

# Verifier Statement

## *Independent Verification Report*

*Prepared for Capital Medica Ventures: April 1, 2024*

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## Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)<sup>1</sup>, Capital Medica Ventures (“CMV”) engaged BlueMark to undertake an independent verification of the alignment of CMV’s impact management (IM) system with the Impact Principles. CMV’s assets under management covered by the Impact Principles (Covered Assets) totals ¥ 5.34 billion<sup>2</sup>, for the period ending 07/25/2023.

## Summary assessment conclusions

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

*Principle 1:* CMV has developed and clearly articulated an overarching theory of change with the firm-wide objective of demonstrating the potential of impact venture capital to address societal challenges in Japan. CMV should ensure its fund level ToCs include detail and evidence about the link between impact investing activities and specific intended societal impacts; the firm should map these objectives to the SDGs or other widely accepted goals.

*Principle 2:* CMV tracks KPI data across all investments in an aggregated spreadsheet and uses a standardised theory of change canvas across investments. To improve, CMV should consider opportunities to directly link the firm’s carried interest mechanism with the achievement of impact results.

*Principle 3:* CMV contributes to the achievement of impact of its investments through impact accelerator programs and providing support for the implementation of IMM practices. To improve, the firm should systematically evaluate the results of its contribution activities over time.

*Principle 4:* CMV uses a detailed theory of change canvas to assess the expected impact of each investment. To further align, the firm should clearly document KPI targets and consider assessing potential negative impacts of investments.

*Principle 5:* CMV has recently developed an ESG Due Diligence checklist modeled on the SASB standard. To improve, the firm should develop an ESG policy framework and consider developing ESAPs for each investee.

*Principle 6:* CMV monitors impact performance annually and holds regular meetings with investees. To further align, the firm should develop a formal process for addressing impact underperformance.

*Principle 7:* CMV has created an Impact IPO Support Manual and has described the effect various types of exits may have on the sustainability of impact.

*Principle 8:* CMV uses a Plan-Do-Check-Act cycle to evaluate the impact of investments and has shared clear examples of changes made as a result of this process. To further align, CMV should develop a standardised review template and consider opportunities to conduct a systematic review of unintended impacts of its investments.

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<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 CMV’s draft Disclosure Statement 07/25/2023. BlueMark’s assessment did not include verification of the AUM figure.

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### Detailed assessment conclusions

The chart below summarizes findings from BlueMark’s verification of CMV’s extent of alignment to the Impact Principles, using the following four ratings:<sup>3</sup>

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).<sup>4</sup>

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	M O D E R A T E
2. Manage strategic impact on a portfolio basis	H I G H
3. Establish the Manager's contribution to the achievement of impact	H I G H
4. Assess the expected impact of each investment, based on a systematic approach	H I G H
5. Assess, address, monitor, and manage potential negative impacts of each investment	M O D E R A T E
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	M O D E R A T E
7. Conduct exits considering the effect on sustained impact	H I G H
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	M O D E R A T E

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

<sup>4</sup> The decision to publicly disclose the results of BlueMark’s detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of CMV.

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### Assessment methodology and scope

Capital Medica Ventures 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 April 2024. 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>5</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 CMV staff responsible for defining and implementing the IM system;
3. Testing of selected CMV transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to CMV, 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 CMV in accordance with the agreement between our firms, to assist CMV in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit CMV to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate CMV’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 CMV for our work or this statement except where terms are expressly agreed between us in writing.

### About BlueMark

BlueMark, a Delaware-registered public benefit 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 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; and Portland, OR; and is headquartered at 154 W 14th St, 2nd Floor, New York, NY 10011. Its outside investors include S&P Global, Temasek Trust Capital, Blue Haven Initiative, Gunung Capital, Tsao Family Office, Ford Foundation and Radicle Impact. For more information, please visit [www.bluemark.co](http://www.bluemark.co).

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