



British International  
Investment

**Impact Score**  
2022 – 26 Strategy Period

## Our approach to impact management

As an impact-led organisation, we have set three strategic development impact objectives that respond to the opportunities and challenges we see in the countries we serve: to make investments that are productive, sustainable, and inclusive.<sup>1</sup> We manage our activities around delivering those strategic objectives, and seek to maximise them throughout the investment lifecycle. It starts with the way we set strategies to invest in sectors and regions, then in finding investment opportunities and deciding what to invest in, through to structuring our investments and managing our portfolio, and finally to responsible exits and evaluations.

Our approach to impact management is grounded in the **Operating Principles for Impact Management (OPIM)** (see Figure 1 below), of which we are a founding signatory. At the heart of our approach sits our overarching **Impact Framework**, which draws on the five dimensions of impact defined by the **Impact Management Project**. This framework shapes how we assess the expected impact of individual investments, as summarised in our **Impact Dashboards**, when taking investment decisions; how we assess the difference we are making as an investor; and how we monitor and manage their impact performance after investment.

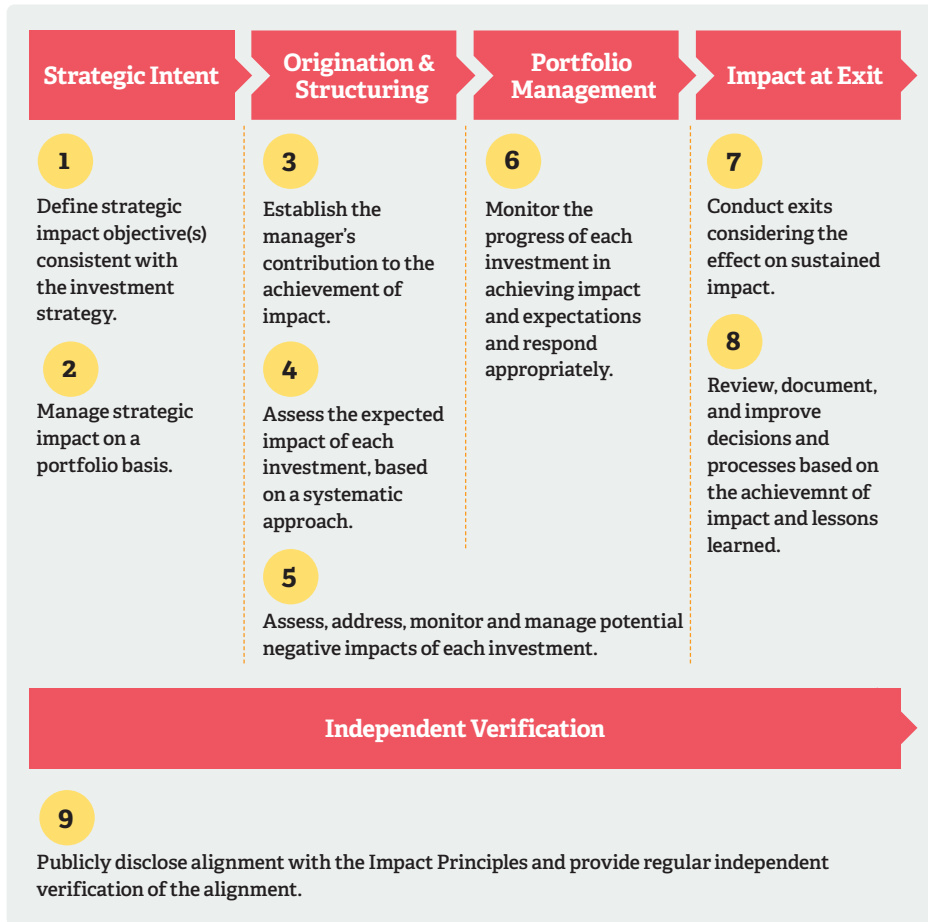


Figure 1: The Operating Principles for Impact Management

<sup>1</sup> For more information about the implementation of our strategic impact objectives see our **Technical Strategy** document, and for the rationale behind these objectives see **The Economics of Development Finance**, both available on our website.

