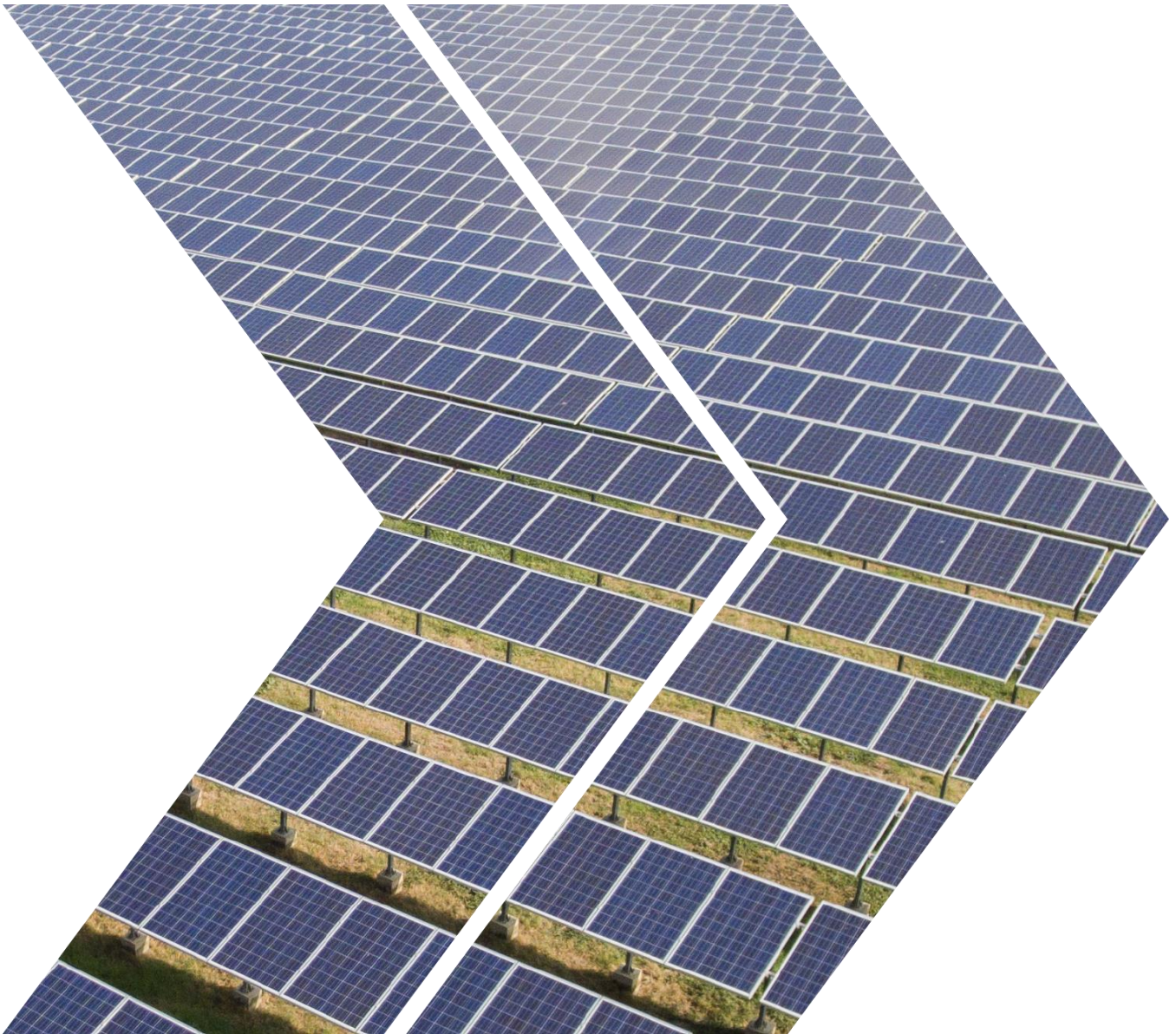


Remuneration Framework

January 2022



Adopted on 24 November 2021 and updated November 2023

Contents

1. Introduction	3
2. Agreed Philosophy	3
3. Structure of Remuneration	4
4. Base Salary	4
5. Long Term Incentive Performance Plan (LTIPP)	6
5.1. Purpose of the Long-Term Incentive Performance Plan	6
5.2. Core Principles	6
5.3. Positions Eligible for the LTIPP	7
5.4. Calculation framework of LTIPP	7
5.5. Maximum Percentage of LTIPP	8
5.6. Determination of the Financial Component	9
5.7. Determination of the Development Impact Component	9
5.8. Determination of the Corporate Component	9
5.9. Governance Mechanisms	10
6. Retirement Arrangements	11
6.1. Levels of Retirement Contributions	11
6.2. UK Taxed Pension Allowance (TPA)	11
7. Benefits	12
8. CEO Reward and Cap	12
9. Governance, Process, Authorisation Issues and Guardrails	13
10. Benchmarking	14
11. Local Offices Outside the UK	14
12. Remuneration Framework Revisions	15

