

# Operating Principles for Impact Management

## DISCLOSURE STATEMENT

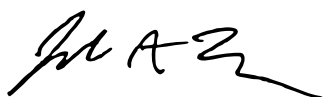
*July 31, 2024*

Community Investment Management LLC (“CIM” is a founding Signatory to the Operating Principles for Impact Management (the “Impact Principles”). The Impact Principles, adopted by over 180 leading global impact investors to-date, provide a reference point against which the impact management systems of institutions may be assessed. They represent an important step forward in integrating impact management best practice throughout the entire investment lifecycle.

CIM is an institutional impact investment manager that provides strategic debt capital to demonstrate and scale responsible innovation in lending in underserved communities. We deliver positive social impact by solving the access to capital challenge that disempowers low-income households and small businesses from realizing their full potential. CIM is an active voice among our industry peers, advocating for the adoption of global standards that define responsible lending and protect historically marginalized borrowers. We intentionally and exclusively partner with innovative credit providers that offer responsible and transparent financial solutions to underserved communities. In marrying our capital with our advocacy, we help advance a more inclusive financial system through the demonstration of commercial viability and creation of social impact. Whenever possible, CIM adheres to the IFC Exclusion List with regards to its portfolio investments.

CIM leverages the Impact Principles as an important roadmap in our prioritization and integration of impact management throughout the entire investment lifecycle. We strive for best-in-class impact management practices and are committed to continual strengthening of our efforts. Since 2014, CIM has enabled over \$15.7 billion of credit to more than 11 million borrowers in the United States and emerging markets. Current covered assets include approximately \$940 million.

This Disclosure Statement affirms that CIM’s core business, including its impact management systems, policies and practices, and the loans and investments it makes through innovative credit provider partners are managed in alignment with the Impact Principles. This report covers all of CIM’s assets.



**Jacob Haar**

*Managing Partner*

Community Investment Management LLC

July 31, 2024

## OVERVIEW

### Impact Thesis

Affordable financing for small businesses and historically underserved communities remains largely inaccessible from traditional lenders. Small businesses have historically been a principal engine of jobs, growth, and innovation in the economy, yet business owners cite access to capital as one of their top constraints to growth. The COVID-19 pandemic and its economic fallout have only accentuated this problem for small businesses and underserved communities. For many individuals, household expenses are growing faster than income, largely driven by inflation. Even before the current economic crisis, the median wealth of U.S. households had not yet recovered to pre-2008 levels and, according to the Financial Health Network, 71% of Americans (178 million people) are defined as either Financially Coping or Financially Vulnerable<sup>1</sup>. These individuals have limited access to financial products that allow them to build credit.

Over the past decade, alternative lenders with practices ranging from responsible to predatory have emerged to address this lending gap. In today's digital world, innovative lenders are able to access and analyze broad data sets, offering solutions to efficiently acquire, underwrite, and service traditionally underserved borrowers with smaller amounts of capital. We believe this lending environment will continue to propel innovation forward by a set of tech-savvy entrepreneurs who are designing creative, productive financial products and services that improve the financial health of underserved communities. During the economic fallout of the pandemic, responsible fintech lenders have shown that they can play an important role as financial first responders in part because of their ability to move quickly and due to the acceleration of digital adoption by end users that has led to improvements in data quality and infrastructure.

CIM's impact focus and investment strategy is to identify compelling, responsible lending models that benefit underserved borrowers and scale this innovation through to strategic debt capital. We believe this will advance financial inclusion, improve financial health of borrowers and drive widespread adoption of such innovation by the financial mainstream.

<sup>1</sup> Financial Health Network, *U.S. Financial Health Pulse: 2019 Trends Report*

**PRINCIPLE 1**

## Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objective<sup>2</sup> for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

### Portfolio-Level Impact Objective

Since 2014, CIM has played an integral role in the development of responsible and transparent innovation in digital finance. CIM seeks to deliver positive social impact by partnering with innovative credit providers offering responsible and transparent financial solutions to underserved communities. CIM's impact thesis reflects its focus on financing small businesses and individuals underserved by the traditional banking sector by fueling the expansion of responsible credit provided through fintechs and other innovative credit providers.

