British International Investment

ANNUAL ACCOUNTS 2023

Creating impact together

British International Investment plc
The UK's development finance institution

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British International Investment plc (BII) 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 **Annual Review 2023**, which provides an overview of our development impact over the year.

Visit **bii.co.uk** for more information.

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Strategic Report

Chair's statement

"We remain focused on maximising the impact of the organisation – on both people's lives, and on the planet."

Diana Layfield
Chair

Last year marked BII's 75th anniversary. The world around us has changed enormously in the last 75 years, and BII has evolved with it, with our investments adapting to respond to new challenges.

But some things haven't changed.

First, core development challenges remain. In a world facing an ever-growing climate challenge, and where inequality and access to basic water, power and economic development remains a profound human challenge, our role is as important as it has ever been. Second, our creativity, risk-taking, resilience and willingness to pioneer still lie at the heart of achieving our mission. Third, partnership remains key. And what we hear from partners in the countries where we invest is that the longevity and consistency of our presence and mission is something they value.

We are now two years into our five-year strategy. We have achieved a lot over the last year and continue to make important progress in delivering that strategy. In this report, you will read about the progress we've made.

We remain focused on maximising the impact of the organisation – on both people's lives, and on the planet. Information on how the organisation is meeting those objectives can be found in our Annual Review. The Board continues to guide, monitor and validate our development impact. That includes understanding how our impact management tools are shaping the portfolio and ensuring we're directing capital to the right places.

It also includes understanding the kind of impact our investments are having on an individual level. The Board had the opportunity last year to see some of those examples of impact in action, during a visit to investee companies in Kenya, including Apollo Agriculture. The company is leveraging a combination of high-tech weather and pest insights, bulk buying of seeds and fertilisers, and leading-edge agricultural advice. They deliver this through modern app-based technology to farmers in East Africa. Their farmers show almost double the productivity of their peers, transforming livelihoods and the prospects for small-scale farming in Kenya, with the aim to reach 2.3 million farmers by 2026.

As with last year, the context in which we have operated has meant a continued tough set of economic circumstances. This means that, as a Board, we have continued to think carefully about our responsibilities as a steward of the organisation, how we respond responsibly to the global environment, how we continue to meet the priorities we set for the strategy period, and how we innovate to achieve our mission.

Despite the progress we have made, we also recognise there is still more to do to take BII to the next level in the impact we want to achieve. Working with our partners is a key aspect of this, and that includes working with partners to tackle problems and pool capital. For example, as a Board, we are focused on the organisation's objective to mobilise more private capital into the emerging economies where we invest. Of course, this is an objective that is even more difficult in tough economic circumstances. We know we need to work with partners to unplug innovation, and we are making progress, but also acknowledge there's more to do.

I am grateful for the dedication, passion and commitment of the variety of stakeholders who take an interest in our work and hold us to account. We value their feedback and welcome the opportunity to engage with scrutiny of our performance.

In 2023, we supported the International Development Committee's inquiry on the UK's strategy towards development finance institutions. The inquiry has provided important scrutiny of the organisation, and more generally, I want to thank Parliamentarians across all political parties who have supported our work, including by challenging us and holding us to account. What strikes me as remarkable is the degree of commonality, rather than division, that I have seen across parties in those who care about international development.

We were delighted to host members of the International Development Committee to visit some of our investments in Nepal, as part of the inquiry. It was an opportunity to demonstrate the scale of impact we are able to achieve with our partners, in some of the most complex and challenging investment environments.

Last year also saw the publication of our Transparency Roadmap. As a publicly owned body, the information we publish about our investments, our operations and our governance holds us accountable to a range of stakeholders, including Parliament and the public. The Roadmap sets out the steps we will take to become more transparent.

I would like to end with some thanks. First, to our shareholder. Throughout the year, we continued to benefit from their support and partnership, including the dedicated Civil Service team at the Foreign, Commonwealth & Development Office (FCDO), both in the UK and in the countries where we invest. I am pleased that our activities over the past year have demonstrated our close partnership with the UK Government. That has included visits of UK Ministers to several of our portfolio companies, to understand both the role that BII can play in the UK's partnership with emerging economies, as well as the impact we are having alongside our partners.

I would also like to thank my fellow Board members for their unwavering commitment and support over the last year, as well as our Investment Committee, who scrutinise every investment decision we make. And of course, our staff – it is their commitment that truly makes the difference. Every day, every person who works at BII comes to work because they believe what they do can help improve people's lives.

Of course, one of the most important jobs for any Board is to appoint the CEO, and with Nick O'Donohoe's departure announced at the beginning of 2024, our focus is to find the best successor to lead this important institution.

I would like to end by expressing my, and the Board's, huge gratitude to Nick. I have a deep appreciation and admiration for his dedication and contribution over the past seven years at BII. Over the last two years, I have had the privilege to work with him on a wide range of areas, and he has always shown his characteristic thoughtfulness, as well as a deep and enduring passion for development and a profound commitment to BII as an institution. He has led BII through a period of significant transformation to build, with our staff team, a world-class investment organisation with development impact at the heart of everything it does.

Diana Layfield
Chair

Chief Executive's statement

"BII is going from strength to strength and is playing an important role for the UK in showing leadership on development and climate finance."

Nick O'Donohoe
Chief Executive Officer

Sitting down to write my last CEO statement at BII, I have reflected on my first statement in our 2017 Annual Review, and the significant changes this organisation has seen over that time.

When I joined, my objective was to build a world-class investment organisation with development impact at its core, and to create an institution that would position the UK at the forefront of global development finance.

I'm proud of what we have achieved over the last seven years.

We have grown the organisation – both in the scale of our financial commitments and our organisational capabilities. Since 2017, we have committed over £9 billion in long-term, impactful investments, and we now manage over £8.5 billion in assets, compared with around £5 billion in 2017. To achieve this, we have grown from a team of around 220 people in 2017 to over 600 in 2023.

We are more focused on impact than ever before. Our team of impact professionals are a key part of our investment process, and development is built into every investment decision we make. We have built a market-leading framework to evaluate, measure and monitor the impact we make. We have also played a role in bringing the development finance industry together across key themes such as gender lens investment through 2X; climate adaptation and resilience through the Adaptation and Resilience Investors Collaborative; and catalysing greater investment in lower-income countries through the Africa Resilience Investment Accelerator.

Added to that, we've sharpened our regional focus. Partnership working and strong networks are key to generating impact, so today we have a much greater presence in both Africa and Asia. And this sharper focus has facilitated innovation – for example, in how we've expanded the pioneering and market-shaping work of our Catalyst Portfolio.

We have built a highly effective, resilient institution which has stood us in good stead to meet the considerable global challenges of the last three years and provides a foundation that will allow my successor to do even more in the years to come.

A long-term investor in the midst of global economic uncertainty

In terms of 2023, it's been another difficult year from both a macroeconomic and a political perspective, particularly in many of the markets in which we invest. Against this backdrop, I feel positive about what we have achieved. First, our investment pace has remained broadly similar to 2022, with £1.3 billion of gross commitments. We made 68 new investments compared with 66 in 2022.

It is critically important that we earn a return on our investments and in that respect 2023 was also a positive year. Our gross return across the portfolio was just over 5 per cent in US dollars. The appreciation of sterling in 2023 meant a more modest portfolio return in sterling, of 1.1 per cent. We are a long-term investor and the investments we make today may only generate impact in several years' time, so it's important to view our financial return in the context of our broader seven-year average annual portfolio return, which in sterling terms remains above 5 per cent.

Development finance making a difference to people's lives

Of course, our most important objective is to make a positive impact in the geographies in which we invest.

To eradicate poverty and achieve the Sustainable Development Goals (SDGs), developing countries need economic growth, to generate goods and services, and jobs and opportunities for everyone, as well as to provide a tax base for governments to invest in social infrastructure and public goods. A flourishing private sector is a vital way of achieving this, and our investment aims to ensure growth tackles core development issues – such as employment and access to basic goods and services – as well as ensuring the benefits are shared with the poorer and more marginalised sections of society.

