British International Investment

Productive, Sustainable and Inclusive Investment
2022 – 26 Strategy Summary

Introduction

We are the UK Government's development finance institution with a mission to help solve the biggest global development challenges by investing patient, flexible capital to support private-sector growth and innovation.

We are a proud part of the UK's offer to help developing and emerging countries meet their significant financing needs for infrastructure and enterprise.

Our five-year strategy builds on our deep understanding of our markets with our 75-year history and track record of success over the last decade. It sets a new ambition for scale and innovation.

This document provides a summary of our strategy, and the full technical strategy can be found on our website.

Recent years have seen a significant scale-up of our work, including:

£7.5bn
total assets, double the level in 2012

Almost £7bn
capital committed over the last five years

$3.8bn
additional capital mobilised from private sector investors alongside our own commitments over the last five years

Almost 1m workers
employed by the businesses we support

Almost 500 staff
compared with 40 staff in 2012

Almost 70 staff
overseas

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Foreword from Nick O'Donohoe, CEO

The world has changed a lot in five years. The COVID-19 pandemic has pushed well over 100 million people into extreme poverty. It has brought on the deepest global economic contraction in decades, with Africa experiencing its first recession in 25 years. Climate change has become the climate emergency, and every part of the globe is beginning to experience its effects. And we are witnessing greater understanding of the systemic injustices that hold people back and that lead to the burden of poverty falling unequally within populations. This is a time of tumultuous change and uncertainty about what the future holds.

Despite this global upheaval, I have reason to be optimistic about the future, and our role, as the UK's development finance institution, in helping create sustainable and equitable economic outcomes. The past five years have also shown how international cooperation can quickly and innovatively meet global challenges. 'Build back better' is no longer a slogan, but is galvanising concrete action, including from the G7, to focus on improving infrastructure in low and middle-income countries to support those countries in achieving their goals.

We will be a key part of the UK's new economic partnerships to 'Build back better'. Our involvement recognises that impact investment – capital dedicated to achieving positive economic, environmental and social change – is a vital way we can support our partners. We're proud that we can play a central role in the UK Government's international financing offer. However, our existing name does not make clear to our partners that we are British – or what we provide. Therefore, we will change our name to British International Investment plc. Our new name clearly defines us as a British institution working to bring not just capital, but the highest levels of ethics, standards and transparency to our markets. We will ensure that British International Investment develops further what has been a unique British success story at CDC.

Adapting to the challenges ahead

Our new strategy builds on the mandate that has been at the heart of our work for nearly 75 years, and our successful record over the last decade. It reflects our view of the global challenges and opportunities that lie ahead. We have set three clear strategic objectives that will ensure our capital is used in the best way possible to meet those challenges and opportunities. These will be underpinned by a new scoring system to help refine our choices and maximise our impact. Our objectives are to invest to support:

- **Productivity:** to raise the productivity of an economy to support higher incomes and a decent standard of living for all.
- **Sustainability:** to address the climate emergency by helping to transform economies to reduce greenhouse-gas emissions, protect the environment, increase climate resilience, and contribute to a greener, cleaner planet.
- **Inclusivity:** to ensure the benefits of higher productivity and greater sustainability are shared with the poorer and more-marginalised sections of society.

Through these, we will ensure that British International Investment – and the UK – remains a global leader and innovator in the field of achieving impact at scale. To do this, we will refine and sharpen our approach. We will put technology investment, climate finance and inclusive finance at the heart of our mission. We will draw on our experience to tailor more precisely the ways we invest in different countries. We will use different financial products to increase our impact and open up new markets. In doing this, we will use our proximity to the City of London to mobilise other investors and reinforce the UK's position as a hub for development finance. Generating new products and portfolios with different risk appetites has always been a hallmark of how we do things, and an approach we will continue.

