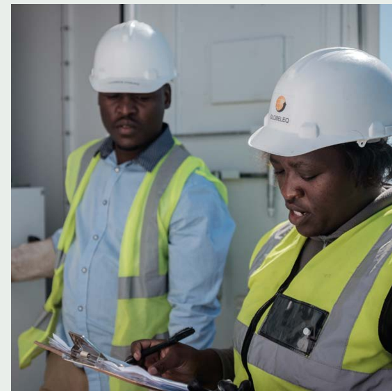
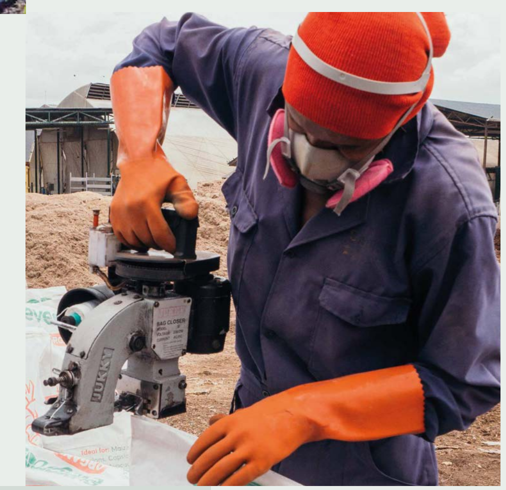
British International Investment



Foundations for the future



British International Investment plc
The UK's development finance institution
Annual Review 2021

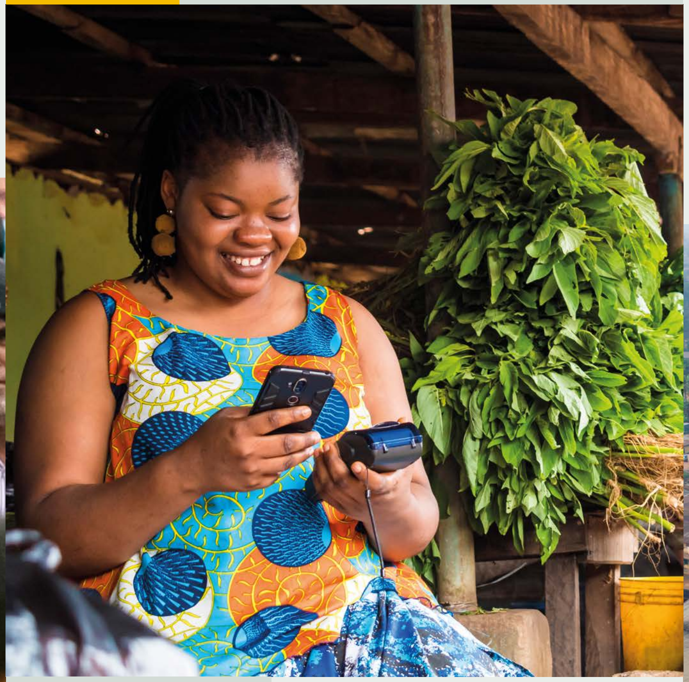
Foundations for the future

British International Investment is the UK's development finance institution. Our mission is to help solve the biggest global development challenges by investing patient, flexible capital to support private-sector growth and innovation.

We are a champion of the UN's Sustainable Development Goals – the global blueprint for achieving a better and more sustainable future for us all.

We're also a proud part of the UK's offer to support countries with developing and emerging economies to foster long-term economic transformation, and enable people to build better lives for themselves and their communities.

Here is how we have laid **the foundations for the future…**



Looking back

2021 was the final year of our five-year strategy, Investing to Transform Lives. In 2017, that strategy set out a vision for how we could act even more boldly than before and accelerate progress on the key development challenges facing Africa and South Asia.

We knew the path ahead was difficult, but our experience over the previous five years had shown us it was full of opportunity.

Read our report on the achievements and lessons of our 2017 – 21 strategy period

Looking forward

Our new 2022 – 26 strategy, Productive, Sustainable, Inclusive Investment, builds on the mandate at the heart of our work for nearly 75 years, and on our successful track record over the last decade. It sets a new ambition for scale and innovation and places us at the centre of the UK Government's international financing offer.

The strategy responds to the opportunities and challenges facing developing and emerging economies. To ensure our capital is used in the most effective way to meet these challenges and opportunities, it sets out three clear strategic objectives: to invest in productive, sustainable and inclusive development. Our aim is to invest £1.5–2.0 billion a year over the period.

Read the full strategy

Over five years, we made a positive difference to people's lives by:

Committing almost
£7bn
to more than 600 long-term, impact-led investments

Mobilising around
£2.5bn
of additional capital from private-sector investors alongside our own commitments

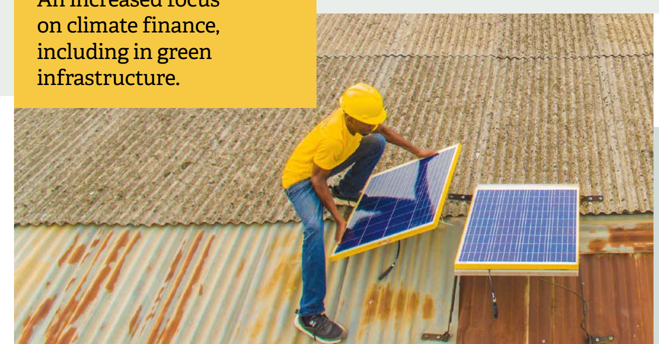
Paying more than
£10bn
in taxes

Supporting businesses that employ almost
1m
workers

Generating
277k GWh
of electricity, enough to power South Africa for over a year

Our new strategy includes:

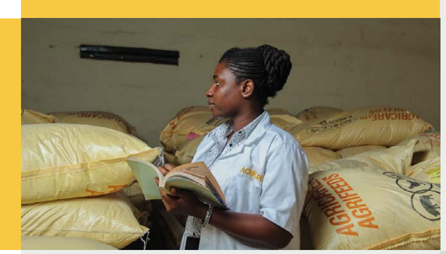
Climate finance: An increased focus on climate finance, including in green infrastructure.



Partnerships: Forging strong partnerships to multiply the impact and financial success of our investments. This includes using our proximity to the City of London to mobilise commercial investors, strengthening the UK's position as a development finance hub.

Digital transformation: New investment in digital transformation, from large-scale digital infrastructure to early-stage disruptive businesses that offer radical solutions to the problems facing developing economies.

Gender and diversity finance: Building on our approach to gender and diversity finance.



Expanded geographic remit: Now including the Indo-Pacific and Caribbean. In the Indo-Pacific region, specifically in the larger economies of the Philippines, Indonesia and the Mekong region (Vietnam, Cambodia and Laos), our focus will be on climate finance, particularly the renewables sector.

Introducing British International Investment

On 25 November 2021, together with the Foreign Secretary, we announced that we would be changing our name to British International Investment plc on 4 April 2022.

This is a significant and exciting move for our institution, and the first time in our history that we will be known as anything other than 'CDC'.

Our new name gives us a clear identity, which captures the breadth of what we do as a development and climate investor.

It also clearly defines us as a British institution, funded by the British taxpayer and at the centre of the UK Government's international financing offer. It conveys how we are working to bring not just capital but globally respected high business standards and transparency to our markets – as well as offering the spirit of partnership Britain is known for.

We announced our new name alongside our new five-year strategy, which responds to the opportunities and challenges facing developing and emerging economies, and builds on the development mandate that has been at the heart of our work for over 70 years. Read more on page 3.

The evolution of our name and brand

1948 – 50

CDC is set up in 1948 as the Colonial Development Corporation. Before a logo is introduced, CDC uses its Coat of Arms, Seal or the Royal Coat of Arms, as the occasion requires.

1951 – 63

The Imperial State Crown represents CDC when it is the Colonial Development Corporation.

1964 – 72

The St Edward's Crown replaces the Imperial State Crown shortly after CDC is renamed the Commonwealth Development Corporation. Towards the end of this period, CDC uses the slogan, 'Finance plus Management'.

1973 – 85

The logo is revamped, with a new encircling device and an embossing effect on the lettering. CDC's straplines include 'Partners in Development'.

1986 – 99

The crown is dropped and a contemporary logo introduced, with the 'D' for Development highlighted. CDC advertises using the lines, 'Britain Investing in Development' and 'Investing in Development'.

2000 – 03

In 1999, CDC ceases to be a statutory corporation, becoming CDC Group plc. To mark the change of status and CDC's private equity focus, it launches a new logo and introduces 'CDC Capital Partners' as its trading name.

2003 – 16

The flourish on the D is resurrected, re-emphasising CDC as the UK's development finance institution once more. The strapline 'Capital for Development' is used.

2016 – 21

Through a new, assertive strapline and a bold, black logo, CDC shows renewed confidence in its ability to maximise development impact.

2022 onwards

Our new name clearly defines us as a British institution and highlights our critical role as part of the UK Government's international financing offer, as well as communicating the increased breadth of what we do.

A message from our Chair

Diana Layfield

“We have truly embraced our role as a committed climate investor in Africa and Asia.”

2021 was an exciting – and key – year for building the foundations that will help us deliver against the challenges and opportunities in our target countries over the next five years and beyond. In November, together with the Foreign Secretary, we announced that we would be changing our name to British International Investment. This new, clear identity encapsulates our broader role as a development and climate investor and places us at the centre of the UK's international financing offer.

This announcement came as we rounded out the final year of our 2017 – 21 strategy, Investing to Transform Lives, which successfully guided the organisation to broaden its ambition and increase its scale of impact. For example, over the period, we continued to increase the amount of capital we invested across Africa and South Asia, committing almost £7 billion, and stepping up our commitments even further over the last year when many investors scaled back their activity. We became a champion of gender-smart investing, committing more than £500 million in businesses that met the 2X Challenge standard, and we developed an ambitious new Climate Change Strategy that has led us to commit our highest ever amount of climate finance this year – £479 million – which, combined with the £700 million invested since 2017, shows that we have truly embraced our role as a committed climate investor in Africa and Asia.

Of course, all this – and more – was achieved under the leadership of my predecessor, Sir Graham Wrigley, and our CEO, Nick O'Donohoe, both of whom worked tirelessly to ensure that British International Investment delivered in line with the commitments made in 2017.

During my career I have witnessed the transformational impact patient capital can have when expertly deployed, and the critical role that development finance institutions (DFIs) can play in the investing and development landscape. Now is a time when the role of DFIs is more important than ever – providing leadership and capital dedicated to achieving positive economic, environmental and social change. So, I am delighted to have joined British International Investment at such a significant point in its history, as it enters a new strategy period in 2022, with a new name and a new, bold ambition for scale and innovation.

Over the last year the organisation continued to lay the groundwork to realise those ambitions. That groundwork has included the new investments that have been made, from supporting green infrastructure to financing digital transformation. It has also meant setting up the organisation to be able to deliver success in the future, from building our regional presence to developing our world-class impact management capabilities. And it has meant a continued determination to meet our financial return targets, which will be reinvested to help other businesses grow and generate further impact.

There are many people who have contributed to these achievements over the last year. I would like to begin by thanking the Secretary of State and the team at the Foreign, Commonwealth and Development Office (FCDO) both in the UK and in the countries where we invest, as well as other colleagues across the UK Government. The partnership and support of our shareholder has been fundamental as we worked closely together to agree our new strategy and new name.

I would also like to thank my predecessor, Sir Graham Wrigley, who stepped down as Chair at the end of 2021. Under Sir Graham's stewardship over the last eight years as Chair, the company has become a global leader in the field of development finance. It has transitioned from being a DFI of around 80 people, investing £300 million per year; to over 500 people, with offices around the world, investing, on average, £1.5 billion per year. So much of the success of British International Investment over the past eight years has been due to Sir Graham's influence and vision, from refreshing and reinvigorating the Board and establishing a robust governance framework, to building a strong and productive relationship with our shareholder and many other stakeholders.

In addition, I would like to thank my fellow Board members for their diligence and hard work over the past year, in what has been a period of significant change. Professor Sam Fankhauser stepped down as a non-executive director in 2021 after completing his terms, and I thank him for his valued contribution and commitment over the past six years. I am also pleased to welcome Professor Chris Woodruff, who I know will be a worthy successor as Chair of the Development Impact Committee.

Finally, I would like to thank all the staff at British International Investment for their hard work and commitment over the last year, as well as their warm welcome. I look forward to working together as we enter this next chapter in our mission to provide vital investment to those countries most in need of long-term, patient capital to grow and prosper.

Diana Layfield
Chair

A message from our CEO

Nick O'Donohoe

I am proud to present this Annual Review, our first as British International Investment. 2021 culminated in the announcement of our new name and a new five-year strategy, both of which cement our role as a central part of the UK Government's international financing offer for development and climate.

The last year has seen us build the strong foundations that are needed to deliver on the ambitions of our new strategy. This progress can be seen across many areas of our work. First, it's clear in our ambitious pace of new investments. In 2021, we made almost £1.9 billion of new, impact-led commitments – our highest ever annual commitment figure and an over 50 per cent increase compared with 2020.

But it's not just about the pace of our investments. Over the year we've focused on areas that will lay the types of strong foundations needed to enable emerging economies to prosper as they respond to the triple crisis of the COVID-19 pandemic, climate change and poverty.

First, this has meant a continued focus on investing in the infrastructure needed to boost economic growth and transform the prospects of millions of people. Developing infrastructure projects in the countries where we invest can be challenging, and our long-term perspective and developmental mission enable us to take a different position to many other investors. One example over the last year has been our investment to improve port infrastructure in Africa. The investment will accelerate the continent's long-term trade potential, improve access to vital goods and support millions of jobs.

> **"Over the year we've focused on areas that will lay the strong foundations needed to enable emerging economies to prosper."**

At the same time, in a year when the UN's Intergovernmental Panel on Climate Change (IPCC) warned that global temperatures are likely to rise by more than 1.5°C over the next 20 years unless decisive action is taken, our continued focus on climate finance, and green infrastructure in particular, has never been more important. From establishing a joint venture supporting large-scale African hydropower projects which will provide millions of people with clean power, to scaling renewable power in Pakistan. And we intend to do much more. At COP26 we announced our plans to invest over £3 billion to combat the climate emergency over the next five years.

The COVID-19 pandemic has only emphasised further that finding solutions to reach the UN's Sustainable Development Goals will require digital transformation. That ranges from the need to improve access to the affordable, good-quality internet that is central to development, to businesses providing digital solutions that have the potential to make a difference to both people and planet.

To contribute to the first of these, we've continued to support businesses that are growing the digital infrastructure needed to improve internet access. We've partnered with Vodafone, a leading British company, to establish the Global Partnership for Ethiopia, the country's first private mobile operator. The company will provide tens of millions of Ethiopians with access to inclusive digital services for the first time. At the other end of the digital spectrum, we invest in early-stage companies using technology and innovative business models to achieve transformational impact. Our commitment to Bizongo, for example, will bring India's highly fragmented manufacturing market of small and medium-sized enterprises (SMEs) into a digital supply chain, helping to drive efficiencies across the manufacturing sector while contributing to SME growth.

Another vital foundation of a thriving economy is a financial sector that meets the needs of the businesses and communities it serves. Financial institutions, through the services they offer, facilitate payments, provide savers with somewhere safe to keep their money, and direct capital to the individuals and enterprises that need it. Yet in the countries where we invest, financial-system weaknesses often lead to particular groups being excluded or marginalised from services, such as small-business owners or women. Over the course of the year we have continued to provide capital to financial institutions where it's needed most, for maximum impact. Those investments have ranged from a facility with a bank in Nigeria to direct funding to women-owned and -led businesses as well as to local SMEs, to a trade-finance loan to a bank in Bangladesh which will meet local businesses' funding needs and bolster their import and export activities, in turn supporting jobs and economic growth.

Throughout all of this, we have forged strong partnerships, including working closely with the UK Government in the countries where we invest, and with British businesses that share our aims. At the G7 Summit in June 2021, we came together with fellow DFIs and multilateral partners to commit to investing over $80 billion into African businesses over the next five years. And at COP26, we were a key partner in the launch of the Global Energy Alliance for People and Planet, which aims to unlock $100 billion in public and private financing to reach one billion underserved people with reliable, renewable power. These initiatives are putting in place the foundations for success, setting us up to do even more in the future.

Our financial return over the last year also provides the bedrock for us to build on our ambitions. In previous annual reports, we have predicted portfolio returns would fall, even before the pandemic, due to the challenges of our developmental mandate. But we remain determined to meet our financial return targets, and 2021 was a particularly successful year, with a portfolio return of 11.2 per cent, which we will reinvest to help other businesses grow. Our long-term portfolio returns – where we have exceeded our target to achieve a ten-year average return of 3.5 per cent for our Growth Portfolio – also demonstrate that we are an enduring organisation, ensuring value for money for the UK taxpayer.

Putting these foundations in place has been particularly important during times of global uncertainty, which have had an impact on investor confidence and make our role as a development finance investor both additionally important and challenging. While we may be past the initial response to the pandemic, it remains an important factor in the countries where we invest. Beyond the pandemic, there has been an increase in instability caused by conflict – both in countries where we invest and in other parts of the world – which make the path ahead far more difficult. The ongoing events in Ukraine further highlight the degree of uncertainty under which we all currently operate. The role of DFIs is to help bring the economic prosperity that provides a necessary foundation for stability, and to bring the long-term and reliable finance that is needed during challenging times.