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## 02

### Role and design of the Impact Score

For our 2022-2026 strategy period, we have developed an Impact Score as a tool for 'managing strategic impact on a portfolio basis', which is the second principle of the OPIM. The Impact Score is designed to recognise and incentivise investments that are likely to contribute most to our three strategic impact objectives. It complements our more detailed assessments of the expected impact of individual investments, by providing a quantitative metric that can be aggregated and used to monitor and analyse strategic impact performance across the portfolio. It is calculated using a subset of the information found in the Impact Dashboards and monitoring plans. These Impact Dashboards remain the primary tool we use to make individual investment decisions.

The Impact Score replaces our Development Impact Grid which we have used since 2012, as one of the key performance indicators reported to our shareholder, the Foreign, Commonwealth & Development Office (FCDO). As a performance indicator, its design favours objectivity and simplicity. More nuanced and qualitative aspects of the expected development impact of investments, which require subjective judgment to interpret, such as an investment's expected 'depth', 'risk' and 'contribution', are excluded from the Impact Score but remain central to our investment decisions and impact management, and are captured in our full assessments of the expected impact of individual investments.

The Impact Score's design features include:

- **Portfolio tool:** Individual scores are aggregated at the portfolio level into an 'Aggregate Impact Score' (a weighted average of individual impact scores for all investments committed to from 2022 onwards). We will generate and report an Aggregate Impact Score, which we expect to range between four and eight during the 2022-26 period. We are accountable to our Board and FCDO for performance against the Aggregate Impact Score, and we will publicly report on it in our Annual Review, as external scrutiny is an important part of the model. This is a portfolio performance measure and there is no minimum threshold score requirement for individual investments, which reflects the fact that it is designed to be 'right on average' across the portfolio. The approach also allows us to take a balanced approach to constructing our portfolio, where we are also required to meet annual investment return targets.
- **Predictable:** The Impact Score is designed to be intuitive and easy to calculate from the early stages of originating investment opportunities, to be most effective at providing our investment teams with the clarity they need to prioritise their activities. The Impact Score would not effectively influence investment behaviour if it only emerged from a 'black box' at the final Investment Committee stage.
- **Pragmatic:** The Impact Score is designed to adapt to the level of information we have available, which varies across products, sectors, and the stage of the investment process. Various 'default' assumptions can be used to calculate the Score where more granular information is not available.

Every investment we make will have an associated Impact Score which is based on the *expected* development impact of the investment (*ex-ante*). The score for each investment will also be updated over the lifetime of the investment at regular intervals, based on the *actual* impact performance (*ex-post*).

The Aggregate Impact Score is also used to partially determine staff remuneration, under our Long-Term Incentive Performance Plan, another reason that the score is designed as a simple and objective measure.



# 03

## Calculating the score

Every eligible investment will receive Productive, Sustainable, and Inclusive scores. The sum of the three scores will result in a Total Impact Score, which can range from -1 to 10.<sup>2</sup>

- **Productive score:** reflects how efficiently an investment addresses the biggest developmental needs, and the extent to which the investment is expected to have positive spillovers onto the productivity of other firms. It ranges from 0 to 4.
- **Sustainable score:** reflects to what extent the investment will contribute to the transition to net zero and climate-resilient economies. The score depends on whether and to what extent the investment qualifies as climate finance<sup>3</sup>. If qualifying, an investment is scored according to its contribution to climate mitigation, adaptation and resilience. If not, it is scored on greenhouse gas (GHG) emissions and contribution to climate adaptation and resilience. It ranges from -1 to 4.
- **Inclusive score:** captures who is directly benefitting from the investment, using either known characteristics of workers and customers (initial income, gender and ethnicity), or a default country score. It ranges from 0 to 4.

Impact score	=	Productive score	+	Sustainable score	+	Inclusive score
<b>What does this mean?</b>		Raising the productivity of an economy so that it can support a decent standard of living for all.		Helping transform the economy to reduce emissions, protect the environment and adapt to the changing climate.		Sharing the benefits of higher productivity and greater sustainability with poor and marginalised sections of society.
<b>How will we measure it?</b>		<ol style="list-style-type: none"> <li>1. Degree of need</li> <li>2. Intensity</li> <li>3. Economic enablers</li> <li>4. Catalysing markets</li> </ol>		<ol style="list-style-type: none"> <li>1. Climate mitigation</li> <li>2. Climate adaptation and resilience</li> </ol>		<ol style="list-style-type: none"> <li>1. Reach to low-income populations</li> <li>2. Poor and fragile countries</li> <li>3. Gender and diversity</li> </ol>

