British International Investment

Disclosure Statement

Operating Principles for Impact Management

Published: July 2022

We are a founding signatory to the Operating Principles for Impact Management (the Impact Principles). The Impact Principles provide a reference point against which the impact management systems of funds and institutions may be assessed. They draw on emerging best practices from a range of asset managers, asset owners, asset allocators and development finance institutions.[1]

This Disclosure Statement affirms that our core/client business, including (a) impact management systems; (b) policies and practices; and (c) investment services (including debt, equity, trade and supply chain finance, asset management, syndications, derivatives and structured finance, and blended finance instruments) are managed in alignment with the Impact Principles. Total portfolio net assets under management in alignment with the Impact Principles are $10.45 billion[2] as of 31 December 2021.[3] At the end of this Disclosure Statement, you will find an independent verification by Tideline Inc. We take the findings of this verification seriously, and will be working to bring our policies, procedures and practice up to the highest standards on all Impact Principles.

Nick O'Donohoe

Chief Executive Officer,
British International Investment

1 July 2022

Liz Lloyd

Chief Impact Officer,
British International Investment

1 July 2022

1 British International Investment (BII) acknowledges that it is a high-level description prepared for public disclosure and may not, therefore, include every aspect of the systems and processes that each reader may consider important.

2 Includes BII's own commitments, funds under management and direct investments. The covered assets include USD 776.6m from our platforms: Gridworks, Globeleq and MedAccess who have independent boards, shareholders and funders.

3 The sole purpose of this Disclosure Statement is to fulfil BII's obligations pursuant to Principle 9. This document shall not constitute and should not be construed as an offer, solicitation or invitation to buy or sell any securities, financial instruments or services whether described herein or otherwise, or as any prospectus or investment- related advice in relation thereto, nor is it intended to form the basis of a decision to participate in any investment. BII makes no guarantee or other promise as to any outcomes, including any financial or development impact results that may be obtained from the practices disclosed in this statement. While past performance may be analysed in this Disclosure Statement, past performance should not be considered indicative of future performance. Accordingly, BII shall not have any liability to any of the recipients of this Disclosure Statement, nor to any other party in connection with or arising in any way from, or in relation to, the information or any opinions expressed in this Disclosure Statement, and BII does not accept any responsibility whatsoever for any action taken, or omitted to be taken by any party on the basis of any matter contained in, or omitted from, the Disclosure Statement.