1. Introduction

This paper sets out the Remuneration Framework (the “Framework”) for British International Investment plc (“BII”) for the period from 1 January 2022. It covers:

- The agreed philosophy that underpins the Framework;
- The different elements of remuneration for all employees (including the CEO) and how each element works in practice;
- Governance and authorisation processes for remuneration within BII; and
- Monitoring and review mechanisms by the shareholder, the Foreign, Commonwealth and Development Office (“FCDO”).

2. Agreed Philosophy

There is a strong philosophical underpinning for this framework, which is intended to clearly support BII's achievement of its dual mandate of developmental and financial objectives:

- The Remuneration Framework should enable the recruitment and retention of individuals of the calibre that will allow BII to accomplish its mission – to achieve impressive developmental impact in challenging places through targeted, high quality investing skills and deep impact expertise. Without the right calibre of individuals, BII will not achieve its mission and is likely to deplete its balance sheet through poor investment judgement or fail to create development impact.
- BII's employee value proposition, which includes the Framework, is intended 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. However, as the UK's Development Finance Institution (“DFI”), BII is benchmarked against organisations considered to provide a better match to its mission and dual mandate consisting of other DFIs, International Finance Institutions (“IFI”) and impact organisations. It is anticipated and market data shows that generally those who join BII will be taking a significant financial discount compared to the opportunities available to them elsewhere, for example in the fully commercial financial services sector. Employees in corporate functions at Manager band and below and BII's business support teams are benchmarked to general industry and not generally expected to take the same level of discount.
- BII's approach to compensation is made explicit during the hiring process and in internal communications. BII is not a place for individuals motivated solely by personal financial gain. It is for those who are prepared to accept this significant discount because they want to use their skills to achieve meaningful development impact in Africa and South Asia.

- It is recognised that whilst these individuals do exist, BII needs to invest significantly in recruitment efforts to identify them and create a highly attractive organisation and culture to retain them. This is commensurate with BII's culture and aspiration to be of the highest quality as an investment organisation.
- BII is an exceptionally long-term business where much of the know-how is in market knowledge and relationships. High employee attrition would significantly damage BII's ability to achieve its mission. The long-term element of compensation is deliberately designed so that the discount to market pay levels lessens over time, to encourage retention and to avoid BII being an academy that some of the best in the industry pass through for a short period.
- The metrics that drive the Long-Term Incentive Performance Plan ("LTIPP") – financial performance, development impact and corporate objectives – are designed to support the strategic direction of BII to invest as a patient investor and deliver strategic value to the FCDO. It is agreed that the parameters of the LTIPP establish the basis for targets to be set at a level of stretch where achievement will demonstrate that BII is meeting the challenging objectives agreed with the FCDO in each five-year strategy.

3. Structure of Remuneration

BII's remuneration consists of four elements:

- Base salary
- Long Term Incentive Performance Plan (LTIPP)
- Retirement arrangements
- Other employment benefits

4. 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 (as described in section 10) and the sustained level of individual performance. BII operates a global job levelling structure consisting of a series of bands, within which there are a number of pegs, each with its unique salary. The level of a role is the same regardless of the employee's geographical location. The salaries within a band increase at each peg to allow progression year on year if performance warrants, before being considered for promotion to the next band.

BII has designed a process for stretching individual objectives to be set annually and reviewed frequently in order to ensure that managers are discussing performance and development with every person at BII. Behavioural and technical competency maps exist for every band of employee.

Promotions and progressions, leading to base salary increases, are reviewed annually by the BII Extended HR Committee (“EHRC”), or the HR Committee (“HRC”), dependent on level (both the EHRC and HRC are made up of senior BII executives) and then by the People Development and Remuneration Committee (“PremCo”), a sub-Committee of the BII Board.