<sup>2</sup> While the sum of the Productive, Sustainable and Inclusive scores can in theory be greater than 10, the total score will be capped at 10 by design given these opportunities are extremely rare

<sup>3</sup> Our climate finance methodology uses the Common Principles for Mitigation Finance Tracking and the Common Principles for Adaptation Finance Tracking used by the Multilateral Development Banks (MDBs)

### 3.1 Productive score

The Productive score is constructed from four elements. The first two elements are combined to generate a base score of 0 to 4; the second two award additional points to a maximum of 4.

1. The **relative degree of need** which the investment will address. The primary need selected for scoring purposes must be central to and consistent with the impact thesis presented in the Impact Dashboard. Eligible needs are linked to the Sustainable Development Goals and either improve people's quality of life directly, such as through higher incomes, food security, healthcare, or directly by producing outputs that have proven large-scale positive economic spillovers, such as power, transport and logistics, financial services for businesses. For each need, a score is assigned to countries based on a relative gap assessment: countries where the need is greater will have a higher score. Investments that operate in multiple countries are scored by a regional weighted average. See Annex B for the full list of needs and indicators.
2. The **intensity** at which the investment delivers the impact. This captures how efficient the investment or company is in delivering impact compared to relevant benchmarks. Benchmarks for different sectors are built from available data sources, including both our own investments and other market level information. Default 'in line with benchmark' intensity scores will be used where no suitable benchmarks are available, and intensity will be considered immaterial where our investment does not result in additional impact.
3. **Economic enablers.** Investments will receive an additional point where they produce inputs that are required by many other firms; where there is evidence that reducing the price or increasing the quality of these inputs has a significant impact on the growth of firms; and where the impact case rests on these effects.
4. **Potential to catalyse markets.** Additional scores will reward investments that have the potential to improve market structures and the behaviours of other market actors by increasing competition, pioneering new business models that can lead to replication by others, reinforcing demonstration, building skills and human capital, or improving the enabling environment. The impact thesis of such investments typically materialises only in the medium to long term – and relevant benchmarks may not yet exist – and we want to recognise the transformative potential.

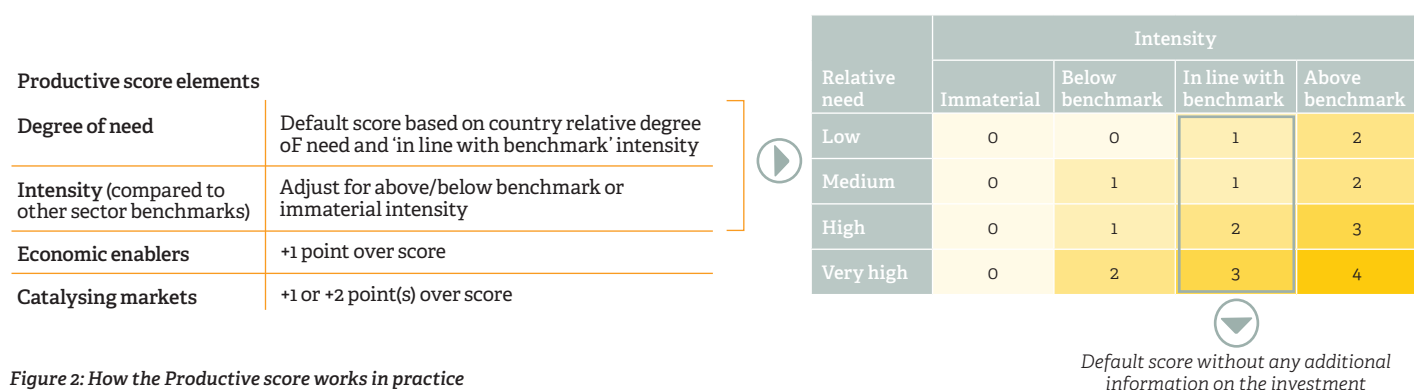


Figure 2: How the Productive score works in practice

## 3.2 Sustainable score

The Sustainable score aims to incentivise investments that contribute the most towards the transition towards net zero and climate-resilient economies. These investments should be creating impact by facilitating the transition to net zero through avoiding, reducing or sequestering GHG emissions (mitigation); as well as strengthening the adaptative capacity and building the climate resilience of people, business, physical and natural assets, and economies to acute and chronic physical climate risks.