As we enter a new strategy period, we have the opportunity to go even further. Our new strategy sets out clear objectives to ensure our capital is best used to meet opportunities and challenges, to invest in support of productive, sustainable and inclusive development. It dramatically expands our climate remit. It gives us a broader mandate to invest in digital infrastructure and the digital economy. It increases our focus on investing to promote diversity and equal access to economic opportunities. It increases our geographic remit, adding the Indo-Pacific and the Caribbean. And it tailors our in-market presence and offer in each geography, depending on the needs and opportunities of the country in question. It is with this new ambition for scale and innovation that we look forward to the next five years.

I would like to thank colleagues at the FCDO, our Board and independent Investment Committee members, and the whole team at British International Investment for their tenacity and commitment to deliver our 2017 – 21 strategy. I am proud of what we've achieved together, especially our transition to becoming more focused on impact than ever before. It is this successful track record we will continue to build on over the next five years.

Nick O'Donohoe
Chief Executive

Our dual mandate

We seek two broad outcomes:

First, we look at whether the businesses in which we invest can make a positive economic, environmental or social impact to improve lives. Second, we look at how commercially sustainable and successful each business can be.

These two outcomes – impact and financial return – go hand in hand. To create long-term impact, a business must be financially sustainable, so it can continue to grow and generate positive impact well beyond our involvement. Financial return also matters because we reinvest our returns to help other businesses grow and generate further impact.

We have two investment portfolios: Growth and Catalyst Strategies. Our Growth Portfolio is the core of our investment activity. We inject patient, long-term capital into proven businesses that have the potential to achieve sustainable growth while making a positive economic, environmental and social impact at scale.

We invest through our Catalyst Strategies to shape nascent markets and build more sustainable and inclusive economies. Our Catalyst investments take a flexible approach to risk in exchange for delivering enhanced development impact. You can read more about our Catalyst Strategies on pages 62–63.

1

To create more productive, sustainable and inclusive economies, enabling people to build better lives for themselves and their communities.

Overview of our impact

Turn to page 8 for a summary of how our investments make a positive difference

This year's impact

Turn to pages 10–26 to read about our impact in 2021

Our impact in numbers

Turn to pages 34–38 to read more about our impact on employment, companies and economies

2

To make a financial return, which we reinvest to improve the lives of millions of people.

Overview of our financial performance

Turn to page 9 for a summary of financial performance in 2021

Our Annual Accounts

Our full financial statements and approach to risk can be found in our Annual Accounts

Overview of our impact

We invest to create more productive, sustainable and inclusive economies

Overall in 2021, our investments made a positive difference to people's lives by:

Investing in power infrastructure to generate

58 TWh
of electricity

Directly employing

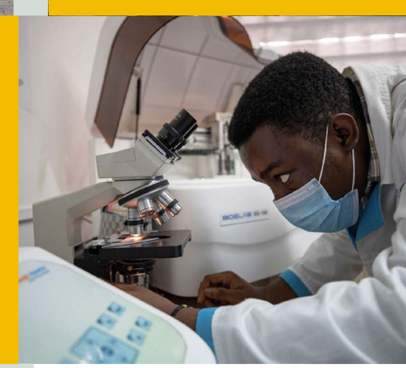
938,360
workers

Sourcing from

1.9m
farmers

Treating

11.6m
patients



Teaching

1.8m
students

Our commitment to the Sustainable Development Goals

We invest to make a lasting difference to people's lives.
We are committed to investing in line with all the Sustainable Development Goals (SDGs), beginning with Goal 1 on poverty. We target a wide a wide range of global issues, and people mainly experience our impact through our work on: economic growth, creating more and better jobs (SDG 8); access to basic goods and services, such as food, health, education and power (SDGs 2, 3, 4 and 7); climate change (SDG 13); and gender equality (SDG 5).

Our response to the COVID-19 pandemic

We have continued to provide much-needed, impact-driven, targeted capital to help the countries we invest in to deal with the effects of the COVID-19 pandemic.

We are proud that in October 2021 the Principles for Responsible Investment (PRI), a UN-supported network of investors, awarded us the 'Real-world impact initiative of the year' for our pandemic response.

Sharing our learning

We share our experience and expertise with others. Our Insight reports are a series of practical and digestible lessons on the issues of private-sector investment and development, based on our experiences, knowledge and research. They are aimed at investors, businesses, development professionals and those with an interest in private-sector development.

In 2021, we published several evaluations and evidence reviews. These range from a study of the impact of investing in warehousing in Kenya, to an evidence review on the impact of investing in trade and supply chain finance.

We also continued to publish practical guidance for our portfolio, such as managing road safety in emerging markets. You can read more about this on page 17.

Our approach to impact management

In 2021, we developed our Impact Score, a tool for managing strategic impact on a portfolio basis during our 2022 – 26 strategy period. The Impact Score is designed to recognise and incentivise investments that are likely to contribute most to our three strategic impact objectives of productive, sustainable and inclusive development. It replaces our Development Impact Grid, which we have used since 2012, and future Annual Reviews will be aligned to this new framework.

Find out more about our approach to impact

Overview of our financial performance

We remain determined as an institution to continue to meet our financial return targets, to support the economic stability that will improve the lives of millions of people in the countries where we invest. We remain ahead of our financial return hurdle, which is to exceed an average of 3.5 per cent (since January 2012). We will also continue to take a rigorous approach to achieving impact and returns, and a balanced approach to managing and mitigating risk within these.

You can read our financial statements in full, and find out more about our approach to risk, in our Annual Accounts.

£7.7 billion
total net assets

£6.0 billion
portfolio

£1.87 billion
committed in 2021

In 2021, we made £1.87 billion of new commitments – our highest ever annual commitment figure and over 50 per cent more than in 2020 (£1.22 billion of commitments). Over our new strategy period (2022 – 26) we will aim to invest £1.5–2.0 billion per annum.

Our total net assets increased to £7.7 billion (£6.8 billion in 2020) and our portfolio grew to £6.0 billion (£5.2 billion in 2020). A higher pace of disbursements compared with realisations and valuation gains in 2021 was the main reason for this portfolio growth.

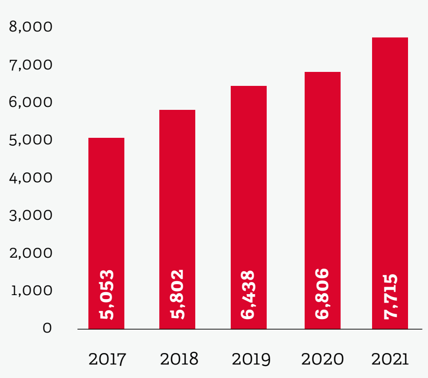
Our overall result is a profit after tax of £463.5 million (£282.2 million loss in 2020), which represents a gain of 6.8 per cent on net assets this year (4.4 per cent loss in 2020). The average net profit since 2012 is £115.7 million (£77.1 million in 2020).

The portfolio generated a £584.4 million return (£173.9 million loss in 2020), which represents a portfolio gain of 11.2 per cent (3.7 per cent loss in 2020). The average annual portfolio return since 2012 is 6.6 per cent.

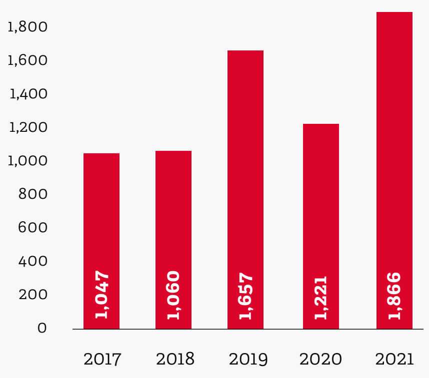
Our positive 2021 portfolio result has been helped by the signs of economic recovery in our markets following the impact of the pandemic. In addition, we track returns in US dollars, as most investments are denominated in this currency. That means our financial results can be significantly impacted by changes in the sterling to US dollar exchange rate, which has often been the case in previous years. However, in 2021, currency translation losses were much lower, as the sterling to US dollar exchange rate was fairly stable.

Nonetheless, we are a long-term investor, so it is important to look across multiple years for trends, recognising that, in any isolated year, market conditions or events may cause exceptional performance. In previous Annual Reviews, we have predicted portfolio returns would fall, even before the pandemic, due to our challenging mandate. Although this year's financial results are positive, it remains the case that the highly developmental strategy adopted since 2012 – which meant a narrower geographic mandate and led us to seek out higher risk – is likely to lead to lower returns and increased volatility. We are also aware that the markets where we invest are showing signs of decline since the year-end.

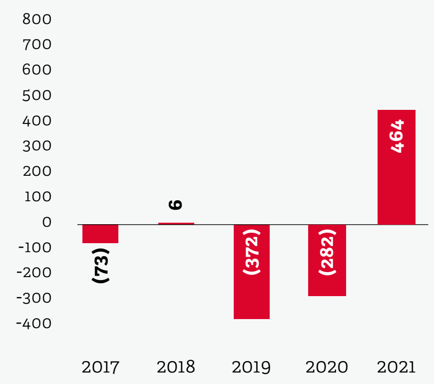
Net assets (£m)



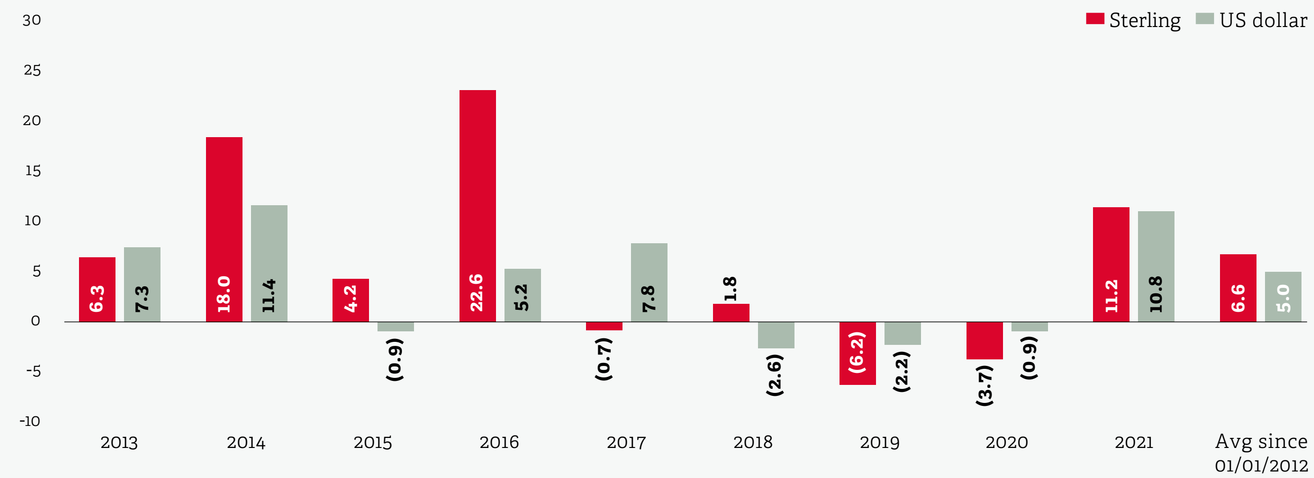
New commitments (£m)



Total return after tax (£m)



Portfolio return (%)



We are laying the foundations for the future

11

Laying the foundations for economic growth

p.11–p.14

15

Impact on people

p.15-21

22

Addressing climate change

p.22–p.26

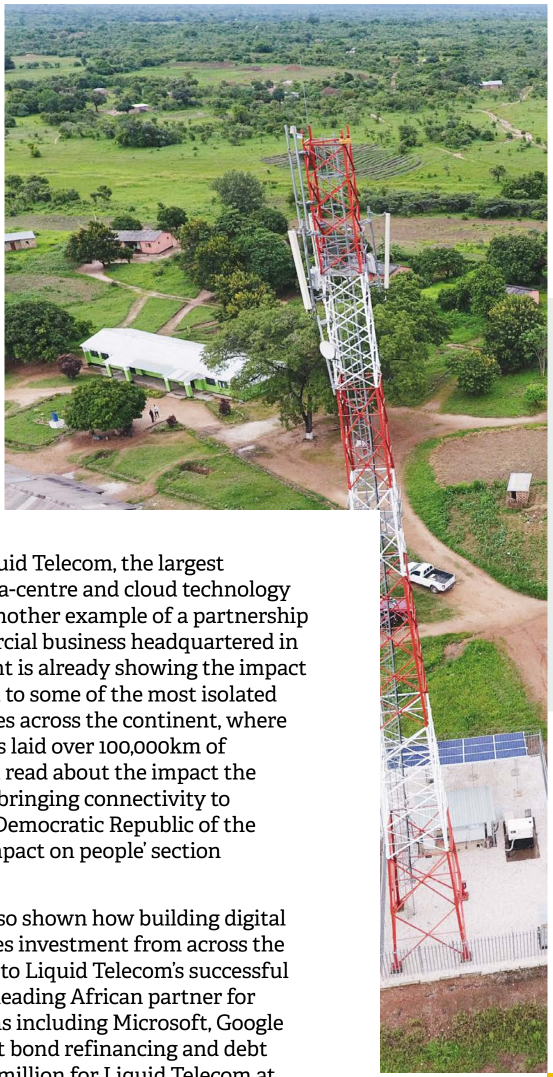
We are building the foundations needed for modern, stable and flourishing economies. From strong infrastructure, to increasing access to digital networks, to investing in the financial institutions that support supply chains and facilitate trade.

Laying the foundations for economic growth

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Accelerating digital transformation



Access to affordable, good-quality internet is central to development, both in strengthening the growth of businesses and local economies, and in increasing access to education, healthcare, banking and government services. However, nearly half the global population remains unconnected to the internet, and many more have expensive, low-quality connections.

Furthermore, the financing need for digital infrastructure is not being met. An estimated $100 billion investment will be required in Africa alone to achieve universal broadband internet access by 2030.

British companies have significant and global experience in digital infrastructure. By building partnerships with the best commercial operators, we can unlock knowledge, investment and specialist expertise we could not bring alone.

In 2021, we partnered with British company, Vodafone, in the Global Partnership for Ethiopia consortium, to bring better and more affordable access to digital services in Ethiopia. As it is the largest country in the Horn of Africa, building up the long-term digital infrastructure there will be a significant contribution to a region that continues to struggle with fragility and conflict.

The consortium, which includes British International Investment, Safaricom, Vodafone, Vodacom and Sumitomo, won a mobile network licence in the country and will now roll out a network to provide affordable internet access for tens of millions of people. We expect that the affordable digital infrastructure resulting from this investment will create the foundations for Ethiopia's growth as it aims to reach lower- middle-income country status over the coming five years. Strong mobile networks will bring vital economic opportunities to Ethiopians, from urban dwellers and farmers to businesses large and small.

Our investment in Liquid Telecom, the largest independent fibre, data-centre and cloud technology provider in Africa, is another example of a partnership with a leading commercial business headquartered in the UK. The investment is already showing the impact of bringing broadband to some of the most isolated and unconnected places across the continent, where the company so far has laid over 100,000km of fibre network. You can read about the impact the company is having by bringing connectivity to countries such as the Democratic Republic of the Congo (DRC) in the 'Impact on people' section on page 20.

The investment has also shown how building digital infrastructure catalyses investment from across the private sector. Thanks to Liquid Telecom's successful development, it is the leading African partner for global technology firms including Microsoft, Google and Facebook. A recent bond refinancing and debt issue raised over $800 million for Liquid Telecom at some of the best rates seen in emerging markets.

Aside from investing in digital infrastructure, we also invest in companies using technology and innovative business models to achieve transformational impact. Supporting these kinds of businesses is crucial to harnessing the power of digital technology to create jobs and economic growth.

You can read about an investment we've made in BetterPlace, a company using digital technology to support marginalised workers in moving into a more formalised workforce, in the 'Impact on people' section on page 16.

Nearly half the global population remains unconnected to the internet.

Our approach in fragile states

DFIs have a mandate to provide investment to those that need it the most. Fragile states are desperately in need of capital to provide jobs and bring economic growth. At the same time, DFIs have found investing in these markets complex and challenging, with mixed results. That's why, in 2021, we announced, alongside the DFIs of G7 nations, the launch of a new platform designed to foster partnership for investment in fragile and conflict-affected states in Africa. The platform, the Africa Resilience Investment Accelerator (ARIA) aims to unlock investment in fragile states through collective influence and by pooling expertise to overcome the challenges of providing capital in these countries.

Laying the foundations for economic growth

8 DECENT WORK AND ECONOMIC GROWTH

Strengthening financial services

One vital foundation of a thriving economy is a financial sector that meets the needs of the businesses and communities it serves. The African Development Bank estimates Africa's trade-finance deficit is between $110 billion and $120 billion – representing about 25 per cent of the demand for trade finance in Africa.

One way we help banks to support local businesses and economies is by supporting new trade-finance facilities. These aim to ensure that businesses can buy and sell goods, and in turn contribute to economic growth. Over the last year, we have made seven trade-finance transactions, some with established partners and others with newer ones.

This has been particularly important during the COVID-19 crisis, when we have invested in financial institutions as a way of providing countercyclical funding to businesses and economies. For example, one of our trade-finance facilities in 2021, with Ecobank, was made to provide systemic liquidity in Africa, to support vital supply chains and sustain access to goods and services during the pandemic. This included supporting several countries that struggle to attract investment, including Togo, Burkina Faso and Chad.