On an annual basis, PremCo considers management’s specific proposals for promotions and progressions on the basis of three primary factors: (i) whether the process was conducted with rigour; (ii) whether the process was conducted fairly, applying the competency maps with consistency across the organisation; and (iii) whether the organisation can afford the proposed increases in the context of the current year’s approved budget. Promotions are never made purely on tenure, but on performance, absolute and relative to peers.

Within its general oversight responsibilities, PremCo shall discuss with management the approach to promotions and progressions with consideration of the shape of the organisation both in the context of the current year of promotion and progression decisions and implications for future years.

The salaries of non-UK based Directors and MDs are permanently aligned with their UK counterparts in the corresponding roles (i.e. non-UK based Directors and MDs’ salaries are denoted in British Pounds (“GBP”) and based on the GBP salaries of their UK equivalent roles). This approach is necessary as BII recruits from a limited pool of internationally mobile candidates. It promotes flexibility, reinforces the equal value of our Directors and MDs throughout the world and gives consistency and simplicity.

Where possible, Directors will be paid in GBP. They may choose whether they convert to local currency at their own expense. Where currency restrictions exist preventing payments in GBP, BII will make payments in local currency or, if local currency payments are not possible, other suitable arrangements.

At Manager level and below outside the UK, BII competes for talent locally and therefore the salary structure for such roles is set in each country, using local market benchmarking and, with salaries paid in local currency. This allows BII to recruit the high calibre individuals needed in its country offices.

Setting up payrolls in BII’s markets can be complex. If arrangements are required which are materially different to those set out in the Framework, Management will seek approval from PremCo in advance of such arrangements being implemented.

Annual increases are intended to keep base salaries in each country in line with local inflation. Subject to oversight exercised by PremCo that takes into consideration the organisation's performance, the expectation is that over a three-year rolling period, average salary increase for each band and position will be consistent with, but will not exceed, the average CPI rate (for all UK roles and GBP-denominated roles outside the UK), or an appropriate local equivalent rate (for employees with local currency salaries).

5. Long Term Incentive Performance Plan (LTIPP)

5.1. Purpose of the Long-Term Incentive Performance Plan

The LTIPP has been agreed between the FCDO and BII to align the interests of BII employees and the FCDO by incentivising BII employees to:

- 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;
- make investments financially successful over the long-term because (as studies such as BII's 2020 study of financial institutions evidence) development impact is typically correlated with financial success; and
- protect the value of BII's balance sheet.

It is also designed to encourage collaborative behaviour across BII and to attract and retain employees by narrowing the compensation gap to market.

Included in the Framework are provisions addressing the principles, architecture and governance of the LTIPP. Details on the structure and operation of the LTIPP are set forth in the plan rules (the "LTIPP Rules"), which is the document that translates the principles of the Framework into guidance for BII employees and a user manual (the "User Manual") which provides details on the calculation methodologies required under the LTIPP. In the event of any conflict between the Framework and the LTIPP Rules and/or the User Manual, the Framework shall prevail.

5.2. Core Principles

The core principles which underpin the LTIPP are intended to reflect the objectives of the organisation as well as those of the FCDO while providing a clear signal to employees.

Mission and governance

The LTIPP exists to reinforce BII's impact focus and 'patient investor' roles, aligning the goals of the FCDO, board, management and employees, and enabling BII to retain people through the investment lifecycle to achieve our shared mission, and reinforce the culture and values of the organisation.

Recruitment and retention of current & future employees

The LTIPP supports retention of current employees and the recruitment and retention of future BII employees in order to build BII's pool of talent over the long-term. The plan seeks to narrow the gap to market compensation over time, as employees' lengths of service increase.

Sustainability and endurance

The LTIPP aims to deliver value for money for the FCDO, and to be flexible to enable adjustment of metrics, targets and performance ranges in alignment with BII's strategic objectives.

5.3. Positions Eligible for the LTIPP

The following positions will be eligible for the LTIPP:

- all members of the Executive Committee ("ExCo");
- all MDs and Directors (i.e. employees sitting in bands 2 and 3);
- all Managers (band 4); and
- Executives (band 5) (excluding Business Managers) in:
 - Investment functions
 - Impact functions (excluding the Business Integrity & Corporate Governance department), CIO Office (excluding the Investment Policy & Process department); and
 - Group Strategy & Development department.