### Design of the Sustainable score

The Sustainable score depends on whether and to what extent an investment qualifies as climate finance. Non-climate finance investments are scored based on GHG emissions (mitigation) and can be awarded an additional point for meeting adaptation and resilience (A&R) finance qualification. Climate finance investments qualify based on our climate finance methodology and are scored on GHG emissions avoided (renewable energy), reduced (energy efficiency), or sequestered (forestry), general contribution to mitigation objectives, or on their A&R finance qualification. The visual below provides an overview on the Sustainable scoring.

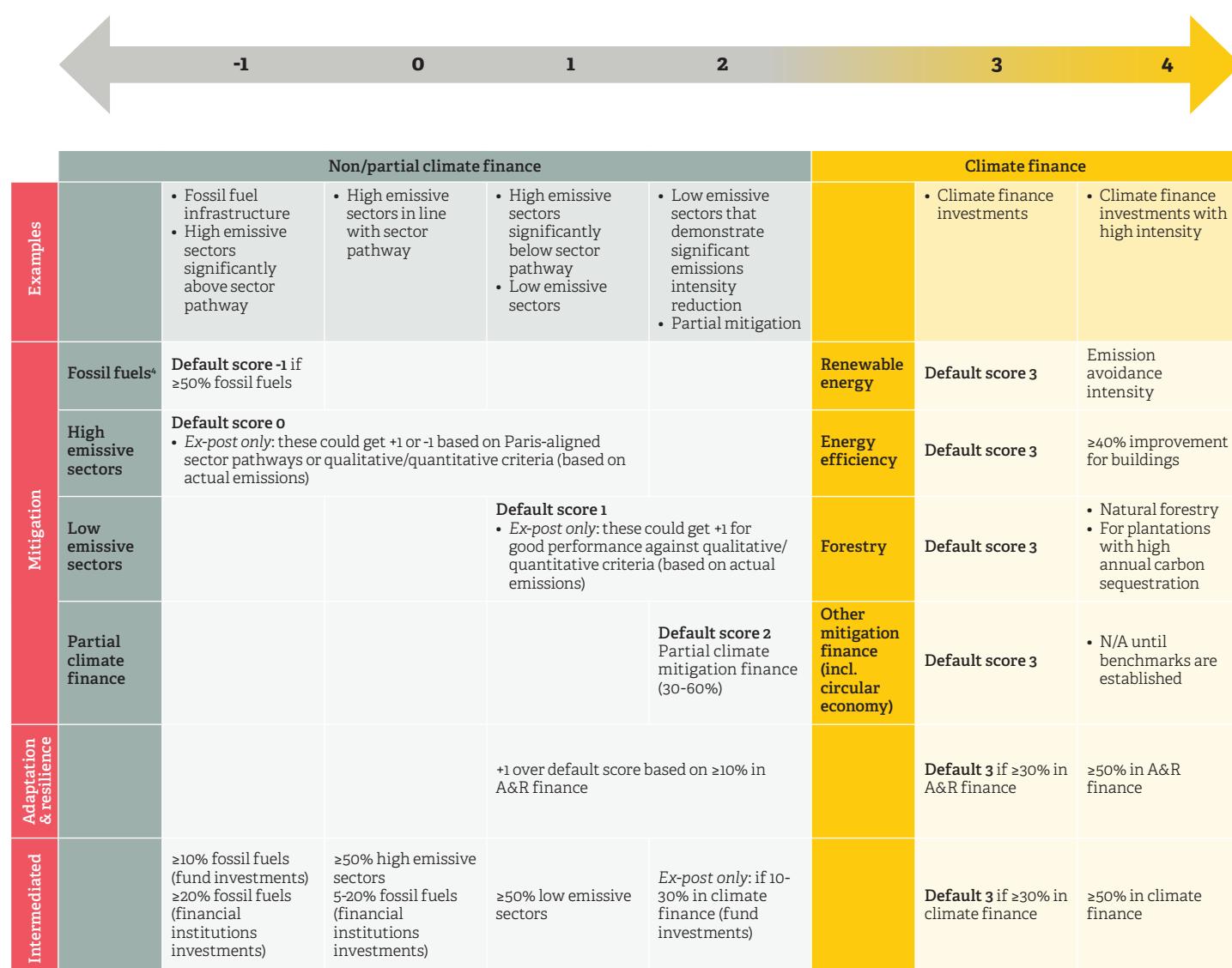


Figure 3: How the Sustainable score works in practice

4 The vast majority of new investments in the fossil fuel value chain are excluded as per our [Fossil Fuel Policy](#).

### 3.3 Inclusive score

The Inclusive score is based on the profile of the stakeholders that the investment is expected to positively benefit. We consider inclusion across three dimensions: cross-country inequality, within-country inequality, i.e. reach to lower-income members of society, and reaching or empowering otherwise excluded groups, namely women and black African business owners and leaders.

#### Design of the Inclusive score

- **Reach to low-income populations.** Where stakeholder characteristics are known, and reaching these stakeholders is central to the impact thesis, scores are determined by percentage of stakeholders reached living below \$5.50/day (a poverty line based on consumption measured in Purchasing Power Parity dollars, maintained by the World Bank). These stakeholders could be customers, employees or suppliers, but the score will only consider