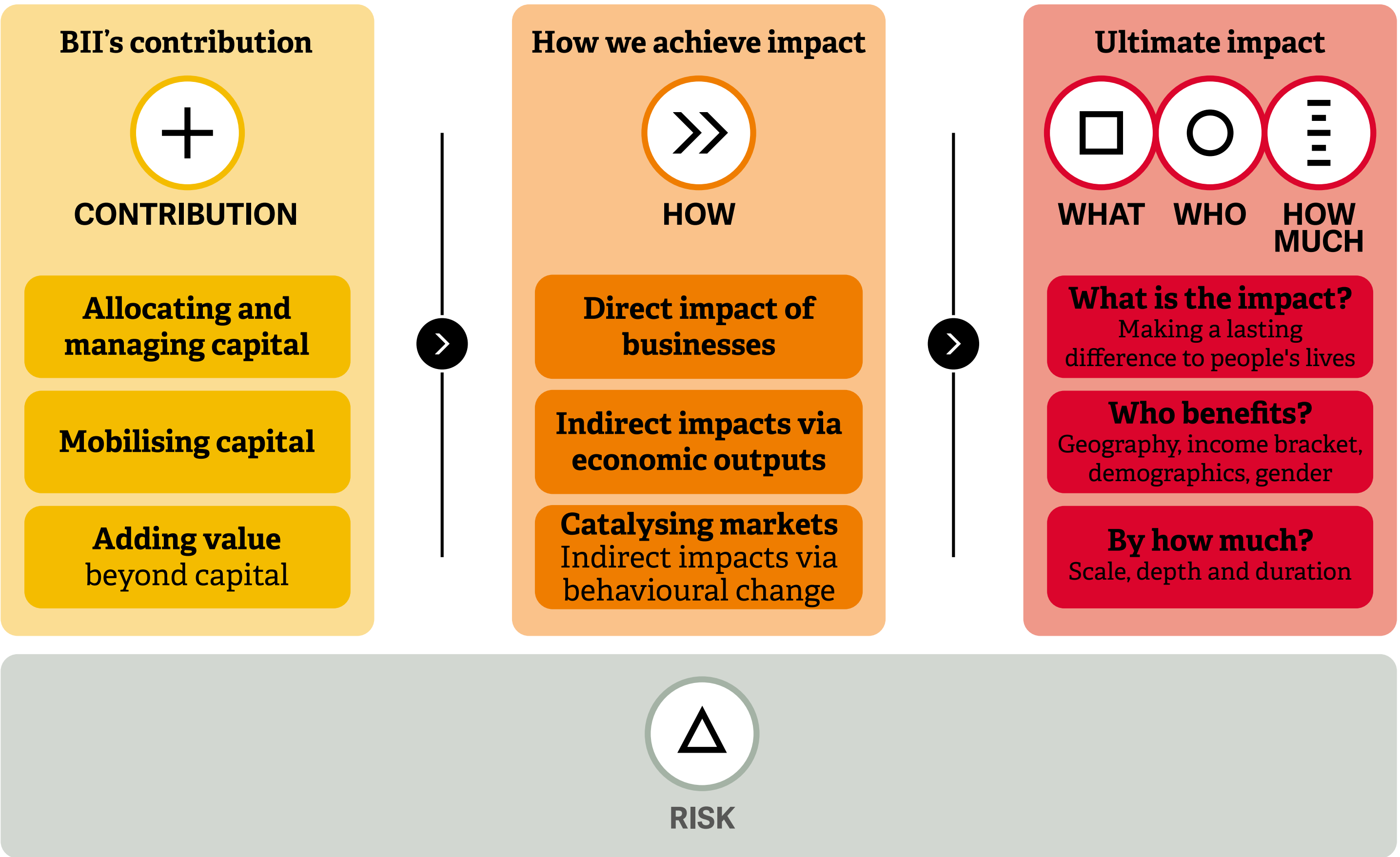
Principle 1

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

Principle states: The Manager shall define strategic impact objectives 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 the scale and/or intensity of the intended impact is proportionate to the size of the investment portfolio.

- We are the UK's development finance institution, wholly owned by the UK government. We help solve the biggest global development challenges by investing patient, flexible capital to support private sector growth and innovation. We invest to create more productive, sustainable and inclusive economies in Africa, Asia and the Caribbean, enabling people in those countries to build better lives for themselves and their communities.
- We are sector-led in our approach to finding, creating and managing successful investments. This helps us better understand the markets we invest in, who the best partners are to work with, the opportunities and risks investees face, and how best to support them. Our investment teams focus on three sector groups: Financial services, Infrastructure and climate, and SMART industries (services, manufacturing, agriculture, real estate and technology).
- In our 2022 – 2026 Technical Strategy, we outline three strategic impact objectives that respond to the opportunities and challenges we see in the countries we serve. We invest to achieve:
    - **Productive development** – by raising the productivity of an economy so that it can support a decent standard of living for all;
    - **Sustainable development** – helping transform the economy to reduce emissions, protect the environment and adapt to the changing climate; and
    - **Inclusive development** – sharing the benefits of higher productivity and greater sustainability with poor and marginalised sections of society.
- Our strategy is aligned with the Sustainable Development Goals (SDGs), and the achievement of many of the SDGs will lead to the elimination of poverty (SDG 1). Our strategic focus on productive development prioritises SDG 8 on decent work and economic growth. Our broader impact includes helping remove market constraints in energy and infrastructure (SDG 7 and 9) and improving access to essential goods and services, such as health and education (SDG 3 and 4) through our sector-led approach. We will also mobilise additional sources of capital from partners because this is key to increasing the funding available to achieve the Goals (SDG 17). We will target 25 per cent of all new investments during 2022–26 to qualify as gender finance using the 2X criteria (SDG 5). To support net-zero and climate-resilient development we will target 30 per cent of all new investments to qualify as climate finance and work towards Paris alignment of all our investments and portfolio (SDG 13).
- We have developed an overarching **Impact Framework** that provides a consistent approach to thinking about and articulating development impact across sectors and products. It adopts the Impact Management Project's (IMP's) definition of impact underpinned by sector-specific impact frameworks, as well as a standardised approach for assessing the development impact for each transaction.
    - **Sector impact frameworks** identify the specific impact(s) we seek to achieve in a sector and align this impact to our overarching Impact Framework and the SDGs.
    - **Impact dashboards and theses** are specific to each investment and articulate the development impact that we expect from each transaction enabling effective decision making around impact.
    - **Impact monitoring plans** allow us to track the performance of our investments against pre-defined targets and KPIs (as defined in the Impact dashboards).
    - **Impact at exit reviews** help us take the decision on whether and how we should exit the investment, taking impact into account.
    - Our **commitment to responsible investing and environmental and social governance and business integrity** is central to our overall impact mission. As an impact investor, BII has a dual mandate: to deliver responsible and sustainable development impact and to make sustainable financial returns. As a responsible investor, we place significant value on the role we play as an enabler of better E&S and business integrity outcomes through the investments we make.