5.4. Calculation framework of LTIPP

BII has a dual mandate of delivering development impact while remaining financially sustainable. This distinguishes BII from most companies in the private sector which are driven by a single mandate such as shareholder returns. Both of BII's mandates must be reflected in its long-term incentive plan. However, like many other organisations, management and the Board of BII also have other priorities related to delivery of the strategy, annual objectives and potential external factors, which may change over time. The Framework, therefore, must support both the core dual mandates (that remain largely constant over time) and other priorities (that may change from year to year). The LTIPP employs a scoring mechanism comprised of three components: (i) financial return on BII's total portfolio; (ii) development impact of its portfolio; and (iii) corporate objectives score. The respective weightings of each of these components are set out below:

Financial Performance	Development Impact	Corporate Objectives
40%	40%	20%

For any year, an eligible employee will be entitled to a payment equal to their Maximum Percentage (as defined in section 5.5) 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.

LTIPP Payment = Maximum Percentage x ([Financial Component x 40%] + [Development Impact Component x 40%] + [Corporate Component x 20%]) x Base salary

5.5. Maximum Percentage of LTIPP

The maximum percentage any eligible plan member can be awarded for any year (such person's "Maximum Percentage") is based upon a combination of their band (i.e. seniority) and their tenure in the plan (including tenure in the predecessor plan) after 1st January 2012, as shown in the chart below.

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

Notes: All numbers are a percentage of base salary.

1. Executives (excluding Business Managers) in:
 - i) Investment functions;
 - ii) Impact functions (excluding the Business Integrity & Corporate Governance department);
 - iii) CIO Office (excluding the Investment Policy & Process department); and
 - iv) Group Strategy & Development department.
2. Managers other than those identified in the following note 3.
3. Managers (excluding Business Managers) in:
 - i) Investment and Impact functions;
 - ii) CEO Office and CIO Office divisions;
 - iii) Legal, Tax and Compliance departments; or
 - iv) such other teams as may be designated by the Company (and approved by PremCo) from time to time.

Employees who join BII in an eligible position on or after 1st October in any year will join the plan and begin accruing eligibility on 1st January of the immediately following year, as will employees promoted into an eligible position after 1st October. Where an employee joins BII before 1st October or is promoted on or before 1st October in any year, the employee will begin accruing eligibility that year but the Maximum Percentage in respect of that year shall be reduced by 1/12th of the relevant annual accrual for their band for each full month between 1st January and the employee's date of joining or promotion that led to eligibility for the LTIPP.

Maximum Percentage = % of Base Salary - ([No. of full months not employed in 1st year of eligibility] x [1/12] x [the relevant annual accrual for the first year of tenure in the plan])

5.6. Determination of the Financial Component

The “Weighted Cumulative Investment Return” shall be as defined and calculated as set out in the Investment Policy agreed between BII and the FCDO (the “Investment Policy”). If the Weighted Cumulative Investment Return for any year equals or exceeds the “Financial Performance Hurdle” (as defined in the Investment Policy), the Financial Component for such year shall be .40. If the Weighted Cumulative Investment Return for any year is less than the Financial Performance Hurdle, the Financial Component for such year shall be zero.

5.7. Determination of the Development Impact Component

The development impact of BII’s portfolio shall be measured by an Aggregate Impact Score (“AIS”) as set out in the Investment Policy and the LTIPP Rules. The relationship between the AIS and the Development Impact Component for any year shall be calculated and then approved each year by PremCo. However, that relationship shall be anchored around the following set relationship: if the AIS equals 6.0 (as determined pursuant to the LTIPP Rules), the Development Impact Component shall be .20. The anchor score is intended to reflect the achievement of significant development impact in accordance with the expectations of the FCDO. In the event of exceptional development impact performance, the Development Impact Component may exceed .20 and in the event of development impact performance below expectations, the Development Impact Component may be less than .20.

5.8. Determination of the Corporate Component

Each year, the Board shall determine with input from management up to five corporate objectives (the “Corporate Objectives”) to be assessed by the Board at the end of such year.

The five Corporate Objectives shall be selected from the following categories: (i) up to two objectives linked to aspects of investment performance not sufficiently captured by the Financial Component and Development Impact Component; (ii) up to two objectives linked to operational excellence, culture and innovation; and (iii) up to one objective linked to BII's thought leadership and reputation.

The relevant Corporate Objectives and their relative weightings shall be approved by the Board and through PremCo made available to BII and the FCDO prior to the start of such year.