Green infrastructure and climate change

Countries in emerging and developing economies remain the most vulnerable to the impact of the climate emergency, and the least equipped to respond to it. Over the next five years, at least 30 per cent of our total new commitments by value will be in climate finance. This will make us one of the world's largest climate investors in Africa. We will also start providing climate finance in the Indo-Pacific region, specifically in the larger economies of the Philippines, Indonesia and the Mekong region, with a particular emphasis on green, renewable infrastructure.

Financing digital transformation

We will invest more in earlier-stage, disruptive businesses that offer radical solutions to global challenges. Technology-based businesses, including those that can build major digital infrastructure, are in desperate need of responsible, patient capital. We will step in to support them.

Driving inclusive outcomes

We'll continue to strengthen our approach to gender and diversity finance. We are already a leader in the field of investing for women's economic empowerment, and we have set a new target for 25 per cent of all new investments to qualify under the 2X Challenge, the initiative to boost financing for women. We will increase the representation of black African-owned and led businesses in our sub-Saharan Africa portfolio.

Looking forward with confidence

The scale of global development challenges can seem daunting. But impact investment works. It is what our partners in Asia and Africa and beyond want, and it is what the international system needs to help provide it. Such investment unleashes the potential of businesses to create jobs and prosperity, restore local environments and bring about positive societal change. UK development finance, properly deployed for the benefit of those most in need, has never been more important.

Nick O'Donohoe
Chief Executive Officer

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Our strategic objectives

We have set three strategic objectives for the next five years, which build on the opportunities we see for investing in Africa, Asia and beyond. We explain these needs and opportunities below.

Productive growth

- Half of the world's population lives in Africa and South Asia, is young and is increasing rapidly in number.
- Labour productivity and capital intensity are low. So there is a huge opportunity for investment to combine with an entrepreneurial and talented population to create growth and decent jobs.
- Digitalisation and automation should be used to create new and better jobs, not merely as substitutes for labour.
- Productivity can improve in the informal sectors that dominate many economies, and especially in agriculture.

Sustainable growth

- The forecast impact of unabated climate change is daunting, with poorer regions of the world worst affected. But there are also grounds for optimism.
- The countries of Africa and South Asia enjoy some of the world's most favourable conditions for renewable energy.
- Innovations in sustainable agriculture, forestry and land restoration could positively transform economies and landscapes.
- New green technologies, in areas such as cooling or transportation, promise to raise productivity and create private-sector demand.
- Bold climate action, which is needed to transition to net-zero economies by 2050, could also bring green growth and trillions of dollars of benefits.

Inclusive growth

- Marginalised groups represent significant untapped potential. Women, for example, currently face numerous barriers to work, with participation rates for the female labour force in Africa and Southern Asia at around 60 per cent and 25 per cent respectively, compared to 70 per cent and 80 per cent for men.
- Even whole countries can be marginalised – through fragility and conflict – which is not just a human calamity, but an ongoing economic and security risk to whole regions.
- Yet even with intractable issues, new private business models emerge that can help, whether by employing marginalised groups or providing basic services in new and affordable ways.

What these objectives mean for our investment

Productive development

Raising the productivity of an economy so that it can support a decent standard of living for all.

That includes investing to:

- catalyse markets by changing the behaviour of other market actors
- enable positive spill-overs to other firms
- address the biggest development needs
- achieve impact most efficiently

Sustainable development

Helping transform the economy to reduce emissions, protect the environment and adapt to the changing climate.

That includes investing to

- mitigate climate change, especially through large-scale green infrastructure
- increase climate resilience and adaptation
- support the circular economy

Inclusive development

Sharing the benefits of higher productivity and greater sustainability with poor and marginalised sections of society.

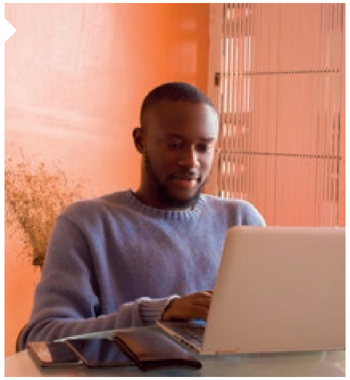
That includes investing to:

- promote gender equality and diversity
- are in low-income and fragile countries
- have a positive impact on low-income populations

Example investments

Liquid Telecom, pan-Africa

Liquid Telecom is the largest independent fibre and cloud provider in Africa. Our investment has helped accelerate Liquid's expansion of its fibre network along its Cape-to-Cairo route and further into Central and Western Africa, improving the availability, quality and affordability of internet and digital services.



