

# BlueMark's Framework *for* Evaluating Impact Reporting

This document lays out the scope and rationale for BlueMark's approach to verifying impact reporting as well as the specific criteria that form the basis of our assessments.

To learn about the background behind this framework (including data on emerging best practices in impact reporting), please visit [www.bluemarktideline.com/raising-the-bar-2](http://www.bluemarktideline.com/raising-the-bar-2).



## RAISING THE BAR

Aligning on the Key Elements of  
Impact Performance Reporting

APRIL 2022



## RAISING THE BAR 2

BlueMark's Framework for  
Evaluating Impact Reporting

DECEMBER 2022

## BlueMark's approach to verifying impact reports

In recent years, the impact investing industry has seen the emergence of guidelines and standards for impact management practices, including the requirement of independent verification (e.g., Operating Principles for Impact Management, SDG Impact). However, the market has not yet established widely-accepted guidelines for reporting on impact performance, nor has it aligned on what constitutes a meaningful independent assessment of impact reporting.

Recognizing this market gap, BlueMark has embarked on a multi-year research initiative aimed at improving the quality and usefulness of impact reporting by fund managers for their investors. Introduced in 2022, BlueMark's approach to verifying impact reports assesses the Completeness and the Reliability of the reported information. We developed our approach with the belief that impact reporting should be balanced, contextualized, and inclusive of relevant and accurate quantitative and qualitative information.

Importantly, BlueMark's methodology does not go so far as to offer an opinion on whether a fund's impact results are better or worse than those of other funds. As the industry matures and access to impact data is more widely available, benchmarks for impact metrics will likely become more common - enabling relative comparisons of results within and across funds for specific indicators. However, the market will also need heuristics to evaluate a holistic set of information about an impact investor's strategy, management and results in order to gauge and compare the impacts they are generating, especially across different types of funds and themes.

BlueMark's methodology for verifying impact reporting continues to evolve in response to research findings and market feedback. In April 2022, we published our first in a series of *Raising the Bar* reports on best practices in impact reporting, which introduced the key elements of quality impact reports as agreed upon by a diverse group of industry stakeholders. (See *Figure 1*)

**FIGURE 1**  
The Key Elements of Quality Impact Reports

### Defined objectives and expectations

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### Relevant metrics

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### Relative performance results

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### Integrated stakeholder perspectives

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### Transparency into risk and lessons learned

In December 2022, we published our second *Raising the Bar* report, which introduced BlueMark's framework for evaluating impact reporting. This framework has been built on the insights from our earlier research, as well as other leading market standards, guidelines, and regulations.<sup>1</sup> The framework is also the inspiration for a consensus-building initiative launched in early 2023 by Impact Frontiers, which partnered with BlueMark on a pilot project with seven of its member-impact fund managers to test the feasibility and applicability of BlueMark's approach to verifying impact reporting.<sup>2</sup>

1 See the Appendix for a graphic that shows the linkage between the five 'Key Elements' and the Completeness pillar in BlueMark's reporting verification framework.  
 2 To learn more about the Impact Frontiers initiative and to submit public comments on what makes a good public report and how impact investors should be held accountable, please visit <https://impactfrontiers.org/work/towards-consensus-on-impact-report-verification>.

## BlueMark's verification methodology and ratings scale

BlueMark's verification process includes a specific set of inputs and outputs:

### Inputs include:

1. An investor's impact report and accompanying datasets, documents, and disclosures
2. Documents pertaining to underlying impact management practices and processes, and data collection procedures
3. Interviews with key staff members

### Outputs include:

1. Four complementary ratings based on the degree of alignment with the specific criteria in BlueMark's verification framework
2. A report which highlights areas of strength and recommendations on specific areas for improvement based on best practices in the given sector and asset class
3. A verification statement that can be shared with external stakeholders or added directly to an impact report

*Please see Figure 2 for a summary of BlueMark's framework for verifying impact reporting.*