Through our investments and industry leadership, CIM delivers impact on three levels:

#### Enabling Environment: Shaping Policy & Lending Practices

CIM has established itself as a leading voice for responsible lending practices in the U.S. Our advocacy work in the sector has centered on developing a set of responsible practices and codified behavior within fintech lending, including co-founding the Small Business Borrowers' Bill of Rights.

#### Market Building: Scaling Responsible Fintech Leaders

CIM provides strategic debt financing to scale and demonstrate responsible innovation in credit products and drive widespread adoption by the financial mainstream. CIM's partnerships cultivate an ecosystem for responsible and transparent products that advance financial inclusion and improve financial health of communities.

#### Borrower Access: Reaching Underserved Communities

CIM works closely with partners that prioritize the delivery of responsible and transparent financing solutions in underserved communities, including small businesses, students, and low-income households. The majority of the businesses funded by CIM are owned by women, people of color, or military veterans.

<sup>2</sup> Impact objectives can be defined as the intended impact that contributes to financial, institutional, social, environmental, or other benefits to a society, community, or group of people via one or more investment. Adapted from OECD-DAC ([www.oecd.org/dac/](http://www.oecd.org/dac/)).

CIM's impact strategy is fully integrated into its investment strategy. The investment process leverages impact measurement tools includes to identify eligible partners. The investment underwriting process includes rigorous financial and social due diligence by our investment professionals, and the Investment Committee responsible for approving investments assesses both financial and impact performance of potential partners.

### **CIM's Alignment with Sustainable Development Goals**

CIM's portfolio aligns with select Sustainable Development Goals. The IRIS+ metrics we measure to assess impact are mapped – in partnership with the World Bank – to the targets and sub-targets of the Sustainable Development Goals. Our investments in responsible fintech leaders help reach underserved communities including small businesses, students, and low-income households to advance financial inclusion and improve financial health.



## PRINCIPLE 2

# Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

### **Investment Process and Impact Management**

CIM integrates impact considerations throughout its investment process, including the screening, diligence, execution, and monitoring phases.

CIM's investment process reflects a deep understanding of non-bank lenders and alternative lending methodologies based on our experience with global specialty lenders for more than a decade. Our combined top down and bottom up diligence approach integrates careful evaluation of potential portfolio companies and their products and practices through a social impact, risk, and financial lens.

The social impact diligence of lending partners is assessed via two key tools: CIM's proprietary Impact Scorecard and the ESG Assessment. Additionally, the strengths, shortcomings and impact-related value add provided by CIM are captured in our Investment Memoranda, which drive Investment Committee decision-making. The Investment Memoranda also detail the impact objectives, impact risks, and terms of each investment. Throughout the life of the investment, CIM monitors impact creation and provides internal and external reporting to our investors. CIM has also created an annual impact survey to collect qualitative data to augment quantitative metrics.

Borrower-level portfolio impact metrics are either collected from our lending partners or independently sourced by our team on a regular basis. CIM has aligned our impact metrics with the industry by more fully adopting the Global Impact Investing Network's (GIIN) IRIS+ indicators, where feasible.

### **Further Alignment**

Strong impact and financial performance are at the core of our investment strategy and the CIM investment team is committed to achieving both. CIM is evaluating ways to further incorporate impact performance into team incentive structures.

### PRINCIPLE 3

## Establish the Manager's contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels.<sup>2</sup> The narrative should be stated in clear terms and supported, as much as possible, by evidence.

### Channels for Achieving Impact

CIM's impact-oriented capital enables fintechs that are reaching underserved communities to iterate, prove, and scale their responsible lending products. With our strategic debt facilities, innovative credit providers demonstrate commercial success and catalyze replication by mainstream financial service providers. The ultimate goal is advance a more inclusive financial system where is widespread availability of transparent and responsible solutions for the underserved.

CIM contributes to the impact of each investment by engaging with its partners to embed responsible lending practices, which enhance positive impact for communities and minimize harm to borrowers. CIM ensures long-term adoption of borrower-centric practices by encouraging lenders to sign up to third-party responsible lending standards (e.g., Small Business Borrowers' Bill of Rights).