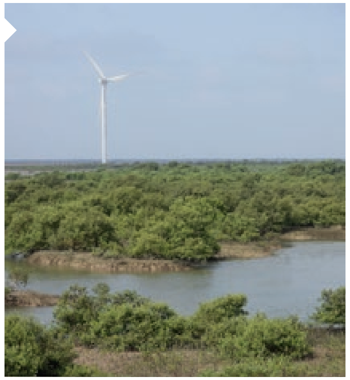
DP World, pan-Africa

We have partnered with DP World to support the modernisation and expansion of ports and inland logistics across Africa, enabling trade and access to vital goods for millions of people.

Example investments

Zephyr Power, Pakistan

Zephyr is a renewable energy company developing a 50 MW wind-power plant in the Sindh province of Pakistan. Our investment in green infrastructure is reducing reliance on more polluting and non-renewable sources, and is supporting the company to make the asset more resilient to the physical effects of climate change through nature-based solutions.



Nepra Resource Management, India

Nepra is a waste management company that operates a dry waste supply chain by connecting informal waste pickers, corporations, and industrial sites to recyclers.

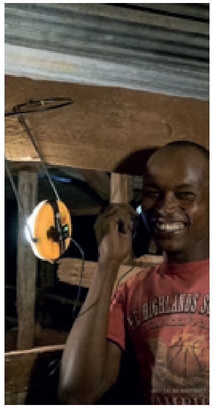
Example investments

iMerit, India

iMerit is a cutting-edge AI business, employing 5,000 people. The business has been building an inclusive workforce – the average age of their employees is only 24, more than half are women, and around 80 per cent come from marginalised communities. The growth strategy of its female founder was to provide skilled employment opportunities for women, and consequently the investment qualifies as a gender-smart business under the 2X Challenge framework.

Greenlight Planet, pan-Africa

Greenlight Planet provides solar home systems on a pay-as-you-go basis to 11.2 million people across Kenya, Tanzania, Uganda and Nigeria. Of these, 80 per cent are rural and peri-urban customers and almost 80 per cent are from low-income households. We first invested in the business in 2020 and invested further in 2021 to provide local currency loan with other partners, to scale its operations in Kenya further. Our investments are helping the company to improve access to clean and affordable energy and financial services for primarily low-income and rural customers.



What these objectives mean for our investment – in focus

Productive investment

In focus area:

Digital transformation

We will develop and implement a more comprehensive approach to digital technology and infrastructure that includes:

- refining our approach to investing in digital transformation, recognising the breadth of businesses this might cover, that range from mature digital infrastructure providers to the most disruptive tech start-ups
- identifying ways to use suitable and secure digital technology to deliver, monitor and analyse impact
- strategically rolling out digital solutions within our internal operations

Sustainable investment

In focus area:

Climate finance

We will further deliver strengthen our commitment to climate finance by:

- setting a target for 30 per cent of our new commitments over the next five years to be in climate finance , which we expect to total over £3 billion
- applying a portfolio-wide carbon budget for this five-year strategy period, that will inform how we construct our portfolio
- expanding into the Indo-Pacific to pursue further climate finance opportunities
- looking closely at the high-quality sustainability disclosure standards, as they emerge from the new International Sustainability Standards Board
- continuing to pursue the activities and objectives set out in our 2020 Climate Change Strategy

Inclusive investment

In focus area:

Gender and diversity finance

We will pursue a gender and diversity finance agenda that includes:

- setting a target for 25 per cent of annual new commitments to qualify under the 2X Challenge
- incorporating black African representation into our impact scoring system and monitoring
- developing new inclusive finance frameworks to consider other diversity dimensions and providing advisory support to our investee partners
- making gender-lens investing mainstream in our investment decision-making by incorporating 2X criteria into our impact score

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Our approach to making successful investments

1. Being sector-led
2. Using a flexible capital toolkit
3. Differentiating across countries, and expanding climate finance in the Indo-Pacific
4. Partnering with the best, and mobilising commercial investors
5. Being world-class in impact management and responsible investment
6. Exploring a broader private sector development offer
7. Patient capital, at scale

1 Being sector-led

We will focus our expertise on the key sectors that make up a thriving economy.

