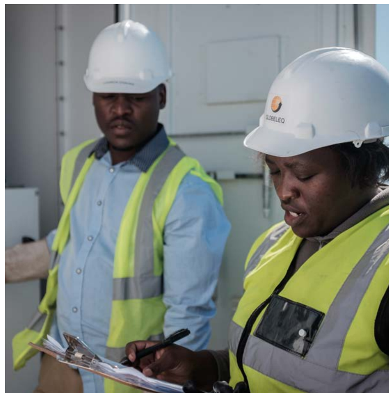
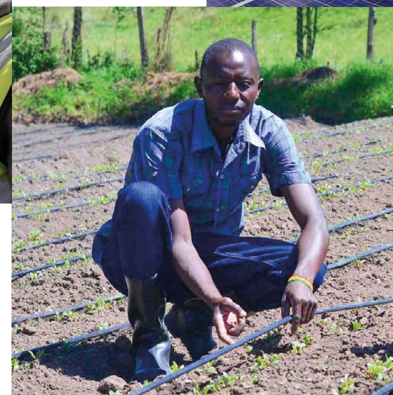
British International Investment





# Foundations for the future

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

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

**This report should be read in conjunction with our 2021 Annual Review, which provides an overview of our development impact over the year.**

Visit bii.co.uk for more information, or read our Annual Review 2021

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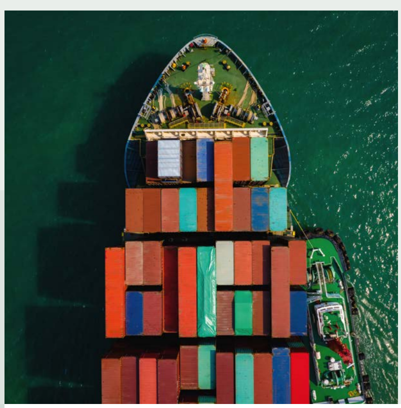


# Chair's statement

"I am delighted to have joined British International Investment at such a significant point in its history."

# A message from Diana Layfield, Chair

**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 -2021 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 during the economic difficulty of the pandemic 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 DFIs can play in the investing and development landscape. Now is a time when the role of DFIs are 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 development finance institution of around 80 people, investing £300 million per year, to over 500 people, with offices around the world, investing £1.5 billion per annum. 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 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*

# Chief Executive's statement

**"2021 culminated in the announcement of our new name and a new five-year strategy, both of which cement our role as a proud part of the UK Government's international financing offer for development and climate."**

## A message from Nick O'Donohoe, Chief Executive

**I am proud to present these Annual Accounts, 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 to 2020.

But it's not just about the pace of our investments. Over the year we've focussed 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 enables 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.

At the same time, in a year when the UN's 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 green infrastructure in particular, and climate finance, 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 approximately 24 million 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 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 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 as well as in other parts of the world, which make the path ahead far more difficult. The ongoing events in Ukraine further highlights 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 bedrock 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. 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 FCDO, our Board and independent Investment Committee members, and the whole team at British International Investment for their tenacity and commitment to deliver our 2017-2021 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*

# Introduction

## Business objectives and model

British International Investment (BII) is the UK's development finance institution and impact investor, wholly owned by the UK Government. We help solve the biggest global development challenges by investing patient, flexible capital to support private sector growth and innovation. We invest to create more productive, sustainable and inclusive economies, enabling people to build better lives for themselves and their communities.

Private sector-led growth is essential for overcoming poverty and for allowing human potential to flourish. No country can prosper or move beyond reliance on aid without it. For economic growth to have a lasting, resilient impact, it must transform economies, create jobs and private sector investment, and spread benefits across society. Successful businesses are vital to drive a country's growth, which provides a sustainable route to poverty reduction. Businesses provide jobs and tax receipts which enable a country to fund its own public services, thereby reducing dependence on aid.

We measure success in two ways. First, we look at whether the businesses in which we invest can make a positive economic, environmental or social impact. Second, we look at how commercially sustainable and successful a business can be. These two measures of success, impact and financial return, go hand in hand. To create long-term impact, a business must be financially sustainable. The proceeds from our investments are reinvested to help other businesses grow and generate further impact.

In 2017 BII and our shareholder, the Department for International Development (DFID) – now the Foreign, Commonwealth and Development Office (FCDO) since its merger with the Foreign and Commonwealth Office – agreed a new strategic framework for the five years to the end of 2021. In 2021 we agreed our new five-year strategy with our shareholder, which started in 2022. This report will focus on the year ending 31 December 2021 while introducing some of the forward-looking elements of our 2022-2026 strategy.

We provide the flexible long-term investment that many businesses in developing countries need to grow. We do this through two portfolios of investments: Growth and Catalyst. Through our Growth portfolio, we inject patient, long-term capital into businesses that have the potential to achieve sustainable growth while making a positive environmental, social and economic impact. Through our Catalyst portfolio, we help shape nascent markets and less commercially proven business models that demonstrate significant potential to contribute to more inclusive and sustainable economies.

In 2021, BII and FCDO agreed to develop a pilot facility, Kinetic, to test different ways in which concessional finance can be used to make higher risk investments in nascent markets. The primary objective of the Kinetic facility is to seed innovative business models and investment vehicles in early-stage markets, such as for new climate technologies or nascent adaptation and resilience solutions, to support the viability of more inclusive and sustainable economies. The facility uses concessional capital from FCDO (accounted for as fiscal C-DEL) – such as in the form of grants or sub-commercial financing terms – to blend alongside more commercial finance to address the higher risks and costs faced by 'first movers' to crowd-in private capital into pioneering growth opportunities. The pilot phase will comprise funding from FCDO up until March 2022, after which BII will take stock of insights to adapt the approach before scaling up its blended finance investments from 2022/23.

We commit capital directly or indirectly using a range of financial instruments including equity, debt, guarantees and grants.

We invest to achieve returns from capital appreciation, investment income or both. Investments must have a path to exit and new ownership that will take the investment to the next level.

Our objectives are to:

+ contribute to sustainable development and economic growth that directly or indirectly benefit poor people, by investing in businesses and activities, especially when private investors are reluctant to do so;
+ create lasting employment opportunities and support economic transformation and market development by investing in sectors with a high propensity to create jobs or have high growth potential, and activities that address economy-wide barriers to growth;
+ demonstrate to private commercial investors that profitable, commercially sustainable and responsible investments can be made and/or developed over time in these environments and, where possible, mobilise both direct and indirect private investment in our target countries, states or territories; and

+ realise, and operate in accordance with our visions, ambitions and directions as set out in the 2012 Investment Policy and in accordance with the corresponding strategic framework 2017–2021[1] as approved by DFID in April 2017. From 2022, we are working in accordance with our 2022-2026 strategy,[2] as approved by FCDO in 2021.

BII and the businesses in which our capital is invested:

+ comply with all applicable laws;
+ minimise adverse impacts and enhance positive effects on the environment, workers and all stakeholders as appropriate;
+ set high environmental, social and business integrity standards and provide practical assistance to business and investment fund managers; and
+ work to apply relevant international best practice standards, with appropriate targets and timetables for achieving them.

## Approaches for achieving the objectives of the business

We expect our investments to achieve results that are appropriate to the opportunities and risks in the relevant market. Among the features we seek in making a decision to commit to an investment are:

+ a credible thesis aimed at our preferred markets that aims to maximise development impact while ensuring we meet our commercial hurdle;
+ prospective investment returns from capital appreciation and investment income which are commensurate with the investment risk;
+ financial additionality (providing capital that is not offered by the private sector in sufficient quantity) and value additionality (providing value beyond capital that the market is not providing);
+ a strong management that will apply high standards of business ethics and corporate governance; and
+ a path to investment exit and new ownership that will take the investment to its next level.

## Key performance indicators

We use key performance indicators (KPIs) to help measure the effectiveness of the Company in meeting our objectives and our strategy. More information on KPIs can be found on pages 8 to 12 and page 81.

## Taxation

BII's *Policy on the payment of taxes and the use of offshore financial centres* was published in February 2021. We respect the tax policies established by governments. We require our investee companies to pay the taxes due in the countries in which they operate and we pay taxes wherever they are due. However, under the CDC Act 1999, British International Investment plc was granted exemption from UK Corporation Tax from May 2003. This allows us to recycle more portfolio receipts into new investments in developing countries.

## Board of Directors

Information on our Board of Directors including a description of its key activities is given on pages 47 to 55.

## Strategic and Directors' Report

The Strategic report is contained within the Strategic and Directors' Report on pages 2 to 43.

## Section 172

When performing their duties, BII's directors have considered the matters set out in section 172(1) (a) to (f) of the Companies Act 2006. See section 'How we engage with our stakeholders' on pages 57 to 59.

[1] *See Investing to transform lives: Strategic framework 2017-2021.*

[2] *See Productive, Sustainable and Inclusive Investment: 2022-26 Technical Strategy.*

# Financial performance

*Carolyn Sims*
Chief Financial Officer and Chief Operating Officer

## Presentation of results

British International Investment's audited financial statements are prepared in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the UK. These accounts can be found in full from page 87 onwards. As an investment company, BII has applied the investment entities exemption to IFRS 10 whereby all subsidiaries, other than those that provide services that relate to our activities, are accounted for as investments at fair value.

To explain more fully BII's underlying portfolio movements, the results shown in this financial performance section on pages 8 to 12 are based on management reports. These reports look through subsidiaries that are non-consolidated investment holding companies to see underlying portfolio movements. This methodology gives the same total return and net assets as the financial results but gives rise to differences in classification. A full reconciliation of these classification differences is provided in note 2 to the accounts on pages 105 to 107.

Consistent with those reports, the financial metrics that follow are used to track our underlying performance and financial position:

### Investment pace

+ **New commitments:** The financial value of new commitments made during the year, split between those that are set to be fully funded (via debt or equity, either directly or via intermediaries) and those that represent our maximum liability under unfunded guarantees or trade finance/supply chain finance programmes.
+ **Drawdowns and receipts:** The actual flow of investment funds into and out of BII in the year.

### Financial return

+ **Portfolio return:** The total income and valuation gains or losses, both realised and unrealised, from investments in the reporting period. This will include the impact of forward foreign exchange contracts used to hedge debt investments.
+ **Operating costs:** The total operating expenses incurred by BII and our investment holding companies, including depreciation.
+ **Average net profit:** The aggregate net profit for each financial year from 1 January 2012 to date divided by the number of financial years in this period.

### Portfolio value and net assets:

+ **Portfolio value:** The total value of all equity, debt, fund and guarantee investments made by BII and our investment holding companies, including forward foreign exchange contracts undertaken to hedge debt investments.
+ **Cash and short-term deposits:** The total cash and short-term deposits held by BII and our investment holding companies.

Performance in 2021 against these metrics is explained in the relevant paragraphs below. Performance against non-financial metrics is detailed in our *Annual Review 2021*.

**Investment pace**

A core goal for BII in the strategy period 2017–2021 was to increase the pace of new commitments to meet our development impact objectives by providing impact-led long-term capital in our markets, and to increase the net distribution of cash, to allow the organisation to invest the additional funding (of up to £3.5 billion) awarded by FCDO as part of the 2017 business case.

BII reports both metrics separately. Commitments reflect the completion of new investments in the year, whereas there is nearly always a delay between the reporting of a commitment and the disbursement of money related to it. This delay can either be linked to the necessary final steps in closing a deal (after legal commitment but before disbursement) or to the nature of the product (for example, most fund commitments will be drawn over a five-year period while project finance debt is often drawn over several years).

Some commitments are not expected to result in a cash outflow. Most notably guarantees, in the form of unfunded trade and supply chain finance risk participation agreements, have a different dynamic and cash impact to fully funded investments. The full exposure under these programmes is disclosed in the financial statements as a contingent liability.

### New commitments

In 2021, BII made total new commitments of £1,866.1 million (2020: £1,221.2 million) of which £1,696.4 million (2020: £916.4 million) is set to be fully funded by BII. The remaining £169.7 million was committed to trade and supply chain finance facilities and can be used as a blend of funded and unfunded guarantees. Commitment pace was higher in 2021, representing a 53 per cent increase from 2020 levels and was BII's highest ever annual commitment total. BII is targeting average annual commitments of £1.5-£2.0 billion over the 2022 to 2026 strategy period.

New commitments can be found on our *website* and in our *Annual Review 2021*.

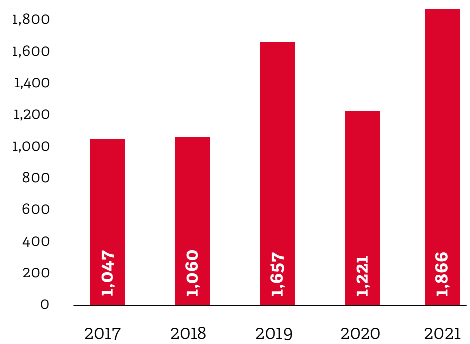
### Drawdowns and receipts

| | 2021 £m | 2020 £m |
|---|---|---|
| Portfolio drawdowns | **(1,285.0)** | (1,238.8) |
| Portfolio cash generated | **1,067.6** | 543.4 |
| **Net portfolio flows** | **(217.4)** | (695.4) |

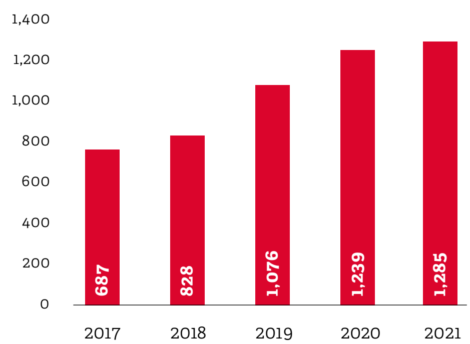
Drawdowns for new investments are consistent with 2020 levels at £1,285.0 million (2020: £1,238.8 million), reflecting the increased commitment pace of recent years providing much needed impact-driven capital to our markets. Of new investments, 63 per cent were in Africa, 32 per cent in Asia and 5 per cent were pan-regional.

Our portfolio generated cash of £1,067.6 million (2020: £543.4 million), an increase of 96 per cent from 2020 levels. 48 per cent of receipts came from the direct debt and trade finance portfolio with a further 30 per cent from fund distributions. As a long-term investor, realisations from BII's direct equity investing strategy are expected to grow slowly. This, combined with the increased commitment pace over the last six years, underpins the need for the additional capital awarded by FCDO in the 2015 recapitalisation and the 2017 business case.

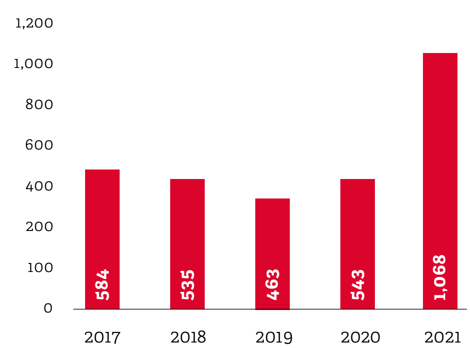
New commitments (£m)




Portfolio drawdowns (£m)




Portfolio cash generated (£m)



# **Financial performance** continued

## Financial return

### Total return after tax

| | 2021 £m | 2020 £m |
|---|---|---|
| Growth portfolio return | **560.9** | (92.9) |
| Catalyst Strategies return | **27.2** | 40.8 |
| Foreign exchange losses | **(3.7)** | (121.8) |
| **Total portfolio return** | **584.4** | (173.9) |
| Operating costs | **(111.5)** | (107.3) |
| Other net expense | **(9.4)** | (1.0) |
| **Total return after tax** | **463.5** | (282.2) |
| **Average net profit since 1 January 2012** | **115.7** | 77.1 |

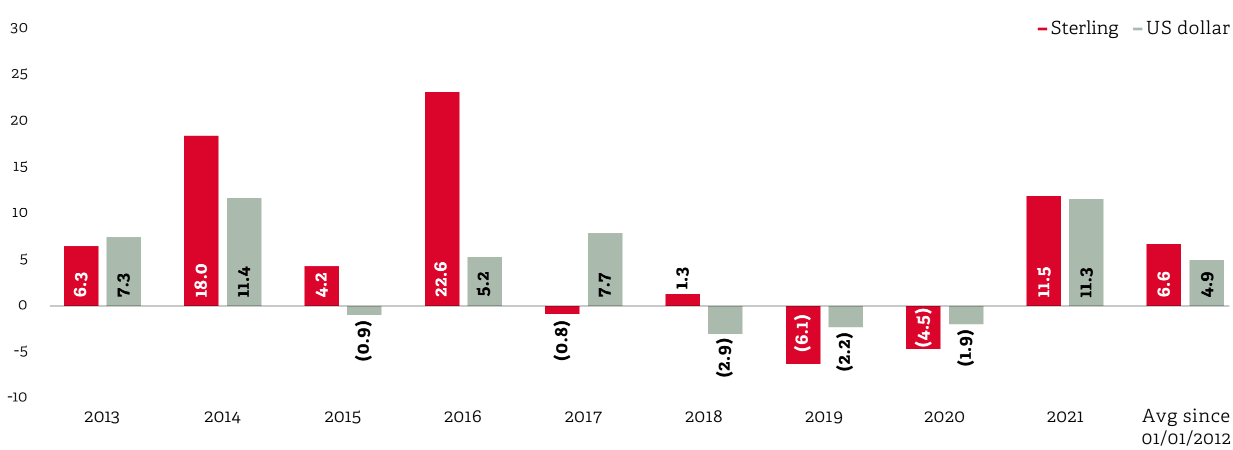
The overall result is a profit after tax of £463.5 million (2020: £282.2 million loss). As a return on opening total net assets on a valuation basis, this represents a gain for our shareholder of 6.8 per cent in 2021 (2020: 4.4 per cent loss). We aim to exceed the profitability hurdle set in our Investment Policy that average net profit, calculated as the aggregate net profit for each financial year from 1 January 2012 to date divided by the number of financial years in this period, shall be positive. The average net profit since 2012 is £115.7 million (2020: £77.1 million), exceeding the target.

### Portfolio return

The portfolio generated a return of £584.4 million (2020: £173.9 million loss). This represents a portfolio gain of 11.2 per cent (2020: 3.7 per cent loss) on portfolio investment assets. BII's management tracks return in US dollars as most investments are denominated in this currency. In US dollar terms, returns have been on a downward trend but in 2021 the portfolio generated a return of 10.8 per cent (2020: 0.9 per cent loss) following signs of economic recovery in our markets. Currency translation losses were much lower in 2021 as the sterling to US dollar exchange rate was fairly stable moving from 1.37 at 31 December 2020 to 1.35 at 31 December 2021. BII's results can be significantly impacted by changes in the sterling to US dollar exchange rate. More information on currency risk sensitivity can be found in note 19 on page 128.

Readers of our annual reports in previous years have seen that we have predicted portfolio returns would fall, even before the pandemic, due to the challenge of our mandate. Although this year's results are positive, we are aware that the markets where we invest are showing signs of decline since the year-end. But we remain determined as an institution to meet our financial return targets, notwithstanding the challenges of our developmental mandate. As a development finance institution, BII invests to generate returns over the long term, recognising that in any isolated year market conditions or events may drive exceptional performance. The agreed target for the Company on its primary investing activities, the Growth portfolio, is a ten-year average return of 3.5 per cent. This forms one of the targets for the Company's Long-term Development Performance Plan, explained in more detail in the People Development and Remuneration Committee report on pages 67 to 73. Since 2012, the average portfolio return of the Growth portfolio in pound sterling has been 6.6 per cent compared with the 3.5 per cent target as shown in the chart below.

Growth Portfolio return (%)




Note: These figures represent our Growth Portfolio only and exclude our Catalyst Strategies.

The Catalyst Strategies invest to shape nascent markets and build more inclusive and sustainable economies. Given that we are investing in markets where there are few precedents or benchmarks, we take a flexible approach to risk in exchange for pioneering impact. This portfolio generated a profit of £28.6 million in 2021 net of currency exchange losses (2020: £26.1 million profit), representing a profit of 7.0 per cent (2020: 8.0 per cent profit). However, it is important to note that these investments are very innovative by design with uncertain return profiles. In 2021, 43 per cent of the portfolio by value returned losses. The value of the Catalyst Strategies portfolio as at 31 December 2021 was £542.0 million (2020: £409.1 million).

**Operating costs and other net expenses**
Operating costs for 2021 of £111.5 million (2020: £107.3 million) have marginally increased due to employee numbers rising to 494 at year end (2020: 479) and costs associated with an increased presence in our regions. Operating costs represent 1.9 per cent of ending portfolio value, a fall from 2019 and 2020 due to portfolio valuation gains. Costs have risen in absolute terms, driven primarily by increased headcount, reflecting two core trends: 1) the continued scaling of our investment teams to allow them to achieve the investment pace necessary to be able to invest the extra £3.5 billion capital offered by the shareholder under the 2017 business case, and 2) the growth of new teams to support greater work around assessing and measuring development impact and supporting other strategic initiatives under the strategic framework 2017–2021. The growth in both areas, which incorporates establishing and expanding local offices across our markets, has also had a commensurate impact on the growth of our business support teams.

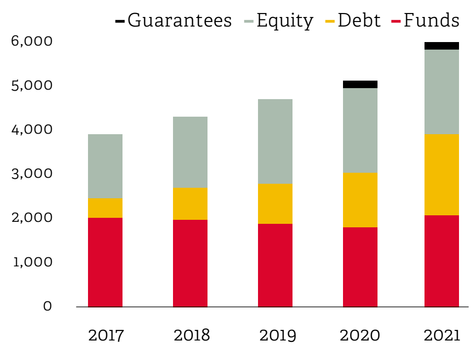
## Portfolio and net assets

### Portfolio

| | 2021 £m | 2020 £m |
|---|---|---|
| Portfolio at start of year | **5,222.5** | 4,736.5 |
| New investments | **1,285.0** | 1,238.8 |
| Realisations | **(883.1)** | (463.2) |
| Transfers | **(3.8)** | – |
| Value change | **370.5** | (292.4) |
| Allowances for guarantees | **20.0** | 2.8 |
| **Portfolio at end of year** | **6,011.1** | 5,222.5 |

The overall BII portfolio grew by £788.6 million in 2021 driven by disbursements in excess of realisations and valuation gains. At 31 December 2021, we had investments in 242 funds, managed by 146 different fund managers, and 164 direct investments.

### Portfolio history split (£m)

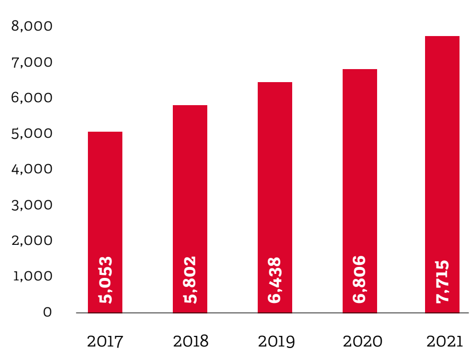



### Net assets

| | 2021 £m | 2020 £m |
|---|---|---|
| Growth portfolio | **5,468.7** | 4,813.4 |
| Catalyst Strategies | **542.0** | 409.1 |
| Kinetic pilot facility | **0.4** | – |
| Net cash and short-term deposits | **722.7** | 469.0 |
| Other net assets | **981.4** | 1,114.2 |
| **Total net assets** | **7,715.2** | 6,805.7 |

Total net assets increased in the year from £6,805.7 million to £7,715.2 million, a rise of 13.4 per cent (2020: 5.7 per cent).

### Net assets (£m)



# **Financial performance** continued

## Net cash and short-term deposits held

The cash balance increased from £469.0 million at the start of the year to £722.7 million at year end, resulting in a net cash inflow of £253.7 million. At 9.4 per cent of net assets, the cash balance was within the liquidity policy target set by the Board of 0–10 per cent of net assets. A wholly owned non-consolidated subsidiary of BII has a standby revolving credit facility of $600.0 million (£443.4 million). The facility was not drawn or used at any time during 2020 or 2021. Cash levels, together with an understanding of undrawn commitments and the position of the standby revolving credit facility, are regularly reviewed by management and the Board to confirm they are in line with agreed Company policies.

In 2021, BII drew down £650.0 million of funds that had been lodged as promissory notes by the shareholder (2020: £886.0 million). Additional drawings are expected across the coming years as the Company absorbs the new investment agreed with the shareholder in 2017.

## Other net assets

During 2017, BII and our shareholder agreed to a new investment of capital under a series of eight promissory notes, up to a total value of £3.5 billion. These notes are essential to allow us to scale up our investment activity. As a long-term investor, BII needs long-term funding to enable it to commit to new deals that can take up to two years to conclude. These are lodged according to an agreed schedule and, in line with that, we issued 446 million ordinary shares of £1 each to our shareholder in the year. The shareholder subscribed to the shares by issuing a promissory note for £446.0 million. At the end of the year this note was undrawn, together with a remaining 2020 note for £455.0 million.

## Pensions

BII operates a single funded pension scheme in the UK. The scheme has been closed to new entrants since 1 April 2000. We make contributions to the defined benefits section in accordance with an agreed schedule of contributions. We have adopted International Accounting Standard 19 (revised), which shows a net pension asset of £nil (2020: £nil). The majority of the scheme's liabilities are covered by an insurance policy which substantially reduces the risk that scheme assets will diverge in value from the scheme liabilities. Further details are shown in note 17 to the audited financial statements.

## Dividends

No dividends have been proposed, declared or paid during 2021. See page 84 for more details.

*Carolyn Sims*
*Chief Financial Officer and Chief Operating Officer*
*14 April 2022*

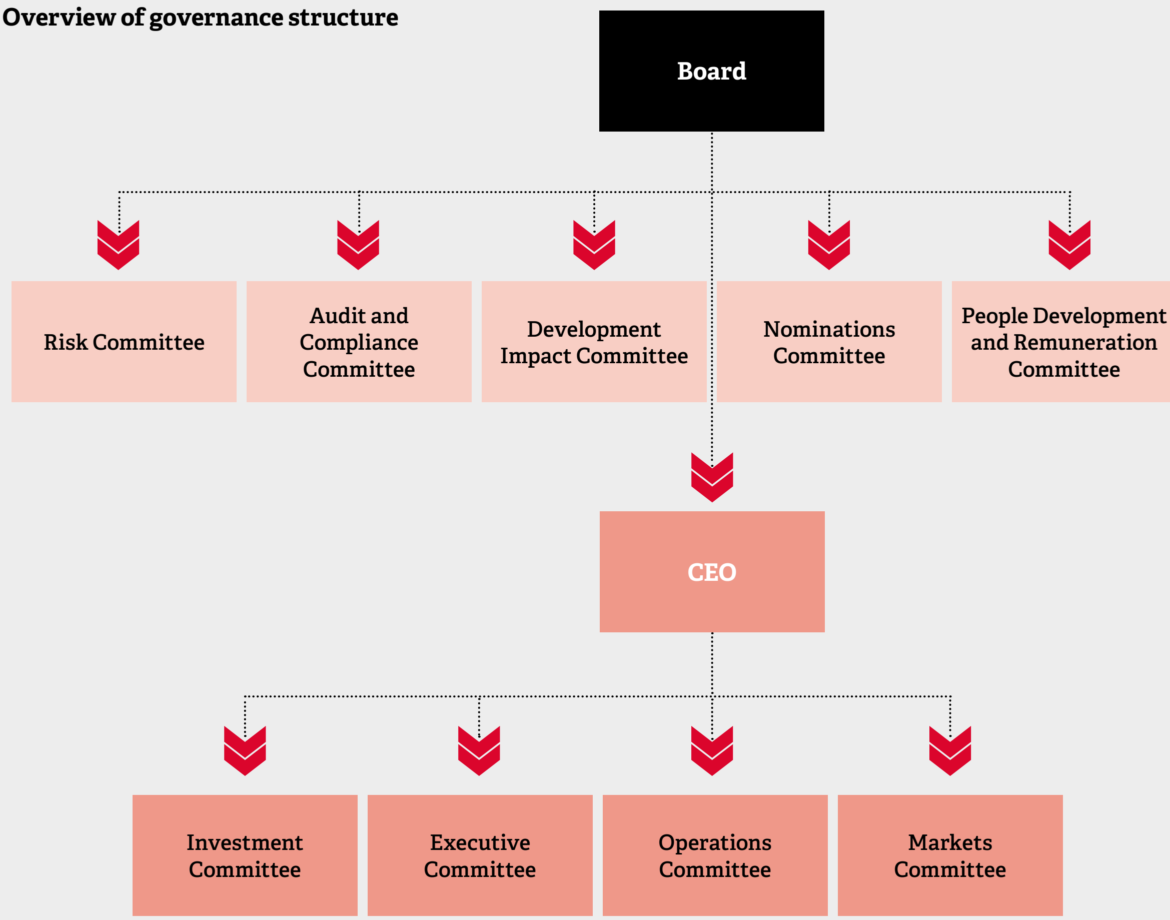
# Risk management

British International Investment helps solve the biggest global development challenges by investing patient, flexible capital to support private sector growth and innovation. Fulfilling this mission means taking risks – some which we actively seek out and some which arise as a result of our activities. Managing these risks effectively enables us to fulfil our mission and supports the successful delivery of our strategic objectives. Our Risk Management Framework is designed to identify and manage risks that could threaten our ability to deliver our strategic objectives.

## Risk governance

The Board is responsible for risk management and oversight of the Risk Management Framework. The responsibility for managing risk in our day-to-day operations is delegated to the Chief Executive Officer (CEO). BII has appointed a Chief Risk Officer who reports to the CEO, attends Executive Committee meetings and advises on the framework and management of risk at BII.

**Overview of governance structure**



# **Risk management** continued

## Key committees with responsibilities for risk management

### Board

The Board, as the governing body of the Company, retains the overall power to determine risk policy. It makes decisions on these matters after considering recommendations from the Risk Committee. With respect to risk management, the Board's key responsibilities are to:

+ appoint the members of the Risk Committee;
+ approve and periodically review the Risk Management Policy including risk appetite and top-level risk limits; and
+ satisfy itself that appropriate systems are in place to identify and manage risks facing the business and to gain assurance that they are working effectively.

### Risk Committee

The Risk Committee is a committee of the Board. Its role is to support the Board in developing a Risk Management Framework, developing a clear understanding of our risk appetite and managing risks to a level that will allow us to achieve our mission.

The Risk Committee receives reports on our risk profile, as well as overseeing the design and operation of our Risk Management Framework.

### Investment Committee

The Board delegates authority to make certain investment decisions to the Investment Committee. This committee reviews and approves all investment proposals, including the risks associated with these investment proposals and the proposed mitigants to these risks, relative to our risk appetite.

### Executive governance committees

Our executive governance is designed to support effective decision-making and use the right expertise. Although overall executive responsibility for risk lies with the CEO, there are three executive governance committees with responsibilities for risk management. The Chief Risk Officer attends each of these.

+ The Executive Committee is responsible for advising on managing top corporate risks, including portfolio/investment risk and reputational risk, setting and role-modelling positive values and behaviours, and managing exceptional events. The executive management team is also responsible for setting an appropriate 'tone at the top' in respect of risk management culture.
+ The Operations Committee is responsible for advising on operational risk and corporate policies and procedures.
+ The Markets Committee is responsible for advising on portfolio construction and risk-limit analysis.

### Three lines of defence

We operate a 'three lines of defence' model to manage risk (as set out below). This allows for distinction between areas which own risk and implement controls, which oversee risks and provide challenge across all business lines and operations, and which provide independent assurance.

#### First line of defence

BII's first line of defence, consisting of the deal teams, the Impact Group, transaction support teams, office of the Chief Investment Officer, and corporate functions, own and manage risks in their areas of responsibility within the Board-approved appetite and implementing and maintaining controls.

#### Second line of defence

Our second line of defence, consisting of the Risk and Compliance teams, provides the frameworks and policies which enable risk to be effectively managed in the first line. These policies include regulatory requirements and standards articulating our risk appetite, designing and implementing the risk limit framework, reporting and mitigating risk incidents, providing real-time oversight and challenge to risk assessments performed by the first line, and escalating risks to executive governance committees and the Board.

#### Third line of defence

Our third line of defence is internal audit, who are concerned with the adequacy and effectiveness of systems of internal control and whether they are managed, maintained, complied with and function effectively.

## Risk appetite

We define risk appetite as "the risk BII is willing to take in pursuit of its corporate objectives". Our Risk Appetite Statement describes the types of risk that we face and the amount of risk we are willing to take to achieve our mission.

Some of the risks we take are actively sought as they offer opportunities to deliver our strategic objectives, whereas other risks arise through the course of business and are not sought out. In both instances, the Risk Appetite

Statement articulates the extent to which we are willing to be exposed to these risks.

Our Risk Appetite Statement sets the tone of the organisation's willingness to take or retain different types of risk. The principles which inform our appetite are:

+ maximising development impact while ensuring we meet our commercial hurdle;
+ preserving our reputation so we can continue to operate; and
+ ensuring that decisions appropriately balance risk and reward and minimise unintended risk.

**BII is willing to take substantial risks in support of our mission and development outcomes, including investing in the riskiest markets and the riskiest part of the capital structure, in so far as they do not materially impact our licence to operate.**

This statement provides the context for the appetite of each of the risk categories we are exposed to. Each risk category has a qualitative risk appetite rating, as summarised below.

| Risk Appetite Scale | Description |
|---|---|
| **Risk seeking** | Preference to take the risk as it is more likely to result in the successful delivery of our strategic objectives. |
| **Receptive** | Willing to consider all potential options and choose the one most likely to result in successful delivery of our strategic objectives. Activities will likely have inherent risks, but there are plans that will result in the mitigation of some of the risk. |
| **Minimalist** | Preference for activities with a low degree of inherent risk, or risks that can be transferred to an outside party in order to pursue an internal strategic objective. |
| **Risk averse** | Avoidance of risk and uncertainty is key decision-making parameter. Risks that cannot be effectively managed or transferred are avoided. |

Regardless of our appetite for individual risks, we expect all exposures to be well understood and consideration given to the most appropriate way of managing that risk – risk appetite defined as 'risk seeking' doesn't necessarily mean we will not seek to manage the risk.

## Principal risks

Our business exposes us to a range of risks which could materially affect our ability to meet our strategic objectives, our licence to operate, or our reputation. The principal risks are:

+ strategic risks;
+ financial risks;
+ impact risks; and
+ operational risks.

These risks are regularly monitored and managed to remain within our risk appetite. We consider reputational damage as a potential impact of failing to manage any of these risks effectively. In addition to the processes described below, we have a Reputational Risk Committee which advises the Investment Committee on managing reputational risks arising from specific investment proposals or investments in our portfolio.

Further information on our principal risks, how we manage the risks, and our assessment of the trend in our risk exposure is set out on the following pages.

# **Risk management** continued

## Strategic risks

Impact for BII: These risks may result in the Company failing to deliver on our five-year corporate strategy.

| Description | How we manage this | Trend |
|---|---|---|
| **Stakeholder**<br>The risk of reduced ability to operate and deliver objectives as a result of key opinion formers and political stakeholders criticising our approach to delivering our strategic objectives. | Our Global Affairs function run a stakeholder management programme targeted at building our institutional relationships with key stakeholders including politicians, government officials, DFIs, NGOs, think tanks and academics. | ↑ |
| **Climate change**<br>The risk of financial loss, diminished reputation or reduced ability to operate and deliver objectives as a result of climate-related transition and physical risks to BII or our investees. | Our interim climate risk process identifies climate-related physical and transition risks for new transactions for consideration at the Investment Committee.<br>Further details are covered in the Task Force on Climate Related Financial Disclosures section on page 23 to 43. | ↔ |
| **Strategy implementation**<br>The risk to the selection, execution or modification of objectives over time, resulting in the failure to translate the strategy to specific actions and make it a reality, or appropriately adapt it when conditions change. | We agree performance targets with our shareholder and regularly monitor and report on our performance relative to these targets. | ↑ |

**Key**

- ◆ Focus risk, further discussed in the Risk Committee report on pages 65 and 66
- ↑ Increasing risk area since the last report
- ↔ Level of risk broadly flat since the last report
- ↓ Decreasing risk area since the last report

## Financial risks

Impact for BII: These risks may result in the financial underperformance of the portfolio, create an unacceptable level of volatility in the investment portfolio return, or result in BII not having sufficient financial resources to meet our obligations.

| Description | How we manage this | Trend |
|---|---|---|
| **Market**<br>The risk of financial loss to our investment portfolio due to unfavourable changes in underlying market conditions. At BII we are exposed to currency risk as well as price risk of our debt and equity investments. | Each investment proposal is reviewed and approved at the Investment Committee. This includes financial risks and risk/return profile.<br>Foreign currency debt positions and cash balances are hedged back to sterling. | |
| **Credit and counterparty**<br>The risk of financial loss due to an obligor's, investee's or counterparty's inability to repay their liabilities. | Investment Committee review of investment proposals includes assessing financial soundness of our counterparties.<br>Periodic credit risk assessment on transactions as part of the portfolio review and valuations process.<br>Our single obligor limit framework is designed to control concentration risk. | |
| **Country**<br>The risk of financial loss due to unfavourable moves in country-specific macro factors. The factors include but are not limited to significant political events, fiscal measures, systemic economic deterioration, exchange rate and interest rate moves, infrastructure failure and disasters caused by natural hazards. | Investment Committee review of investment proposals includes assessing country risks.<br>We have coverage directors in key markets to advise on country risks.<br>Our country limit framework is designed to control concentration risk. | |
| **Liquidity**<br>The risk of not having sufficient financial resources to meet commitment obligations, either in the right quantity, at the right time or in the right currency, having to secure resources at excessive cost, or being unable to readily convert assets in the portfolio to cash within a short period. | We regularly monitor liquidity requirements against pre-agreed thresholds.<br>We regularly review and update cashflow forecasts to identify our cash requirements. | |

**Key**

Focus risk, further discussed in the Risk Committee report on pages 65 and 66

Increasing risk area since the last report

Level of risk broadly flat since the last report

Decreasing risk area since the last report

# **Risk management** continued

## Impact risks

Impact for BII: These risks may result in failing to meet our impact objectives by failing to invest in businesses and economies which improve people's lives and protect the planet.

| Description | How we manage this | Trend |
|---|---|---|
| **Environmental and social**<br>The risk of financial loss, diminished reputation, or reduced ability to operate and deliver objectives as a result of poor environmental, social and/or governance practices, or outcomes at our investees. | Our Policy on Responsible Investing defines requirements for investees. This is further discussed in the section on Responsible Investing on pages 20 to 22.<br>Investment Committee review of investment proposals includes assessing environmental and social risks.<br>Our ESG team contribute to pre-investment due diligence, agree action plans, and monitor progress against action plans and ESG performance. | ↔ |
| **Development impact**<br>The risk of failing to deliver objectives on productive, sustainable and inclusive impact as a result of decisions on investment selection or aggregate impact performance. | Our Impact Framework aims to increase our overall impact by focusing on what we aim to achieve, supporting consistent decision-making, helping us spot and course-correct when we are off track and learn from our experience.<br>Impact is considered and managed across the investment process, including origination and structuring, portfolio management and exit. We identify and manage risks to impact throughout, and are continuing to embed our Impact Framework as well as a new Impact Score aligning with BII's 2022-2026 impact objectives, which was designed in 2021. This is further discussed in the Development Impact Committee report on page 61. | ↓ |
| **Business integrity**<br>The risk of financial loss, diminished reputation, or reduced ability to operate and deliver objectives as a result of financial crime at our investees. | Our Policy on Responsible Investing defines requirements for investees.<br>Investment Committee review of investment proposals includes assessing business integrity risks.<br>Our Business Integrity team contribute to pre-investment due diligence, agree action plans, and monitor progress against action plans and business integrity performance. | ↔ |

**Key**

- ◆ Focus risk, further discussed in the Risk Committee report on pages 65 and 66
- ↑ Increasing risk area since the last report
- ↔ Level of risk broadly flat since the last report
- ↓ Decreasing risk area since the last report

## Operational risks

Impact for BII: These risks, if they materialise, may result in business disruption, cause financial losses, negatively impact our ability to deliver on our mission, and potentially harm our reputation.

| Description | How we manage this | Trend |
|---|---|---|
| **People**<br>The risk that workforce composition and behaviours cause BII to fail to attract and retain talent, resulting in reputational, financial and operational impacts. | We have HR policies in place governing hiring practices and performance management for each location we operate in to ensure a consistent approach to managing our people.<br>We have targets in place for female and ethnic minority representation.<br>We regularly monitor and report on attrition and indicators of workplace culture. | ↑ |
| **Process**<br>The risk of loss or impact on ability to achieve our objectives due to inefficient, ineffective or poorly designed processes. | Our internal policies and procedures set out control measures within individual processes.<br>Our operational risk framework includes event reporting, regular review of key risks and tracking of actions to identify and address process risks.<br>We have a change management process to support delivery of change projects. | ↔ |
| **Legal**<br>The risk of financial loss or diminished reputation resulting from litigation/claims raised against BII or failure to meet legal requirements. | Our Legal team supports the deal team to ensure the technical integrity of investment agreements. | ↔ |
| **Security**<br>The risk of deliberate and/or targeted malicious threats or acts that may cause harm, loss or damage to our assets, including personnel, property and information. | We have a dedicated Security team focused on physical and information security.<br>We have policies and processes in place to identify, assess and mitigate security risks associated with our offices, business travel and IT systems.<br>We require staff to complete regular security awareness training. | ◆ ↑ |
| **Regulatory**<br>The risk of financial loss, diminished reputation or reduced ability to operate and deliver objectives resulting from not being compliant with regulatory requirements, rules or internal standards. | Our Compliance team sets our policy framework, ensuring BII complies with applicable laws and regulations. They provide regulatory advisory and conduct regular assurance and monitoring activities on implemented risk management controls.<br>We require staff to complete regular training on core regulatory requirements, including fraud, financial crime, data protection, FCA conduct rules and whistleblowing. | ↓ |
| **Systems**<br>The risk of financial loss or significant business interruption from unintended/accidental downtime or corruption to IT systems, applications and network. | Our IT team run a change management process to assess the impact of changes to our IT systems before they are introduced.<br>Our IT team work closely with our Managed Service Provider to ensure that all business as usual service delivery tasks run smoothly. | ↔ |

**Key**

◆ Focus risk, further discussed in the Risk Committee report on pages 65 and 66

↑ Increasing risk area since the last report

↔ Level of risk broadly flat since the last report

↓ Decreasing risk area since the last report

# Responsible investing

**A responsible investor**
British International Investment aims to be a responsible investor that supports the growth of companies in our markets through investment capital and applying strong environmental and social (E&S) and business integrity standards. Our work in 2021 was guided by our Code of Responsible Investing, which defines the E&S and business integrity standards that we apply to investments, using International Finance Corporation (IFC) Performance Standards and internationally recognised standards for managing integrity risks as the basis of our requirements.

At the end of 2021, we launched the new Policy on Responsible Investing. This replaces our Code of Responsible Investing and establishes a new responsible investing framework for our next strategy period. The new policy keeps the IFC Performance Standards and other internationally recognised standards (e.g. OECD and UN conventions against corruption) at its core, but provides greater nuance and clarity on our requirements, our investees' expectations, and the emerging E&S and business integrity risks we believe will become increasingly important to businesses over the next five years.

As a responsible investor, we place significant value on the role we play as an enabler of better E&S and business integrity practices in our portfolio. We believe that by applying international standards and meeting relevant local legal requirements our investees can achieve the outcomes we value, whether that is protecting workers, the environment and local communities, or reducing bribery and corruption. As a responsible investor we seek to set high standards across the markets we invest in and provide practical assistance to help the companies we invest in to improve their business practices.

We recognise that our requirements may prove challenging to our investees and hence we provide a variety of support, guidance (including our *ESG Toolkit for Fund Managers*) and capacity building workshops to our portfolio. In 2021 for example we delivered E&S and business integrity training to over 600 people from over 200 organisations via virtual workshops.

Our mission drives us to address the structural inequities that hold people and communities back from achieving their full potential. As a responsible investor we know we can make a significant difference when deciding in what and whom to invest, and we are committed to considering where and how we can do more and better. In recent years we have focused on investing in support of women and our work in this area continued to gather momentum under the 2X Collaborative, particularly in ways that will encourage other investors to engage in gender-smart investing. We have set a target of 25 per cent of our annual average commitment will be 2X qualified from 2022 to 2026. Our inclusivity framework was expanded in 2021 to include promoting black ownership and leadership in African businesses and the two dimensions of gender and diversity will form a significant element of how we prioritise new transactions in the coming years.