In 2023, one example of how we went about those goals was the founding of a new pioneering platform in Ghana – Growth Investment Partners – a specialist business tasked with providing local small and medium-sized enterprise (SME) finance. SMEs need finance to grow – and they often don't meet the requirements of traditional finance sources, such as banks. Growth Investment Partners has been set up to complement the more traditional private equity model and offer flexible affordable financing options tailored to the needs of each borrower. SME growth means more jobs, more tax revenues, more locally made goods and services, and more opportunities for women.

We also supported food security and the incomes of smallholder farmers by backing businesses such as AFEX, which is building warehouses in Nigeria, Kenya and Uganda to preserve the lifespan of locally harvested crops, and so increase the volume of food available. They will be available at a price point accessible by smallholder farmers, so will also help boost their incomes. And Valency, which is expanding cashew processing and warehousing facilities in Nigeria, creating jobs for low-income workers, providing market access for smallholder farmers, and increasing agricultural output and export.

Development finance is most needed in countries with the greatest economic and political challenges, and at BII we have always been proud of the way we have committed to those countries. In 2023, alongside FMO, we became the first foreign financial institutions to provide long-term funding to Ethiopia's financial services sector. Our investment in Dashen Bank will drive agricultural exports and provide the country with much-needed foreign exchange. And we set up a loan facility with Access Bank, which is bolstering affordable access to foreign exchange in fragile economies, including the Democratic Republic of Congo (DRC), Mozambique, Rwanda, Sierra Leone and Zambia.

We have also continued to make investments which focus on the economic empowerment of women. Over the year, we made £297 million of new commitments which were 2X qualified, which represents 25 per cent of our annual commitments. One example is COFINA, which provides loans to micro, small and medium-sized enterprises in Côte d'Ivoire, particularly those that are women-owned or led.

Investing to address the climate emergency

Our investment in development finance is often geographically focused to channel capital and support towards countries and people who most need it. Climate change does not respect borders, so our approach differs. Our Climate Strategy sets out how we are delivering on the goals of the Paris Agreement, and how we are investing in line with net-zero and climate resilient development pathways. Alongside targeting climate finance to low-income and fragile countries, we also invest to support climate innovation in middle-income countries.

Over the last few years, our role as a development finance institution (DFI) has transformed through our increased focus on climate finance. And in 2023, I was once again proud of our work in this area, where we've made £449 million of new commitments, which represents 37 per cent of our annual commitments, demonstrating our role as a leading climate investor in emerging economies. Since 2020 we have invested £1.6 billion to support the transition to a greener economy.

At COP28, we were delighted to announce six new climate finance investments. They ranged from Planet Solar, Sierra Leone's first large-scale solar independent power producer, helping to address country's need for clean and affordable power; to SunCulture, a Kenya-based company that provides solar-powered irrigation systems to smallholder farmers.

The pioneering platform we set up in 2019, to address under-investment in electricity transmission, distribution and off-grid infrastructure in Africa – Gridworks – is also investing to increase affordable and green energy access. In 2023, it set up Weza Power, a new company with the bold ambition to provide affordable and green electricity to up to 70 per cent of the population of Burundi, where today only 12 per cent have access.

When investing to tackle climate change, our mandate provides us with the opportunity to channel our capital in different ways. That includes investing into middle-income countries, where there is either evidence of significant innovation that will benefit the global fight against climate change; or where economies are stable enough to encourage private capital to invest alongside us, to help those countries achieve clean energy goals.

In 2023, as part of the commitment set out in our strategy, we began investing again in South-East Asia, with a focus on renewable energy. A big part of our role here is to mobilise private capital. Given the region's energy demands, and the climate targets several countries have set, it is critical to attract further commercial investors to unleash climate finance opportunities and support green, resilient economic growth. We re-entered the region with our investment in the SUSI Asia Energy Transition Fund, which is financing clean energy solutions, to increase reliable and affordable electricity.

We also continue to play an important role in offering climate finance in India. Our role here is to provide capital where capital markets are slower to take risk and provide capital at scale. For example, companies using innovative business models in the fight against climate change.

That includes companies such as Battery Smart, which is building India's largest network of battery swapping stations for two- and three-wheeler electric vehicles. When I visited the company in India last year, I could see firsthand how our investment would help to increase electric three-wheelers, drivers to earn more, and air quality to improve. Other recent investments in innovative climate solutions in India include Euler Motors, which manufactures electric vehicles. And Fasal, a technology company which helps farmers use less irrigation water and pesticide, while producing better crops and becoming more resilient to climate change.

We continue to prioritise climate adaptation and resilience, including collaborating with others to accelerate and scale private investment in this area. This will become increasingly important for the most vulnerable countries and communities in our markets. As a founding member of the Adaptation and Resilience Investors Collaborative, in 2023, I was pleased to finalise our funding agreement with the United Nations Environment Programme Finance Initiative (UNEP FI) as the Secretariat of the Collaborative.

75 years investing for impact

2023 also marked our 75th anniversary. It marked 75 years of partnership with the countries where we invest, and I feel particularly proud when I visit those countries and hear about the difference that partnership has made over those years, as well as how the investments we've made over the last seven years add to that legacy.

I have had the pleasure and extraordinary privilege of leading this organisation for seven of those 75 years. I am enormously proud of what has been achieved. And to have had the opportunity to lead an organisation of such incredibly dedicated specialists who work tirelessly with our partners to deliver the sort of change that makes a meaningful difference to peoples' lives.

As I prepare to step down, I want to end by thanking all those colleagues at BII, and CDC before it, for their support; our Board for their wisdom and constant encouragement; everybody at FCDO and the Department for International Development (DFID) for providing the resources to do our job while always respecting our independence; and most especially all our partners and our investee companies who do the really hard work of delivering jobs and more prosperous lives in such difficult economic and political environments.

BII is going from strength to strength and is playing an important role for the UK in showing leadership on development and climate finance. As I hand over the stewardship of this wonderful and vital institution, I know my successor will build on this success.

Nick O'Donohoe
Chief Executive Officer

Strategy

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 in Africa, Asia and the Caribbean, enabling people in those countries to build better lives for themselves and their communities. We are a proud part of the UK Government's offer to support developing and emerging economies to foster long-term economic transformation.

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 provide the flexible long-term investment that many businesses in developing countries need to grow. 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.

We invest 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 addition, our more recently introduced Kinetic Portfolio has been designed to enable us to invest and manage concessional investment strategies. This portfolio has a higher risk tolerance than our existing Growth and Catalyst investment strategies and has the ability to be blended with other forms of capital to enable it to be used to make pioneering investments.

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 2022–2026 strategy sets outs three strategic objectives that respond to the opportunities and challenges we see in the countries we serve. We will invest to achieve:

- productive development – by raising the productivity of an economy so that it can support a decent standard of living for all;
- sustainable development – helping transform the economy to reduce emissions, protect the environment and adapt to the changing climate; and
- inclusive development – sharing the benefits of higher productivity and greater sustainability with poor and marginalised sections of society.

Further information on our vision, ambitions and objectives is set out in our 2022–2026 strategy and 2022–2026 Investment Policy.

Our Impact Framework shapes how we originate, assess and manage individual investments. In addition, our Impact Score manages our performance against our strategic objectives, to invest in productive, sustainable and inclusive development.

We work in partnership with our portfolio companies, providing hands-on support to help them achieve good environmental, social, governance and business integrity standards. We ensure our investees comply with our Policy on Responsible Investing, and work with them to develop practical plans to reach these standards within a reasonable timeframe. We also support our investees to enhance their existing environmental, social, governance and business integrity practices.

Our ability to deliver our strategy, and meet our aspiration to be a world-class impact investor, is supported by the learning and development opportunities we offer. This includes programmes and support which provide the critical knowledge, skills and capabilities to develop world class impact and investment professionals.

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 priority 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 and financial metrics can be found on **PAGES 9 TO 12 AND PAGE 72.**

Taxation

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 Commonwealth Development Corporation 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.

Further information is set out in our Policy on the payment of taxes and the use of offshore financial centres.

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 55 AND 56.**

Financial performance

"In 2023, BII made gross new commitments of £1.3 billion."

Carolyn Sims
Chief Financial Officer and Chief Operating Officer

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 78 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 9 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 94 TO 96.

