

# Verifier Statement

## *Independent Verification Report*

*Prepared for DWS: 16 December 2021*

### Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)<sup>1</sup>, DWS engaged BlueMark to undertake an independent verification of the alignment of the Sustainable Agriculture Strategy, the Sustainable Energy Strategy, the Country-Specific Clean Energy Fund and the Country-Specific Environment Fund's impact management (IM) systems with the Impact Principles. BlueMark reviewed the November 2020 OPIM Disclosure statement as part of the verification process. This states that DWS' assets under management covered by the Impact Principles (Covered Assets) totals \$726.58 million<sup>2</sup>, for the period ending 09/2020.

### Sustainable Agriculture Strategy summary assessment conclusions

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

*Principle 1:* The Strategy articulates a clear overall impact thesis, which is tied to seven "Impact Dimensions" and relevant SDG objectives. The fund's Theory of Change (ToC) further links each underlying Impact Dimension to measurable outputs and related impact outcomes sought. Supporting evidence is provided through transaction-level Impact Briefs.

*Principle 2:* The "Impact Spider" framework allows for management of impact performance by assessing standardised impact dimensions and metrics. To further align, the Strategy could consider aligning staff incentive systems to impact performance.

*Principle 3:* Financing is provided to the agricultural sector in Africa that would otherwise not be available and a Technical Assistance facility is leveraged to support investees. To further align, the Strategy could assess additionality ex-post.

*Principle 4:* The Strategy presents seven impact dimensions, assessed through the "Impact Spider" and the IMP framework. To enhance alignment, all relevant impact dimensions should be assessed in line with IMP guidelines and the size of the challenge within relevant geographies and potential indirect and negative impacts should be further explored.

*Principle 5:* The Strategy has implemented an ESG risk management system, utilising an exclusion list in the screening stage and a risk categorisation process to determine the level of due diligence to be applied. The Strategy monitors for ESG underperformance and may leverage its TA facilities to help ameliorate underperformance or unexpected risks.

*Principle 6:* The Strategy's impact monitoring framework outlines the annual collection of self-reported data, alongside rapid appraisals and in-depth impact evaluations. There is an ongoing comparison of expected and actual impact. To further align, the Strategy should formalise their protocol for engaging with investees in the event of underperformance.

*Principle 7:* There is no formal policy for considering the effects of exit on the sustainability of impact. The Strategy should formalise a policy/process that ensures various steps are taken at exit to encourage long-term sustainability of impact.

*Principle 8:* Annual and quarterly reports review and document the impact performance of each investment. "Impact Spider" diagrams illustrate the regular comparison between expected and actual impact. To further align, the Strategy could include a formal review process that informs future operational and strategic investment decisions and could include a more standardised method of reviewing positive and negative unintended impacts.

<sup>1</sup> 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."

<sup>2</sup> Assets under management figure as reflected in OPIM Disclosure Statement as of 09/30/2020. BlueMark's assessment did not include verification of the AUM figure.

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## Sustainable Energy Strategy summary assessment conclusions

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

*Principle 1:* The Strategy has a clear impact objective at the fund-level, articulated in alignment with EU climate goals, and linked to relevant SDGs. To further align, the Strategy could compile additional evidence to support its theory of change.

*Principle 2:* The Strategy manages impact through fund-level impact targets and consistent tracking of Primary Energy and CO<sub>2</sub>e Savings. To further align, the Strategy could consider aligning staff incentive systems to impact performance.

*Principle 3:* The Strategy aims to invest in public sector projects which may otherwise remain under-financed and leverages a TA facility to support public sector readiness. To further align, a structured assessment of the Fund's financial and non-financial contribution(s) to impact for each investment should be developed.

*Principle 4:* Expected CO<sub>2</sub>e Savings and Primary Energy Savings are assessed using the greenstem tool and expected impact is assessed in line with the IMP dimensions. To further align, the Strategy could explore potential indirect and negative impacts and could further assess the size of the challenge in targeted geographies.

*Principle 5:* The Strategy has implemented an ESG risk management system, utilising an exclusion list and a more detailed Environmental and Social Impact Assessment. Specific S&E performance requirements are agreed with investees and compliance is monitored annually. The Strategy monitors for underperformance and has a process for taking corrective actions.

*Principle 6:* CO<sub>2</sub>e Savings and Primary Energy Savings are monitored for each investment. To align further, the Strategy could formalise the process for engaging with investees when monitoring indicates underperformance and seek to capture broader impact outcomes for each investment.

*Principle 7:* There is no formal policy for considering the effects of exit on the sustainability of impact. The Strategy should formalise a policy/process that ensures various steps are taken at exit to encourage long-term sustainability of impact.

*Principle 8:* Quarterly and annual reports present a process for reviewing and documenting impact performance against expectations. To further align, the Strategy could formalise a process to ensure impact insights inform operational and investment decisions and could further explore unintended impacts.