**Anti-bribery and Corruption Policy**
Achieving strong business integrity standards is a core aspect of our mission and informs our operations and decision-making. We recognise that good business integrity risk management is critical for long-term commercial success and development impact because it is positively correlated with good governance and environmental, social and financial performance, as well as reducing exposure to certain political and operational risks and decreasing the likelihood of regulatory enforcement and related fines. Our commitment to business integrity, including reducing bribery and corruption in our portfolio, is enshrined in our Code of Responsible Investing and in our new Policy on Responsible Investing.

As well as having a detailed approach to business integrity risk management through our investments and a specialised first-line function focused on business integrity, we also have robust integrity and compliance policies and procedures that are informed by the key principles of the UK Bribery Act 2010. These aim to ensure that all staff members follow the company's commitment to integrity and legal compliance. BII's own requirements and controls extend to the work done in the first line to appropriately assess and manage bribery and corruption and other integrity risks at all stages of the investment cycle, from origination through to exit.

We publish a *full policy on bribery and corruption* on our website.

**Human rights and the Modern Slavery Act**
Our investments are underpinned by a firm commitment to international labour laws and this is a consistent feature of our engagement with our portfolio.

During 2021, we put an increased focus on the commitment from investees with respect to the E&S risks in their supply chains. We developed a number of tools to help with potential due diligence issues, and supported investees in undertaking better risk assessments in this emerging area of practice.

In compliance with the UK Modern Slavery Act 2015, we assess the extent to which we are aware of, and managing risks associated with, modern slavery in our operations and investments and publish a *Modern Slavery Act statement* annually on our website.

### A responsible employer

Our ability to have a positive impact on our mission is founded on our ability to attract and retain high-quality staff. While having a purposeful mission is a hugely motivating factor for our people, we recognise that employees will only stay with us and fulfil their personal potential if we create an environment which encourages, supports and develops them and where they feel a sense of psychological safety and belonging.

**Engagement**

We try hard to listen to our employees. Each year we run an employee survey and feed the results back to staff openly, inviting further debate and solutions for the areas in which they think we could do better. In 2021, we moved to a new survey provider whose interactive, self-serve platform has greatly improved our ability to analyse and communicate results at the company, department and team level and crucially, to drive action as a result of the insights derived. To drive greater staff engagement lower down the organisation and prompt follow-up actions, we have located accountability for addressing team-specific issues in teams and team leaders rather than in HR. We have done this by creating engagement ambassadors – a team member nominated by each team to ensure local action is taken. At the same time, members of our Executive Committee each took responsibility for finding, implementing and communicating solutions to a series of key organisational issues identified in the survey.

On top of this we continued to undertake regular pulse surveys to glean responses to individual things we do or events we hold. This has been particularly helpful as we have focused on responding to the changing needs of our employees as we have become used to hybrid working practices and adapted to the continued uncertainties of the second year of the pandemic. Finally, although we don't like to lose people, when we do, we conduct a structured exit interview and survey, and follow up accordingly. Through all this we strive to continually improve our employees' working experience.

Although growing fast, we remain a relatively small organisation, and we work hard to make sure employees feel they are developing their career at BII. This is partly through a rigorous process enabling people to progress and be promoted through the organisation if they are performing well and demonstrating required levels of technical and behavioural competence. It is also through an extensive programme of training and development which enables employees to develop skills, stay on top of technical developments and access individual coaching and mentoring opportunities. We focus heavily on developing our leaders and managers, recognising that only skilled, empathetic managers will be able to get the best out of their teams and this year we have added a Leadership Development Series to our training for leaders.

We have set up an Employee Forum aimed at continuous improvement of our working culture and to strengthen engagement between the Board and staff. We have appointed Laurie Spengler the designated Non-Executive Director for Employee Engagement to lead on this, supported by Employee Forum members, to ensure the Board has a broad and rich perspective on workforce considerations. Although the Board already has several touchpoints with staff, this forum provides another, more focused, opportunity for Board members to be involved in shaping and contributing to improvements in our culture and employee experience and for their discussions to feed back into the wider company.

**Diversity**

We aim to hire exceptional people. We have continued to recruit at scale in 2021 and have a workforce with a diverse set of skills and backgrounds. We know that diverse teams perform at a higher level and make higher quality decisions than homogenous groups. A workplace which is inclusive of all its members will promote authenticity, resulting in better work and a happier environment, and enabling a better relationship with its clients. Our Diversity and Inclusion (D&I) statement can be found *on our website*. In addition, page 44 of our *2022-2026 Technical Strategy* lays out our plans around talent and diversity. Our People Development and Remuneration Committee has D&I as a standing agenda item for all meetings.

We are committed to ensuring equality in all areas of company life, for all employees, based on all protected characteristics, visible and invisible differences. In 2020, when global events ignited the Black Lives Matter movement prompting deep reflection and debate across BII on racism and inequality, we ran a series of discussion groups to better understand the challenges in our organisation and create a plan to address them. In 2021 we successfully piloted a reverse mentoring programme with members of our Africa network, Umoja works, and some of our Executive Committee members. This programme will now be extended to include other members of the Executive Committee in 2022. Also in 2021 we expanded our diversity

# **Responsible investing** continued

focus by setting up a Disability Working Group to ensure that we recruit, retain and develop disabled people effectively. The group's role is to explore what reasonable adjustments can be made to ensure that staff with physical and mental disabilities are able to perform at their best, reach their potential and be fairly assessed. The group will also seek to raise awareness more broadly across BII of issues relating to disability in the workplace, in support of our ambition to become a Disability Confident employer.

To spearhead and accelerate all this work, we appointed a permanent Head of D&I who has put in place a comprehensive inclusion framework. This sets out our strategy for leveraging the diversity inherent in our employee population while ensuring our culture continues to embed inclusion. Activities which have flowed from the framework include increasing the advocacy for D&I from our senior leaders, who sponsor our diversity networks, running scenario-based training for every employee in the company on inclusive behaviours, strengthening the governance around all our diversity networks, revisiting our history and brand and focusing on increasing our investment in African-owned businesses. Our Head of D&I has developed a range of awareness-raising sessions covering inclusive leadership, microaggressions and inclusive communications – these will continue to be delivered during 2022. We have also acquired a suite of video-based training covering a range of D&I subjects which can be accessed by all employees and are intended to support our other D&I training offerings.

Our work increasingly involves reviewing our investee companies to gauge their success in equality, diversity and promoting women's economic empowerment. With that background it is vital that, when developing our own workplace, we focus closely on D&I. We have thriving networks recognising women (She works), lesbian, gay, bisexual, transgender, queer and intersex employees (Pride works), parents and carers (Caring works), and those interested in, from or associated with the African continent (Umoja works). We track the diversity of each step of our core processes (covering recruiting, promotions and progressions) and analyse our findings. We have a target for improving representation of women and black leaders at the top of BII. These targets, and broader actions to improve the gender and ethnic balance of our organisation, are discussed in more detail in our Gender and Ethnicity Pay Gap Report which is published separately.

We have a thriving internship programme, built on relationships with some of the foremost global business schools, which leads to over 50 applicants for each internship place and often becomes a ticket to starting a career at BII. We have greatly increased the range of universities and business schools that we target in our local markets. We continue to have lively discussions about improving social mobility, and for the fourth year running welcomed school students from underprivileged backgrounds to gain work experience at BII – albeit online due to the pandemic – enabling us to learn from each other. In 2021 we participated in the 100 Black Interns Programme focused on increasing the representation of the black community in investment roles across the sector. The success of this programme has meant that we plan to participate again in 2022. Our Legal team is also partnering with local charitable trusts to increase social mobility and access into the legal profession. The Resourcing team has developed and implemented a diversity resourcing plan, accessing diverse talent through a variety of routes to market with an entry point either early in their career or as an experienced hire. We require diverse candidate slates and shortlists and this, together with an objective assessment and selection process, ensures effective governance in the hiring process. Our Head of D&I has also developed an awareness-raising session targeted at hiring managers which aims to ensure objectivity and mitigate the impact of bias in the hiring process.

**Reward**

Our responsibilities as an employer are reflected in how we reward our employees. To achieve significant development impact in challenging places through high-quality investing, we look to attract people with the same talent and expertise as those investing elsewhere in the private sector. Our commitment to good stewardship of the public money which we spend and invest means that we don't hire people motivated solely by personal financial gain, and our individual reward is not tied to the financial success of particular investments. We provide good employment benefits and a work environment through which we want to encourage people to do their best work, and to want to stay at BII. Further discussion of our remuneration can be found in the People Development and Remuneration Committee report on pages 67 to 73.

With all these elements of support, engagement, development, inclusion and reward, we seek to create a working environment at BII in which our employees can thrive and which allows the organisation to succeed in improving the lives of people in some of the world's most challenging places.

# Task Force on Climate-related Financial Disclosure 2021

## Introduction

This section of the Annual Accounts presents our third voluntary disclosure pursuant to the recommendations of the Financial Stability Board's *Task Force on Climate-related Financial Disclosures (TCFD)*. It presents a summary of the progress made to date towards our goal of integrating climate-related risks and opportunities across each of the pillars recommended by the TCFD: our governance, strategy, risk management, metrics and targets. It highlights advancements made in 2021 and provides insights on key areas of work ahead.

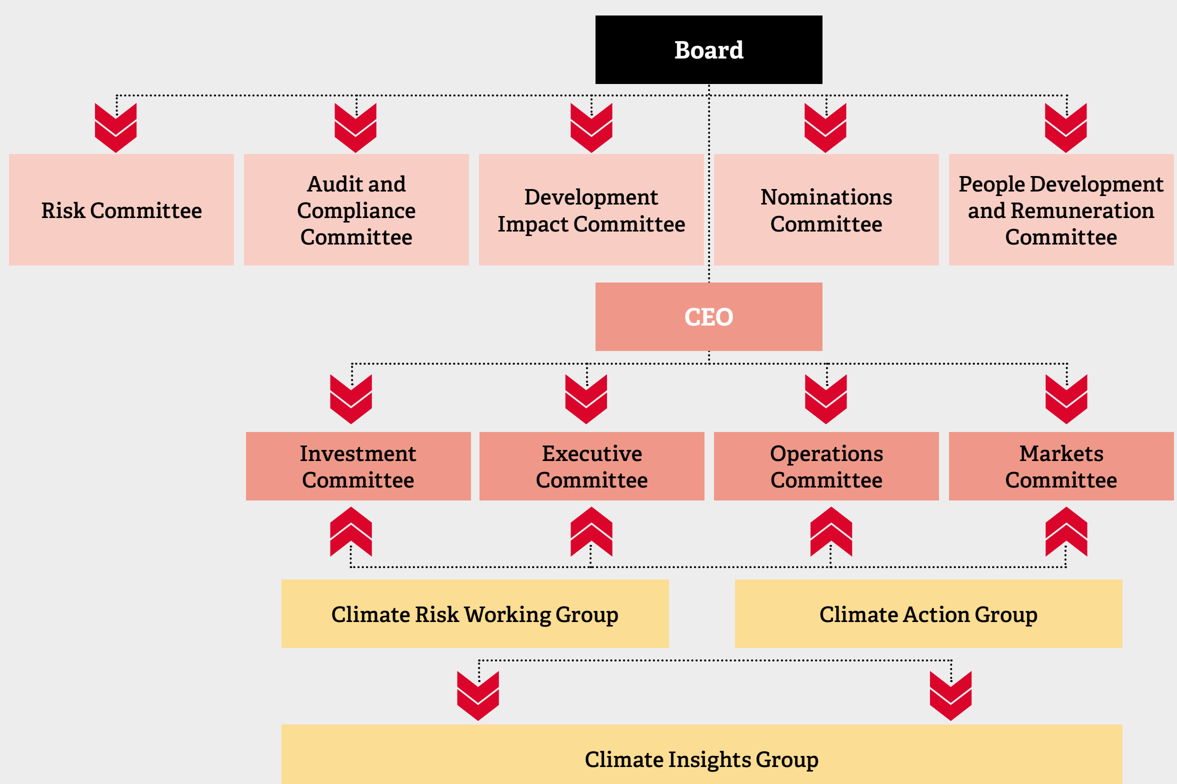
Our disclosure aligns with the eleven recommendations of the TCFD, as per its *2021 updated guidance*, including with respect to the cross-industry climate-related metric categories it recommended in its *Guidance on Metrics, Targets, and Transition Plans*. We recognise that there remains work to be done to implement and disclose against all the recommendations. Further work is particularly needed to determine the actual and potential impacts of climate-related risks on the organisation's businesses under various climate scenarios and their related materiality. This includes determining the amount and extent of assets vulnerable to transition and/or physical climate risks.

Advancing the implementation of the TCFD recommendations calls for enhanced internal and external collaboration and engagement with investees, peers, academics, specialist consultancies and industry partnerships.

## Governance

Since committing to the TCFD recommendations in 2019, we have developed a robust governance structure to oversee, assess and manage climate-related risks and opportunities. This governance underpins our efforts to implement the TCFD recommendations and deliver on our *Climate Change Strategy*.

**Overview of our climate change governance structure**



# Task Force on Climate-related Financial Disclosures continued

### Board's oversight of climate-related risks and opportunities

Our Board is responsible for overseeing climate-related risks and opportunities, including the implementation of our Climate Change Strategy that it approved in 2019. Various committees support the Board in exercising its oversight role. The table below details their profile, responsibilities, processes and frequency for reviewing climate-related issues.

The Board considers climate-related issues when reviewing and guiding strategic decisions. In 2021 these included the approval of our corporate objectives, the 2022–2026 strategy, and the new Impact Scoring system which also forms part of the Remuneration Framework. Climate change is integrated into all of these. The table includes the main climate-related discussion topics and decisions taken in 2021.

Board and Board committees with responsibility for climate-related risks and opportunities

| Governance body | Chair | Composition | Purpose and responsibilities related to climate change | Climate agenda frequency | Key 2021 climate-related discussion topics and decisions |
|---|---|---|---|---|---|
| **Board** | Board Chair | Board Chair, CEO, Chief Financial Officer and non-executive directors | The Board's primary role is to provide leadership and ensure the organisation is appropriately managed and delivers on the objectives of its shareholder, which includes implementing our Climate Change Strategy | Annually for TCFD disclosure and otherwise as required | Reviewed and approved:<br>+ 2020 TCFD disclosure in the Annual Accounts[1]<br>+ 2022–2026 strategy, which includes our climate finance target, and how we will contribute to a just net-zero and climate-resilient future<br>+ 2022 corporate objectives, which include meeting our climate finance ambitions<br>+ Integration of 'sustainability' in the Impact Scoring system underpinning the new strategy and part of the organisation's incentive performance plan<br>+ Integration of climate change in the Risk Appetite Framework |
| **Development Impact Committee** | Non-executive director | Sub-group of non-executive directors | Oversees the delivery of our development impact objectives, which include monitoring progress on the implementation of our Climate Change Strategy | Quarterly updates from the Chief Impact Officer and otherwise as required | + Progress on the implementation of our Climate Change Strategy, including our climate finance and net-zero targets |

1 See *Annual Accounts 2020* for our 2020 TCFD disclosure.

| Governance body | Chair | Composition | Purpose and responsibilities related to climate change | Climate agenda frequency | Key 2021 climate-related discussion topics and decisions |
|---|---|---|---|---|---|
| **Audit and Compliance Committee** | Non-executive director | Sub-group of non-executive directors | Responsibility for reviewing the disclosures in the year report and accounts, which includes the TCFD-related disclosures and requirements, and recommending their approval to the Board. | Annually for TCFD disclosure and otherwise as required | + Received training on the TCFD recommendations<br>+ Reviewed the 2020 TCFD disclosure and recommended it to the Board<br>+ Reviewed the Financial Conduct Authority's (FCA) climate-related disclosure requirements. |
| **Risk Committee** | Non-executive director | Sub-group of non-executive directors | Reviews our climate-related risk management approach and methodologies. | As required | + Received training on TCFD recommendations<br>+ Reviewed the risk section of the 2020 TCFD disclosure and recommended it to the Board<br>+ Reviewed and approved integration of climate change in the Risk Appetite Framework. |

# **Task Force on Climate-related Financial Disclosures** continued

**Management's role in assessing and managing climate-related risks and opportunities**
The CEO, who leads the Executive Committee, is ultimately responsible for the delivery of our corporate objectives and Climate Change Strategy. The CEO has delegated relevant climate finance and climate risk oversight responsibilities to the Chief Impact Officer, the Managing Director and Head of the Infrastructure and Climate business group and the Chief Risk Officer.

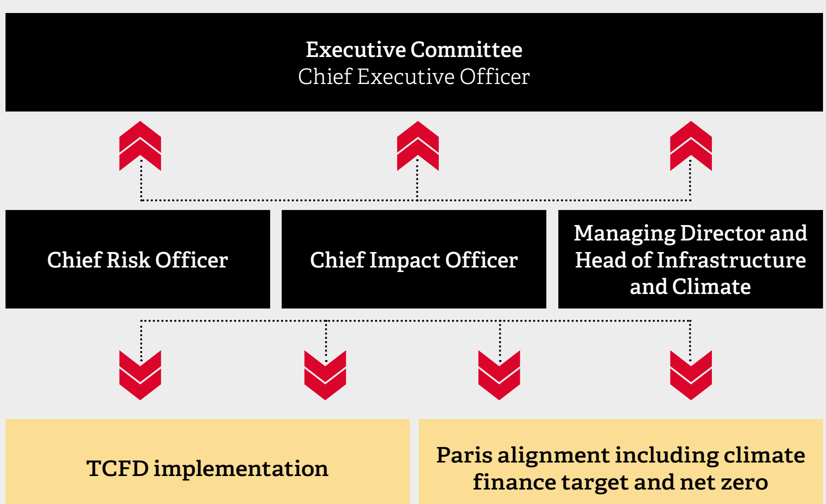
The Chief Impact Officer is responsible for the delivery of our development impact objectives on climate change and our climate strategy overall, including our commitments to align all our investments and portfolio with the Paris Agreement and reach net-zero by 2050. In 2021, the Chief Impact Officer and the Managing Director and Head of the Infrastructure and Climate business group become jointly responsible for the delivery of our climate finance target across all three business groups: Infrastructure and Climate, Financial Services and SMART Industries (Services, Manufacturing, Agriculture, Real Estate and Technology). This important change to our climate governance in 2021 more fully embeds a climate finance focus with investment team strategies and promotes closer collaboration between the Climate and Investment teams.

The Chief Risk Officer and the Chief Impact Officer are jointly responsible for implementing the TCFD recommendations. The Chief Risk Officer is responsible for ensuring that BII has appropriate processes in place for identifying, assessing and managing climate-related risks. The Investment Committee, composed of members of senior management and independent members, is responsible for considering climate change – both climate risk and Paris alignment – in investment decision-making.

Two cross-functional working groups – the Climate Risk Working Group and the Climate Action Group – and the Investment teams, Environmental, Social and Governance Impact (ESG-I) team and Climate Change team all support management in executing their responsibilities. A third working group, the Climate Insights Group, provides updates to and seeks input from the wider organisation on the implementation of the Climate Change Strategy.

The figure below provides a schematic view of the allocation of responsibilities; the table that follows details the governance bodies involved in assessing and managing climate-related risks and opportunities.

**Management responsibility for climate risk management and Paris alignment**



## Committees and groups with responsibility for climate-related risks and opportunities

| Governance body | Chair | Composition | Purpose and responsibilities related to climate change | Climate agenda frequency | Key 2021 climate-related discussion topics and decisions |
|---|---|---|---|---|---|
| **Executive Committee** | CEO | Top-level senior management | Advises the CEO on all aspects of delivering our mission, within the bounds of its authority as delegated by the Board.<br>To act as the senior leadership team. | As needed | + Reviewed and approved climate change focus and targets in the 2022–2026 strategy, including our 30 per cent climate finance target.<br>+ Oversaw delivery of our corporate objectives.<br>+ Reviewed and approved the integration of climate change in the Risk Appetite Framework. |
| **Operations Committee** | CFO and COO | Top-level senior management | Advises the CEO in ensuring efficient operation and long-term organisational effectiveness. | As needed | + Reviewed the 2020 TCFD disclosure as part of the Annual Accounts. |
| **Market Committee** | CIO | Top-level senior management | Advises the CEO in ensuring the origination and investment process is as effective as possible. | As needed | + Oversaw the delivery of climate finance investments through their regular pipeline reviews. |
| **Climate Action Group** | Head of Infrastructure and Climate and Chief Impact Officer | Senior members from all investment teams and the Climate Change team | Oversees our investments to meet our climate goals including our climate finance target. | Monthly | + Reviewed the climate finance pipeline.<br>+ Discussed options for deepening in-house expertise on emerging climate finance areas and technologies across business groups.<br>+ Discussed initial approach to carbon credits. |
| **Climate Risk Working Group** | Chief Risk Officer and Chief Impact Officer | Senior members of the Risk, Climate Change, ESG-I teams, and representatives of the Chief Investment Officer | Oversees and contributes to TCFD implementation, including our approach to physical and transition risks and preparation of the annual TCFD disclosure. | Quarterly | + Implemented TCFD.<br>+ Approved 2020 TCFD disclosure.<br>+ Was informed about market- and industry- related climate risk developments.<br>+ Reviewed our carbon footprint methodology and data.<br>+ Discussed the integration of climate risk in the Risk Appetite Framework. |
| **Climate Insights Group** | Director Climate Change Team | Directors and their delegates from across the organisation | Provides updates to and seeks input from the wider organisation on the implementation of the Climate Change Strategy. | Twice a year | + Received updates on the implementation of the Climate Change Strategy including our climate finance pipeline. |

# Task Force on Climate-related Financial Disclosures continued

## The roles of the 'three lines of defence' in supporting management to perform its climate-related responsibilities.[2]

### First line of defence

Day-to-day responsibilities for identifying, assessing and managing climate-related risks and opportunities at an individual investment level lie with our 'first line' of defence. More specifically, the ESG-I team is responsible for screening new investments for physical climate risks, and the Investment teams are responsible for screening new investments for transition risks and pursuing climate-related opportunities. The ESG-I team is also responsible for implementing our *Fossil Fuel Policy* as part of its responsibilities on implementing the *Policy on Responsible Investing*.

The climate risk-related assessments performed by the ESG-I and Investment teams are submitted to the Investment Committee in support of investment decision-making and provide the information useful to activities related to portfolio management.

While the Investment teams are responsible for originating and structuring climate-related opportunities, the ESG-I climate risk assessments performed as part of the investment due diligence can also lead to the discovery of new such opportunities, for example for improving resource efficiency and/or climate resilience.

The Climate team provides technical and strategic support to the ESG-I and Investment teams on their assessment of climate-related risks and opportunities. It provides support, where needed, for climate finance transactions and is responsible for the climate finance qualification and quantification.

The Climate team also leads on the development of our Paris alignment approach and related operational guidance and processes, such as our Paris alignment *Guidance on Natural Gas Power Plants*, and the implementation of the TCFD recommendations. The other responsibilities of the Climate team range from shaping corporate priorities and policies and developing relevant guidance tools on climate change, to providing advice on investment strategies across sectors and products and integrating climate change into investment and portfolio management processes. The Climate team also provides training to internal teams and portfolio companies and contributes towards market-shaping through various initiatives and partnerships in collaboration with other teams.

[2] Our three line of defence model is described in more detail on page 14.

### Second line of defence

The Risk team leads on integrating climate-related risks in the organisation's overall Risk Management Framework. In 2021, it led the integration of climate change-related risks within our Risk Appetite Framework. Further work is ongoing, including the development of metrics to measure our exposure relative to our risk appetite, and integrating climate risk as a cross-cutting risk type.

The Compliance team tracks regulatory developments in relation to climate change-related disclosures.

### Third line of defence

The Internal Audit team independently assesses the effectiveness of the procedures related to the TCFD included in the Annual Accounts, with a particular focus on climate-related metrics.

### Climate-related Remuneration Policy

In 2021, climate change was integrated into the Remuneration Framework for management and executives through the Impact Score system and the corporate objectives. See the People Development and Remuneration Committee report on pages 67 to 73 for more information. This will ensure that adequate incentives are in place for meeting our climate-related objectives over the 2022–2026 strategy period.

## Strategy

**Climate-related risks and opportunities identified**
Our Climate Change Strategy sets out our priorities for managing climate-related risks and pursuing climate-related opportunities. It identifies two drivers of climate-related risks and opportunities relevant to the delivery of our mandate: transition risks and physical risks. It also outlines our approach to managing these and increasing investment in relevant opportunities across the sectors we invest in. The building blocks that underpin our Climate Change Strategy and approach to Paris alignment are:

+ achieving net-zero emissions by 2050
+ supporting a just transition for workers and communities; and
+ increasing adaptation and resilience against physical climate risks.

The figure below illustrates how we define climate-related risks, their potential implications, and examples of climate-related investment opportunities we are pursuing through operationalising the building blocks of our Climate Change Strategy. In implementing our Climate Change Strategy we are delivering positive climate impact through our investment activities, and wider market-shaping through development of relevant analytical evidence, tools and partnerships. The table that follows outlines key areas of progress made on these fronts in 2021.

**How we define climate-related risks and examples of opportunities identified across industry group**

| Risks | Potential financial impacts | Our building blocks for climate action | Opportunities<br>Examples across industry groups |
|---|---|---|---|
| **Transition risks**<br>Policy and legal<br>Technology<br>Market<br>Reputation | Early retirement of existing assets driven by policy changes | **Net zero by 2050** | **Infrastructure and climate**<br>Renewable energy generation<br>Electric transport infrastructures<br>Climate-resilience and low-carbon water infrastructures |
| **Physical risks**<br>Acute: extreme weather events<br>Chronic: gradual shifts of the climate such as rising average temperatures; changes in precipitation | Write-offs and early retirement of assets due to damages from extreme weather events<br>Changes in borrowers' repayment capacity due to increased capital costs and reduced revenues as a result of climate-induced business disruptions | **Just transition** | **SMART**<br>Green & climate-resilient buildings<br>Low-carbon and climate-resilient agriculture and nature-based solutions<br>Adaptation and resilient-enabling solutions e.g. climate analytics<br>Manufacturing of clean technologies |
| | | **Adaptation and resilience** | **Financial services**<br>Green and climate-resilient lending<br>Climate insurance<br>Green bonds<br>Green trade |

# Task Force on Climate-related Financial Disclosures continued

## Highlights of key areas of our Climate Change Strategy implementation in 2021

| Paris alignment building blocks | Implementation highlights |
|---|---|
| **Net zero by 2050** | + Assessed our portfolio carbon footprint[3]<br>+ Developed the design features of the net-zero transition plan<br>+ Implemented the Fossil Fuel Policy<br>+ Implemented the Guidance on Natural Gas<br>+ Co-developed a web-based tool for estimating sequestered emissions of forestry and agroforestry projects[4] |
| **Just transition** | + Held stakeholder consultations to identify practical actions for financing a just transition in India<br>+ Worked on guidance on financing a just transition in South Africa and India[5] |
| **Adaptation and resilience** | + Contributed to the activities of the Adaptation & Resilience Investors Collaborative, which put forward a set of actions to the G7 to accelerate investments in adaptation and resilience[6]<br>+ Carried out market-shaping activities to scope and boost early-stage companies offering adaptation and resilience enabling solutions[7]<br>+ Assessed several commercial physical climate risk assessment tools and selected one for piloting in 2022 as part of our investment process<br>+ Supported the enhancement of a publicly available tool for assessing climate-water risks under various scenarios[8]<br>+ Started assessing a portion of our portfolio for climate-related water risks and engaging with investees |

3 See the section on metrics and targets for more information.

4 For more information, see *FRESCOS*.

5 For more information, see Towards a Just Transition Finance Roadmap for India, *2021 Report of the UK Financing a Just Transition Alliance* and *G7 Impact Taskforce*.

6 For more information, see *International collaboration of development finance organisations agree new steps to increase the resilience of economies threatened by the climate emergency* and *Collaborating to accelerate investment in climate adaptation and resilience*.

7 For more information, see *CDC Group announces partnership with WWF and Climate-KIC*.

8 Ibid.

## Transition risks

Transition risks in our portfolio are likely to be concentrated mainly among the 'carbon-related assets'[9] we hold. These consist primarily of direct and indirect investments in fossil fuel energy generation and in the oil and gas value chain made before our Fossil Fuel Policy came into effect. Approximately two-thirds of these assets by dollar value are natural gas-fired power plants, mainly located in power-constrained economies in Africa and South Asia, such as Bangladesh, Cote D'Ivoire and Cameroon. In 2020, carbon-related assets represented about 12.6 per cent of our portfolio of investments in terms of market value, but the majority of our carbon footprint.

As market and investors' preferences shift towards lower-emission alternatives for power, mobility and other products and services, businesses in these categories may be affected. Government policies encouraging the transition to lower-emission alternatives may also affect businesses in these categories, either by curtailing demand for their output or by imposing new costs on them. As countries set net-zero targets, they may introduce further policies and regulations to deliver these – as South Africa has done with its carbon tax legislation. However, nearly all of our fossil fuel assets are in countries that have not yet introduced such targets.

The table on the next page maps out the primary types of transition risks that carbon-related assets in our portfolio may be exposed to, based on the broad characteristics of the markets we operate in and the sectors in which we invest. The likelihood and impact of these risks has not yet been assessed.

Engagement with portfolio companies to pursue decarbonisation opportunities can support the management of transition-related risk in our existing portfolio. With respect to new investments, it is worth noting that since the entry into force of our Fossil Fuel Policy in 2020, many of the carbon-related sectors most exposed to transition risk are no longer in scope.

Work on understanding the potential materiality of transition risk drivers continues and will involve further investigation into methodologies appropriate for the markets we operate in and the risks we are more likely to face.

9 We define 'carbon-related assets' according to our *Fossil Fuel Policy*. See the section on metrics and targets for further details.

# **Task Force on Climate-related Financial Disclosures** continued

## Mapping of potential transition risks associated with our carbon-related assets

| Risk type | Risk | Risk commentary |
|---|---|---|
| **Direct** (Potential to affect expected underlying cash flows from asset) | **Revenue** | + BII's carbon-related assets may be exposed to reductions in demand or asset use, or even early retirement, due to legislation or policy shifts. For assets where revenues are not guaranteed, consumer preference shifts towards 'green' products and services may also affect demand, especially as alternatives such as renewable energy continue to develop.<br>+ Weighed against this risk driver is the fact that our assets are generally characterised by long-term contractual revenues and are located in markets with energy deficits, creating a high opportunity cost for usage reduction. |
| | **Cost** | + Carbon-related assets may be exposed to an increase in operating expenses due to levying of carbon taxes or carbon-related licensing expenses, or capital upgrades that may be required to reduce emissions.<br>+ Currently, only one major market in our geography has a carbon tax (and we do not have carbon-related assets in this market). In addition, relevant greenhouse gas emissions-reductions technologies do not yet appear to be commercially viable and would thus pose an opportunity cost in energy-constrained markets. It is our role to improve the commercial viability of such technologies and foster their uptake. |
| | **Second-order effects** | + If actual asset usage were to be reduced due to greenhouse gas (GHG) emissions reduction policies or availability of 'green' alternatives, there may be a risk from the decline in the willingness of off-takers (generally national electricity utilities) to pay or honour existing availability-based power contracts.<br>+ However, many of our key markets are likely to remain energy-constrained for the near future, meaning usage reductions would carry an opportunity cost for off-takers. |
| **Indirect** (Potential to affect the present value of an asset's cash flows, even if cash flows are unaffected) | **Marketability** | + If investor appetite shifts away from carbon-related assets due to risk perception or stakeholder pressure, this may lower the mark-to-market value of existing assets even when we plan to hold assets indefinitely.<br>+ The increase in attention paid to climate considerations by the investor community driven by shifts in market preferences and international policy action on climate risks, among other factors, creates uncertainty around how and when changes in investment preferences may materialise. |

### Physical risks identified over the short, medium and long term

In 2021 we began assessing physical risk in a subset of our portfolio, with focus on water-related risks over multiple scenarios and timeframes. In 2022 we will advance this analysis to deepen our understanding and prioritise engagement with investees in the pursuit of climate resilience-building opportunities. Considering that we operate in many of the world's most climate-vulnerable countries, it is important to enhance our own and our investees' understanding of physical climate risks and the solutions needed to address them.

**The impact of climate-related risks and opportunities on our business strategy and financial planning**

Climate-related risks and opportunities have impacted our business strategy and financial planning in several ways:

- Committing to phase out all oil and gas activities in our trade and supply chain finance by June 2022.
- Integrating 'Sustainability' in our corporate objectives and our Development Impact Scoring, a tool designed to manage strategic impact on a portfolio basis. Both form part of our Remuneration Framework.
- Integrating climate-related opportunities in the investment strategies developed by each industry group for the 2022–2026 corporate strategy period.
- Enhancing our 'toolbox' with:
  - the development of a pilot blended finance facility ('Kinetic') to enable us to seed innovative climate business models and investment vehicles in nascent markets. We are working to further increase our investment capabilities to build nascent markets and mobilise private capital towards climate-related opportunities;
  - a climate-focused project finance initiative ('Greenovate')[10] to address, through concessional finance, market failures and other constraints to climate investments, and to deepen our development impact in priority sectors namely: clean energy projects with 'outsized upfront capital costs' in challenging markets, and water access, sanitation and hygiene; and
  - a technical assistance facility for financial institutions to empower them to integrate climate-related risks and opportunities in their business strategies and offerings.
- Strengthening partnerships, such as the Global Energy Alliance for People and Planet to enhance access to reliable clean power by accelerating investment in green energy transitions and renewable power solutions.

Finally, we also developed elements of our transition plan to net-zero emissions at the portfolio level by 2050. In the context of developing the design of our net-zero transition plan methodology, we conducted a comprehensive assessment of our portfolio to determine a baseline carbon footprint for the organisation and a decarbonisation pathway that is in line with net-zero emissions by 2050. A range of steering mechanisms and short- and medium-term emissions milestones are now being developed to ensure that both current and pipeline investments are aligned with our long-term 2050 net-zero commitment. More details on our net-zero transition plan approach will be published in due course.

10 See our website to learn more about our approach to innovating with catalytic capital: *How can investors innovate for impact without sacrificing rigour?*

# Task Force on Climate-related Financial Disclosures continued

## Risk management

### Integration of climate-related risks into our overall Risk Management Framework

In 2021, we added climate change risk as a standalone risk type to our Risk Taxonomy through the annual review of our Risk Appetite Statement. We defined climate change risk as 'the risk of financial loss, diminished reputation, or reduced ability to operate and deliver objectives as a result of climate-related transition and physical risks at BII or our investees'. As with all risk types, the Board has set a risk appetite for climate change risk. This ensures that we continue to monitor and manage it as part of our existing Risk Management Framework, while we work to develop metrics and integrate the implications of climate change risk across other risk types. The development of climate-related risk metrics will require cooperation and inputs from across the organisation to fully capture the range of climate change risks BII is exposed to. In 2022, we are continuing to expand our climate change risk management approach. We are focusing on understanding how climate change risk impacts each of our risk types, and using the existing Risk Management Framework to measure, monitor and manage these risks.

### Our approach for identifying, assessing and managing climate-related risks

We identify, assess and manage climate-related physical and transition risks in the process of conducting due diligence of new investments. Our approach, which is proportionate to investment-specific circumstances, is embedded in our E&S and investment due diligence process. Its outcomes are presented to the Investment Committee to inform investment decisions. The integration of climate-related risks in the investment process allows us to consider such risks and their relative significance in relation to the other risks we face when making investments or lending decisions in the pursuit of our mandate.

### Physical climate risk identification and assessment in direct investments

In 2021, the ESG-I team systematically screened direct investments (equity or debt provided directly to an investee) for physical climate-related hazards as part of the initial E&S due diligence process. The screening has focused on the infrastructure, agriculture, manufacturing, construction and real estate sectors given the intrinsic climate sensitivity of these sectors and lifespan of the underlying investments.

The initial screening process relies on publicly available data about climate-related hazards in a given geographical context, coupled with an internal specialist assessment. The findings of the screening process determine whether a physical climate risk and vulnerability assessment is required during the subsequent due diligence stage to determine the materiality of the identified hazards, and the necessary climate risk management measures. These can include climate adaptation measures to prevent or reduce the identified physical climate risks. Where appropriate, such measures are detailed in an E&S action plan which forms part of the investment agreement.

To enhance our physical climate risk screening and assessment capabilities, in 2021 we engaged in the following activities which we will continue to advance in 2022:

+ Evaluation of several commercially available physical climate risk assessment tools. We selected one for further piloting in 2022.
+ Partnership with WWF to enhance its Water Risk Filter tool with scenario analysis capabilities.[11] The outcomes of this partnership will provide our investees with a publicly available tool for assessing water-related risks.[12]
+ Peer-to-peer learning under a dedicated Working Group of the Adaptation & Resilience Investors Collaborative for the development of a guidance document and counterparty engagement tool aimed at enhancing our ability to consistently identify and assess physical climate risks throughout the investment cycle.

11 The Water Risk Filter tool is a leading publicly available web-based tool for assessing and responding to water-related risks. The scenarios integrated in the tool are based on the combination of the most relevant climate scenarios (IPCC Representative Concentration Pathways – RCP) and socio-economic scenarios (IIASA Shared Socioeconomic Pathways – SSP).

12 For more information on our partnership with WWF, please see *CDC Group announces partnership with WWF and Climate-KIC* and the *Water Risk Filter website*.

### Transition risk identification and assessment in direct investments

We take a risk-based approach to transition risk assessment focusing on direct investments in sub-sectors which are most likely to be impacted by the transition to net-zero by 2050. Examples of such sub-sectors are vehicle operation, primary agriculture, and emissions-intensive heavy manufacturing.[13]

Investments in most GHG-emitting fossil fuel activities are now excluded in accordance with our Fossil Fuel Policy. Our Guidance for Natural Gas Power Plants ensures we limit our investments only to gas projects which are consistent with a country's pathway to net-zero emissions.

For emissions-intensive sectors, transition risk assessment focuses on the four drivers of transition risks identified by the TCFD framework: changes in legal and regulatory frameworks, market sentiment, technological advances, and reputational risk. The interim assessment process outlines a series of guiding questions for each of the four areas. Responses to these questions are included in the analysis presented to the Investment Committee to inform investment decisions.

### Physical and transition risk identification and assessment in indirect investments

Our approach in the context of indirect investments via funds and financial institutions is 'risk-based' and thereby proportional to their size, investment strategy and portfolio. It is based on the pillars of the TCFD recommendations and focuses on assessing the organisation's governance and risk management frameworks with respect to climate change. It reflects the need for a robust and flexible framework to address the variations in intermediated financing instruments and investment strategies.

The objective of our approach is to encourage and support intermediary institutions to adopt the TCFD recommendations themselves. To support them in this endeavour, we have developed a 'TCFD Ready' guidance, outlining the key steps they can take to integrate climate change in their governance and risk management practices.

### Our climate risk process in practice

This box illustrates how we have implemented to date our climate risk assessment approach in the context of an indirect investments: a food and agriculture sector-focused fund operating in Africa.

Our due diligence comprised: 1) an assessment of the fund's portfolio and pipeline exposure to physical and transition risks, and 2) an appraisal of the fund manager's governance and processes and capabilities for identifying, assessing and managing climate-related risks. The outcomes of the due diligence, which we formalised in an environmental and social action plan, included actions for enhancing the fund manager's investment process through integrating climate change considerations, developing an investee-level approach to understand climate-related risks and opportunities, and developing a climate change policy in line with the TCFD recommendations. As part of a subsequent co-investment opportunity and building on the relationship developed through the initial investment, we worked closely with the fund manager to conduct an enhanced climate change risk assessment at the underlying asset level as part of the due diligence process. The assessment identified opportunities for the pursuit of several climate change mitigation and adaptation measures. A portion of our investment's proceeds were then ring-fenced to support the implementation of such measures.

13 This includes manufacturing of metals, cement, pulp and paper, chemicals, rubber, plastic, and mineral products.

# **Task Force on Climate-related Financial Disclosures** continued

## Our engagement with investees

In 2021 we continued to deepen our engagement with investees on climate-related risks and opportunities. This is relevant to building our understanding of risk and supporting them in investing in net-zero and climate-resilience solutions. We have done this through our Policy on Responsible Investing,[14] transaction due diligence, and by providing training to fund managers and financial institutions on the TCFD recommendations.

In the context of our partnership with WWF for the enhancement of its Water Risk Filter tool, we also engaged several fund managers to gain a better understanding of water-related risks. This, in turn, will help increase our understanding too. Work is ongoing and further engagement activities are planned for this year.

Finally, we carried out a survey of senior management at businesses and investment funds in our portfolio operating across Africa and South Asia to understand how they see climate change affecting their organisations today and in the future.[15] The vast majority (86 per cent) of respondents reported that climate change will affect their plans to grow their business activities over the next decade. Targeting new markets and introducing new 'green products' were among the most common responses, especially among the fund managers who responded. Almost half (48 per cent) of the respondents noted that extreme weather events had affected their business. The findings of this survey point to the need for further engagement with our investees to better understand their physical climate risk profile and identify avenues for increasing their climate resilience.

## WWF Water Risk Filter Partnership

Businesses in the markets we serve are among the most vulnerable to water-related risks, which can have significant negative socio-economic and financial consequences. To equip businesses and investors with a greater understanding of the risks they may face today or in the future, and respond with foresight, *we partnered with WWF* to support the enhancement of its Water Risk Filter.

The Water Risk Filter is a leading online tool for assessing and responding to water risks. It aims to drive greater awareness and action to address water-related risks in the face of climate change and to enhance climate resilience. Beyond improvements to the tool's interface, underlying datasets and visual outputs, the biggest enhancement we supported is the comprehensive integration of climate and socio-economic pathway-based scenarios. This will enable companies and investors, our investees, to explore how water risks may evolve by 2030 and 2050 under different possible futures.

Scenario analysis is a key recommendation of the TCFD. It helps companies and investors to take 'climate-informed' decisions on their strategies and investments, and to prioritise climate resilience-building actions. We believe that the tool's open-source nature is relevant to enable businesses and investors operating in the markets we serve to assess water-related risks.

14 See our updated *Policy on Responsible Investing*.

15 For more information, please see the *Emerging Economies Climate Report 2021*.

## Metrics and targets

**Metrics used to assess climate-related risks and opportunities**
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. The table below provides an overview of the metrics we have in place to date against the cross-industry climate-related metric categories recommended by the TCFD in its 2021 guidance. It also indicates which metrics we are not yet disclosing because further work still needs to be undertaken.

The following sections provide further details on each of the metrics. As recommended by the TCFD, for each we included the previously available period to allow for trend analysis, and a description of the methodologies used to calculate them.

### The cross-industry climate-related metrics identified by the TCFD

| TCFD metric category proposed by the TCFD in 2021 | Our metrics | Type of metric |
|---|---|---|
| **Capital deployment** Amount of capital expenditure, financing or investment deployed toward climate-related risks and opportunities | + Climate finance commitments | Portfolio and project-level metric |
| **Climate-related opportunities** Proportion of revenue, assets or other business activities aligned with climate-related opportunities | + Financial exposure to climate finance qualified assets | Portfolio-level metric |
| **GHG emissions** Absolute Scope 1, Scope 2 and Scope 3; emissions intensity | + Financed emissions (Scope 1 and 2) (absolute/ intensity) for direct investments[16]<br>+ Operational emissions (Scope 1, 2 and part of 3) | Portfolio-level metric |
| **Transition risks** Amount and extent of assets or business activities vulnerable to transition risks[17] | + Financial exposure to carbon-related assets | Portfolio-level metric |
| **Remuneration** Proportion of executive management remuneration linked to climate considerations[18] | + Climate-related objectives are integrated in the Remuneration Framework for the 2022–2026 strategy period via the Impact Scoring and corporate objectives framework. Measurement and disclosure of related metrics may follow in the subsequent TCFD reporting cycle | Organisation-wide metric |
| **Physical risks** Amount and extent of assets or business activities vulnerable to physical risks[19] | + Work in progress. To be included in forthcoming disclosures | Not applicable |
| **Internal carbon prices** Price of each tonne of GHG emissions used internally by an organisation | + Not applicable[20] | Not applicable |

16 Our financed emissions calculations do not currently consider the Scope 3 emissions of our portfolio companies, due to inadequate data availability. We are currently investigating methods to accurately estimate Scope 3 emissions, and are also asking investees to disclose Scope 3 emissions in sectors where these may be material.

17 The *TCFD 2021 guidance* acknowledges that challenges associated with quantifying exposure to climate-related risks due to the challenges associated with data availability and portfolio aggregation. It suggests that financial organisations provide qualitative and quantitative information, when available.

18 The *TCFD 2021 guidance* indicates that quantitative disclosure is encouraged; organisations may feature qualitative information on remuneration policies and practices.