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 investment 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 and 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 the BII Group, including depreciation.
- **Weighted average portfolio return:** The seven-year weighted average annual portfolio return which we seek to be above two per cent.

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 2023 against these metrics is explained in the relevant paragraphs below. Performance against non-financial metrics is detailed in our Annual Review 2023.

Investment pace

BII's 2022–2026 strategy outlines plans to commit up to £9 billion over the period. This is an ambitious target and exceeds the £7 billion committed over the 2017–2021 strategy period. Despite the scale of this ambition, we do not set annual volume targets, as we want to be guided by the shifting needs and opportunities of the countries we invest in, as well as to retain the highest standards of investment selection.

New commitments reflect the completion of investments in the year. 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 contingent liabilities.

New commitments

In 2023, BII made gross new commitments of £1,311.4 million (2022: £1,273.0 million), representing a 3 per cent increase from 2022 levels. During the year, we reduced the size of some trade and supply chain finance facilities by £98.2 million, in line with utilisation levels. Additionally, £18.0 million of commitments declared in 2022 were cancelled. Net new commitments were £1,195.2 million, representing a 6 per cent decrease from 2022 levels (2022: £1,273.0 million). New commitments can be found on our website and in our Annual Review 2023.

	2023 £m	2022 £m
Gross new commitments	**1,311.4**	1,273.0
Trade and supply chain finance facility downsizing	**(98.2)**	–
Cancellations	**(18.0)**	–
Net new commitments	**1,195.2**	1,273.0

Drawdowns and receipts

Drawdowns for new investments are lower than 2022 levels at £1,432.6 million (2022: £1,566.5 million) reflecting the lower level of new commitments in 2022 and 2023. Of new investments, 71 per cent were in Africa, 25 per cent in Asia and 4 per cent were pan-regional.

Our portfolio generated cash of £958.0 million (2022: £1,256.8 million), a decrease of 24 per cent from 2022 levels due to a lower level of realisations. 48 per cent of receipts came from the direct debt and funded trade finance portfolio, 34 per cent from fund distributions and 18 per cent from equity investments.

	2023 £m	2022 £m
Portfolio drawdowns	**(1,432.6)**	(1,566.5)
Portfolio cash generated	**958.0**	1,256.8
Net portfolio flows	**474.6**	(309.7)

Financial return

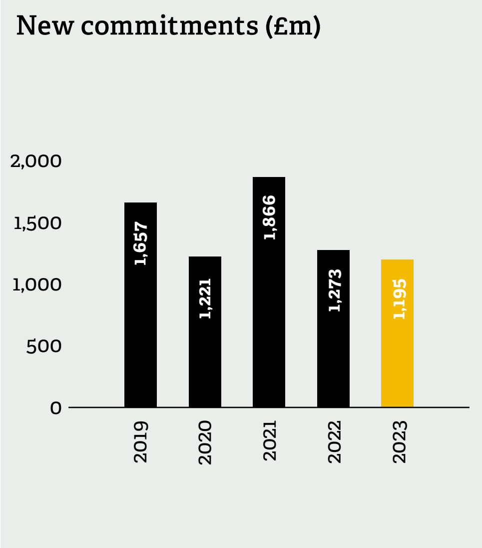
Total return after tax

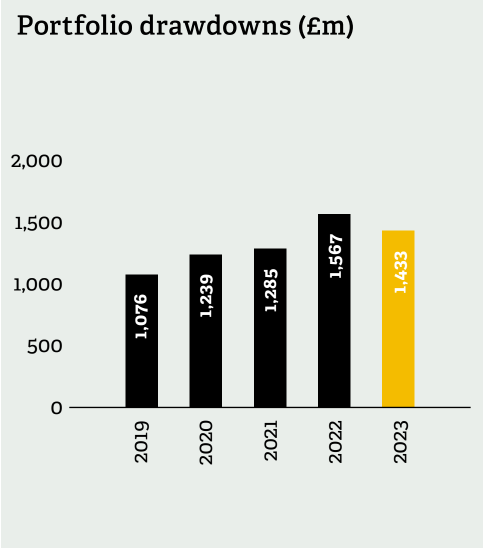
The overall result is a loss after tax of £44.0 million (2022: £167.7 million profit). As a return on opening total net assets on a valuation basis, this represents a loss for our shareholder of 0.5 per cent in 2023 (2022: 2.2 per cent gain).

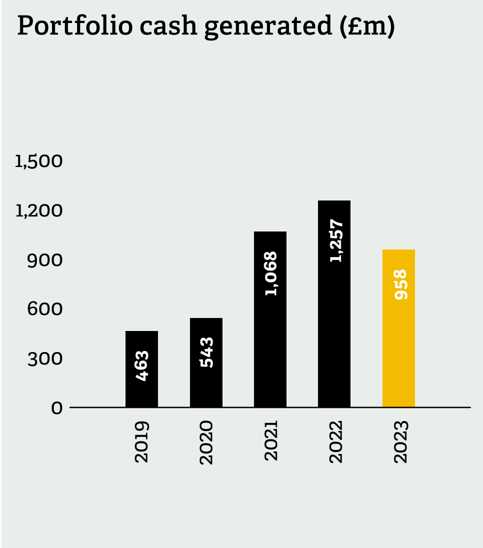
	2023 £m	2022 £m
Growth Portfolio return	**301.5**	(114.3)
Catalyst Portfolio return	**29.3**	30.9
Kinetic Portfolio return	**(1.3)**	–
Foreign exchange (losses)/gains	**(258.0)**	369.0
Total portfolio return	**71.5**	285.6
Operating costs	**(146.2)**	(136.1)
Interest income	**54.2**	11.6
Other net (expense)/income	**(23.5)**	6.6
Total return after tax	**(44.0)**	167.7

Portfolio return

We track portfolio return in US dollars as most investments are denominated in this currency. In US dollar terms, returns have been on a downward trend in recent years. However, in 2023, the portfolio generated a gain of 5.2 per cent (2022: 3.8 per cent loss) as we saw some positive performance across our markets. In sterling terms, the portfolio generated a return of £71.5 million (2022: £285.6 million). This represents a portfolio gain on the growth and catalyst portfolios of 1.1 per cent (2022: 4.8 per cent) on portfolio investment assets. Our results can be significantly impacted by changes in the sterling to US dollar exchange rate. Sterling appreciated during the year moving from 1.21 at 31 December 2022 to 1.27 at 31 December 2023 causing the differential in sterling and US dollar results. More information on currency risk sensitivity can be found in note 19 on PAGE 112.





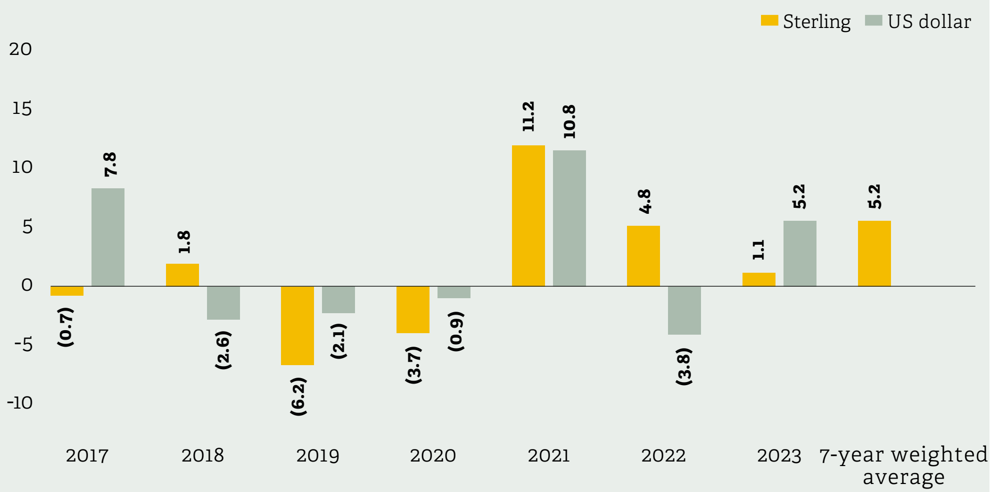


As a development finance institution, BII invests to generate returns over the long term, recognising that in any isolated year market conditions or events may drive exceptional performance. Our financial performance measure, as defined in our 2022–2026 strategy and 2022–2026 Investment Policy, articulates our appetite for financial risk and return, as well as ensuring the proper stewardship of taxpayer-owned assets. We will seek returns in excess of 2 per cent across our total portfolio, measured on a rolling seven-year basis (weighted average). This measure is consistent with our financial sustainability on a long-term basis. The measure forms one of the targets for the Company's Long-term Incentive Performance Plan, explained in more detail in the People Development and Remuneration Committee report on PAGES 64 TO 74.