Impact Framework



Impact Dashboard

WHAT	The type of impact the investment is contributing to, linked to the Sustainable Development Goals
HOW	Understanding how the company contributes to impact
WHO	Which stakeholders are reached and their circumstances prior to the investment
HOW MUCH	How many stakeholders are reached and the degree of change they experience
RISK	The likelihood the impact will be different than expected
CONTRIBUTION	BII's role in achieving the impact

Principle 2

Manage strategic impact on a portfolio basis

Principle states: 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. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- Our new Impact Score has been developed as a tool to help us manage strategic impact on a portfolio basis in line with our 2022–2026 impact objectives - Productive, Sustainable and Inclusive. It is designed to reward and incentivise investments that are most likely to contribute to these three objectives. It complements our transaction-level impact assessments by providing a quantitative measure to each investment that can be aggregated and used to monitor impact performance at an organisational level. 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 used between 2012–2021, 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.
- We will generate and report an Aggregate Impact Score on an annual basis, 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 our other impact targets and our annual financial return targets.
- Every investment we make from 1 January 2022 onwards 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.

Principle 3

Establish the Manager's contribution to the achievement of impact

Principle states: 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.
The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- Under our Investment Policy, agreed with our shareholder the FCDO, we consider our contribution in each investment decision. Our contribution may arise from the provision or terms of our finance (i.e. financial additionality), role and influence as an investor, the services that we provide (i.e. value additionality), or through mobilisation. This considers the nature of our contribution, our confidence that we are providing support that commercial investors would not and the scale of difference that our contribution makes to the expected development impact.
- We will only make an investment when we believe that it will contribute meaningfully to development impact. The contribution is documented in detail in the investment papers.

Principle 4

Assess the expected impact of each investment. Based on a systematic approach

Principle states: For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer the fundamental questions: 1) What is the intended impact? 2) Who experiences the intended impact? 3) How significant is the intended impact? 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 relevant size of the challenge addressed within the target 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 and follow best practice.

- We have adopted a consistent structure and format for assessing and presenting analysis on development impact in investment decision making. This structure takes into account the six dimensions of impact that are part of our overarching Impact Framework: What, How, Who, How Much, Contribution and Impact Risks. Approvals for new investments, regardless of the product or sector, must include a fully completed impact assessment. This provides a credible and evidenced case on whether net impact is commensurate with the capital and other resources deployed.
- We are an active investor, looking to add value to maximise the aggregate development impact generated by our investment portfolio. We have a set of resources which can be used on a case-by-case basis to actively help investees increase their commercial performance and development impact. Our Gender, ESG-I, Climate and Business Integrity teams provide additional expertise and resources for this purpose (see our ESG toolkits for Financial Institutions and Fund Managers, and our Gender toolkit).
- The Impact Group manages BII Plus, a technical assistance programme financed by the FCDO, that can be allocated to pipeline and portfolio companies and broader market shaping.
- We consider further harmonisation of impact measurement, indicators and reporting an important focus area. We work with our fellow European Development Finance Institutions (EDFIs) on this, currently leading an EDFI initiative to harmonise the econometric modelling of impact on (direct and indirect) jobs. We also actively participate in numerous platforms to advance impact measurement and harmonisation, notably the Joint Impact Indicators and the Joint Impact Model.