Another new partner is City Bank, a local bank in Bangladesh. Trade is essential to Bangladesh's export-oriented market, and our loan facility will enable the bank to extend foreign-currency trade credit to local banks and businesses. We expect it to generate up to $100 million of additional trade every year.

Finally, we have refined our approach over the last year to provide capital to specific groups of individuals and enterprises that need it the most. 'Directed lending' allows us to direct capital to specific target groups and themes. For example, we committed to First Bank of Nigeria (FirstBank) to direct funding to women-owned and -led businesses, as well as to local SMEs in Nigeria.

You can read more about our investment in FirstBank in the 'Impact on people' section on page 18.

The economic context we operate in

Over the last year, there were some encouraging signs of economic recovery in the markets where we invest. In South Asia, the World Bank estimates that growth reached 7.1 per cent in 2021, up from -4.5 per cent in 2020. In Africa, according to UNCTAD, foreign direct investment showed a strong rebound, with growth of 147 per cent to an estimated $97 billion compared with $39 billion in 2020. In sub-Saharan Africa, economic growth was set to expand by 3.3 per cent in 2021.

However, in most countries, economic activity remained well below pre-pandemic estimates and the recovery was uneven and weak. The pandemic continues to have a long-term impact, and many countries are still experiencing issues such as lower investment flows and disruptions in supply chains. Furthermore, high inflation, particularly food andenergy prices, has had an impact on macroeconomic stability.

The pandemic has not been the only challenge facing the countries where we invest. Our mandate includes investing in support of some of the most fragile and conflict-affected states in the world. Economic prosperity correlates positively with stability – and unfortunately, 2021 has seen a rise in instability across the regions where we invest, presenting additional political, social and financial risk.

To support our portfolio and partners, we have had to respond quickly to rapidly unfolding events. These include events in Afghanistan and Myanmar, a spate of recent coups in Africa, a civil war in Ethiopia and the sovereign debt crisis in Sri Lanka.

Against this backdrop, it was a major achievement to commit the highest level of capital ever to our markets. In 2021, we also beat the pledge we made at the Africa Investment Summit in early 2020 to invest £2 billion in Africa over two years, despite the upheaval caused by the pandemic. We also joined other G7 DFIs to make a commitment to collectively invest over $80 billion in Africa over the next five years. In Asia, we will be entering new markets, and we have announced our ambition to invest up to $1 billion in climate funding in India over the next five years.

Looking ahead, we expect 2022 to be a similarly challenging year. The conflict in Ukraine and its impact on energy and commodity prices and supply chains changes relationships between nations and threatens living standards in many countries. Among emerging market and developing economies, the World Bank projects growth will fall from 6.6 per cent in 2021 to 3.4 per cent in 2022 – well below the annual average of 4.8 per cent over 2011 – 2019.

7.1%

In South Asia, the World Bank estimates that growth reached 7.1 per cent in 2021

Laying the foundations for economic growth

7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH

Building modern infrastructure

4%

Despite having a sixth of the world's population, Africa accounts for just 4 per cent of global container shipping volumes

Logistics

Many countries in Africa severely lack modern infrastructure. For example, while the continent has a sixth of the world's population, it is home to only a handful of the world's top 100 ports (Asia has nine of the top ten) and accounts for just 4 per cent of global container-shipping volumes. Ports are vital to the long-term prosperity and wellbeing of people. However, many ports and logistics facilities in Africa remain constrained, lacking in capacity to meet the needs of local economies.

Over the past four years, we developed a new long-term partnership to help address the stark imbalance in global trade, accelerate Africa's potential as a global trading hub and improve the economic prospects of millions of people. The partnership, with DP World, will support the modernisation and expansion of ports and inland logistics across Africa, starting in the ports and corridors of Dakar (Senegal), Sokhna (Egypt) and Berbera (Somaliland), with further ports and logistics investments to follow. In 2021, we initially committed £241 million ($320 million) to create the partnership. Our investment means that DP World – which is committing $1 billion to the partnership – can do more in Africa than it would have otherwise, thereby reducing bottlenecks in ports and logistics facilities across the continent and having a transformative development impact.

Trade enabled by the initial three ports alone is expected to support GDP growth of more than 3 per cent by 2035 in these geographies. All investments within the partnership will require compliance with the International Finance Corporation (IFC) Performance Standards and tracking development impact will be central to our investment activity. Investment in other ports and logistics facilities under the partnership in future years will bring further development impact.

Another fundamental part of the supply chain that makes an important contribution to economic growth is logistics facilities, such as warehouses. They provide businesses with storage, distribution, packing and processing of goods, all of which support business growth as well as local and international trade. As these businesses grow, they create economic opportunities by creating jobs, increasing income for suppliers and sales agents, and reaching new customers.

One example in our portfolio is Africa Logistics Properties (ALP), a property investment and development company focused on 'Grade-A' warehousing. Until ALP entered the market, international-standard, green building certified warehousing in Kenya did not exist. Using capital from a consortium of investors, including British International Investment, the company built 55,000 square metres of warehousing across two sites in Nairobi.

To deepen our understanding of ALP's impact, this year we commissioned a study of the business. It found that business tenants using the warehouses have experienced increased operational efficiencies, which have led to increased revenues and enabled them to scale up. This increased productivity has also enabled businesses to create new, high-quality, skilled jobs, contributing to economic growth in Kenya.

Energy

The impact of the climate crisis on the markets where we invest means our continued focus on green infrastructure in particular has never been more important. Over 2021, we invested over £330 million in renewable energy. Examples include establishing a joint venture supporting large-scale African hydropower projects, which will provide millions of people with clean power; scaling renewable power in Pakistan through the Metro-BII Renewables joint venture; and investing in Fourth Partner Energy, India's leading distributed renewable energy company for businesses. You can read more in the 'Addressing climate change' section on pages 22–26.

Existing investments in green infrastructure within our portfolio continue to generate the clean energy that is so vital for sustainable economic growth. You can read about the milestones reached by our renewable energy portfolio this year in the 'Addressing climate change' section on pages 22–26.

Over £720m

invested in infrastructure, including over £330 million in renewable energy

Impact on people

We invest to make a lasting difference to people's lives, in line with our commitment to the UN's Sustainable Development Goals, beginning with Goal 1 on eliminating poverty.

Impact on people

8 DECENT WORK AND ECONOMIC GROWTH

Supporting livelihoods

One of the reasons we invest is to improve economic opportunities for people. That might mean making an investment because we anticipate it will create more and better jobs, or improve incomes, or provide jobs that are inclusive.

In 2021, our portfolio of businesses provided direct jobs for 938,360 people (in full-time equivalents). Of these workers, 22,310 were new hires.

In the last two years, employment has been negatively impacted by the social and economic crisis resulting from the COVID-19 pandemic. In 2020, our portfolio companies were able to maintain employment against a backdrop of serious job losses across the wider economy in Africa and South Asia. This success, however, has meant that our portfolio has not had to conduct the level of rehiring required in the rest of the economy. Therefore, the rate of job growth in our portfolio in 2021 fell to 2.4 per cent, compared with a background growth rate of 4.7 per cent, according to International Labour Organization (ILO) statistics.

The 2021 job growth within the portfolio was attributable to a sizeable minority of firms hiring rapidly. Around 70 per cent of the businesses in our portfolio were simply maintaining or even reducing their employment. We continue to support the portfolio to weather the persisting economic crisis.

Over the past five years, the businesses we invest in have grown their workforce annually by an average of 4.9 per cent. This compares with an average growth rate of 1.7 per cent for all employees in Africa and South Asia, according to ILO statistics.

We estimate that in 2021, our portfolio companies' supply-chain purchasing indirectly supported a further 2.4 million workers in the wider economy, while electricity supplied by power companies in our portfolio supported an estimated 0.95 million jobs. Finally, we estimate the credit that BII-backed financial institutions offer to businesses supports as many as 6.8 million workers across the economies of Africa and South Asia.

Over the past five years, the businesses we invest in have grown their workforce annually by an average

4.9%

These indirect job numbers are all estimates from a model we first developed in 2014. There have been some changes this year to the methodology used, in relation to estimates of workers supported by financial institutions. You can find further information on this change, and the impact on the data we present, in 'This year's impact in numbers' on pages 35–36.

The results are largely due to the hard work and successes of the teams at our portfolio companies; our capital and know-how are only two reasons among many for their success. This is why we don't attribute the increase in job numbers in our portfolio to ourselves.

You can find further information about our portfolio's impact on employment in 'This year's impact in numbers' on pages 35–36.

Formalising India's workforce

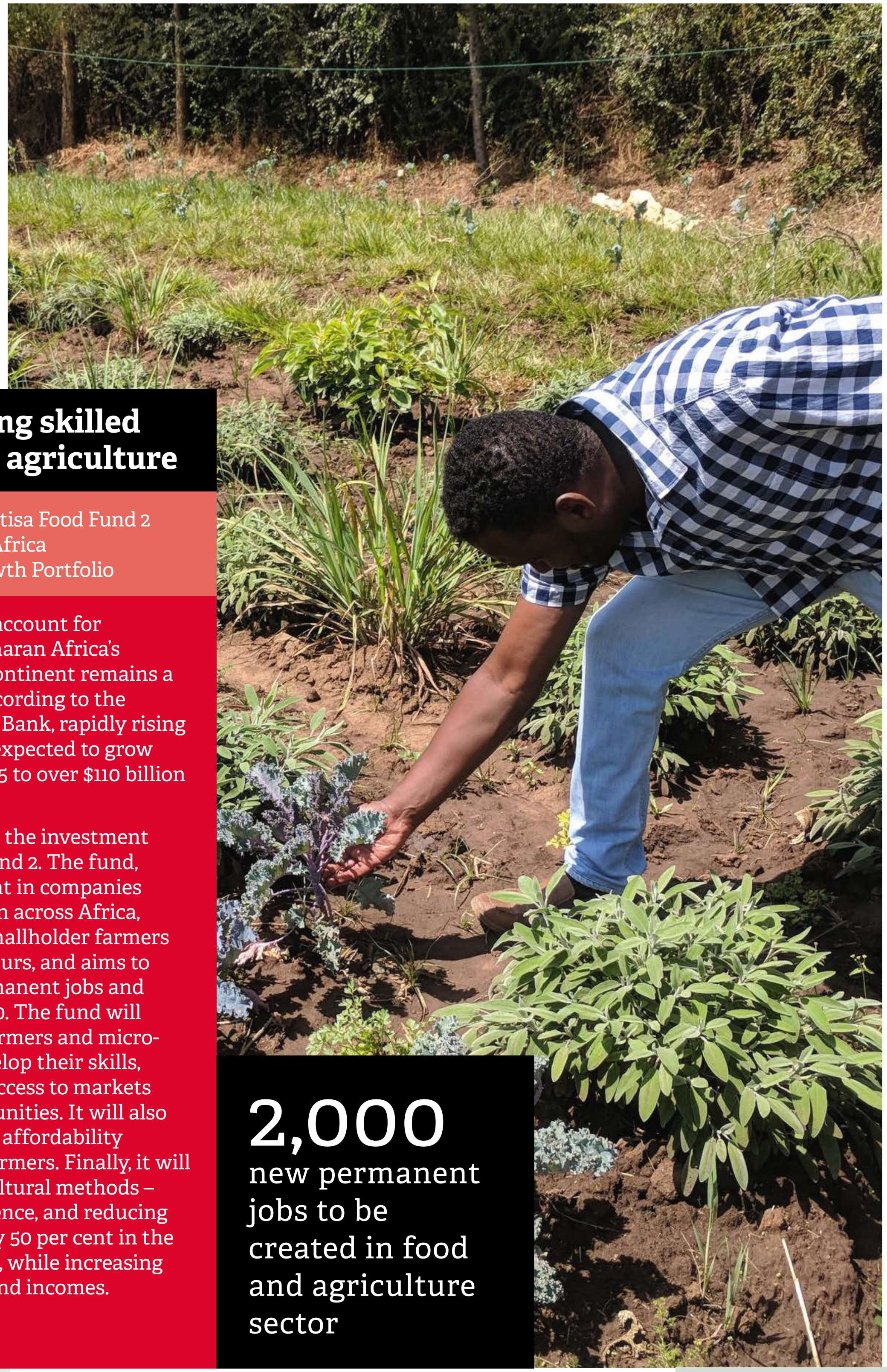
Investment name: BetterPlace
Region/country: India
Investment type: Catalyst Strategies

BetterPlace is the largest blue-collar worker platform in India, which seeks to empower workers by giving them opportunities for job growth and upward social mobility, and access to credit and health insurance. Free of charge to workers, it is an online platform that connects job seekers with large businesses and opportunities for work. In doing so, it helps to move marginalised workers into a more formalised workforce.

With over 1.4 million users on the platform annually, and over 700 enterprises requesting access to its data and insights, BetterPlace has the potential to transform the lives of millions of low-income workers across India. The existing user base are unskilled and semi-skilled workers, with the majority living on less than $5.5 a day and a third of them women. Our investment will help BetterPlace improve access to a higher-quality hiring and training experience for blue-collar workers.

1.4m users on the BetterPlace platform annually

Impact on people



Creating skilled jobs in agriculture

Investment name: Phatisa Food Fund 2
Region/country: Pan-Africa
Investment type: Growth Portfolio

Smallholder farmers account for 60 per cent of sub-Saharan Africa's population, and the continent remains a net food importer. According to the African Development Bank, rapidly rising net food imports are expected to grow from $35 billion in 2015 to over $110 billion by 2025.

In 2021, we invested in the investment fund, Phatisa Food Fund 2. The fund, through its investment in companies in the food value chain across Africa, targets over 90,000 smallholder farmers and micro-entrepreneurs, and aims to create over 2,000 permanent jobs and sustain another 10,000. The fund will enable smallholder farmers and micro-entrepreneurs to develop their skills, thereby broadening access to markets and economic opportunities. It will also address access to, and affordability of, products among farmers. Finally, it will promote smart agricultural methods – enhancing crop resilience, and reducing food loss and waste by 50 per cent in the companies it finances, while increasing local outputs, yields and incomes.

2,000
new permanent jobs to be created in food and agriculture sector

Improving health and safety in the workplace

Safe and healthy work environments are essential to the wellbeing of employees, as well as to the long-term sustainability of any company's operations.

We support businesses in our portfolio on a one-on-one basis to address their needs and help them work towards international standards of best practice. Where we see common challenges or a lack of publicly available guidance on how to address an issue across a sector, we often work with fellow DFIs and other partners to create resources for the private sector more broadly in emerging markets.

Over the past year, this has included publishing guidance on managing road safety in emerging markets, as well as guidance on health, safety and security in the transmission and distribution sector.

Impact on people

5 GENDER EQUALITY

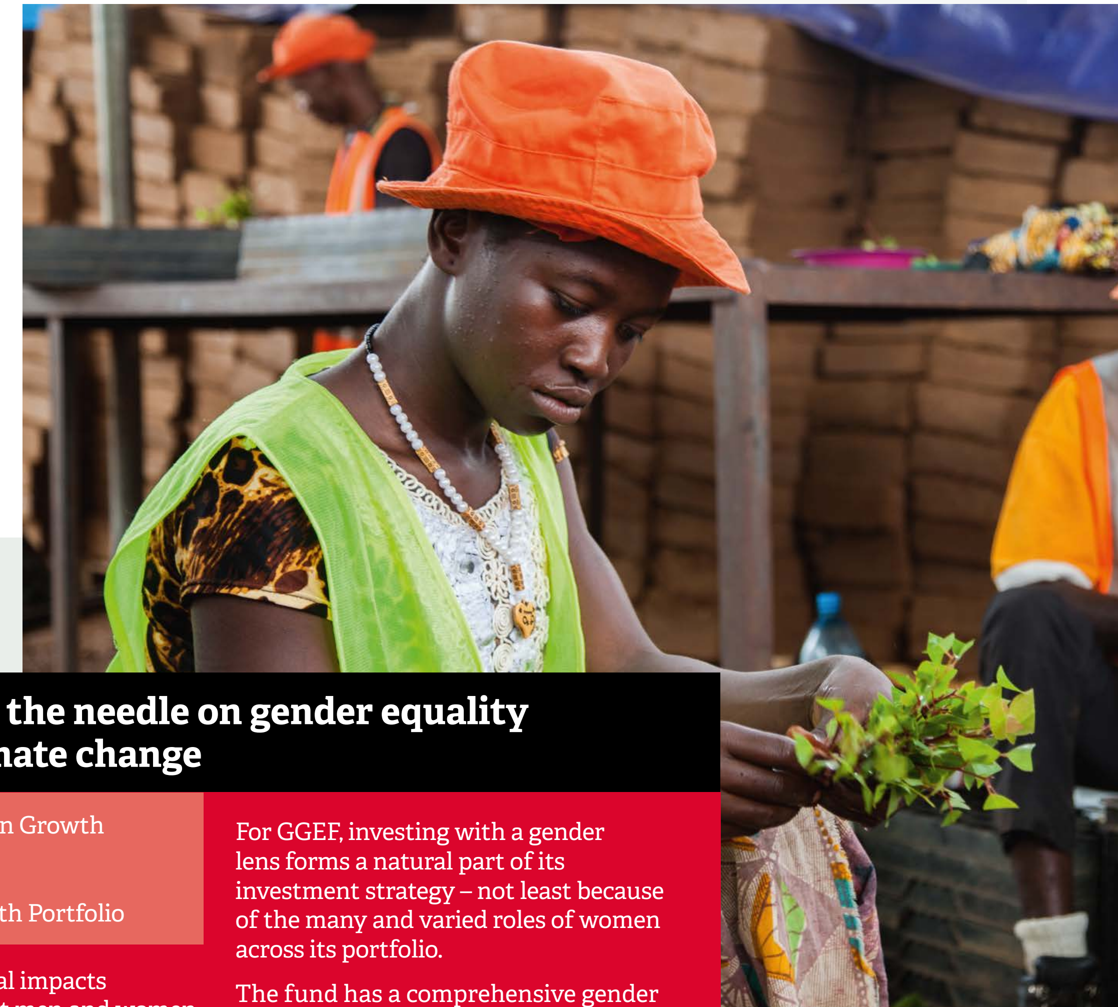
Investing in women

As a champion of gender-smart investing, we use our role to advance women's economic empowerment. We are a co-founder of the 2X Challenge, an initiative set up by the G7 DFIs in 2018 to mobilise investment in the world's women. Since then, the initiative has gathered momentum and increased its membership from seven to over 20 DFIs and multilateral development banks, which have collectively invested $7 billion targeted at women and mobilised a further $4.5 billion.