The seven-year weighted average annual portfolio return is currently 5.2 per cent as shown in the chart below.

The Catalyst Portfolio invests 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 loss of £19.9 million in 2023 net of currency exchange losses (2022: £73.9 million profit), representing a loss of 2.6 per cent (2022: 13.6 per cent gain) on opening portfolio value. However, it is important to note that these impact investments are innovative by design with uncertain return profiles. The value of the Catalyst Portfolio as at 31 December 2023 was £837.8 million (2022: £771.3 million).

Portfolio return (%)



The Kinetic Portfolio invests in concessional investment strategies and is funded by a grant from the shareholder. This portfolio has a higher risk tolerance than the Growth and Catalyst portfolios and is at a very early stage. This portfolio returned a loss of £1.6 million net of currency exchange losses (2022: £nil). The value of the Kinetic Portfolio as at 31 December 2023 was £4.9 million (2022: £3.3 million).

Operating costs and other net expenses

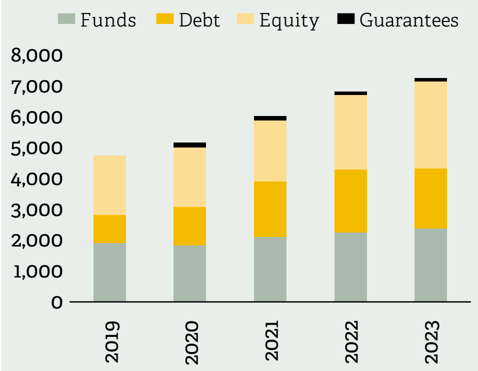
Operating costs for 2023 of £146.2 million (2022: £136.1 million) have increased due to employee numbers rising to 606 at year-end (2022: 583, restated to include six graduates in our Future Talent programme). We have continued to see growth in headcount as we work to strengthen our risk management, compliance, technology and systems, processes and controls as well as to deepen our investment and development impact capabilities. We track our operating costs as a percentage of closing portfolio value and unfunded commitments and aim for them to be below 1.7 per cent. At the end of 2023, operating costs represent 1.53 per cent.

Portfolio value and net assets

The overall BII portfolio grew by £431.0 million in 2023 driven by drawdowns in excess of realisations and foreign currency valuation losses. At 31 December 2023, we had investments in 253 funds, managed by 155 different fund managers, and 206 direct investments.

Portfolio	2023 £m	2022 £m
Portfolio at start of year	**6,888.6**	6,011.1
New investments	**1,432.6**	1,566.5
Realisations	**(745.1)**	(1,069.9)
Value change	**(247.4)**	393.1
Allowances for guarantees	**(9.1)**	(12.2)
Portfolio at end of year	**7,319.6**	6,888.6

Portfolio history split (£m)

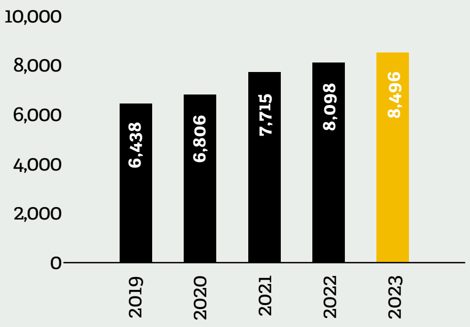


Net assets

Total net assets increased in the year from £8,097.6 million to £8,496.1 million, a rise of 4.9 per cent (2022: 5.0 per cent).

	2023 £m	2022 £m
Growth Portfolio	**6,406.1**	6,039.7
Catalyst Portfolio	**837.8**	771.3
Kinetic Portfolio	**4.9**	3.3
Hedging contracts	**70.8**	74.3
Total portfolio value	**7,319.6**	6,888.6
Net cash and short-term deposits	**861.9**	1,192.1
Other net assets	**314.6**	16.9
Total net assets	**8,496.1**	8,097.6

Net assets (£m)



Net cash and short-term deposits held

The cash balance decreased from £1,192.1 million at the start of the year to £861.9 million at year-end, resulting in a net cash outflow of £330.2 million. Cash represented 14 per cent of net assets on a 12-month rolling basis, exceeding the liquidity policy target set by the Board of 0–10 per cent of net assets, due to a slower investment pace. However, as at 31 December 2023 cash represented 10.1 per cent of net assets, down from 14.8 per cent at the end of 2022. A wholly owned non-consolidated subsidiary of BII has a standby revolving credit facility of $600.0 million (£471.3 million). The facility has never been drawn or used at any time. 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 2023, BII did not draw down any funds that had been lodged as promissory notes by the shareholder (2022: £1,095.0 million).

Other net assets

During 2022, BII and our shareholder agreed to a new investment of capital under a series of promissory notes. 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 289.5 million ordinary shares of £1 each to our shareholder in the year. The shareholder subscribed to the share issuance by issuing a promissory note for £289.5 million. At the end of the year, £319.5 million remained undrawn from these notes. In addition, 153.0 million ordinary shares of £1 each were issued in an agreement to transfer climate assets from HM Government to BII (further details are shown in note 24 to the audited financial statements).

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 (2022: £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 on » PAGES 104 TO 106.

Dividends

No dividends have been proposed, declared or paid during 2023. See » PAGE 75 for more details.

Carolyn Sims
Chief Financial Officer and
Chief Operating Officer
19 April 2024

Risk management

Fulfilling our mission means taking risks – some of which we actively seek out and some of which arise as a result of our activities. Managing these risks 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.

The Board is responsible for risk management. The responsibility for managing risk in our day-to-day operations is delegated to the Chief Executive Officer (CEO). Our Chief Risk Officer reports to the CEO and is a member of the Executive Committee.

The governance structure, and key committees with risk management responsibilities, is as follows:

Board

The Board 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 they are working effectively.

See the Governance Report on PAGES 45 TO 77 for further information on the Board and Committee structure, including the committees with specific risk management responsibilities: Risk Committee, Executive Committee, Operations Committee and Markets Committee. See PAGES 53 AND 54 for further information on the Board's activities.

Risk Committee

The Risk Committee is a committee of the Board. Its role includes supporting the Board in developing the Risk Management Framework. The Risk Committee receives reports on our risk profile, considers emerging risks and oversees the design and operation of our Risk Management Framework. Further activities of the Risk Committee are set out in the Risk Chair's report on PAGE 63.

Investment Committee

The Board delegates authority for making certain investment decisions to the Investment Committee. This committee reviews and approves investment proposals, including the associated risks and the proposed mitigants to these risks, relative to our risk appetite. See PAGE 52 for further details on the Investment Committee.

Executive governance

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 a number of executive governance committees with responsibilities for risk management. The Chief Risk Officer is a member of each of these.

Executive Committee

The Executive Committee is responsible for agreeing the overall Risk Appetite Statement proposed to the Risk Committee, and for evaluating the Chief Risk Officer's quarterly report on top risks, mitigations and planned future actions to bring risks within appetite.

Operations Committee

The Operations Committee receives reports on operational risk and monitors corporate policies and procedures.

Markets Committee

The Markets Committee is responsible for advising on limit setting, climate risk, market and credit risk review, and any proposed changes.

Reputational Risk Committee

The Reputational Risk Committee considers transactions with a heightened risk of reputational damage and provides regular reports to the Risk Committee.

Three lines of defence

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

First line of defence
Our first line of defence owns and manages risks in their areas of responsibility within the Board-approved appetite, where they implement and maintain controls. The first line consists of our Investment teams, Impact Group, transaction support teams, office of the Chief Investment Officer, and corporate functions.