FIGURE 2

BlueMark's Impact Reporting Verification Framework

## Completeness

### IMPACT STRATEGY

- Portfolio-level objectives
- Investment-level impact theses

### IMPACT RESULTS

- Metrics and performance analysis
- Qualitative context and narrative

**THE COMPLETENESS PILLAR** focuses on the scope and relevance of the information in the report related to the fund's Impact Strategy and Impact Results. The criteria for the Impact Strategy sub-pillar encompass the clarity of an investor's stated impact intentions and approach to contributing to impact at both the portfolio and investment levels. The criteria related to the Impact Results sub-pillar address the reporting coverage of investments in the portfolio, the relevance of reported indicators to the strategy, and the integration of necessary contextual and qualitative information to interpret results.

## Reliability

### DATA CLARITY

- Impact and ESG management approach
- Data sources, calculations and citations

### DATA QUALITY

- Data collection and maintenance
- Data quality protocols

**THE RELIABILITY PILLAR** focuses on the clarity and quality of the data in the report, including the rigor of the underlying data management systems and protocols. The criteria for the Data Clarity sub-pillar relate to the disclosure of the investor's approach to impact and ESG management as well as their measurement methods, appropriate use of industry standards, and transparency of data sources and assumptions. The criteria for the Data Quality sub-pillar relate to the firm's data management and quality control mechanisms as well as an assessment of consistency between reported data and underlying sources.

Based on our proprietary rubric, BlueMark assigns ratings using a four-point scale of Low, Moderate, High, and Advanced. (See Figure 3)

The ratings for a sub-pillar within the framework are determined using a points-based approach, with points awarded based on the presence and validation of key criteria within reporting documents, as further detailed below. The relative points awarded to different criteria reflect their importance based on our initial *Raising the Bar* research, relevant industry standards and BlueMark's market expertise, in addition to the quality and coverage of the investor's reporting against the criteria.

These four ratings allow for comparative insights and peer benchmarks based on a "north star" for quality reporting. They provide a means to assess the ability and willingness of an impact investor to report in a transparent, thorough, and accurate manner about the goals they are pursuing, the results they are achieving, and the learnings they are generating.

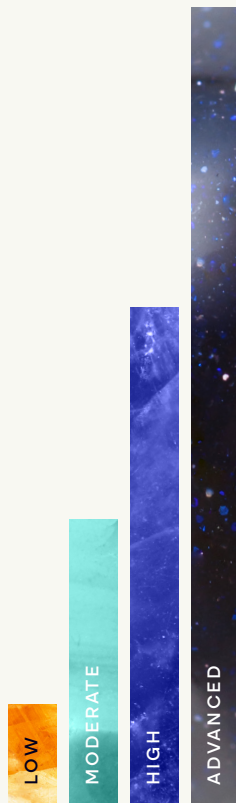
The graphics on the following pages elaborate on the specific types of criteria used to assign these ratings for each of the four sub-pillars.

**FIGURE 3**  
BlueMark Ratings Scale



## BLUEMARK RATING METHODOLOGY

# Impact Strategy



## CRITERIA

- Description of all fundamental elements related to the impact theses (i.e., potential negative impacts)
  - Clear identification of stakeholders targeted by the impact strategy
  - Information about and/or references to the evidence base that supports the impact strategy
- 
- Commentary about potential impact risks associated with the strategy
  - Description of the investor's approach to contributing to impact
  - Articulation of impact outcomes sought, typically categorized using industry frameworks (i.e., SDG-targets, IMP dimensions)
- 
- Output or outcome metrics that connect to the impact theses
  - Structured description of the impact thesis (i.e. challenge, solution, outcomes) for each investment
  - Description of portfolio-level objectives/themes using an impact thesis structure
- 
- General description of portfolio-level impact objectives/themes

## ADVANCED

Reports receiving an **"Advanced"** rating present all the fundamental elements of an impact strategy and also incorporate leading practices, such as describing target stakeholders and citing evidence that supports the credibility of the strategy.