CIM's advocacy and policy work in the sector contributes to our overarching impact strategy to drive widespread change and ensure fair borrower protections across the broader fintech industry, not just for our specific lending partners. CIM has promoted responsible lending practices in the U.S. with various regulatory bodies across different credit verticals and through several robust industry partnerships. For instance in small business lending, there are fewer regulations and consumer protections in place for financial products. Harmful and unregulated products threaten the livelihoods of small business owners and their employees in communities across the U.S. In an effort to promote borrower-friendly products for small businesses, CIM worked with the Responsible Business Lending Coalition to co-author and develop a set of responsible practices and codified behavior within fintech lending - The Small Business Borrowers' Bill of Rights.

<sup>2</sup> For example, this may include: improving the cost of capital, active shareholder engagement, specific financial structuring, offering innovative financing instruments, assisting with further resource mobilization, creating long-term trusted partnerships, providing technical/market advice or capacity building to the investee, and/or helping the investee to meet higher operational standards

The Small Business Borrowers’ Bill of Rights identifies six fundamental rights that all small business owners seeking financing deserve and outlines how lenders, brokers, and lead generators should uphold and protect these rights.

In addition to promoting borrower protections for small business lending, CIM’s consumer lending investments align with the Financial Health Network’s Compass Principles, a framework developed to define guidelines for designing responsible and inclusive financial consumer products and services.

COMPASS PRINCIPLES	PROMOTE SUCCESS - Drive positive consumer behavior through smart design & communication					SMALL BUSINESS BORROWERS' BILL OF RIGHTS
	BUILD TRUST - Develop mutually beneficial products that deliver clear & consistent value				EMBRACE INCLUSION Responsibly expand access	
	CREATE OPPORTUNITY - Provide options for upward mobility					
	<b>The Right to Transparent Pricing &amp; Terms</b>	<b>The Right to Non-Abusive Products</b>	<b>The Right to Responsible Underwriting</b>	<b>The Right to Fair Treatment From Brokers</b>	<b>The Right to Fair Collection Practices</b>	<b>The Right to Inclusive Credit Access</b>
	Transparent rates No hidden fees Plain-English terms Clear comparison with other products	No debt traps No ‘double dipping’ No new charges on principal for refinancing No hidden prepayment charges Allow for pressure-free borrower decisions No unearned interest charge Appropriate product Prompt prepayment assistance Responsive complaint management Clear notice regarding referrals	Offer financing only to those who can repay Revenue share lenders must ensure SMB can remain profitable while meeting payments Right sized financing Responsible credit reporting	Transparent loan options Transparent broker fees Transparency of aggregate results from borrowers who obtained financing from broker Allow for informed borrower decisions Disclose conflicts of interest No fees for failures Responsive complaint management	Fair treatment, i.e. abide by the Fair Debt Collections and Practices Act Responsible oversight of fair treatment by third party collections and debt buyers Provide accurate information to third party collectors and debt buyers	No discrimination; respect fair lending laws, including the Equal Credit Opportunity Act

## Our Initiatives



#### PRINCIPLE 4

## Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact<sup>3</sup> potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact?<sup>4</sup> The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards<sup>5</sup> and follow best practice<sup>6</sup>.

### Impact Assessment and Diligence

CIM introduced two proprietary tools to facilitate consistent and rigorous assessment of (i) impact in underserved communities, (ii) alignment with responsible lending principles, and (iii) ESG policies. The purpose of these tools is to strengthen impact assessment practices during the due diligence process and ensure codification of CIM's longstanding approach to impact creation. The two tools are: the Impact Scorecard and the ESG Assessment.

1. Leveraging global standards - such as the Compass Principles, the Small Business Borrowers' Bill of Rights, and the Responsible Investing in Digital Financial Services principles - the proprietary **Impact Scorecard** that we created measures the provision of responsible loan products in underserved communities. The Scorecard facilitates benchmarking across the CIM portfolio and assists investment officers during the due diligence process.
2. The **ESG Assessment** tool references key policies identified by the Global Reporting Initiative (GRI). These material ESG policies assist loan officers in understanding how mature the potential fintech investee is in mitigating ESG-related risks. Investment officers score the maturity of policies using the Institutional Limited Partners Association (ILPA) methodology.