Infrastructure and Climate Change

This covers infrastructure in its broadest sense, including power and energy systems, sustainable transport and logistics infrastructure, urban infrastructure and climate-resilient utilities

Infrastructure plays a vital role in economic productivity. It is also central to mitigating climate change and building resilience and adaptation to it.

We will invest in opportunities to:

- generate on-grid renewable power (solar, wind, thermal, hydrogen)
- support networks for transmitting and distributing electricity
- provide decentralised solutions for households and businesses to generate power using renewable sources
- grow our ports, transport and logistics
- provide access to water, sanitation and hygiene services
- provide access to urban infrastructure and climate technology

SMART Industries

Services, Manufacturing, Agriculture, Real estate and construction, and Technology and telecoms

These sectors represent the lifeblood of any modern economy.

We will invest in opportunities to:

- improve manufacturing and production potential
- increase connectivity and productivity through information and communications technology (ICT) infrastructure
- support food security and conservation
- enable sustainable urbanisation and logistics through construction and real estate
- provide education for employment and skills development
- invest in healthcare solutions across health ecosystems
- develop diverse business services for job creation
- support consumer services in improving access to goods and services, and growing, regional brands

Financial Services

This covers both financial services and financial institutions

A well functioning financial system providing access to growth capital and other forms of specialist financing is vital for any economy.

We will invest in opportunities to:

- support specialised financial-services products to deliver basic needs
- use the transformative power of secure, resilient and suitable digital financial services
- work with financial intermediaries to reach small-and-medium-sized enterprises (SMEs)
- develop domestic capital markets to unlock more funding
- boost climate finance
- support gender and diversity finance

2 Using a flexible capital toolkit

We have a significant risk appetite and considerable flexibility in how we can provide capital to our partners. This includes being innovative about how we provide finance and backing disruptive new businesses and business models.

Product solutions

Equity | **Debt**

Direct equity

- Direct investments; significant minority interests
- Follow on investments

Funds

- SME, medium, large, sector and private credit funds
- Catalyst funds
- Venture capital
- New 2 per cent allowance outside core geographies for specialist multi-region funds such as global climate funds

Direct debt

- Senior loans for corporates and financial institutions
- Subordinated tier 2 debt
- Trade finance and risk-sharing facilities
- Project finance
- Local currency lending

Risk

As a DFI, our risk profile is different to mainstream commercial investors: we typically take more risk. However, even within our significant risk appetite we deploy our capital across a range of risk profiles.

Lower underlying risk ⟷ High underlying risk

Through our **Growth** portfolio, we will inject patient, long-term capital into businesses that have the potential to achieve sustainable growth while making a positive environmental, social and economic impact.

Through our **Catalyst Strategies** portfolio, we help shape nascent markets and support business models that are not yet commercially proven, but that show a significant potential to contribute to more inclusive and sustainable economies.

The portfolio takes on even higher risk in exchange for pioneering enhanced development impact.

We plan to grow the Catalyst portfolio over the next five years, so that it represents 10-15 per cent of our total portfolio by value, by 2026.