5.9. Governance Mechanisms

On an annual basis, the Board will confirm and demonstrate by written letter to the FCDO (a "Confirmation") the Financial Component, Development Impact Component and Corporate Component. The Weighted Cumulative Investment Return underlying the Financial Component shall be accompanied by an assurance from BII's external auditors. The AIS underlying the Development Impact Component for such year will be self-certified by BII to the Board. The Board will obtain, from a third-party, assurance regarding the scoring process used in determining the AIS. This assurance will be informed by approaches used to verify alignment with emerging standards such as the Operating Principles for Impact Management. The Corporate Component shall be assessed by the Board following the recommendation by PremCo.

Each eligible individual's entitlement under the LTIPP will then be calculated. These calculations will be signed off by the Executive Committee and paid in the next monthly payroll following sign off.

The Financial Performance Hurdle and AIS scoring range are set forth in the Investment Policy and cannot be modified without the approval of the FCDO. The Corporate Objectives are established by the Board and will be shared by the Board with the FCDO annually. The Financial Performance Hurdle and Development Impact anchor score represent stretch targets reflecting the ambitious expectations of the FCDO. The Corporate Objectives represent annual priorities where the organisation will be encouraged to deliver outstanding results. Annual performance will of course vary, but it is important to give some guidance for the Board to calibrate potential pay out rates. This is also vital to allow the management team to recruit and retain the employees to deliver shareholder value by delivering on the strategic goals the FCDO has set. If BII is performing well, meeting the financial performance hurdle, achieving the development impact anchor score and delivering significant progress against the Corporate Objectives, the LTIPP is expected to pay out 70% on average. If BII does not meet one or more of such criteria, the payout can be expected to be

materially below such level. If BII performs exceptionally well against such criteria, the payout can be expected to be above such level.

The Board shall review the performance of the LTIPP in the context of the objectives of the plan as described in section 5.2 in order to assess whether the plan is operating in accordance with such objectives. The first such review shall take place at the end of the third year of operations of the LTIPP, which will coincide with the next triennial review. Such review shall inform adjustments, if any, to the plan that may be appropriate in order to fulfil the plan's objectives.

6. Retirement Arrangements

BII encourages all employees to save for retirement. Where we are able, we meet this goal by setting up and paying company contributions into an appropriate retirement plan. Where this is not possible, BII makes equivalent retirement contributions to the individual. These contributions are in all cases taxed as UK or relevant local regulations require.

6.1. Levels of Retirement Contributions

Employees are offered a retirement scheme, either arranged by BII or the state. Employee contributions are not mandatory unless required by local legislation, however employees can where possible make voluntary contributions. BII contributes between 8-15% of salary subject to compliance with local legislation;

Age Band	Company Contribution Rate
Under 30	8%
30-39	9%
40-49	12%
50 and above	15%
MDs and CEO	15%

6.2. UK Taxed Pension Allowance (TPA)

BII employees in the UK who are impacted by the lifetime pension allowance or who have individual protection may opt to receive a cash payment in lieu of pension contribution. Such payments will be paid net of UK employer National Insurance contributions payable by BII, and then taxed upon receipt at the recipient's marginal rate of tax, so this payment (the "Taxed Pension Allowance", or TPA) is cost neutral to BII, and attracts higher deductions for the individual than would a Company contribution to the pension scheme.

7. Benefits

The following employment benefits are offered to all employees and kept as similar as is possible, given local employment norms and availability (see section 11 below):

- Life assurance cover, which will pay a lump sum equivalent to between four and eight times annual salary in the event of death;
- Permanent health insurance, which provides cover in the event that an employee is unable, through ill-health, to continue to work for BII;
- Private medical insurance which can include cover for family members;
- Employee Assistance Programme, a global support line for employees offering anonymised advice on a range of issues (including personal, medical, legal and financial);
- 38 days paid leave including public holidays (where these fall on a work day); and
- Sabbaticals lasting up to one month for employees with five years' service, and three months for those with ten years' service.

PremCo will review these benefits from time to time to ensure that they are in line with the comparator group. PremCo will advise the FCDO if any material changes are to be made to benefits offered to BII employees.

8. CEO Reward and Cap

The CEO will receive a base salary, with the potential to be adjusted for inflation in line with base salaries of employees in the same location as governed under section 4 above.

The maximum total remuneration, consisting of base salary and LTIPP, payable to the CEO in respect of the same financial year is described as the CEO cap. For the 2022 financial year the cap will not exceed £385,000. For every subsequent year the CEO cap will increase on the same date, and by the same percentage, as the associated annual base salary increase applied to all roles, described at the end of section 4 above. Other benefits will not exceed 18% of base salary. The CEO's remuneration will be reviewed as part of the benchmarking exercise to be undertaken every 3 years (as described in section 10).