19 The *TCFD 2021 guidance* acknowledges that challenges associated with quantifying exposure to climate-related risks due to the challenges associated with data availability and portfolio aggregation. It suggests that financial organisations provide qualitative and quantitative information, when available.

20 In contexts where a carbon tax is in place, or where it is assessed that carbon pricing might emerge (i.e., a country introducing a carbon tax), the Investment team would take this into account in its financial modelling. This is because this is a current or future cost that may impact return expectations and therefore needs to be considered in investment decision-making. 'Real' carbon pricing is more suited to our investment decision-making processes than shadow carbon pricing, because financial models need to reflect the real costs that materialise or are highly likely to.

# Task Force on Climate-related Financial Disclosures continued

## Portfolio exposure to climate-related opportunities and carbon-related assets

Our financial exposure to climate-related opportunities, defined as climate finance qualifying assets, has increased since 2020, driven by new climate finance investments such as renewable energy generation, certified green buildings, as well as climate adaptation services. At year-end 2021, the value of our climate finance qualifying assets was $1,439 million or 17 per cent of our overall portfolio which represents an about 30 per cent year-on-year increase.

Our financial exposure to assets vulnerable to transition risks, defined as carbon-related assets, has declined since 2020, driven predominately by a decline in our financial exposure to oil and gas assets through trade and supply chain finance facilities. It is worth noting that we have not yet fully assessed the vulnerability of our organisation to transition risk nor the likelihood and impact of any transition risks and related speed of onset.

## Methodology

We define carbon-related assets according to the scope outlined in our *Fossil Fuel Policy*[21] and climate finance qualifying assets those in 'green' sub-sectors as defined by our climate finance methodology.[22] Using these definitions, a proportion of the portfolio qualifies as neither carbon-related nor as climate finance qualifying assets. Assets in other sectors beyond the fossil fuel value chain can be highly emissive depending on the context and nature of the investment. These are tracked via our portfolio carbon footprint.

## Carbon-related assets coverage

In 2020 and 2021 we were able to tag and calculate our exposure to carbon-related assets via trade and supply chain finance, but data gaps prevented us from evaluating our related exposure via indirect investments in financial institutions.

## Climate-related opportunities assets coverage[23]

Data shown cover climate finance qualifying assets via direct investments, intermediated investments through funds and directed lending. We plan to advance our methodology in 2022 so we can calculate our climate finance exposure via trade and supply chain finance risk participation agreements too.

It is worth noting that our portfolio market valuation data does not yet fully reflect our climate finance commitments. This is because our commitment numbers include capital committed to projects or companies, but which has not yet been drawn down.

## Greenhouse gas emissions

### Greenhouse gas emissions of our investment portfolio

The emissions impact of our investment portfolio can be presented according to the different types of impact on the atmosphere:

+ absolute generated emissions: the total amount of GHG emissions emitted by our investees;
+ avoided emissions: the GHG emissions that are avoided by investee activities, as compared with business-as-usual scenario (limited to renewable energy projects); and
+ sequestered emissions: the total amount of GHG emissions removed from the atmosphere and permanently stored by investee activities (such as via forestry).

The sections that follow provide details on our assessments to date of absolute generated emissions and avoided emissions. Through our co-development of the *FRESCOS tool*,[24] in the coming years we will be able to measure and report our sequestered emissions.

21 We define carbon-related assets as per our *Fossil Fuel Policy* for coal, oil and gas based on these definitions: upstream activities (exploration and production of fossil fuels), midstream (transportation and storage of raw fossil fuels), downstream (refining and distribution of refined fossil fuels), and power generation (grid-connected rather than in captive capacity). We also include companies or projects that exclusively provide services (including advisory), equipment or other outputs to excluded fossil fuel activities, such as a company that exclusively provides construction services for oil exploration activities. Therefore, when calculating our portfolio exposure to carbon-related assets, we included both assets that would be excluded by our Fossil Fuel Policy today but were from investments made prior to its entry into force, and fossil fuel investments still permitted under the Policy.

22 Climate finance investments are determined based on our climate finance methodology, which is aligned to the multilateral development banks' (MDBs') climate finance methodology for mitigation finance, and the MDBs-International Development Finance Club's Common Principles for adaptation finance.

23 Our climate finance target, as explained in the following section, applies to our new commitments, whereas portfolio exposure to climate finance-qualifying assets as described here is based on the value of the portfolio as of Q4 2021.

24 FRESCOS is an open access tool for calculating the carbon sequestration of forestry and agroforestry projects. It has been developed by Simosol with funding from us, Finnfund, FMO and Swedfund. *See FRESCOS*.

## Absolute generated emissions

*Methodology*

Our financed emissions are part of our Scope 3 category 15 downstream emissions. In 2020, we joined the Partnership for Carbon Accounting Financials (PCAF),[25] which is the global GHG accounting and reporting standard for the financial industry. Since then, we have used the PCAF standard to calculate the Scope 1 and 2 GHG emissions of our underlying direct investments (excluding financial institutions) in our portfolio on an annual basis,[26] see the graphic below. We will continue to refine our approach.

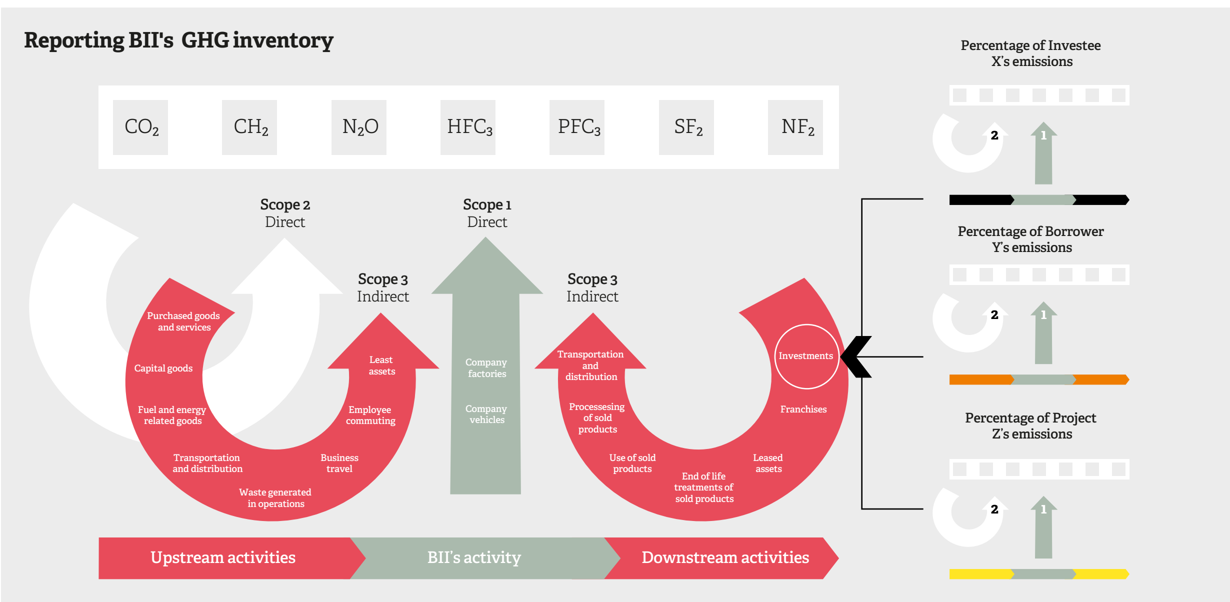
The PCAF methodology consists of two main parts:

1. the GHG emissions of the investee which can either be a) reported to us b) calculated (based on physical activity data) or c) estimated (based on economic activity data); and

2. BII's attribution share in the investee is based on our percentage of total enterprise value including cash (or total assets where appropriate) of our underlying investments.

In terms of the emissions categories, our emissions calculations for our underlying portfolio companies were based on:

+ scopes: Scope 1 and 2 (but not Scope 3);
+ phase: operational emissions (but not embodied emissions[27]);
+ source: both energy consumption and process emissions; and
+ boundary: annual emissions (but not lifetime emissions).




25 The PCAF accounting and reporting standard covers the seven gases under the Kyoto Protocol that are also mandated under the UN Framework Convention on Climate Change to be included in national inventories. These are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride. There are converted to $tCO_2e$ using the 100-year time horizon global warming potentials published by the Intergovernmental Panel on Climate Change (IPCC) – either the AR5 values published by the GHG Protocol or the IPCC's most recently published assessment report.

26 The PCAF Standard requires GHG accounting periods to align with the financed entity's accounting period. We invest across a range of geographies with different accounting periods. Where available, data from the end of the respective country's accounting period is used for GHG accounting; otherwise, data from the end of the calendar year is used instead.

27 According to the PCAF Standard, embodied emissions are those associated with the non-operational phases of a project e.g., for buildings, this includes emissions caused by extraction, manufacture, transportation, assembly, maintenance, replacement, deconstruction, disposal and end-of-life aspects of materials and systems.

# Task Force on Climate-related Financial Disclosures continued

## Results

The table below shows the results of our financed and attributed 2019 and 2020 carbon footprint for our direct investments in two of our industry groups – the Infrastructure and Climate group and the SMART group.[28] As per PCAF recommendations, these results have been normalised by the invested book value of our portfolio in these two industry groups, expressed in tonnes of carbon dioxide equivalent ($tCO_2e$)/million US dollars invested.

Our financed emissions in these two industry groups fell slightly from 1,224,272 $tCO_2e$ in 2019 to 1,139,259 $tCO_2e$ in 2020. Most of this drop can be attributed to lower attribution percentages, as financed debt leaves our portfolio. Other drivers include the exits of some highly GHG emissions-intensive assets from our portfolio and better data quality leading to lower estimated emissions from some assets. However, our emissions intensity increased slightly from 548 $tCO_2e$/million US dollars invested in 2019 to 582 $tCO_2e$/million US dollars invested in 2020. The main reason for this was a fall in total investment value, which is the result of various factors including a change from market value to book value to calculate investment value for certain assets due to better data availability.

### Financed and attributed carbon footprint in 2019 and 2020

| | Attributed emissions ($tCO_2e$) | | Investment value ($ millions) | | Emissions intensity ($tCO_2e$/$ millions) | |
|---|---|---|---|---|---|---|
| **Industry group** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** |
| Infrastructure and Climate | 1,150,449 | **1,059,897** | 1,007.5 | **879.6** | 1,142 | **1,205** |
| SMART | 73,823 | **79,362** | 1,224.6 | **1,079.4** | 60 | **74** |
| Total* | 1,224,272 | **1,139,259** | 2,232.1 | **1,959.1** | 548 | **582** |

Calculations for financed Scope 1 and 2 emissions of our direct portfolio as of end 2020 covered all investees, and 98.0 per cent of our attributed emissions achieved a robust data quality score of 2 or higher, as per the PCAF score card. This is in line with 2019, when 98.8 per cent of our attributed emissions met this benchmark. This means emissions of most portfolio companies were based on reported emissions (either verified or unverified) by the investee or energy consumption data, and only a limited number of investments had emissions calculated based on physical activity data or modelled based on economic activity data.

PCAF recommends that the weighted data quality score is normalised by the outstanding amount of loans or investments. However, because some investments report Scope 1 and Scope 2 emissions using different methods with different scores, we normalised the data quality score using the volume of total attributed emissions as per the table below. Under PCAF, this is an acceptable alternative to using the outstanding amount.

* Values may not sum to the total because of rounding.

28 Data used to calculate our carbon footprint from our investees, as well as to calculate the other climate-related metrics presented in this report, have been through our internal procedures, and we have taken reasonable efforts to ensure their accuracy. However, this data has not been audited or independently verified. Data was received from many, but not all, of our investees. We received this data from our investment partners. Data may be from different points in time but for BII's carbon footprint was requested to relate as closely as possible to year-end 2019 and 2020 (as applicable).

## Normalisation approach

| PCAF data quality score | PCAF option | Description | Share of attributed emissions by PCAF score category 2019 | 2020* |
|---|---|---|---|---|
| 1 | 1a | Reported verified emissions | – | 0.4 |
| 2 | 1b | Reported unverified emissions | 95.9 | 93.7 |
| | 2a | Calculated emissions based on energy consumption data | 2.9 | 4.0 |
| 3 | 2b | Calculated emissions based on primary physical activity data | – | 0.8 |
| 4 | 3a | Modelled emissions based on company revenue | 1.1 | 0.7 |
| 5 | 3c | Modelled emissions based on company asset turnover ratio | 0.1 | 0.5 |

## Considerations and next steps

Due to portfolio company reporting cycles, the emissions-related data presented here is based on our portfolio composition as of the end of 2020, while the other metrics in this report are presented as of the end of 2021. In the future we aim to fully align our reporting cycle for emissions-related data (including avoided emissions data, presented in the next section) with that of other reported metrics. We will also continue to progress our work to integrate our intermediated portfolio, including financial institutions and third-party managed funds, into our financed emissions footprint.

## Avoided emissions

The table below shows the estimated avoided GHG emissions of our direct investments in renewable energy (wind, solar, hydropower) on an attributed basis at year end 2019 and 2020. These were calculated based on the emissions factors from the *International Financial Institutions Guideline for a Harmonised Approach to Greenhouse Gas Accounting.*

In 2020, avoided emissions amounted to 1,172 $tCO_2e$ per million US dollars invested in the renewable energy sector. This estimate reflects only power plants that were operational as of the end of 2020, not those still under construction.

Between 2019 and 2020, we changed the methodology we use to calculate investment value to fully align with the PCAF methodology. While in 2019 market value was used to calculate investment value, in 2020 book value was used instead. This resulted in a significant decrease in the investment value of our renewable energy projects, from $829.9 million in 2019 to $332.8 million in 2020. The change in methodology also resulted in lower attribution percentages overall, which was the main driver of the fall in attributed avoided emissions, from 511,660 $tCO_2e$ in 2019 to 389,944 $tCO_2e$ in 2020. On the other hand, the change in methodology also resulted in significantly higher avoided emissions intensity, from 616 $tCO_2e$/million US dollars invested in 2019 to 1,172 $tCO_2e$/million US dollars invested in 2020.

## Estimated avoided GHG emissions of our direct investments

| Industry group | Attributed emissions ($tCO_2e$) 2019 | 2020 | Investment value ($ millions) 2019 | 2020 | Emissions intensity ($tCO_2e$/$ millions) 2019 | 2020 |
|---|---|---|---|---|---|---|
| Infrastructure and Climate* | 511,660 | **389,944** | 829.9 | **332.8** | 616 | **1,172** |

* Values may not sum up because of rounding.

# **Task Force on Climate-related Financial Disclosures** continued

## Greenhouse gas emissions of our operations

This year we worked with Achilles, an independent auditor, to verify our 2021 carbon footprint. We achieved the Carbon Reduce certification against the ISO 14064-1:2018 standard.

The following table shows the carbon footprint (Scopes 1, 2 and 3) of our operations at the end of 2020 and 2021, two years where our Scope 3 emissions from travel were limited as a result of the COVID-19 pandemic-related travel restrictions. Travel restarted in the second half of 2021, which is reflected in the increase in Scope 3 emissions as compared to 2020.

In 2021 we bought offsets from the Climate+Care mixed portfolio. These are high impact offset carbon credits from projects such as efficient cookstoves in Ghana and Bangladesh. Further, through our green employee network, 'Green works', we have continued to support employees with information about how to reduce at home carbon and environmental footprints when working remotely and conducted an energy audit on our London headquarters to find opportunities to improve energy efficiency.

## Our operational GHG emissions footprint in tonnes of $CO_2$ equivalent ($tCO_2e$) by scope and year

| | **Type** | **2020 ($tCO_2e$)** | **2021 ($tCO_2e$)** |
|---|---|---|---|
| Scope 1 | Direct emissions from Company facilities (heating) | 94.0 | 77.66 |
| Scope 2 | Indirect emissions from purchased electricity (electricity, cooling and condenser) | 180.5 | 197.79 |
| Scope 3 | Other indirect emissions (air and rail travel) | 89.1 | 660.86 |
| TOTAL | | 415.7 | 936.31 |
| Average per employee | | 0.9 | 1.86 |

### Methodology

In 2021 we measured our operational carbon footprint according to the ISO 14064-1:2018 standard, which specifies principles and requirements for the quantification and reporting of GHG emissions and removals and how we are managing them against the standard's requirements. In 2020 our footprint was not measured to ISO 1406-1:2018 so we have therefore made an improvement in the robustness of our operational carbon footprint calculations.

**The targets we use to manage climate-related risks and opportunities, and our performance against them**

### Climate finance target

Our Climate Change Strategy published in July 2020 set our climate finance target at 30 per cent of our annual commitments[29] for 2021. This target was then reconfirmed in our new five-year strategy as a rolling average for the period 2022–2026, which we expect to total over £3 billion.[30]

In 2021 we committed $648 million of climate finance or 26 per cent of total new commitments. We committed an additional $5 million of investment under our *Climate Innovation Facility*, Kinetic, which is a dedicated FCDO-backed pool of concessional funding to scale up the most pioneering climate solutions in markets where private investors have been reluctant to take on the risk alone. Further information about Kinetic is provided on page 6.

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. However, our total financial commitments also exceeded our forecast, which decreased the proportion of climate finance delivered overall.

This compares to 2020 where the amount of climate finance committed was relatively low largely due to our response to the COVID-19 pandemic, which focused the organisation on tackling liquidity, healthcare and needs for basic services.

### Total 2020 and 2021 climate finance commitments in £ and $ millions and as a share of total commitments

| Climate finance (£ millions) | | Climate finance ($ millions) | | Share of total commitments (%) | |
|---|---|---|---|---|---|
| **2020** | **2021** | **2020** | **2021** | **2020** | **2021** |
| 80 | **479** | 104 | **648** | 7% | **26%** |

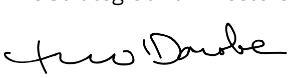
### Net-zero portfolio emissions target

Our Climate Change Strategy sets out our commitment to financing in line with a 1.5°C aligned transition plan and to reach net-zero GHG emissions at the portfolio level by 2050. We are working to deliver on this by developing a portfolio net-zero methodology as a tool for informing portfolio construction.

The first part of this work, which started in 2020, involved developing our approach to measuring our financed emissions, that is the GHG emissions that occur in our investment portfolio attributed to BII by our investment share. We have now completed our second year of our portfolio carbon footprint, which has allowed us to track how our financed emissions are changing over time.

The second part of this work, which started in 2021, involves developing a 1.5°C-aligned emissions pathway applicable to our markets, designing mechanisms for screening and steering our investments along these pathways, and setting short-, medium- and longer-term emissions milestones for tracking our emissions performance over the 2022–2026 strategy and beyond. We will publish more details once the approach has been finalised.

The Strategic and Directors' report was approved by the Board and signed on its behalf by



*Nick O'Donohoe*
*Chief Executive*
*14 April 2022*

29 Our climate finance target covers our own investment capital. It does not include the grant capital we deploy for technical assistance activities through our technical assistance and support facility.

30 For more information, see our *2022–2026 strategy*.

# Governance Report

# Chair's introduction

**I am pleased to introduce the Governance Report for the year ending 31 December 2021. This report includes an overview of the Group's governance structure and a description of the key activities of the Board and its committees during the year.**

2021 was a busy year. Not only did we continue to manage the impact of the COVID-19 pandemic on the business but we also published our new five-year strategy, introduced a new Remuneration Framework and a revised Investment Policy, announced a change of name and refreshed the Board with two new appointments. Throughout 2021, I and my predecessor Sir Graham Wrigley have been supported by our shareholder and I would like to thank my non-executive colleagues for their diligence and hard work during what has been an intense period of change. Further information is available in the reports below.

During 2021, we said farewell to Professor Sam Fankhauser as Chair of the Development Impact Committee but I am delighted that the Foreign Secretary nominated Professor Chris Woodruff to succeed Sam as the new Chair of the Development Impact Committee. The Foreign Secretary also appointed me as Chair in succession to Sir Graham Wrigley who retired from the Board in early 2022. So much of the success of British International Investment over the past eight years has been due to the influence and vision of Sir Graham, from refreshing and reinvigorating the Board and establishing a robust governance framework, to building a strong and productive relationship with our shareholder based on trust and mutual respect.

Details of the process followed in respect of these appointments are set out in the Nominations Committee report. Michele Giddens will be retiring from the Board this year and we are in the process of recruiting her successor. I want to take this opportunity to thank Michele for her invaluable contributions, insight and challenge, and for playing a key role in my recruitment. We will miss her wealth of experience and expertise and wish her well for the future.

I am delighted to report that we have a diverse Board in terms of gender and ethnicity. The Board continues to be appropriately balanced, with 60 per cent of the Board being female and 40 per cent male. In addition, 30 per cent of our Board members are based in our markets in Africa and Asia. The People Development and Remuneration Committee continues to monitor the diversity of our colleagues in British International Investment and further details can be found in that report.

As always, our Investment Committees, a pivotal part of our execution capability and a key plank of our governance structure, have continued to be very busy during 2021 with 179 Investment Committee meetings being held. Three members retired and three were appointed in their place. I would like to thank all external members, both past and present, for their guidance and commitment. BII is very lucky to have such committed talent to support its investment decision-making. From a gender and ethnicity perspective I am delighted to report that our external IC members now comprises ten men and five women of whom five members are based in our markets. This compares to ten men and two women at the start of 2019, with no Investment Committee members based in our markets. BII will continue to prioritise diversity and market knowledge in the new strategy period.

On pages 57 to 59 we explain how, as a Board, we work with our employees, our partners, our suppliers, other development finance institutions, NGOs and the UK Government including our shareholder, FCDO.

I am truly privileged to succeed Sir Graham Wrigley as Chair and to lead an incredible organisation such as British International Investment with its inspiring mission and ethos.

*Diana Layfield*
*Chair*
*14 April 2022*

# Board of Directors

## Diana Layfield

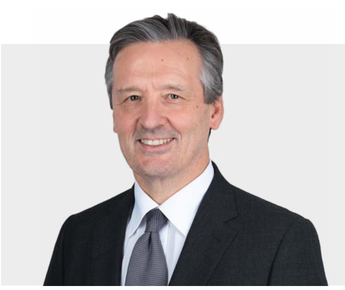
**Chair**
Nominations Chair

Appointed on 1 December 2021 as Non-executive Director and Chair with effect from 1 January 2022.

As President of EMEA Partnerships (among other roles) at Google, Diana's work spans technology as well as business. As Vice-President, Next Billion Users and VP Product Management she has been responsible for driving the development of products for future users, primarily in emerging markets. She is also the global co-lead for Google's cryptocurrency research and activities.

Before Google, Diana served as CEO, Africa Region, at Standard Chartered Bank, responsible for leading the bank's businesses across wholesale, investment and consumer banking in 27 countries. At Standard Chartered, Diana held a variety of senior management roles, including Group Head of Strategy and Corporate Development, and Chief Operating Officer for the Wholesale Bank. During her time there, she played a key role in coming up with the idea of a joint risk-share facility with BII to support the country's businesses to continue trading during the Ebola crisis.

Before that, Diana was Chief Executive of Finexia Ltd, a technology company and she also worked for McKinsey & Company where she was a sector lead in biotech/life sciences. Having completed early pilot training with the Royal Air Force, she has also worked as a medical relief pilot in war zones in Africa. Diana is also a Non-executive Director at AstraZeneca PLC and a Council Member of the London School of Hygiene & Tropical Medicine.



## Nick O'Donohoe

**Chief Executive**

Appointed Chief Executive and Executive Director in June 2017.

Nick was previously a Senior Adviser to the Bill & Melinda Gates Foundation where he specialised in the use of blended finance models to support the work of the Foundation. Prior to taking this role, Nick co-founded, with Sir Ronald Cohen, Big Society Capital (BSC). He served as its Chief Executive Officer from 2011 to 2015.

BSC is an independent financial institution established by the UK Government as 'the world's first social investment bank' and is capitalised with unclaimed UK bank accounts and investment by the largest UK banks.

Previously Nick worked at JP Morgan, latterly as Global Head of Research. He was a member of the Management Committee of the Investment Bank and the Executive Committee of JP Morgan Chase, as well as the senior sponsor for JP Morgan's Social Finance Unit. Nick co-authored "Impact Investments: An Emerging Asset Class", published by JP Morgan and the Rockefeller Foundation in November 2010. Prior to JP Morgan, he spent 15 years at Goldman Sachs.

Nick served as Chairman of the UK Dormant Assets Commission which reported in March 2017. He is also a Board member of the Global Impact Investing Network (GIIN) and Deputy Chairman of the Global Steering Group for Impact Investment.

Nick has an MBA from the Wharton School and a BA in Mathematical Economics and Statistics from Trinity College, Dublin.

# **Board of Directors** continued

## Carolyn Sims

**Chief Financial Officer and Chief Operating Officer**

Joined BII in June 2020; appointed to the Board in September 2020.

Previously, Carolyn worked for Schroders where she was Chief Financial Officer of the Wealth Management Division and a member of the Group Management Committee. Before that, she was the Chief Financial Officer for Cazenove Capital Management from 2007 until its sale to Schroders in 2013.

Carolyn started her career with Touche Ross & Co where she qualified as a Chartered Accountant. She then joined Lazard where her roles included Chief Operating Officer for Global Capital Markets and Finance Director in the UK.

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## Andrew Alli

**Non-executive Director**
Audit and Compliance Chair

Appointed in September 2018.

Andrew is the Chief Executive of SouthBridge Group, a pan-African financial services firm. Before this he was the President and CEO of Africa Finance Corporation, a multilateral financial institution focused on improving Africa's critical infrastructure.

A financial professional with over 30 years' experience in both developed and developing countries, Andrew is a Non-executive Director of the Development Bank of Nigeria where he chairs the Audit Committee. He spent over a decade with the International Finance Corporation (IFC), where he held senior positions including as Country Manager for Nigeria and South Africa. A dual citizen of the UK and Nigeria, Andrew is a Fellow of the Institute of Chartered Accountants and has a BEng in Electronics and Electrical Engineering from King's College, University of London and an MBA from INSEAD.

## Dolika Banda

**Non-executive Director**
People Development and Remuneration Chair (from 8 April 2022)

Appointed in September 2018.

In addition to BII, Dolika is non-executive Director on the boards of Harith General Partners, South Africa, CARE USA, and ZCCM Investments Holdings plc, Zambia of which she is Chairperson.

Dolika is an independent consultant with extensive experience in banking and development finance. She previously served as Chief Executive Officer of African Risk Capacity Insurance Ltd and has held Non-executive Director positions at Ecobank Transnational and the FCDO's (previously the UK Department for International Development) Financial Sector Deepening Africa programme.

A Zambian national based in Johannesburg and Lusaka, she has over 30 years' experience in international finance and banking and has worked across the world in Africa, Europe, Latin America, the Caribbean and the USA. A former Director at the IFC and a former Regional Director for Africa at BII, Dolika's involvement in development finance followed a successful career in banking.

She has held senior positions at Barclays Bank Zambia in corporate and merchant banking and at Citibank Zambia in financial control, credit, treasury and international relationships. Dolika holds a Master's in International Business from Schiller University and has received awards as Zambian Woman of the Year 2018 and Africa Femmes Performantes (Africa's Performing Women) 2012 for vision and courage.

Since 2013, Dolika has been focused on economic, inclusive, transformational and climate-conscious development for Africa and innovative interventions in education. She is a member of the Transformation Leadership Panel (TLP), established by the Africa Center for Economic Transformation (ACET). Dolika also serves as a trustee on Education Sub-Saharan Africa (ESSA), Education Outcomes Fund (EOF) and nature and tourism-based community intervention, Time and Tide Foundation in Zambia and Madagascar. She is also a Global Ambassador for The Global Steering Group for Impact Investment.

## Michele Giddens OBE

**Non-executive Director**
Senior Independent Director

Appointed in December 2014.

Michele is a Partner and Co-Founder of Bridges Ventures, a specialist fund manager dedicated to sustainable and impact investment. She has over 20 years of experience in impact investment and international development finance.

Before co-founding Bridges in 2002, Michele spent eight years with Shorebank Advisory Services (now Enclude). She ran small business lending programmes in Russia, Central and Eastern Europe, advised on microfinance in Bangladesh, the Middle East and Mongolia and worked in the US community development finance sector. In the early 1990s she was with the IFC, where she worked on international joint venture investments during the process of private sector development in Eastern Europe.

Michele was an adviser to the Social Investment Task Force and Chair of the Community Development Finance Association between 2003 and 2005. She is a former chair of the UK National Advisory Board to the Global Social Impact Investment Steering Group, as established by the G8 and a former member of the British Private Equity & Venture Capital Association Council. Michele has a BA Honours degree in Politics, Philosophy and Economics from Oxford University and an MBA from Georgetown University, Washington, DC.

# **Board of Directors** continued

## Kathryn Matthews

**Non-executive Director**
Risk Chair

Appointed in January 2021.

Kathryn has been involved in financial services for the last 40 years. Her last executive role was as Chief Investment Officer, Asia Pacific (ex-Japan) for Fidelity International based in Hong Kong. She has also previously been on the Board of Directors for a number of investment companies including Fidelity Asian Values and J.P. Morgan Chinese Investment Trust and on the Board of Trustees for The Nuffield Trust. She recently retired as a member of the Council for the Duchy of Lancaster.

Kathryn is currently a Non-Executive Director of the Vietnamese Opportunities Fund as well as being a Non-Executive Director on the boards of Barclays UK plc and Pendal Group, a global asset management company based in Australia.

## Krishnakumar Natarajan

**Non-executive Director**

Appointed in July 2020.

A leading authority in the global IT sector, Krishnakumar Natarajan co-founded Mindtree in 1999 and has played key roles in building the company's innovative approach to delivering IT services and solutions to global 2000 enterprises.

A 39-year IT industry veteran, Krishnakumar held several key positions at Wipro before co-founding Mindtree. In 2013, Krishnakumar served as Chairman of the National Association of Software and Services Companies (NASSCOM), where he worked to strengthen the Indian IT industry to build a globally competitive ecosystem. He currently serves as the Chairman of NASSCOM Foundation.

Krishnakumar is an active partner of Social Venture Partners – an organisation involved in impactful philanthropy and co-runs the Mela Foundation.

Krishnakumar is also an active member of the Confederation of Indian Industry. He has a bachelor's degree in mechanical engineering from the College of Engineering, Chennai, India, and a Master's degree in Business Administration from the Xavier Institute, Jamshedpur, India.

## Laurie Spengler

**Non-executive Director**

Appointed in July 2016.

Laurie Spengler is an impact investment banker, Board member and a recognised contributor to the impact investing industry.

Laurie has over 25 years' experience in international development with a focus on strategy, capital raising, mergers and acquisitions and private equity transactions. She has developed a particular expertise in structuring and launching investment vehicles that align different types of capital to allow operating enterprises, financial institutions and funds to generate positive social, environmental and development outcomes while delivering appropriate financial returns.

Laurie is CEO of Courageous Capital Advisors, LLC, an impact investing advisory firm dedicated to generating outsized positive impact by providing targeted strategy, transaction advisory and governance services. From 2006 to 2019, Laurie was President & CEO of Enclude, a global advisory firm dedicated to building inclusive, sustainable and prosperous local economies. Previously, Laurie was founder and CEO of Central European Advisory Group and worked as an attorney at White & Case.

Among her current board engagements, Laurie serves as a Non-executive Director of Lendable Inc, and is a member of the advisory council of the UK Impact Investing Institute. She serves as Global Ambassador to the Global Steering Group on Impact Investing and is Senior Fellow and Advisory Council member at Casei3 at the Fuqua Business School. She is a member of the Council on Foreign Relations. Laurie has a Juris Doctor degree from Harvard University and an undergraduate degree from Stanford University.

Laurie was the People Development and Remuneration Chair during 2021 and was succeeded by Dolika Banda on 8 April 2022.

## Chris Woodruff

**Non-executive Director**
Development Impact Chair

Appointed on 1 August 2021.

Christopher Woodruff is Professor of Development Economics and a Fellow at Wolfson College, University of Oxford. He is the Scientific Coordinator for the FCDO – CEPR joint research venture on Private Enterprise Development in Low Income Countries (PEDL) and directs the Firm Capabilities group at the International Growth Centre. In addition to his position at Oxford, Professor Woodruff is a Research Fellow at the Centre for Economic Policy Research (CEPR), and a Senior Fellow of the Bureau of Research on Economic Analysis and Development (BREAD) and a Research Fellow at the Institute for the Study of Labor (IZA).

His research is widely published in leading academic journals and focuses on enterprises in low-income countries, with noted work on returns to capital investments in microenterprises and the effect of formal registration on enterprise performance. He is a pioneer in the use of field experiments in firms. His research has been supported by an Advanced Grant from the European Research Council and grants from the Economic and Social Research Council (UK), the US National Science Foundation and many foundations.

Sam Fankhauser resigned from the Board on 23 July 2021.

# How the Board operates

## Introduction

**Role of the Board**

The British International Investment Board's primary role is to provide leadership to BII as a whole, and to ensure that the Company is appropriately managed and delivers on the objectives of the Company's shareholder. This role can be broken down into the following elements:

- Determine the direction and strategy of BII in accordance with the 2022-2026 Strategy and the revised Investment Policy.
- Monitor the achievement of the Company's performance objectives.
- Monitor BII's impact consistent with our mission.
- Ensure that the Company's responsibilities to its shareholder are met.
- Ensure that risks are identified and controls are in place.
- Ensure that the Company's employees apply appropriate ethical standards in the performance of their duties in accordance with the Policy on Responsible Investing.
- Promote the success of BII in accordance with S.172 of the Companies Act 2006 (see also pages 57 to 59).

Certain matters are reserved for Board approval or decision and there is a clear delegation of authority to the Chief Executive, the Investment Committee and other senior executives in the Company for other specific matters.

**Board size and composition**

The Board has ten members: the chair, two executive directors and seven independent non-executive directors. The Board's members come from a range of backgrounds and it is structured to ensure that no individual or group of individuals is able to dominate the decision-making process and no undue reliance is placed on any individual. Details of our directors and their biographies are set out on pages 47 to 51.

**Board diversity**

The Board acknowledges the benefits that diversity can bring to the Board and to all levels of the Group's operations. From a gender perspective, the Board has a 60:40 split between female and male directors. From an ethnicity perspective, 30 per cent of our Board members are African or Asian. It recognises the importance of having a Board with a range of skills, knowledge and experience including direct experience of the geographic regions in which we operate. It also embraces the benefits to be derived from having directors who come from a diversity of backgrounds, bringing different perspectives and the challenge needed to ensure effective decision-making.

## Definitions of Board roles and responsibilities

**Role of Chair and Chief Executive**

The roles of the Chair and Chief Executive are separate and there is a clear division of responsibilities between the two.

The Chair is Diana Layfield. Diana was appointed as Chair on 1 January 2022 and succeeded Sir Graham Wrigley, who resigned as a non-executive director on 4 February 2022. The Chair is responsible for leading the Board in determining BII's strategy and objectives but does not participate in the day-to-day management of the Company. Diana also has responsibility for leading the development of the Company's culture by the Board and for ensuring that the Board sets the tone from the top.

The Chief Executive is Nick O'Donohoe. Nick is primarily responsible for the day-to-day management of the Company and for overseeing the adoption of the Group's culture. An internal governance framework supports management oversight of the Company, led by the Executive Committee.

**Role of independent non-executive directors**
The non-executive directors are regarded as independent and diverse in terms of background and experience.

The non-executive directors provide constructive challenge and independent thought in decision-making.

They contribute to strategy and policy formation and monitor BII's financial and managerial performance.

**Role of Senior Independent Director**
The Senior Independent Director is Michele Giddens.

The Senior Independent Director acts as a sounding board for the Chair and executive directors and leads the Chair's annual performance review. In addition to the existing channels for shareholder communications, the shareholder may discuss any issues or concerns they have with the Senior Independent Director. Michele, as Senior Independent Director, was a member of the panel which worked with the Foreign Secretary to appoint our new Chair.

**Appointment and removal of directors**
The Company's Articles of Association require that all the directors retire and offer themselves for re-election at the Annual General Meeting (AGM). Accordingly, all the directors will offer themselves for re-election at the AGM.

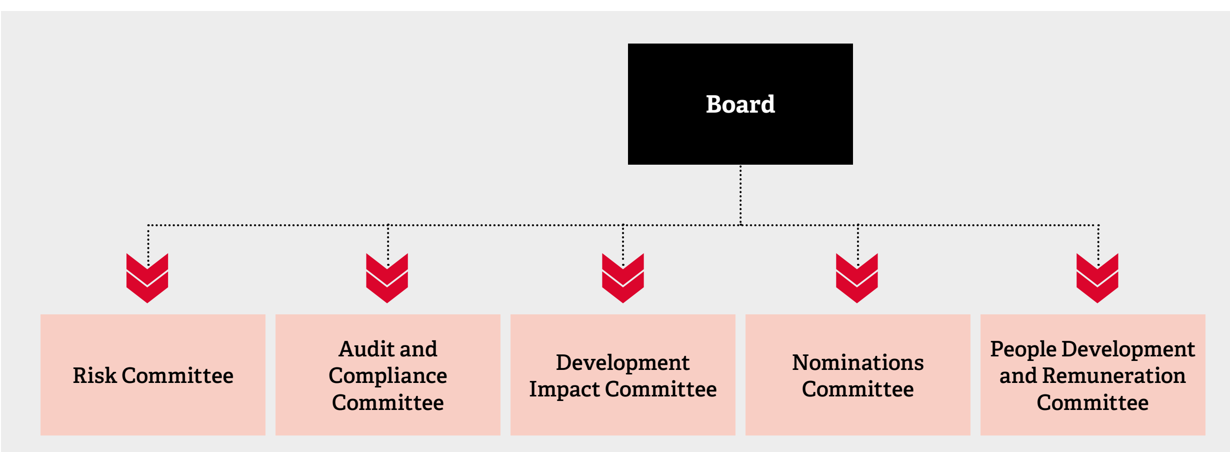
The Foreign Secretary, as shareholder, appoints the Chair and two of the Company's non-executive directors, Chris Woodruff and Laurie Spengler, who are deemed to be independent.

## Governance framework

**Our shareholder**
The ultimate parent of the Company is the Secretary of State for Foreign, Commonwealth and Development Affairs (the Foreign Secretary).

**Board governance structure**
The Board committee structure is shown in the diagram below. The Board has delegated responsibility in respect of the management of BII to the CEO and for certain matters to its committees, as set out in written terms of reference which are reviewed annually.

The Chair of each committee reports regularly to the Board on matters discussed at committee meetings. Reports for each of the Board's committees are set out later in this report and include further detail on each committee's role and responsibilities, and the activities undertaken during the year.



# **How the Board operates** continued

**Investment Committee**
The Board has delegated certain investment decision-making powers to the BII Investment Committee. Where investment decisions fall outside of delegated authorities then a panel of non-executive directors will be invited to participate in those particular investment discussions.

The membership of the Investment Committee includes independent members and members of senior management. BII has recruited highly experienced investors to complement the internal members of the Investment Committee. These are Wanching Ang, Tim Krause, Sriram Balasubramanyam, Cathy Echeozo, Mark Gidney, James Heath, Richard Munn, Rod Evison, Anne-Marie Harris, Anne Glover, Nikunj Jinsi, Ngalaah Chuphi, Ashley Dunster, Solomon Asamoah and Shiru Mwangi.

**Meetings of the Board**
At each scheduled meeting the Board receives a report from the Chief Executive on the performance of the Company including performance against the annual corporate objectives (the number of meetings held can be found in the table on page 56). In addition, the other members of the BII Executive Committee attend by invitation to update the Board on performance, strategic developments and initiatives in their respective areas.

There is an annual schedule of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycle. Meetings are structured to ensure there is sufficient time for consideration and debate of all matters. In addition to scheduled or routine items, the Board also considers key issues that impact the Group, as they arise.

The directors receive detailed papers in advance of each Board meeting. The Board agenda is carefully structured by the Chair in consultation with the Chief Executive and the Company Secretary. Each director may review the agenda and propose items for discussion with the Chair's agreement. Additional information is also circulated to directors between meetings as required.

Each Board meeting includes time for discussion between the Chair and non-executive directors without the executive directors present. All Board and committee meetings are appropriately minuted and summary Board minutes are published on our website after each meeting.

## Key Board activities in 2021

During 2021 the Board particularly spent time monitoring and reviewing the following:

+ Reviewing the progress made during the 2017 – 2021 strategy period and the development and approval of the new five-year strategy for the 2022–2026 period and the associated Investment Policy.
+ Investment performance, including approving enhancements to the Investment Committee process.
+ The people agenda, covering the pace and level of resourcing and actions to support diversity and inclusion, as well as reviewing and monitoring culture within BII and the management action plan arising from the 2021 Annual Engagement Survey as well as hearing from the Employee Forum.
+ Development and approval of the new Remuneration Framework which took effect from 1 January 2022.
+ Our financial performance with a key focus on liquidity, valuations, organisational structure and financial budgets.
+ The impact of the COVID pandemic both on the people within the organisation but also through our investee companies and our investment performance.
+ Specific transactions where there may be political or reputational risk.
+ The introduction of the new Policy on Responsible Investing.
+ Receiving regular "team spotlights" at Board meetings to provide the Board with an opportunity to hear from colleagues they might not ordinarily meet and to share insight and improve understanding in respect of the operation of our business.
+ Our continued engagement with our shareholder, as well as our ongoing engagement with UK parliamentarians, NGOs and other UK stakeholders.

**Training, support and advice**
Training, where appropriate, is provided to the Board and employees. All directors have access to the advice and services of Colin Buckley, the General Counsel, and Jane Earl, the Company Secretary, and they can take independent professional advice at BII's expense, if needed. During 2021, a comprehensive induction process was carried out for Chris Woodruff. This is also being provided to Diana Layfield since her appointment. In addition, training was provided on anti-money laundering responsibilities, the Task Force on Climate-related Financial Disclosures and ad hoc teach-ins relating to different areas of the business.

**Indemnities**
The Company's Articles of Association permit the Board to grant indemnities to the directors in relation to their duties as directors. Such indemnities are in respect of liabilities incurred by a director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company unless the director is ultimately held to be at fault. In line with market practice, each director benefits from an indemnity which includes provisions in relation to duties as a director or an associated company and protection against derivative actions.

**Performance and evaluation**
During 2021, the Board undertook an internal review of its effectiveness and that of its committees which was conducted by the Chair and assisted by the Company Secretary. In line with the recommendations of the UK Corporate Governance Code, the Board receives an external evaluation every three years with an internal evaluation conducted by the Chair and Company Secretary in the intervening years.

Meetings were held with each member of the Board and Executive Committee, and the results were shared with the shareholder, FCDO.

The evaluation focused on a range of different areas relevant to Board effectiveness and corporate governance, including:

+ effectiveness of the Board;
+ mix of skills and experience;
+ Board focus on key business areas;
+ Board processes and procedures; and
+ Board directors and committees.

The report was presented to the Nominations Committee in February 2022. The evaluation concluded that the Board continued to work effectively but improvements were identified and will be adopted during the year. Further information can be found in the Nominations Committee report on page 60. It is the intention that an external evaluation will be carried out later in 2022, the results of which will be presented in the next Annual Report.

# **How the Board operates** continued

**Attendance at Board and committee meetings in 2021**

The Board had scheduled to meet five times during 2021. Additional meetings were held, some at short notice, to discuss other matters. Separate to this, there is regular communication between the Company and the Board between meetings.

| | Board | Audit and Compliance | Development Impact | People Development and Remuneration | Risk | Nominations |
|---|---|---|---|---|---|---|
| Number of meetings during the year | 7 | 4 | 4 | 5 | 4 | 4 |
| Sir Graham Wrigley[1] | 7 | 4 | 4 | 5 | 4 | 4 |
| Diana Layfield[2] | 1 | – | – | – | – | 1 |
| Nick O'Donohoe (Chief Executive) | 7 | 4 | 4 | 5 | 4 | 4 |
| Carolyn Sims (Chief Financial Officer and COO) | 7 | 4 | – | 5 | 4 | 4 |
| Andrew Alli | 6 | 4 | – | – | 4 | 4 |
| Dolika Banda | 6 | – | 4 | 5 | – | 4 |
| Sam Fankhauser[3] | 5 | – | 3 | – | 3 | 3 |
| Michele Giddens | 7 | – | 4 | – | 4 | 4 |
| Kathryn Matthews | 6 | 4 | – | – | 4 | 4 |
| Krishnakumar Natarajan | 7 | 4 | – | 5 | – | 4 |
| Laurie Spengler | 7 | 4 | – | 5 | – | 4 |
| Chris Woodruff[2] | 4 | 1 | 1 | – | 2 | 2 |

1. Resigned since the year end.
2. Joined during the year.
3. Resigned during the year.

Nick O'Donohoe and Carolyn Sims are not members of any of the committees but attend by invitation. Chris Woodruff was appointed on 1 August 2021 and Diana Layfield joined the Board on 1 December 2021 and succeeded Sir Graham Wrigley as Chair on 1 January 2022. Sir Graham Wrigley resigned from the Board on 4 February 2022. Sam Fankhauser resigned on 23 July 2021.