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## Country-Specific Clean Energy Fund's summary assessment conclusions

BlueMark has independently verified the Country-Specific Clean Energy Fund's extent of alignment with the Impact Principles. Key takeaways from BlueMark's assessment are as follows:

*Principle 1:* The Fund has identified an impact objective linked to the Fund's mandate to invest in renewable energy and promote a sustainable energy environment in China. To further align, the Fund could develop a detailed theory of change that demonstrates the link between the Fund objectives, investment strategy, and environmental outcomes sought.

*Principle 2:* The Fund assesses clean energy generated across all investments. To further align, the manager could develop a distinct IM framework and consider aligning staff incentive systems to the achievement of impact.

*Principle 3:* The Fund has no formal policy for assessing its investor contribution to the achievement of impact for each investment. To align, the Fund should develop a formal approach to outline the manager's contribution to its investees' ability to achieve impact and implement a standardised assessment of investor-level contribution to impact for each investment.

*Principle 4:* Assessment of expected impact focuses on projections of renewable power generation. To further align, the Fund could enhance the number of impact indicators considered at the pre-investment stage and include more investment specific detail in IMP templates. Also, the Fund should further explore potential indirect and negative impacts.

*Principle 5:* The ESG risk management system includes an ESG screening tool. To further align, the Fund's processes should monitor against the ESG performance requirements and develop standardised policies for engaging with investees to mitigate ESG underperformance. ESG risk management systems should align with industry standards.

*Principle 6:* Assessment of renewable power generation allows for the monitoring of actual and expected performance. To further align, The Fund could develop a broader impact framework, with a larger variety of measurable indicators, formalise their process for addressing underperformance and further explore broader impact outcomes.

*Principle 7:* There is no formal policy for considering the effects of exit on the sustainability of impact. The Fund should formalise a policy/process that ensures various steps are taken at exit to encourage long-term sustainability of impact.

*Principle 8:* Quarterly reports demonstrate a standardised method for reviewing impact performance. To align further, the Fund could develop a more holistic review of investment specific impact and could formalise protocols for improving management processes and investment decisions following the review of impact performance.

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## Country-Specific Environment Fund's summary assessment conclusions

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

*Principle 1:* The Fund has identified impact objectives linked to the investment strategy and related target sectors of renewable energy, clean technology, water and waste. Objectives are linked to four relevant SDGs. To further align, the manager could develop a fund-level theory of change – supported by evidence and research – that clearly demonstrates the link between the objectives, investment strategy, and environmental outputs and outcomes sought.

*Principle 2:* There is no formal impact framework to assess and compare impact performance across the investment portfolio. To further align, the Fund could develop an impact framework that ensures a consistent assessment process through the investment lifecycle and allows for portfolio-level analysis of impact.

*Principle 3:* There is no formal policy nor a standardised process for assessing investor contribution to the achievement of impact for each investment. To align with the principle, the Fund should develop an approach to outline how the Fund will contribute to its investees' ability to achieve impact and implement a standardised assessment of its investor-level contribution to impact for each investment.

*Principle 4:* There is no clear process in place for assessing the expected impact of investments in due diligence. To further align, The Fund could implement an ex-ante assessment process against a standardised impact framework (i.e., related to Principle 2); setting quantitative targets in line with metrics aligned to relevant standards. The Fund could also ensure a holistic assessment of potential impact by incorporating the IMP's 5 dimensions into its framework.

*Principle 5:* The Fund has implemented an ESG risk management system, which includes a diligence tool based on the IFC Performance Standards. The manager has contracted a third party to monitor the ESG performance of its investees on a quarterly basis. To further align with the principle, The manager should detail how the Fund monitors for and engages with investees to mitigate ESG underperformance.

*Principle 6:* Third-party consultants monitor impact performance quarterly using relevant metrics for each investee. To further align, The Fund could create a method for comparing actual and expected impact by developing ex-ante estimates or targets for common metrics. Also, the Fund could create a process for addressing underperformance and should aim to capture broader impact outcomes for each investment.

*Principle 7:* There is no formal policy for considering the effects of exit on the sustainability of impact. The Fund should formalise a policy/process that ensures various steps are taken at exit to encourage long-term sustainability of impact.

*Principle 8:* Quarterly reports present a standardised process for reviewing impact performance and third-party reports offer reflections on relevant impact metrics. To align further, the Fund should develop and monitor against an impact framework to facilitate the regular comparison of expected and actual impact. Also, the Fund could create a review process internally to ensure impact performance insights inform future operational and strategic investment decisions.

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### Assessment methodology and scope

DWS 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 16 December 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.<sup>3</sup>

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

1. Assessment of the IM system in relation to the Impact Principles, using BlueMark’s proprietary rubric, and examining processes and policies against the following criteria:
  - *Compliance* of the IM system with a threshold level of practice;
  - *Quality* of the IM system’s design in terms of its consistency and robustness; and
  - *Depth* of sub-components of the system, focused on completeness
2. Interviews with DWS staff responsible for defining and implementing the IM system;
3. Testing of selected DWS transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to DWS, 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 DWS in accordance with the agreement between our firms, to assist DWS in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit DWS to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate DWS’ 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 DWS 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.

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](http://www.bluemarktideline.com).

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<sup>3</sup> 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 DWS]. BlueMark has relied on the accuracy and completeness of any such information provided by DWS. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from DWS.