In the lead up to the G7 Leaders' Summit in June 2021, the initiative committed to investing a further $15 billion over the next two years to help women in developing markets to access jobs, build resilient businesses and respond to the devastating economic impacts of the COVID-19 pandemic. We have also led the launch of the 2X Collaborative, a new global industry body to promote gender-lens investing.

Within our own activities, we're proud that 28 per cent of our investments in 2021 qualified under the 2X Challenge. This includes gender-smart businesses such as Green Growth Equity Fund, which you can read about opposite. We also invested in Divercity, a low-cost housing platform in South Africa, which has over 50 per cent women as primary tenants and has begun to build property with women in mind – for example, by improving childcare provision in their buildings. In addition, we partnered with FirstBank Nigeria to create a new $100 million facility which will direct at least $30 million of funding to women-owned and -led businesses in Nigeria. The facility will also support FirstBank's 'FirstGem' gender-focused services, which take steps to promote gender inclusion by improving lending and support to female entrepreneurs.

28%
of our investments in 2021 qualified for the 2X Challenge



Moving the needle on gender equality and climate change

Investment name: Green Growth Equity Fund
Region/country: India
Investment type: Growth Portfolio

The economic and social impacts of climate change affect men and women differently, especially in developing economies. Climate change disproportionately affects women, because it exacerbates existing gender inequalities.

With this in mind, in the run up to COP26, we partnered with the European Investment Bank, the European Bank for Reconstruction and Development (EBRD) and the 2X Challenge to produce a gender-smart climate-finance guide for investors. The resource provides tools, analysis and case studies to support investors in identifying investment opportunities that move the needle on both gender equality and climate action.

Over the year, we have also made investments that address both of these areas simultaneously. This includes backing India's first dedicated climate-change fund, the Green Growth Equity Fund (GGEF).

For GGEF, investing with a gender lens forms a natural part of its investment strategy – not least because of the many and varied roles of women across its portfolio.

The fund has a comprehensive gender action plan in place to implement its gender diversity goals, and it already meets several of the criteria to qualify for the 2X Challenge. This includes women filling 30 per cent of senior management positions and comprising a 54 per cent share of the workforce. On top of that, at least a third of the fund's portfolio companies meet the 2X Challenge standard.

One such company is an e-mobility platform, which recently launched 700 state-of-the-art zero-emission electric buses, and charging infrastructure, across 14 cities in Uttar Pradesh, a state in India. They've established a team of women drivers and set up a training centre where women can seek jobs as drivers, attendants or ticketing staff at the depot.

Impact on people

Within our portfolio, we have continued to support several businesses in becoming gender-smart. In the box on this page, you can read about our work with Indian e-commerce logistics company Ecom Express. Over the year, we also provided gender-smart investing training to over 30 funds and financial institutions we invest in, helping them to address gender equality within their portfolios.

We also began to think about how we can build on what we've learned from our experience as a gender-lens investor. As a result of this work, in our 2022 – 26 strategy we have set a new target for 25 per cent of all new investments to qualify under the 2X Challenge. We will also address other forms of diversity and inclusion in our investments, including increasing the representation of black African-owned and led businesses in our sub-Saharan Africa portfolio.

25%
In our 2022 – 26 strategy, we've set a 25 per cent gender finance target

Accelerating gender diversity in the logistics sector

Investment name: Ecom Express
Region/country: India
Investment type: Growth Portfolio

Ecom Express is a nationwide express delivery business in India, in which we first invested in 2019. During our due diligence, we identified an opportunity to work with the company to increase women in employment: female representation in its workforce was below average for the sector at only 2 per cent.

First, we helped identify the gaps, opportunities and benefits of developing a more diverse workforce. This information was then used to develop a gender strategy and timebound gender action plan, which included actions such as gender sensitisation training, integrating gender considerations into hiring practices, employee surveys, and training and mentoring programmes for women.

Despite some setbacks due to the COVID-19 pandemic, the firm has implemented steps from the gender action plan that have increased gender diversity across the workforce. As a result, Ecom Express is already benefitting from improved business performance. Hubs with larger numbers of female employees perform better, including a reduction in absenteeism and theft. The firm also recently launched several all-women delivery centres, which are operating at a higher efficiency level than all-male or majority-male centres. Following the success of the gender action plan, Ecom Express is now considering other forms of diversity and is rolling out a similar plan for LGBTQ hiring.

Impact on people

Improving access to goods and services

Sometimes we invest in businesses and funds with the goal of improving access to goods and services that make a difference to people's lives – such as food, health, education, power or internet access.

For example, we invest in power infrastructure because we know that businesses and people in the countries where we invest need better access to electricity. We invest to improve digital infrastructure, because, while 3.5 billion people around the world do not have access to the internet, we know that providing this connectivity helps businesses grow and strengthens local communities. You can read in the case study opposite how our investee, Liquid Telecom, is providing this connectivity to communities in Kinshasa, in the Democratic Republic of the Congo.

We also invest to improve access to health, including access to effective medicines at an affordable price. MedAccess, a social-finance company we set up in 2017, does just that. In 2021, the company played a critical role in several projects in Africa, which you can read about opposite.

Beaming broadband across the Congo River

Investment name: Liquid Telecom
Region/country: Pan-Africa
Investment type: Growth Portfolio

Despite a distance of just 4.8km, internet is five times more expensive in Kinshasa than in Brazzaville. This is because the two capital cities are separated by the Congo River, the second fastest and deepest river in the world, and therefore difficult to lay fibre across. Historically, this has meant that internet traffic must be directed through cable-landing stations over 400km away, affecting the speed and reliability of internet connectivity in the area.

One business aiming to change this is Liquid Telecom, the largest independent fibre and cloud provider in Africa, which we've invested in since 2018. As part of its mission to improve broadband access across Central Africa, Liquid Telecom has been trying to establish a strategic connection across the river for over two years.

In 2021, using state-of-the-art wireless technology provided by Alphabet (the parent company of Google), Liquid successfully established the connection between Kinshasa and Brazzaville, and has started delivering affordable, high-speed connectivity to communities in Kinshasa. In the same way traditional internet fibre uses light to carry data through cables in the ground, these wireless optical communication links use narrow, invisible beams of light to deliver high-speed connectivity.

These links across the Congo River will help the 17 million people in these cities have access to much faster and more reliable connectivity, and at a lower cost. This milestone is part of Liquid Telecom's broader aim to make this region a more attractive destination for international business investments.

Accelerating access to vaccines

Investment name: MedAccess
Region/country: Africa and Asia
Investment type: Catalyst Strategies

MedAccess is a social-finance company we set up in 2017 to help improve access to life-changing medical supplies at an affordable price. In 2021, the company played a critical role in accelerating access to healthcare in Africa.

Protecting communities from COVID-19
At the height of the pandemic in 2020, global organisations, including the World Health Organization (WHO), created the COVAX initiative to advance the development and manufacture of COVID-19 vaccines, and to accelerate access for every country in the world.

In March 2021, Ghana became the first country to begin protecting its people with COVID-19 vaccines from COVAX. Alongside 600,000 vaccine doses, Ghana received a shipment of auto-disable syringes to enable health workers to begin administering the vaccines immediately. These syringes – recommended by the WHO because they reduce the risk of people contracting an infection due to reuse of contaminated needles – were purchased by UNICEF using support from MedAccess.

Enabling production of a life-saving malaria vaccine
In December 2021, Gavi, the Vaccine Alliance, approved the financing of the world's first mass malaria immunisation programmes, using the ground-breaking RTS,S/AS01e vaccine. It is the first malaria vaccine to be proved safe and effective in a large Phase 3 clinical trial. Gavi agreed to finance the life-saving vaccine's roll-out at scale for millions of children under the age of two in sub-Saharan Africa, protecting them at a time when they are most vulnerable to life-threatening illness from malaria.

A few months earlier, in August 2021, MedAccess agreed an innovative financing agreement to support continued production of the vaccine antigen, while the WHO and Gavi took decisions on the vaccine's deployment. By stepping in with a production guarantee to keep manufacturing lines rolling while decisions were being made, MedAccess has helped ensure millions more children will be vaccinated against malaria.

Impact on people

Managing challenges and risks

Our mandate allows us to take on higher risks and help companies through tough times.

As a DFI, we invest in countries and markets that are more difficult to access and have lower levels of investment activity. This can bring a number of investment risks. These can be social, economic or environmental, but sometimes can be political. In extreme situations, conflict and war can leave countries, and their populations, vulnerable and in need of support from the international community.

Investors can often be put off by higher levels of risk, or may be reluctant to stick with a business through turbulent times. Our mandate allows us to take on higher risks and help companies through tough times. One example is our investment in PHC, a DRC-based palm oil agribusiness (previously known as Feronia). When we invested back in 2013, the company was in desperate need of investment, having been seriously impacted by the civil war that had raged through the DRC.

While recognising the huge challenge of restoring PHC, it is fair to say that no one anticipated just how uniquely complex and difficult supporting the company would be. Challenges ranged from the company's extremely remote locations, which made it logistically difficult to make the improvements the company needed, to its status as the sole formal employer in the region, which meant we were not just investing in a business, but in the future of tens of thousands of people that relied upon it for employment, housing, clean water, and medical and educational facilities. Other factors such as Ebola, a prolonged slump in the price of palm oil and, most recently, COVID-19 added to the complexity.

From an impact perspective, there is much to be proud of. Over $7 million was invested in medical and educational facilities and clean water provision. Wages at the company were more than doubled. However, in 2021, the company remained in an extremely difficult financial position and there was still a large amount of restoration required at the business. It was becoming clear to all the DFI investors that the business would be better served by an African investor with the resources and proximity to the company that we simply couldn't provide. The work that we completed with the company meant there was an Africa-based investor who was willing to continue to nurture it towards financial sustainability.

There are circumstances in which a country is too limited or too fragile even for DFI investment. We regularly discuss internally, and with DFI partners, whether and how we can provide private-sector support in particular countries (see page 12 for more information on the Africa Resilience Investment Accelerator, a new platform for investment in fragile and conflict-affected states in Africa). The rise in instability in 2021 across some of the regions where we invest, for example the spate of recent coups in Africa, has made these conversations a more regular occurrence. Extreme fragility can be a significant barrier to market entry, and when situations deteriorate it can become very difficult for us to invest successfully, or even support an existing portfolio.

Another area that we monitor closely is labour risks, including modern slavery and forced labour. These risks are higher when businesses rely on third-party contractors and supply chains in certain industry sectors and geographies.

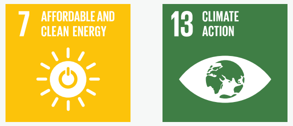
Our investments are underpinned by a firm commitment to international labour laws and we assess all prospective investments and regularly engage with our portfolio on this basis. Over the last year, concerns have grown about the scale of alleged forced labour in the Xinjiang Uyghur Autonomous Region, China. As a result, we have reviewed our environmental and social due diligence procedures to increase our levels of confidence and insight in supply chains that source materials from Xinjiang, and we've been working with our DFI peers to increase awareness of this issue.

Addressing 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.

Our goal is to play a meaningful role in tackling climate change by supporting countries and communities in a successful and just transition to net-zero and resilient economies. This year, we committed our largest ever amount of climate finance in a single year: £479 million.

Addressing climate change



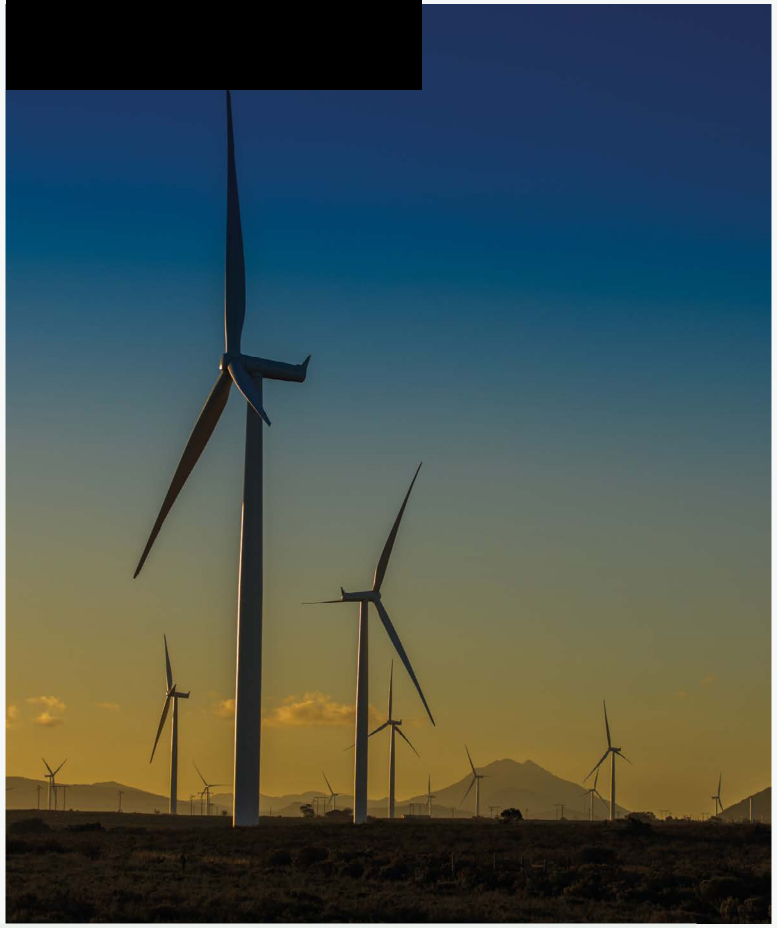
Investing for clean and inclusive growth

In 2021, the COP26 Climate Change Conference, hosted by the UK in Glasgow, brought together world leaders to encourage action to keep global warming within the limit of 1.5°C. A recent report from the IPCC made it clear it is still possible to meet this target, but only if unprecedented action is taken now.

We are proud to form a key part of the UK's climate-financing commitment for emerging economies. During the conference, we announced our plans to invest over £3 billion to support emerging economies in combating the climate emergency over the next five years. This commitment makes British International Investment a global leader in climate finance in the countries where we invest.

However, we know that acting alone is not enough. Investment from private finance is crucial. This is why the Global Energy Alliance for People and Planet announced at COP26, which aims to mobilise $100 billion of climate finance over the next ten years, is such a monumental and critical platform.

26%
of our new commitments in 2021 were climate finance



£479m

We committed £479 million of climate finance in 2021

We are an investment partner in the alliance, which brings together philanthropists and public-finance actors to unlock further private financing for renewable power, to avert carbon emissions and create millions of jobs. It does this by creating opportunities for private investors who would not otherwise be willing to take on the risk of emerging-market investments.

Beyond COP26, 2021 was a significant year as we stepped up our commitments to climate finance and sought to deliver our Climate Change Strategy, published in 2020. Over the year, we committed £479 million of climate finance, which is 26 per cent of total new commitments.

While this is slightly lower than our 30 per cent target, it is the largest amount of climate finance we have delivered in a single year since we started tracking, and, in absolute terms, is significantly higher than forecast. It is a lower percentage because our total financial commitments also exceeded our expectations, which means this unprecedented absolute commitment to climate finance was a smaller proportion of our overall commitments. Our 2021 climate finance commitment compares with a relatively low level committed in 2020, largely due to our response to the COVID-19 pandemic, which focused the organisation on tackling liquidity, healthcare and needs for basic services.

Further information on the climate-related metrics that we include in our reporting on the Task Force on Climate-related Financial Disclosures (TCFD) can be found in the box on this page.

Looking ahead, we will build on this work by expanding our climate-finance ambitions even further, with our work contributing to the UK Government's Clean and Green Initiative. As set out in our 2022–26 strategy, in addition to our geographies of Africa and South Asia, we will extend our climate finance offer to new countries. We will 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.

Identifying climate change risks and opportunities

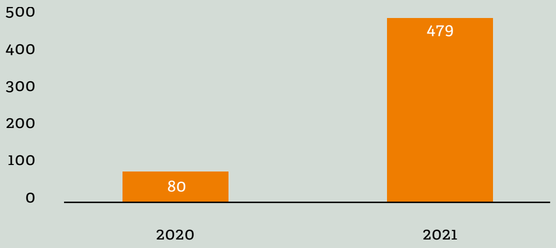
In 2019, we committed to reporting on the Task Force on Climate-related Financial Disclosures (TCFD), the main international framework for integrating climate change opportunities and risks into the management systems of financial institutions and businesses.