Second line of defence
Our second line of defence, consisting of the Risk and Compliance teams, provides the frameworks and policies within which the first line identifies and manages risks.

The second line supports the management of risks within appetite by:

- providing an independent, credible and effective challenge to the first line;
- providing transparent and firm-wide risk assessments; and
- embedding risk management and championing a strong risk culture across BII.

Third line of defence
Our third line of defence is internal audit, which is 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 prepared to take to achieve our mission.

Our Risk Appetite Statement reflects our ability 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 decisions appropriately balance risk and reward and minimise unintended risk.

“We 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, insofar as they do not materially impact our licence to operate.”

Risk appetite scale

The risk appetite scale is used to describe the risk appetite for each type of risk that we are exposed to.

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 the successful delivery of our strategic objectives. Activities will likely have inherent risks, but there are plans that will mitigate 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 to pursue an internal strategic objective.

Risk averse
Avoidance of risk and uncertainty is a key decision-making parameter. Risks that cannot be effectively managed or transferred are avoided.

Risk Appetite Statement

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, insofar as they do not materially impact our licence to operate.

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

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.

Our overall risk management approach takes account of emerging risks in addition to analysing past events. We take a proactive and forward-looking approach to identifying new risks, or familiar risks in a new or unfamiliar context. Once identified, we rank these risks in order of relevance to BII and assess whether we are actively addressing them or not.

We introduced our current Risk Appetite Framework in 2021 and review it annually. See » PAGE 63 for further information on the Risk Committee’s activities.

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 as we aim 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, our Reputational Risk Committee advises the Investment Committee on managing reputational risks arising from specific investment proposals and recommends specific actions that should be taken with regard to 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.

Strategic risks

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

Description	How we manage this	Trend
Stakeholder **The risk of reduced ability to operate and deliver objectives as a result of key opinion formers and political stakeholders disagreeing with our approach to delivering our strategic objectives.**	Our Global Affairs function runs a stakeholder management programme targeted at building our institutional relationships with key stakeholders including politicians, government officials, development finance institutions, trade associations, non-governmental organisations (NGOs), think tanks and academics.	Level of risk broadly flat
Climate change **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.**	The identification of climate-related physical and transition risks for new investments is integrated into our investment process. Those at higher risk undergo further analysis before consideration by the Investment Committee. At the portfolio level, we monitor physical and transition risk factors and progress on mitigation and adaptation actions, targeting our engagement on investees with higher risks. We also support our investees to identify, assess and manage climate-related risks through technical and advisory services. Our Policy on Responsible Investing defines requirements and recommended practices for investees. Our Fossil Fuel Policy defines fossil fuel activities excluded from our new direct investments, as well as obligations on financial institutions and fund investees to apply fossil fuel exclusions to their portfolios and activities. We actively monitor new regulatory-related developments on climate-related disclosures. Further details are covered in the Climate-related Financial Disclosures 2023 section on **PAGES 21 TO 44.**	Level of risk broadly flat
Strategy implementation **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.	Level of risk broadly flat

Key

- 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 our portfolio, create an unacceptable level of volatility in the investment portfolio return, or result in us having insufficient financial resources to meet our obligations.

Key

Increasing	Increasing risk area since the last report
Flat	Level of risk broadly flat since the last report
Decreasing	Decreasing risk area since the last report

Description	How we manage this	Trend
Market **The risk of financial loss to our investment portfolio due to unfavourable changes in underlying market conditions. Our portfolio is exposed to currency risk and interest rate risk as well as price risk of our equity investments.**	Investment proposals follow the investment approval and Investment Committee decision processes. This includes reviewing financial risks and related mitigants along with other considerations, such as risk/return profile and impact. All substantial foreign currency debt positions and cash balances are hedged back to sterling based on the type of currency and size of the exposure. Interest rate and foreign exchange (FX) risk sensitivities are measured and reported to management.	Flat
Credit and counterparty **The risk of financial loss due to an obligor's, investee's or counterparty's inability to repay its liabilities.**	Investment Committee review of investment proposals includes assessing financial soundness of our counterparties. We undertake periodic credit risk assessment of investments as part of the portfolio review and valuations process including quarterly identification of Early Warning Signals (EWS) and annual credit risk ratings. Our single obligor limit framework controls concentration risk for debt investments.	Increasing
Country **The risk of financial loss due to unfavourable changes in country-specific macro factors. The factors include significant political events, fiscal measures, systemic economic deterioration, large, sudden exchange rate and interest rate moves, infrastructure failure and disasters caused by natural hazards.**	Investment Committee review of investment proposals includes assessing country risks. As part of our country limit framework, the Risk team sets annual country risk limits that are approved by the Markets Committee and managed by the Risk team. The monthly Country Risk Forum discusses country risk events, watchlist inclusion and potential limit breaches along with related mitigation. Limit data is reported to the Markets Committee monthly. We undertake periodic country and portfolio risk analysis and present results to the Country Risk Forum and the Risk Committee. We have coverage directors in key markets to advise on country risks.	Increasing
Liquidity **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 and undertake scenario testing. Cash flow forecasts are subject to regular review and update to identify current and future cash requirements.	Flat

Impact risks

Impact for BII:

These risks may result in not meeting our impact objectives by failing to invest in businesses and economies which improve people's lives and protect the planet.

Key

Increasing risk area since the last report	
Level of risk broadly flat since the last report	
Decreasing risk area since the last report	

Description	How we manage this	Trend
Environmental and social **The risk of financial loss or project delays, diminished reputation, legal issues, or reduced social licence to operate and deliver on objectives as a result of poor environmental and social (E&S) practices at our investees.**	Our Policy on Responsible Investing defines requirements for investees. This is further discussed in the section on Responsible Investing on PAGES 19 AND 20. Our Environmental, Social and Governance Impact (ESGI) team contributes to pre-investment due diligence, inputs into Investment Committee papers and meetings, agrees E&S action plans, tracks progress against action plans and monitors E&S performance. The team provides proactive engagement and capacity-building support to investees to support them in meeting the expected requirements. The policy also outlines escalation routes in case of insufficient progress or serious breaches, ranging from additional support and remedial action to exiting an investment.	Level of risk broadly flat
Development impact **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 increases our overall impact by focusing on supporting consistent decision-making, and helping us spot and course-correct when we are off track and learn from our experience. 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 using our Impact Score, contribution assessments and other impact management tools. This is further discussed in the Development Impact Committee report on PAGES 58 AND 59.	Level of risk broadly flat
Business integrity and corporate governance **The risk of financial loss, legal issues, diminished reputation, reduced social licence to operate and ability to deliver on objectives as a result of financial crime, and/or poor business integrity and/or governance practices at our investees.**	Our Policy on Responsible Investing defines requirements for investees. This is further discussed in the section on Responsible Investing on PAGES 19 AND 20. Business integrity is proactively managed throughout the investment process. Our Business Integrity and Corporate Governance team contributes to pre-investment due diligence and provides input to the Investment Committees. It works to build capacity among investees and develops, agrees and monitors progress against action plans to improve business integrity and governance performance, reduce risk and meet policy requirements.	Level of risk broadly flat

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.