CIM provides training to all investment officers on how to leverage these tools during due diligence.

<sup>3</sup> Impact is considered the material effect/s on people and the environment resulting from the investment, as outlined in Principle 1. Impacts assessed under Principle 4 may also include positive ESG effects derived from the investment.

<sup>4</sup> Adapted from the Impact Management Project ([www.impactmanagementproject.com](http://www.impactmanagementproject.com)).

<sup>5</sup> Industry indicator standards include HIPS0 (<https://indicators.ifipartnership.org/about/>); IRIS ([iris.thegiin.org](http://iris.thegiin.org)); GIIRS (<http://banalytics.net/giirs-funds>); GRI ([www.globalreporting.org](http://www.globalreporting.org)); and SASB ([www.sasb.org](http://www.sasb.org)), among others.

<sup>6</sup> International best practice indicators include SMART (Specific, Measurable, Attainable, Relevant, and Timely), and SPICED (Subjective, Participatory, Interpreted & communicable, Cross-checked, Empowering, and Diverse & disaggregated), among others.



In the CIM Investment Memoranda document, we document the expected impact of alternative credit providers, calling out:

- The relative size of the challenge being addressed;
- The alternative credit provider’s potential to make an impact on that challenge with their innovative solution;
- The primary beneficiaries of the innovative solution;
- Indirect impacts of the alternative credit provider’s strategy;
- Mitigating factors for impact risk;
- The additionality from CIM’s investment; and
- Material environmental, social, and governance (ESG) factors.

Potential impact risks are discussed with our Investment Committee, including thoughts on and approaches for mitigation.

CIM gathers partner-level and underlying borrower-level data on key impact metrics that are among the Global Impact Investing Network (GIIN) IRIS+ taxonomy. Measuring impact via a common industry taxonomy facilitates benchmarking and industry insights. Leveraging IRIS+ indicators also adds greater specificity to how CIM’s impact contributes to the achievement of the Sustainable Development Goals (SDG) since IRIS+ indicators have been mapped - in collaboration with the World Bank - to SDG targets and sub-targets.

## PRINCIPLE 5

# Assess, address, monitor, and manage potential negative impacts of each Investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG)<sup>7</sup> risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice.<sup>8</sup> As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

As an institutional impact investment manager, CIM is committed to support and enhance responsible environmental, social, and governance (“ESG”) practices in screening, due diligence, and investment monitoring. We incorporate ESG factors material to innovative credit providers when we consider risks and opportunities during the diligence process.

CIM assesses material ESG policies in reference to the GRI framework. CIM investment officers measure the thoroughness, maturity and sophistication of ESG policies and their implementation, using CIM’s ESG Assessment tool. This tool leverages the ILPA methodology for assessing ESG policies and practices.

CIM has asked all potential partners to affirm alignment with key responsible business actions that are derived from the OECD’s Guidelines for Responsible Business for Multinationals and to consider affirmation of the United Nations Global Compact Principles. These new partner requests by CIM further our efforts to address, manage and mitigate negative impacts.

To bolster positive impacts and minimize negative ones, CIM provides tailored advisory support to portfolio companies that request assistance on impact and/or ESG practices. Annually, we inquire about areas where CIM can provide support and request feedback about the quality and value of technical assistance that we have already provided. Our goal is to support our fintech partners on their ESG and impact journeys, regardless of their starting points.

CIM is in the process of exploring metrics and tools to measure ESG improvements over time and to strengthen the lasting impact of our engagement. CIM reports on ESG management to investors annually.

<sup>7</sup> The application of good ESG management will potentially have positive impacts that may or may not be the principal targeted impacts of the Manager. Positive impacts resulting from ESG matters shall be measured and managed alongside with, or directly embedded in, the impact management system referenced in Principles 4 and 6.