Since then, as recommended by the TCFD, we have been developing and using a range of metrics to assess climate-related risks and opportunities in line with our corporate strategy and risk management process.

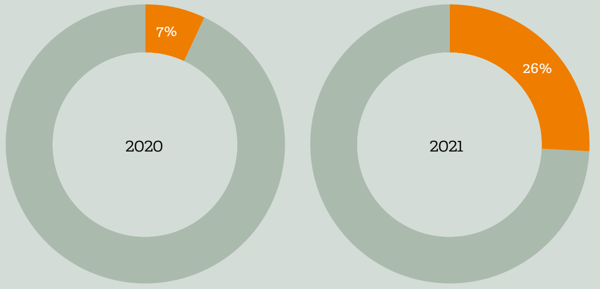
Our disclosure statement can be found in our Annual Accounts. We report on metrics including: our portfolio exposure to climate-related opportunities and carbon-related assets, greenhouse gas emissions of our investment portfolio and our climate-finance target. It highlights our advances in 2021 – such as our step up in climate-finance commitments, summarised below – and provides insights on key areas of work ahead.

Climate-finance commitments in 2020 and 2021

Climate-finance commitment (£m)



Climate finance as share of total commitment (%)



Addressing climate change

Investing for a net-zero world

A key part of our approach to climate action is ensuring all our future investments align with the Paris Agreement goal of limiting global warming to 1.5˚C. We are decarbonising our portfolio by working to reduce emissions intensities across all sectors we invest in, and actively supporting the new technologies and business models needed for economic transformation. Our portfolio of over 1,000 companies will reach net zero at a portfolio level by 2050 at the latest.

Over the year, we made significant steps to accelerate our investment in green infrastructure. This includes investments in the Scatec-Norfund-BII Africa Hydropower Joint Venture[1], which is supporting large-scale African hydropower projects and providing clean power to meet the demands of millions of people. We also invested in scaling renewable power in Pakistan through our commitments to Zhenfa and Metro-BII Renewables.

Alongside utility-scale investments, we've also advanced our presence in the commercial and industrial renewables space, which you can read about in the box on this page.

1 Our investment is through Klinchenberg B.V. (see the list of our investments on page 29).

Powering businesses with renewable energy

Investment name: Fourth Partner Energy
Region/country: India
Investment type: Growth Portfolio

As well as increasing renewable energy at utility scale, there is also a significant opportunity to meet net-zero targets by growing distributed renewable-energy generation. In the commercial and industrial sector, there is a growing demand for renewable energy, as businesses want to switch to cleaner and cheaper solar power.

Fourth Partner Energy is a leading Indian renewable-energy company for commercial and industrial businesses. The firm partners with India's largest companies to expand their use of renewable energy, helping them change the way they consume electricity through solar solutions and electric-vehicle charging.

Our investment in Fourth Partner Energy will fund approximately 294 MW of greenfield renewable-generation capacity across India, Sri Lanka, Bangladesh, Indonesia and Vietnam. The added capacity will increase power supply to businesses and help avoid nearly 400,000 tonnes of carbon dioxide emissions each year.

An important year for our renewable energy investments

Several investments in our existing portfolio reached notable milestones during the year. For example, Ayana Renewable Power – a clean energy company we launched in 2018 – reached 1 GW of renewable energy operational capacity in India. This has been enabled by mobilising additional capital into the platform through our partnership with India's National Investment and Infrastructure Fund (NIIF) and the Green Growth Equity Fund (GGEF).

In Mozambique, Globeleq – a company we are the majority owner of – broke ground on a pioneering solar-generation and battery-storage project, which will provide clean energy to 18,000 households and support job creation in Niassa, one of the country's poorest provinces, with an electrification rate of just over 20 per cent. Our technical assistance facility, BII Plus, provided funding for the battery-storage solution, which is a nascent but potentially transformative technology.

It was also a notable year for our renewable energy portfolio as a whole. Of the total power generated and distributed by our investments in 2021, 37 per cent was from renewable sources such as solar, wind and hydro. This proportion increased from 29 per cent in 2020 as a result of reduced generation in legacy thermal power stations, and some significant renewables projects becoming operational.

37%

of power generated and distributed by our portfolio came from renewable sources, up from 29 per cent in 2020

Addressing climate change

Reaching net-zero emissions and limiting global warming to 1.5˚C requires action from businesses across all sectors, not just the energy sector. We're proud to support pioneering businesses such as Sanergy, which avoids emissions and supports the circular economy by providing sustainable waste management services in Kenya. You can read more about the business in the box on this page.

Alongside this, we've also advanced our efforts to invest in natural climate solutions such as forestry. Africa is home to around 17 per cent of the world's forests, including 20 per cent of all tropical forests. At COP26, we announced our intention to partner with fellow DFIs Finnfund, Norfund and global investment manager New Forests, to develop investment strategies designed to scale and transform the sustainable-forestry sector in sub-Saharan Africa. The aim of the partnership is to raise up to $500 million over the next three to five years to support the fight against climate change.

40,000 tonnes

of waste collected by Sanergy each year, and converted into resources that can be used again

The sanitation business letting nothing go to waste

Investment name: Sanergy
Region/country: Kenya
Investment type: Catalyst Strategies

In Kenya, Sanergy is helping to clean up fast-growing urban areas by providing vital sanitation and organic-waste-management services for hundreds of thousands of people in Nairobi.

The company builds affordable sanitation products, such as toilets, specifically for informal settlements. It then franchises these to community members to serve all residents, and collects the sanitation waste, along with other organic waste generated by restaurants, open air markets and agricultural pack houses.

Sanergy collects around 40,000 tonnes of waste each year, and converts it into resources that can be used again, such as animal feed, organic fertiliser and biofuels. It produces the largest volumes of organic fertiliser in East Africa, and sells all its agricultural products to local farmers, helping to improve yields, thereby addressing food security and increasing farmers' incomes.

Through the whole business process, Sanergy avoids greenhouse gas emissions – from removing the waste, to creating a carbon-rich fertiliser that can be sequestered. The firm estimates it will avoid about a million tonnes of carbon emissions in the next four years.

In 2021, Sanergy was shortlisted as a finalist for the inaugural Earthshot Prize, in the category 'Build a waste-free world'. We are invested in Sanergy through Novastar Ventures East Africa Fund I LP, which is managed by Novastar Ventures.

Sharing our portfolio's perspective on climate change

In the run up to COP26, we wanted to get a clearer understanding of how private-sector leaders in Africa and South Asia see climate change. So, we carried out a survey of senior management at businesses and investment funds in our portfolio. We asked questions on how climate affects their firms today, how it is influencing their future plans and what they need from international investors – such as British International Investment – as well as the broader international community, as they work to transition to net-zero and resilient economies.

The findings were set out in our inaugural Emerging Economies Climate Report 2021. Nearly half of respondents reported they have experienced an extreme weather event that has affected their business, and 86 per cent said climate change would negatively impact their business over the next decade. The findings highlight the scale of the impact that the crisis is already having on some of the world's most vulnerable countries and people, and the importance of stronger action and support from the international community.

48%

of respondents had experienced an extreme weather event that affected their business

Addressing climate change

Leaving no one behind in the green transition

We consider the social implications of climate change alongside the environmental impacts, and investing for a 'just transition' is a key pillar of our Climate Change Strategy.

South Africa is the largest emitter of carbon dioxide in Africa, and vulnerable to the increasing impacts of climate change. Transitioning to cleaner and more inclusive growth will only be successful if the needs of key regions and workers currently dependent on high-carbon sectors are considered and included.

Over the last two years, we have supported the creation of 'just transition finance roadmaps' in South Africa, to explain how to finance the just transition in coal-dependent and high-carbon regions. In 2021, we played a key role in forming the Just Energy Transition Partnership, which aims to accelerate the decarbonisation of South Africa's economy, with a focus on the electricity system. It will mobilise an initial commitment of $8.5 billion for the first phase of financing through various mechanisms, including grants, concessional loans and investments, and risk-sharing instruments, many involving the private sector.

Furthermore, we are providing climate finance for South Africa's just energy transition. For example, our investment in the Redstone Concentrated Solar Thermal Power Project will not only avoid approximately 480,000 tonnes of carbon every year, but also convert solar power into baseload energy at scale. This will provide a stable, clean power supply during the most expensive peak periods, and help support livelihoods.

In addition, in November 2021, Globeleq – the leading independent power provider in Africa, owned by us and Norfund – was selected as part of a consortium to build 12 renewable energy projects in South Africa, totalling 1,274 MW of clean energy generation capacity. This is expected to create thousands of job opportunities, particularly during development and construction.

$8.5bn

A new partnership to accelerate decarbonisation of South Africa's economy will mobilise an initial commitment of $8.5 billion

Accelerating adaptation and resilience

Given the extent to which many developing countries are already feeling the impact of climate change, putting these needs at the heart of climate action means committing to adaptation and resilience measures alongside climate mitigation.

We're working to ensure our investments across all sectors are resilient to climate change in two ways. We help our investee companies identify, assess and manage physical climate risks. Plus, we invest in businesses that provide adaptation and resilience solutions for sectors, businesses and communities.

We are proud to be a founding member of the Adaptation & Resilience Investors Collaborative, an alliance to address key barriers to private investment in climate adaptation and resilience in developing countries. At COP26, the Collaborative announced its commitment to substantially increase investments in adaptation and resilience to support these countries.

At the same time, we are increasing our support in venture-capital investment for early-stage, technology-based businesses that have the potential to play a vital role in the fight against climate change. We know there are a growing number of companies offering adaptation solutions, as well as innovative solutions for climate mitigation in developing markets, but they struggle to receive the funding they need to grow. Our involvement will be supported by the £200 million Climate Innovation Facility announced by the UK Government. As part of this work, we have developed a pilot facility, to test different ways concessional finance can be used to make higher risk investments in nascent markets.

Scaling innovative solutions

Investment name: Climate-KIC partnership for ClimateLaunchpad initiative
Region/country: Africa and Asia
Investment type: BII Plus funded

There are a growing number of companies offering adaptation and resilience solutions in developing and emerging markets, but they are at varying stages of development, and many struggle to scale up. Typical barriers to growth for early-stage companies include inadequate access to finance and technical capabilities. Therefore, this year our technical assistance facility, BII Plus, decided to partner with Climate-KIC on its ClimateLaunchpad initiative, to support innovative start-ups working on solutions to the climate-change challenges affecting communities in developing countries. The two-part programme supported more than 40 start-ups from countries including Ghana, Nigeria, Bangladesh, Sri Lanka and Pakistan.

This year's new investments

Overview of our investments

Over the last ten years, we have focused our investment in Africa and South Asia. In our new 2022 – 26 strategy, we continue this focus, and expand our geographic remit to include the Indo-Pacific and the Caribbean. We invest in green infrastructure, technology and other sectors that need our capital the most.

2021 commitments by region

You can find out more about our portfolio by country and region at bii.co.uk/our-investments/key-data

Our investments in numbers

We're invested in **64** countries

We're invested in **541** businesses in South Asia

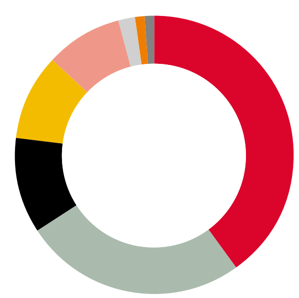
We're invested in **705** businesses in Africa

In total, we're invested in **1,327** companies

Supporting priority sectors

We invest across all sectors, but prioritise those that facilitate development. Our priority sectors are those that have the strongest potential to create the most jobs for the capital invested and contribute towards many of the SDGs. These sectors are infrastructure, financial services, technology and telecoms, food and agriculture, health, manufacturing, construction and real estate, and education.

2021 commitments by sector:



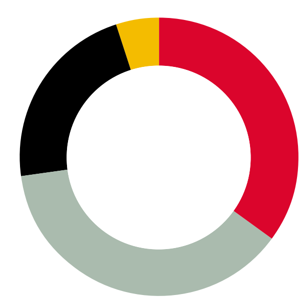
Infrastructure (£721m)	40%
Financial services (£491m)	26%
Technology and telecoms (£199m)	11%
Food and agriculture (£194m)	10%
Other (£173m)	9%
Health (£40m)	2%
Construction and real estate (£25m)	1%
Manufacturing (£23m)	1%

You can find out more about our portfolio by sector at bii.co.uk/our-investments/key-data

A flexible approach to providing capital

We provide capital in many ways: direct equity, debt, intermediated investments (funds, for example), guarantees and trade finance. Each product has different benefits, so a flexible approach helps us achieve a wider range of impact objectives and meet the needs of each business.

2021 commitments by product:



Direct equity (£661m)	35%
Debt (£710m)	38%
Intermediated equity (£400m)	22%
Guarantees (£95m)	5%

You can find out more about our portfolio by product at bii.co.uk/our-investments/key-data

Our investments

Key
🔴 Gender qualified using the 2X Challenge criteria
🟡 Climate finance qualified[1]
○ Partially climate finance qualified[1]

Direct investment commitments

Investment	(£m)	Location
Growth Portfolio		
ABSA Bank Ltd	123.0	Africa
Boston Ivy Healthcare Solutions Private Limited	19.8	India
🟡 CDC South Asia Renewables Limited	49.7	India
Citibank SCF	75.2	Africa
○ Commercial Bank of Ceylon Plc	36.0	Sri Lanka
🔴○ Divercity Urban Property Fund Proprietary Limited	25.0	South Africa
DP World	241.0	Egypt, Senegal, Somalia
Ecobank MRPA	36.3	Africa
🟡 Equity Bank (Kenya) Limited	37.6	Kenya
ETC Group Limited	71.8	Africa
🔴 First Bank Nigeria	73.9	Nigeria
🟡 Fourth Partner Energy Private Limited	24.8	India
Global IME Bank	18.8	Nepal
Global Partnership for Ethiopia	155.4	Ethiopia
○ Globeleq Limited	17.8	Africa
🔴○ H1 Capital (Pty) Ltd	11.4	Southern Africa
HBL Bank UK Ltd	17.9	South Asia
🔴 iMerit	9.4	India
Indifi Technologies Private Limited	2.4	India
🟡 Klinchenberg B.V.	103.0	Uganda
🟡 Leap Agri Logistics (Khagaria) Private limited	10.4	India
🟡 Metro Wind Power Limited	13.1	Pakistan
🔴○ M-KOPA	5.3	Kenya
🔴 Shubham Housing Development Finance Company Limited	27.9	India
Smartpaddle Technology Private Ltd	13.1	India
Societe Generale S.A.	11.1	Africa
Supermarket Grocery Supplies Private Limited (Big Basket)	8.2	India
🟡 Thar Surya 1 Private Limited	31.4	India
The City Bank Ltd	21.8	Bangladesh
The Prime Bank Limited	22.3	Bangladesh
🔴 TymeBank	13.5	South Africa
Ulink AgriTech Private Limited	3.7	India
🟡 Zhenfa Pakistan New Energy Company (Pvt) Ltd	20.4	Pakistan
Sub-total	**1,352.4**	
Catalyst Strategies		
🔴 Annapurna Finance Private Limited[2]	5.9	India
Arohan Financial Services Limited[2]	5.9	India
ASA International India Microfinance Limited[2]	3.9	India
Asirvad Microfinance Limited[2]	4.9	India
Betterplace Safety Solutions Private Limited	2.2	India
Chaitanya India Fin Credit Private Limited[2]	4.9	India
Fusion Microfinance Private Limited[2]	5.9	India
🔴🟡 Greenlight Planet Inc.[3]	3.6	Kenya
🔴🟡 Greenlight Planet Kenya Ltd[3]	14.5	Kenya
🟡 Gridworks Development Partners LLP	34.6	Africa
🔴 Medical Credit Fund II Coöperatief U.A.	8.5	Africa
🔴🟡 M-KOPA (Kenya)[3]	1.4	Kenya
TeamApt Inc.	2.6	Nigeria
TradeDepot Inc	3.7	Nigeria
Vay Networks Services Pvt Ltd	3.0	India
🟡 Virunga Energies S.A.U	7.7	Democratic Republic of the Congo
Sub-total	**113.2**	
Total	**1,465.6**	

Intermediated equity investment commitments

Investment	(£m)	Location
Growth Portfolio		
3one4 Fund III	7.3	India
🟡 Africa Renewable Energy Fund II	25.8	Africa
🔴 African Development Partners III	14.4	Africa
Ascent Rift Valley Fund II	17.9	East Africa
Bangladesh Managed Account C.V.	4.9	South Asia
🔴 BluePeak Private Capital Fund	21.7	Africa
Convergence Partners Digital Infrastructure Fund	21.7	Africa
Endure Capital 21 C.V.	3.8	Egypt
Ezdehar Mid cap Fund II	18.8	Egypt
🔴🟡 Green Growth Feeder Fund Pte. Ltd	52.0	India
🔴 Healthquad Fund II	11.3	India
Incofin India Progress Fund I	10.9	India
○ Meridiam Infrastructure Africa Fund II	59.6	Africa
Metier AMN Partnership LP	7.7	Africa
🔴 Phatisa Food Fund 2	21.9	Africa
Stellaris Venture Partners II	10.9	India
Techxila Fund I	3.6	Pakistan
🔴 TIDE Africa II LP	7.3	Africa
Uhuru Growth Fund I	10.9	West Africa
Vantage Mezzanine IV Pan African Sub-Fund	15.2	Africa
Vantage Mezzanine IV Southern African Sub-Fund	9.0	South Africa
Sub-total	**356.6**	

Investment	(£m)	Location
Catalyst Strategies		
🔴 COVID-19 Emerging and Frontier Market MSME Support Fund	3.6	South Asia
🟡 COVID-19 Energy Access Relief Fund, B.V. [3]	10.8	Global
🔴 Dolma Impact Fund II	7.2	Nepal
🔴 Insitor Impact Asia Fund 2	11.1	India
🔴 Summit Private Equity Fund	11.2	South Africa
Sub-total	**43.9**	
Total	**400.5**	

1 We define climate finance using the multilateral development bank (MDB) and the International Development Finance Club (IDFC) Common Principles climate finance methodology. See Common Principles for Climate Mitigation Finance Tracking: www.idfc.org/wp-content/uploads/2021/10/cp-mit-update-final-2021-10-18.pdf and Common Principles for Climate Change Adaptation Finance Tracking: eib.org/attachments/documents/mdb_idfc_adaptation_common_principles_en.pdf.
2 These microfinance institutions are all part of a pooled bond issuance we jointly structured and invested in with Northern Arc.
3 This year we have invested just over £30 million in climate finance via M-KOPA, Greenlight Planet, and the COVID-19 Energy Access Relief Fund. We reported these as climate finance in 2017 when we pledged to invest \$90 million and \$130 million in our new Resource Efficiency and Off Grid Solar strategies, so are not counted in the 2021 climate finance total figure of £479 million but are good examples of climate finance investments we have made.
4 Commitments under our new Climate Innovation Facility (Kinetic) – a pool of concessional funding to scale up pioneering climate solutions in markets where private investors have been reluctant to take on the risk alone – are not included in the total commitment number.