Principle 5

Assess, address, monitor, and manage potential negative impacts of each investment

Principle states: 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, Governance and Business Integrity (ESG) 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. 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.

- We invest in a responsible manner, considering environmental, social, governance and business integrity (ESG) risks and issues relevant to each investment to enable better outcomes. Our approach to ESG is set out within our Policy on Responsible Investing. The Policy uses the IFC Performance Standards and international reference frameworks on the development of effective Business Integrity (BI) risk management systems as the principal basis of our ESG requirements. The Policy also describes the way in which we support our investees to implement the Policy, as well as how we monitor its implementation.
- The Policy sets out the core E&S and BI requirements which we expect every investee to meet irrespective of the investment product. Requirements cover areas such as compliance to national E&S and BI laws, international best practice around anti-corruption and fraud risk management core labour standards and excluded activities, which are harmful from an environmental or social perspective. Depending on the nature of their business activity, investees may also be expected to meet risk-specific E&S and BI (ESG) requirements, taking into account the scale and severity of those risks. Examples of risk-specific ESG requirements might include commitments to biodiversity conservation, data privacy, resource efficiency or protecting cultural heritage. We support the objectives set out in the Policy on Responsible Investing through our popular online ESG toolkit and run regular in-depth training events and workshops to build ESG capacity across our portfolio.
- To assess which requirements we should place on investees to meet our E&S and BI standards, we conduct E&S and BI due diligence for all investments. We have a highly specialised team and set of systems in place to assess E&S and BI risks. This includes evaluating the current state of the investees' ESG management systems and practices as well as their commitment and capacity to making improvements and adhering to industry good practices. It is expected that all investees are in line with the Policy or work towards adherence over an agreed timeframe as a condition of investment.
- E&S and BI due diligence is reviewed by management as well as through the Investment Committee process (which includes both internal and external parties). We have adopted a 'three lines' model to manage risks set out in the Policy and of our portfolio overall: our E&S and BI teams form part of the first line and are responsible for the implementation of the Policy; Risk and Compliance teams act as second line and Internal Audit functions as third line. Regular reporting on ESG I issues is provided to the Board, specifically the Development Committee, as well as our shareholder, the FCDO.

Principle 6

Monitor the progress of each investment in achieving impact against expectation and respond appropriately

Principle states: The Manager shall use the results framework (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 actions. The Manager shall also seek to use the results framework to capture investment outcomes.

- Our Impact teams conduct ongoing monitoring and evaluation of investees which includes assessing progress and outcomes against the Impact Dashboard and the potential for value-add activities. Monitoring may include activities such as site-visits, meetings with management, assessments of management reporting, data received from annual monitoring reports and reports from third-party consultants.
- We use a risk-based and proportionate approach to focus resources and attention to investments based on a risk assessment of E&S and BI issues and our ability to provide additional value.
- Our Portfolio Review Meetings, conducted on a quarterly basis, are the forum through which management monitor and discuss the impact performance alongside the financial performance of each investment using Development Impact and ESG RAG (red, amber, green) ratings. Where impact is not performing as expected, we consider whether there is an opportunity to exert influence to improve outcomes.
- All material events or changes expected to cause a deterioration of the investments' impact or financial returns are elevated to the Special Situations team. Depending on the nature and severity of the issues identified, the Special Situations team may become involved in the management of the investment in an advisory or leading capacity to develop and deliver solutions to keep the asset as a going concern and preserve impact and financial value. Such solutions can include restructurings and responsible exits.
- Portfolio metrics are also collected annually from investee companies. This data is processed, reviewed and goes through quality control checks. All data which successfully passes quality control is then used for analysis and reporting.
- Our Impact measurement handbook is a practical guide to data collection that provides investors, businesses and private sector development practitioners with an overview of tools and methods for effective and appropriately tailored data collection for impact measurement and management. It was designed to understand the context for impact measurement, guide selection of data collection tools/methods that can measure impact, reveal business-critical insights and create value for companies and, by extension, people and/or planet. It aims to bolster the knowledge of the broader impact investing community around innovative and well-established tools and methodologies in impact measurement and management and thus contribute to a nascent and rapidly evolving space.