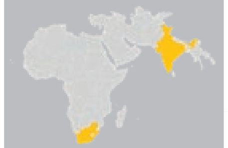
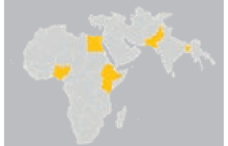
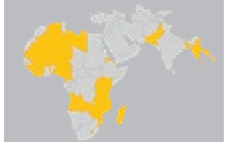
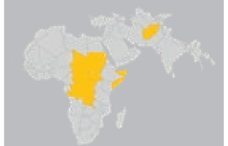
The new **Climate Innovation Facility**, announced at COP 26, will offer capital grants which we will blend with Catalyst investments to provide finance for the most pioneering climate solutions, including in adaptation and resilience. By testing – and then scaling – the most effective solutions, we aim to seed new markets for investment.

This Facility will differ from our Catalyst and Growth portfolios in that it will be managed as grant funding rather than investment capital.

3 Differentiating across countries…

The countries we invest in each have unique opportunities and needs. Learning from our experiences of the last ten years, we will reflect his huge diversity in our approach to making successful investments.

We have identified five main groupings, that represent the diverse dynamics of the countries we invest in. In the most mature markets we will offer a full range of financing products, whereas in the poorest and most fragile we will generally provide financing only through intermediaries or with strong partners.

Segment	Example countries	Development needs and investment channels	Our in-market footprint
Mature 	India	• Our new impact score will incentivise the following kinds of transactions – Productive – if there are potentially strong market transformations and economic enablement effects – Sustainable – focus on climate themed investments – Inclusive – where the underserved beneficiaries are known, including gender-led businesses and a drive towards local ownership • All investment channels, but with careful emphasis on additionality	• Full service office with ability to lead transactions • Bespoke country perspective/plan
	South Africa		• Regional office with country head and investment team representation • Bespoke country perspective/plan
'Powerhouse'[1] 	Nigeria, Egypt, Kenya, Bangladesh, Pakistan, Ethiopia	• Our new impact score will incentivise a broad range of investments • All investment channels	• Regional office with country head and some investment staff • Bespoke country perspective/plan
Stable economies 	Ghana, Nepal, Uganda, Sri Lanka	• Our new impact score will incentivise a broad range of investments in countries with high development need, and a narrower set of investments in countries where GDP per capita is higher and/or the proportion of the population living in absolute poverty is lower • Potentially all investment channels – but a very strong emphasis on partnership approach if investing directly, and limited opportunity for large tickets	• Single representative office in selected larger markets • Otherwise coverage from regional office and/or London
Poorest and most fragile 	Afghanistan , Burundi, Central African Republic, Chad, Congo, Democratic Republic of Congo, Somalia, Sudan and South Sudan Other countries as per 'Alpha' category of the 'inclusive' part of our impact score	• Our new impact score will reward most kinds of investments in such countries • Investment channels mainly include: – Specialist intermediaries, for example letter-of-credit-issuing banks as part of trade-finance arrangements, and very focused fund managers – Regional companies with local operations – Project finance if following multilateral development banks with preferred creditor and political risk guarantees `	• Coverage from either regional office and/or London
Indo-Pacific climate finance, and Caribbean	Indonesia, Philippines, Mekong (Cambodia, Laos, Vietnam) Caribbean ODA-eligible countries	• Indo-Pacific focus on climate finance • Phased build-out starting with climate/green infra funds, then project finance vehicles, then direct equity investments • Caribbean opportunities subject to further assessment	• Indo-Pacific representative office in 2022

[1] We have determined Ethiopia to be a Powerhouse country given the size of its population and its potential as an economic hub in the Horn of Africa. Given the unfolding political and security situation we are keeping the country under assessment.

3 …and expanding climate finance in the Indo-Pacific and beyond

New focus: We will expand into the Indo-Pacific to invest up to £500 million in climate finance.

Opportunities

- Our initial scoping of the larger Indo-Pacific markets tells us there is a strong need to decarbonise and strengthen the power sector through renewable energy, and support investments in the water and sanitation sectors.
- Market participants report continued need for development finance capital.