## HIGH

Reports receiving a **"High"** rating incorporate all the fundamental elements of the investor's impact strategy, including describing clear impact objectives at the portfolio level and an impact thesis for each investment that addresses impact risks, investor contribution, and target outcomes.

## MODERATE

Reports receiving a **"Moderate"** rating include a structured description of the investor's impact strategy and incorporate both clear impact objectives at the portfolio-level and an impact thesis for each underlying investment. However, the description of the strategy may not address aspects such as investor contribution or potential impact risks.

## LOW

Reports receiving a **"Low"** rating include a partial description of the investor's impact strategy and do not consistently provide investment-level impact theses.

## BLUEMARK RATING METHODOLOGY

# Impact Results



## CRITERIA<sup>3</sup>

- Leading practices, such as reporting against external benchmarks and/or measures of attribution
  - Perspectives of key end-stakeholders, such as via aggregated survey results and/or primary quotes from evaluations
  - Description and/or metrics on ESG performance and activities
  - Description and/or metrics on investor contribution activities
- 
- Description and context on impact lessons learned
  - Impact performance data presented in relation to a target
  - Impact performance data presented in relation to prior period results and/or relative to a baseline
- 
- Output or outcome metrics that connect to the impact theses
  - Impact results reported on for every investment in the portfolio in a standardized way
- 
- Impact results reported in an inconsistent manner or only for select investments

## ADVANCED

Reports receiving an **“Advanced”** rating incorporate all of the key features required to receive a **“High”** rating and also address results related to investor contribution activities, ESG performance, and stakeholder perspectives.

## HIGH

Reports receiving a **“High”** rating address every investment in the portfolio using a consistent and comparable structure. Reported information for each investment includes relevant metrics that are presented over time and/or relative to a target. Qualitative information, such as key lessons learned and case studies may also be included.

## MODERATE

Reports receiving a **“Moderate”** rating address every investment in the portfolio using a consistent and comparable structure. Metrics for each investment link to the impact strategy and are accompanied by qualitative context to support interpretation.

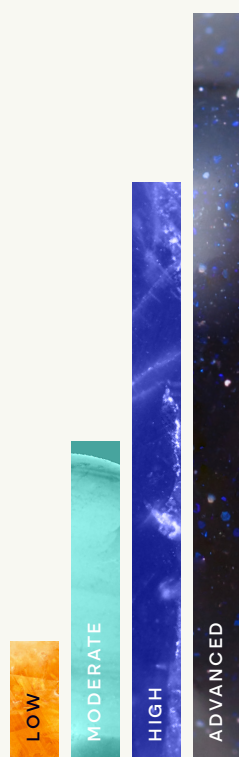
## LOW

Reports receiving a **“Low”** rating only describe a cherry-picked selection of investments in the portfolio or include metrics with limited connectivity to the impact theses. Qualitative context is likely limited or anecdotal in nature.

<sup>3</sup> To learn more about the different types of metrics we evaluate as part of each reporting verification, please see the Appendix.

## BLUEMARK RATING METHODOLOGY

# Data Clarity



## CRITERIA

- Methodologies and assumptions for extrapolated data are clearly disclosed
- Clear and extensive use of industry standards
- Definitions for custom impact metrics are provided
- Source(s) of impact data in the report are clearly described
- Description of impact and ESG management approach, including data collection methodology
- Some citations and use of industry standards
- High-level description of impact management approach included
- Incomplete description of approach to impact management
- Sources of impact data in the report are unspecified

## ADVANCED

Reports receiving an **“Advanced”** rating include all of the key features described in “High” and also disclose calculation methodologies, assumptions, and limitations associated with all derived indicators.

## HIGH

Reports receiving a **“High”** rating detail their approach to managing and measuring impact and ESG. They also consistently incorporate impact data sources, cite metrics definitions, and accurately reference industry standards or frameworks.

