

# Driving impact in public markets

## COELI CIRCULUS

Coeli Circulus, a first-time impact fund launched in 2022 out of the Nordics, engaged BlueMark to assess the degree to which their impact management system, tools, and processes were aligned with the Operating Principles for Impact Management (OPIM) and other relevant industry standards and best practices. Circulus invests primarily in listed equities and targets micro- and small-cap companies that broadly contribute to the Sustainable Development Goals (SDGs).

BlueMark has conducted 24 public equities verifications to date, representing more than \$98 billion USD in assets under management (AUM). The verification methodology used by BlueMark to assess clients' alignment with the Operating Principles for Impact Management (OPIM) is applicable across market strategies, and is grounded in impact investing best practices, market standards, and BlueMark's own research, including the "Making the Mark" series. Despite only 12% of impact investors focusing on public markets, the industry is increasingly challenging the assumption that public markets are inefficient and difficult to manage for impact (GIIN 2023). A growing number of investors argue that public equities present an opportunity to mobilize impact capital at much greater magnitudes than private markets and thereby generate impact outcomes on a larger scale.

During the verification process the BlueMark team comprehensively reviewed documents related to Circulus' impact management system to provide preliminary ratings for alignment with each Principle. Through a series of interviews, BlueMark met with Circulus staff responsible for the funds impact management design and implementation, providing additional context.

BlueMark's review found that Circulus' underlying Impact Management system was well aligned to the Impact Principles. Their fund's theory of change stipulates that solutions needed to achieve the SDGs will come from new technologies or business models championed by micro- and small-cap companies, and that meaningful, long-term impact can be driven by providing catalytic capital and technical/managerial expertise to scale these companies. Circulus' *raison d'être*, as such, is to facilitate and strengthen the impact of the companies they invest in.

*“Transparent, thoughtful, and detailed—precisely what is needed to build trust in the impact space and assist fund managers like ourselves in achieving our goals of contributing to a better tomorrow.”*

BlueMark's verification highlighted Circulus' robust investor contribution strategy which consists of three pillars: signaling impact matters, growing new or undersupplied markets, and engaging actively. Circulus collaborates with universities, non-profits, and a broad network of experts to research linkages between public equities strategies and impact. Circulus also communicates its

strategic impact objectives to investees, and the market more broadly, by applying an impact lens to companies not traditionally viewed as “impact.”

Despite the hurdles presented by impact investing in listed equities, Circulus is implementing pioneering impact strategies that enable the firm to have a comprehensive view of their contribution to impact and encourage impact to remain a focus beyond their investment.

BlueMark’s engagement also underscored strengths in Circulus’ proprietary SDG Taxonomy that integrates 51 SDG targets and 62 corresponding indicators across 14 SDGs, which the fund links to credible theories of change at the product or service level. The team sources potential investments using an AI SDG tool developed with SententIA, which identifies companies with products and services that contribute to the SDGs targets specified in Circulus’ SDG Taxonomy. Using this methodology, Circulus is able to provide impact capital to companies that may have been otherwise overlooked.

Throughout the verification, BlueMark also identified opportunities for Circulus to further align their impact management system with the Impact Principles. Given their commitment to investor additionality, BlueMark recommended the team implement a tracking tool to document engagement activities and capture the effects of those engagements. This tool would help to validate Circulus’ contribution strategy as a highly engaged public markets investor. BlueMark also recommended working with investees to establish clear impact and ESG monitoring processes, including tracking progress relative to targets or action plans.

The findings of BlueMark’s verification were presented to Circulus in a comprehensive report. The report assessed the alignment of Circulus’ impact management system, tools, and processes with each Impact Principle, emphasizing strengths, identifying opportunities for improvement and providing benchmarking data along with additional examples of best practices. BlueMark’s engagement with Circulus further proves that public markets pose an opportunity to massively scale the impact investing market, and rigorous impact management will ensure it does so with integrity.