Key

Increasing risk area since the last report

Level of risk broadly flat since the last report

Decreasing risk area since the last report

Description	How we manage this	Trend
People **The risk that workforce composition and behaviours cause us to fail to attract and retain talent, resulting in reputational, financial and operational impacts.**	We have policies in place governing our hiring practices and performance management for each location we operate in to ensure a consistent approach to managing our people. We have a renewed set of targets in place for female and ethnic minority representation. We regularly monitor and report on attrition and indicators of workplace culture.	
Process **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. Our Operational Risk Framework includes event reporting, regular review of key risks and tracking of actions to identify and address process risks. Our change management process supports delivery of change projects.	
Legal **The risk of financial or other loss or diminished reputation resulting from litigation/claims against us, or a failure by us to meet our legal obligations.**	Our Legal team ensures contractual documents are appropriately drafted; our legal obligations are understood by our investment teams; and litigation risk is mitigated to the greatest extent possible.	
Security **The risk of uncertainty of outcome upon our people, processes, technology and information, due to deliberate and/or targeted malicious cyber threats, or accidental or non-malicious acts leading to harm, loss or damage of those assets.**	We apply and monitor a range of measures that are designed to reduce the likelihood of a security event occurring and the impact of such an incident should it occur. Our Security team sets policies and processes to identify, assess and mitigate security and cyber risks associated with our offices, business travel and information technology (IT) systems. We require staff to complete regular security awareness training.	
Regulatory **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 Compliance Policy Framework, ensuring compliance with applicable laws and regulations in the UK and overseas operating jurisdictions. The team provides regulatory advice and conducts regular assurance and monitoring activities on implemented risk management controls, including those owned by the first line of defence. We require staff to complete regular training on core regulatory requirements, including fraud, financial crime, data protection, Financial Conduct Authority (FCA) conduct rules and whistleblowing. Our training programme continues to evolve, considering the scope of our overseas licensing arrangements and cross-border activities.	
Systems **The risk of financial loss or significant business interruption from unintended/accidental systems corruption and downtime, or corruption to IT systems arising from cyber attack against our applications and network.**	We review and update our systems regularly to include industry best practice for built-in redundancy and resilience for core systems. We include IT systems in disaster recovery and critical incident management practices including annual testing of ability to restore systems.	

Responsible investing

How we support our investee partners

We support the growth of companies in the countries where we invest by applying strong environmental and social (E&S), corporate governance and business integrity standards. We help our portfolio companies manage risks and pursue opportunities to enhance performance in a way that creates positive impact and brings them tangible financial benefits.

By applying international standards for E&S, business integrity and corporate governance, and meeting relevant local legal requirements, our investees can achieve successful outcomes. That includes protecting workers, the environment and local communities, or mitigating financial crime risks, including money laundering or bribery and corruption.

Our work is guided by our Policy on Responsible Investing (PRI), which uses the International Finance Corporation (IFC) Performance Standards and other internationally recognised frameworks and standards. We also follow guidance on emerging E&S and business integrity risks and expectations, such as circular economy, data privacy, cyber security and tax transparency.

1,000+
people from across our portfolio attended our responsible investing and development impact workshops in 2023.

To enable our investees to meet the requirements of our PRI, we provide tailored one-on-one support as well as a programme of broader support to our portfolio. We offer guidance, tools (such as our ESG Toolkit for fund managers and for financial institutions) and capacity-building workshops which you can read more about in the pull-out box opposite.

Alongside our PRI, our Impact Framework shapes how we originate, assess and manage individual investments. In addition, our Impact Score manages our performance against our strategic objectives, to invest in productive, sustainable and inclusive development. This includes an increased focus on inclusive investing in support of women under the 2X Challenge initiative, alongside criteria for promoting black ownership and leadership in African businesses. It also includes a strong focus on sustainable investing to steer our portfolio towards investments contributing to the transition to net zero and climate-resilient economies (for more information, see PAGES 21 TO 44 for our annual climate disclosure).

In the section that follows, we highlight in more detail how we support our investee partners to apply strong E&S, business integrity and corporate governance standards.

How we delivered innovative approaches to responsible investing in 2023

- Our partnership with WWF to enhance the Water Risk Filter was recognised by the UN Principles for Responsible Investing 2023 award in the category ‘ESG research innovation of the year’. In 2023, together with WWF we developed a Risk Filter Suite, which enables companies and investors to assess water and biodiversity-related financial risks.
- We launched a free-to-use Task Force on Climate-related Financial Disclosures (TCFD) Toolkit for fund managers in emerging markets to navigate climate-related risks and opportunities, providing a self-assessment tool and step-by-step guidance to implement the TCFD’s recommendations.
- We partnered with Transparency International UK to deliver a series of research reports and practical toolkits to help impact investors identify and manage corruption risks in their investment strategies and portfolios.
- We delivered responsible investment and development impact assessment training to over 1,000 people across our direct and funds’ portfolios, via in-person and virtual workshops. This included bespoke sessions on managing bribery and corruption, on social and safeguarding risks, and how to identify circular economy opportunities. We also created business integrity and E&S training modules for our venture capital and financial services portfolios.

Environmental and social

Our PRI describes how E&S risks and opportunities are embedded in the investment process and integrated into investment decisions and portfolio management. E&S requirements are split into core requirements (applicable to all businesses), and risk-based requirements based on international industry standard best practices, including International Finance Corporation (IFC) Performance Standards.

The PRI also sets out minimum requirements in relation to safeguarding (gender-based violence and sexual harassment, modern slavery and child exploitation), grievance and complaints mechanisms and compliance with our list of excluded activities. It also includes forward-looking best practices that we believe will benefit or impact investees over time.

Many of these practices build on our core requirements, and we encourage and support investees to adopt them, where appropriate to the circumstances of the investment.

Our work is underpinned by our Climate Change Strategy to ensure our activities and portfolio are aligned with the Paris Agreement and play a meaningful role in tackling climate change. We are also guided by our Fossil Fuel Policy, which defines excluded fossil fuel investments.

Business integrity

Having strong business integrity standards is positively correlated with good governance, positive E&S outcomes and improved financial performance. Our commitment to business integrity – including managing money laundering, sanctions and fraud risks and reducing bribery and corruption in our portfolio – is reflected in our PRI. We work with our investees to ensure compliance with the business integrity-related aspects of our PRI, including agreeing action plans to address any shortcomings in business integrity or financial crime polices or processes, or to build investees' capacity. In 2023, approximately 25 per cent of the portfolio had live business integrity action plans.

We have a specialised first-line function focused on business integrity and financial crime risk management in our pipeline and portfolio, which looks at the whole investment lifecycle. In addition, we have robust compliance policies and standards that are owned by a second-line Compliance team and informed by the key principles of the UK Bribery Act 2010 and UK Money Laundering and Terrorist Financing Regulations 2017 (as amended). These policies aim to ensure all staff members follow our commitment to integrity and the prevention of financial crime. We also embed anti-corruption in our approach to impact investing. To this end, we have partnered with the UK's anti-corruption NGO, Transparency International UK, which you can read more about in the pull-out box on PAGE 19.

We publish our Commitment to Anti-Bribery and Corruption on our website.

Corporate governance

Our PRI recognises that corporate governance is the foundation of a well-run business and successfully managing E&S and business integrity risks. In 2023, we established an integrated approach to corporate governance due diligence and monitoring across our direct investment portfolio to help identify, assess and manage governance risks and opportunities, throughout the investment life cycle.

In 2023, our capacity-building initiatives included corporate governance workshops to our fund managers with a strong focus on sustainability governance. We also developed a guidance note, in partnership with a peer institution targeted at venture capital fund managers in emerging markets, which addresses common governance challenges throughout the start-up journey.

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. In 2023, we strengthened our due diligence and monitoring of projects exposed to high modern slavery risks in supply chains, and continue to evolve our approach. We are also helping develop a good practice note on supply chain risk management for human rights, to support our investees in assessing and addressing modern slavery risks.

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

How we support our employees

Delivering our mission relies on our ability to attract and retain high-quality staff. We offer a comprehensive range of support for our employees' physical and mental wellbeing. We also offer hybrid working arrangements to help our people achieve the right work–life balance. In terms of career development, we have implemented a programme available to all staff and launched our Performance Evaluation and Development Programme. We continue to monitor the engagement of our employees through pulse surveys, our Employee Forum and various employee networks. We ensure our workforce has a diverse set of skills and backgrounds suited to our mission. We have developed a three-year diversity, equity, inclusion and belonging (DEIB) strategy and plan; we have mandated Inclusion Essentials training for all employees; and we have extended our reverse mentoring programme to cover both gender and ethnicity and opened it to all Directors and Managing Directors.

To achieve significant development impact in challenging places through high-quality investing, we aim 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 we invest means we don't hire people motivated solely by personal financial gain, and individual rewards are not tied to the financial success of particular investments.

Further discussion of our remuneration can be found in the People Development and Remuneration Committee report on PAGES 64 TO 74.

Climate-related Financial Disclosures 2023

Introduction

Acting on climate change is instrumental to delivering on our dual mandate of development impact and financial returns. We aim to play a meaningful role in tackling climate change and its adverse effects by supporting a successful and just transition to net zero and climate-resilient economies.