# How we engage with our stakeholders

**This section of the Annual Report and Accounts forms our section 172 disclosure describing how the directors considered the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. It also forms the directors' statement required under section 414CZA of the Companies Act.**

### Our commitment

The UN's SDG 17 highlights the importance of global partnerships for achieving sustainable development. As the UK's development finance institution investing on behalf of the UK taxpayer across Africa and South Asia, stakeholder engagement is a key part of how we operate – with our own people, our partners, our suppliers, governments and civil society.

The Chair working with the Chief Executive and Company Secretary ensure that Board agendas and papers enable Board decisions to be made in the context of our stakeholder responsibilities. As BII is a mission-led, government-owned institution, the Board is very sensitive to its stakeholders and its responsibility for stewardship and good governance at all levels.

Our Global Affairs and Communications function, working with the Chair and Chief Executive, puts together a comprehensive stakeholder engagement plan. This plan is discussed by the Board and management and sets out our approach to engaging with our stakeholder groups. A regular stakeholder engagement survey (including UK parliamentarians, UK Government, the third sector, businesses and investors) is conducted to ensure we are responding to and learning from external views.

The directors have direct input into BII's long-term success through their leadership on our strategic direction and in 2021 agreed a new framework for the strategy period from 2022–2026.

You can read more about how we operate in our report on Responsible Investing on pages 20 to 22. In addition, pages 23 to 43 present a summary of the progress made to date towards our goal of integrating climate-related risks and opportunities into our governance, business strategy, risk management processes, metrics and targets.

## Working with our people

### Our approach

We would not be able to deliver our strategic objectives without our people. Ensuring that we have a dynamic workforce is critical. This is a long-term aim and the directors are responsible for ensuring that we have the staff we need to take us into our new strategic period and beyond.

The People Development and Remuneration Committee report on pages 67 to 73, including the letter from the Committee Chair, explains the directors' work to fulfil their duties to our employees. This has included reviewing attrition rates, remuneration and reward, promotions and progressions, D&I as well as culture and learning. At each Board meeting, the Chair of the People Development and Remuneration Committee updates the other directors on the key people issues that were reviewed and discussed by the committee.

As set out on page 21, we are fully committed to D&I and the Board is aware of its relevance in the context of its decision-making. Each director has received training in unconscious bias, inclusive behaviour and safeguarding.

As part of our annual monitoring of our cultural health we measure the extent of interactions between our Board and staff. In early 2021 the Board and Executive Committee launched an Employee Forum, led by a designated non-executive director for employee engagement, aimed at continuous improvement of our working culture and strengthening engagement between the Board and our staff. See page 68 for further information.

# **How we engage with our stakeholders** continued

## Working with our partners: businesses and investees

### Our approach

A development-focused mission is at the heart of all the Board's deliberations. We support the sustainable, long-term growth of businesses in Africa and South Asia; our goal is to help support the economic stability that will enable countries to leave poverty behind. We are also a champion of the UN's SDGs – the global blueprint to achieve a better and more sustainable future for us all. The Board is committed to building its understanding of the challenges and opportunities of the countries where we invest. Every year the Board visits one or more of the countries that BII invests in and meets with key stakeholders including investee companies and government officials. In 2021, the Board took part in a two-day 'virtual Board trip' to Egypt, Kenya, Nepal and Pakistan, learning from partners about the important role we play in ongoing development in these countries.

## Working with governments

### Our approach

Our aim is to maintain a trusted relationship with our shareholder, wider government and political stakeholders, ensuring our licence to operate and raising visibility/accountability of the work we do.

We do this both through our formal relationship with the UK Government as a shareholder – including through agreement of the five-year strategy and investment policies, annual shareholder meetings (attended by the FCDO Permanent Secretary and including an update on KPIs and the strategy), quarterly shareholder meetings (attended by the relevant FCDO Director General and including general information sharing) and weekly discussions with the FCDO. In addition, we work across government as a partner, sharing learning and expertise and contributing to UK Government objectives both at country level and international level, such as the COP26 and G7 processes in 2021.

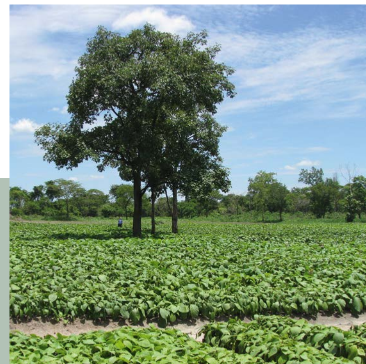
As well as maintaining strong relationships with the UK Government and FCDO, we run a proactive engagement programme across a broad range of political stakeholders. This includes regular events, roundtables, meetings and briefings on BII activities as well as engagement in formal accountability mechanisms, through parliamentary committees and oversight bodies.

See also a summary of business objectives and model on pages 6 and 7 which contains further information about how we have worked with the FCDO during the year.

## Working with civil society

### Our approach

We work and engage with a wide range of civil society organisations – from business and industry associations to think tanks and charities – recognising the role that all of these play in delivering economic development and achieving the UN SDGs. We run a proactive engagement programme with these organisations including hosting an annual stakeholder day which provides the opportunity to understand our progress during the year and to raise questions. In addition, we hold dialogue events on key global development challenges where participants exchange learning and best practice. As well as hosting our own programme of activities, we regularly engage in roundtables, public forums and information exchanges hosted by civil society organisations.



## Working with our suppliers

### Our approach

The Board is aware of the importance of carefully considering business relationships with our suppliers, and we have established practices and processes in line with our Procurement and Payment Policy to ensure the continued strength of our supplier relationship management. We aim for propriety, fairness, consistency, good practice and value for money in all contracts for services, supplies and works entered into or on behalf of BII. Work with staff networks across the organisation, such as 'Green works' and 'Umoja works' (which brings together employees associated with the African continent), emphasise our continued commitment when purchasing goods, services or work, to select those which have the least negative impact on the environment, and address diversity and equality in our supply base. 2021 has seen renewed emphasis on the latter as we look to build capacity in our markets. We work to pay our suppliers promptly by embedding a robust finance structure and providing clear and consistent guidance to all third parties.

# Nominations Committee report

## Committee information

**Committee membership as at 31 December 2021**
Diana Layfield (Committee Chair), Andrew Alli, Dolika Banda, Michele Giddens, Kathryn Matthews, Krishnakumar Natarajan, Laurie Spengler, Chris Woodruff and Sir Graham Wrigley

*Sir Graham Wrigley resigned 4 February 2022, Sam Fankhauser resigned 23 July 2021.*

**Number of committee meetings:** 4

## Letter from the Chair of the Nominations Committee

The Nominations Committee meets as required with a quorum of two members. All non-executive directors are members and our remit includes appointing new Board members and reviewing the Board's independence, structure, size and composition as well as the composition of our Board committees. The Nominations Committee also considers succession planning and makes recommendations to the Foreign Secretary as a holder of a special share in the Company, as appropriate. All directors are required to stand for re-election by the shareholder at the AGM in accordance with the provisions of the Articles of Association.

During 2021 the Nominations Committee received regular updates from the Chair and Senior Independent Director (SID) on the recruitment of the successors to Sir Graham Wrigley and Professor Sam Fankhauser. As both of these appointments were shareholder-nominated the process for each was conducted by the shareholder in line with the guidance issued by the Office of the Commissioner for Public Appointments (OCPA).

In both recruitment processes, a panel was established under the Chairmanship of a senior FCDO employee, supported by an independent member. For the appointment of Professor Chris Woodruff I would like to thank Mark Plant (Co-Director of Development Finance, Senior Policy Fellow and Chief Operating Officer at the Center for Global Development Europe) for taking on the role of independent member and Saxton Bamfylde who ran the search. Sir Graham Wrigley and Laurie Spengler were also panel members. The panel for my appointment was assisted by Brad Fried (Chair of the Bank of England Court of Governors) and Alex Reeves, a Director at UKGI, supported by Russell Reynolds who managed the search process.

I would also like to express thanks to Michele Giddens, our Senior Independent Director, for being a member of the panel to appoint me and for acting as the key interlocutor between British International Investment and the shareholder.

In all our recruitment we aim to reach as wide a candidate pool as we can in terms of gender, ethnicity and experience. We advertise publicly in The Economist online as well as on our own website and that of the external search provider. Both OCPA appointments were also advertised on the Cabinet Office Appointments site and in the case of the Chair we also advertised in the FT online. We draw on our own networks and those of our shareholder to find the best candidate. Interviews are based on a competency framework to ensure a fair and balanced process. Any potential conflicts of interest are identified early on in the process and none of the consultants engaged in the recruitment process have any connection with BII other than providing recruitment services.

As mentioned earlier in this section, the Company Secretary and Sir Graham Wrigley undertook a light touch internal Board evaluation process at the end of 2021. We are pleased to report that the Board continues to perform effectively but we, as is often the case in evaluations, have identified areas where we believe we can improve. Key areas of improvement include strengthening investment experience on the Board and climate change reporting. We will be undertaking a formal independent Board evaluation later in 2022.

I would like to commend Sir Graham for his exemplary leadership of this committee during 2021. I am extremely privileged to have been appointed Chair of British International Investment and to chair a Board of such engaged and committed directors. Each brings a unique set of skills and experience and has continued to contribute hugely to the success of the organisation through their dedication.

*Diana Layfield*
*Chair*

# Development Impact Committee report

## Committee information

**Committee membership as at 31 December 2021**
Chris Woodruff (Committee Chair), Dolika Banda, Michele Giddens and Sir Graham Wrigley

*Sir Graham Wrigley resigned 4 February 2022, Sam Fankhauser resigned 23 July 2021, Laurie Spengler joined 7 April 2022.*

**Number of committee meetings:** 4

## Letter from the Chair of the Development Impact Committee

I am pleased to present my first report as Chair of the Development Impact Committee. Before I do so, I would first like to pay tribute and express my gratitude to my predecessor, Sam Fankhauser, for his exemplary chairmanship of the Committee.

Development impact is at the core of BII's mission and at the heart of its values as an impact-led, commercially rigorous investor. The role of the Development Impact Committee is to guide, monitor and validate BII's development impact activities, including compliance with our Policy on Responsible Investing and related policies and procedures. The Committee continues to be supported by BII's Impact Group in all that it does, led by Liz Lloyd, BII's first Chief Impact Officer. While not a member of the Committee, Liz plays a key role in managing development impact across the Company.

One of the most important issues considered by the Committee in 2021 was the development and realignment of BII's Impact Score to the 2022-2026 strategic impact objectives. The Committee received regular updates on, and gave its assessment of, the development of the Impact Score and the Impact Scoring tool. This included a review of the workstreams to implement the new Impact Score across BII, such as the training plan, integration of the score across BII's processes and governance, and consideration of how the score is used in decision making. In addition, a key issue for the Committee was how appropriate assurance and verification can be provided in respect of the Impact Score. An important duty of the Committee is to ensure that the reporting on and measurement of BII's development impact is performed in a robust and consistent manner. Each year we receive assurance from an independent assessor on our measurement of development impact. In 2021 this assurance was again provided by PwC. I am pleased that BII's development impact scores continue to be higher than the target agreed with FCDO.

The Committee continued to receive progress updates on the work being done to monitor development impact in portfolio management. Portfolio-level assessments have been developed for most products and this has enabled the team to draw insights into what is and isn't working. In addition, the Research and Policy team have been working on a number of initiatives including the design of the new development impact scoring system for the new strategy period. We continued regular monitoring of our work around E&S outcomes, identifying and responding to emerging risks and areas of focus, and also provided oversight of our technical assistance and grant making facility, BII Plus (formerly known as CDC Plus), and gender lens investing approach.

During 2021, we held useful and informative learning sessions in respect of measuring market sentiment, transmission and distribution health and safety good practice, and nature-based solutions in investing. The Committee also received an update in respect of BII's deliverables and presence at COP26.

As always, there are many other worthy initiatives and successes that could be highlighted here. Allow me to commend to you BII's Annual Review, published alongside these Annual Accounts, where you will learn more about our development impact in our markets.

Development impact continues to form the very core of what we do at BII. I would like to thank all BII's employees who have contributed both to the work of the committee and to this important area in 2021.

*Chris Woodruff*
*Chair*

# Audit and Compliance Committee report

## Committee information

**Committee membership**
Andrew Alli (Committee Chair), Kathryn Matthews, Krishnakumar Natarajan, Laurie Spengler and Sir Graham Wrigley

*Sir Graham Wrigley resigned 4 February 2022.*

**Number of committee meetings:** 4

## Letter from the Chair of the Audit and Compliance Committee

I am pleased to present my report as the Chair of the Audit and Compliance Committee. The Committee's main duties are as follows:

+ Review the financial statements.
+ Review the findings of the external auditor and the independence of the external auditor.
+ Direct the internal audit programme and receive regular reports from internal audit.
+ Monitor the management accounting and the policies and procedures relating to valuations.
+ Monitor the Group's whistleblowing procedures and results.
+ Oversee the Company's regulated activities and compliance function.

I would draw your attention to the biographical information on each Committee member set out on pages 47 to 51. You will see that I have recent and relevant financial experience and the Committee as a whole has competence relevant to the business sectors that BII operates in.

**Financial reporting**
BII's accounts are prepared in accordance with International Financial Reporting Standards (IFRS). The Committee reviewed the Annual Report and Accounts for 2021, which included supporting information from our Finance team that the going concern basis of accounting was appropriate (see note 1 on page 102 of the financial statements for more information). Following a detailed review by the Committee, it was agreed to recommend to the Board that it continued to be appropriate to adopt the going concern basis in respect of the preparation of the Group's financial statements).

The reviews were supported by analysis and discussion provided by the finance team and the reports of the external auditor. Having considered these inputs and the Committee's own independent judgements, the Committee recommended to the Board the approval of the financial statements.

**Fair, balanced and understandable**
There has been a comprehensive review process to support the Board in reaching its conclusion that the 2021 Annual Report is fair, balanced and understandable and that it provides the necessary information to assess the Group's performance, business model and strategy. The process which enabled the Committee to reach this conclusion included:

+ the production of the 2021 Annual Report and Accounts, managed closely by the Chief Financial Officer;
+ cross-functional support in drafting the 2021 Annual Report and Accounts which included input from Communications, Finance, Risk, Corporate Secretariat, HR and wider business leaders;
+ a review of inputs into the 2021 Annual Report by all contributors, to ensure disclosures were balanced, accurate and verified, with further comprehensive reviews by senior management;
+ a paper to the Committee detailing the 2021 year-end assessment of fair, balanced and understandable;
+ a formal review by the Committee of the draft 2021 Annual Report and Accounts in advance of final sign-off; and
+ a final review by the BII Board of Directors.

Having carefully reviewed and considered all relevant information, the Committee is satisfied that, taken as a whole, the 2021 Annual Report and Accounts are fair, balanced and understandable and has confirmed that to the BII Board.

**Key accounting judgements**
Management presented a paper on the key accounting judgements which the Committee reviewed and challenged ahead of the year end Key judgements and estimates deliberated by the Committee relating to the Annual Report and Accounts for 2021 primarily related to the treatment of investment valuations in respect of both equity and debt.

Equity investments are valued using a methodology that is appropriate in light of the nature, facts and circumstances of the investment using assumptions and estimates. Where possible, more than one valuation technique is used to benchmark against the chosen methodology. Depending on the nature of the investment, measures may include a number of methodologies including discounted cash flows, net asset value, realisation proceeds, earnings multiples and appropriate industry benchmarks.

Debt investments are measured using discounted cash flow models. This methodology requires BII to form a view on the recoverability of expected cash flows of each debt instrument in the context of market or company-specific credit events. The biggest judgement area in such debt valuations is the discount rates used to calculate the net present value of future expected cash flows.

An independent BII valuations team was established in 2021 to oversee governance and reporting in this important area. In addition to governance and reporting, the team has bolstered consistency of valuation approaches and increased the rigour of interrogating the valuations judgments made.

**Valuations**
The valuation of portfolio investments is a key area for the Company, especially as there are a large number of unlisted portfolio investments. Valuations for debt and equity are conducted quarterly, subject to materiality criteria. Valuations for all debt and equity investments are carried out at the year-end reporting date. Fund valuations are applied quarterly in line with Fund managers' reporting. Valuations are approved by the Valuations Committee which is chaired by the Chief Financial Officer.

**Controls over financial reporting**
It is important to demonstrate that appropriate controls are in place in respect of financial reporting and to ensure findings from internal and external audits are sufficiently addressed in a timely fashion. There are clear, documented workflows and controls in place for funding investments and making payments. Workflows and Finance systems have been enabled to add a layer of control for approvals to make investment disbursements and supplier payments. The Committee has reviewed the internal financial controls and governance framework that underpins our financial reporting to provide reasonable assurance on the reliability of financial reporting and the preparation of the financial statements.

**Internal audit**
The Committee reviews the scope, activity and resources of the Company's internal audit function. The Committee approves the annual internal audit plan and, semi-annually, receives formal reports against this plan from the BII Internal Audit Director, Siobhan Foley. The Internal Audit Director has a direct reporting line to the Chair of the Committee and they meet regularly throughout the year.

# **Audit and Compliance Committee report** continued

During 2021, in line with best practice and standards issued by the Chartered Institute of Internal Auditors, an External Quality Assessment of the Internal Audit function was carried out by Protiviti. The Committee considered the findings of the report and agreed with its conclusion. The report contained a number of minor recommendations which will be adopted or implemented in 2022.

**External audit and auditor independence**
The Committee has satisfied itself as to the independence of the external auditor, Deloitte. In doing so, it looked at the following factors, considering the views of management, internal audit and the external auditor:

+ The external auditor's procedures in place for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Company, other than those permitted by the Financial Reporting Council's Ethical Standard in the UK.
+ The external auditor's policies for rotating the lead partner and key audit personnel.
+ Adherence by management and the external auditor during the year to BII and its subsidiaries' policies for procuring non-audit services and employing former audit staff.

The Committee has established policies determining the non-audit services that the external auditor can provide and the procedures required for pre-approval of any such engagement. These policies provide for the auditor to be engaged only for work that is not prohibited by professional or other regulatory requirements. Even where the policy allows for the external auditor to be engaged to provide non-audit services, prior approval is required from either the Chief Financial Officer, the Committee Chair or the Committee itself.

During the year the Committee reviewed the fees paid to the external auditor. A summary of the fees paid and other services is set out in note 10 of the financial statements on page 114. In addition, a review of the effectiveness of Deloitte LLP as auditor was carried out and concluded in early 2021. The Committee agreed that the services provided by Deloitte continued to be effective and identified some minor areas for development. A further review will be undertaken in 2022 following the conclusion of the year-end process.

Deloitte was appointed as the external auditor for the year ending 2021. Consequently, this is Deloitte's third year in office as auditor, as well as the relevant audit partner.

**Committee effectiveness**
During 2021 a thorough review of the Committee's effectives was carried out and some areas were identified to improve reporting to the Committee, including in respect of the reporting of internal controls and the length of meetings.

**Modern Slavery Statement**
During 2021 the Committee reviewed BII's Modern Slavery Act statement, which is published on our website. See the section on responsible investing on pages 20 to 22 for further information.

## Internal controls

The Committee forms an integral part of BII's three lines of defence model and its framework of internal controls. Further information on internal controls and the role the Committee performs in this area is given in the Risk management section on page 13 to 19.

**Whistleblowing**
The Chair of the Risk Committee is the Whistleblowing Champion for BII. The Audit and Compliance Committee reviewed and assessed the whistleblowing processes and all staff have received training to reinforce good practice.

**Regulatory and compliance matters**
As a financial services organisation, BII is regulated by the Financial Conduct Authority (FCA), governed by a number of regulations and receives reports on ongoing compliance matters at each meeting from the Head of Compliance and Money Laundering Reporting Officer (MLRO), Taiwo Fayose. These include a new compliance monitoring report which is presented at each meeting and updates on regulatory developments, fraud and corruption incidents and financial crime compliance.

The Committee covered a significant amount of work in 2021 and many of these areas of focus will continue into 2022. In addition, during 2021 the Chair and I met senior representatives of FCDO as part of maintaining ongoing dialogue with the sole shareholder.

*Andrew Alli*
*Chair*

# Risk Committee report

## Committee information

**Committee membership**
Kathryn Matthews (Committee Chair), Andrew Alli, Michele Giddens, Chris Woodruff and Sir Graham Wrigley
*Sir Graham Wrigley resigned 4 February 2022, Sam Fankhauser resigned 23 July 2021.*

**Number of committee meetings:** 4

## Letter from the Chair of the Risk Committee

I am pleased to present my report as the Chair of the Risk Committee. The Committee's main duties are to oversee the implementation of the Risk Management Framework and the risks facing British International Investment. Following the appointment of Jon Hughes as Chief Risk Officer in 2020, significant work has been undertaken to build the Risk function in the second line of defence and enhance our governance frameworks and risk measurement capabilities. As a result, the Committee spent time during 2021 considering changes to our Risk Management Framework in addition to continuing to provide regular oversight of risk management within the company. At each meeting the Committee considers a report on the main risks facing BII, including risks within the investment portfolio as well as any operational, conduct or compliance risks in the organisation as a whole. More information on the risks facing BII and how they are mitigated is included on pages 13 to 19.

## Risk Management Framework

### Risk Appetite Statement

Our Risk Appetite Statement sets the tone for risk management across BII and serves as a tool to ensure decisions are informed by the extent we are willing to be exposed to various types of risk in pursuit of our strategic objectives. It also allows for day-to-day risk management to be delegated within the organisation, empowering it to act within the Board's agreed risk appetite, escalating risks that fall outside of appetite and highlighting any emerging risks that might result in a breach of appetite.

During 2021 the Committee undertook a detailed review of the Risk Appetite Statement to ensure it remains appropriate and is consistent with the 2022–26 corporate strategy. This included a review and update of the Risk Taxonomy which supports the organisation in classifying identified risks by providing a comprehensive set of risk categories which could impact the delivery of BII's objectives. The revised Risk Appetite Statement is reflected in our risk disclosures on pages 13 to 19.

### Financial Risk Limit Framework

These limits express our appetite for financial risks in concrete, measurable terms and allow us to identify and address concentrations within our investment portfolio.

The Committee has paid special attention to country, sector and counterparty risks within the existing exposure management system and welcomes improvements made by the Risk function to capture and report exposures which led to a better and more timely view on concentrations risk across the portfolio. The Committee has also considered changes to the limit framework, moving towards assessing limits against a stressed loss framework.

### New Activity Approvals

As our business continues to evolve it is important that we identify and manage risks associated with the new products, business areas and changing processes which will be required to support the delivery of our corporate strategy.

During 2021 the Committee reviewed a change to our approach to reviewing and approving risks arising from new activities, resulting in the introduction of the New Activity Process. This process introduces formal governance for the review and approval of new activities prior to implementation, including a working group that reviews proposals and advises the Executive on material operational risk issues arising.

# **Risk Committee report** continued

### Significant Risk Events

The Significant Risk Event process sets the criteria and defines the process by which certain events should be escalated within BII, to the Board and to our shareholder. It is designed to ensure early awareness of material events affecting BII and to provide a framework to monitor those events to closure.

Although this process was formalised in 2019, the Committee continues to consider further adaptations reflecting developments in regulation and access to information flow, recent examples of which have been updates to our approach to safeguarding and modern slavery.

### Reputational Risk Committee

The Reputational Risk Committee was created at the start of 2021. It considers transactions which may be outside of BII's risk appetite, particularly where there is a heightened risk of reputational damage. The Committee receives regular reports on any notable discussions at the Reputational Risk Committee.

## Key risks facing BII

### Country risk

We operate in some of the most challenging geographies of the world which necessitates the taking of substantial country risk and requires effective country risk measurement and reporting. 2021 was no exception with COVID-19 continuing to weigh on economic recovery and high inflation (particularly food and energy prices) impacting macro-economic stability particularly in the lesser developed markets. Furthermore, security events in Afghanistan and Myanmar have reminded us of the ever present political risk in the regions in which we are invested and reinforced the need to respond quickly to rapidly unfolding events. Our risk management framework provides effective monitoring and exposure management in response to these kinds of events.
We expect 2022 to be a similarly challenging year for sovereign risk as the impact of higher energy and food prices on our geographies, the recent Russian invasion of Ukraine, recent coups in Africa, civil war in Ethiopia and the sovereign debt crisis of Sri Lanka continue to remind us to stay focused and attentive.

### Cyber security risk

The cyber threat environment continues to evolve and has become even more pronounced with the Russian invasion of Ukraine. In addition to this, the announcement of our new strategy and name result in greater visibility and therefore increase the risk of a targeted cyber-attack. We have reviewed our approach to managing cyber risks as a result, enhancing tracking of threat actors and enhancing internal governance to facilitate a more effective response to identified threats.

I would like to express my gratitude to my BII colleagues for the work they have done in 2021 in respect of the great strides we have made to develop our risk processes to ensure that a robust framework is in place to support the 2022-2026 Strategy.

*Kathryn Matthews*
*Chair*

# People Development and Remuneration Committee report

## Committee information

**Committee membership as at 31 December 2021**
Laurie Spengler (Committee Chair), Dolika Banda, Krishnakumar Natarajan and Sir Graham Wrigley

*Sir Graham Wrigley resigned 4 February 2022, Dolika Banda assumed Chair of the Committee on 8 April 2022.*

**Number of committee meetings:** 5

## Letter from the Chair of the People Development and Remuneration Committee

I am pleased to introduce this report on the activities of the People Development and Remuneration Committee (PremCo) of British International Investment.

2021 was another challenging year for our workforce globally, as the persistence of COVID-19 led to continued homeworking for much of the year, or a hybrid approach when circumstances allowed. These challenges required adaptation to local conditions as there was greater geographic variation to the pandemic in 2021. In London, we refurbished our offices to increase the number of collaboration and social spaces, and hot desks, more suited to the new ways of working. In all of our markets, we were again restricted in our travel activities, normally a significant part of our working practice. We introduced various initiatives to maintain social connections across all our offices.

Against this backdrop, we maintained our focus on the human capital building blocks of recruitment, retention and professional development. This was particularly important in the context of finalising a new Remuneration Framework with effect from 1 January 2022. This was updated with the aim to bolster our ability to attract and retain the talent needed to fulfil our ambitious mandate and deliver value to our shareholder.

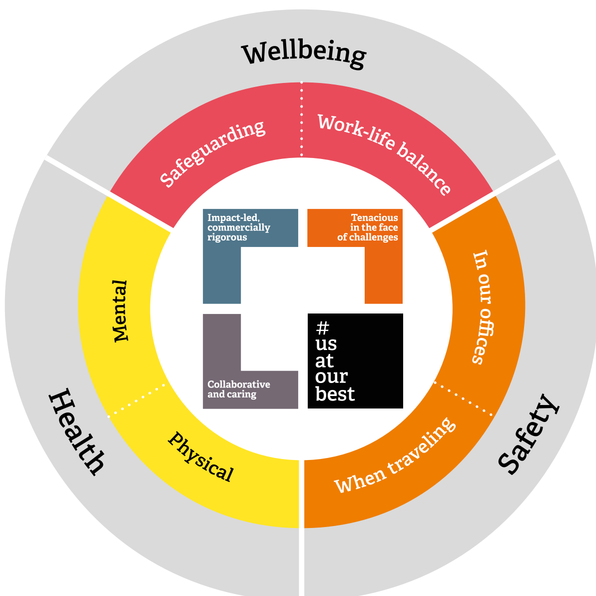
We have also continued to address the important issues of race that were a focus of organisational commitment and action in 2020. Our attention on diversity, equity and inclusion expanded in 2021 with the launch of a Disability Working Group. Our organisational activities are underpinned by our commitment to build a more inclusive workplace through concrete actions and continuous monitoring. For the second year running, our efforts in D&I were recognised by the Employers' Network for Equality and Inclusion (enei) with a Silver Award. Understanding that building a more inclusive culture at BII invites continued effort, we are encouraged by internal and external indicators of improvement.

**Response to COVID-19**
PremCo is a vital governance forum to focus on BII culture and values, and that culture was evident in the response to the pandemic. Our response was shaped by BII's values, with commitments around wellbeing (work-life balance and safeguarding), safety (in our offices and when travelling) and health (physical and mental). PremCo provided oversight and support of management's thorough response to the needs of the workforce during the pandemic. PremCo started every meeting with a discussion of our COVID-19 response through the lens of our duty of care.

PremCo has worked with management to make sure the safety and wellbeing of staff remains the top priority, alongside ensuring that all employees are able to remain productive and connected with their teams and colleagues. We also worked hard to ensure the highest levels of safety in our offices through the new desk booking systems, together with cleaning and social distancing protocols.

# People Development and Remuneration Committee report continued

While staff have responded well overall to our approach, our employee survey scores dipped modestly from 2020 highs. We understand this experience is similar to many organisations as staff struggle to remain engaged in a more remote environment. So we have prioritised encouraging employees back to the office, albeit flexibly and when safe to do so, to help rebuild and re-energise social capital. See section on response to COVID-19.




### Culture and values

The Committee remains deeply focused on the culture and values of BII, and the markers and metrics which enable management and the Board to monitor our cultural health. PremCo seeks through its meetings and regular informal discussions held by PremCo members to ensure that the working environment reflects our values.

PremCo has worked with management to improve measurement of our corporate culture. In 2021, for the second year, the Board was able to review a set of cultural indicators in a new culture dashboard which has evolved from a prototype agreed in 2019, informed by the Financial Reporting Council's Guidance on Board Effectiveness. It includes a range of metrics designed to measure and analyse our cultural health against our stated values. The dashboard is presented annually to the Board for review and discussion.

PremCo has continued to focus this year on using the behavioural and technical competencies which were established in 2019 for performance assessments and to determine progressions and promotions. The Board also applied BII's behavioural competencies in assessing its own 2021 performance.

The newly formed Employee Forum has provided more insight to the Board by serving as a further channel of communication with the workforce. It is comprised of 15 members of staff representing diverse attitudes, perspectives, functions and levels of seniority to further strengthen our commitment to building an inclusive culture. It has been enlightening to explore a wide range of issues which staff have raised and deeply satisfying to participate in constructive and collaborative discussions.

### Duty of care – safeguarding

Our commitment to our duty of care was also evident in our focus on safeguarding in 2021. A range of new informal channels were launched at the end of 2019 to improve the experience of employees who have concerns, grievances or complaints. These channels are being used by staff and have allowed us to surface problem areas. We aim to use this information to tackle concerns early and at source. These channels are communicated in an employee navigation map that is regularly shared with employees. The map is explained in a video, highlighting the role of employee support partners (BII staff globally, independent of HR, to whom employees can speak confidentially), as well as routes for informally raising concerns.

### Strengthening an inclusive workforce

D&I are aligned to our mission, embedded in our values and drivers of our success. We value the opportunities diversity brings and strive to build and maintain an inclusive working culture. PremCo is supported in its scrutiny of D&I by ongoing tracking against four areas: governance, targeted activity, communications, and support for staff networks. A Gender Pay Gap Report is produced annually.

There has been strong progress in all areas in 2021: 1) a new D&I manager joined BII; 2) BII's staff networks (She works, Umoja works and Pride works and a Disability Working Group) provided suggestions to management for policy and process improvements to bolster workplace culture and inclusion, career and professional development and health and wellbeing; and 3) reverse mentoring was initiated by Umoja works, with the initial participants from among senior management. The Board and management remain committed to converting our statements of inclusivity into meaningful actions.

**Reward**
Determined to attract those talented individuals motivated by our mission, our Remuneration Framework is designed to encourage long-term service and achievement of our financial and development objectives in a manner that delivers strategic value to the shareholder. See section on remuneration policy on pages 74 to 78.

The Board initiated adjustments to the previous Remuneration Framework to be sure the approach to remuneration is fit for purpose for the next strategy period. These adjustments, include changes to the long-term incentive plan to better align with BII's long-term development and financial performance objectives. Adjustments made in the long-term incentive plan include: (i) introducing corporate objectives alongside the financial return and development impact objectives of the firm; (ii) incentivising performance stretch with pay-outs varying to reflect BII success against goals; (iii) setting award levels to reflect seniority, promote career development and recognise long-term commitment; and (iv) reducing the overall cost of the prior long-term incentive plan by lowering the maximum amounts payable under the plan. The amendments to BII's long-term incentive plan are intended to enhance the overall fairness of the plan for staff and to make it more robust in connection with BII's performance objectives, thereby satisfying the shareholder's expectations. Our Remuneration Framework is available on our website and further details about the changes are set out in the sections that follow.

**Shape of the organisation**
The Committee continues to focus on the size and shape of the organisation. In 2021, 95 new employees joined BII, while attrition ticked up during the year, resulting in a 3.1 per cent increase in our headcount – a slower pace of growth than in recent years.

PremCo seeks to assess the reasons contributing to departures, especially for regretted leavers. Particular attention is given to gender, race and ethnicity in monitoring and managing attrition levels.

In terms of talent recruitment, there is an emphasis on diversity in resourcing to ensure diverse candidate pools and broader candidate attraction. In 2021, we introduced two new programmes to strengthen recruiting and retention: a direct graduate entries programme to expand our recruitment reach, and a managing directors promotion programme to solidify career trajectories for talented staff.

Looking ahead, the Board and management will monitor attrition levels closely. We will also increase focus on the shape of the organisation, considering opportunities for internal talent cultivation and career trajectory across teams, budget parameters and overall needs of the organisation to deliver on the next five-year strategy.

**Conclusion**
Last year presented continuing challenges for BII with respect to the pandemic and an opportunity to align our forward-looking Remuneration Framework with the next strategy period. PremCo took an active role supporting our management and upholding the interests of our shareholder. Despite difficult personal and professional circumstances, employees delivered on our mission, reflecting in their work a consideration of the implications of COVID-19 in our markets. PremCo continues to see its remit as stretching to all areas of the employee value proposition at BII, recognising the importance of culture and values, our duty of care, building an inclusive workplace and employee wellbeing. This remit is embraced by PremCo so that we are able to attract, retain and develop the people needed to deliver on our mission.

As I conclude my term as Chair of PremCo, I would like to acknowledge the contributions of all PremCo members, who have provided essential input and support over the past few years. I would also like to give tribute to each member of our staff, in every location across the globe, for their extraordinary commitment through difficult periods to deliver our mission of investing for development impact and delivering a financial return for the UK taxpayer.

I am delighted that Dolika Banda, who has been a valued member of PremCo since joining BII in September 2018, will become the new Chair. As a PremCo member Dolika has helped to shape BII's people agenda and remuneration framework and is well placed to continue to progress both further.

*Laurie Spengler*
*Chair*

# People Development and Remuneration Committee report continued

## Response to COVID-19

### Support and wellbeing

We continued to support employees through the lockdown and restrictions in the first part of 2021. We ensured everyone had the equipment they needed at home, provided training courses remotely and organised remote 'coffee catch-ups' for those who wanted social contact with colleagues across the organisation. We also kept the offices open for employees who could not work from home and/or were suffering with their mental health working remotely, in line with relevant local government guidance.

To help keep employees safe in the office we introduced various new relevant protocols, including temperature checking as you access the building, most of which still exist today.

Throughout 2021 and to date, we have asked employees to inform us when they test positive for COVID-19 so we can keep track of the numbers, alert others where there was close contact in the offices and most importantly, provide support. We also provided all employees with an FAQ which provides guidance for when you are unwell or have been in contact with someone with COVID-19, as well as information about the protocols in our offices to keep everyone safe.

The Ways of Working group includes employees across our regions as well as representatives from our core operational teams that have supported the COVID-19 response (HR, Technology, Communications). The group met on a regular basis throughout 2021 to discuss moving to a hybrid working model as well as responding to the relevant local COVID-19 guidelines.. The group allowed for open and honest feedback which members gathered from their teams as well as organising staff surveys to capture the 'pulse' of the organisation, how people were feeling about working in our offices and feedback on COVID-19 guidance.

We have introduced a new hybrid working model in all our offices which allows employees to combine working from home with working in the office. We ask that all employees attend the office at least four days a fortnight. As relevant local government guidance has relaxed, we have organised social activities to encourage people to return and to restore social connection and collaboration with others.

### Reward response to COVID-19

Business continued (with focus on the three pillars of our investment response – preserve, strengthen and rebuild), with the result that redundancies or use of the Coronavirus Job Retention Scheme was avoided. We took an early view that use of the Furlough scheme would be inappropriate given our public funding.

As reported in the 2020 Annual Report last year there were a number of reward-related actions.

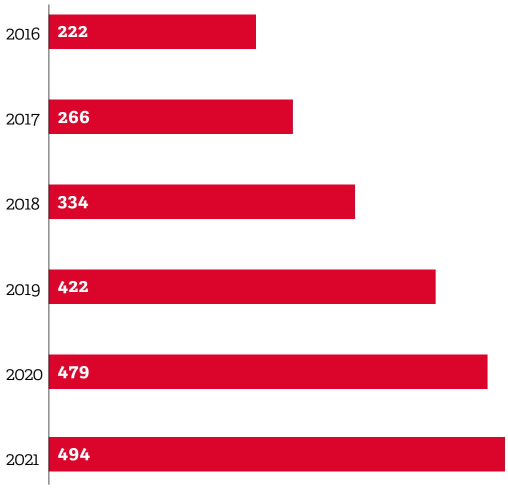
The 25 per cent fee reduction volunteered by non-executive directors and Investment Committee members from May 2020, finished at the end of December 2020.

The annual Consumer Prices Index salary increase for 2021 was set aside, with no increases except for employees below director outside the UK.

We provided £6 per week for employees to cover additional costs associated with homeworking. HMRC tax relief was available for these payments. This approach was more efficient and consistent than asking employees to expense such costs. An equivalent benefit was provided overseas. These allowances ceased from September 2021 with the introduction of hybrid working.

## BII workforce growth and distribution

### BII year-end headcount




Despite the difficulties created by COVID, we have grown over the last year to build necessary infrastructure for our organisation, and keep track with our investment pace and the need to put our money to work where it can have most impact. Headcount had reached 494 across our global locations by the end of 2021.

### BII global locations

Key

**At 31/12/2015**
India, Bangalore
South Africa, Johannesburg
UK, London
Zimbabwe, Victoria Falls

**At 31/12/2021**
Bangladesh, Dhaka
Egypt, Cairo
India, Mumbai
Kenya, Nairobi
Myanmar, Yangon
Nepal, Kathmandu
Nigeria, Lagos
Pakistan, Karachi

# People Development and Remuneration Committee report continued

## Workforce policies and engagement

The organisation has a range of policies designed to strengthen engagement and ensure that employees can effectively balance their professional life and family responsibilities. These have been thoroughly tested during the exceptional circumstances of the COVID-19 pandemic. We considerably increased our support to our staff who, at a stroke, became remote workers. We particularly focused help on working parents (many of whom were juggling home schooling), carers and staff who were alone or isolated. We offered flexible working patterns, promoted the use of dependent care leave and expanded wellbeing virtual services as well as running a raft of informal virtual social events. In addition to a generous leave allowance, employees with over five years' service are entitled to a month's paid sabbatical.

We make a big investment in employees' learning and development through an extensive curriculum of customised and high-quality technical, behavioural and managerial skills courses all of which changed to a virtual format in 2021.

### Duty of care

BII recognises a duty of care towards our employees. This is grounded in our values of collaboration and caring and means taking all reasonable steps to ensure employees' wellbeing, health and safety. It covers our commitment to ensuring a good work-life balance, safeguarding employees in an atmosphere of psychological safety, free from harassment, and providing active support for their mental and physical health through GP and psychological services. We also aim to ensure the safety of employees in our offices and especially while travelling in our markets where security can be compromised. We strengthened our safeguarding measures in 2021 by introducing new confidential channels through which employees can speak up about their concerns, and get help to address them whether through HR, line managers, employees trained as independent listeners, or an anonymous reports register.

### Gender and ethnicity pay reporting

Each year since 2018 we have published our Gender Pay Gap Report on our website. The data for 2021 shows median and mean gender pay gaps of 31 per cent and 25 per cent respectively in favour of men. It is encouraging that the mean gender pay gap has reduced significantly in 2021, although the median remains unchanged, but we know we cannot be complacent and the Board remains focused on this issue. This year, for the second time, the report also includes our ethnicity pay gap, ahead of any mandatory reporting requirement. At 11 per cent, the mean ethnicity pay gap is unchanged from last year, although the median gap has increased from 2 to 10 per cent. Overall our ethnicity pay gap is smaller than our gender pay gap as a result of greater ethnic diversity through all levels of BII. However, the gap for women of colour is more pronounced reflecting the intersectional impact of race and gender. Our reports set out the commitments we are making to close these pay gaps and to improve both gender and ethnic diversity. These include strong leadership, advocacy, increased governance, nurturing of thriving employee networks, continuing to provide high-quality training on inclusive behaviours and promoting an open, 'speak-up' culture. D&I remain key focus areas for PremCo and continue to form an integral part of its standing agenda as we strive to build a more inclusive and dynamic organisation.

Women make up 60 per cent of our Board, 54 per cent of our workforce, and occupy 36 per cent of the roles at director level and above, up from 32 at this point last year. This means we met our Women in Finance Charter gender diversity target of 34–36 per cent at senior levels by 2023 early. As a result we have set a new target of achieving 40 per cent in that population by 2023. In 2021 we set ethnicity targets for our UK director population, in line with Office for National Statistics' projected data for the London population, and we aim to increase our Black leadership population from 7 to 11 per cent by the end of 2023.

In addition to being signatories of HM Treasury's Women in Finance Charter, we are members of Working Families, Carers UK and the Employers' Network for Equality & Inclusion (enei). This year we have once again been awarded a Silver Award by enei in recognition of our ongoing commitment to creating a more inclusive workplace. We also signed up to Business in the Community's Race at Work Charter as demonstration of our commitment to increasing our ethnically diverse employee population at all levels.

### Values and culture

BII is guided by three core values which underpin all aspects of our culture and the standards of behaviour we expect across the organisation, from Board to new hires:

+ impact-led, commercially rigorous;
+ tenacious in the face of challenges; and
+ collaborative and caring.

These are embedded into our performance assessment and promotion processes and measured in our annual employee engagement survey and in exit interviews. Each autumn we collate data on key metrics, set against relevant benchmarks and targets, by which the Board can assess the health of our corporate culture. We look to hone these metrics each year, to measure ourselves against relevant benchmarks and to set targets that make sure we both sustain and improve our vibrant, collaborative and caring culture.

# People Development and Remuneration Committee report continued

## Remuneration Policy

PremCo is responsible for agreeing the BII Remuneration Framework with the FCDO. The Remuneration Framework articulates the philosophy underpinning the pay structure at BII. This framework is intended to support our achievement of our financial and developmental objectives. It "should enable the recruitment and retention of individuals of the calibre that will allow BII to achieve its mission to achieve impressive developmental impact in challenging places through targeted, high-quality investing skills."

The scope of the Remuneration Framework covers base salary, long-term incentives and other benefits. It aims to attract employees with the same level of talent and expertise as those employed in fully commercial private equity investors, fund of funds and international commercial banks or consultancies. People who join BII generally take a significant financial discount compared to the opportunities available to them elsewhere. Our staff are prepared to accept this significant discount because they want to use their skills to achieve meaningful development impact in Africa and South Asia. But we need to invest significantly in recruitment efforts to identify these people and create a highly attractive organisation and culture to retain them. This is commensurate with our culture and aspiration to be of the highest quality as an investment organisation.

BII undertakes a benchmarking exercise every three years as set out in the Remuneration Framework. Following this, PremCo reverts to FCDO to confirm that the Remuneration Framework remains fit for purpose or, if necessary, propose changes. Following a review in 2020, the revised Remuneration Framework was finalised in November 2021. The principal change from the 2017 framework is the replacement of the Long-term Development Performance Plan (LTDPP) with the Long-term Incentive Performance Plan (LTIPP). The focus of the changes were: 1) to reduce maximum payout levels for individuals in order to manage costs and deliver value for the UK shareholder, 2) to combine tenure and seniority factors for level of award, 3) to introduce a balanced scorecard approach to reflect the organisation's development and financial objectives, 4) to establish a range of payout levels (rather than binary payout), and 5) to link the incentive plan more specifically to the strategy cycle while providing a mid-point check-in to make sure the plan is performing as intended.