The CEO will be eligible to participate in the benefits in kind described in section 7 above, with the exception that, whilst private medical insurance will be available for BII business related travel overseas, the CEO will not have access to UK private medical insurance paid for by BII.

9. Governance, Process, Authorisation Issues and Guardrails

The overall objective of this Remuneration Framework is to provide the FCDO assurance that BII's remuneration processes:

- provide robust oversight and scrutiny of remuneration levels within BII by PremCo, including for the CEO and senior employees;
- ensure that PremCo evidences compliance with this Remuneration Framework; and
- are transparent and comply with best practice.

This Framework has been agreed between BII and the FCDO to ensure that the underlying principles are in line with best practice.

BII follows best practice corporate governance arrangements for a plc as set out under English law and the UK Corporate Governance Code where applicable. These standards clarify many responsibilities (including those related to compensation) and obligations (including reporting to the FCDO) that are the particular purview of the Board. Consistent with those standards, the FCDO looks to the BII Board and PremCo to implement the Remuneration Framework.

The BII Board and PremCo have the authority to, and will:

- keep this Remuneration Framework (and associated remuneration levels) under review, to ensure that it aligns management's incentives with and supports the FCDO's wider objectives for BII;
- if necessary, adjust and authorise changes to the overall remuneration structure in line with this Remuneration Framework and evidence this to the FCDO;
- prepare and publish a Remuneration Report in the Annual Report and Accounts following best practice, including the publication of base salary or fee, LTIPP and other benefits (including pension entitlements) for all Board Directors;
- invite senior officials from the FCDO to a meeting once a year with PremCo to discuss the Remuneration Framework and remuneration levels of the senior employees, and the alignment of the various pay cycles for basic salary and LTIPP; and
- confirm annually to the FCDO BII's compliance with the Remuneration Framework.

The Board recognises it is responsible for ensuring that BII's remuneration activities operate in alignment with this Remuneration Framework. The Board shall regularly consider its responsibilities by way of discussion and review at both PremCo and at the Board.

Specifically, in the context of annual budget discussions, and progressions and promotions over time, management and the Board will discuss and reflect on the shape of the organisation. Management and the Board shall also discuss periodically the pace and quality of development of the internal pool of talented professionals committed to deliver on BII's mission.

10. Benchmarking

BII will undertake a benchmarking exercise every three years. The next benchmarking is due at the end of 2023. The benchmarking exercise allows a "sense check" on the overall BII compensation package and forms the basis for determining the salary structures within BII's bands by country for each role type.

The comparator group for the Investment and Impact Teams and the most senior Corporate employees will be based on the DFIs, IFIs and impact organisations which, in the Board's opinion, are most analogous to BII in mission, size, strategy and location. The comparator group for the rest of BII's employees will be the General Industry survey. Comparator information will also be reviewed for financial services organisations undertaking similar work to BII, in order to provide background to the reward levels in the job markets in which BII primarily recruits.

Following the exercise, PremCo will revert to the FCDO to confirm that the Remuneration Framework remains fit for purpose or, if necessary, to propose changes to the FCDO.

11. Local Offices Outside the UK

Where possible, reward policies and plans will be arranged in a similar manner across all BII's offices. However, this will not always be feasible or desirable.

Local office benefits will be matched, where appropriate to those in section 7 above. However, our goal is that benefits are locally appropriate, reflecting our commitment to creating a positive working environment for BII employees throughout the world. Local employment laws, norms and practices, as well as differing tax treatment of benefits in each location may lead to differences between countries for specific benefits.

In some of our markets, we may be required to offer particular allowances in exceptional cases where it is justified by market data to support and enable recruitment of high calibre individuals. The expectation is that this would be at senior levels and only in certain markets. PremCo will be consulted on any decision to offer a new type of allowance, or an allowance in a new location.

12. Remuneration Framework Revisions

This paper sets out the entire Remuneration Framework and therefore replaces previous frameworks and correspondence on remuneration issues. This Remuneration Framework will remain in effect until a revised Framework is agreed by the BII Board and the FCDO.



British International Investment

123 Victoria Street


London SW1E 6DE

United Kingdom

+44 20 7963 4700

bii.co.uk

 [linkedin.com/company/british-international-investment](https://www.linkedin.com/company/british-international-investment)

 Twitter @BritishIntInv

British International Investment plc is authorised and regulated by the Financial Conduct Authority. Registered address as above.

Registered in England No. 3877777