This section of the Annual Accounts presents our fifth disclosure pursuant to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the first under the UK Government's Climate-related Financial Disclosure (CFD) Regulations 2022. It describes the continued progress we have made towards integrating climate-related risks and opportunities into our governance, strategy and Risk Management Framework, as well as meeting our climate-related targets. It also provides insights on key areas requiring further work. These include the strengthening of our climate risk assessment methodologies to improve our understanding about the materiality of climate-related risks and their potential impacts on the organisation's objectives, and to enhance our ability to manage them.

In this climate-related disclosure, we present information deemed relevant and/or material to our strategy, shareholder and external stakeholders, including our investees.

Information presented pertains to BII plc only and not its subsidiaries.

Overview of BII's TCFD implementation journey

2019
- Committed to implement the TCFD recommendations.
- First TCFD report published.

2020
- Launched our Climate Change Strategy.
- Approved our Fossil Fuel Policy and Paris alignment assessment guidance on natural gas power plants.

2021
- Integrated the identification and assessment of climate-related risks and opportunities in the investment process.
- Integrated a Paris alignment assessment in the investment process.
- Established a technical assistance facility to support financial institutions investees to assess climate-related risks and pursue climate opportunities.

2022
- Developed a Net Zero Transition Strategy.
- Developed guidance on carbon credit.
- Phased out all oil and gas activities in our trade and supply chain finance portfolio.

2023
- Embarked on work to further integrate climate-related risks in our Risk Management Framework.
- Evaluated the integration of climate metrics into portfolio construction and asset allocation.
- Established a pilot technical assistance facility to support corporate and fund investees to identify, assess, manage and disclose climate-related risks and opportunities.

2024

Key actions planned:
- Enhance our physical and transition risk assessment methodologies, building on our 2023 work.
- Enhance our assessment of physical and transition risks at the portfolio level.

Governance

Our governance structure integrates roles and responsibilities for overseeing, assessing, managing and disclosing climate-related risks and opportunities. This governance underpins our efforts to implement the TCFD recommendations, the CFD requirements, and to deliver on our commitment to align our activities and portfolio with the goals of the Paris Agreement as stated in our Climate Change Strategy. An overview of our full governance structure can be found on PAGE 52.

Board oversight of climate-related risks and opportunities

Our Board is responsible for overseeing climate-related risks and opportunities.

The table below details the profile and responsibilities of the committees that assist the Board in exercising its oversight role. It also outlines the frequency with which the Board and its committees review climate-related issues, and the main climate-related discussion topics and decisions taken in 2023.

Board and Board committees with responsibilities for climate-related risks and opportunities[1]

Governance body	Composition[2]	Purpose and responsibilities related to climate change	Climate agenda frequency	Key 2023 climate-related discussion topics and decisions
Board	**Board Chair,** CEO, Chief Financial Officer, and Non-Executive Directors	Ensures we deliver on the objectives of our shareholder, which includes delivering on our Climate Change Strategy and our Net Zero Transition Strategy; it oversees our Risk Management Framework, which integrates climate-related risks and opportunities.	Annually to discuss climate-related financial disclosure, overseeing implementation of the Net Zero Transition Strategy, and otherwise as required during quarterly meetings	› Reviewed and approved: • TCFD report in the Annual Accounts 2022. • Corporate objectives for 2024, which includes being on track with the delivery of our climate finance target over the current strategy period. › Reviewed progress against the actions agreed in 2022 when endorsing our Net Zero Transition Strategy. › Received training on climate-related risks and opportunities.
Development Impact Committee	**Non-Executive Director,** sub-group of Non-Executive Directors	Oversees, guides and monitors the delivery of our development impact objectives and activities, which includes monitoring progress on the implementation of our Climate Change Strategy, Net Zero Transition Strategy and climate adaptation and resilience priorities.	Quarterly	› Received quarterly progress updates on the implementation of our Climate Change Strategy and on progress made against our corporate impact metrics, which includes our sustainability impact objectives. › Kept regularly informed about progress in the implementation of the Net Zero Transition Strategy. › Discussed progress made against our climate adaptation and resilience objectives and key investment and financing opportunities ahead for us to pursue.
Audit and Compliance Committee	**Non-Executive Director**, sub-group of Non-Executive Directors	Responsible for reviewing the disclosures in Annual Accounts, including the TCFD report and recommending their approval to the Board.	Annually to discuss the climate-related disclosure and otherwise as required during quarterly meetings	› Reviewed and approved the 2022 TCFD report and recommended it to the Board.
Risk Committee	**Non-Executive Director**, sub-group of Non-Executive Directors	Oversee our climate-related risk management approach.	Quarterly updates and otherwise as required	› Received quarterly reports on whether risk categories, including climate change risk, were within or outside of appetite.

1 For more information, including on the composition and role of the People Development and Remuneration Committee not included in this table, please see the Governance Report.

2 The committee chair is highlighted in bold.

Management's role in assessing and managing climate-related risks and opportunities

The CEO is ultimately responsible for delivering our Climate Change Strategy. This includes our commitments to align our investments and portfolio with the Paris Agreement and invest in line with a 1.5°C-aligned pathway to net zero by 2050.

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. Further, the Chief Investment Officer and Chief Impact Officer are delegated to assess the impact of high emissive transactions in terms of our role to support sustainable development via the transition of the real economy, the impact on our portfolio pathway to the net zero target, and the scale and depth of the development impact delivered. Transition risks, and our ability to support decarbonisation efforts, are also considered.

Two cross-functional working groups, the Climate Risk Working Group and the Climate Action Group, support management in executing their responsibilities. Both working groups report to the Executive Committee. In addition, the Climate Risk Working Group also reports to the Operational Committee whilst the Climate Action Group reports to the Markets Committee.

The table on the right-hand side provides an overview of the management bodies involved in assessing and managing climate-related risks and opportunities.

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

Governance body	Composition[1]	Purpose and responsibilities related to climate change	Climate agenda frequency	Key 2023 climate-related discussion topics and decisions
Executive Committee	**CEO,** top-level senior management	Advises the CEO on all aspects of delivering our mission.	As needed during monthly meetings	› Oversaw the delivery of our corporate objectives, which include climate change-related targets. › Reviewed the status of implementation of our Net Zero Transition Strategy.
Investment Committee	**Chief Investment Officer**, top-level senior management and independent members	Responsible for considering climate change matters in investment decision-making.	Weekly	› Considered climate-related risks and opportunities of new transactions put forward for investment decision as part of its assessment on development impact and financial performance.
Operations Committee	**Chief Financial Officer/ Chief Operating Officer**, top-level senior management	Advises the CEO in ensuring efficient operation and long-term organisational effectiveness.	As needed during monthly meetings	› Reviewed the TCFD report as part of the Annual Accounts 2022. › Discussed the status of integration of climate-related risks in our Risk Taxonomy and overall Risk Management Framework and priority areas for further work.
Markets Committee	**Chief Investment Officer**, top-level senior management	Advises the CEO in ensuring the origination and investment process is as effective as possible.	As needed during fortnightly meetings	› Reviewed the TCFD report as part of the Annual Accounts 2022. › Approved a Guidance Note to assess carbon credit transactions and a pilot for nature-focused opportunities that rely on carbon credit revenues. › Approved a strategic approach to increase food security in Africa, including through the pursuit of climate solutions. › Oversaw the delivery of climate finance investments through regular review of our pipeline.
Climate Action Group	**Head of Infrastructure and Climate and Managing Director for Climate, Diversity and Advisory,** senior representatives of all the business groups and the Climate Change team	Oversees our investments to meet our climate goals, including our climate finance target.	Monthly	› Agreed an updated terms of reference covering responsibilities for climate-related strategic and investment pipeline matters. › Regularly reviewed the climate finance pipeline to oversee progress against the 30% target. › Involved in and regularly informed about the implementation of our Net Zero Transition Strategy. › Informed on progress in delivering our climate adaptation and resilience ambitions and consulted on priority opportunities for scaling investments and action on climate adaptation and resilience solutions. › Discussed an approach on carbon credits investment for recommendation to the Markets Committee.
Climate Risk Working Group	**Chief Risk Officer, Chief Impact Officer,** senior members and representatives of the Risk, Investment, Climate, ESGI, Compliance, Legal and Finance teams, and a representative of the Chief Investment Officer	Oversees and contributes to the implementation of the TCFD recommendations, including our approach to physical and transition risks and preparation of the annual TCFD report.	Bi-monthly	› Signed-off our 2022 TCFD report. › Agreed an updated terms of reference for the working group including representation, and oversight role of a set of workstreams focused on advancing the integration of climate risk in our Risk Management Framework. › Discussed potential climate-related operational risks, with focus on climate and sustainability-related disclosure obligations.