Details of the LTIPP are set out in the Remuneration Policy below and the implementation of the LTIPP in 2022 is set out on page 83. The annual report on remuneration starting on page 79 covers the 2021 financial year, the last year of the LTDPP.

The Remuneration Framework has a section covering the remuneration of the Chief Executive and this is described first before the policies applicable to all other employees. The sections below follow the order of the Remuneration Framework.

### Remuneration Policy for Chief Executive

| Component | Operation and implementation |
|---|---|
| **Support for objectives of BII** | To be successful BII needs to attract both world-class senior investment professionals to lead it and a comparable calibre of professionals to provide operational and transactional support.<br>It is recognised that BII cannot provide competitive market salaries for such people and that commitment to the BII mission will always be the key motivating factor for the Chief Executive. The Chief Executive reward cap, which was last increased marginally in 2017, reinforces the remuneration philosophy as being mission-driven. |
| **Total reward** | The Chief Executive will receive a base salary of £295,745 from 1 January 2022 (£287,130 in 2021), with the potential to be reviewed annually by reference to inflation data, in line with base salaries of employees as governed under the base salary policy below.<br>The maximum pay-out to the Chief Executive in any one year, with respect to salary and LTIPP, will remain below £305,000 plus other benefits of up to 18 per cent of base salary. The Chief Executive's remuneration will be part of the benchmarking exercise to be undertaken every three years.<br>The Chief Executive will be eligible to participate in the benefits in kind described in the benefits section below, with the exception that, while private medical insurance will be available for overseas travel, the Chief Executive will not have access to UK private medical insurance paid for by BII. |

## Remuneration Policy for executive directors, Executive Committee members and Group employees

| Component | Operation and implementation |
| --- | --- |
| **Support for objectives of BII** | BII base salary levels reflect roles, experience and skills. BII's annual Personal Development Approach performance review process and its promotion and progression process ensure that managers discuss performance and development with every person at BII and promotion indicators exist for every band of employee. The recent roll-out of technical and behavioural competencies provides consistent and objective criteria for performance assessment and promotion. We aim for our processes to be transparent, clear and simple, reflecting the working environment and culture that we seek to create. |
| **Base salary** | Individual base salaries reflect job responsibilities, the experience and skills of the individual relative to other BII employees, market rates of the comparator group and the sustained level of individual performance. BII operates a levelling structure consisting of a series of bands, within which are a number of pegs, each with its own unique salary. The salaries within a band have a range of around 5–20 per cent to allow progression year on year if performance warrants, before being considered for promotion to the next level. Under the 2021 Remuneration Framework, the salaries of non-UK based directors and managing directors are permanently aligned with their UK counterparts in the corresponding roles.<br><br>Under the terms of the Remuneration Framework, base salary levels are reviewed annually by reference to inflation data. |
| **Support for objectives of BII** | Encouraging employees to save for retirement is an integral part of the culture of any responsible employer. The BII scheme forms part of the employee value proposition which attracts people to work for BII. |
| **Pension** | All UK employees of BII, including executive directors, are offered a non-contributory stakeholder pension arrangement, or a cash equivalent (at no further cost to the Company) for those impacted by limits on pension allowances, with employer contributions from 8–15 per cent as follows: |

| Age band | Company contribution rate |
| --- | ---: |
| Under 30 | 8%[1] |
| 30–39 | 9% |
| 40–49 | 12% |
| 50 and above | 15% |
| Managing directors | 15% |

BII operates a funded pension scheme providing benefits on a defined benefit basis for employees who entered service before 1 April 2000. There are no longer any active members of the scheme.

1 This rate was increased from 6 per cent effective 1 April 2019 in accordance with the UK government's auto-enrolment legislation.

| Component | Operation and implementation |
| --- | --- |
| **Support for objectives of BII** | The LTIPP was created to align the interests of BII senior employees and FCDO by incentivising BII employees to:<br>+ invest with the aim of maximising long-term development impact, while maintaining financial sustainability so as to encourage a greater risk appetite and in turn to achieve greater development impact;<br>+ make investments financially successful over the long-term because development impact is typically correlated with financial success; and<br>+ protect the value of BII's balance sheet. |

# People Development and Remuneration Committee report continued

## Remuneration Policy for Executive Directors, Executive Committee members and Group employees

| Component | Operation and implementation |
|---|---|
| **Long-term Incentive Performance Plan (LTIPP)** | The following employees are eligible for an LTIPP award:<br>+ All members of the Executive Committee<br>+ All managing directors and directors<br>+ All managers<br>+ Executives in Investments and Impact functions, the Office of the Chief Information Officer (excluding the Policy and Process Department) and the Corporate Strategy Department<br><br>The LTIPP employs a scoring mechanism comprised of three components:<br>1. financial return on BII's total portfolio (40%);<br>2. development impact of its portfolio (40%); and<br>3. corporate objectives score (20%).<br><br>The maximum percentage any eligible plan members can be awarded for any year (their 'maximum percentage') is based on a combination of their band (i.e. seniority) and their tenure in the plan (including tenure in the predecessor plan) after 1 January 2012. This maximum percentage starts at 0%, increasing annually until a capped percentage is reached as shown in the table below.<br>For any year, an eligible employee will be entitled to a payment equal to their maximum percentage multiplied by a percentage which is the sum of the Financial Component, Development Impact Component and Corporate Component (as described below) multiplied by their base salary for such year. |

| Band | Capped Percentage | Tenure in the plan (years) 1 | 2 | 3 | 4 | 5 | 5+ |
|---|---|---|---|---|---|---|---|
| Executive | 30% | 10% | 20% | 30% | 30% | 30% | 30% |
| Manager[1] | 25% | 5% | 10% | 15% | 20% | 25% | 25% |
| Manager[2] | 50% | 10% | 20% | 30% | 40% | 50% | 50% |
| Director | 60% | 12% | 24% | 36% | 48% | 60% | 60% |
| MD | 70% | 14% | 28% | 42% | 56% | 70% | 70% |

All numbers are a percentage of base salary.

1 Managers other than those identified in the following note 2.

2 Managers in the Investment and Impact Group functions; CEO Office and CIO Office divisions along with Legal, Tax, Compliance and Business Integrity departments (representing the rest of the Corporate function) or in such other teams as may be designated by the Company (and approved by PremCo) from time to time.

LTIPP payment = maximum percentage x ([financial component x 40%] + [development impact component x 40%] + [corporate component x 20%]) x base salary

The precise metrics that constitute the Corporate Component score of 20 per cent will be approved by PremCo annually. Please refer to the section on 'Implementation of pay in 2022' on page 83 for more details of the 2022 LTIPP award.

| Component | Operation and implementation |
|---|---|
| **Support for objectives of BII** | Providing benefits which support the lives of our employees (without ever being lavish or unnecessary) is important to ensure that BII remains an attractive place to work. As an organisation which is not always able to match market rates of salary, it is important that our employee benefits are seen to match market standards, being modern and attractive to encourage a diverse workforce. |

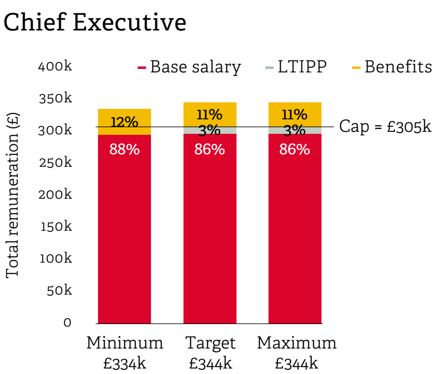
| Component | Operation and implementation |
|---|---|
| **Benefits** | Benefits offered to all employees including executive directors:<br>+ Life assurance cover, which will pay a lump sum equivalent to either four times base salary in the event of death, plus a dependant pension of 30 per cent of salary, or eight times base salary with no dependant pension.<br>+ Permanent health insurance, which provides cover in the event that employees are unable, through ill health, to continue to work for the Company.<br>+ Private medical insurance, which can include cover for family members. As previously noted the Chief Executive is not eligible to receive medical insurance unless for business travel.<br>+ Annual medical check-ups for employees who frequently travel overseas on business.<br>+ Sabbaticals of up to a month for employees with five years' service and three months for employees with ten years' service. |

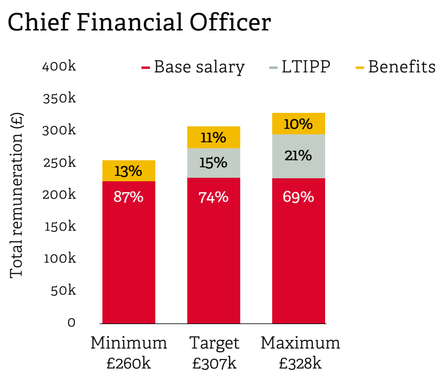
| Component | Operation and implementation |
|---|---|
| **The remuneration of the non-executive directors takes the form of fees which have been agreed with FCDO.**<br>Chair: £70,000 per annum<br>Non-executive directors: £22,000 per annum to sit on the Board plus two committees | |
| **Committee Chair fees**<br>Non-executive directors: £6,000 per annum | |

## Recruitment policy

Any new executive director, non-executive director or chair will be engaged on the same terms and conditions as the current incumbents described in this section unless noted otherwise; and provided that such engagement shall be consistent with the terms of the Remuneration Framework in effect at the time of such engagement.

The current incumbent Chief Executive has a service agreement which, as noted on page 74, is subject to a cap such that their compensation (consisting of salary and LTIPP payment) must remain below £305,000, plus up to 18 per cent of annual salary for other benefits.




**Executive director scenario charts for total remuneration, 2022**
The charts above provide an indication of the level of remuneration that would be received by executive directors in 2022 assuming they remain in office for a full year, under the current Remuneration Policy in three different scenarios.

The following assumptions were made in preparing these charts:

| | |
|---|---|
| **Minimum** | this includes only the fixed elements of pay, being base salary, benefits and pension. |
| **Target** | this includes the fixed elements and the target LTIPP award of 70 per cent as stated in the Remuneration Framework |
| **Maximum** | this includes the fixed elements and the maximum LTIPP award. |

# People Development and Remuneration Committee report continued

### Service agreements

The Chief Executive has an employment contract which is terminable on either side by 9 months' notice (changed from 12 months with effect from 1 April 2022 following the agreement of the Nominations Committee in February 2022). The Chief Executive will receive a salary of £295,745 from 1 January 2022 (2021: £287,130) and is entitled to participate in BII's LTIPP subject to the £305,000 cap mentioned above.

The current Chief Financial Officer, who joined in September 2020, has a statement of written particulars of employment which is terminable on either side by 6 months' notice. The Chief Financial Officer will receive a salary of £227,350 from 1 January 2022 (2021: £220,730) and is entitled to participate in BII's LTIPP scheme.

The non-executive directors have letters of appointment including the terms disclosed in the table below. Non-executive directors will be subject to re-election at an AGM in accordance with the provisions for retirement of directors by rotation contained in BII's Articles of Association.

The employment contracts and letters of appointment of the directors include the following terms:

| | Date of appointment | Notice period (months) |
|---|---|---|
| **Executive directors** | | |
| Nick O'Donohoe | 19 June 2017[1] | 9[2] |
| Carolyn Sims | 23 September 2020[1] | 6 |
| **Non-executive directors** | | |
| Andrew Alli | 24 September 2018 | 3 |
| Dolika Banda | 24 September 2018 | 3 |
| Sam Fankhauser (until 23 July 2021) | 13 April 2015 | 3 |
| Michele Giddens | 1 December 2014 | 3 |
| Diana Layfield | 1 December 2021 | 3 |
| Kathryn Matthews | 1 January 2021 | 3 |
| Krishnakumar Natarajan | 15 July 2020 | 3 |
| Laurie Spengler | 28 July 2016 | 3 |
| Chris Woodruff | 1 August 2021 | 3 |
| Sir Graham Wrigley | 4 December 2013 | 3 |

1 Nick O'Donohoe and Carolyn Sims have employment contracts with the Company dated 24 April 2017 and 15 June 2020 respectively.

2 Changed from 12 months with effect from 1 April 2022 following the agreement of the Nominations Committee in February 2022.

### Policy on payment for loss of office

BII expects executive directors to provide service through their contractual notice periods to ensure that there is a secure handover to a replacement. As an alternative BII may, at its discretion, pay in lieu of that notice should this be seen as preferable for the Company. That payment would be determined by the notice period and the applicable annual salary and other benefits for the individual. Equally, on cessation of employment, executive directors may, at the discretion of PremCo, retain entitlement to a pro-rata annual long-term incentive for their period of service in the financial year before their leaving date. BII expects that any other payments would be kept within the terms of the planned Public Sector Exit Payments (Limitation) Bill currently being taken through the legislative process.

### Shareholder views

BII is wholly owned by FCDO. As noted elsewhere, our remuneration policies are comprehensively set out in our Remuneration Framework, which was originally agreed with FCDO in 2012, revised and agreed in 2017 and subsequently revised in 2021.

### External appointments

The Company believes that it can benefit from executive directors holding non-executive appointments, and that such appointments provide a valuable opportunity for personal and professional development. Such appointments are subject to the approval of the Board. The Chief Executive was a Non-executive Director on the board of the Mustard Seed Trust Limited until his resignation on 31 December 2021. The Chief Financial Officer had no non-executive appointments.

## Annual Report on Remuneration

### Non-executive director remuneration

The remuneration of the non-executive directors who held office during the year is shown in the table below:

| | 2021 fee[3] £ | 2020 fee[3,4] £ |
|---|---|---|
| Sir Graham Wrigley | **35,208** | 29,409 |
| Diana Layfield (from 1 December 2021) | **5,833** | – |
| Andrew Alli[1] | **29,208** | 28,575 |
| Dolika Banda | **22,208** | 18,575 |
| Sam Fankhauser (until 23 July 2021) | **16,510** | 23,575 |
| Michele Giddens | **22,208** | 18,575 |
| Kathryn Matthews | **27,708** | – |
| Krishnakumar Natarajan | **22,208** | 8,406 |
| Laurie Spengler[2] | **32,208** | 23,575 |
| Chris Woodruff (from 1 August 2021) | **11,693** | – |

1. Andrew Alli, Chairman of the Audit Committee, was also the acting Chair of the Risk Committee until the end of February, and so received two committee chair fees during the first two months of the year.
2. Laurie Spengler, Chair of the People and Remuneration Committee, was also Chair of the newly created Employee Forum, for which she was paid an annual fee of £4,000.
3. Both years' fees include an HMRC-approved tax-free allowance of £6 per week available for employees forced to work from home, which became a necessity due to COVID. This allowance was paid from the start of the first lockdown in March 2020 until August 2021 inclusive.
4. All Board members accepted a 25 per cent reduction in their base fees, and where applicable committee chair fees, from May to December 2020 inclusive.

Non-executive directors do not receive any pension, benefits or long-term incentives.

### 2021 single total figure of remuneration for executive directors

The remuneration of executive directors who held office during the year is shown in the table below:

| Executive directors | Base salary £ | Non-pension benefits £ | LTDPP £ | Pension[1] £ | Total[2] £ |
|---|---|---|---|---|---|
| **Nick O'Donohoe[3]** | | | | | |
| **2021** | **287,130** | **208** | **17,869** | **37,847** | **343,054** |
| 2020 | 287,130 | 242 | 17,869 | 37,847 | 343,088 |
| **Carolyn Sims (from 23 September 2020)** | | | | | |
| **2021** | **220,730** | **3,023** | **34,250** | **29,542** | **287,545** |
| 2020 | 60,277 | 1,454 | 6,322 | 7,721 | 75,774 |

1. Represents a cash allowance in lieu of contributions to a pension scheme, net of employer National Insurance contributions.
2. Excluding the LTDPP there are no other variable elements to total actual remuneration.
3. The CEO is subject to a pay cap of £305,000, which restricts any LTDPP payment such that base salary and LTDPP together do not exceed the cap.

# People Development and Remuneration Committee report continued

### CEO and employee pay ratios

PremCo is pleased to disclose the ratio of CEO single total figure of remuneration (shown in the preceding executive directors' table) in accordance with the Companies (Miscellaneous Reporting) Requirements 2018. The following table sets out the total compensation expressed as a ratio of the CEO's remuneration at each quartile along with the total compensation and salary for the representative employee.

| Year | Statistic | 25th percentile | Median | 75th percentile |
|---|---|---|---|---|
| **2021** | Pay ratio – total compensation (Option A) | **4:1** | **3:1** | **2:1** |
| | Representative employee total compensation | **82,320** | **119,544** | **198,729** |
| | Representative employee salary | 68,800 | 105,365 | 141,960 |

| Year | Statistic | 25th percentile | Median | 75th percentile |
|---|---|---|---|---|
| **2020** | Pay ratio – total compensation (Option A) | **4:1** | **3:1** | **2:1** |
| **2019** | Pay ratio – total compensation (Option A) | **4:1** | **3:1** | **2:1** |

We elected to use the preferred method of Option A, which is based on all UK employees on a full-time equivalent basis, as the UK Government considers this to produce the most statistically accurate results. The ratios are calculated on the equivalent total compensation of the 25th percentile, median and 75th percentile UK employee. Total compensation, which is determined as at 31 December 2021 for UK employees employed throughout 2021, consists of base salary, allowances, benefits and payments relating to the 2021 LTDPP.

The 2021 median pay ratio above is consistent with the pay and progression policies for our UK employees as a whole.

### Performance of the Long-term Development Performance Plan in 2021

Executive directors are entitled to a payment, as a percentage of their base salary, which depends on length of time in the LTDPP and BII's performance assessed with respect to two key measures linked to our mission (development impact and financial performance). BII's Remuneration Framework was reviewed in 2020 and a revised framework was published in November 2021. This sets out changes to remuneration at BII including the new LTIPP. See page 74 for further details.

### Calculation of the maximum amount

The maximum amount that can be awarded to the Chief Executive is capped so that pay (i.e. base salary and LTDPP payment) remains below £305,000 in any one year. The maximum for the Chief Financial Officer is based on the length of employment after 1 January 2012 (the same as for all eligible staff) which is as shown in the table below:

| Number of years' participation after 1 January 2012 | 0–1 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10+ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Percentage of base salary | 0–10% | 10% | 20% | 30% | 40% | 50% | 60% | 70% | 80% | 90% | 100% |

The maximum award which executive directors who join BII after 1 October are entitled to is determined from 1 January of the following year. The maximum award directors joining before 1 October are entitled to is determined from the start of the same year but the amount is reduced by 0.833 per cent for each full month between 1 January and the date of joining.

The maximum amounts for directors in 2021 were therefore calculated as:

| Statistic | Nick O'Donohoe | Carolyn Sims |
|---|---|---|
| Employment start date | 24 April 2017 | 15 June 2020 |
| Percentage of base salary | 50.00% | 20.00% |
| Adjustment for number of full months not employed in first year of LTDPP participation | (2.50%) | (4.17%) |
| Maximum amount | 47.50% | 15.83% |

### Calculation of the 2021 outcomes

| | Development potential percentage (50%) | Development outcome percentage (50%) |
|---|---|---|
| Purpose | To measure the development impact potential of BII investments. | To measure the development outcome of BII investments in terms of financial return. |
| Metric | The first 90 per cent is based on the three-year aggregate average development impact score calculated by development grid based on:<br><br>+ the difficulty of making an investment in a particular geography; and<br>+ the investment's propensity to create employment in the applicable industry sector.<br><br>If the 90 per cent target is met, then the Board will determine the allocation of the remaining 10 per cent of the development potential percentage (DPP) based on the performance of the innovative higher-impact, higher-risk investments under qualifying strategies, now referred to as the Catalyst Strategies, as judged by PremCo and the Development Committee. | Cumulative average Growth portfolio investment return since 2012. |
| Assessment | See 2017 Remuneration Framework, on our website, for assessment methodology. | |
| Outcome | Aggregate development impact score 2019–2021 = 2.84<br><br>The development impact score exceeded 2.5, triggering a decision on the allocation of the remaining 10 per cent of the DPP. The Board allocated 6.0 per cent based on its assessment of BII's progress in developing and executing against the objectives for the Catalyst Strategies. This resulted in an overall DPP score of 96 per cent. | Cumulative Investment Return 2012–2021 = 6.6 per cent. |

### 2021 summary

| | | |
|---|---|---|
| Weighting | 50.0% | 50.0% |
| Achievement | 96.0% | 100.0% |
| Outcome | 48.0% | 50.0% |
| Total | 98.0% | |

# People Development and Remuneration Committee report continued

As such, executive director awards were calculated as:

| | Nick O'Donohoe | Carolyn Sims |
|---|---|---|
| Base salary at 31 December 2021 | £287,130 | £220,730 |
| Maximum amount | 47.5% | 15.83% |
| Development performance percentage | 98.0% | 98.0% |
| LTDPP award | £133,659 | £34,250 |
| Reduction for Chief Executive capped remuneration | £(115,790) | – |
| Net LTDPP award | £17,869 | £34,250 |

**Employee remuneration**

BII recognises that it is important to provide full transparency over its remuneration to all its employees. A disclosure on all employees' remuneration was previously made separately to the Annual Accounts but since 2017 it has been incorporated within these remuneration disclosures. The revised table below shows the impact of LTDPP separate to that of base salary. Without change to the LTDPP, we would expect the count of people in the top bands of the table to grow as BII's staff increases in number and matures in tenure in the plan. However, we expect that changes to the LTDPP described above will operate to reduce the count of people in the top bands. By comparison, the counts of employees by base salary should remain more balanced proportionately and consistent with the growth of the Company. There are no other forms of remuneration other than those set out in the remuneration report above.

The number of Group employees, employed for the full 12-month period, excluding executive directors, in the year by remuneration band is shown below:

| | Number of employees Base salary | | Number of employees Total compensation | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| £450,001–£500,000 | – | – | 1 | 1 |
| £400,001–£450,000 | – | – | 4 | 5 |
| £350,001–£400,000 | – | – | 3 | 5 |
| £300,001–£350,000 | – | – | 22 | 9 |
| £250,001–£300,000 | 1 | 2 | 27 | 30 |
| £200,001–£250,000 | 12 | 11 | 43 | 34 |
| £150,001–£200,000 | 57 | 42 | 57 | 57 |
| £100,001–£150,000 | 102 | 102 | 70 | 63 |
| £50,001–£100,000 | 165 | 155 | 146 | 134 |
| £0–£50,000 | 70 | 69 | 34 | 43 |
| Total | 407 | 381 | 407 | 381 |

## Implementation of pay in 2022

### Base salary

Following a review in the year, PremCo agreed to a 3 per cent increase to the CEO's base salary from £287,130 to £295,745 and a 3 per cent increase to the Chief Financial Officer's salary from £220,730 to £227,350. The increases will be effective from 1 January 2022.

### LTIPP

The Board set 13 corporate objectives for 2022, of which seven will contribute to the LTIPP. The first two below represent the development impact component and financial performance measure for the full strategy period, each equally weighted (40 per cent of the LTIPP). The remaining 20 per cent of the LTIPP, representing the corporate component, will be awarded based on performance of up to five other corporate objectives to be selected annually by the Board (see below for the five selected for 2022).

Each year the Board will assess the level of performance of these five objectives (on a 1 to 5 scale) and award the LTIPP accordingly.

| Corporate objectives | Deliverables | Weighting |
|---|---|---|
| Maximise development impact of portfolio | Measured by the aggregate impact score across investments, which focuses on how 'Productive', 'Sustainable' and 'Inclusive' investments are. Refer to the Investment Policy (for the period from 1 January 2022 to 31 December 2026) on the BII website for more information. | 40% |
| Maintain portfolio financial health | A weighted cumulative investment return of at least 2% on the total portfolio over a 7-year period. | 40% |
| Maintain a strong origination and commitment pace | On track to originate and commit an average of ~$2 billion per year of new investments over the 2022–2026 period and least 10–15% of total portfolio value in Catalyst investments by end of 2026. | 4% |
| Meet our climate and gender finance ambitions | On track to have 30% of new commitments in climate finance and 25% of new commitments that are 2x qualified over the 2022–2026 period. | 4% |
| Stay within operating cost framework | Aim to maintain operating costs below 1.7% of portfolio value plus unfunded commitments, excluding agreed cost carve-outs. | 4% |
| Improve people and cultural health | Improve BII culture (with reference to a dashboard of people metrics and qualitative analysis) and improvements in staff D&I (e.g. increase proportion of Black and female senior staff). | 4% |
| Maintain strong HMG relationships | Maintain strong HMG relations (to be assessed qualitatively and quantitatively, based on a range of HMG surveys and feedback from HMG key stakeholders). | 4% |

### People Development and Remuneration Committee

BII's PremCo during 2021 comprised Laurie Spengler (Chair), Dolika Banda, Krishnakumar Natarajan and Sir Graham Wrigley. Further details can be found on page 67 of the Governance Report.

### Committee Adviser

The Committee's external adviser PwC attends each meeting to provide independent advice and updates to the Committee on relevant corporate governance and market-related developments. PwC is a signatory to the Remuneration Consultants Group's Code of Conduct; this gives the Committee additional confidence that the advice received is objective and independent of conflicts of interest. During 2021, PwC also advised the Committee on the triennial review and provided services to the rest of the Group on tax compliance and immigration, ESG advisory and assurances on the development impact score under the LTDPP.

On behalf of the Board

*Laurie Spengler*
Chair

# Additional strategy and corporate governance information

## Principal activities and investment policy

British International Investment is a development finance institution that invests its capital in private sector businesses in developing countries. Our principal activity is risk capital investment. We invest directly in companies through debt and equity instruments. We also invest in companies indirectly through fund investments and other investment vehicles managed by third-party investment fund managers.

## Governance Code

BII is an unlisted public limited company which is wholly owned by the UK Government. Although BII does not meet the governance reporting criteria of the Companies (Miscellaneous Reporting) Regulations 2018, as good practice the Board has considered both the UK Corporate Governance Code issued in July 2018 and the Wates Corporate Governance Principles for Large Private Companies issued in December 2018. The Board has reviewed its governance in line with both Wates and the UK Corporate Governance Code.

## Strategic review

The information that fulfils the requirements of the strategic review can be found in the Strategic and Directors' Report on pages 2 to 43. Further information on BII's investments, development impact and case studies can be found in our *Annual Review*.

Information on future developments and investment strategies can be found in the Chair's statement on page 3.

## Regulation

BII is authorised and regulated by the Financial Conduct Authority under the Financial Services and Markets Act 2000. Where applicable, certain Group subsidiaries' businesses outside the UK are regulated by local authorities.

## Matters concerning the financial statements

### Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate for the foreseeable future (see note 1 on page 102 in of the financial statements for more information).

### Dividend recommendation

The directors do not recommend payment of a dividend for the year (2020: nil).

### Disclosure of information to auditor

So far as each director is aware at the date of approval of this report, there is no relevant audit information of which the Company's auditor is unaware and each director confirms that they have taken all the steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Deloitte LLP is the auditor of the Company. A resolution to reappoint Deloitte was passed at the AGM of the Company held on 25 May 2021 and Deloitte will be seeking reappointment in 2022.

### Change of name

The name of CDC Group plc was changed to British International Investment plc on 29 March 2022.

## Ownership and shareholder governance

At the beginning of the year, the Foreign Secretary held 4,236 million ordinary shares of £1 each and one special rights redeemable preference share of £1 in the capital of the Company.

On 5 August 2021, a further 446 million ordinary shares were issued to the Foreign Secretary. As at 31 December 2021, the Foreign Secretary held 4,682 million ordinary shares of £1 each (2020: 4,236 million ordinary shares) and one special rights redeemable preference share of £1 each.

The Foreign Secretary appoints the Chair and two of the non-executive directors. The Foreign Secretary also agreed the five-year strategy and the change of name from CDC to British International Investment and BII's Investment Policy which sets five-year objectives including instruments, geographies, excluded activities, reporting obligations and performance targets linked to financial returns and development impact. FCDO, as the sole shareholder, exercises oversight and monitors performance through regular interaction with our Board. Working on a principle of openness and transparency there is regular interaction between the senior Principals at FCDO and BII. In addition, formal quarterly meetings are held with FCDO officials and the Chair, Chief

Executive, Chief Financial Officer and Chief Operating Officer as well as other members of the Executive team. Annually the Permanent Secretary meets with the Chair and the non-executive directors and the individual Board committee Chairs meet annually with a senior member of the FCDO team to discuss the committee's activities and priorities.

## Directors' conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company has processes to disclose and identify potential and actual conflicts of interest. Such conflicts are then considered for approval by the Board, subject, if necessary, to appropriate conditions.

## Employees

BII's policy on employment is one of equal opportunity in the recruitment, training, career development and promotion of employees. Formal employee appraisals and informal discussions are our principal means of updating itself on the views and opinions of its employees. In addition, our managers are responsible for keeping their employees up to date with developments and performance of the business, which is achieved by way of regularly scheduled meetings.

Further information on the Company's approach to being a responsible employer can be found in the Strategic and Directors' Report on page 21.

## Employment of disabled persons

It is important that we provide a working environment in which people can perform at their best and harmoniously with their colleagues. Discrimination or harassment at work because of a protected characteristic (age, disability, gender re-assignment, marriage or civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation) is unlawful, and will be treated as a serious disciplinary matter. The Company will deal with all persons with the same attention, courtesy and consideration regardless of any protected characteristic save that it recognises its duty to make reasonable adjustments for disabled persons.

## Website

The maintenance and integrity of our website is the responsibility of the directors. The work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

*Jane Earl FCG*
*Company Secretary*
British International Investment plc
On behalf of the Board of Directors
14 April 2022

# Statement of Directors' responsibilities

## In respect of the Annual Accounts, Strategic and Directors' Report, Governance Report and Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group (as defined on page 63) and Parent company (being British International Investment plc) and of the profit or loss of the Group and Parent company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

+ properly select and apply accounting policies;
+ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
+ provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
+ assess the Group and Parent company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group and Parent company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Financial statements

# Independent Auditor's Report to the members of British International Investment plc (formerly CDC Group plc)

## Report on the audit of the financial statements

### 1. Opinion

In our opinion:

- the financial statements of British International Investment plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group and parent financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated and Company Statements of Comprehensive Income;
- the Consolidated and Company Statements of Financial Position;
- the Consolidated and Company Statements of Changes in Equity;
- the Consolidated and Company Cash Flow Statements; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Summary of our audit approach

| | |
|---|---|
| **Key audit matters** | The key audit matters that we identified in the current year were:<br>+ Valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs; and<br>+ Valuation of debt investments.<br>Within this report, key audit matters are identified as follows:<br>(!) Newly identified<br>Increased level of risk<br>Similar level of risk<br>Decreased level of risk |
| **Materiality** | The materiality that we used for the group financial statements was £152m which was determined on the basis of 2% of net assets. |
| **Scoping** | Our group audit scope included the audit of the parent company, which accounts for more than 99% of the net assets of the group. We performed analytical procedures on the remaining components. |
| **Significant changes in our approach** | This year, we have adopted a controls reliance approach over the debt valuations following significant changes of the controls in the debt valuation process during the year. |

**4. Conclusions relating to going concern**
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included our assessment of the:

- adequacy of the liquidity position through our audit procedures performed on the balance sheet, including agreeing promissory notes receivable to the signed promissory notes and the Bank of England confirmations, and reviewing post year end bank statements;
- headroom available between the liquidity position and the commitments in a downside scenario.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**5. Key audit matters**
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1 Valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs

| | |
|---|---|
| **Key audit matter description** | At 31 December 2021, the Group held investments totalling £4,216m (2020: £3,516.3m) in unquoted companies which are classified at fair value through profit and loss.<br>Within that balance we identified a key audit matter relating to unquoted direct equity investments which are valued using the discounted cash flow (DCF) method totalling £736.1m. The investments are required to be compliant with IFRS 13 *Fair Value Measurement* and IFRS 9 *Financial Instruments*. The complex nature of the methodologies employed, combined with the number of significant judgements, means there is a risk that the fair value of the investments could be misstated and there is an inherent risk of potential management bias associated with significant judgements. Key assumptions relating to these investments have been summarised as:<br>+ the appropriateness of the discount rate applied to the DCF model including the determination of the risk premium;<br>+ the appropriateness of the inputs into the DCF model including the timing and size of cash flows (including arrears) and growth rates; and<br>+ the appropriateness of the DCF methodology.<br>The significant accounting policies with respect to the Group's application of IFRS 9 Financial Instruments and valuation methodologies are described in note 18 to the Annual Accounts. The sensitivity analysis of key inputs on the Group's valuation methodologies are described in note 3 to the Annual Accounts. |

# Independent Auditor's Report to the members of British International Investment plc (formerly CDC Group plc) continued

| | |
|---|---|
| **How the scope of our audit responded to the key audit matter** | We performed the following procedures:<br>+ Obtained an understanding of the relevant controls, tested and were able to rely on the operating effectiveness of controls around valuation of equity investments;<br>+ Evaluated the adequacy of the valuation disclosures to assess whether they are compliant with IFRS 13 *Fair Value Measurement* and IFRS 9 *Financial Instruments*.<br>And for a sample of unquoted direct equity DCF investments we:<br>+ Considered the appropriateness of the valuation methodology selected;<br>+ Performed sensitivity analysis on key inputs to understand the susceptibility of the valuations to changes in key assumptions;<br>+ Engaged our valuation specialists to perform an assessment and challenge management on the appropriateness of the discount rate, the growth rate and terminal value on investments where necessary;<br>+ Tested the accuracy and completeness of the inputs into the DCF model, including the timing and size of cash flows, including agreeing factual inputs to third party support where possible;<br>+ Tested the macroeconomic assumptions included in the forecasts with reference to observable market data and external forecasts where possible;<br>+ Compared the historical accuracy of the cash flow forecasts against actual results in order to assess the reliability of the forecasts; and<br>+ Employed audit analytic tools on the valuation models to assess complex investments for model integrity. |
| **Key observations** | Although we note significant judgements in these valuations that could change the valuations by more than materiality, we consider the judgements and assumptions utilised in determining the fair value of the Group's investments, when considered in aggregate, to be within an acceptable range. |

## 5.2 Valuation of debt investments

| | |
|---|---|
| **Key audit matter description** | For the year ended 31 December 2021, investments in debt were valued at £1,446.1m (2020: £1,175.5m). New valuation processes for debt investments were implemented in 2021. As described in note 4, £1,376.0m of the loans were valued using the discounted cash flows method and £60.6m were valued using probability weighted scenario analysis which is also dependent on discounted cash flow modelling but adds additional judgment. The probability weighted scenario analysis is an new valuation approach for the current year.<br>The new processes for debt investment valuations, combined with the number of significant judgements involved in determining probabilities and discount rates, means there is a risk that the fair value is materially misstated. In addition, there is an inherent risk of potential management bias associated with significant judgements.<br>The significant accounting policies with respect to the Group's application of IFRS 9 Financial Instruments and valuation methodologies are described in note 18 to the Annual Accounts. The sensitivity analysis of key inputs on the Group's valuation methodologies are described in note 4 to the Annual Accounts. |
| **How the scope of our audit responded to the key audit matter** | We performed the following procedures:<br>+ Obtained an understanding of the new processes and the relevant controls around valuation of debt instruments. We tested them and were able to rely on the operating effectiveness of these controls;<br>+ Evaluated the adequacy of the valuation disclosures to assess whether they are compliant with IFRS 13 *Fair Value Measurement* and IFRS 9 *Financial Instruments*.<br>+ Disaggregated the debt population into three categories (i) No credit risk triggers (ii) Specific credit triggers occurred or (iii) Significant uncertainty of future cash flows and sampled the debt investments from each category.<br>For a sample of unquoted direct debt investments we:<br>+ Considered the appropriateness of the valuation methodology selected;<br>+ Reviewed attestations from the deal teams regarding the presence of any credit triggers at year-end;<br>+ Tested cash collections by tracing through to bank statements;<br>+ Tested the accuracy and completeness of factual inputs into the financial model by agreeing to underlying contracts;<br>+ Tested the calibration of the discount rate used at origination and engaged our valuation specialists to assist in assessing the appropriateness of the discount rates used at year end; and<br>+ We understood the sensitivity of the valuations to any probability weightings used by management and assessed if they were reasonable. |
| **Key observations** | Although we note significant judgements in the discount rates, we consider the judgements and assumptions utilised in determining the fair value of the Group's debt investments, when considered in aggregate, to be within an acceptable range. |

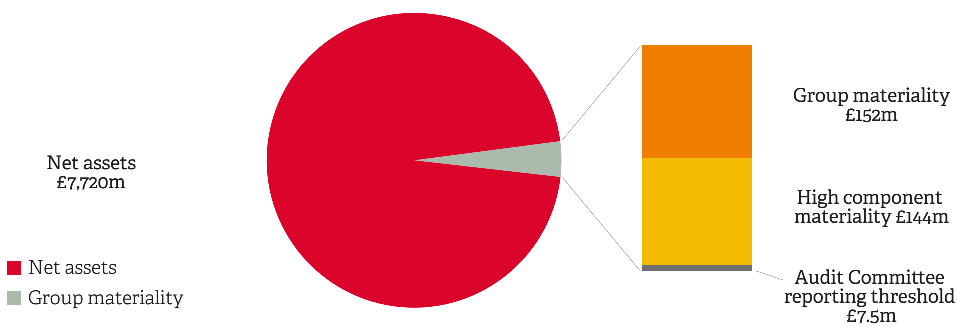
## 6. Our application of materiality

### 6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Materiality** | £152m (2020: £136m) | £144m (2020: £129m) |
| **Basis for determining materiality** | 2% (2020: 2%) of net assets | 2% (2020: 2%) of net assets<br>Using component materiality methodology we have applied a cap of 95% of group materiality. Parent company materiality therefore equates to 1.9% of net assets. |
| **Rationale for the benchmark applied** | The Group's primary activity is making investments to support local development. The users of the financial statements will make decisions based on the performance of the assets held by the entity which ultimately impact the overall net assets of the entity. | The company's primary activity is making investments to support local development. The users of the financial statements will make decisions based on the performance of the assets held by the entity which ultimately impact the overall net assets of the entity. |



# Independent Auditor's Report to the members of British International Investment plc (formerly CDC Group plc) continued

### 6.2 Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Performance materiality** | 70% (2020: 70%) of group materiality | 70% (2020: 70%) of parent company materiality |
| **Basis and rationale for determining performance materiality** | In determining performance materiality, we considered the following factors:<br>a. our assessment of the control environment and the fact that we were able to rely on controls for our testing of investments,<br>b. the fact that this was the third year we have acted as auditor, and<br>c. the nature and level of misstatements identified during the previous years' audit. | |

### 6.3 Error reporting threshold
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £7.5m (2020: £6.8m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1. Identification and scoping of components
Our audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risk of material misstatement at the group level. The most significant component of the group is the parent company. Our group audit scope included the full scope audit of the parent company which accounted for more than 99% of net assets of the group. At the group level we also tested the consolidation process and performed analytical procedures on the remaining components to component materialities which ranged from £0.01m to £144m (2020: £0.01m to £129m). This approach is in line with the prior year.

### 7.2. Our consideration of the control environment
We identified the financial reporting, payroll expenditure, expenses, equity, fund and debt investment business cycles to be the most relevant to the audit. Following improvements in the year over the debt valuation processes, we were able to test and rely on all investment valuation controls as well as payroll controls.

Further improvements in general IT controls allowed us, with the assistance of our IT specialists, to test and rely on automated controls within the Groups IT systems. These include eFront, SUN and Frameworks.

## 8. Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of Directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**10. Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**11. Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

+ the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
+ the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
+ results of our enquiries of Management, Internal Audit, Compliance, the Chairman and the Audit Committee about their own identification and assessment of the risks of irregularities;
+ any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  – identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  – detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  – the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
+ the matters discussed among the audit engagement team and highlighted to the relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area:

+ Valuation of investments with significant unobservable inputs (direct equity and debt) – this involves the selection and application of an appropriate valuation methodology and the use of assumptions which require significant management judgement and therefore there is potential for management bias.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs and valuation of debt investments as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

# Independent Auditor's Report to the members of British International Investment plc (formerly CDC Group plc) continued

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

### 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

### 13. Matters on which we are required to report by exception

#### 13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### 13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

### 14. Use of our report

#### 14.1. Consistency of the audit report with the report to the audit committee

Our audit opinion is consistent with the report to the audit committee we are required to provide in accordance with ISAs (UK).

### 15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Allee Bonnard

*Allee Bonnard*
Senior Statutory Auditor
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

14 April 2022

# Consolidated Statement of Financial Position
## As at 31 December

| Assets | Notes | 2021 £m | 2020 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | 13 | **14.3** | 18.1 |
| Intangible asset | 14 | **2.4** | 0.2 |
| Equity investments at FVTPL | 3 | **4,557.9** | 3,873.3 |
| Loan investments at FVTPL | 4 | **1,209.5** | 941.3 |
| Guarantees | 5 | **97.9** | 139.0 |
| Other receivables | | **0.2** | 0.2 |
| Deferred tax asset | 12 | **0.2** | 0.2 |
| | | **5,882.4** | 4,972.3 |
| **Current assets** | | | |
| Trade and other receivables | 15 | **309.4** | 283.9 |
| Note receivable | 24 | **901.0** | 1,105.0 |
| Forward foreign exchange contracts (FFECs) | 8 | **15.3** | 55.1 |
| Cash and cash equivalents | 6 | **706.3** | 456.3 |
| | | **1,932.00** | 1,900.3 |
| **Total assets** | | **7,814.4** | 6,872.6 |
| | | | |
| **Equity and liabilities** | | | |
| **Attributable to the equity holders of the Company** | | | |
| Issued capital | 7 | **4,682.0** | 4,236.0 |
| Foreign currency translation reserves | | **–** | (0.4) |
| Retained earnings | | **3,033.2** | 2,570.1 |
| **Total equity** | | **7,715.2** | 6,805.7 |
| **Non-current liabilities** | | | |
| Expected credit loss provision on unfunded loan commitments | 4 | **0.7** | 1.2 |
| Long-term lease liability | 22 | **9.1** | 12.4 |
| Deferred government grant income | 20 | **7.1** | – |
| | | **16.9** | 13.6 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **52.2** | 46.4 |
| Forward foreign exchange contracts (FFECs) | 8 | **17.9** | 0.2 |
| Expected credit loss provision on unfunded loan commitments | 4 | **8.6** | 3.0 |
| Short-term lease liability | 22 | **3.6** | 3.7 |
| | | **82.3** | 53.3 |
| **Total liabilities** | | **99.2** | 66.9 |
| **Total equity and liabilities** | | **7,814.4** | 6,872.6 |

Notes 1 to 27 form part of the financial statements.
The accounts were approved by the members of the Board on 14 April 2022 and were signed on their behalf by:

*Nick O'Donohoe*
*Chief Executive*

*Carolyn Sims*
*Chief Financial Officer*
*and Chief Operating Officer*

# Consolidated Statement of Comprehensive Income
## For the 12 months to 31 December

| | Notes | 2021 Total £m | 2020 Total £m |
|---|---|---|---|
| Investment income | 9 | **110.3** | 98.1 |
| Fair value gains/(losses) on equity investments | 3 | **495.6** | (144.2) |
| Fair value losses on loan investments | 4 | **(31.6)** | (20.2) |
| Fair value and expected credit losses on guarantees | 5 | **(2.6)** | (3.4) |
| Expected credit loss on unfunded loan commitments | 4 | **(5.1)** | (4.2) |
| Foreign exchange gains/(losses) on equity investments | 3, 11 | **19.2** | (103.7) |
| Foreign exchange gains/(losses) on loan investments | 4, 11 | **6.5** | (46.9) |
| Foreign exchange gains/(losses) on guarantees | 5, 11 | **0.1** | (12.6) |
| Government grant income | 20 | **–** | – |
| Other income | 9 | **12.6** | 14.2 |
| Foreign exchange differences (FFECs) | 11 | **(21.3)** | 40.3 |
| Administrative and other expenses | 10 | **(116.3)** | (110.7) |
| Profit/(loss) from operations before tax and finance costs | | **467.4** | (293.3) |
| Finance costs | | **(0.2)** | (0.3) |
| Finance income | | **0.4** | 1.3 |
| Foreign exchange differences (cash and cash equivalents) | 11 | **(2.7)** | 9.5 |
| **Profit/(loss) from operations before tax** | | **464.9** | (282.8) |
| Income tax expense | 12 | **(2.8)** | (1.3) |
| **Profit/(loss) for the year** | | **462.1** | (284.1) |
| *Items that will not be reclassified to profit and loss (net of tax):* | | | |
| Recognised actuarial gain on pensions | 17 | **1.0** | 2.1 |
| *Items that will be reclassified to profit and loss (net of tax):* | | | |
| Foreign currency translation reserves | | **0.4** | (0.2) |
| **Other comprehensive income** | | **1.4** | 1.9 |
| Total comprehensive profit/(loss) for the year | | **463.5** | (282.2) |

Notes 1 to 27 form part of the financial statements.