A selection of our investments

Key

- Gender qualified
- Climate finance qualified
- Partially climate finance qualified

Investment name: Vantage Mezzanine Fund IV
Region/country: Pan-Africa
Investment type: Growth Portfolio
Focus: Credit financing for mid-sized companies

Our investment in the fund was the first under our African Private Credit Fund Strategy, which aims to provide debt financing for mid-sized African companies, where there is a limited supply of credit from banks. This situation has been intensified by the COVID-19 pandemic.

The commitment to the fund will increase credit supply to mid-market African companies by providing countercyclical mezzanine funding.

The overall strategy also aims to attract more commercial investors to African markets, to develop reliable, long-term, private-debt platforms that can facilitate employment and economic growth.

Investment name: Leap Agri Logistics Private Limited
Region/country: India
Investment type: Growth Portfolio
Focus: Food and agriculture

Climate change threatens food security in India, and supplies are often lost due to inadequate storage. Leap has a twofold mission: to connect the grain supply chain from farm to business, and to transform itself into a robust agri-silos and logistics platform. Our investment will be used to build two facilities for the handling and storage of food grains in low-income states. Both facilities will reduce food waste by saving 6 per cent of grain, which is often lost due to poor storage. Additionally, each silo will support the distribution of subsidised grain for 800,000 people from low-income households, and provide more-efficient supply-chain linkages for approximately 30,000 farmers.

Investment name: The Prime Bank Limited
Region/country: Bangladesh
Investment type: Growth Portfolio
Focus: Trade finance

Dollar funding is needed in Bangladesh to support the continued growth of its economy. We provided a trade-finance loan to Prime Bank, a private commercial bank in the country. The loan will enhance the bank's ability to meet local corporates' US dollar funding needs, bolstering necessary import and export activities. This liquidity will enable the bank to extend more foreign-currency trade credit to local businesses for longer terms, and the facility is expected to generate up to $60 million of additional trade every year across key economic sectors, such as manufacturing, ready-made garments, and food and agriculture.

Investment name: H1 Capital
Region/country: South Africa
Investment type: Growth Portfolio
Focus: Renewable energy

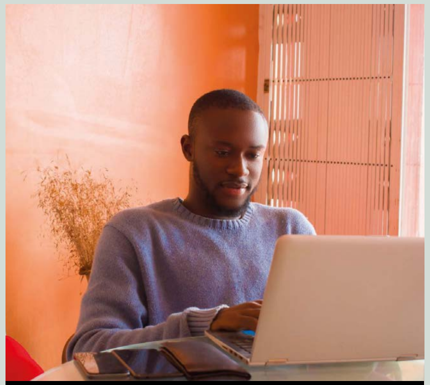
In South Africa the power sector contributes more than 50 per cent of the country's greenhouse gas emissions. The South African Government has set a target of building 20 GW of new renewable power capacity over the next decade, to address power shortages in the country as well as move away from fossil fuels.

Our investment in H1 Capital will support an addition of roughly 2.4 GW of renewable capacity in South Africa, which will help to displace fossil fuel power generation, avoiding 5,663 kilotonnes of carbon dioxide emissions every year. The increased supply of electricity will also provide reliable power to firms, thereby increasing productivity and leading to economic growth.

Our investment also qualifies for the 2X Challenge under the criteria of women in leadership and employment.

Investment name: Techxila Fund I
Region/country: Pakistan
Investment type: Growth Portfolio
Focus: Finance for early-stage start-ups

This Pakistan-focused fund is investing in domestic early-stage start-ups, helping to drive transformational impact and spurring economic and social development in the country. Our investment will support the fund in expanding into critical and rapidly growing sectors, including logistics, healthtech and edtech. These tech-enabled business models can contribute to job creation at scale, and improve consumer access to essential goods and services. In addition, we will support the fund to put ESG practices at the forefront of its investments, with the aim of encouraging other investors in the market to do the same.



Investment name: Convergence Partners Digital Infrastructure Fund
Region/country: Sub-Saharan Africa
Investment type: Growth Portfolio
Focus: Digital infrastructure

Digital infrastructure is critical for economic growth, creating jobs and improving access to the internet. This fund is focused on investing in digital infrastructure and improving connectivity and access to ICT across the continent. Our funding will support investments not only in data centres, fibre networks, towers, software and wireless networks, but also in fourth industrial revolution technologies such as 5G, cloud, the Internet of Things and artificial intelligence – all helping to stimulate the innovation that will help bridge Africa's digital divide.

A selection of our investments

Key

- ● Gender qualified
- ● Climate finance qualified
- ○ Partially climate finance qualified

Investment name: TeamApt Inc
Region/country: Nigeria
Investment type: Catalyst Strategies
Focus: Financial inclusion

There are roughly 40 million micro, small and medium-sized enterprises (MSMEs) in Nigeria, and most of them have limited access to financial services. These businesses are usually seen as high risk and expensive to serve by traditional financial institutions.

TeamApt provides digital financial services to businesses through a one-stop financial platform providing all the payment, banking, credit and business management tools firms need to succeed. Its products enable business owners, whatever their digital literacy level or location, to access the support that they need to grow, manage and protect their businesses.

TeamApt currently runs one of Nigeria's largest payment distribution networks, with over 200,000 businesses on its platform.

Investment name: Uhuru Growth Fund I
Region/country: West Africa
Investment type: Growth Portfolio
Focus: Cross-sector businesses; post-pandemic recovery

Businesses across Africa are still recovering from the impacts of COVID-19 pandemic. Uhuru Growth Fund supports enterprises that boost job creation, increase access to goods and services in consumer staples, and enhance access to the healthcare and fintech sectors. The fund will invest across the West African region including Nigeria, Ghana, Côte d'Ivoire and other Francophone markets to boost post-pandemic recovery. In addition to our capital support, we have supported Uhuru in mobilising DFI and commercial capital, as well as improving governance and implementing environmental, social and business integrity best practice.

Investment name: Zhenfa Pakistan New Energy Company (Pvt) Ltd
Region/country: Pakistan
Investment type: Growth Portfolio
Focus: Renewable energy

More investment in renewable power in Pakistan is needed to help accelerate the country's transition to clean energy. Once complete, the Zhenfa Pakistan solar-power project will generate an additional 100 MW of clean and affordable power, avoiding 106,000 tonnes of carbon emissions every year by displacing fossil-fuel energy generation. It will also help to improve living standards by increasing the supply of affordable and reliable energy to households. The project is expected to meet the equivalent demand of approximately 113,700 residents.

Investment name: Divercity Urban Property Fund
Region/country: South Africa
Investment type: Growth Portfolio
Focus: Low-cost housing

South Africa faces a housing shortage of around 2.3 million units. A significant majority of its lower-cost housing is built on the urban periphery, limiting options for low- and middle-income households. Our investment in Divercity, a low-cost housing platform focused on the regeneration of South African cities, will fund the construction and management of more than 2,500 new residential units over the next five years. These will be certified green buildings, predominantly in Johannesburg. It will provide quality, affordable and environmentally sustainable housing for low- and middle-income households in well-located but underinvested neighbourhoods in major South African cities.

Investment name: Dolma Impact Fund II
Region/country: Nepal
Investment type: Catalyst Strategies
Focus: Renewable energy, healthcare and technology

Dolma's second fund is focused on investing in renewable energy, healthcare and technology in Nepal. Through our investment in the fund, we aim to draw greater foreign direct investment into Nepal, particularly into sectors where there is the greatest opportunity for impact. Private equity funds are an important source of capital and expertise for local entrepreneurs in Nepal, allowing them to expand their businesses, create more jobs and provide essential goods and services. Furthermore, Dolma II qualifies as a 2X Challenge investment, creating gender balance across its portfolio.

Investment name: Equity Bank (Kenya) Limited
Region/country: Kenya
Investment type: Growth Portfolio
Focus: Finance for SMEs and climate projects

Equity Bank is one of the largest banks in the region and a leader among African banks for providing finance to SMEs. We're partnering with Equity Bank to increase access to financial services for small businesses and fund climate-eligible projects in six countries across Eastern and Central Africa. Our investment will support Equity Group to deliver on its $6 billion 'Africa Recovery and Resilience Plan', to finance five million businesses and 25 million households with the aim of creating 50 million jobs both directly and indirectly in Kenya, DRC, Uganda, Rwanda, Tanzania and South Sudan.

We first invested in Equity Bank in 2020, when our commitment focused on addressing the impact of the COVID-19 pandemic on businesses. This new investment will further increase working capital to more local businesses and help to fund climate-eligible projects.

Catalyst Strategies

Catalysing impact

In 2021, our Catalyst Strategies continued to be a vehicle for innovation and impact. The purpose of this part of our portfolio is to invest in markets where there is a high potential for impact, but where there are few precedents or benchmarks for success. This means that when we invest, we must take an even more flexible approach to risk in exchange for unlocking impact.

We have nine strategies approved within the portfolio and, over the course of the year, investments made under those strategies reached over 55 million people and directly supported 33,100 jobs, including 5,100 jobs for women.

One example is the impact achieved by MedAccess, a social finance company we set up in 2017. The company agreed an innovative financing agreement to support the continued production of the world's first malaria vaccine. While the World Health Organization and Gavi were taking decisions on the vaccine's deployment, MedAccess's guarantee enabled manufacturing lines to be kept open to continue the production of the antigen needed for the vaccine. This means the vaccine can be rolled out promptly once countries' introduction plans are approved by Gavi. You can read more about MedAccess in the 'Impact on people' section on page 20.

Our COVID-19 trade-finance facilities also continued to demonstrate strong impact performance throughout the year. Through these facilities, we offer enhanced terms and assume more of the risk of the trade to achieve greater impact. Trade under these facilities accounted for a greater percentage of our trade-finance facilities than the year before: 31 per cent, up from 13 per cent.

We made £157 million of new Catalyst investments in 2021, up from £91 million in 2020, and returning to a level comparable with before the pandemic.

One innovative investment was a pooled bond issuance we jointly structured and invested in with Northern Arc in response to the pandemic. The investment provides capital to Indian microfinance institutions to provide micro loans to low-income households, increasing their access to finance and enabling them to manage cash flow and maintain or grow their businesses.

Our investment into the Energy Access Relief Fund is similarly unique. The energy-access industry provides renewable energy solutions for customers in low-income communities, but has been crippled by the disruption caused by the pandemic. This first-of-its-kind relief fund provides short-term loans to struggling energy-access companies with the aim of protecting energy access for at least 20 million people in Africa and Asia. As well as sustaining and enhancing energy access, the fund is expected to protect up to 12,400 jobs. The fund is a result of a partnership that brings together blended finance from both public and private investors. Alongside the fund's convenor, Acumen, we played a critical role in the set-up of the fund and in mobilising other investors. We were the largest investor in the fund's first close.

In 2021, we were pleased to approve our ninth Catalyst Strategy, called Greenovate. This strategy aims to address market failures in the infrastructure sector in emerging economies caused by a lack of much-needed concessional capital. Greenovate will support the development of renewable energy infrastructure in the most challenged countries by lowering the cost of debt capital and taking a flexible approach to the needs of investees. It will also support the expansion of innovative climate technology, such as green hydrogen.

Finally, the year also saw investments 'graduating' from Catalyst to our Growth Portfolio. This occurs when an investment is sufficiently de-risked to qualify for Growth capital in its next funding round, demonstrating commercial sustainability. One example is Bizongo, an Indian business that brings together small-scale manufacturers through an online platform, helping drive efficiencies across the manufacturing sector while contributing to SME growth. We first invested in the business under our Venture Capital Scale-up Strategy in 2020.

BII Plus

Enhancing our impact through technical assistance

In addition to our work providing returnable investment capital, we also provide technical assistance through BII Plus. We use our experience as an investor to identify and create opportunities to make a lasting difference to the lives of underserved groups – by increasing economic opportunity, improving standards of living and creating a more sustainable environment.

BII Plus works with companies within our portfolio to deepen their development impact. It also creates value and impact beyond our portfolio by designing and managing market-shaping programmes.

In 2021, we approved £9.2 million of BII Plus funding for 30 projects. To date, BII Plus-funded investees and projects have affected more than 11 million people in our markets and more than 10,000 businesses (based on self-reported monitoring data).

We reported in last year's Annual Review that the pandemic had focused the work of BII Plus on COVID-19 technical assistance facilities. These facilities came to an end midway through 2021, and the focus moved to actively managing the existing portfolio. Read this report for a review of our lessons of using technical assistance during the pandemic.

One of the projects that continued under the COVID-19 technical assistance facilities was with African Queen, a Ugandan retail company. National and local lockdowns had disrupted retail and wholesale customers and the country did not open again fully until January 2022. With BII Plus assistance, the company modified its business model to better support its delivery drivers and the needs of customers.

During the year, BII Plus increased the proportion of climate-change projects within its portfolio to 22 per cent. One example is a partnership project with the World Wide Fund for Nature (WWF) on its Water Risk Filter, a leading online tool for assessing and responding to water risks. The filter will be enhanced to enable investors and companies to incorporate water-related climate-resilient thinking into their decision making.

Another example is a partnership with Climate-KIC to integrate an adaptation and resilience 'lens' into its ClimateLaunchpad initiative – the world's largest green business ideas competition. Our support will enable the ClimateLaunchpad to enhance the business environment needed to develop effective adaptation and resilience solutions and boost private investment into these businesses. You can read more in the 'Addressing climate change' section on page 26.

Over the past two years, BII Plus has also been building a portfolio of market-shaping initiatives that address the challenges of investing in fragile and conflict-affected markets. Invest for Impact Nepal is a pioneering platform designed to unlock further investment in Nepal. Working with the UK Government in the country, it aims to improve co-funding and co-strategy among DFIs and donors, and build the right environment for the growth of financial institutions in the country. It also aims to encourage more investment, boost productivity, incomes and job creation, and increase gender empowerment and climate resilience.

Another example of BII Plus' market-shaping work is The Africa Resilience Investment Accelerator, which was launched in 2021, bringing together DFIs to unlock investment opportunities in transition states in Africa. You can read more on this initiative in the 'Laying the foundations for economic growth' section on page 12.

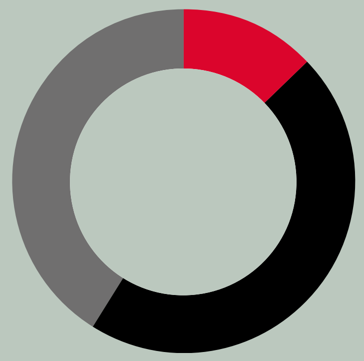
Other projects supported by BII Plus throughout the year include:

- A ground-breaking energy storage project in Cuamba, Northern Mozambique that will supply clean energy to 18,000 households and support job creation in Niassa, one of the country's poorest provinces with an electrification rate of just over 20 per cent. Read more in the case study in the 'Addressing climate change' section on page 24.
- An open-source data-visualisation tool, called the Access Insights Platform, allowing businesses across multiple sectors to use data to inform their strategy and operations.
- A partnership with FMO and AgFunder to launch a new African agri-tech news and research platform to increase awareness, investment and adoption of impactful agri-tech across Africa.

BII Plus in numbers

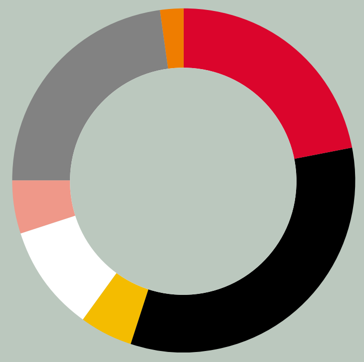
In 2021, BII Plus approved £9.2 million of funding for 30 projects. Overall, BII Plus is currently managing a portfolio of £24 million.

