

# Verifier Statement

## *Independent Verification Report*

*Prepared for British International Investment: May 22, 2024*

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## 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 \$9.23 billion<sup>2</sup>, for the year ending 12/2023.

## Summary assessment conclusions

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 2022-2026 strategy targets three key impact objectives – Productivity, Sustainability, and Inclusivity – and uses an Impact Score to monitor and manage progress against this strategy, alongside cross-cutting gender and climate goals. For each of its three focus sectors, BII has developed an impact framework and theory of change, supported by research.

*Principle 2:* BII assesses portfolio-level impact through its Impact Score and via quarterly portfolio review meetings. 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 assesses its contribution to the impact of each investment via contribution assessments in final IC papers. DI monitoring plans further detail BII’s contribution monitoring activities, and BII has committed to an external evaluation of its mobilisation efforts.

*Principle 4:* BII leverages the Impact Score and the IMP’s Five Dimensions to assess the expected impact of each investment, supplemented by an evaluation of expected impact risks and an associated mitigation plan. The firm also establishes impact metrics and targets to support impact monitoring.

*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 are developed and progress monitored. Risks are monitored at quarterly PRMs using a RAG rating and Early Warning System. BII’s policy is aligned with industry standards including the IFC.

*Principle 6:* BII monitors the impact of each investment and collects data on an annual basis. The firm uses a RAG rating system to regularly assess performance against expectations and identify impact underperformance. Investment outcomes are captured via external evaluations, case studies and investee surveys.

*Principle 7:* BII’s Responsible Exit Guidance provides a structured approach to sustaining impact at exit. The firm has introduced a periodic Buy/Hold/Sell analysis for the portfolio to actively consider exit opportunities for each investment during the holding period.

*Principle 8:* BII has a standardised process to review each investment’s impact performance and unexpected impacts, via quarterly PRMs, Sector Group reviews and ex-post impact assessments. The firm captures and integrates learnings as part of its Learning and Evaluation Plan in partnership with FCDO.

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<sup>1</sup> Principle 9 states that signatories “shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.”

<sup>2</sup> Assets under management figure as reflected in BII’s draft 2024 Disclosure Statement as of 20/05/2024. BlueMark’s assessment did not include verification of the AUM figure.

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## Detailed assessment conclusions

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>3</sup>

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).<sup>4</sup>

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

<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.

<sup>4</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.

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## 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 2024. BlueMark’s assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.<sup>5</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.

## Permissions

This statement, including our conclusions, has been prepared solely for BII in accordance with the agreement between our firms, to assist BII in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit BII to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate BII’s alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than BII for our work or this statement except where terms are expressly agreed between us in writing.

## About BlueMark

BlueMark, a Delaware-registered public benefit company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to “strengthen trust in impact investing” and to help bring more accountability to the impact investment process. BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; and Portland, OR; and is headquartered at 154 W 14th St, 2nd Floor, New York, NY 10011. Its outside investors include S&P Global, Temasek Trust Capital, Blue Haven Initiative, Gunung Capital, Tsao Family Office, Ford Foundation and Radicle Impact. For more information, please visit [www.bluemark.co](http://www.bluemark.co).

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