## MODERATE

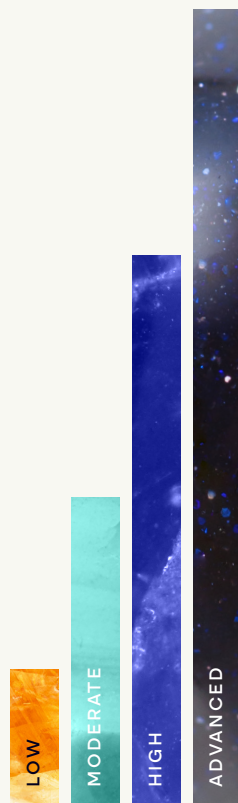
Reports receiving a **“Moderate”** rating describe their approach to managing and measuring impact at a high-level, including alignment or commitment to industry standards. The Report may also include some references to data sources and/or cite metrics definitions.

## LOW

Reports receiving a **“Low”** rating do not disclose any of their underlying methods for managing and measuring impact nor their data sources.

## BLUEMARK RATING METHODOLOGY

# Data Quality



## CRITERIA

- Verification process surfaced no inconsistencies between reported data and underlying internal systems and records
- External assurance of relevant indicators in the report, including in cases where the assurance was obtained directly by underlying holding(s)
- Verification process surfaced no inconsistencies between reported data and underlying internal systems and records
- Clear underlying documentation of processes followed and assumptions employed when aggregating raw data from investees
- Formalized data review and quality control processes in place
- Verification process surfaced some corroborating data/ supporting materials and/or minor inconsistencies in reported data
- Impact data is collected and managed in a standardized way with clear protocols
- Verification process surfaced limited corroborating information and/or potential errors in reported data
- Impact data is collected in an inconsistent or ad-hoc way

## ADVANCED

Reports receiving an “Advanced” rating are indicative of systems with well-specified and consistently implemented protocols for impact data collection and management, with structured review protocols in place to check accuracy. Additionally, data for relevant indicators in the report have been assured by a third party.

## HIGH

Reports receiving a “High” rating are indicative of systems with well-specified and consistently implemented protocols for impact data collection and management, with structured review protocols in place to check accuracy.

## MODERATE

Reports receiving a “Moderate” rating are indicative of systems where impact data collection and monitoring is handled in a relatively systematic manner with formalized systems for storing and reporting on data and some informal review protocols to check accuracy.

## LOW

Reports receiving a “Low” rating are indicative of systems where impact data collection and monitoring is conducted in an ad-hoc or informal way, presenting challenges in ascertaining the validity of the data in the report.