<sup>8</sup> Examples of good international industry practice include: IFC’s Performance Standards ([www.ifc.org/performancestandards](http://www.ifc.org/performancestandards)); IFC’s Corporate Governance Methodology ([www.ifc.org/cgmethodology](http://www.ifc.org/cgmethodology)), the United Nations Guiding Principles for Business and Human Rights ([www.unglobalcompact.org/library/2](http://www.unglobalcompact.org/library/2)); and the OECD Guidelines for Multinational Enterprises (<http://mneguidelines.oecd.org/themes/human-rights.htm>).

## PRINCIPLE 6

# Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action.<sup>9</sup> The Manager shall also seek to use the results framework to capture investment outcomes.<sup>10</sup>

CIM has established a process to monitor impact performance on an ongoing basis, including the specification of monitoring plans for a given investment, data collection in the investor portal, and annual impact reporting broken out by underlying borrower segment (i.e., small businesses, low-income households, and students). Our regular portfolio impact reporting, as well as the CIM data warehouse and investor portal, provide our team and investors with updated impact metrics across our investments. CIM authors an annual impact report that is shared with our investors.

The CIM Impact Portfolio Report summarizes financial and impact metrics monitored across CIM's portfolio and is updated regularly. CIM tracks metrics regarding small business borrowers, student borrowers, and low-income household borrowers.

In the agreements which govern the relationship between CIM and each lending partner, reporting requirements and eligibility criteria that includes the IFC Exclusion List are agreed upon and documented. CIM collects reporting data from portfolio companies through API connections and/or through monthly, quarterly, or annual reporting files from our lending partners. CIM reviews the terms of underlying loan positions to ensure eligibility and alignment with various covenants. If loans are submitted for funding that violate eligibility criteria, a repurchase event is triggered. Should a lending partner engage in lending practices that CIM deems irresponsible or predatory, CIM may halt funding.

<sup>9</sup> Actions could include active engagement with the investee; early divestment; adjusting indicators/expectations due to significant, unforeseen, and changing circumstances; or other appropriate measures to improve the portfolio's expected impact performance.

<sup>10</sup> Outcomes are the short-term and medium-term effects of an investment's outputs, while the outputs are the products, capital goods, and services resulting from the investment. Adopted from OECD-DAC ([www.oecd.org/dac/](http://www.oecd.org/dac/)).

**PRINCIPLE 7**

## Conduct exits considering the effect on sustained impact.

When conducting an exit,<sup>11</sup> the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

CIM's strategy demonstrates and scales innovative financial products, bringing responsible and transparent solutions for the underserved into the financial mainstream.

CIM takes steps early in the investment process to ensure impact beyond the investment period, including encouraging lenders to conform their practices with third-party impact standards e.g., Small Business Borrowers' Bill of Rights, Compass Principles. CIM thoughtfully assesses the potential impact implications of exercising our control rights as debt investors, particularly in cases of default. The repayment schedules takes into account our consideration of the investee's capacity to comply with the financing terms, and the sustainability of its impact on the end-beneficiaries. Our approach is to stay engaged and grow with our investees, aiming to support their development as contributors of economic and social value in the communities they serve.

Our investment diligence process considers how our capital may help sustain lenders' social impact beyond the life of the credit facility. CIM's impact-oriented capital and deep partnership model ensures that by the time innovative lending products come into the financial mainstream, they have been engrained with key impact product design features, terms, and criteria which ensure alignment beyond the life of CIM's investment.

CIM is working to document our existing processes that outline our consideration of impact sustainability beyond our investment period for a given transaction.

<sup>11</sup> This may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.

**PRINCIPLE 8**

## Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

CIM reviews and documents the impact performance of each investment through its regular impact reporting, including impact reports capturing aggregate impact by theme and borrower profiles capturing impact performance by lender. The firm also has a track record of continuously improving its impact management processes.

Throughout CIM's history, we have iterated and improved our impact management process through annual review. We reflect on impact achievements, and industry and diligence learning. We also leverage the experiences of new and seasoned team members, industry collaborative working groups, initiatives, and standards, and our partnerships with investors and stakeholders to strengthen our impact management processes.