What we will do:

- We will expand into Indo-Pacific countries by investing in climate finance and natural capital opportunities.
- Our focus will be on the larger economies of the Philippines, Indonesia and the Mekong region (Vietnam, Cambodia and Laos).
- We will aim to deploy support across our full capital toolkit: working with trusted partners among sponsor companies and project developers for potential equity investments; fund managers who specialise in infrastructure or more-innovative climate finance; and the multilateral development banks for large project-finance transactions.
- We aim to commit up to £500 million over the 2022-26 period for climate finance in the Indo-Pacific.
- We also have new flexibility in our 2022-26 Investment Policy to invest in ODA-eligible countries in the Caribbean. We will look for opportunities to do so, possibly also through a climate-finance lens, as such opportunities arise.

4 Partnering with the best…

High quality commercial partnerships are a key part of our approach, including with the best British partners. The expertise and stability these partners bring can be the key to achieving impact and financial success in our investments.

We will invest in or alongside UK businesses that operate in Asia and Africa and who share our aims. Examples include:

- **Lightsource BP** a leading British developer of renewable energy – investing alongside us to develop renewable energy in India (via our majority-owned renewable-energy company Ayana)
- **M-KOPA** one of Africa's leading providers of home solar systems, with R&D operations in Woking in the UK
- **GlaxoSmithKline** a beneficiary of an innovative financing solution between Gavi and MedAccess, who we back, to ensure GSK could continuously manufacture a new malaria vaccine ahead of key decisions regarding its roll-out

We will cement the UK as the development finance hub for the world by mobilising more third party capital. Examples include:

- support to UK-based private equity funds focused on Africa, such as Helios and DPI who both manage assets above $2 billion. We committed to their first funds in 2006 and 2009 respectively.
- our partnership with Standard Chartered Bank. Since 2013, we have developed a $500 million partnership in trade finance across sub-Saharan Africa and South Asia through innovative risk-sharing and trade-finance arrangements.

M-KOPA SOLAR

vodafone

lightsource bp

bp

gsk GlaxoSmithKline

4 Partnering with the best…

We will also continue to partner with like-minded organisations, and we believe others value partnership with us, including for our high standards in responsible investing, our ability to mobilise commercial investors, our proximity to the City of London, and the wider influence and status conferred by our UK Government shareholder.

UK Government partnership

We are proud to be part of the broader UK offer to developing countries, and our new name makes this clear. Supporting countries' economic transformation requires the strengths of all parts of the UK offer. Each part of the UK offer can mutually reinforce the others, for example:

- the country insights of the network of UK Embassies and High Commissions can benefit us as we source and manage investments
- the UK's diplomatic network can help us navigate regulatory barriers and engage governments
- our investment expertise can help inform the UK Government's approach, and its activities in specific countries
- sharing sector expertise and priorities can help strengthen the UK's development programming

Like-minded partners

We work closely with other DFIs and regularly invest alongside other partners to maximise impact and use each other's capital and expertise. We aim to be a thought leader among DFIs and other impact investors.

- **Co-investing** with G7 partner DFIs (US DFC, FinDev Canada, DEG, Proparco, FMO) the multilateral development banks (IFC, the Asian and African Development Banks) and sovereign wealth funds. Together, we already have billions invested across Asia and Africa – often playing the role of anchor investor – and we will deepen these partnerships using our comparative advantages to respond to market needs.
- **Raising standards** – DFIs have been fundamental in establishing ESG standards across the African private equity market over the last 20 years. We will continue to work across this community to set standards and provide best practice toolkits (e.g. in responsible investing).
- **Establishing new markets** – together with the US DFC we have led the way in 'gender-lens investing', with the 2X Challenge mobilising over $10 billion of gender finance. We will continue to build this market among the wider investment community. Similarly, we will pioneer investment in adaptation and resilience through the Adaptation & Resilience Investors Collaborative – which we established, along with our shareholder the FCDO.
- **Promoting the impact investing market** with, for example, a close relationship with the Global Impact Investing Network and the Global Steering Group on Impact Investing.
- **Working with a range of civil society organisations** from business and industry associations through to think tanks and aid agencies to tackle the barriers to investment. For example, we have partnered with WWF on its Water Risk Filter online assessment tool to address water risk.