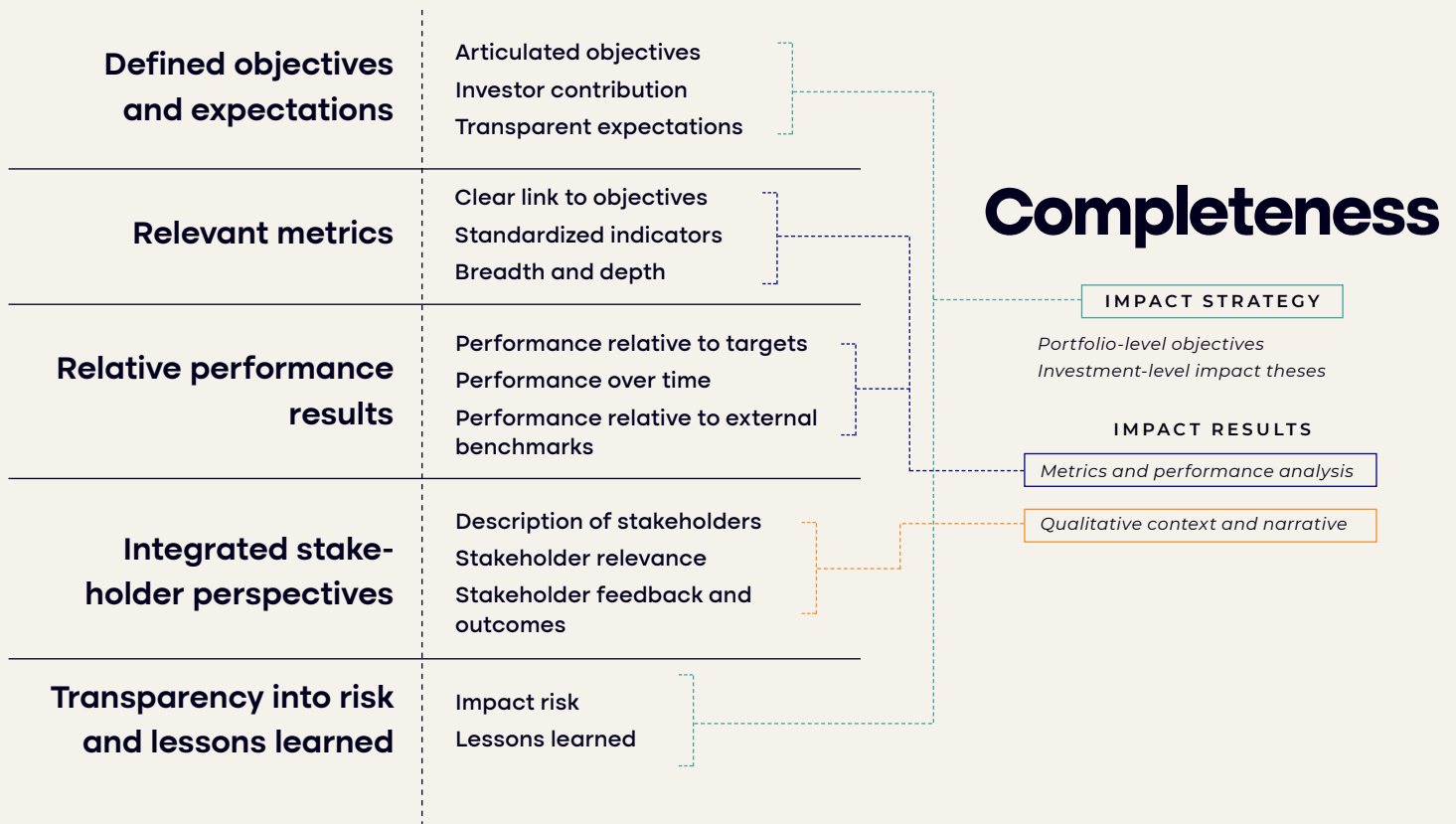


# Appendix

## Mapping RTB1 Elements to RTB2 Framework

The 'Key Elements' introduced in BlueMark's first *Raising the Bar* report provided a valuable input into the design of the new reporting verification framework. See the graphic below to see how the 'Key Elements' were integrated into the Completeness pillar of the new framework.

### The Key Elements of Quality Impact Reports



## Different Types of Reported Metrics

As part of BlueMark's reporting verification methodology, we look at the relevance of reported metrics across four distinct categories.

- . **Input metrics:** These include measures of the resources committed by the investor and can reflect both their financial (e.g., the amount of capital invested) and non-financial (e.g., # partnerships facilitated) contributions.
- . **Output metrics:** These include measures that count or describe the activities, products or services provided by an investee (e.g., # of housing units financed (IRIS+ P15965)), average loan size disbursed (IRIS+ P15160) and that relate to the intended investment outcomes. Relevant market standards include IRIS+, HIPSO, TCFD, etc.
- . **Outcome metrics:** These include measures of the medium- to long-term effects on people or planet resulting from activities, products or services (i.e., outputs) and linked to the investment's impact thesis.
- . **ESG metrics:** These include measures used to assess an investee's exposure to a range of environmental, social, and governance risks, and include measures of operational practices and performance. Relevant market standards include SASB, GRI, and IFRS.