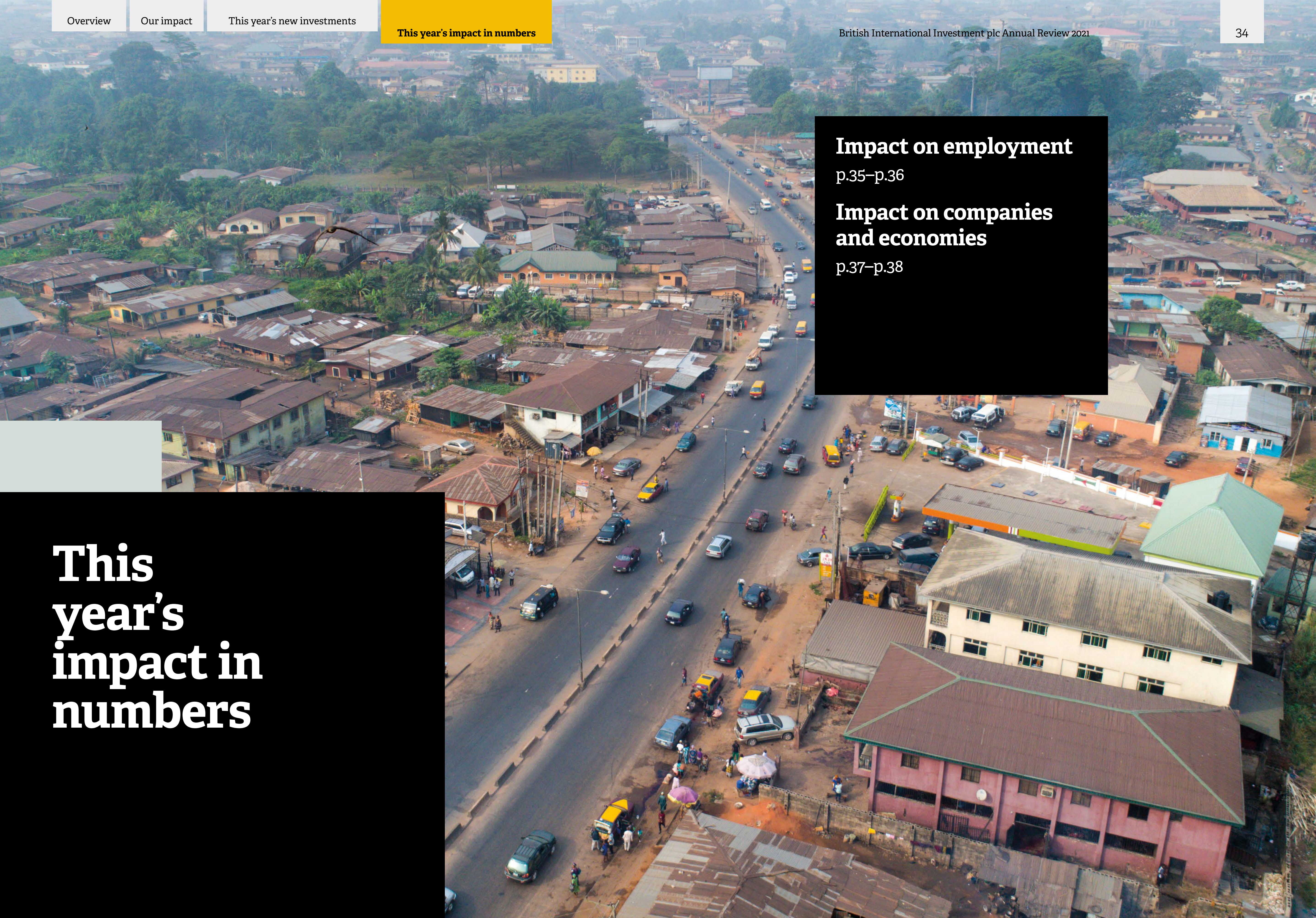
The largest proportion of the BII Plus portfolio is in Africa



Commitments are largely for projects within our portfolio of investees

The share of climate change projects in the BII Plus portfolio is growing while inclusion remains the most common impact theme





This year's impact in numbers

Impact on employment
p.35–p.36

Impact on companies and economies
p.37–p.38

Impact on employment

Direct workers

In 2021, our portfolio in Africa and South Asia employed 938,360 full-time equivalent workers. Of these, 278,650 were directly employed by businesses we backed,[1] and 659,710 were employed by companies BII-backed funds have invested in. In addition, projects run by both types of firm supported 2,570 temporary construction workers involved in building new assets.

Of the firms supported, both through direct and fund investments, 54 per cent are SMEs (under 300 employees), of which 20 per cent are small businesses (under 50 employees).

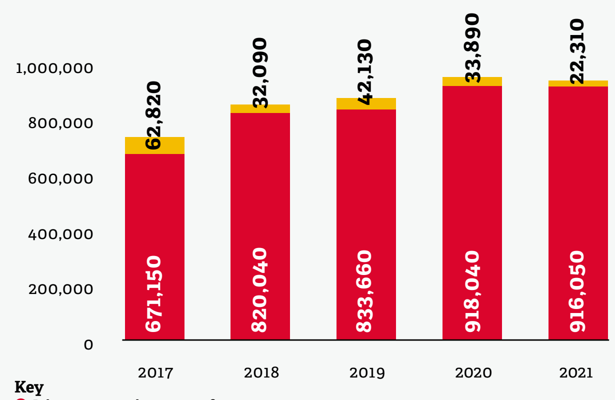
Our portfolio businesses made 22,310 new hires in 2021 (net, allowing for entries and exits from our portfolio). While annual employment growth in these businesses fluctuates significantly, the five-year average growth rate is 4.9 per cent. This compares with the background growth rate in total employees in Africa and South Asia of 1.7 per cent over the same period, according to International Labour Organization (ILO) statistics.

The job growth rate fell over the 2017–21 period. In the last two years, employment has been negatively impacted by the social and economic crisis resulting from the COVID-19 pandemic. In 2020, our portfolio companies were able to maintain employment against a backdrop of serious job losses across the wider economy in Africa and South Asia. This success, however, has meant that our portfolio has not had to conduct the level of rehiring required in the rest of the economy. Therefore, the rate of job growth in our portfolio in 2021 fell to 2.4 per cent, compared with a background growth rate of 4.7 per cent, according to ILO statistics.

1 As defined by the Joint Impact Indicator (JII) of 'direct jobs supported (operations and maintenance)'.

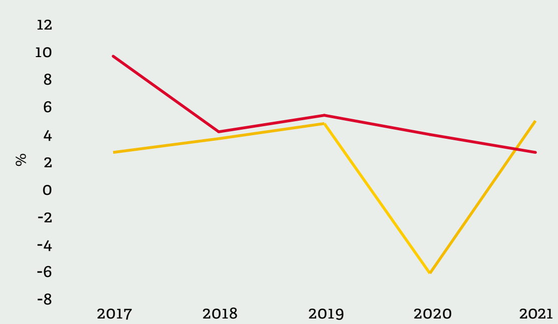
4.9%
average annual employment growth over the past five years

Jobs, direct workforce



Key
- Jobs supported at start of year
- Additional jobs supported at end of year

Annual job creation rate

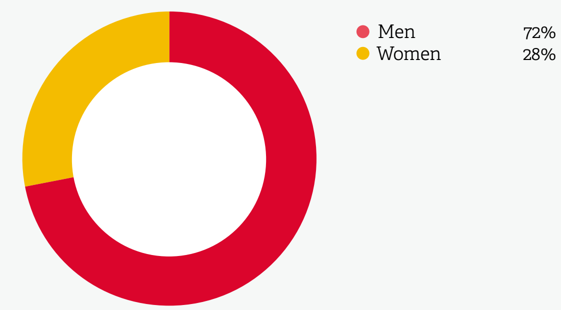


Key
- BII investees' annual growth rate
- BII geographies employees' growth rate (ILO)

The 2021 job growth within the portfolio was attributable to a sizeable minority of firms hiring rapidly, notably in the logistics and financial services sectors. Around 70 per cent of the businesses in our portfolio were simply maintaining or even reducing their employment. We continue to support the portfolio to weather the persisting economic crisis.

In 2021, 28 per cent of the workforce were women, consistent with results in 2020. We continue to see improvement in the Africa portfolio, with 41 per cent female in 2021. In South Asia, rates for women remained static at 22 per cent.

Jobs, direct workforce



Modelling and attributing indirect impacts with the Joint Impact Model

We know that the indirect impacts of business operations can be significantly greater than their direct impacts, whether by generating value in the economy, supporting additional employment or generating greenhouse gases.

To help investors understand these indirect effects, we partnered with other DFIs and researchers to launch the Joint Impact Model (JIM). JIM uses the latest multi-country economic data from the Global Trade Analysis Project at Purdue University, the ILO, the World Bank Group and the International Energy Agency (IEA).

JIM enables investors with large client portfolios spread across sectors and countries to calculate the direct and indirect jobs supported, along with the associated carbon footprint of those activities. The model, which is aligned to best practice on jobs and carbon accounting, enables financial institutions and infrastructure projects to measure and disclose their indirect impacts.

Recently agreed good practice on calculating a carbon footprint is to attribute emissions to an investor using its investment amount as a percentage of the enterprise's total assets. This is the approach we have taken in our TCFD statement, which can be found in our Annual Accounts.

The global carbon accounting standard for financial institutions also stipulates that accounts should use the average asset turnover ratio, rather than a marginal ratio. To keep results consistent between carbon and jobs accounting, this year and going forward we are using average ratios broken down by sector and region, rather than a global marginal ratio. This results in a significantly higher 'footprint' for indirect jobs supported by investments in financial institutions in most cases and impacts the numbers we report for estimated workers supported by financial institutions in 2020 and 2021 (see page 36).

In the results that follow, our indirect jobs results are unattributed, to maintain consistency with previous years and with all the other impacts reported in this section. Unattributed means that the results are the total of what happens at the companies and projects of which BII is one investor. To attribute results to a single investor, as is done for carbon accounting, this would typically be done pro rata by the investor's contribution to total enterprise value. The year-on-year results control for entries to, and exits from, our portfolio, to give a meaningful comparison. We indicate our level of confidence for the different types of indirect jobs modelled.

Impact on employment

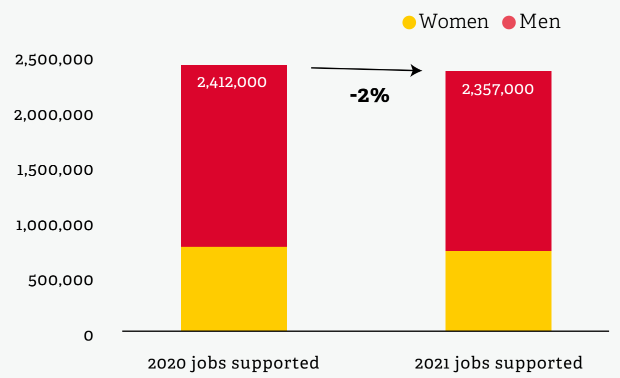
Indirect jobs from supply chains

In 2021, our portfolio businesses purchased $9.5 billion of inputs (the 'cost of goods sold'), slightly less than purchasing by the same firms in 2020. Where supply-chain purchasing is largely domestic – for example, in food processing or construction – it can have a substantial impact on employment.

We use reported purchasing data where possible. If not, we calculate the purchased amount as a proportion of reported sales revenue. Then we estimate the percentage of local purchasing by looking at sector averages in input-output tables. Our confidence in the reliability of these supply-chain results is relatively high.

In 2021, local purchasing is estimated to have supported 2.4 million workers in supply chains, down 2 per cent from 2020 driven by reduced supply chain spending within investees. Of these supply-chain jobs, 31 per cent are estimated to be for women, and 30 per cent are estimated to be formal jobs.

Supply chain



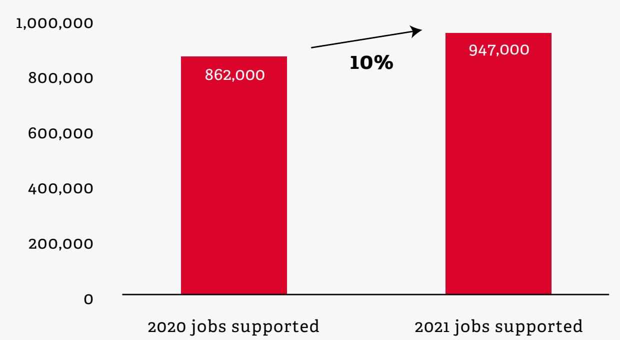
Indirect jobs from electricity

In 2021, the electricity infrastructure we backed generated a total of 58 TWh, a step up from 2020.

More GWh of electricity production equate to increased output in electricity-using sectors, and this translates into increased hiring to produce the extra output. In many developing countries, increased supply of electricity can reduce outages, but might not lead to reduced tariffs, thus limiting the impact of the additional electricity. We reflect this in our modelling, so we have moderate confidence in these assumptions.

In 2021, the power produced and transmitted by our portfolio of electricity companies was sufficient to support economic activity for an estimated 0.95 million workers. This was up from 0.86 million in 2020, a 10 per cent increase. Of these, 15 per cent are estimated to be formal jobs.

Electricity



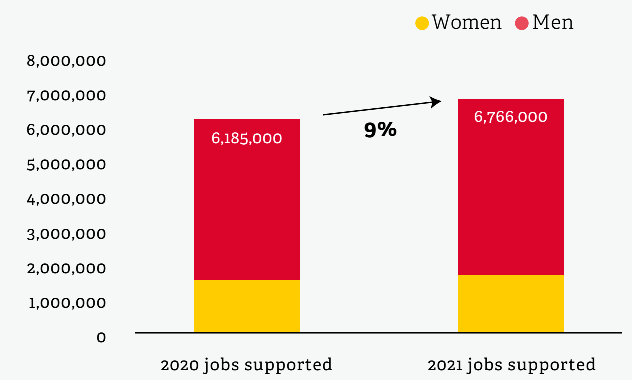
Indirect jobs from bank lending

In 2021, the banks and other financial institutions we backed lent $50 billion to hundreds of thousands of businesses, of which $7.8 billion went to SMEs. The sheer scale of these financial services can be compared with supply-chain purchasing by firms ($9.5 billion), wages paid ($3.0 billion), taxes paid ($1.5 billion) and our own commitments in 2021 of £1.87 billion.

Businesses use credit, wherever possible, to expand their operations, which creates knock-on employment. This year, as noted in the Joint Impact Model methodology box on page 35, we have shifted from a global marginal asset-turnover ratio to a set of sector- and region-specific average asset-turnover ratios. This results in higher and more granular estimates of jobs supported per unit of credit provided and impacts the numbers we report for both 2020 and 2021. Although it's a year one assessment from the Joint Impact Model of this approach, we assign a moderate level of confidence to the assumptions on how bank lending translates into jobs.

In 2021, business loans from financial institutions in our portfolio supported an estimated 6.8 million workers in borrowing companies and their supply chains. This is up 9 per cent on 2020, for the same group of lenders. Of these, an estimated 29 per cent of the jobs are for women, and 21 per cent are formal jobs.

Loans

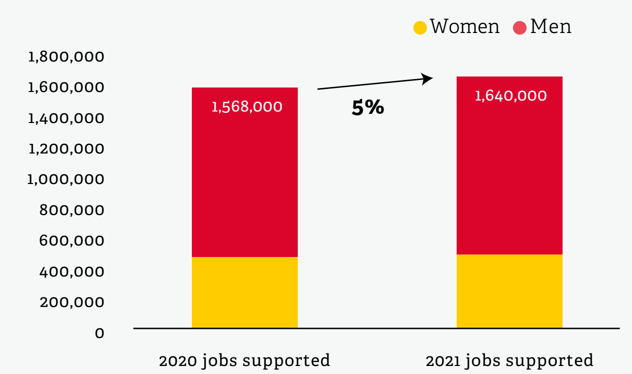


Indirect jobs from consumption via workers' wages

In 2021, our portfolio businesses reported paying $3 billion in wages to their employees. Plus, wages spent by workers in supply-chain companies also support economic activity. Based on household expenditure surveys, we know the majority of wages in Africa and South Asia are spent on local consumption. For some lower-paid workers, as much as half of this goes on food.[2]

We estimate that local spending of wages supported 1.6 million jobs. This is up 5 per cent from 2020, in line with the rise in direct jobs. Of these, 29 per cent are estimated to be for women and 22 per cent formal jobs. We assign a moderate level of confidence to these estimates of wage-induced jobs.

Wages



2 Food Affordability in Zambia, CDC 2019.

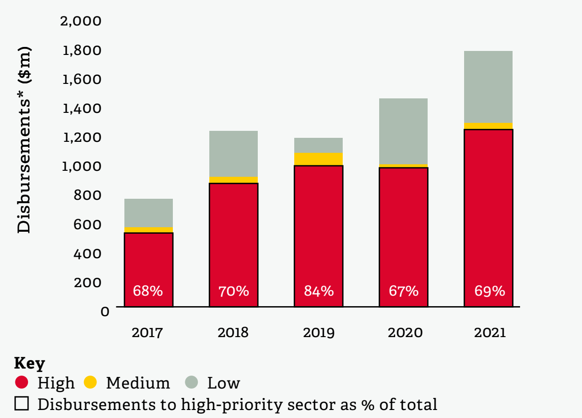
Impact on companies and economies

Sector impact: focusing on priority sectors

Our 2017 – 21 investment strategy focuses on seven priority sectors that align with many of the Sustainable Development Goals and contribute to the creation of decent work and economic growth.