4 ...and mobilising commercial investors

We can multiply the impact of our activity by encouraging more private investment. We do this by mobilising private investment alongside our own, and by demonstrating to investors that markets are viable. There are many forms of mobilisation, which can all be very valuable — and there are many different types of investors, which all need to be approached differently. Mobilisation techniques fall into three broad groupings:

Type of mobilisation	Over 2022-26 we will...
Demonstration (testing new models and strategies)	• continue to create innovative structures and back differentiated strategies using our various **intermediated investment approaches**, including Catalyst-supported impact funds and venture funds • look to enable **open-source investment data** to reduce misperceptions of risk in our markets
Sequential (proving the viability of specific investments)	• continue to mobilise using our core **direct equity**-investment programme. By investing equity, we strengthen companies' balance sheets, which can help them leverage further capital. As we exit, we also encourage sequential mobilisation • provide patient **debt to financial institutions**, especially tier-2 capital. This can improve bank capital adequacy and allow for loan-book expansion • explore other activities that can support sequential mobilisation, including working with **local pension funds** and building capacity for investing in private equity funds (where appropriate) • use our **investor arrangement desk**, which we created in 2020, to increase our understanding of commercial investors' investment requirements. Through this we will seek to deepen and broaden the range of investor partnerships we already have, including with **sovereign wealth funds** (this approach can also provide simultaneous mobilisation)
Simultaneous (co-financing with others)	• support **debt funds**, which can be attractive to new commercial investors in emerging markets given their relatively lower risk profile (compared to equity), and because the loan repayments mean they are self-liquidating • mobilise through **infrastructure project finance** either by acting as the lead arranger for a consortium of lenders including commercial investors, or in future through coordinated project-finance vehicles • continue our **intermediated equity programme** as a key product for mobilisation among private co-investors, including local institutions, impact investors (especially for Catalyst Strategies funds) and strategic players. We will explore the flexibility to develop a **pan-emerging markets approach to innovative climate funds** as a suitable platform for global institutional investors • share risk with **commercial banks** to make use of their 'asset-gathering' engine. More innovative risk-sharing models, such as our 2021 transaction with Ecobank to provide trade facilities in countries such as Togo, Burkina Faso and Chad, shows we can incentivise banks to expand loan books even in very difficult markets • build relationships with **strategic mobilisation networks**, including the Impact Investing Institute, EMPEA, AVCA, Net-Zero Asset Owners and with specific match-making platforms such as Convergence and Asoko Insight Deal Rooms

5 Being world-class in impact management and responsible investment

How we invest is just as important as the amounts we invest. We are proud to have built a world-class impact-management framework, and be recognised leaders in responsible investing, both of which are central tenets of our approach for the next five years. We are publishing our Policy on Responsible Investing alongside this strategy, to reflect our emerging requirements.

Environmental Social and Governance (ESG) standards

- Our strong commitment to delivering ESG in our portfolio has been externally acknowledged and sets us apart as an investor.
- We approach ESG with a practical mindset. We combine risk management with hands-on support to help portfolio companies, where feasible, to move from compliance to delivering impact beyond minimum ESG requirements.

Business Integrity (BI)

- We work in a hands-on fashion with our investees, moving beyond a pure compliance approach to one that recognises the business value of good BI risk management to all our investees.
- Over the 2022-26 period, we will continue to work alongside our portfolio on BI matters, aiming to follow best practice, support capacity building and provide training and online tools to help the portfolio better manage BI performance.

6 Exploring a broader private sector development offer

Supporting the private sector through more market-shaping and pipeline-building work, and facilities that target mobilisation.

We will explore, together with our shareholder, adding one or more new capabilities to our core toolkit and strategy. This could broaden our private-sector development offer, with options under consideration including:

- **advisory services** for shaping markets and developing our investment pipelines. We will begin by supporting FCDO in-country offices in the design of their own market-building programmes in three to four countries
- **concessionary capital for blended investments**, to support high-impact business models that are currently commercially marginal
- **a dedicated capital pool focused on mobilisation,** which could take concessional positions within structured investment vehicles

7 Patient capital, at scale

We aim to grow our investment programme to around £9 billion over the strategy period.