the key stakeholder group corresponding to the intended impact of the investment. Evidence to support our assessment of the poverty level of expected stakeholders can be obtained through surveys or based on a set of approved proxies. The maximum direct reach score is 4.
- *Alternatively, default country scoring* is used when micro data about the poverty level of key stakeholders is not available. This will usually be the case when the investment thesis is based on the effects of “economic enablers” on productivity across a market or region. These scores are based on ranking countries according to the poverty gap, GDP per capita and fragility measures (see Annex A for the full list). Where an investment is in multiple countries, the score will be determined by the average of the investment’s reach weighted by the most relevant metric (jobs, revenues, use of proceeds etc). The maximum default country score is 3.
- **Gender and diversity.** Additional point(s) can be awarded for investments that meet these criteria. We use the **2X Challenge criteria** to determine which investments enhance women’s economic participation, and have developed similar criteria to recognise black African business ownership and leadership. These points are awarded in addition to the poverty level or default country score (one point for each qualification) to a maximum of 4.

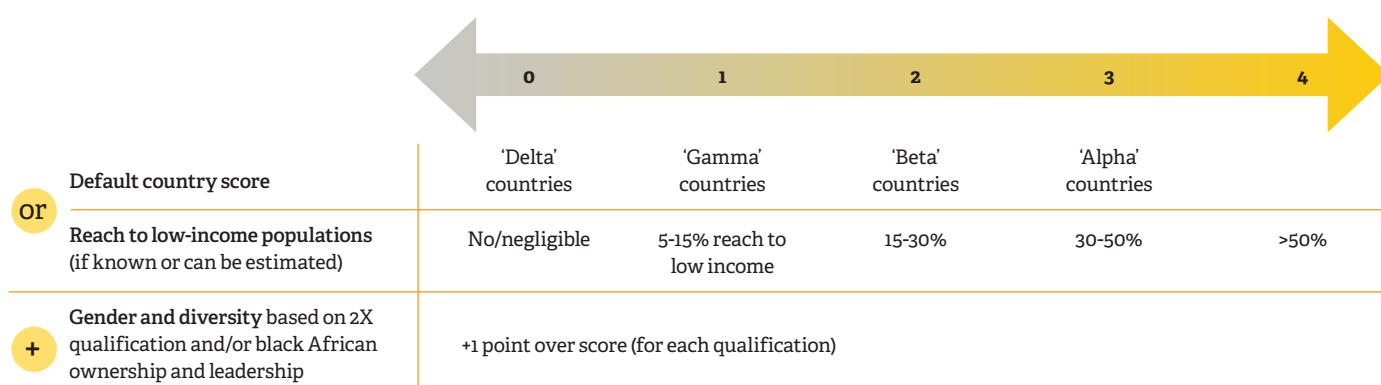


Figure 4: How the Inclusive score works in practice





## 04

### Scoring based on actual performance

All investments will be re-scored at regular intervals to track whether they are performing against their original thesis. Scores can remain constant or move up or down depending on performance. A re-score will automatically be triggered at exit.