In 2021, we disbursed $1.2 billion to high-priority sectors, 69 per cent of total disbursements. This included substantial investments in infrastructure ($297 million) and financial services ($424 million). Disbursements to high-priority sectors increased marginally (2 per cent) since 2020.

Priority sectors



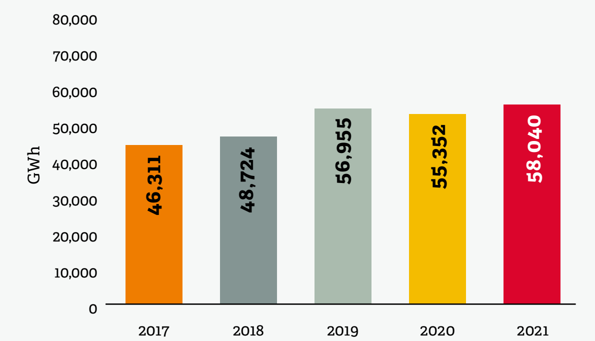
* The graph above represents disbursements to Growth Portfolio investments made after 2012.

Sector impact: infrastructure

Infrastructure is fundamental to development and is the foundation of any economy. Manufacturing companies need power and logistics to operate. Workers must travel to their jobs. People need lighting, communications, transport and clean water. In 2021, our electricity investments generated and distributed over 58 TWh of electricity, equivalent to 2.9 per cent of all the electricity consumed in the relevant countries.[3] In addition to grid electricity, we also supported off-grid solar solutions for 1.62 million customers, and helped many others through investments in ports, telecoms, water and sanitation.

Of the total power generated and distributed by our investments in 2021, 37 per cent in 2021 was from renewable sources such as solar, wind and hydro. This proportion increased from 29 per cent in 2020 as a result of reduced generation in legacy thermal power stations, and some significant renewables projects becoming operational. Our infrastructure investments also directly provided 121,980 jobs in 2021, 15 per cent of them for women. They also created 1,820 temporary construction jobs.

Electricity generated (GWh)



3 iea.org/fuels-and-technologies/electricity#data-browser, data for 2019.

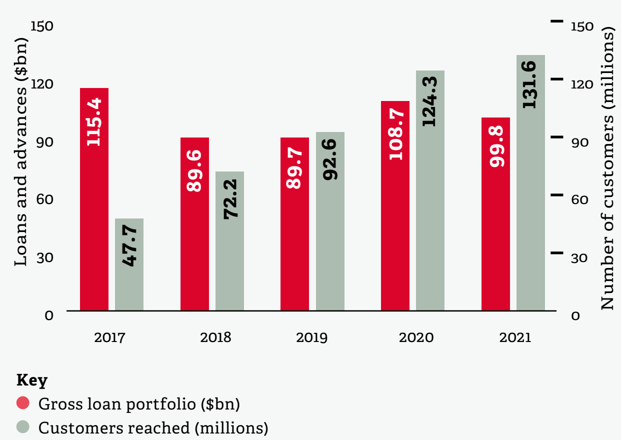
Sector impact: financial services

We invest to promote financial inclusion, improve performance – for example, by extending the range of financial services and products available – or both.

In 2021, the gross loan portfolio of our financial-sector investments, converted to US dollars, stood at just under $100 billion. The loan portfolio was down compared with 2020, owing to exits from the portfolio, the impact of the COVID-19 pandemic and other financial headwinds faced by borrowers in Africa and South Asia. The customer base, however, continued to grow steadily, reaching 132 million clients (also partly driven by better reporting from portfolio banks).

Banks and non-bank financial institutions in our portfolio also provided work for 280,260 people, 24 per cent of them women.

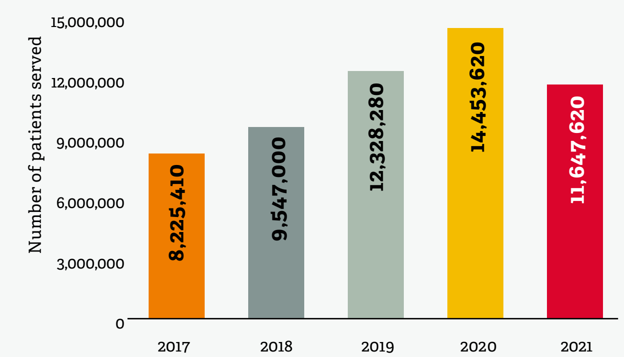
Loans and advances to customers



Sector impact: health

While carrying out our 2017 – 21 strategy, we have focused on developing the healthcare sector and improving health outcomes. This has meant investing in organisations that improve healthcare quality, expand affordability and access, and enhance the workforce. Healthcare operators in our portfolio served over 11.6 million patients in 2021. This was down substantially on a rising trend during 2017 – 20, due to a combination of exiting investments and reduced clinic visits because of concerns over contracting COVID-19. Typically, outpatients continue to outnumber inpatients by nine to one. This does not include many millions of customers for pharmaceutical products made by our portfolio companies or sold by clinics and pharmacies in our portfolio. In 2021, our healthcare investments also provided 86,410 jobs for healthcare workers, 40 per cent of them women.

Patients served



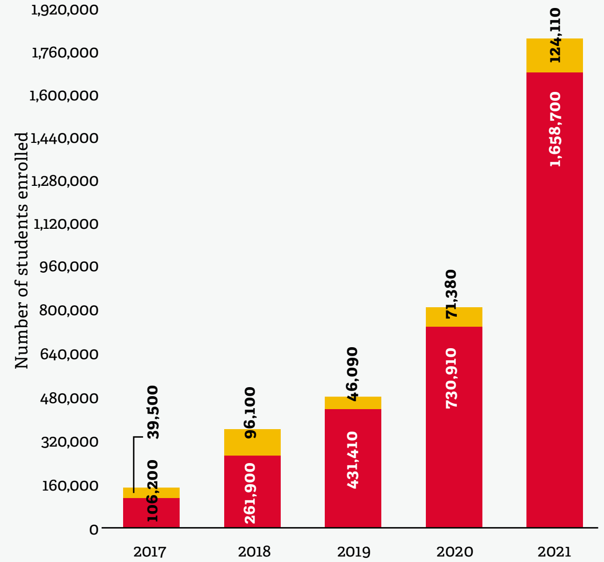
Impact on companies and economies

Sector impact: education

Our education investments during 2017 – 21 aimed to improve learning and life outcomes, and to expand access. We also focused on providers who are improving workforce capability and reaching underserved parts of society. Education providers in our portfolio supported almost 1.8 million learners in 2021. Of these, 93 per cent were at primary and secondary level, and 7 per cent at tertiary. The substantial increase in 2021 was from investments made in earlier years in edtech companies, more than 'bricks and mortar' schools. Our education investments also supported 20,940 teaching and support jobs, 39 per cent of them held by women.

4 QUALITY EDUCATION

Students enrolled



Key
- Primary and secondary
- Tertiary

Sector impact: food and agriculture

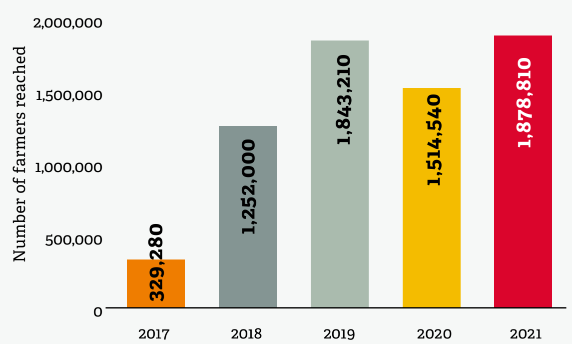
Our investments in food and agriculture aim to create economic opportunities, support inclusive and good-quality jobs and livelihoods, improve nutrition and food security, and improve environmental sustainability.

The food and agriculture investments in our portfolio reached almost 1.9 million farmers in 2021, whether as suppliers of crops, livestock or timber, or as customers for inputs such as feedstock. This figure recovered after the COVID-19 pandemic and surpassed the numbers reached in 2019, largely due to the many farmers reached through new investments in agri-tech companies that provide data analysis, farm management, pricing information and other services.[4]

Our food and agriculture investments also provided jobs for 98,530 workers, 24 per cent of them women.

2 ZERO HUNGER

Farmers reached



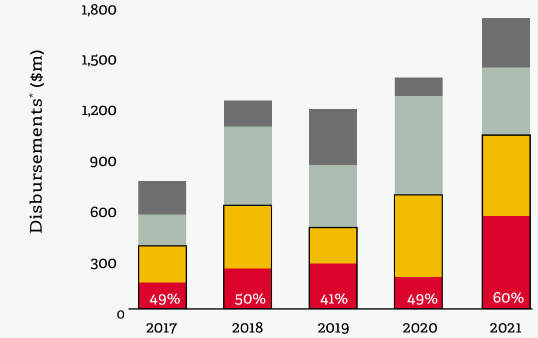
4 Total farmers reached in 2020 has been updated since our 2020 Annual Review due to a restatement in data from an investee.

Local economy impact: targeting countries and regions most in need

Our impact-led investment strategy during 2017 – 21 aimed to contribute towards the development of local economies in fragile countries with low per capita incomes, low levels of investment in the private sector, and where it is hard to do business.

In 2021, we invested over $1 billion in 58 countries considered hard to invest in, as well as the most challenging states in India. Guided by economists, we have graded each country or region and defined investment difficulty. There are four grades, A–D, with A representing the most challenging. This equated to 60 per cent of our total disbursements during the year, which was a substantial increase from 49 per cent in 2020. It was also the largest percentage disbursed to the most difficult countries and Indian states over the 2017 – 21 period.

Countries most in need



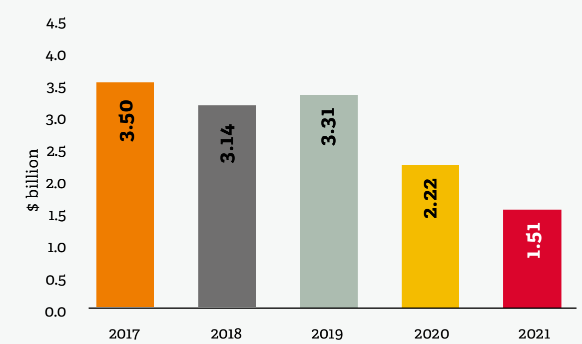
Key
- A
- B
- C
- D
- Disbursements to A and B as % of total

* The graph above represents disbursements to Growth Portfolio investments made after 2012.

Local economy impact: payments to government

In 2021, our portfolio businesses reported tax payments of $1.51 billion, down on 2020 and part of a five-year declining trend, largely due to us exiting some major tax-generating businesses. The median tax payment for taxable companies as a percentage of median sales revenues was 3 per cent, up on 2020 (2 per cent). However, companies and projects that are yet to pay tax – for example, because they are pre-profit greenfield investments – now make up 29 per cent of the total portfolio.

Payments to government

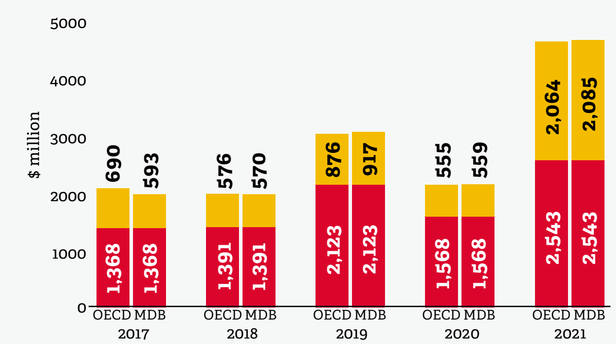


Capital markets impact: private-sector capital mobilised

When DFIs invest in a project or company, they can encourage private-sector investors to deploy capital alongside the DFI.

In 2021, we committed $2.54 billion of capital and this mobilised $2.06–2.09 billion of private-sector capital into our investments.[5] Using the multilateral development bank (MDB) methodology, this meant mobilising $82 from the private sector for every $100 of our own commitments, a rate that has risen significantly compared with previous years driven by significant investments such as the Global Partnership for Ethiopia and Ayana Renewable Power.

Private-sector capital mobilise



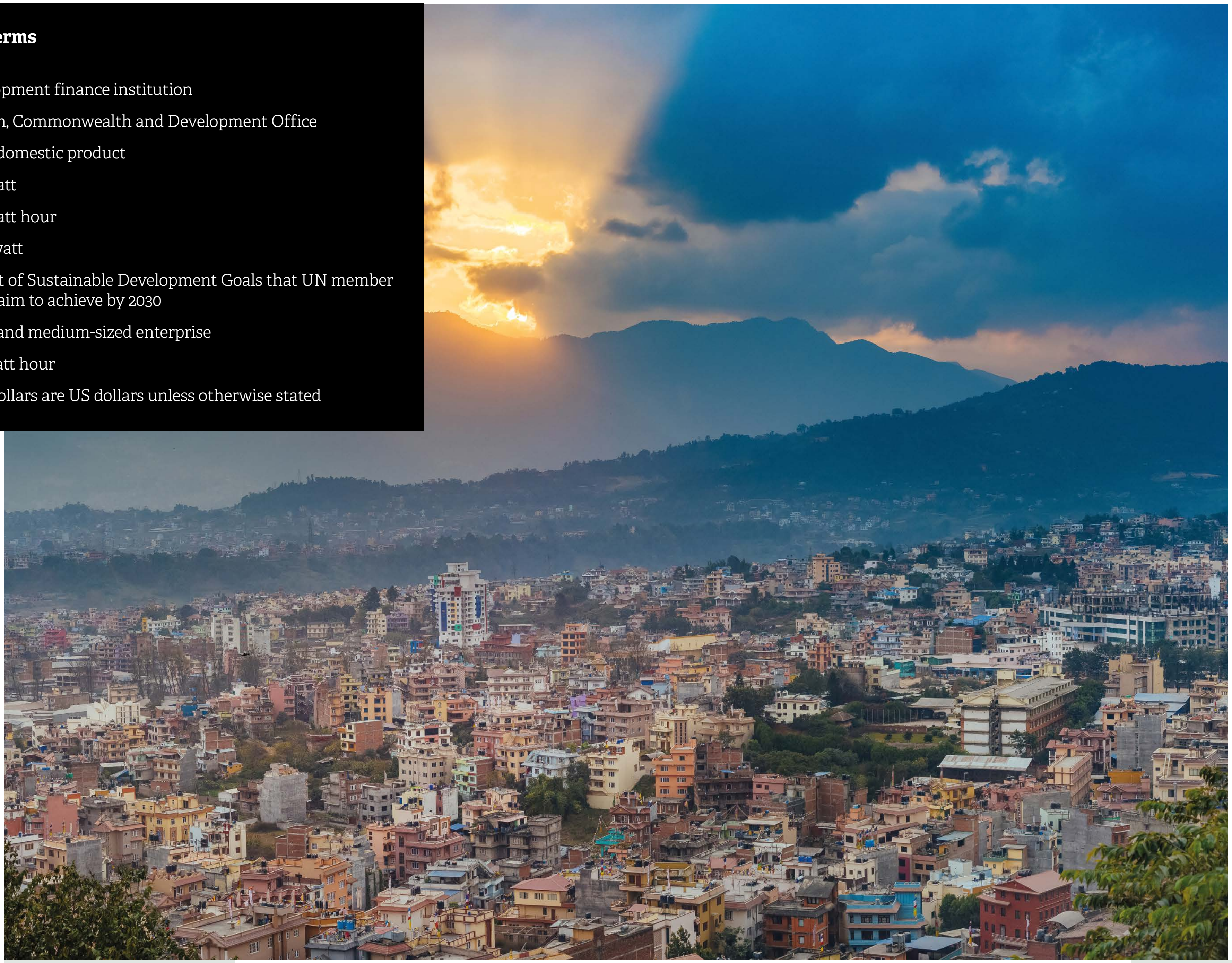
Key
- Commitment $m
- Mobilisation $m

5 The range is because we report against two methodologies for calculating mobilisation, one by the OECD (http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/mobilisation.htm) and one from multilateral development banks (http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-PUBLIC-PrivInvestMob-Ref-Guide-Aug-14-2017.pdf).

Information
Glossary, disclaimer and credits

Glossary of terms

DFI	Development finance institution
FCDO	Foreign, Commonwealth and Development Office
GDP	Gross domestic product
GW	Gigawatt
GWh	Gigawatt hour
MW	Megawatt
SDGs	The set of Sustainable Development Goals that UN member states aim to achieve by 2030
SME	Small and medium-sized enterprise
TWh	Terawatt hour
$	All $/dollars are US dollars unless otherwise stated



Data disclaimer
Data on employment, taxes paid, mobilisation and sector metrics has been through BII's internal data quality procedure, and we have used reasonable efforts to ensure the accuracy of all data used in this report. However, this data has not been audited or independently verified. Data has been received from many, but not all, of BII's investee businesses. We have received this data from our investment partners, including the fund managers that have invested our capital (and the capital of others) in these businesses. Data may be from different points in time but was requested to relate as closely as possible to year-end 2021. Employment data may sometimes include contract workers and other non-permanent workers. Tax data should be read as being indicative of magnitude rather than exact amounts of taxes paid.

Photography
All photographs originate from BII's image library of investee businesses, or have been supplied by investment partners, purchased from stock libraries, or taken by BII employees on site visits. Photographers whose work is used in this publication include:

Samuel Ochai, Harrison Thane, Allison Joyce and Asim Hafeez (Communication for Development Ltd).

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