# Consolidated Statement of Cash Flows
## For the 12 months to 31 December

| | Notes | 2021 £m | 2020 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) from operations before tax | | **464.9** | (282.8) |
| Adjustments for: | | | |
| Depreciation of plant and equipment | 13 | **4.9** | 4.4 |
| Amortisation of intangible asset | 14 | **0.4** | 0.2 |
| Finance income | | **(0.4)** | (1.3) |
| Dividend income | | **(16.0)** | (8.9) |
| Finance costs | | **0.2** | 0.3 |
| Change in fair value of equity investments | 3 | **(495.6)** | 144.2 |
| Change in fair value of loan investments | 4 | **31.6** | 20.2 |
| Fair value and expected credit losses on guarantees | 5 | **2.6** | 3.4 |
| Defined benefit pension costs | 10 | **1.0** | 2.1 |
| Expected credit loss on unfunded loan commitments | 4 | **5.1** | 4.2 |
| Deferred government grant income | 20 | **7.1** | – |
| Effect of exchange rate fluctuations on non FFEC transactions | | **(22.4)** | 153.7 |
| **Cash flows from operations before changes in working capital** | | **(16.6)** | 39.7 |
| (Increase)/decrease in trade and other receivables | | **(23.1)** | 5.3 |
| Increase/(decrease) in derivative financial instruments | | **57.5** | (25.9) |
| Increase in trade and other payables | | **5.8** | 10.9 |
| **Cash flows from operations** | | **23.6** | 30.0 |
| Finance costs | | **(0.2)** | (0.3) |
| Taxes paid | | **(2.9)** | (1.2) |
| **Cash flows from operating activities** | | **20.5** | 28.5 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of equity investments | 3 | **428.5** | 278.3 |
| Acquisition of equity investments | 3 | **(642.2)** | (455.2) |
| Acquisition of plant and equipment | | **(1.1)** | – |
| Acquisition of intangible asset | 14 | **(2.6)** | – |
| Finance income | | **0.4** | 1.3 |
| Investment transfers | | **3.9** | – |
| Dividend income | | **16.0** | 8.9 |
| Loan advances | 4 | **(459.2)** | (567.8) |
| Loan repayments | 4 | **203.5** | 72.5 |
| Guarantee advances | 5 | **(167.3)** | (208.4) |
| Guarantee repayments | 5 | **205.9** | 57.2 |
| **Cash flows from investing activities** | | **(414.2)** | (813.2) |
| **Cash flows from financing activities** | | | |
| Proceeds from promissory notes | | **650.0** | 886.0 |
| Lease payments | 24 | **(3.7)** | (3.7) |
| **Cash flows from financing activities** | | **646.3** | 882.3 |
| **Net increase in cash and cash equivalents** | | **252.6** | 97.6 |
| Effect of foreign exchange rate changes | | **(2.6)** | 9.5 |
| Cash and cash equivalents at 1 January | | **456.3** | 349.2 |
| **Cash and cash equivalents at 31 December** | 6 | **706.3** | 456.3 |

Notes 1 to 27 form part of the financial statements.

# Consolidated Statement of Changes in Equity
## For the 12 months to 31 December

| | Notes | Share capital £m | Recognised actuarial (loss)/gain on pensions £m | Foreign currency translation reserves £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|
| At 1 January 2020 | | 3,586.0 | (1.4) | (0.2) | 2,853.5 | 6,437.9 |
| Loss for the year | | – | – | – | (284.1) | (284.1) |
| Other comprehensive income for the year | | – | 2.1 | (0.2) | – | 1.9 |
| Total comprehensive loss for the year | | – | 2.1 | (0.2) | (284.1) | (282.2) |
| Issue of ordinary shares | 7 | 650.0 | – | – | – | 650.0 |
| **At 31 December 2020** | | 4,236.0 | 0.7 | (0.4) | 2,569.4 | 6,805.7 |
| **Changes in equity for 2021** | | | | | | |
| Profit for the year | | **–** | **–** | **–** | **462.1** | **462.1** |
| Other comprehensive income for the year | | **–** | **1.0** | **0.4** | **–** | **1.4** |
| **Total comprehensive profit for the year** | | **–** | **1.0** | **0.4** | **462.1** | **463.5** |
| Issue of ordinary shares | 7 | **446.0** | **–** | **–** | **–** | **446.0** |
| **At 31 December 2021** | | **4,682.0** | **1.7** | **–** | **3,031.5** | **7,715.2** |

# Company Statement of Changes in Equity
## For the 12 months to 31 December

| | Notes | Share capital £m | Recognised actuarial (loss)/gain on pensions £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|
| At 1 January 2020 | | 3,586.0 | (1.4) | 2,853.3 | 6,437.9 |
| Loss for the year | | – | – | (284.3) | (284.3) |
| Other comprehensive income for the year | | – | 2.1 | – | 2.1 |
| Total comprehensive loss for the year | | – | 2.1 | (284.3) | (282.2) |
| Issue of ordinary shares | 7 | 650.0 | – | – | 650.0 |
| **At 31 December 2020** | | 4,236.0 | 0.7 | 2,569.0 | 6,805.7 |
| **Changes in equity for 2021** | | | | | |
| Profit for the year | | **–** | **–** | **462.5** | **462.5** |
| Other comprehensive income for the year | | **–** | **1.0** | **–** | **1.0** |
| **Total comprehensive profit for the year** | | **–** | **1.0** | **462.5** | **463.5** |
| Issue of ordinary shares | 7 | **446.0** | **–** | **–** | **446.0** |
| **At 31 December 2021** | | **4,682.0** | **1.7** | **3,031.5** | **7,715.2** |

Notes 1 to 27 form part of the financial statements.

# Company Statement of Financial Position
## As at 31 December

| Assets | Notes | 2021 £m | 2020 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | 13 | **12.6** | 16.2 |
| Intangible asset | 14 | **2.4** | 0.2 |
| Equity investments at FVTPL | 3 | **4,565.3** | 3,878.2 |
| Loan investments at FVTPL | 4 | **1,209.5** | 941.3 |
| Guarantees | 5 | **97.9** | 139.0 |
| | | **5,887.7** | 4,974.9 |
| **Current assets** | | | |
| Trade and other receivables | 15 | **309.2** | 284.1 |
| Note receivable | 24 | **901.0** | 1,105.0 |
| Forward foreign exchange contracts (FFECs) | 8 | **15.3** | 55.1 |
| Cash and cash equivalents | 6 | **698.3** | 452.0 |
| | | **1,923.8** | 1,896.2 |
| **Total assets** | | **7,811.5** | 6,871.1 |
| | | | |
| **Equity and liabilities** | | | |
| Issued capital | 7 | **4,682.0** | 4,236.0 |
| Retained earnings | | **3,033.2** | 2,569.7 |
| **Total equity** | | **7,715.2** | 6,805.7 |
| **Non-current liabilities** | | | |
| Expected credit loss provision on unfunded loan commitments | 4 | **0.7** | 1.2 |
| Long-term lease liability | 22 | **8.0** | 11.2 |
| Deferred government grant income | 20 | **7.1** | – |
| | | **15.8** | 12.4 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **50.7** | 46.4 |
| Forward foreign exchange contracts (FFECs) | 8 | **17.9** | 0.2 |
| Expected credit loss provision on unfunded loan commitments | 4 | **8.6** | 3.0 |
| Short-term lease liability | 22 | **3.3** | 3.4 |
| | | **80.5** | 53.0 |
| **Total liabilities** | | **96.3** | 65.4 |
| **Total equity and liabilities** | | **7,811.5** | 6,871.1 |

Notes 1 to 27 form part of the financial statements.
The accounts were approved by the members of the Board on 14 April 2022 and were signed on their behalf by:

*Nick O'Donohoe*
*Chief Executive*

*Carolyn Sims*
*Chief Financial Officer*
*and Chief Operating Officer*

# Company Statement of Comprehensive Income
## For the 12 months to 31 December

| | Notes | 2021 Total £m | 2020 Total £m |
|---|---|---|---|
| Investment income | 9 | **110.3** | 98.1 |
| Fair value gains/(losses) on equity investments | 3 | **497.7** | (142.4) |
| Fair value losses on loan investments | 4 | **(31.6)** | (20.2) |
| Fair value and expected credit losses on guarantees | 5 | **(2.6)** | (3.4) |
| Expected credit loss on unfunded loan commitments | 4 | **(5.1)** | (4.2) |
| Foreign exchange gains/(losses) on equity investments | 3, 11 | **19.2** | (103.9) |
| Foreign exchange gains/(losses) on loan investments | 4, 11 | **6.5** | (46.9) |
| Foreign exchange gains/(losses) on guarantees | 5, 11 | **0.1** | (12.6) |
| Government grant income | 20 | **–** | – |
| Other income | 9 | **12.2** | 13.6 |
| Foreign exchange differences (FFECs) | 11 | **(21.3)** | 40.3 |
| Administrative and other expenses | 10 | **(118.1)** | (112.8) |
| **Profit/(loss) from operations before tax and finance costs** | | **467.3** | (294.4) |
| Finance costs | | **(0.2)** | (0.3) |
| Finance income | | **0.3** | 1.2 |
| Foreign exchange differences (cash and cash equivalents) | 11 | **(2.6)** | 9.8 |
| **Profit/(loss) from operations before tax** | | **464.8** | (283.7) |
| Income tax expense | 12 | **(2.3)** | (0.6) |
| **Profit/(loss) for the year** | | **462.5** | (284.3) |
| *Items that will not be reclassified to profit and loss:* | | | |
| **Other comprehensive income (net of tax)** | | | |
| Recognised actuarial gain on pensions | 17 | **1.0** | 2.1 |
| **Total comprehensive profit/(loss) for the year** | | **463.5** | (282.2) |

Notes 1 to 27 form part of the financial statements.

# Company Statement of Cash Flows
## For the 12 months to 31 December

| | Notes | 2021 £m | 2020 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss from operations before tax | | **464.8** | (283.7) |
| Adjustments for: | | | |
| Depreciation of plant and equipment | 13 | **4.4** | 3.9 |
| Amortisation of intangible asset | 14 | **0.4** | 0.1 |
| Finance income | | **(0.3)** | (1.3) |
| Dividend income | | **(16.0)** | (8.9) |
| Finance costs | | **0.2** | 0.3 |
| Change in value of equity investments | 3 | **(497.7)** | 142.4 |
| Change in value of loan investments | 4 | **31.6** | 20.2 |
| Fair value and expected credit losses on guarantees | 5 | **2.6** | 3.4 |
| Defined benefit pension costs | 10 | **1.0** | 2.1 |
| Expected credit loss on unfunded loan commitments | 4 | **5.1** | 4.2 |
| Deferred government grant income | 20 | **7.1** | – |
| Effect of exchange rate fluctuations on non FFEC transactions | | **(23.1)** | 153.9 |
| **Cash flows from operations before changes in working capital** | | **(19.9)** | 36.6 |
| (Increase)/decrease in trade and other receivables | | **(22.7)** | 4.4 |
| Increase/(decrease) in derivative financial instruments | | **57.5** | (25.9) |
| Increase in trade and other payables | | **4.3** | 12.0 |
| **Cash flows from operations** | | **19.2** | 27.1 |
| Finance cost | | **(0.2)** | (0.3) |
| Taxes paid | | **(2.3)** | (0.6) |
| **Cash flows from operating activities** | | **16.7** | 26.2 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of equity investments | 3 | **428.5** | 278.3 |
| Acquisition of equity investments | 3 | **(642.6)** | (455.2) |
| Acquisition of plant and equipment | | **(0.8)** | – |
| Acquisition of intangible asset | 14 | **(2.6)** | – |
| Finance income | | **0.3** | 1.3 |
| Investment transfers | | **3.9** | – |
| Dividend income | | **16.0** | 8.9 |
| Loan advances | 4 | **(459.2)** | (567.8) |
| Loan repayments | 4 | **203.5** | 72.5 |
| Guarantee advances | 5 | **(167.3)** | (208.4) |
| Guarantee repayments | 5 | **205.9** | 57.2 |
| **Cash flows from investing activities** | | **(414.4)** | (813.2) |
| **Cash flows from financing activities** | | | |
| Lease payments | 24 | **(3.4)** | (3.3) |
| Proceeds from promissory notes | | **650.0** | 886.0 |
| **Cash flows from financing activities** | | **646.6** | 882.7 |
| **Net increase in cash and cash equivalents** | | **248.9** | 95.7 |
| Effect of foreign exchange rate changes | | **(2.6)** | 9.8 |
| Cash and cash equivalents at 1 January | | **452.0** | 346.5 |
| **Cash and cash equivalents at 31 December** | 6 | **698.3** | 452.0 |

Notes 1 to 27 form part of the financial statements.

# Notes to the accounts

## 1. Corporate information and accounts preparation

**Corporate information**

CDC Group plc was renamed as British International Investment plc on 4 April 2022. The financial statements of British International Investment plc (BII or the 'Company') for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 14 April 2022. BII is a limited company incorporated in England and Wales whose shares are not publicly traded. The Group's primary activity is investing in emerging markets.
More details on BII's primary activities can be found on pages 6 and 7 of the Strategic and Directors' Report and page 84 of the Governance Reports. Both the Company and some of the Group's subsidiaries make investments.

**Statement of compliance**

The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and as adopted by the UK.

**Basis of preparation**

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and other financial instruments that have been presented and measured at fair value in accordance with relevant accounting standards. The financial statements are presented on a going concern basis and in Pounds Sterling, which is the Company's functional currency. All values are rounded to the nearest one hundred thousand pounds except where otherwise indicated.

**Going concern**

BII's business activities are set out in the Strategic and Directors' Report on pages 6 and 7 and these financial statements include information on BII's approach to managing its financial risk and its exposures to liquidity, credit and market risk.

BII is well capitalised with equity share capital of £4,682.0 million and retained earnings of £3,033.2 million. At 31 December 2021, net assets were £7,715.2 million including cash and short-term deposits of £722.7 million (including non-consolidated subsidiaries), and promissory notes receivable of £901.0 million. Additionally, BII has access to a £443.4 million ($600.0 million) revolving credit facility (RCF) via a wholly owned non-consolidated subsidiary. Long-term liabilities mostly comprise outstanding investment commitments of £2,611.7 million and investment pace in 2022 is expected to be in the region of £1.5 billion ($2.0 billion).

Regular cash flow forecasts are prepared by management and considered by the Directors. Current forecasts demonstrate there are sufficient liquid resources to maintain planned investment pace until the end of 2023 without needing to call on the RCF. Liquidity risk ratios to monitor the commitment cover ratio and cash/NAV ratio are regularly reviewed and both ratios are currently being satisfied.

Having performed the assessment on going concern, the Directors consider it appropriate to prepare the financial statements of the Group and Company on a going concern basis. The Group has adequate financial resources and liquidity, and is well placed to manage business risks in the current economic environment to continue operations for a period of at least 12 months from the date of issue of the financial statements.

**Key sources of estimation uncertainty and critical accounting judgements**

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised. The area on which the most significant estimates and judgements are made is on the fair value of equity and debt investments. The Group's fair value methodologies for equity investments are disclosed in note 26.

### Key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires the use of estimates. The key accounting estimates are the carrying value of our investment assets, which are stated at fair value.

Given the importance of the valuation of investments, BII has a separate Valuations Steering Committee to discuss and review the valuation of its portfolio. However, asset valuations for unquoted investments are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate such as trading multiples, discount rates and assumptions in expected cashflows.

There is heightened uncertainty around valuations given the impact of COVID and its impact on global economies. As a result the Valuations Steering Committee specifically considered the impact of COVID on the valuations as at year end for each investment.

For more information refer to note 3, note 4 and note 5.

## Critical accounting judgements

The preparation of financial statements in accordance with IFRS requires management to exercise judgement in applying relevant accounting policies.

The key area involving a higher degree of judgement or complexity, where assumptions are significant to the consolidated and individual financial statements, is meeting the definition of an investment entity.

There is a risk that if the judgement exercised, or the estimates or assumptions used, subsequently turn out to be incorrect, this could result in material gains or losses to the Group, beyond what was anticipated or provided for.

Further development of standards and interpretations under IFRS could also materially impact the financial results, conditions and prospects of BII.

In the process of applying the accounting policies, BII has made the following judgement which has a significant effect on the amounts recognised in the financial statements:

**Assessment as investment entity**

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services.
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

BII's purpose is to invest for capital appreciation and investment income so as to contribute to sustainable development and economic growth in Africa and South Asia by creating lasting employment.

BII has one investor, FCDO (previously DFID). Its funds are provided by FCDO in the form of share capital with the intention that BII provides investment management services by using those funds to invest in developing countries through a mixture of direct investment and fund of funds private equity structures.

BII's mission is to invest to support the growth of all sizes of private sector businesses from the micro level right up to the largest because it believes that a balanced private sector is necessary for economic development and robust job creation. In addition to creating jobs, BII intends to demonstrate that it is possible to invest successfully in challenging environments, thereby attracting other sources of capital including, in time, fully commercial capital. Whilst BII's mission statement does not explicitly state that BII commits to investing for capital return and/or investment income, the nature of the investments made by BII and its track record in recent years indicate that investments are being made on this basis. The core remit of all investments is that capital appreciation and investment income will be earned, alongside a sustainable return in the countries within which they are investing. Moreover, BII currently invests in a range of large and mid-market private equity houses which are clearly focused on such capital appreciation. These houses have a diverse range of investors including high net worth individuals, financial institutions and other fund of fund investors, each of whom is investing for capital appreciation and investment income.

BII also seeks to demonstrate that it is possible to invest successfully in challenging environments, thereby attracting other sources of capital. BII therefore plans a path to investment exit and a new ownership that will take the investment to its next level, as successful exits from investments have this demonstration effect.

BII manages, measures and reports its investment portfolio of over 400 investments at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018). Whilst BII has one investor, the nature of the investor, being the UK Government, is such that it is in effect investing on behalf of the UK taxpayer.

On the basis of the above, BII has concluded that it meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

# Notes to the accounts continued

## 1. Corporate information and accounts preparation continued

**Consolidation**

### Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries which provide services and are not themselves investment entities (non-investment subsidiaries), for the year ended 31 December 2021. The financial statements of subsidiaries are prepared for the same reporting year as the Company. Consistent accounting policies are applied, with adjustments being made to bring into line any dissimilar accounting policies. Full details of the principal subsidiaries are given in note 27.

Subsidiaries are all entities over which the Company has control. Control is defined as the rights to direct relevant activities of an entity so as to obtain benefits from its activities. This generally results from a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether the Company controls another entity.

Non-investment subsidiaries are fully consolidated from the date on which control passes to the Company and consolidation ceases from the date that control ends. All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, are eliminated in full on consolidation.

All investment entity subsidiaries are accounted for at fair value through profit and loss.

### Associates

Associates are entities which the Group has significant influence over, but does not control, generally accompanied by a shareholding of between 20 per cent and 50 per cent of the voting rights.

No associates are presented in the consolidated statement of financial position as the Group elects to hold such investments as fair value financial assets. This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by entities that are akin to venture capital organisations to be excluded from its measurement methodology where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9 Financial Instruments. Changes in fair value are recognised in the Statement of Comprehensive Income for the period.

### Foreign currency translation

Items included in the financial statements of each of the Group's non-investment subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Group's functional and presentational currency is Pounds Sterling.

Foreign currency transactions are translated into the functional currency of the underlying reporting entity using the exchange rate prevailing at the date of the transaction. Assets and liabilities are retranslated at spot rates at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of assets and liabilities denominated in foreign currencies at the year-end exchange rate are recognised in the Statement of Comprehensive Income.

The results and financial position of all non-investment subsidiaries that have a functional currency different from the reporting currency of the Group are translated into the presentation currency as follows:

+ Assets and liabilities: Closing rate at the date of the statement of financial position.
+ Income and expenses: Average rate.
+ Cash flows: Average rate.

Resulting exchange differences on translation of subsidiary financial statements are taken to a currency translation reserve as a separate component of equity. Upon disposal of subsidiaries, the related exchange gains and losses are taken to the statement of comprehensive income.

A summary of other significant accounting policies can be found in note 26.

## 2. Operating segments analysis

Operating segments are the components of the entity whose results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

BII operates in one segment. The Group's Chief Executive, who is the chief operating decision maker, monitors the overall operating results of the business for the purpose of making decisions and assessing performance. The business targets an annual commitment level across all product types with no capital or funding allocation given for different product types. BII's operating segment is internally reported to the Group's Chief Executive and reviewed at least quarterly.

Information related to the operating segment is set out below. Portfolio return is used to measure performance because management believes that this information is the most relevant in evaluating the results of the operating segment.

| | 2021 £m | 2020 £m |
|---|---|---|
| Portfolio return | **584.4** | (173.9) |
| Assets – Portfolio value | **6,011.1** | 5,222.5 |

**Reconciliation to Financial Performance Report**

Within the management reports, the results of which are shown in the Financial Performance Report on pages 8 to 12, BII consolidates investment entity subsidiaries acting as investment holding companies in order to track the underlying performance and financial position of BII. This does not impact these subsidiaries' investment entity status under IFRS 10. In the primary statements, these investment entity subsidiaries are not consolidated but are held as investments at fair value. The results in the management reports give the same total return and net assets as the primary statements but give rise to differences in classification. The classification differences relate mainly to portfolio, cash and cash flows. Forward foreign exchange contracts relating to the investment portfolio are included in portfolio return and portfolio value in the management reports.

**Statement of comprehensive income**

| | | | Reconciling items | | |
|---|---|---|---|---|---|
| | Notes | Primary statements 2021 £m | Reclassify portfolio items 2021 £m | Other items and reclassifications 2021 £m | Management reports 2021 £m |
| Portfolio return | 3,4,5&9* | **597.5** | **(13.1)** | **–** | **584.4** |
| Administrative expenses/operating costs | 10 | **(116.3)** | **–** | **4.8** | **(111.5)** |
| Other net (expense)/income | | **(17.9)** | **13.1** | **(4.6)** | **(9.4)** |
| Finance costs | | **(0.2)** | **–** | **0.2** | **–** |
| Finance income | | **0.4** | **–** | **(0.4)** | **–** |
| **Total comprehensive income/total return after tax** | | **463.5** | **–** | **–** | **463.5** |

| | | 2020 £m | 2020 £m | 2020 £m | 2020 £m |
|---|---|---|---|---|---|
| Portfolio return | 3,4,5&9* | (232.9) | 59.0 | – | (173.9) |
| Administrative expenses/operating costs | 10 | (109.7) | – | 2.4 | (107.3) |
| Other net income/(expense) | | 59.4 | (59.0) | (1.4) | (1.0) |
| Finance costs | | (0.3) | – | 0.3 | – |
| Finance income | | 1.3 | – | (1.3) | – |
| Total comprehensive loss/total return after tax | | (282.2) | – | – | (282.2) |

* Portfolio return per the primary statements is the aggregate of the increase/(decrease) in fair value and foreign exchange of equity and debt investments in note 3 and 4, fair value and expected credit losses and foreign exchange of guarantees in note 5 and total investment income in note 9.

# **Notes to the accounts** continued

## 2. Operating segments analysis continued

### Statement of financial position

| | Notes | Primary statements 2021 £m | Reconciling items: Reclassify portfolio items 2021 £m | Reconciling items: Other items and reclassifications 2021 £m | Management reports 2021 £m |
|---|---|---|---|---|---|
| Portfolio value | 3,4&5* | **6,108.8** | **(6.2)** | **(91.6)** | **6,011.0** |
| Net cash and short-term deposits | 6 | **706.3** | **–** | **16.4** | **722.7** |
| Other net assets/(liabilities) | | **900.1** | **6.2** | **75.2** | **981.5** |
| **Total net assets attributable to equity holders of the Company** | | **7,715.2** | **–** | **–** | **7,715.2** |

| | Notes | 2020 £m | 2020 £m | 2020 £m | 2020 £m |
|---|---|---|---|---|---|
| Portfolio value | 3,4&5* | 5,192.1 | 58.4 | (28.0) | 5,222.5 |
| Net cash and short-term deposits | 6 | 456.3 | – | 12.7 | 469.0 |
| Other net assets/(liabilities) | | 1,157.3 | (58.4) | 15.3 | 1,114.2 |
| Total net assets attributable to equity holders of the Company | | 6,805.7 | – | – | 6,805.7 |

* Portfolio per the primary statements is the aggregate of equity investments in note 3, the total of current and non-current loan investments in note 4 and guarantees in note 5.

### Statement of cash flows

| | Primary statements 2021 £m | Reconciling items: Reclassify portfolio items 2021 £m | Reconciling items: Other items and reclassifications 2021 £m | Management reports 2021 £m |
|---|---|---|---|---|
| Portfolio drawdowns | **(1,268.7)** | **72.5** | **(88.8)** | **(1,285.0)** |
| Portfolio receipts | **837.9** | **184.4** | **45.2** | **1,067.5** |
| Net investment flows | **(430.8)** | **256.9** | **(43.6)** | **(217.5)** |
| Other cash flows | **680.8** | **(256.9)** | **47.3** | **471.2** |
| **Net increase in cash and cash equivalents** | **250.0** | **–** | **3.7** | **253.7** |

| | 2020 £m | 2020 £m | 2020 £m | 2020 £m |
|---|---|---|---|---|
| Portfolio drawdowns | (1,231.4) | – | (7.4) | (1,238.8) |
| Portfolio receipts | 408.0 | 97.5 | 37.9 | 543.4 |
| Net investment flows | (823.4) | 97.5 | 30.5 | (695.4) |
| Other cash flows | 930.5 | (97.5) | (17.6) | 815.4 |
| Net increase in cash and cash equivalents | 107.1 | – | 12.9 | 120.0 |

### Geographic information

The following tables show the distribution of BII's portfolio return allocated based on the region of the investments.

| | Notes | Africa 2021 £m | South Asia 2021 £m | Rest of World 2021 £m | Multi-region[†] 2021 £m | Total 2021 £m |
|---|---|---|---|---|---|---|
| Portfolio return | 3,4,5&9* | **216.0** | **342.9** | **2.6** | **36.0** | **597.5** |

| | Notes | 2020 £m | 2020 £m | 2020 £m | 2020 £m | 2020 £m |
|---|---|---|---|---|---|---|
| Portfolio return | 3,4,5&9* | (184.3) | (42.3) | 15.3 | (21.6) | (232.9) |

* Portfolio return is the aggregate of the increase/(decrease) in fair value and foreign exchange of equity and debt investments in note 3 and 4, fair value and expected credit losses and foreign exchange of guarantees in note 5 and total investment income in note 9.
† Multi-region includes investments which span across all three of the other geographic segments.

## 3. Equity investments

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **Listed shares 2021 £m** | **Unlisted shares 2021 £m** | **Total 2021 £m** | **Listed shares 2020 £m** | **Unlisted shares 2020 £m** | **Total 2020 £m** |
| At 1 January, at fair value | **357.0** | **3,516.3** | **3,873.3** | 502.3 | 3,434.1 | 3,936.4 |
| Additions | **–** | **642.2** | **642.2** | 12.7 | 442.5 | 455.2 |
| Disposals | **(94.4)** | **(334.1)** | **(428.5)** | (63.2) | (215.1) | (278.3) |
| Transfers | **–** | **(43.9)** | **(43.9)** | 7.6 | 0.3 | 7.9 |
| Fair value gains/(losses) | **93.2** | **402.4** | **495.6** | (100.5) | (43.7) | (144.2) |
| Foreign exchange (losses)/gains | **(13.9)** | **33.1** | **19.2** | (1.9) | (101.8) | (103.7) |
| **At 31 December, at fair value** | **341.9** | **4,216.0** | **4,557.9** | 357.0 | 3,516.3 | 3,873.3 |

| | Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Listed shares 2021 £m** | **Unlisted shares 2021 £m** | **Shares held in Group companies* 2021 £m** | **Total 2021 £m** | **Listed shares 2020 £m** | **Unlisted shares 2020 £m** | **Shares held in Group companies* 2020 £m** | **Total 2020 £m** |
| At 1 January, at fair value | **357.0** | **3,516.3** | **4.9** | **3,878.2** | 502.3 | 3,434.1 | 3.3 | 3,939.7 |
| Additions | **–** | **642.2** | **0.4** | **642.6** | 12.7 | 442.5 | – | 455.2 |
| Disposals | **(94.4)** | **(334.1)** | **–** | **(428.5)** | (63.2) | (215.1) | – | (278.3) |
| Transfers | **–** | **(43.9)** | **–** | **(43.9)** | 7.6 | 0.3 | – | 7.9 |
| Fair value gains/(losses) | **93.2** | **402.4** | **2.1** | **497.7** | (100.5) | (43.7) | 1.8 | (142.4) |
| Foreign exchange (losses)/gains | **(13.9)** | **33.1** | **–** | **19.2** | (1.9) | (101.8) | (0.2) | (103.9) |
| **At 31 December, at fair value** | **341.9** | **4,216.0** | **7.4** | **4,565.3** | 357.0 | 3,516.3 | 4.9 | 3,878.2 |

* Amounts represent consolidated subsidiaries only.

Fair value gains/(losses) on equity instruments comprises:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **Listed shares 2021 £m** | **Unlisted shares 2021 £m** | **Total 2021 £m** | **Listed shares 2020 £m** | **Unlisted shares 2020 £m** | **Total 2020 £m** |
| Realised fair value gains/(losses) | **37.0** | **14.3** | **51.3** | (41.9) | 45.2 | 3.3 |
| Unrealised fair value gains/(losses) | **56.2** | **388.1** | **444.3** | (58.6) | (88.9) | (147.5) |
| **Fair value gains/(losses) on equity instruments** | **93.2** | **402.4** | **495.6** | (100.5) | (43.7) | (144.2) |

# **Notes to the accounts** continued

## **3. Equity investments** continued

| | Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Listed shares 2021 £m** | **Unlisted shares 2021 £m** | **Shares held in Group companies* 2021 £m** | **Total 2021 £m** | **Listed shares 2020 £m** | **Unlisted shares 2020 £m** | **Shares held in Group companies* 2020 £m** | **Total 2020 £m** |
| Realised fair value gains/(losses) | **37.0** | **14.3** | **–** | **51.3** | (41.9) | 45.2 | – | 3.3 |
| Unrealised fair value gains/(losses) | **56.2** | **388.1** | **2.1** | **446.4** | (58.6) | (88.9) | 1.8 | (145.7) |
| **Fair value gains/(losses) on equity instruments** | **93.2** | **402.4** | **2.1** | **497.7** | (100.5) | (43.7) | 1.8 | (142.4) |

* Amounts represent consolidated subsidiaries only.

Listed shares represent Level 1 of the fair value hierarchy, unless they are valued on a basis other than the quoted price as explained in note 26. The current value of quoted investments that are included within Level 3 is £37.2 million (2020: £42.1 million). Unlisted shares are included within Level 3. BII holds no Level 2 equity investments.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period. The transfers out of Level 3 reflect the conversion of unlisted equity investments in to loan investments (note 4).

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The Group's fair value methodology for equity investments is disclosed in note 26. Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, BII uses internally developed models and methodologies based on inputs that are unobservable to derive the fair value.

BII's governance framework includes a number of controls to ensure that investments are valued and reported in a manner that enables BII to produce financial statements that represent a true and fair view. Level 3 valuations are reviewed on a quarterly basis by BII's Valuation Steering Committee. The Committee considers the appropriateness of the valuation model inputs, as well as the valuation results, using various valuation methods and techniques generally recognised as standard within the industry.

Level 3 equity investments amount to £4,216.0 million (2020: £3,516.3 million) and consist of private equity positions. Included in Level 3 equity investments are investments into private equity funds which are valued using BII's attributable proportion of the reported fund net asset value which is derived from the fair value of the underlying investments. The current value of such investments is £2,082.5 million (2020: £1,808.6 million).

### **Valuation uncertainty**

Valuation uncertainty arises in BII's direct equity investments because they are valued based on unobservable inputs. The valuation techniques that require significant unobservable inputs are the net present value of estimated future cash flows, comparable trading multiples and net asset value.

Fossil fuel assets are exposed to a particular set of financial risks driven by the ongoing decarbonisation of the economy. Most of BII's equity investments are contractually-insulated from direct transition risks and currently see a relatively liquid market, thus having limited exposure to direct cash flow risk. Revenue and cost impacts from policy shifts, reduction in demand, and taxes are usually considered in the estimated future cash flows where relevant. Potential changes in investor appetite remains the primary valuation uncertainty for longer-maturity assets which does not seem to be priced at this time given the importance of these assets to the economies BII invests in.

### Discounted cash flows

£736.1 million (2020: £558.9 million) of BII's equity investments are valued using the net present value of estimated future cash flows. This approach is mostly based on unobservable inputs, where the reliability of any measurement depends on the quality of, support for, the assumptions used to form the cash flow projections. The discount rates adopted by BII are supported by the Capital Asset Pricing Model framework adjusted for differences in country, sector, size and project-specific risk, such as construction and technology risk. Other than the expected cash flow projections, the significant unobservable inputs in the discount rate include cost of equity, weighted average cost of capital, and capitalisation rates.

### Trading multiples

£882.5 million (2020: £471.5 million) of BII's equity investments are valued using market-based multiples, reflected in market valuations of quoted companies or similar transactions. Management determines the set of comparable companies based on various factors, such as industry, size, country of operations, developmental stage and strategy. Management adjusts the multiple of each comparable company for differences in risk and growth prospects, liquidity, and control.

The significant unobservable inputs used in the market approach are EBITDA multiples, price/book multiples and revenue multiples.

### Net Asset Value

£2,450.6 million of BII's equity investments are valued using the net asset value (NAV) approach, where the value is derived by reference to the fair value of the company's net assets. BII uses this method for going concern valuations of fund investments and non-consolidated subsidiaries. The selection of the Fund Manager and the consideration to invest in a Fund follow an extensive due diligence process where the Fund Manager's valuation approach, estimation procedures, and consistency of application is gathered via initial due diligence. Based on these considerations, BII relies on the Fund Manager's reported NAV and accepts their valuations subject to internal review.

This method is also used to value loss-making companies and companies in liquidation.

### Valuation inputs and sensitivity analysis to significant changes in the unobservable inputs

| Description | Fair value at 31 December 2021 £m | Valuation technique | Unobservable inputs | Weighted average input | Reasonable possible shift +/- (absolute value) | Change in valuation £m |
|---|---|---|---|---|---|---|
| Global equity securities | **882.5** | Comparable trading multiples | EBITDA multiple | 11.9x | 15.0% | +78.5<br>-78.5 |
| | | | Price/book multiple | 1.7x | 15.0% | +27.9<br>-27.9 |
| | | | Revenue multiple | 4.1x | 15.0% | +35.0<br>-35.0 |
| Global equity securities | **736.1** | DCF | Discount rate | 11.7% | 3.0% | +231.0<br>-151.0 |
| Intermediated equity and non-consolidated subsidiaries | **2,450.6** | Net asset value | | | 10.0% | +245.0<br>-245.0 |
| Global equity securities | **114.5** | Guaranteed IRR | | | | – |
| | **32.3** | Other | | | | – |
| **TOTAL** | **4,216.0** | | | | | +617.4<br>-537.4 |

The fair value hierarchy also applies to forward foreign exchange contracts; see note 8 for further details.

The Group has exposure to several unconsolidated structured entities as a result of its investment activities in equity. They are limited life private equity funds or co-investments managed by general partners under a limited partnership agreement. The risk and maximum exposure to loss arising from the Group's involvement with these entities is their fair value of £1,414.7 million (2020: £1,190.1 million). The Group earned investment income of £0.9 million (2020: £1.1 million) and generated fair value gains of £126.1 million (2020: losses of £47.0 million) from these entities during the year.

# Notes to the accounts continued

## 4. Loan investments

| | Group and Company 2021 £m | 2020 £m |
|---|---|---|
| At 1 January | **1,175.5** | 755.2 |
| Loan advances | **459.2** | 567.8 |
| Loan repayments | **(203.5)** | (72.5) |
| Transfers | **40.0** | (7.9) |
| Fair value (losses) | **(31.6)** | (20.2) |
| Foreign exchange gains/(losses) | **6.5** | (46.9) |
| **At 31 December** | **1,446.1** | 1,175.5 |
| Less: Loan investments due within one year (note 15) | **(236.6)** | (234.2) |
| **At 31 December** | **1,209.5** | 941.3 |

Loan investments are held at fair value through profit and loss.

BII classifies loan instruments measured at fair value under the Level 3 hierarchy: inputs that are not based on observable market data.

**Valuation uncertainty**

Valuation uncertainty arises in BII's loan investments because they are valued based on unobservable inputs. Level 3 inputs are sensitive to assumptions when ascertaining the fair value. The valuation techniques for debt instruments that require significant unobservable inputs are the net present value of estimated future cash flows.

Most of BII's debt investments are contractually-insulated from direct transition risks where offtaker willingness to pay is not affected by the fossil fuel portfolio. Potential increase in margins demanded by fossil fuel debt investors due to risk or shareholder pressure is a primary valuation uncertainty for longer-maturity assets which does not seem to be priced in the debt markets yet.

### Discounted cash flows

£1,446.1 million (2020: £1,175.5 million) of BII's loan investments are valued using the net present value of future cash flows. At the establishment of the contractual relationship (i.e. signing date or restructure date), the discount rate for a given loan investment is calibrated based on observable risk-free rate and spreads derived from a proxy curve with similar duration and credit quality. The unobservable spread is the additional risk premium over the market-derived observable inputs and the implied discount rate at signing date. At subsequent reporting periods, the inputs are adjusted based on changes in credit quality and market conditions. Management takes into account the risk, coupon, time to maturity, call risk arising from voluntary prepayment, and exit potential in estimating the fair value.

Most of BII's loan investments are valued based on the contractual cash flows defined by the amortisation schedule. Loan investments with high market and company-specific risk, as well as investments with cash sweep structures, may be valued based on estimated future cash flows. High-risk loan investments are commonly valued using scenario analysis, where additional judgement is involved in assigning probabilities.

### Valuation inputs and sensitivity analysis to significant changes in the unobservable inputs

| Description | Fair value at 31 December 2021 £m | Valuation technique | Unobservable inputs | Weighted average input | Reasonable possible shift +/- (absolute value) | Change in valuation £m |
|---|---|---|---|---|---|---|
| Loan investments at fair value through profit and loss | **1,446.1** | Discounted cash flows | Discount rate | 5.5% | +1.5% | -48.0 |
| | | | | | -1.5% | 29.1 |

**Unfunded loan commitments**
Expected credit losses are calculated for unfunded loan commitments in accordance with IFRS 9. Further details on the Group's methodology is disclosed in note 26.

The Group and Company's expected credit losses on unfunded loan commitments comprise:

| | Group and Company | |
|---|---|---|
| | 2021 £m | 2020 £m |
| Current liabilities | **8.6** | 3.0 |
| Non-current liabilities | **0.7** | 1.2 |
| **Total** | **9.3** | 4.2 |

## 5. Guarantees

| | Group and Company | | | | | |
|---|---|---|---|---|---|---|
| | Funded 2021 £m | Unfunded 2021 £m | Total 2021 £m | Funded 2020 £m | Unfunded 2020 £m | Total 2020 £m |
| At 1 January | **142.8** | **0.5** | **143.3** | 3.8 | 2.7 | 6.5 |
| Guarantee advances | **167.3** | **–** | **167.3** | 208.4 | – | 208.4 |
| Guarantee repayments | **(205.9)** | **–** | **(205.9)** | (57.2) | – | (57.2) |
| Movement in deferred income | **0.4** | **2.3** | **2.7** | 1.7 | (0.1) | 1.6 |
| Fair value and expected credit losses | **0.3** | **(2.9)** | **(2.6)** | (1.3) | (2.1) | (3.4) |
| Foreign exchange losses | **0.1** | **–** | **0.1** | (12.6) | – | (12.6) |
| **At 31 December** | **105.0** | **(0.1)** | **104.9** | 142.8 | 0.5 | 143.3 |
| Less: deferred income due within one year (note 15) | **(2.1)** | **(4.9)** | **(7.0)** | (1.7) | (2.6) | (4.3) |
| **At 31 December** | **102.9** | **(5.0)** | **97.9** | 141.1 | (2.1) | 139.0 |

Guarantees comprise funded and unfunded trade and supply chain finance risk participation agreements.

Funded guarantees are held at fair value through profit and loss and unfunded guarantees are measured using the expected credit loss model. The Group classifies guarantees under the Level 3 hierarchy: inputs that are not based on observable market data. Further details on the Group's methodology for accounting for guarantees is disclosed in note 26.

The Group and the Company had contingent liabilities in respect of unfunded risk participation agreements with a value of £430.9 million (2020: £230.9 million).

## 6. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| Cash at bank and in hand | **35.9** | 51.7 | **29.8** | 47.9 |
| Short-term deposits receivable | **670.4** | 404.6 | **668.5** | 404.1 |
| **Total cash and cash equivalents** | **706.3** | 456.3 | **698.3** | 452.0 |

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and 180 days depending on the immediate requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £706.3 million (2020: £456.3 million).

# **Notes to the accounts** continued

## 7. Issued capital

| | 2021 Number | 2021 £m | 2020 Number | 2020 £m |
|---|---|---|---|---|
| **Authorised, allotted, called up and fully paid** | | | | |
| At 1 January, ordinary shares of £1 each | **4,236,000,000** | **4,236.0** | 3,586,000,000 | 3,586.0 |
| Issued, ordinary shares of £1 each | **446,000,000** | **446.0** | 650,000,000 | 650.0 |
| **At 31 December, ordinary shares of £1 each** | **4,682,000,000** | **4,682.0** | 4,236,000,000 | 4,236.0 |

**Ordinary shares**
During the year ended 31 December 2021, the Company issued 446,000,000 ordinary shares (2020: 650,000,000 ordinary shares) to a related party; see note 24 for further details.

The number of ordinary shares reserved for issue under a subscription agreement is nil shares (2020: nil shares).

**Special rights redeemable preference share**
One special rights redeemable preference share of £1 is issued and fully paid. The ownership of the special rights redeemable preference share is restricted to the agents of the Crown. It has special rights to restrict changes to the Company's Memorandum and Articles of Association and changes to the Company's capital structure. The share otherwise carries no voting rights and no rights to share in the capital or profits of the Company.

**Parent and ultimate parent entity**
The Company's parent and ultimate parent is the Secretary of State for Foreign, Commonwealth and Development Affairs.

## 8. Forward foreign exchange contracts

Forward foreign exchange contracts (FFECs) comprise:

| | Group and Company | |
|---|---|---|
| | 2021 £m | 2020 £m |
| Gross FFECs in profit | **15.3** | 55.1 |
| Gross FFECs in loss | **(17.9)** | (0.2) |
| **Net total** | **(2.6)** | 54.9 |

In the statement of financial position, these are analysed as follows:

| | Group and Company | |
|---|---|---|
| | 2021 £m | 2020 £m |
| Current assets | **15.3** | 55.1 |
| Current liabilities | **(17.9)** | (0.2) |
| **Total** | **(2.6)** | 54.9 |

In accordance with the fair value hierarchy described in note 3, FFECs are measured using Level 2 inputs. The fair value of the FFECs at the year-end is derived from the difference between the agreed forward rate with the counterparty bank and the forward rate at the statement of financial position date. BII uses Thomson Reuters to obtain the forward rate at the statement of financial position date. There has been no change in the valuation technique used to fair value the instruments during the year.

**Contracts not designated for hedge accounting**
At 31 December 2021, the Group held 59 FFECs (2020: 59 FFECs) which were not designated for the purposes of hedge accounting, but were used to mitigate the currency effects on the Group's US dollar, Euro and Indian rupee denominated debt investments and cash balances. The tables below is presented under weighted average spot rate method.

The Group's Sterling denominated contracts comprise:

| Foreign currency | Foreign currency in millions 2021 | Weighted average spot price 2021 | 2021 £m | Foreign currency in millions 2020 | Weighted average spot price 2020 | 2020 £m |
|---|---|---|---|---|---|---|
| US dollar | **2,002.4** | **1.3544** | **1,478.4** | 1,690.7 | 1.3184 | 1,282.4 |
| Euro | **103.1** | **1.1792** | **87.4** | 81.0 | 1.1008 | 73.6 |
| Indian rupee | **32,963.9** | **101.3022** | **325.4** | 28,574.6 | 97.4538 | 293.2 |

The Group's non-Sterling denominated contracts with investment entities comprise:

| Foreign currency | Foreign currency in millions 2021 | Weighted average spot price 2021 | 2021 US$m | Foreign currency in millions 2020 | Weighted average spot price 2020 | 2020 US$m |
|---|---|---|---|---|---|---|
| Indian rupee | **19,113.7** | **75.2666** | **253.9** | 16,754.1 | 73.7140 | 227.3 |

Gains or losses arising from the movement in fair values of these FFECs are taken to the statement of comprehensive income.