CIM utilizes the impact performance data it collects not only to assess the impact of its existing portfolio companies, but also as a valuable source of information regarding diligence on new lending partners and in our forward-looking strategic investment decisions. CIM authors an annual impact report that is shared with our investors.

## PRINCIPLE 9

# Publicly disclose alignment with the Impact Principles and provide regular independent verification<sup>12</sup> of the alignment.

The Manager 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.

This Disclosure Statement re-affirms the alignment of CIM's policies, procedures, and processes with the Impact Principles<sup>13</sup>. We plan to conduct an independent verification of our impact management system whenever our process alters significantly or after 5 years following the first review, whichever is first.

### Current Independent Verifier

Information on the current independent verifier is as follows:

Tideline Advisors, LLC is a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, focused on the design and verification of IM systems with leading asset owners and managers. In 2020, Tideline established a subsidiary with a separate, dedicated team focused on impact management verification.

Tideline has offices in New York, NY and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA

Date of most recent review: May 5, 2020

Please find our Public Verifier Statement on the following page.

<sup>12</sup> The independent verification may be conducted in different ways, i.e., as part of a financial audit, by an independent internal impact assessment committee, or through a portfolio/fund performance evaluation. The frequency and complexity of the verification process should consider its cost, relative to the size of the fund or institution concerned, and appropriate confidentiality.

<sup>13</sup> The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

## VERIFIER STATEMENT

## Independent Impact Management Verification

Prepared for CIM: May 5, 2020



## BACKGROUND

As a signatory of the Operating Principles for Impact Management (the Principles), Community Investment Management (CIM) is committed to disclosing the degree of alignment of its impact management (IM) system with the Principles.<sup>1</sup> CIM engaged Tideline to undertake the assessment.

## ASSESSMENT METHODOLOGY

Tideline reviewed CIM's set of IM tools and processes for the purpose of assessing its degree of alignment with the Principles.<sup>2</sup> To do so, Tideline used a proprietary rubric informed by:

1. The text of each Principle and associated implementation guidance;
2. Tideline's proprietary process assessment criteria, which are mapped to each Principle; and
3. Tideline's retained knowledge of the state of IM practices

## SUMMARY ASSESSMENT

Tideline conducted an assessment to verify the CIM IM system's degree of alignment with the Principles. Key takeaways from the assessment are:

- **Areas of strength:** CIM has articulated clear portfolio-level impact objectives, which are mapped to the Sustainable Development Goals (SDGs) at the target-level and linked to positive and measurable impact metrics (Principle 1). The firm's investment process establishes and monitors impact achievement at the portfolio-level and for individual investees, including upfront screening against impact criteria, impact diligence, and ongoing impact monitoring (Principle 2). CIM's process to assess expected impact, in particular, evaluates a variety of impact considerations and uses impact metrics aligned with industry standards (Principle 4).
- **Areas for improvement:** Tideline identified opportunities for further alignment, including additional steps to enhance the management and ongoing monitoring of Environmental, Social, and Governance (ESG) risks and performance (Principle 5), as well as establishing a standardized and documented process to consider the sustainability of impact beyond the investment period (Principle 7).

## ABOUT TIDELINE

Tideline Advisors, LLC is a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, focused on the design and verification of IM systems with leading asset owners and managers. In 2020, Tideline established a subsidiary with a separate, dedicated team focused on impact management verification.

Tideline has offices in New York, NY and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA.

<sup>1</sup> Principle 9 states that signatories shall "publicly disclose alignment with the Principles and provide regular independent verification of the alignment: The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the 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> Tideline's full assessment for CIM states each of the Principles, describes the CIM IM processes covered by the Principles, and identifies areas where further alignment is appropriate and feasible. The scope of Tideline's assessment procedures does not include the verification of the resulting impacts achieved. Tideline's assessment is based on its analyses of publicly available information and information in reports and other material provided by CIM. Tideline has relied on the accuracy and completeness of any such information provided by CIM. The assessment results represent Tideline's professional judgment based on the procedures performed and information obtained.