Principle 7

Conduct exits considering the effect on sustained impact

Principle states: When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effects which the timing, structure, and process of its exit will have on the sustainability of the impact.

- In any exit of any investment we seek, where we have discretion to do so, we ensure that such an exit or disposal is consistent with the achievement of our mission and objectives (both financial and developmental), and within the scope of our Policy on Responsible Investing.
- When exits are considered, we require a formal approval process which sets out a clear rationale for the exit, with commercial and impact returns assessed equally (including analysis relative to original expectations). How development impact will be sustained after our exit is an important factor that is reviewed by management. The development impact considerations are analysed in depth through an exit review with lessons learned.
- To address recommendations from BlueMark's independent verification in 2020, we have developed Responsible Exit guidance, which has been rolled out for eligible exits since January 2022.
- This guidance was produced in consultation with investment teams, the Impact Group and other BII teams involved in investment management and exits (including CIO, Special Situations, Legal and Compliance). The guidance reflects the following principles:
  a) the need to retain flexibility when integrating impact and commercial decisions to reflect the range of situations and available options we face,
  b) the challenges of addressing self-liquidating products (some impact investors take a more active approach than we are proposing), and
  c) the need to keep the approach proportionate.
- Our Investment Process Manual, Exit IC templates, and Exit ICs processes have been updated across the organisation to align with the Responsible Exits guidance.

Principle 8

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

Principle states: 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.

- Review and documentation of impact performance takes place in portfolio review meetings and exit reviews, supplemented by an evaluation and learning programme covering each sector group, co-managed with and financed by the FCDO and using independent evaluators overseen by an expert steering group.
- We also commission Insight studies on impact performance. Additionally, our Evaluations team annually compiles a portfolio-wide impact results analysis alongside the impact disclosures in our Annual Review.
- As part of our commitment to drawing out and learning lessons from our investments, our Chief Investment Officer leads a formal programme of lessons learned reviews on key development impact outcomes of our investments. The aim of the process is to strengthen our internal feedback loops through taking deep dives into transactions, both successful and unsuccessful, where outcomes warrant an in-depth review. The reviews focus on what lessons we should learn, and what we should do differently or more consistently in the future. They look to draw lessons for all relevant levels in the organisation, for example deal teams, Investment Committee, Executive Committee and the Board, focusing on forward-thinking collective lessons, rather than individual accountability.
- In addition to scrutiny from our Internal Audit function, impact performance is also reviewed quarterly by the FCDO, our shareholder, and regularly by UK Government agencies such as the National Audit Office and Independent Commission on Aid Impact.

Principle 9

Publicly disclose alignment with the Principles and provide regular independent verification of the alignment

Principle states: 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 Note is our annual confirmation of the alignment of our procedures with the Impact Principles and will be updated annually.
- We have sought an external verifier in 2022 to comply with this Impact Principle, as we enter the new strategy period (2022-26). BlueMark's report can be found in the Annex of this statement.
- Information on the current independent verifier is as follows:

Name and Address:
BlueMark, Tideline Inc.'s independent impact verification services, 915-2 Battery St. San Francisco, CA 94111

Qualifications:
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 impact management (IM) systems with leading asset owners and managers. In 2020, Tideline established a subsidiary with a separate, dedicated team focused on impact management verification. For more information about the organization, qualifications, and services, please visit tideline.com.

Most recent review:
17 June 2022

Next independent verification:
2025

Appendix

Independent impact management verification

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)[1], 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[2], 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.[3]

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.

1 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."

2 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.

3 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:[4]

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).[5]

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

4 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.

5 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.

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