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks of the Group can be found in the Financial Performance report on pages 8 to 12.

## 9. Income

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| **Investment income** | | | | |
| Interest income | **84.0** | 79.9 | **84.0** | 79.9 |
| Loan and guarantee fee income | **10.3** | 9.3 | **10.3** | 9.3 |
| Grant Income | **–** | – | **–** | – |
| Dividend income | **16.0** | 8.9 | **16.0** | 8.9 |
| **Total investment income** | **110.3** | 98.1 | **110.3** | 98.1 |
| **Other income** | | | | |
| Management fee income | **11.7** | 13.0 | **11.2** | 12.5 |
| Other operating income | **0.9** | 1.2 | **1.0** | 1.1 |
| **Total other income** | **12.6** | 14.2 | **12.2** | 13.6 |

Government grant income recognised in 2021 amounts to £5,158 (2020: £nil). See note 20 for more details.

# **Notes to the accounts** continued

## 10. Administrative and other expenses

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 £m** | **2020 £m** | **2021 £m** | **2020 £m** |
| Wages and salaries | **(49.2)** | (44.6) | **(43.4)** | (39.8) |
| Social security costs | **(7.3)** | (6.7) | **(7.3)** | (6.6) |
| Pension costs – defined benefit | **(1.0)** | (2.1) | **(1.0)** | (2.1) |
| Pension costs – defined contribution | **(5.0)** | (4.6) | **(4.5)** | (4.2) |
| Long-term Development Performance Plan (LTDPP) accrual | **(11.7)** | (10.4) | **(10.0)** | (9.0) |
| **Total employee benefits expense** | **(74.2)** | (68.4) | **(66.2)** | (61.7) |
| Professional services | **(4.1)** | (4.7) | **(3.8)** | (4.3) |
| Auditor remuneration (see below) | **(0.6)** | (0.8) | **(0.6)** | (0.7) |
| Operating leases expense | **–** | (0.6) | **–** | (0.5) |
| Other administrative expenses | **(28.9)** | (31.3) | **(39.8)** | (41.2) |
| **Total administrative expenses** | **(107.8)** | (105.8) | **(110.4)** | (108.4) |
| | | | | |
| Depreciation of plant and equipment | **(4.9)** | (4.4) | **(4.4)** | (3.9) |
| Amortisation of intangible asset | **(0.4)** | (0.2) | **(0.4)** | (0.1) |
| Other expenses | **(3.2)** | (0.3) | **(2.9)** | (0.4) |
| **Total administrative and other expenses** | **(116.3)** | (110.7) | **(118.1)** | (112.8) |

The average monthly number of Group employees during the year was 490 (2020: 460). The average monthly number of Company employees during the year was 424 (2020: 408).

The aggregate of Directors' remuneration in 2021 was £0.9 million (2020: £0.6 million). Refer to pages 79 to 82 for the Annual Report on Remuneration which gives more details on remuneration and the LTDPP.

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 £m** | **2020 £m** | **2021 £m** | **2020 £m** |
| Audit of the group financial statements | **0.5** | (0.5) | **0.5** | (0.5) |
| Audit of the consolidated subsidiaries | **–** | (0.1) | **–** | – |
| Audit related assurance services | **–** | (0.1) | **–** | (0.1) |
| Other services | **0.1** | (0.1) | **0.1** | (0.1) |
| **Total auditor remuneration** | **0.6** | (0.8) | **0.6** | (0.7) |

## 11. Net foreign exchange differences

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 £m** | **2020 £m** | **2021 £m** | **2020 £m** |
| Exchange gains/(losses) arising on equity investments | **19.2** | (103.7) | **19.2** | (103.9) |
| Exchange gains/(losses) arising on loan investments | **6.5** | (46.9) | **6.5** | (46.9) |
| Exchange gains/(losses) arising on guarantees | **0.1** | (12.6) | **0.1** | (12.6) |
| Exchange (losses)/gains arising on FFECs | **(21.3)** | 40.3 | **(21.3)** | 40.3 |
| Exchange (losses)/gains arising on cash and cash equivalents | **(2.7)** | 9.5 | **(2.6)** | 9.8 |
| **Total foreign exchange differences** | **1.8** | (113.4) | **1.9** | (113.3) |

## 12. Income tax

| | Group 2021 £m | Group 2020 £m | Company 2021 £m | Company 2020 £m |
|---|---|---|---|---|
| **Current tax** | | | | |
| Withholding tax expense | **2.3** | 0.6 | **2.3** | 0.6 |
| Current UK tax charge | **–** | – | **–** | – |
| Current overseas tax charge | **0.5** | 0.8 | **–** | – |
| **Total current tax** | **2.8** | 1.4 | **2.3** | 0.6 |
| **Foreign deferred tax** | | | | |
| Attributable to timing difference arising in the current year | **–** | (0.1) | **–** | – |
| **Total income tax expense** | **2.8** | 1.3 | **2.3** | 0.6 |

| **Reconciliation of deferred tax asset** | Group 2021 £m | Group 2020 £m | Company 2021 £m | Company 2020 £m |
|---|---|---|---|---|
| **As of 1 January** | **0.2** | 0.1 | **–** | – |
| Tax expenses during the year | **–** | 0.1 | **–** | – |
| **As at 31 December** | **0.2** | 0.2 | **–** | – |

The UK corporation tax rate is reconciled to the effective tax rate for the year as follows:

| | Group 2021 % | Group 2020 % | Company 2021 % | Company 2020 % |
|---|---|---|---|---|
| UK corporation tax rate | **19.0** | 19.0 | **19.0** | 19.0 |
| Effect of overseas taxation | **(1.6)** | – | **(1.6)** | – |
| Effect of UK tax exemption | **(16.8)** | (19.5) | **(16.9)** | (19.2) |
| **Effective tax rate for the year** | **0.6** | (0.5) | **0.5** | (0.2) |

**UK tax exemption**
By virtue of the CDC Act 1999, British International Investment plc (formerly known as CDC Group plc) was granted exemption from UK corporation tax with effect from 1 May 2003. This exemption amounted to £417.4 million in 2021 (2020: £nil million). The exemption does not apply to the Company in jurisdictions outside the UK or the Company's subsidiaries which pay tax in the jurisdictions where they operate.

## 13. Plant and equipment

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Furniture and equipment 2021 £m | Right of use asset 2021 £m | Total 2021 £m | Furniture and equipment 2020 £m | Right of use asset 2020 £m | Total 2020 £m |
| At 1 January | **2.2** | **15.9** | **18.1** | 2.9 | 16.8 | 19.7 |
| Additions | **0.8** | **0.3** | **1.1** | 0.2 | 2.6 | 2.8 |
| Disposals | **–** | **–** | **–** | – | – | – |
| Depreciation charge for the year | **(1.1)** | **(3.8)** | **(4.9)** | (0.9) | (3.5) | (4.4) |
| **At 31 December** | **1.9** | **12.4** | **14.3** | 2.2 | 15.9 | 18.1 |

# Notes to the accounts continued

## 13. Plant and equipment continued

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | Furniture and equipment 2021 £m | Right of use asset 2021 £m | Total 2021 £m | Furniture and equipment 2020 £m | Right of use asset 2020 £m | Total 2020 £m |
| At 1 January | **1.8** | **14.4** | **16.2** | 2.7 | 15.6 | 18.3 |
| Additions | **0.8** | **–** | **0.8** | – | 1.8 | 1.8 |
| Disposals | **–** | **–** | **–** | – | – | – |
| Depreciation charge for the year | **(0.9)** | **(3.5)** | **(4.4)** | (0.9) | (3.0) | (3.9) |
| **At 31 December** | **1.7** | **10.9** | **12.6** | 1.8 | 14.4 | 16.2 |

## 14. Intangible asset

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| At 1 January | **0.2** | 0.4 | **0.2** | 0.3 |
| Additions | **2.6** | – | **2.6** | – |
| Amortisation charge for the year | **(0.4)** | (0.2) | **(0.4)** | (0.1) |
| **At 31 December** | **2.4** | 0.2 | **2.4** | 0.2 |

The intangible asset comprises the purchase and development of a new investment software system.

## 15. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| Loan investments due from third parties (note 4) | **236.6** | 234.2 | **236.6** | 234.2 |
| Guarantees | **7.0** | 4.3 | **7.0** | 4.3 |
| Amounts owed by investment entities | **14.7** | 11.1 | **14.7** | 11.1 |
| Amounts owed by non-investment subsidiaries | **–** | – | **1.9** | 0.6 |
| Prepayments | **2.9** | 2.1 | **2.9** | 2.1 |
| Government grant receivable | **7.1** | – | **7.1** | – |
| VAT recoverable | **2.0** | 1.0 | **1.3** | 0.9 |
| Other receivables | **39.1** | 31.2 | **37.7** | 30.9 |
| **Total trade and other receivables** | **309.4** | 283.9 | **309.2** | 284.1 |

The amounts relating to other receivables and amounts owed by investment entities are repayable within 30 days, the rest are repayable on demand.

## 16. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 £m** | **2020 £m** | **2021 £m** | **2020 £m** |
| Trade payables* | **1.2** | 0.8 | **1.2** | 0.8 |
| Amounts owed to investment entities | **19.5** | 19.5 | **19.5** | 19.5 |
| Amounts owed to non-investment subsidiaries | **–** | – | **1.6** | 1.9 |
| Tax payable | **0.1** | 0.1 | **–** | – |
| LTDPP accrual | **13.5** | 11.7 | **11.9** | 10.3 |
| Other accruals and deferred income | **17.9** | 14.3 | **16.5** | 13.9 |
| **Total trade and other payables** | **52.2** | 46.4 | **50.7** | 46.4 |

* The average credit for trade payable is 31 days.

The amount owed to investment entities in 2021 for Group and Company is £19.5 million (2020: £19.5 million) of which £16.1 million is interest bearing at an effective interest rate of 0.03 per cent.

## 17. Pension commitments

The Company and Group operate one funded pension scheme in the UK called the CDC Pensions Scheme ('Scheme'). This provides benefits on a defined benefit basis for staff who entered service prior to 1 April 2000. The Scheme has been closed and employees that joined after 1 April 2000 are eligible for membership of a separate defined contribution scheme. The scheme is governed by a Board of Trustees which is responsible for the administration of the plan assets and for the definition of the investment strategy. The pension scheme is funded by the payment of contributions directly from BII.

The vast majority of the benefits payable from the Scheme are fully secured under an insurance policy with Rothesay Life, held in the name of CDC Pensions Trust Limited ("the Trustee"). However, this policy does not cover in full the benefits that may be awarded to dependants. The buy-in substantially reduces the chance that scheme assets will diverge in value from the scheme liabilities. For example, if the discount rate was to decrease by 0.25 per cent, scheme liabilities would increase by 4.1 per cent but this would be largely offset by an increase in scheme assets of 4.0 per cent.

**Description of funding arrangements and policies**

The results of the 31 March 2021 actuarial valuation showed that, including the buy-in policy, the Technical Provisions were £473.4 million and the scheme assets were £475.9 million, giving a funding surplus of £2.5 million. Given the surplus, the Trustees and the Company agreed that a reduced rate of contributions of £0.4 million per year would be payable to the Scheme during the Scheme years ending 31 March 2022, 2023 and 2024. These contributions would be to cover ongoing expenses of the Scheme (no contributions are required in respect of accrual as there were no remaining active members as at 31 March 2021).

Annual valuations are prepared by Willis Towers Watson using the projected unit credit method. Scheme assets are stated at their market values at the respective statement of financial position dates. The weighted average duration of the defined benefit obligations is 16 years.

The discount rate has been derived after consideration of the changes in several market indicators of AA rated corporate bonds over the year at a term consistent with the Scheme's liabilities.

# **Notes to the accounts** continued

## 17. Pension commitments continued

| Main assumptions: | 2021 % | 2020 % |
|---|---|---|
| Discount rate | **1.8** | 1.3 |
| RPI Inflation assumption | **3.6** | 3.1 |
| CPI Inflation assumption | **3.0** | 2.5 |
| **Deferred pension revaluation** | | |
| Excess over GMP (RPI capped at 5% pa) | **3.6** | 3.1 |
| GMP | **5.3** | 4.8 |
| **Pension increases in payment** | | |
| Fixed 5% pensions | **5.0** | 5.0 |
| RPI capped at 5% pa pensions | **3.4** | 3.1 |
| "Scheme Benefit Limit" (greater of 3% pa and RPI) | **4.1** | 3.8 |
| Pre 88 GMPs | **0.0** | 0.0 |
| Post 88 GMPs (CPI capped at 3% pa) | **2.5** | 2.5 |

| Life expectancy of a pensioner reaching age 60 | 2022 | 2021 |
|---|---|---|
| for a male, currently aged 60 | **28.9** | 28.5 |
| for a female, currently aged 60 | **31.0** | 30.5 |
| for a male, reaching age 60 in 10 years' time | **30.0** | 29.3 |
| for a female, reaching age 60 in 10 years' time | **32.1** | 31.4 |

Concentration risk is relatively low as Rothesay Life is required to provide a level of capital that would enable it to meet its liabilities and to hold ring-fenced collateral against BII policy obligations. In addition, BII policy falls under the Financial Services Compensation Scheme which will guarantee 100 per cent of the value of the payments promised under the buy-in arrangement should Rothesay Life be unable to.

| Scheme asset information | Allocation percentage 31 Dec-21 Quoted | Allocation percentage 31 Dec-21 Unquoted | Allocation percentage 31 Dec-21 Total |
|---|---|---|---|
| **Buy-in contract with Rothesay Life** | **0.0%** | **97.4%** | **97.4%** |
| In 2021 | 0.0% | 97.4% | 97.4% |
| **Cash/net current assets/other** | **2.6%** | **0.0%** | **2.6%** |
| In 2021 | 2.6% | 0.0% | 2.6% |
| **Fair value of scheme assets at 31 December 2021** | **£11.3m** | **£423.9m** | **£435.2m** |
| Fair value of scheme assets at 31 December 2020 | £12.7m | £469.8m | £482.5m |

| Assets and liabilities of the scheme at 31 December | 2021 £m | 2020 £m |
|---|---|---|
| Buy-in contract with Rothesay Life | **423.9** | 469.8 |
| Net current assets | **11.3** | 12.7 |
| Fair value of assets | **435.2** | 482.5 |
| Defined benefit obligation | **(426.5)** | (473.3) |
| Surplus | **8.7** | 9.2 |
| Restriction due to asset ceiling | **(8.7)** | (9.2) |
| **Net pension liability** | **–** | – |

| Reconciliation of the (liability)/asset: | Defined benefit obligation £m | Fair value of assets £m | Asset ceiling £m | (Liability)/ asset £m |
|---|---|---|---|---|
| **At 31 December 2019** | (447.0) | 459.2 | (12.2) | – |
| Administration costs incurred during the year | – | (1.1) | – | (1.1) |
| Interest cost | (8.3) | 8.5 | (0.2) | – |
| Past service cost – plan amendments | – | – | – | – |
| **Cost recognised in administrative expenses** | (8.3) | 7.4 | (0.2) | (1.1) |
| Actuarial gain due to liability experience | (10.4) | – | – | (10.4) |
| Actuarial gain due to liability assumptions | (24.6) | – | – | (24.6) |
| Actuarial gain on assets | – | 32.9 | – | 32.9 |
| Change in effect of asset ceiling | – | – | 3.2 | 3.2 |
| **Remeasurement effects recognised in the Group's Statement of Comprehensive Income** | (35.0) | 32.9 | 3.2 | 1.1 |
| Employer contributions to the CDC Pensions Scheme | – | – | – | – |
| Benefits paid (including administration costs) | 17.0 | (17.0) | – | – |
| **Cash flows** | 17.0 | (17.0) | – | – |
| **At 31 December 2020** | (473.3) | 482.5 | (9.2) | – |

| Reconciliation of the (liability)/asset: | Defined benefit obligation £m | Fair value of assets £m | Asset ceiling £m | (Liability)/ asset £m |
|---|---|---|---|---|
| **At 31 December 2020** | (473.3) | 482.5 | (9.2) | – |
| Administration costs incurred during the year | **–** | **(0.9)** | **–** | **(0.9)** |
| Interest cost | **(6.1)** | **6.2** | **(0.1)** | **–** |
| Past service cost – plan amendments | **(0.1)** | **–** | **–** | **(0.1)** |
| **Cost recognised in administrative expenses** | **(6.2)** | **5.3** | **(0.1)** | **(1.0)** |
| Actuarial gain due to liability experience | **14.1** | **–** | **–** | **14.1** |
| Actuarial gain due to liability assumptions | **23.4** | **–** | **–** | **23.4** |
| Actuarial gain on assets | **–** | **(37.1)** | **–** | **(37.1)** |
| Change in effect of asset ceiling | **–** | **–** | **0.6** | **0.6** |
| **Remeasurement effects recognised in the Group's Statement of Comprehensive Income** | **37.5** | **(37.1)** | **0.6** | **1.0** |
| Employer contributions to the CDC Pensions Scheme | **–** | **–** | **–** | **–** |
| Benefits paid (including administration costs) | **15.5** | **(15.5)** | **–** | **–** |
| **Cash flows** | **15.5** | **(15.5)** | **–** | **–** |
| **At 31 December 2021** | **(426.5)** | **435.2** | **(8.7)** | **–** |

| Maturity profile of defined benefit obligations at 31 December | 2021 £m | 2020 £m |
|---|---|---|
| Expected benefit payments due within 1 year | **17.7** | 17.1 |
| Expected benefit payments due within 1-2 years | **18.2** | 17.6 |
| Expected benefit payments due within 2-3 years | **18.6** | 18.2 |
| Expected benefit payments due within 3-4 years | **19.0** | 18.7 |
| Expected benefit payments due within 4-5 years | **19.3** | 19.3 |
| Expected benefit payments due within 5-10 years | **99.9** | 105.9 |
| Expected benefit payments due after 10 years | **276.5** | 179.2 |

# Notes to the accounts continued

## 18. Financial instruments

The Group's principal financial assets (as defined in IFRS 7) comprise cash, short-term deposits, foreign exchange contracts, trade receivables, notes receivable, guarantees, loan investments and equity investments. For the purposes of this note, the disclosure on financial assets has been split between these asset classes in order to give more meaningful information. Financial liabilities comprise trade and other payables and foreign exchange contracts. The benchmark rate for floating rate assets and liabilities is based on one-week to six-month LIBOR rates.

### Interest rate exposures – Group

| | Fixed rate £m | Floating rate £m | No interest £m | Total £m | Fixed rate weighted average interest rate % | Fixed rate weighted period to full maturity Years | No interest maximum period to full maturity Years |
|---|---|---|---|---|---|---|---|
| **Financial assets: cash** | | | | | | | |
| **2021** | **–** | **20.1** | **15.8** | **35.9** | **–** | **–** | **–** |
| 2020 | – | 40.9 | 10.8 | 51.7 | – | – | * |
| **Financial assets: short-term deposits receivable within 90 days** | | | | | | | |
| **2021** | **618.5** | **–** | **–** | **618.5** | **0.09%** | **1.0** | **–** |
| 2020 | 404.6 | – | – | 404.6 | 0.04% | 1.0 | – |
| **Financial assets: short-term deposits receivable after 90 days** | | | | | | | |
| **2021** | **51.9** | **–** | **–** | **51.9** | **0.18%** | **1.0** | **–** |
| 2020 | – | – | – | – | – | – | – |
| **Financial assets: loan investments** | | | | | | | |
| **2021** | **464.7** | **981.3** | **–** | **1,446.1** | **7.98%** | **5.29** | **–** |
| 2020 | 407.3 | 767.9 | 0.3 | 1,175.5 | 8.78% | 6.7 | 1.0 |

* The Group's no interest cash is repayable on demand.

**Interest rate exposures – Company**

| | Fixed rate £m | Floating rate £m | No interest £m | Total £m | Fixed rate weighted average interest rate % | Fixed rate weighted period to full maturity Years | No interest maximum period to full maturity Years |
|---|---|---|---|---|---|---|---|
| Financial assets: cash | | | | | | | |
| **2021** | **–** | **20.1** | **9.7** | **29.8** | **–** | **–** | **–** |
| 2020 | – | 40.8 | 7.0 | 47.8 | – | – | – |
| Financial assets: short-term deposits receivable within 90 days | | | | | | | |
| **2021** | **618.5** | **–** | **–** | **618.5** | **0.09%** | **1.0** | **–** |
| 2020 | 404.1 | – | – | 404.1 | 0.04% | 1.0 | – |
| Financial assets: short-term deposits receivable after 90 days | | | | | | | |
| **2021** | **50.0** | **–** | **–** | **50.0** | **0.02%** | **1.0** | **–** |
| 2020 | – | – | – | – | – | – | – |
| Financial assets: loan investments | | | | | | | |
| **2021** | **464.7** | **981.3** | **–** | **1,446.1** | **7.98%** | **5.29** | **–** |
| 2020 | 407.3 | 767.9 | 0.3 | 1,175.5 | 8.78% | 6.7 | 1.0 |

* The Company's no interest cash is repayable on demand.

# Notes to the accounts continued

## 18. Financial instruments continued

**Currency exposures – Group**

The tables below show the Group's currency exposures that give rise to exchange rate gains and losses that are recognised in the statement of comprehensive income. Such exposures comprise those monetary assets and liabilities of Group companies that are not denominated in their functional currency. In order to protect the Group's Sterling statement of financial position and reduce cash flow risk, the Group uses FFECs to mitigate the risk of foreign exposures arising on forecast receipts, cash balances and payments in foreign currencies.

The following table shows the Group's foreign currency denominated cash and cash equivalents balances:

| Currency | US dollars 2021 £m | Other 2021 £m | Total 2021 £m | US dollars 2020 £m | Other 2020 £m | Total 2020 £m |
|---|---|---|---|---|---|---|
| Pound sterling | **277.7** | **9.7** | **287.4** | 216.0 | 3.2 | 219.2 |
| **Total** | **277.7** | **9.7** | **287.4** | 216.0 | 3.2 | 219.2 |

The following table shows the currency of the Group's equity investments:

| Currency | Listed equity at valuation 2021 £m | Unlisted equity at valuation 2021 £m | Total 2021 £m | Listed equity at valuation 2020 £m | Unlisted equity at valuation 2020 £m | Total 2020 £m |
|---|---|---|---|---|---|---|
| US dollar | **5.8** | **3,513.5** | **3,519.3** | 9.4 | 3,074.9 | 3,084.3 |
| Indian rupee | **134.3** | **438.2** | **572.5** | 161.7 | 211.8 | 373.5 |
| Euro | **–** | **210.5** | **210.5** | – | 202.7 | 202.7 |
| Moroccan dirham | **166.0** | **–** | **166.0** | 141.6 | – | 141.6 |
| Pakistani rupee | **35.8** | **–** | **35.8** | 44.3 | – | 44.3 |
| Pound sterling | **–** | **16.7** | **16.7** | – | 20.3 | 20.3 |
| Chinese yuan | **–** | **0.7** | **0.7** | – | 2.3 | 2.3 |
| South African rand | **–** | **19.5** | **19.5** | – | – | – |
| Nepalese rupee | **–** | **12.3** | **12.3** | – | – | – |
| Other | **–** | **4.6** | **4.6** | – | 4.3 | 4.3 |
| **Total** | **341.9** | **4,216.0** | **4,557.9** | 357.0 | 3,516.3 | 3,873.3 |

The following table shows the currency of the Group loan investments:

| | Total 2021 £m | Total 2020 £m |
|---|---|---|
| US dollar | **1,173.0** | 982.1 |
| Indian rupee | **157.3** | 110.6 |
| Euro | **84.2** | 56.6 |
| Kenyan Shilling | **25.9** | 17.5 |
| Other | **5.7** | 8.7 |
| Total | **1,446.1** | 1,175.5 |

Group guarantee investments of £104.9 million are all denominated in US dollars.

**Currency exposures – Company**

The tables below show the Company's currency exposures that give rise to exchange rate gains and losses that are recognised in the statement of comprehensive income. Such exposures comprise those monetary assets and liabilities that are not denominated in the Company's functional currency. In order to protect the Company's Sterling statement of financial position and reduce cash flow risk, the Company uses FFECs to mitigate the risk of foreign exposures arising on forecast receipts, cash balances and payments in foreign currencies.

The following table shows the Company's foreign currency denominated cash and cash equivalents balances:

| Currency | US dollars 2021 £m | Other 2021 £m | Total 2021 £m | US dollars 2020 £m | Other 2020 £m | Total 2020 £m |
|---|---|---|---|---|---|---|
| Pound sterling | **275.6** | **6.6** | **282.2** | 214.4 | 1.2 | 215.6 |
| **Total** | **275.6** | **6.6** | **282.2** | 214.4 | 1.2 | 215.6 |

The following table shows the currency of the Company's equity investments:

| Currency | Listed equity at valuation 2021 £m | Unlisted equity at valuation 2021 £m | Total 2021 £m | Listed equity at valuation 2020 £m | Unlisted equity at valuation 2020 £m | Total 2020 £m |
|---|---|---|---|---|---|---|
| US dollar | **5.8** | **3,515.3** | **3,521.1** | 9.4 | 3,076.0 | 3,085.4 |
| Indian rupee | **134.3** | **441.3** | **575.6** | 161.7 | 214.2 | 375.9 |
| Euro | **–** | **210.5** | **210.5** | – | 202.7 | 202.7 |
| Moroccan dirham | **166.0** | **–** | **166.0** | 141.6 | – | 141.6 |
| Pakistani rupee | **35.8** | **–** | **35.8** | 44.3 | – | 44.3 |
| Pound sterling | **–** | **19.2** | **19.2** | – | 21.7 | 21.7 |
| Chinese yuan | **–** | **0.7** | **0.7** | – | 2.3 | 2.3 |
| South African rand | **–** | **19.5** | **19.5** | – | – | – |
| Nepalese rupee | **–** | **12.3** | **12.3** | – | – | – |
| Other | **–** | **4.6** | **4.6** | – | 4.3 | 4.3 |
| **Total** | **341.9** | **4,223.4** | **4,565.3** | 357.0 | 3,521.2 | 3,878.2 |

The following table shows the currency of the Company's loan investments:

| Currency | Total 2021 £m | Total 2020 £m |
|---|---|---|
| US dollar | **1,173.0** | 982.1 |
| Indian rupee | **157.3** | 110.6 |
| Euro | **84.2** | 56.6 |
| Kenyan Shilling | **25.9** | 17.5 |
| Other | **5.7** | 8.7 |
| Total | **1,446.1** | 1,175.5 |

Company guarantee investments of £104.9 million are all denominated in US dollars.

# Notes to the accounts continued

## 18. Financial instruments continued

**Liquidity risk – Group**

The following tables show the maturity profile of the Group's financial assets and liabilities other than cash, equity investments and guarantees:

| **2021 Financial assets: Maturity profile** | **Short-term deposits £m** | **Other receivables £m** | **Loan investments £m** | **Guarantees £m** | **FFECs £m** |
|---|---|---|---|---|---|
| **Due within one year, but not on demand** | **670.4** | **309.4** | **236.6** | **97.9** | **15.3** |
| **Due within one to two years** | **–** | **–** | **298.3** | **–** | **–** |
| **Due within two to three years** | **–** | **–** | **147.0** | **–** | **–** |
| **Due within three to four years** | **–** | **–** | **126.0** | **–** | **–** |
| **Due within four to five years** | **–** | **–** | **111.8** | **–** | **–** |
| **Due after five years** | **–** | **0.2** | **526.4** | **–** | **–** |
| **Total** | **670.4** | **309.6** | **1,446.1** | **97.9** | **15.3** |

| 2020 Financial assets: Maturity profile | Short-term deposits £m | Other receivables £m | Loan investments £m | Guarantees £m | FFECs £m |
|---|---|---|---|---|---|
| Due within one year, but not on demand | 404.6 | 283.9 | 234.2 | 139.0 | 55.1 |
| Due within one to two years | – | – | 159.4 | – | – |
| Due within two to three years | – | – | 112.4 | – | – |
| Due within three to four years | – | – | 94.7 | – | – |
| Due within four to five years | – | – | 95.6 | – | – |
| Due after five years | – | 0.2 | 479.2 | – | – |
| Total | 404.6 | 284.1 | 1,175.5 | 139.0 | 55.1 |

| **2021 Financial liabilities: Maturity profile** | **Lease liabilities £m** | **Trade and other payables £m** | **FFECs £m** |
|---|---|---|---|
| **Due within one year, but not on demand** | **3.6** | **52.2** | **17.9** |
| **Due within one to two years** | **2.7** | **–** | **–** |
| **Due within two to three years** | **1.9** | **–** | **–** |
| **Due within three to four years** | **1.8** | **–** | **–** |
| **Due within four to five years** | **1.8** | **–** | **–** |
| **Due after five years** | **0.9** | **–** | **–** |
| **Total** | **12.7** | **52.2** | **17.9** |

| 2020 Financial liabilities: Maturity profile | Lease liabilities £m | Trade and other payables £m | FFECs £m |
|---|---|---|---|
| Due within one year, but not on demand | 3.7 | 46.3 | 0.2 |
| Due within one to two years | 3.6 | – | – |
| Due within two to three years | 2.4 | – | – |
| Due within three to four years | 1.9 | – | – |
| Due within four to five years | 1.8 | – | – |
| Due after five years | 2.7 | – | – |
| Total | 16.1 | 46.3 | 0.2 |

The Group does not net off contractual amounts of financial assets and liabilities.

**Liquidity risk – Company**
The following tables show the maturity profile of the Company's financial assets and liabilities other than cash, equity investments and guarantees:

| 2021 Financial assets: Maturity profile | Short-term deposits £m | Other receivables £m | Loan investments £m | Guarantees £m | FFECs £m |
|---|---|---|---|---|---|
| Due within one year, but not on demand | 668.5 | 309.2 | 236.6 | 97.9 | 15.3 |
| Due within one to two years | – | – | 298.3 | – | – |
| Due within two to three years | – | – | 147.0 | – | – |
| Due within three to four years | – | – | 126.0 | – | – |
| Due within four to five years | – | – | 111.8 | – | – |
| Due after five years | – | – | 526.4 | – | – |
| Total | 668.5 | 309.2 | 1,446.1 | 97.9 | 15.3 |

| 2020 Financial assets: Maturity profile | Short-term deposits £m | Other receivables £m | Loan investments £m | Guarantees £m | FFECs £m |
|---|---|---|---|---|---|
| Due within one year, but not on demand | 404.1 | 284.1 | 234.2 | 139.0 | 55.1 |
| Due within one to two years | – | – | 159.4 | – | – |
| Due within two to three years | – | – | 112.4 | – | – |
| Due within three to four years | – | – | 94.7 | – | – |
| Due within four to five years | – | – | 95.6 | – | – |
| Due after five years | – | – | 479.2 | – | – |
| Total | 404.1 | 284.1 | 1,175.5 | 139.0 | 55.1 |

| 2021 Financial liabilities: Maturity profile | Lease liabilities £m | Trade and other payables £m | FFECs £m |
|---|---|---|---|
| Due within one year, but not on demand | 3.3 | 50.7 | 17.9 |
| Due within one to two years | 2.2 | – | – |
| Due within two to three years | 1.6 | – | – |
| Due within three to four years | 1.6 | – | – |
| Due within four to five years | 1.7 | – | – |
| Due after five years | 0.8 | – | – |
| Total | 11.2 | 50.7 | 17.9 |

| 2020 Financial liabilities: Maturity profile | Lease liabilities £m | Trade and other payables £m | FFECs £m |
|---|---|---|---|
| Due within one year, but not on demand | 3.4 | 46.3 | 0.2 |
| Due within one to two years | 3.3 | – | – |
| Due within two to three years | 2.2 | – | – |
| Due within three to four years | 1.6 | – | – |
| Due within four to five years | 1.6 | – | – |
| Due after five years | 2.5 | – | – |
| Total | 14.6 | 46.3 | 0.2 |

The Company does not net off contractual amounts of financial assets and liabilities.

# Notes to the accounts continued

## 18. Financial instruments continued

**Fair value of financial assets and liabilities – Group and Company**

### Financial assets

Quoted and unquoted equity investments, loan investments and funded guarantees are included in the statement of financial position at fair value. There is no material difference between the fair value and the book value of the Group's cash, short-term deposits, notes receivable or trade and other receivables. The Group's foreign exchange contracts in profit are held in the statement of financial position at fair value.

### Reconciliation of Level 3 fair value measurement of financial assets

The following table details the movements in non-current financial assets valued using the Level 3 basis of measurement in aggregate.

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| Opening value | **4,835.1** | 4,195.8 | **4,840.0** | 4,199.1 |
| Additions | **1,268.7** | 1,218.7 | **1,269.1** | 1,218.7 |
| Disposals and repayments | **(743.5)** | (344.8) | **(743.5)** | (344.8) |
| Transfers | **(3.9)** | (7.6) | **(3.9)** | (7.6) |
| Deferred income movement | **2.7** | 1.6 | **2.7** | 1.6 |
| Fair value movement | **368.2** | (67.3) | **370.3** | (65.5) |
| Foreign exchange movement | **39.7** | (161.3) | **39.7** | (161.5) |
| **Closing value** | **5,767.0** | 4,835.1 | **5,774.4** | 4,840.0 |

### Financial liabilities

There is no material difference between the fair value and the book value of the Group's trade and other payables. The Group's foreign exchange contracts in loss are held in the statement of financial position at fair value.

## 19. Financial risk management

The Group's and Company's activities expose them to a variety of financial risks including market risk, credit risk, liquidity risk and cash flow interest rate risk. Market risk includes foreign currency risk, interest rate risk and price risk. The main financial risks managed by the Group and Company are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Group and Company use FFECs to manage their financial risks associated with their underlying business activities and the financing of those activities. The Group and Company do not undertake any trading activity in financial instruments.

### Liquidity risk

The Group's and Company's policy on liquidity risk is to ensure that they always have sufficient funding to meet all short to medium-term funding requirements. BII targets having cash availability in excess of 80 per cent of aggregate undrawn contractual investment commitments as well as a cash balance within BII's desired range of 0-10 per cent of its net asset value in cash. The Group's cash balance at 31 December 2021 was £705.8 million (2020: £456.3 million) and its capital commitments including long-term commitments were £2,611.7 million (2020: £1,860.8 million).

| | Group | | Company | |
|---|---|---|---|---|
| **Analysis of total cash balance** | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| Cash at bank and in hand | **35.9** | 51.7 | **29.8** | 47.9 |
| Short-term deposits receivable | **670.4** | 404.6 | **668.5** | 404.1 |
| **Total** | **706.3** | 456.3 | **698.3** | 452.0 |

The short-term deposits receivable can easily be converted into cash. The Company has promissory notes of £901.0 million from its parent entity which can be drawn down on demand.

The Group's and Company's contractual maturities of derivatives and non-derivative financial liabilities are disclosed in note 18 and risk participation commitments in note 23.

**Investment commitments: Maturity profile**

Fund commitments are generally drawn down over a five-year term although in some cases this may be shorter. Typically, there are restrictions to ensure that there is a ceiling on the proportion of commitment that can be drawn down in one year. Direct investment commitments are typically drawn down over a shorter term.

In forecasting cash flows, BII uses industry standard models for drawdown profiles. The Board considers this regularly when reviewing BII's ability to meet these commitments.

The following table shows the vintage year of the outstanding commitments to the Group's investments as at 31 December. The commitments are not accounted for as liabilities on BII's balance sheet and are only recognised when called upon. Outstanding commitments can fluctuate year-on-year when recycling is permitted.

| | 2021 £m | 2020 £m |
|---|---|---|
| 2012 and prior | **317.5** | 318.6 |
| 2013 | **43.7** | 51.6 |
| 2014 | **38.5** | 43.6 |
| 2015 | **78.5** | 221.6 |
| 2016 | **82.2** | 114.2 |
| 2017 | **246.2** | 234.7 |
| 2018 | **222.5** | 260.4 |
| 2019 | **409.6** | 357.0 |
| 2020 | **240.8** | 259.1 |
| 2021 | **932.2** | – |
| **Total** | **2,611.7** | 1,860.8 |

**Credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December was:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| Loan investments | 4 | **1,446.1** | 1,175.5 | **1,446.1** | 1,175.5 |
| Guarantees | 5 | **97.9** | 139.0 | **97.9** | 139.0 |
| FFECs in profit | 8 | **15.3** | 55.1 | **15.3** | 55.1 |
| Trade and other receivables (excluding loans) | 15 | **72.8** | 49.7 | **72.6** | 49.9 |
| Notes receivable | 24 | **901.0** | 1,105.0 | **901.0** | 1,105.0 |
| Short-term deposits | 6 | **670.4** | 404.6 | **668.5** | 404.1 |
| Cash and cash equivalents | 6 | **51.9** | 51.7 | **50.0** | 47.9 |
| **Total** | | **3,255.4** | 2,980.6 | **3.251.4** | 2,976.5 |

Credit risk on the Company's Sterling cash balance is mitigated as cash not required for day-to-day operations is deposited with the UK Government Debt Management Office. Credit risk on other currency balances and FFECs is mitigated as the Group and Company transact with institutions with high credit ratings. Share certificates for listed company investments are held in custody accounts with financial institutions with high credit ratings. If possible, cash is deposited with financial institutions that have a long-term credit rating ascribed by Moody's of A2 or above. As of 31 December 2021, all deposits and listed share certificates were held with such financial institutions.

There is no recourse to the Company for the debt balances within subsidiaries.

# Notes to the accounts continued

## 19. Financial risk management continued

### Market risk

#### Interest rate risk

The Group's and Company's interest rate risk arises primarily from fixed rate deposits (fair value risk) and floating rate deposits (cash flow risk). The Group currently review interest rate risk on a periodic basis. During 2022, the Group will be defining its policies and procedures for interest rate risk management in relation to its loan investment portfolio.

British International Investment plc has a portfolio of loans valued at £1,446.2 million, of which £472.0 million are charged interest at a fixed rate, exposing the Group to interest rate risk. Most of these loans have prepayment options for the borrower and a fall in interest rates will have a very limited impact on the fair value. However, if interest rates were to increase, the fair value of these loans will decrease. A 1.0% increase in interest rates would cause a fair value loss of £16.4 million.

As at 31 December 2021 the weighted average interest rate earned on the Group's and Company's bank deposit was 0.08 per cent (2020: 0.03 per cent). In preparing the sensitivity analysis, a reasonable approximation of possible change is considered to be a 1.0 per cent increase and 0.5 per cent decrease (2020: 1.0 per cent increase and 0.5 per cent decrease) change in all interest rates. With all other variables held constant, a 1.0 per cent increase would have a £0.34 million positive impact on the Group's profit before tax (2020: 1.0 per cent, £0.24 million positive impact on the Group's profit before tax). A 0.5 per cent decrease would have a £0.2 million negative impact on the Group's profit before tax (2020: 0.5 per cent, £0.1 million negative impact on the Group's profit before tax). Although this is within the range the Company regards as acceptable, it is envisaged that the Company will use the majority of its cash balance in meeting its capital commitments.

#### Foreign currency risk

The Group has exposures to foreign currency risk through its investments and foreign cash balances. In order to protect the Group's statement of financial position and reduce cash flow risk, the Group uses forward foreign exchange contracts to hedge foreign exposures arising on forecast receipts from the loan and guarantee portfolio and non-Sterling cash balances on its largest exposures.

The table below shows the impact on profit of a 10 per cent increase or decrease in the year-end exchange rate would have on the unhedged financial assets and each of the outstanding hedged positions if all other variables are held constant.

| **2021** | **+ 10%** | | | **+ 10%** | | |
|---|---|---|---|---|---|---|
| **Currency** | **Unhedged financial assets £m** | **Hedged financial assets £m** | **Total impact on profit £m** | **Unhedged financial assets £m** | **Hedged financial assets £m** | **Total impact on profit £m** |
| US dollar | (359.5) | (101.8) | **(461.3)** | 359.5 | 118.1 | **477.6** |
| Indian rupee | (40.4) | (29.8) | **(70.2)** | 40.4 | 36.5 | **76.9** |
| Euro | (21.0) | (6.7) | **(27.7)** | 21.0 | 8.0 | **29.0** |
| Moroccan dirham | (17.0) | – | **(17.0)** | 17.0 | – | **17.0** |
| Pakistani rupee | (3.7) | – | **(3.7)** | 3.7 | – | **3.7** |
| Chinese yuan | (0.1) | – | **(0.1)** | 0.1 | – | **0.1** |
| South African rand | (2.0) | – | **(2.0)** | 2.0 | – | **2.0** |
| Nepalese rupee | (1.2) | – | **(1.2)** | 1.2 | – | **1.2** |
| Other | (3.7) | – | **(3.7)** | 3.7 | – | **3.7** |

| 2020 | + 10% | | | + 10% | | |
|---|---|---|---|---|---|---|
| **Currency** | **Unhedged financial assets £m** | **Hedged financial assets £m** | **Total impact on profit £m** | **Unhedged financial assets £m** | **Hedged financial assets £m** | **Total impact on profit £m** |
| US dollar | (318.9) | (84.3) | **(403.2)** | 318.9 | 97.6 | **416.5** |
| Indian rupee | (19.9) | (26.0) | **(45.9)** | 19.9 | 31.8 | **51.7** |
| Euro | (18.7) | (5.9) | **(24.6)** | 18.7 | 7.1 | **25.8** |
| Moroccan dirham | (14.2) | – | **(14.2)** | 14.2 | – | **14.2** |
| Pakistani rupee | (4.5) | – | **(4.5)** | 4.5 | – | **4.5** |
| Chinese yuan | (0.2) | – | **(0.2)** | 0.2 | – | **0.2** |
| South African rand | – | – | **–** | – | – | **–** |
| Nepalese rupee | – | – | **–** | – | – | **–** |
| Other | (0.5) | – | **(0.5)** | 0.5 | – | **0.5** |

## Equity price risk

The Group and Company invest in a wide range of fund investments managed by a variety of fund managers, along with a range of direct equity investments. The Group manages this risk by maintaining a diversified portfolio of assets and by using a framework of country, sector and single party limits to avoid excessive concentrations within the portfolio.

As at 31 December 2021, the Group had equity investments of £4,557.9 million (2020: £3,873.3 million). Included in this balance is an investment in a wholly owned investment entity with a value of £1,143.7 million which represented 25.0 per cent of the Group's equity investments (2020: £1,122.5 million, 29.0 per cent).

A 10 per cent change in the fair value of the Group's equity investments would impact the Group's profit by £455.8 million (2020: 10 per cent change, impact £387.3 million).

# Notes to the accounts continued

## 19. Financial risk management continued

### Valuation risk

The Group values its portfolio according to BII's valuation methodology. The BII valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments are valued at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants given current market conditions at the measurement date. The detailed valuation methodology sets out best practice with respect to valuing investments. Valuation risks are mitigated by portfolio reviews of BII's investments and the underlying investments in its private equity funds which are carried out quarterly by the relevant BII investment managers. As part of these reviews, valuations are prepared and reviewed by BII management and then approved by the Valuation Steering Committee. For more details on the valuation methodology refer to note 26.

**Capital management**

BII considers its capital to be the total equity shown in the statement of changes of equity. The Company's objectives when managing capital are:

+ to comply with the capital requirements set by FCDO regarding investing in eligible countries and sectors;
+ to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns and benefits for stakeholders; and
+ to maintain a strong capital base to support the development of the Group's businesses.

The Board monitors the results of the Group and its financial position.

## 20. Government Grant

The Group and Company receive capital grants from its shareholder FCDO to make blended finance investments. Promissory notes are issued in advance of investments being made and capital is drawn down as required. On issuance, a promissory note receivable and deferred grant income creditor are recognised in the Statement of Financial Position. The receivable is reduced upon receipt of cash from the shareholder. Grant income is recognised in the Statement of Comprehensive Income over the expected life of each investment asset. Investments made and gains or losses in fair value from the grant capital are included in the Group and Company's fair value financial assets.

| | Notes | 2021 £m | 2020 £m |
|---|---|---|---|
| Fair value financial assets | | **0.4** | – |
| Grant income recognised[1] | 9 | **–** | – |
| **As at 31 December 2021** | | | |
| Deferred grant income (non-current) | | **(7.1)** | – |
| Promissory note receivable (current) | 15 | **7.1** | – |

1 £5,158 of grant income was recognised in 2021.

