

Verifier Statement

Independent Verification Report

Prepared for Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation: 01 June, 2023

Introduction

As signatories to the Operating Principles for Impact Management (the Impact Principles)¹, Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation engaged BlueMark to undertake an independent verification of the alignment of the Japan Impact Investment II Limited Hataraku Fund's impact management (IM) system with the Impact Principles. The Japan Impact Investment II Limited Hataraku Fund's assets under management covered by the Impact Principles (Covered Assets) totals \$26,088,010², for the period ending 04/2023.

Summary assessment conclusions

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

Principle 1: The Fund has developed a clear impact strategy with thematic areas of focus mapped to the SDGs, alongside a Fund-level theory of change. To further align, the Fund should capture supporting evidence for the causal links between its activities and its desired outputs and outcomes.

Principle 2: The Fund aligns its staff incentives to the achievement of impact. To further align, the Fund should apply its ex-ante impact rating tool to investments ex-post to enable the comparison of actual impact across the portfolio.

Principle 3: The Fund actively engages with its portfolio companies to enhance their impact by providing tailored support to improve operational processes, develop strong impact management approaches, promote business growth, and prepare for impact IPOs. Contribution activities are systematically monitored ex-post.

Principle 4: The Fund applies a series of impact criteria to each investment and assesses expected impact ex-ante using an impact rating table informed by the IMP's Five Dimensions.

Principle 5: The Fund follows an ESG risk assessment approach centred on the use of an ex-ante ESG Questionnaire, ESG KPIs are developed where material risks are identified, and ESG processes are aligned to industry standards. To further align, the Fund should track progress against ESG KPIs and monitor all investments for unexpected ESG risks.

Principle 6: The Fund captures impact data for each investment in its Annual Impact Report. To further align, the Fund should formalise its process for collecting and monitoring impact data and develop a process to address impact underperformance.

Principle 7: The Fund has developed an approach to ensure the longevity of impact following IPO, its preferred exit mode. To further align, the Fund should develop a responsible exit framework and exit memo template and apply it consistently across investments.

Principle 8: The Fund has begun to capture learnings related to its investments and operations and identifies priority actions for improvement. To further align, the Fund should establish a more systematic approach to conducting periodic reviews of portfolio-level impact performance.

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 Hataraku Fund Disclosure Statement as of April 30, 2023, converted from JPY to USD. BlueMark's assessment did not include verification of the AUM figure.

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Assessment methodology and scope

Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Covered Assets for the Hataraku Fund. The scope of BlueMark’s work was limited to processes in place related to the Covered Assets as of April 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.³

BlueMark’s full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Impact Principles, using BlueMark’s proprietary rubric, and examining processes and policies against the following criteria:
 - *Compliance* of the IM system with a threshold level of practice;
 - *Quality* of the IM system’s design in terms of its consistency and robustness; and
 - *Depth* of sub-components of the system, focused on completeness
2. An interview with Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation staff responsible for defining and implementing the IM system;
3. Testing of selected transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation, 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 Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation in accordance with the agreement between our firms, to assist Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate the Hataraku Fund’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 Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation 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 recognised leader in impact measurement and management, working with leading asset owners and managers to design and implement impact management systems.

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 Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation. BlueMark has relied on the accuracy and completeness of any such information provided by Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation.

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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.