Each investment has a monitoring plan that is tailored to its impact thesis as outlined in the Impact Dashboard. For instance, the 'intensity' component of the Productive score is based on a forecast impact metric at relevant time horizons, and this element of the score will be recalculated periodically, based on observed delivery. Other elements of the score that are amenable to rescoring based on new information include the geographic split for investments through fund managers, or elements of the Sustainable score that are tied to quantifiable thresholds.

## Annexes

### Annex A: Inclusive – country default score list

<b>Methodology</b>	<ul style="list-style-type: none"> <li>• Uses 3 indicators: Poverty Gap @ \$5.5, GDP per capita (current PPP), OECD Fragile</li> <li>• Methodology: Poverty Gap and GDP per capita (PPP) normalised using z-scores, then added. Categories drawn using larger gaps in the distribution.</li> <li>• Fragile countries (OECD) moved to Beta where otherwise lower, extremely fragile countries (OECD) moved to Alpha where otherwise lower</li> </ul>				
<b>Output</b>	<b>'Alpha'</b> Default score 3	South Sudan Burundi Somalia Central African Republic Congo, Dem. Rep. Congo, Rep.	Guinea-Bissau Liberia Eritrea Niger Togo Malawi	Sierra Leone Tanzania Chad Mali Benin Sudan	Rwanda Zambia Mozambique Madagascar Afghanistan Haiti
	<b>'Beta'</b> Default score 2	Burkina Faso Uganda Zimbabwe Angola Nigeria Sao Tome and Principe Ethiopia Guinea	Kenya Senegal Lesotho Cameroon Cote d'Ivoire Comoros Gambia, The eSwatini	Djibouti Mauritania Bangladesh Pakistan Myanmar Libya Equatorial Guinea	Cambodia Lao PDR Papua New Guinea Solomon Islands Micronesia Vanuatu
	<b>'Gamma'</b> Default score 1	Nepal India Ghana	Namibia South Africa Egypt, Arab Rep. Cabo Verde	Philippines Timor-Leste Belize	Kiribati Tuvalu Marshall Islands Samoa Tonga
	<b>'Delta'</b> Default score 0	Morocco Botswana Bhutan Tunisia Algeria	Mauritius Sri Lanka Gabon Maldives Seychelles	Indonesia Thailand Malaysia Vietnam Fiji Nauru Palau	Dominica Dominican Republic Grenada Guyana Jamaica St Lucia St Vincent and the Grenadines Suriname

Three eligible geographies in the Indo-Pacific (Niue, Tokelau and Wallis & Futuna) are not classified in World Bank income groups and data availability is limited. These countries will be scored using the regional average.

## Annex B: Productive – list of needs and indicators

We have segmented needs and identified indicators for each to assess the degree of need for the Productive score. The preference was for a single indicator or index from an external, independent source which captured the relative degree of need wherever possible – in some cases, we have created indices to combine several indicators.

Need	SDG	Gap assessment indicator	Source
Jobs and economic opportunities		Index of: 1) wage and salaried workers as a % of total employment, and 2) poverty gap at \$5.50/day	ILO/World Bank
Food security		Global Hunger Index	Concern Worldwide/ Welt Hunger Hills
Healthcare		UHC service coverage index	UN SDG
Education		Learning adjusted years of schooling	World Bank
Water		Population using at least basic drinking water services	WHO
Power access (consumers and businesses)		Combined propriety index: 1) access to electricity, 2) energy consumption per capita, and 3) proportion of electricity from a generator	UN SDG/International Energy Agency/WB
Transport and logistics		Index: 1) Logistics Performance Index (quality of trade and transport-related infrastructure), and 2) passenger travel by road and rail per capita (passenger km)	World Bank/ UN SDG
Housing/Real estate		Urban population growth	World Bank
Financial services for consumers		Proportion of adults (15 years and older) with an account at a financial institution or mobile-money-service provider	Findex
Financial services for SMEs		MSME finance gap as % of GDP and domestic credit to private sector (% GDP)	World Bank/IFC
Financial services for business and capital market development		Domestic credit to private sector (% GDP)	World Bank
Information and communications services		ICT Development Index	World Telecommunications/ICT Indicators Database
Industrialisation and economic complexity		Index: manufacturing value added (% of GDP) and economic complexity	World Bank
Economic productivity		Productivity Capacity Index	UNCTAD

