

# Verifier Statement

## *Independent Verification Report*

*Prepared for Novastar Ventures: February 15, 2024*

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### Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)<sup>1</sup>, Novastar Ventures (“Novastar”) engaged BlueMark to undertake an independent verification of the alignment of Novastar’s impact management (IM) system with the Impact Principles. Novastar’s assets under management covered by the Impact Principles (Covered Assets) totalled \$200.5 million<sup>2</sup>, for the period ending 07/2023.

### Summary assessment conclusions

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

*Principle 1:* Novastar has clearly defined impact objectives aimed at improving the lives of everyday consumers and producers in sub-Saharan Africa. To further align, Novastar should more explicitly document the impact thesis and theory of change for each of its funds, citing the evidence base for its assumptions and logic wherever possible.

*Principle 2:* Novastar’s Social Value Screen and portfolio-wide impact metrics allow for the comparison of impact between investments. To further align, Novastar should consider opportunities to implement impact-linked incentives.

*Principle 3:* Novastar evidences its investor contribution by monitoring ESAPs, reporting on Technical Assistance, and documenting follow-on investments the firm has partially catalysed. To improve, the firm should more systematically document its intended strategies to contribute to the impact of each investment in the due diligence stage.

*Principle 4:* Novastar’s impact screen ensures sufficient impact alignment for each investment. The team selects impact metrics aligned with IRIS+ for each transaction and conducts interviews with customers in due diligence where possible.

*Principle 5:* Novastar has a robust ESG risk management system outlined in the firm’s ESGMS. The team completes a risk categorisation score and an ESG Action Plan for each investment. In certain cases, Novastar allocates Technical Assistance facility funds to assist with the implementation of ESG Action Plans.

*Principle 6:* Novastar tracks impact performance against baseline metrics every quarter and collects third-party impact reports across a selection of its portfolio. To improve, the firm should build out guidance on the intended actions it plans to take when actual impact performance varies from expectations.

*Principle 7:* Novastar considers possible avenues of exit for each investee at the time of each investment. To further align, the firm should formalise a strategic responsible exit framework.

*Principle 8:* Novastar reviews the impact performance of each investment in quarterly and annual fund reports. To further align, Novastar should develop a formal impact review process to inform ongoing refinements to their impact strategy and should also consider learnings based on any unintended impacts of 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 Novastar’s 2023 OPIM Disclosure Statement. BlueMark’s assessment did not include verification of the AUM figure.

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### Assessment methodology and scope

Novastar 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 February 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>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 Novastar staff responsible for defining and implementing the IM system;
3. Testing of selected Novastar transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to Novastar, 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 Novastar in accordance with the agreement between our firms, to assist Novastar in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit Novastar to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Novastar’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 Novastar 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; Portland, OR; and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA. 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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<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 Novastar. BlueMark has relied on the accuracy and completeness of any such information provided by Novastar. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from Novastar.