure-guidelines

Impact Linked Compensation Project A study and report from The ImPact, supported by the Tipping Point Fund on Impact Investing, exploring the role of impact-linked compensation (ILC) in driving accountability for impact and preventing impact washing. It provides a guide for understanding ILC within the dynamics of fund structures, portfolio compo-

sitions, and relationships with asset owners. For more information, please visit: https://impact-linked.co/

Impact Management Norms Facilitated by the Impact Management Project, these are a set of norms designed to support a rigorous assessment of impact, through frameworks including the Five Dimensions of Impact and Investor Contribution 2.0. For more information, please visit: https://impactfrontiers.org/norms/

- Five Dimensions of Impact A framework for understanding the types of impacts enterprises can have on people and the planet through the five dimensions of "What", "Who", "How Much", "Enterprise Contribution", and "Impact Risk."

- **Investor Contribution 2.0** An ongoing project to update the Investor Contribution Norms. Facilitated by Impact Frontiers and The Predistribution Initiative, this is an industry consensus-building effort to develop resources that can support investors in measuring, managing, and reporting their positive and negative contributions to impact and systematic risk.

Impact Performance Reporting Norms (Reporting Norms) Facilitated by Impact Frontiers, these are a set of norms designed to establish shared expectations for the reporting of impact. For more information, please visit: https://impactfrontiers.org/work/impact-performance-reporting

Operating Principles for Impact Management (Impact Principles) A framework for investors to inform the design and implementation of their impact management systems, ensuring that impact considerations are integrated throughout the investment lifecycle. For more information, please visit: https://www.impact-principles.org/9-principles

Principles for Responsible Investment (PRI) A United Nations-supported initiative that encourages investors to integrate environmental, social, and governance factors into their decision-making. Signatories to the PRI commit to integrating these factors into their investment processes to better manage risk and generate sustainable long-term returns. For more information, please visit: https://www.unpri.org/

SDG Impact A set of voluntary internal standards designed to help businesses and investors embed sustainability and the SDGs into their decision-making and management practices. For more information, please visit: https://sdgprivatefinance.undp.org/

Sustainability Disclosure Requirements (SDR) Rules and guidance established by the UK's Financial Conduct Authority (FCA) aimed at raising the bar on sustainable finance practices for UK-domiciled asset managers. SDR comprises product labels, naming and marketing rules, and disclosure requirements.

Sustainable Finance Disclosure Regulation (SFDR) Rules and guidance established by the European Union designed to increase the transparency around sustainable investment claims for all financial market participants and advisors. SFDR requires disclosures on how ESG factors are integrated at both an entity and product level and includes product categorization requirements.

III. Mapping Key Frameworks to the Fund ID Scoring Criteria

The following is a non-exhaustive list of key best practice frameworks and market standards that informed the development of criteria across each Fund ID pillar.

MARKET STANDARDS AND FRAMEWORKS	STRATEGY	GOVERNANCE	MANAGEMENT	REPORTING
ILPA ESG Assessment Framework		✓	✓	
Impact Disclosure Taskforce				✓
Impact Linked Compensation Project		✓		
Impact Management Norms	✓		✓	
Impact Performance Reporting Norms				✓
Operating Principles for Impact Management	✓	✓	✓	✓
PRI	✓	✓	✓	✓
SDG Impact	✓	✓	✓	✓
SDR	✓	✓	✓	✓
SFDR	✓	✓	✓	✓