## 21. Capital commitments

Amounts contracted for but not provided for in the accounts amounted to £2,611.7 million (2020: £1,860.8 million) for investment commitments (see note 19 for further details).

## 22. Leases

| | Group 2021 £m | Group 2020 £m | Company 2021 £m | Company 2020 £m |
|---|---|---|---|---|
| Right of use assets – cost | **22.4** | 22.4 | **20.1** | 20.1 |
| **Total** | **22.4** | 22.4 | **20.1** | 20.1 |

Information about leases for which BII is a lessee is presented below.

### Right of use assets – accumulated depreciation

| | Group 2021 £m | Group 2020 £m | Company 2021 £m | Company 2020 £m |
|---|---|---|---|---|
| Balance at 1 January | **6.5** | 3.0 | **5.7** | 2.7 |
| Depreciation charged for the year | **3.6** | 3.5 | **3.1** | 3.0 |
| **Balance at 31 December** | **10.1** | 6.5 | **8.8** | 5.7 |

### Lease liabilities

| | Group 2021 £m | Group 2020 £m | Company 2021 £m | Company 2020 £m |
|---|---|---|---|---|
| Current liabilities | **3.6** | 3.7 | **3.3** | 3.4 |
| Non-current liabilities | **9.1** | 12.4 | **8.0** | 11.2 |
| **Total lease liabilities** | **12.7** | 16.1 | **11.3** | 14.6 |

During the year, total lease payments made by the Group were £3.7 million (2020: £3.7 million) and £3.4 million (2020: £3.3 million) by the Company.

| | Group 2021 £m | Group 2020 £m | Company 2021 £m | Company 2020 £m |
|---|---|---|---|---|
| Interest on lease liabilities/finance costs | **0.2** | 0.2 | **0.2** | 0.2 |
| Depreciation | **3.6** | 3.5 | **3.5** | 3.0 |
| | **3.8** | 3.7 | **3.7** | 3.2 |

## 23. Contingent liabilities

The Group and the Company had the following contingent liabilities as at 31 December 2021:

- In respect of unfunded risk participation agreements with a value of £430.9 million (2020: £230.9 million).
- In respect of undertakings to power distributors and governments in connection with the operation of power generating investments with a maximum legal liability of £nil million (2020: £3.8 million).

These may, but probably will not, require an outflow of resources.

# Notes to the accounts continued

## 24. Related party transactions

**Parent entity**

During 2020 and 2021, the Company entered into subscription agreements with its parent entity, in respect of the issue of ordinary shares in the Company. The parent entity subscribed to the shares by issuing promissory notes for the value of the shares of £446.0 million in 2021 (2020: £650.0 million).

During the year the Company received £650.0 million (2020: £886.0 million) from its parent entity in settlement of a portion of the promissory notes receivable.

As at 31 December 2021, the Company had promissory notes of £901.0 million (2020: £1,105.0 million) due from its parent entity. The receivable is payable on demand and without interest.

During 2021, the Company received a capital grant of £7.1 million by issuance of a promissory note. As at 31 December 2021, the Company had £7.1 million of promissory notes receivable.

**Key management personnel**

BII defines its key management personnel (KMP) as the members of the Executive Committee, including the Chief Executive and Chief Financial Officer. KMP are remunerated on the basis of the PremCo report outlined on pages 67 to 78. In addition to their remuneration, there are no other short or long-term benefits, post-employment benefits, termination benefits or share-based benefits given to BII's key management personnel.

**Subsidiaries**

During the year, the Company entered into transactions with its consolidated and non-consolidated subsidiary companies.

The transactions entered into and trading balances outstanding at 31 December were as follows:

| | 2021<br>£m | 2020<br>£m |
|---|---|---|
| **Statement of comprehensive income** | | |
| Interest income | **10.1** | 11.4 |
| Management fee income | **11.2** | 12.5 |
| Management fee expense | **(12.5)** | (11.2) |
| Interest payable | **–** | – |
| **Statement of financial position** | | |
| Equity investments | **1,420.6** | 1,341.5 |
| Equity investments – non-holding companies | **226.3** | 229.6 |
| Trade and other receivables | **16.6** | 11.7 |
| Trade and other payables | **(21.1)** | (21.4) |

Outstanding balances at the year-end are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

## 25. Subsequent events

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2021. Events after the reporting period that are indicative of conditions that arose after the reporting date but which do not lead to adjustment of the financial statements are disclosed in the event that they are material.

Russia's invasion of Ukraine in February 2022 has had wide-ranging repercussions for global security and macro-economic stability. BII does not have any direct exposure to Ukraine or Russia in its investment portfolio and no BII investments are at immediate risk of failure due to exposure to Russia or commodities.

It is expected that the ongoing geopolitical events will add pressure to the downside risks that were in existence prior to the invasion and that investment values will fall in 2022. However, in accordance with the requirements of IFRS, the fair valuations at the date of the consolidated statement of financial position reflect the economic positions in existence at that date. Any losses associated with these developments will be recognised in the 2022 financial statements. At present the extent of these potential losses cannot be reliably estimated.

## 26. Summary of significant accounting policies

The accounting policies for plant and equipment and intangible asset are not specified as both are not material to the Group or Company.

### Non-current assets

#### Investments

The Group and Company classify their loan investments and equity investments, including investments in investment entities, as financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition.

### Financial assets at fair value through profit and loss

These financial assets are designated as assets held at fair value through profit and loss by management at the date of inception. FFECs are also classified as held for trading in this category unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the statement of financial position date.

The Group's fair value methodology has been derived using the International Private Equity and Venture Capital Valuation Guidelines (December 2018). The valuation methodology is selected based on informed judgement considering the nature, facts, and circumstances of the investment and in the expected view of market participants. The approach to calculating the fair value of equity investments is described below:

- For equity investments in companies whose shares are publicly traded, information about pricing, trading, and financial data is generally available. BII considers the level of trading activity in evaluating the relevance and reliability of the information, as price is considered fair value if it is derived from an active market.
- The market approach is used for estimating fair value of companies with significant revenues and at least twelve months of transparent and verifiable financial statements, where reasonably comparable public companies or transactions exist from which to source valuation multiples.
- The income approach is typically applied for valuation of a company in a start-up phase or has not reached its optimal level of operations. The discount rate selected must be consistent with the benefit stream with risk profile of the cash flow estimate to be discounted.
- Net Asset Value is used for loss-making companies and companies in liquidation. It is also be applied for going-concern fund valuations whose value derives mainly from the underlying Fair Value of its assets rather than its earnings.
- The price of a recent investment from an observable transaction, in most cases represents fair value as of the transaction date. At subsequent valuation dates, this price is only used as a supporting estimate for fair value that is calibrated to that price.
- Some seed, start-up or early-stage investments are valued using a milestone approach, or scenario analysis because there are no current and no short-term future earnings or positive cash flows.
- Where BII has committed capital in a Fund, BII relies on Valuations commissioned by the Fund Manager. It is acknowledged these valuations may not comply with IPEV because of difference in accounting standards; however, BII makes relevant adjustments to bring the valuations in line with IPEV.

# Notes to the accounts continued

## 26. Summary of significant accounting policies continued

Loan investments are recognised at the fair value of the consideration given to originate the loan and are subsequently measured at fair value. Specifically, BII classifies loans at fair value through profit and loss when they are managed, and their performance evaluated, on a fair value basis. Information about these loans is reported to management on that basis.

In determining the fair value of the loans, BII has elected to use the discounted cash flow method. Cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment including past events, current market conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Non-performing loans, loans expected to be restructured because the borrower is a going concern, and loans subject to increased market risk, are valued based on the most likely cash flows discounted at the appropriate discount rate. Where the outcome is uncertain or could follow different trajectories, a probability weighted-scenario valuation approach is adopted.

Gains and losses realised on disposal or redemption, by reference to the valuation at the previous statement of financial position date, and unrealised gains and losses from changes in the fair values of the equity portfolio are taken to the statement of comprehensive income.

**Guarantees**
The Group enters into risk participation agreements in return for fees. Under a risk participation agreement, the Group undertakes to meet a customer's obligations under the terms of an agreement if the customer fails to do so. Guarantees comprise funded and unfunded risk participation agreements. Funded guarantees are held at fair value through profit and loss and unfunded guarantees are measured using the expected credit loss model.

**Forward foreign exchange contracts**
The Group and Company use FFECs as part of their asset management activities to manage exposures to foreign currency risk. The Company does not use FFECs for speculative purposes.

The fair value of the FFECs at the year-end is the difference between the agreed forward rate and the forward rate at the balance sheet date.

Gains and losses on FFECs transacted as economic hedges but not qualifying for hedge accounting are taken to the statement of comprehensive income.

**Cash and cash equivalents**
Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments, such as short-term deposits, with maturities of three months or less on initial recognition.

**Trade and notes receivable**
Trade and notes receivable are non-interest-bearing and are recognised when BII becomes a party to the contractual provision of the instrument. They are initially measured at fair value and subsequently at amortised cost less provision for impairment.

**Impairment of assets**
The carrying amounts of assets, other than deferred tax assets, financial instruments and retirement benefit assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment.

If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of the Group's assets is the greater of their fair value less costs to sell and value in use, calculated as the present value of expected future cash flows. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of all assets is reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements include some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss and unfunded loan commitments.

### Measurement and recognition of expected credit losses

Recognition of credit losses is no longer dependent on BII first identifying a credit loss event. Instead BII considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

A '12-month expected credit loss' is recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

To meet the financial needs of BII's borrowers, BII enters into loan commitments and guarantee contracts (funded and unfunded).

Whilst funded guarantees are recognised on balance sheet, BII's unfunded obligations are not. BII consider the unfunded obligations to share a credit risk similar to loans to the private sector. Therefore, Expected Credit Losses (ECLs) are calculated for financial guarantees and unfunded loan commitments in accordance with IFRS 9.

ECLs reflect the probability-weighted estimate based on loss expectations resulting from default events over either a 12-month period from the reporting date or the remaining life of the financial instrument. The method used to calculate the ECLs are based on the following inputs:

### Guarantee Contracts

PD: The Probability of Default is an estimate of the likelihood of default over a given time. The BII portfolio team use two credit models (Moody's and S&P) and apply these models against the underlying obligors most recent financial statements. An average PD is then generated and applied against a credit conversion factor in line with Basel IV.

LGD: The Loss Given Default is an estimate of BII's loss arising in the case of a default at a given time. The LGDs are in line with Basel IV LGDs for unsecured debt instruments.

Exposure: The exposure for the guarantees are the total of the funded and unfunded underlying outstanding obligor contracts.

### Unfunded Loan Commitments

PD: The Probability of Default is an estimate of the likelihood of default over a given time. The BII portfolio teams use a series of scorecard models which are based on quantitative and qualitative indicators to formulate a credit rating. The credit rating is then mapped to a Moody's equivalent which is then mapped to PD tables which are structured by country and sector.

LGD: The Loss Given Default is an estimate of BII's loss arising in the case of a default at a given time. It is based on the difference between the contractual cash flows due and any future cashflows.

Exposure: The exposure for unfunded loan commitments is the available remaining commitment that is expected to be drawn within the availability period.

**Financial liabilities**

Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, contractual obligations, excluding FFECs, to deliver cash or another financial asset to another entity are measured at amortised cost using the effective interest method.

**Provisions, contingent liabilities and contingent assets**

Provisions are recognised if there is a present obligation, whether legal or constructive, which has arisen as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability.

Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

# Notes to the accounts continued

## 26. Summary of significant accounting policies continued

**Capital commitments**
Commitments represent amounts the Group has contractually committed to pay third parties but do not yet represent a liability or impact the Group's financial results for the year. These commitments do not include potential future commitments approved by the Group that are not yet legally binding.

**Investment income**
Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Dividends
Dividend income, classified within investment income, is recognised when the right to receive payment is established. Where the right to receive a dividend is in doubt, dividends are recorded on the date of receipt.

Interest
The interest on a loan investment and guarantees is recognised on a time apportioned basis when due on the loan with investment income. Where there is objective evidence of loss of value or inability to collect loan interest, for example where loan interest remains unpaid after 90 days, a provision is recognised.

Management fee income
A fixed percentage management fee is earned for providing asset management services to subsidiaries. These fees are recognised as revenue each period in accordance with the terms of the agreements.

Government Grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to the acquisition of investments are recognised as deferred income in the consolidated statement of financial position and recognised as grant income on a systematic and rational basis over the expected useful lives of the related asset. Any gains or losses arising from the investments funded by the Grants will be reflected in the Group and Company Statement of Comprehensive Income as fair value gains or losses.

**Employee benefits**
The Company operates a funded defined benefit pension scheme in the UK, called the CDC Pensions Scheme, for staff who entered service prior to 1 April 2000. There is a defined contribution section for subsequent entrants.

The CDC Pensions Scheme is funded by the payment of contributions to a separately administered trust fund. The cost of providing benefits under the Company's funded defined benefit plan is determined using the projected unit credit actuarial valuation method, with actuarial valuations being carried out triennially.

The costs of providing defined contribution pensions are charged to the statement of comprehensive income as they become payable.

The cost of the performance related compensation programme (LTDPP) is charged to the statement of comprehensive income in the year to which the award relates.

**Income tax**
The CDC Act 1999 provided the Company with exemption from UK corporation tax with effect from 1 May 2003. This does not affect overseas taxation of the Company or of its subsidiaries.

Current tax is recognised as income or expense and is included in the net profit for the year, unless it relates to a transaction or event which is recognised directly in equity, whereupon the current tax is charged or credited to equity accordingly.

Current and deferred tax assets and liabilities are offset only when they arise from the same tax reporting group and relate to the same tax authority and when the legal right to offset exists.

Current and deferred taxes are recognised as a tax credit or expense in the year in which they arise except for deferred taxes recognised or disposed of upon the acquisition or disposal of a subsidiary.

Some dividend and interest income received is subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as a tax expense.

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantially enacted at the statement of financial position date.

Deferred tax assets are recognised only to the extent that the Directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

**Operating leases**
IFRS 16 applies to all leases except for licences of intellectual property, rights held by licensing agreement within the scope of IAS 38 Intangible Assets, service concession arrangements, leases of biological assets within the scope of IAS 41 Agriculture, and leases of minerals, oil, natural gas and similar non-regenerative resources. Refer to note 22 for more details.

IFRS 16 does not result in a significant change to lessor accounting; however, for lessee accounting there is no longer a distinction between operating and finance leases.

Lessees will be required to recognise both: 1) A lease liability, measured at the present value of remaining cash flows on the lease; and 2) A right of use asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The right of use asset will amortise to the income statement over the life of the lease.

There is a recognition exemption in IFRS 16 for short-term leases and leases of low-value assets which allows the lessee to apply similar accounting as an operating lease under IAS 17.

BII has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets including IT equipment. BII recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Additionally, BII applies IFRS 16 on a modified retrospective basis and took advantage of the option not to restate comparative period.

**Operating segments**
IFRS 8 Operating Segments requires an entity to present segment information on the same basis as the financial information which is reviewed regularly by management to assess performance. The information set out in note 2 presents the summarised financial information in order to explain more fully BII's investment activities, together with the financial results that are presented under IFRS in which BII consolidates all non-investment subsidiaries.

**New and revised IFRS Standards in issue but not yet effective**
The accounting policies set out in these financial statements have been applied consistently to all periods presented.

The following standards are issued but not yet effective and have not been applied to these financial statements. The Group intends to adopt these standards when they become effective. These are not expected to have any material impact on the Group's financial statements:

+ IFRS 17 Insurance Contracts. IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard is currently effective from 1 January 2021. BII has assessed the requirements of the standard as having no impact on the Group.
+ Amendments to IFRS 3 Reference to the Conceptual Framework.
+ Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use.
+ Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract.
+ Amendments to IAS 1 Classification of liabilities as Current or Non-Current.
+ Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
+ Annual Improvements to IFRS Standards 2018-2020 Cycle.
+ Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies.
+ Amendments to IAS 8 – Definition of Accounting Estimates.
+ Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

# **Notes to the accounts** continued

## 27. Related undertakings

The principal subsidiaries of BII at the end of the year and the percentage of equity capital are set out below.

### Subsidiaries consolidated

| Company and registered address | Class of share | Percentage held by BII | Principal activities |
|---|---|---|---|
| **CDC India Advisers Private Limited^**<br>Prestige Blue Chip, Block 2, No9, Hosur Road, Koramangala, Bengalaru, Karnataka – 560029, India | Ordinary | 100.0 | Investment advisory |
| **CDC Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment advisory |
| **CDC East Africa Advisers Limited**<br>Twentieth Floor, Lonrho House, Plot LR/No. 209/7155, Standard Street, Nairobi, Kenya | Ordinary | 100.0 | Investment advisory |
| **CDC West Africa Investments Limited**<br>KPMG Towers, Bishop Aboyade Cole Street, Victoria Island, Lagos, Nigeria | Ordinary | 100.0 | Investment advisory |
| **Dayton Advisers Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment advisory |
| **Development Corporation Pakistan Advisers (Private) Limited**<br>1st Floor, Modern Motors House, Beaumont Road, Karachi 75530, South Sindh, Pakistan | Ordinary | 100.0 | Investment advisory |
| **CDC Bangladesh Advisers (Private) Ltd**<br>CDC C/o Locus, Tower-52, Level-4, Road-11, Block-C, Banani, Bangladesh | Ordinary | 100.0 | Investment advisory |

^ Directly held by the Company.

### Subsidiaries not consolidated

| Company<br>Registered address and principal place of business | Class of share | Percentage held by BII | Principal activities | Currency | Profit/ (loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|---|
| **Africa Power Group Limited**<br>1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL | Ordinary | 100.0 | Investment holding | USD | 21.9 | 190.7 |
| **Africa Power XF Limited**<br>1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL | Ordinary | 100.0 | Investment holding | USD | (0.1) | – |
| **CDC Africa Cement Limited**<br>1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL | Ordinary | 100.0 | Investment holding | USD | (0.1) | 143.0 |
| **CDC Africa Power Limited**<br>c/o IQ EQ Corporate Services (Mauritius) Ltd, Cascades Building, Edith Cavell Street, Port Louis, Republic of Mauritius | Ordinary | 100.0 | Investment holding | USD | 4.7 | 92.0 |
| **CDC Asset Management Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Dormant company | GBP | – | – |
| **British International Investment Limited**<br>(Previously CDC Capital for Development Limited) ^<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Dormant company | GBP | – | – |
| **CDC Emerging Markets Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment holding | USD | (13.5) | 9.4 |
| **CDC Financial Services (Mauritius) Limited^**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 100.0 | Investment holding | GBP | – | 13.4 |
| **CDC Gateway Holdings LLP ^**<br>123 Victoria Street, London, England, SW1E 6DE | Partnership interest | 100.0 | Investment holding | USD | – | – |
| **CDC Gateway A LLP**<br>123 Victoria Street, London, England, SW1E 6DE | Partnership interest | 100.0 | Investment holding | EUR | – | – |

| Company<br>Registered address and principal place of business | Class of share | Percentage held by BII | Principal activities | Currency | Profit/ (loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|---|
| **CDC Gateway B LLP**<br>123 Victoria Street, London, England, SW1E 6DE | Partnership interest | 100.0 | Investment holding | USD | – | – |
| **CDC Gateway C LLP**<br>123 Victoria Street, London, England, SW1E 6DE | Partnership interest | 100.0 | Investment holding | USD | – | – |
| **CDC Holdings Guernsey Limited**^ x<br>1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL | Ordinary | 100.0 | Investment holding | USD | 111.5 | (372.0) |
| **CDC India Investments Private Limited**^<br>Unit 804, 8th Floor, B Wing, The Capital, G Block, Bandra Kurla, Complex, Bandra, Mumbai, Maharashtra, India, 400051 | Ordinary | 100.0 | Investment holding | INR | 0.7 | 10.5 |
| **CDC India Opportunities Limited**^<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment holding | USD | 9.4 | (7.3) |
| **CDC Investment Holdings Limited**^<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 100.0 | Investment holding | GBP | – | 3.6 |
| **CDC Nepal Opportunities Limited**^<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment holding | USD | 3.5 | 4.8 |
| **CDC Overseas Holdings Limited**^<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment holding | GBP | – | – |
| **CDC Pakistan Power Limited**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 100.0 | In liquidation | USD | – | – |
| **CDC Pakistan Power Projects Limited**^<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment holding | USD | 4.2 | 6.9 |
| **CDC Scots GP Limited**^<br>50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ | Ordinary | 100.0 | Investment holding | USD | – | – |
| **CDC Scots LP**^<br>50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ | Partnership interest | 100.0 | Investment holding | USD | 44.0 | 68.8 |
| **CDC South Asia Limited**^<br>c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 100.0 | Investment holding | USD | – | 0.5 |
| **CDC South Asia Renewables Limited**^<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment holding | USD | (8.6) | (1.5) |
| **CDC Nominee No.1 Limited**<br>(Previously The Africa List Limited)^<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Dormant company | GBP | – | – |
| **Gridworks Development Partners LLP**^<br>123 Victoria Street, London, England, SW1E 6DE | Partnership interest | 100.0 | Investment holding | USD | (7.3) | 18.2 |
| **MedAccess Guarantee Limited**^<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Operating company | USD | (3.3) | 203.1 |
| **North African Foods Limited**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 100.0 | In liquidation | USD | – | – |
| **Pan African Holdings Limited**^<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 100.0 | Investment holding | GBP | – | 3.2 |
| **Sinndar Holdings Limited**<br>1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL | Ordinary | 100.0 | Investment holding | USD | 14.2 | (46.9) |
| **CDC North Africa Healthcare Limited**^<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 98.0 | Investment holding | USD | – | 103.1 |
| **Globeleq Limited**<br>Second Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WW | Ordinary | 70.0 | Operating holding company | USD | (22.4) | 391.4 |

# Notes to the accounts continued

## 27. Related undertakings continued

| Company<br>Registered address and principal place of business | Class of share | Percentage held by BII | Principal activities | Currency | Profit/(loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|---|
| **CDC PTL Holdings Limited**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 62.0 | In liquidation | USD | – | – |
| **Dayton Investments Limited^**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 51.0 | Investment holding | USD | (5.7) | 90.7 |

* Profit/(loss) for the year and aggregate capital and reserves for the subsidiary as at the end of its relevant financial year.
^ Directly held by the Company.
x CDC Holdings Guernsey Limited is the borrower of record for the committed standby US$600m (£443.4m) Revolving Credit Facility (RCF). The assets of CDC Holdings Guernsey will be used as security should there be any drawings under the RCF. With British International Investment plc being exempt from UK corporation tax there is no tax advantage to be gained from this company being incorporated in Guernsey.

These subsidiaries are not consolidated due to the application of IFRS 10 and are carried at fair value through profit and loss. There are no restrictions on the ability of the unconsolidated subsidiaries to transfer cash to BII. There are no contractual arrangements that require BII to provide financial support to the unconsolidated subsidiaries. BII has not provided any non-contractual assistance to any of the unconsolidated subsidiaries during the reporting year.

Under section 409 of the Companies Act 2006, BII is required to disclose specified details of all its related undertakings including significant holdings. The significant holdings in undertakings of BII are equity investments including funds, carried at fair value through profit and loss, in which BII's holding amounts to 20 per cent or more of the nominal value of any class of shares in the undertaking. BII's holdings operate across several sectors including infrastructure, financial services, health and education, trade, communications, agribusiness, microfinance, business services, manufacturing, construction and real estate, and mineral extraction.

The significant holdings in undertakings of BII at the end of the year are set out below.

| Company<br>Registered address | Class of share | Percentage held by BII | Currency | Profit/(loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **A4C S Feeder LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 100.0 | USD | 3.4 | 33.6 |
| **Actis Africa Real Estate Fund LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 100.0 | USD | (0.3) | 0.9 |
| **Actis Energy 3C Sub-Feeder LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 100.0 | USD | (3.5) | 48.0 |
| **Advent Latin America Private Equity Fund IV LP**<br>75 State Street, Boston, MA 02109, USA | Partnership interest | 100.0 | USD | – | 2.3 |
| **Takura III**<br>African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe | Partnership interest | 99.0 | USD | 2.0 | 10.8 |
| **Pragati India Fund Limited**<br>4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius | Ordinary shares | 99.0 | USD | – | 1.4 |
| **Qiming Venture Partners II LP**<br>PO Box 309GT, Ugland House, George Town, Grand Cayman, Cayman Islands | Partnership interest | 98.9 | USD | (38.7) | 77.4 |
| **Happy Travel Rolling Investors LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 92.1 | USD | – | 0.3 |
| **Kotak India Affordable Housing Fund**<br>27 BKC, 7th Floor, Plot No C-27, Bandra Kurla Complex, Bandra, Mumbai – 400051, India | Units | 90.9 | INR | 10.7 | 1,232.7 |

| Company<br>Registered address | Class of share | Percentage held by BII | Currency | Profit/ (loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **Actis South Asia Fund 2 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 90.7 | USD | – | 0.2 |
| **Actis Infrastructure 2 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 83.8 | USD | – | 0.1 |
| **Momentum Africa Real Estate Parallel Company**<br>Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius | Ordinary shares | 83.3 | USD | – | 2.0 |
| **Actis Latin America 3 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 75.5 | USD | (8.7) | 9.9 |
| **Kotak India Private Equity Fund III**<br>10th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius | Ordinary shares | 75.0 | USD | (0.1) | 10.4 |
| **Actis ASEAN Fund LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 69.2 | USD | – | 0.2 |
| **Aureos China Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 54.8 | USD | – | – |
| **Altra Private Equity Fund I LP**<br>PO Box 1040, 2nd Floor, Harbour Centre, North Church Street, Grand Cayman, KY1-1102, Cayman Islands | Partnership interest | 53.9 | USD | 0.6 | 1.4 |
| **Actis China 3 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 51.0 | USD | – | 0.1 |
| **The Africa Power Platform PCC**<br>Platinum Square. Hola Road Industrial Area, Suite No. 10. Nairobi, Kenya | Ordinary shares | 49.9 | USD | ^ | ^ |
| **Aavishkaar Goodwell India Microfinance Development Company II Limited**<br>Level 6, One Cathedral Square, Jules Koenig Street, Port Louis, Mauritius | Ordinary shares | 49.7 | USD | ^ | ^ |
| **InFrontier AF LP**<br>695 High Road, Galla House, London, N12 0BT | Partnership interest | 49.5 | USD | ^ | ^ |
| **Takura II**<br>African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe | Partnership interest | 49.5 | USD | ^ | ^ |
| **Kendall Court Mezzanine (Asia) Bristol Merit Fund LP**<br>PO Box 709GT, 122 Mary Street, Grand Cayman, Cayman Islands | Partnership interest | 49.2 | USD | ^ | ^ |
| **14 Trees Limited**<br>c/o Holcim Group Services Ltd, im Schachen, 5113 Holderbank, AG, Switzerland | Ordinary shares | 48.9 | CHF | ^ | ^ |
| **Pan African Housing Fund LLC**<br>Suite 510, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius | Ordinary shares | 47.7 | USD | ^ | ^ |
| **COVID-19 Energy Access Relief Fund, B.V.**<br>Hoogoorddreef 15, 1101 BA Amsterdam The Netherlands | Ordinary shares | 47.6 | USD | ^ | ^ |
| **Kotak India Private Equity Fund Limited**<br>Suite 2005, Level 2, Alexander House, 35 Cybercity, Ebene, Mauritius | Ordinary shares | 47.3 | USD | ^ | ^ |
| **Zephyr Power (PVT.) Limited**<br>68-B, Sindhi Muslim Housing Society, Karachi 74400, Pakistan | Ordinary shares | 46.7 | USD | ^ | ^ |
| **Actis Africa Real Estate Fund 2 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 46.6 | USD | ^ | ^ |
| **APF-II India Holdings Private Limited**<br>Unit 2, 4B, 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius | Ordinary shares | 45.8 | USD | ^ | ^ |

# Notes to the accounts continued

## 27. Related undertakings continued

| Company<br>Registered address | Class of share | Percentage held by BII | Currency | Profit/(loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **Insitor Impact Asia Fund Private Limited**<br>6 Temasek Boulevard, #09-05, Suntec Tower Four, Singapore 038986 | Partnership interest | 45.2 | USD | ^ | ^ |
| **Aavishkaar Emerging India Fund**<br>GFin Corporate Services Ltd, Level 6, GFin Tower, 42 Hotel Street, Cybercity, Ebène 72201, Mauritius | Ordinary shares | 44.6 | USD | ^ | ^ |
| **Dynamic India Fund S4 I**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Ordinary shares | 44.4 | USD | ^ | ^ |
| **APF-I (Mauritius) Limited**<br>33 Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 43.7 | USD | ^ | ^ |
| **Insitor Impact Asia Fund 2**<br>140B Neil Road 088869 Singapore | Ordinary shares | 42.8 | USD | ^ | ^ |
| **Africa Logistics Properties**<br>Crossinvest Global Management Limited, Avenue Geranium and Reservoir Road, Suite 011, Grand Baia Business Park, Grand Baie, Mauritius | Ordinary shares | 41.9 | USD | ^ | ^ |
| **Feronia Inc**<br>181 Bay Street, Suite 1800, Toronto, Ontario, Canada, M5J 2T9 | Ordinary shares | 41.9 | USD | ^ | ^ |
| **ARM Cement Limited**<br>L.R. No. 209/7417/2 Chiromo Road, Westlands, Nairobi, Kenya | Ordinary shares | 41.2 | USD | ^ | ^ |
| **Aureos South Asia Fund (Holdings) LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 41.2 | USD | ^ | ^ |
| **Actis China Fund 2 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 40.0 | USD | ^ | ^ |
| **Aureos Malaysia Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 40.0 | USD | ^ | ^ |
| **Kelix Bio Ltd**<br>(previously Zanzibar Pharma)<br>1 Bartholomew Ln, London EC2N 2AX | Ordinary shares | 40.0 | USD | ^ | ^ |
| **Bujagali Holding Power Company Limited**<br>Plot No. 108/112, 5th Street, Industrial Are, Kampala, Uganda | Ordinary shares and redeemable preference shares | 37.4 | USD | ^ | ^ |
| **Divercity Urban Property Fund Proprietary Limited**<br>Eyethu House, 270 Marshall Street<br>City & Surburban, Johannesburg | Ordinary shares | 39.4 | USD | ^ | ^ |
| **TIDE Africa II LP**<br>5th Floor, Senteu Plaza, Galana Road, Kilimani, Nairobi | Partnership interest | 38.1 | USD | ^ | ^ |
| **TVS Industrial & Logistics Parks Pvt Ltd**<br>B-106, 10th Floor, Mittal Tower, B Wing, Nariman Point, Mumbai, Maharashtra 400021, India | Ordinary shares | 37.6 | USD | ^ | ^ |
| **ShoreCap III**<br>c/o SGG Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 37.0 | USD | ^ | ^ |
| **DI Frontier Market Energy & Carbon Fund**<br>c/o Bech-Brunn Law Firm, Langelinie Alle 35, 2100 Copenhagen, Denmark | Partnership interest | 36.4 | EUR | ^ | ^ |
| **Actis Sunrise Development Limited**<br>c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 36.0 | USD | ^ | ^ |

| Company<br>Registered address | Class of share | Percentage held by BII | Currency | Profit/ (loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **Adlevo Capital Africa LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 35.4 | USD | ^ | ^ |
| **Green Growth Feeder Fund Pte. Ltd**<br>B-106, 10th Floor, Mittal Tower, B Wing, Nariman Point, Mumbai, Maharashtra 400021, India | Partnership interest | 35.3 | USD | ^ | ^ |
| **Actis Africa 3 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 35.3 | USD | ^ | ^ |
| **Faering Capital Fund III**<br>95, Maker Chambers III, Nariman Point, Mumbai 400 021, India | Ordinary shares | 35.2 | USD | ^ | ^ |
| **Saratoga Asia II LP**<br>c/o Walkers SPV Limited, Walkers House, 87 Mary Street, Grand Cayman KY 1-9002, Cayman Islands | Partnership interest | 35.2 | USD | ^ | ^ |
| **Manipal**<br>c/o CIM Corporate Services Ltd, Les Cascades Building, 33 Edith Cavell Street, Port Louis, Mauritius | Ordinary shares & preference shares | 35.0 | USD | ^ | ^ |
| **Helios Investors IV**<br>Helios Investors IV, L.P.<br>P.O. Box 309, Ugland House,<br>Grand Cayman, KY1-1104 Cayman Islands | Ordinary shares | 34.5 | USD | ^ | ^ |
| **Ascent India Fund IV**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Ordinary shares | 33.0 | USD | ^ | ^ |
| **Amicus Capital Partners Private Equity I**<br>Villa 188, Adarsh Palm Retreat, Outer Ring Road, Devarabisanahalli, Bangalore 560103, India | Ordinary shares | 32.5 | USD | ^ | ^ |
| **Growth Catalyst Partners – Annex Fund**<br>318 W. Adams Street<br>#1607 Chicago, IL 60606 | Ordinary shares | 31.9 | USD | ^ | ^ |
| **Rainbow Healthcare**<br>22, Road No 4, Banjara Hills, Hyderabad 500 034, India | Ordinary shares and compulsory convertible preference shares | 31.7 | INR | ^ | ^ |
| **Solon Capital Holdings**<br>c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius | Ordinary shares | 31.4 | USD | ^ | ^ |
| **Garden City**<br>c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 31.3 | USD | ^ | ^ |
| **GEF Africa-LC Sustainable Forestry Fund LP**<br>5471 Wisconsin Avenue, Suite 300, Chevy Chase, MD, 20815 | Partnership interest | 31.2 | USD | ^ | ^ |
| **Pembani Remgro Infrastructure Mauritius Fund I LP**<br>c/o Augentius Fund Administration (Mauritius) Limited, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius | Partnership interest | 31.1 | USD | ^ | ^ |
| **JS Private Equity Fund I LLC**<br>Level 6, One Cathedral Square, Jules Koenig Street, Port Louis, Mauritius | Partnership interest | 30.8 | USD | ^ | ^ |
| **Actis India Fund 2 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 30.7 | USD | ^ | ^ |
| **Injaro Agricultural Capital Holdings Limited**<br>c/o CKLB International Management Ltd, 1st Floor, 24 Dr Joseph Rivière Street, Port Louis, Mauritius | Ordinary shares | 30.5 | USD | ^ | ^ |
| **Regional Education Finance Fund for Africa**<br>2, rue d'Alsace, L-1122 Luxembourg | Ordinary shares | 30.2 | USD | ^ | ^ |

# **Notes to the accounts** continued

## **27. Related undertakings** continued

| Company<br>Registered address | Class of share | Percentage held by BII | Currency | Profit/(loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **Fibonacci India Fund Co Limited**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Ordinary shares | 29.9 | USD | ^ | ^ |
| **Ankur Capital II**<br>N5, Jetha Compund, Dr B Ambedkar Road, Byculla (east, Mumbai 400 027 | Partnership interest | 29.6 | INR | ^ | ^ |
| **Kendall Court Mezzanine (Asia) Fund 1 LP**<br>PO Box 709 GT, 122 Mary Street, Zephyr House, Grand Cayman, Cayman Islands | Partnership interest | 29.6 | USD | ^ | ^ |
| **BluePeak Private Capital Fund**<br>Merchant Square, 4th Floor, D Block Riverside Drive, Nairobi, Kenya | Partnership interest | 29.4 | USD | ^ | ^ |
| **Adiwale Fund I**<br>c/o Ocorian Corporate Services, Tower A, 1 CyberCity Ebene Mauritius | Partnership interest | 29.3 | EUR | ^ | ^ |
| **Anthem Asia SME Venture Fund**<br>1 Raffles Place, 13-01 One Raffles Place, Tower 1, Singapore | Partnership interest | 29.0 | USD | ^ | ^ |
| **Sawari Ventures Fund I**<br>Jan van Goyenkade 8, 1075 HP Amsterdam, Netherlands | Ordinary shares | 28.7 | USD | ^ | ^ |
| **The Sierra Investment Fund**<br>5th Floor, Barkly Wharf, La Caudan Waterfront, Port Louis, Mauritius | Ordinary shares | 28.9 | USD | ^ | ^ |
| **COVID-19 Emerging and Frontier Market MSME Support Fund**<br>Hoogoorddreef 15, 1101 BA Amsterdam The Netherlands | Partnership interest | 28.8 | USD | ^ | ^ |
| **Aureos South East Asia Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 28.6 | USD | ^ | ^ |
| **Energy Access Ventures Fund**<br>7 Boulevard Malesherbes, 75008 Paris, France | Units | 28.6 | EUR | ^ | ^ |
| **Aureos Central Asia Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 28.5 | USD | ^ | ^ |
| **HR Food Processing Private Limited**<br>Osam Dairy, House No 448/A, Ground Floor, Near Argora Chowk, Road No. 04, Ashok Nagar Ranchi Jh 834002 India | Ordinary shares & Compulsory convertible preference shares | 28.0 | INR | ^ | ^ |
| **CardinalStone Capital Advisers Growth Fund**<br>5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius | Partnership interest | 27.6 | USD | ^ | ^ |
| **Abraaj Pakistan Fund I LP**<br>Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands | Partnership interest | 27.5 | USD | ^ | ^ |
| **VenturEast Proactive Fund II LLC**<br>St Louis Business Centre, Cnr Desroches & St. Louis Streets, Port Louis, Republic of Mauritius | Ordinary shares | 27.5 | INR | ^ | ^ |
| **Atlantic Coast Regional Fund LLC**<br>c/o Abax Corporate Services, Level 6, One Cathedral Square, Jules Koeing Street, Port Louis, Mauritius | Ordinary shares | 27.3 | USD | ^ | ^ |
| **BTS India Private Equity Fund**<br>4th Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 27.2 | USD | ^ | ^ |
| **International Finance Participation Trust (Cayman 2004)**<br>PO Box 32322SM, Century Yard, Cricket Square, Grand Cayman, Cayman Islands | Units | 27.0 | USD | ^ | ^ |

| Company<br>Registered address | Class of share | Percentage held by BII | Currency | Profit/ (loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **Growth Catalyst Partners LLC**<br>33 Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 26.9 | USD | ^ | ^ |
| **Aavishkaar India II Company Limited**<br>608 St James Court, St Denis Street, Port Louis, Mauritius | Ordinary shares | 23.7 | USD | ^ | ^ |
| **Ethos Private Equity Fund V**<br>26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands | Partnership interest | 26.6 | USD | ^ | ^ |
| **Capital Alliance Property Investment Company LP**<br>c/o Caledonian Trust (Cayman) Limited, 69 Dr. Roy's Drive, George Town, Grand Cayman, Cayman Islands KY1-1102 | Partnership interest | 26.2 | USD | ^ | ^ |
| **Actis Umbrella Fund LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 26.1 | USD | ^ | ^ |
| **Aureos West Africa Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 26.0 | USD | ^ | ^ |
| **Africa Forestry Fund II**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Ordinary shares | 26.0 | USD | ^ | ^ |
| **Metier AMN Partnership LP**<br>4th Floor, Building 3, Oxford Parks<br>8 Parks Boulevard, Rosebank<br>Johannesburg 2196 South Africa | Partnership interest | 25.9 | USD | ^ | ^ |
| **Jacoma Estates Limited**<br>Hyde Park House, 5 Manfred Road, London SW15 2RS | Ordinary shares | 25.3 | USD | ^ | ^ |
| **Convergence Partners Digital Infrastructure Fund**<br>6th Floor Tower A, 1 Cybercity, Ebene, Mauritius | Partnership interest | 25.0 | USD | ^ | ^ |
| **Incofin India Progress Fund I**<br>Jambu Towers, No:99, Sree sastha Building, 1st Floor, New Avadi Rd, Kilpauk, Chennai, Tamil Nadu 600010, India | Partnership interest | 25.0 | INR | ^ | ^ |
| **Aureos Southern Africa Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 25.1 | USD | ^ | ^ |
| **Progression Eastern African Microfinance Equity Fund**<br>c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 24.9 | USD | ^ | ^ |
| **India Infrastructure Fund II (Singapore) Private Limited**<br>#04-02 112 Robinson Road, Singapore, 068902 | Ordinary shares | 24.8 | USD | ^ | ^ |
| **Frontier Bangladesh II LP**<br>PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands | Partnership interest | 24.5 | USD | ^ | ^ |
| **Ascent Rift Valley Fund II**<br>Ascent Capital Advisory Services<br>3rd Floor, Block E, ABC Place,<br>Waiyaki Way. Nairobi, Kenya | Partnership interest | 24.7 | USD | ^ | ^ |
| **VenturEast Life Fund III**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Preference shares | 24.5 | INR | ^ | ^ |
| **Bangladesh Managed Account C.V.**<br>B45 Twenty-Foot Road, 3rd Floor, La Croisette, Grand Baie, Mauritius. | Partnership interest | 24.0 | USD | ^ | ^ |
| **Seedfund2 International**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Ordinary shares | 24.2 | USD | ^ | ^ |
| **GEF South Asia Fund II**<br># 1118, One BKC, C Wing,<br>G Block, Bandra Kurla Complex,<br>Mumbai – 400051 | Partnership Interest | 24.1 | USD | ^ | ^ |

# **Notes to the accounts** continued

## 27. Related undertakings continued

| Company<br>Registered address | Class of share | Percentage held by BII | Currency | Profit/ (loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **Emerge Central America Growth Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 23.8 | USD | ^ | ^ |
| **Kula Fund II Limited**<br>c/o Ridgeway Blake Lawyers, First Rank Building, Rue Emile Mercet, Port Vila, Vanuatu | Ordinary shares | 23.8 | USD | ^ | ^ |
| **Africa Renewable Energy Fund II**<br>c/o Berkeley Energy, 4 Old Park Ln, London, Greater London W1K 1QW | Partnership interest | 21.6 | EUR | ^ | ^ |
| **Africa Capitalworks**<br>Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius | Ordinary shares | 23.3 | USD | ^ | ^ |
| **CX Partners Fund II**<br>22 Saint Georges Street, Port Louis, Mauritius | Ordinary shares | 23.2 | USD | ^ | ^ |
| **Myanmar Opportunities Fund II**<br>c/o PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands | Partnership interest | 22.4 | USD | ^ | ^ |
| **Sahel Capital – FAFIN**<br>c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius | Ordinary shares | 22.8 | USD | ^ | ^ |
| **Techxila Fund I**<br>Room 2702, Gefei Zhongxin 757 Mengzi Road Shanghai, Huangpu 200023, China | Partnership interest | 22.6 | USD | ^ | ^ |
| **Central Africa Growth Sicar SA**<br>16 Boulevard Royal, L-2449 Luxembourg | Ordinary shares | 22.5 | EUR | ^ | ^ |
| **India Financial Inclusion Fund**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 22.5 | USD | ^ | ^ |
| **Ventureast Proactive Fund LLC**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Ordinary shares | 22.2 | USD | ^ | ^ |
| **Chemistry Holdings Limited**<br>1/A, Sarguna Salai, Nagalkeni, Chromepet, Chennai 600044 | Ordinary shares & Compulsory convertible preference shares | 21.7 | USD | ^ | ^ |
| **TLCom TIDE Africa Fund**<br>85 Great Portland Street, London, W1W 7LT, United Kingdom | Partnership Interest | 21.2 | USD | ^ | ^ |
| **Blue Sapphire Healthcares Private Limited**<br>152, Mandakini Enclave, Alaknanda, Dehli – 110019, India | Ordinary shares | 21.0 | USD | ^ | ^ |
| **Phatisa Food Fund 2**<br>S3-S4, 2nd Floor, Palm Square Complex La Mivoie, Tamarin, Mauritius | Ordinary shares | 20.1 | USD | ^ | ^ |
| **Actis India 3 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 20.0 | USD | ^ | ^ |
| **African Rivers Fund**<br>c/o Abax Corporate Services Ltd, 6th Floor, Tower A1, Cybercity, Ebene, Mauritius | Ordinary shares | 20.0 | USD | ^ | ^ |
| **Aureos East Africa Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 20.0 | USD | ^ | ^ |
| **India Agribusiness Fund II Limited**<br>5th Floor, Ebene Esplanade 24 Cybercity Ebene, Mauritius | Ordinary shares | 20.0 | USD | ^ | ^ |
| **UNIC Online Limited**<br>4 Inomenon Ethnon, Anastasia Building Floor 3, 6042, Larnaca, Cyprus | Ordinary shares | 20.0 | EUR | ^ | ^ |

* Profit/(loss) for the year and aggregate capital and reserves for the significant holding as at the end of its relevant financial year.
^ Information not required as British International Investment plc's holding is less than 50 per cent and undertaking's financial information is not published.

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