Over the past five years, we have committed almost £7 billion of new investments and have supported more than 600 businesses, with our net assets growing in value to approximately £7.5 billion.

Over 2022-26, we plan to grow further, and aim to commit around £9 billion of new investments over the period.

Self-financing is at the centre of our business model and has underpinned the company for nearly 75 years. Across the portfolio, any financial return from our investments is recycled into new investments for future impact. In 'steady state', this is a model that can continue indefinitely without the need for any new capital.

During periods when we aspire to step up activity, as we will be doing in 2022-26, we will require some new core capital. The decision to provide further core capital to increase our investments is always one taken by the UK Government, in agreement with our Board, with the limit on capital that can be provided controlled by Parliament through the Commonwealth Development Corporation Act, 2017.

03

How we will measure success

How we will measure success

We aim to maximise our development impact at the same time as being a sustainable financial institution. This is reflected in two primary measures of success agreed with our shareholder – our overall portfolio level Impact Score and our Financial Performance measure – which are defined in our new Investment Policy.

Impact performance measure

We will seek to maximise the impact score of our portfolio
(subject to our financial performance measure and other considerations).

Impact score	= Productive score	+ Sustainable score	+ Inclusive score
What does this mean?	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.
How will we measure it?	1 Degree of need 2 Intensity 3 Economic enablers 4 Catalysing markets	1 Climate mitigation 2 Climate adaptation and resilience	1 Reach to low-income populations 2 Poor and fragile countries 3 Gender and diversity

Financial performance measure

We will seek financial returns of 2 per cent across our total portfolio.
This will be measured on a rolling seven-year basis and will be gross of our operating costs.

04

In summary

Our strategy in summary

01 Our impact objectives

We will be driven by **three strategic objectives** that are rooted in the future opportunities that Asia and Africa present

Productive	Sustainable	Inclusive
Addressing constraints to economic growth and catalysing markets, including through digital transformation	Financing a cleaner, greener planet, with climate finance >30% of all new commitments	Investing to support more marginalised groups, with gender lens finance >25% of all new commitments

02 How we will deliver

We will invest in economic **sectors** that make up modern thriving economies	**Infrastructure and climate change**	**SMART industries** Services, Manufacturing, Agriculture, Real Estate and construction, and Technology and telecoms	**Financial services**
We will provide solutions to firms and markets through our **flexible toolkit and appetite for risk**	Investing across the capital spectrum from equity to senior debt, including via large 'tickets'	Using multiple channels - direct into companies, banks and projects and through a range of intermediaries	Using our Growth and Catalyst portfolios to bring different risk tolerances for differential impact

We will take a **segmented approach** to diverse geographies, to inform our in-market presence and offer	**Mature** (India and South Africa)	**Powerhouses** (Nigeria, Egypt Pakistan, Kenya, Bangladesh, Ethiopia)	**Economically stable**	**Poorest and most fragile**

We will **expand into new geographies***	Indo-Pacific climate finance expansion and ODA-eligible countries in the Caribbean

We will **partner with the best** operators and investors. We will be an **honest and reliable partner ourselves**	Working with like-minded partners: leading commercial operators and investors; DFIs and SWFs, British business; and a strong UK Government partnership	Being an honest and reliable partner ourselves, with the highest standards across ESG and business integrity

We will look at **new capabilities that would broaden our private-sector offer**, subject to suitable design and funding*	Advisory services to support market-shaping and pipeline-building	Blended concessional capital to unlock further innovation	Dedicated facilities to support mobilisation

We will scale to be among the **largest bilateral DFIs**	We aim to invest c. £9 billion over the strategy period, subject to adequate capitalisation

03 How we will measure

Our performance measures aim to maximise impact subject to being financially sustainable	Impact performance measure	Financial performance measure

* NEW capabilities for this strategy period

British International Investment

CDC will become British International Investment on 4 April 2022.