

# Independent impact management verification

## Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)<sup>1</sup>, British International Investment (BII) engaged BlueMark to undertake an independent verification of the alignment of BII's impact management (IM) system with the Impact Principles. BII's assets under management covered by the Impact Principles (Covered Assets) totals \$10.45bn<sup>2</sup>, for the year ending 12/2021.

## Assessment methodology and scope

BII 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 May 2022. 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 BII staff responsible for defining and implementing the IM system;
3. Testing of selected BII transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to BII, 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.

## About Tideline

BlueMark, a Tideline 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 is a wholly owned subsidiary of Tideline Advisors, LLC, a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognised leader in impact measurement and management, working with leading asset owners and managers to design and implement impact management systems.

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. For more information, please visit [www.bluemarktideline.com](http://www.bluemarktideline.com).

<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 2022 Impact Principles Disclosure Statement Final as of 05/25/2022. BlueMark's assessment did not include verification of the AUM figure.

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

## **Summary assessment**

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

- *Principle 1:* BII's new strategy is focused around three impact objectives (Productivity, Sustainability, and Inclusivity) and is clearly and consistently reflected in specific, measurable goals at the investment and portfolio level. In addition, BII has conducted and compiled research to support its objectives. BII's Impact Score is used in part to assess the proportionality of intended impact to the size of its investment portfolio.
- *Principle 2:* BII assesses portfolio level impact through the Impact Score, standard metrics – collected at the portfolio and sector level – and quarterly portfolio review meetings (PRMs). A formal staff remuneration policy directly tied to the Impact Score links impact performance at the portfolio level to long-term incentive compensation for eligible staff.
- *Principle 3:* BII considers its potential contribution to the impact of its investments as a key part of the ex-ante screening process. BII contributes to investees' achievement of impact on thematic issues and ESG via Technical Assistance (BII Plus), board and committee seats. Contribution is monitored at quarterly PRMs and via external evaluations under the Evaluation and Learning Programme.
- *Principle 4:* BII leverages the Impact Score and the IMP's Five Dimensions to assess the expected impact of each investment and develops an impact thesis which situates individual investments within BII's broader goals. BII draws on industry standards including JII and 2X to enable ongoing monitoring of expected vs. actual impact.
- *Principle 5:* BII's Policy on Responsible Investing details its process for assessing and mitigating E&S and BI risks. If significant risks are identified, ESAPs and/or BIAPs (Environmental and Social and/or Business Integrity Action Plans) are developed and progress against these monitored. Risks are monitored at quarterly PRMs using BII's RAG rating and Early Warning System. BII's policy is aligned with industry standards including the IFC.
- *Principle 6:* BII consistently monitors the impact performance of each investment by collecting development impact indicators aligned with the IMP's Five Dimensions. In the event of impact or risk underperformance, a Special Situations Team is notified and addresses the issue. Investment outcomes are captured via external evaluations, case studies and investee surveys.
- *Principle 7:* BII has developed and implemented a Responsible Exits Guidance and supporting IC Exit Paper Template. To continue to advance practices, BII should ensure that all levers available for ensuring sustainability of impact beyond exit are included in the guidance and ensure that all deal teams explicitly incorporate sustainability of impact into the PRM process.
- *Principle 8:* BII has a standardised process to review each investment's impact performance, via quarterly PRMs, ex-post impact assessments and at exit. BII captures and integrates learnings using a range of levers as part of its Evaluation and Learning Programme in partnership with the Foreign and Commonwealth Development Office (FCDO). Evaluative activities are internally audited and overseen by a joint steering committee including FCDO.

## Detailed assessment

The chart below summarises findings from BlueMark's verification of BII's extent of alignment to the Impact Principles, using the following four ratings:<sup>4</sup>

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).<sup>5</sup>

PRINCIPLE	ALIGNMENT
1. Define strategic impact objective(s), consistent with the investment strategy	ADVANCED
2. Manage strategic impact on a portfolio basis	ADVANCED
3. Establish the Manager's contribution to the achievement of impact	ADVANCED
4. Assess the expected impact of each investment, based on a systematic approach	ADVANCED
5. Assess, address, monitor, and manage potential negative impacts of each investment	ADVANCED
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	HIGH
7. Conduct exits considering the effect on sustained impact	ADVANCED
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	ADVANCED

<sup>4</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 BII. BlueMark has relied on the accuracy and completeness of any such information provided by BII. The assessment results represent BlueMark's professional judgment based on the procedures performed and information obtained from BII.

<sup>5</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 BII.