1 The committee chair is highlighted in bold.

The role of 'three lines of defence'

In day-to-day operations, our 'three lines of defence' manage climate-related risks and opportunities. The table on the right-hand side gives an overview of respective roles and responsibilities.

Climate-related Remuneration Framework

Since 2022, our Remuneration Framework for management, executives and employees integrates our climate change goals through performance metrics linked to our Impact Score system and the achievement of the sustainability corporate objective set by the Board. This ensures adequate incentives are in place for meeting our climate-related objectives over the 2022–2026 strategy period.[2]

Climate-related roles and responsibilities of our three lines of defence[1]

Three lines of defence
Identify, assess and manage climate-related risks and opportunities in day-to-day operations

First line › Investment teams › ESGI and Business Integrity teams › Climate Change team › Legal team	› Identifies, assesses and manages physical and transition risks and opportunities in new transactions and portfolio investees. › Implements our Policy on Responsible Investing, which covers climate-related matters, and our Fossil Fuel Policy. › Assesses Paris Agreement alignment in new investments. › Assesses and validates climate finance attribution. › Identifies and tracks climate-related legal risk in relation to climate-related disclosures.
Second line › Risk team › Compliance team	› Tracks developments in relation to climate change-related disclosure requirements and ensuring compliance. › Embeds climate in our overall risk framework and monitors whether climate risk is within risk appetite.
Third line › Internal Audit team	› Independently assesses the effectiveness of the procedures related to our climate-related disclosure included in the Annual Accounts, with a particular focus on climate-related metrics.

1 For more details, please refer to our Annual Accounts 2022. See also our Risk Management section in the Strategic Report.

2 For more information about our Remuneration Policy, please see » PAGES 68 TO 69 of the People Development and Remuneration Committee report. See also the metrics and targets section.

Strategy

Climate-related risks and opportunities identified over the short, medium and long term

Our 2022-2026 strategy and Investment Policy outline our response to the challenges and opportunities facing emerging economies. Investing in sustainable development is one outline our response to the challenges and opportunities facing emerging economies. Investing in sustainable development is one of the three strategic objectives guiding the allocation of our capital to transform economies to reduce greenhouse gas (GHG) emissions, increase climate adaptation and resilience, and secure productive and inclusive growth in the face of climate change.

Our Climate Change Strategy underpins our investment strategy and corporate approach to climate action in line with the principles and goals of the Paris Agreement. It sets out our main priorities for managing the two categories of climate-related issues we identified as relevant to secure the delivery of our dual mandate – physical and transition risks and opportunities (further information is also set out on **PAGE 29** of this report). It does so by outlining the building blocks of our Paris alignment approach: achieving net zero emissions by 2050, supporting a just transition for workers and communities, and increasing climate adaptation and resilience against physical climate risks.

The Impact Score system underpins the investment strategy and the delivery of our climate objectives by incentivising investments contributing to climate mitigation, adaptation and resilience, while incentivising the transition of high-emitting assets.

The visual on **PAGE 27** illustrates the drivers of climate-related risks and opportunities we identified, how we define them, and their potential financial implications on our investees and us in turn. It also provides specific examples of climate-related investment opportunities we have identified across sectors.

In terms of time horizons, drivers of physical risks and opportunities are already a reality in the markets in which we operate. Several of our markets, in fact, have already experienced acute events such as floods and droughts. With respect to transition risks, climate policies are a key driver as they formalise the need to adjust and prescribe the speed of the transition.

Climate-related Financial Disclosures 2023 continued

Drivers of climate-related risks and opportunities, time-horizon considerations,[1] potential impacts and examples of opportunities

Drivers of transition risks and opportunities

Policy & legal
- Introduction of carbon pricing or penalties in case of non-compliance with decarbonisation or disclosure requirements.
- Risk of litigation from disclosures.

M L

Technology
- Low-carbon technologies displacing old systems and disrupting their competitiveness.

M L

Market
- Shifts in supply and demand patterns, low-carbon vs. high carbon commodities, products and services.

M L

Reputation
- Changes in customer, investors' or communities' preferences and expectations.

S M

Drivers of physical risks and opportunities[2]

Acute
- Increasing severity and frequency of extreme climate-related weather events such as heatwaves, flood, droughts and storms.

S M

Chronic
- Longer-term gradual shifts of the climate such as changes in average temperatures, precipitation and rising sea levels.

M L

Potential financial impacts on BII's investees

- Adverse impacts on revenues driven by a decrease in demand due to competition with low-carbon alternatives or decrease in production capacity due to climate-induced business disruptions.
- Increased operating cost from carbon pricing, changing input prices and output requirements.
- Increased costs for adjusting business models to low-carbon, or replacing assets damaged by acute weather events.
- Impairment and early retirements of assets driven by policy shifts or climate shocks.
- Increase in non-performing loans in the portfolio of financial intermediaries due to climate shocks.

Key climate-related opportunities by sector

Climate mitigation solutions to reduce, avoid and sequester GHG emissions	**Climate adaptation & resilience solutions** to prepare, prevent and respond to physical risks and recover from adverse impacts
Infrastructure	
› Low-carbon energy, transport and water infrastructures.	› Climate-resilient energy, transport and water infrastructures. › Climate-resilience enabling infrastructures for water and food security.
Construction, agriculture, services, manufacturing, technology	
› Manufacturing of decarbonisation enabling technologies and products; nature-based solutions; climate-smart agriculture; green buildings and data centres.	› Manufacturing of climate adaptation and resilience enabling technologies and products; nature-based solutions; climate services; climate-smart agriculture; climate-resilient buildings and data centres.
Financial Services	
› Lending for climate mitigation solutions via direct lending, thematic bonds or trade finance.	› Lending for climate adaptation and resilience solutions via direct lending, thematic bonds or trade finance. › Climate insurance.

1 Time horizons are indicated as: 'S', that is short-term, i.e., within the current strategy period (2022–2026); 'M', that is medium-term, i.e., over the next strategy period; and 'L', that is long-term, i.e., beyond the next strategy period. Acknowledging that further work is required to improve our definition of short-, medium-, and long-term time horizons in consideration of our investment strategy and portfolio, we defined times horizon as such because we set priorities, business strategies, incentives frameworks, metrics and targets over five-year strategy periods.
2 Includes the related indirect effects of acute and chronic events on natural systems.

The visual below provides a high-level overview of the main drivers of physical and transition risks and opportunities to which our target markets, and our investees and prospective investees, are exposed. These provide an overview of broad climate considerations relevant for our strategy, and engagement in these regions. Our approach at the investee level is outlined in the Risk management section on » PAGE 32.

Regional overview of climate-related risks and opportunities

South and South-East Asia

- Facing increasing threat of intense heatwaves, floods and rising sea levels. Experiencing droughts in arid and semi-arid areas.
- Net zero by 2070 commitment set in policy document in India, which is one of our key markets. A national carbon market scheme is under discussion.

North Africa

- Experiencing high temperature anomalies, with heatwave, and marked rainfall deficit. Already high-water scarcity and drought, which are projected to increase in duration.
- The EU CBAM could have implications on the low carbon transition of the region's largest economy, Egypt.

Central Africa

- Experiencing temperature extremes, increasing precipitations and extreme floods.
- Carbon pricing under consideration in the region's largest economy, Cameroon.

East Africa

- Experiencing increasing precipitation, severe floods and droughts.
- The European Union's Carbon Border Adjustment Mechanism (EU CBAM) could have implications on the low carbon transition of the region's economy with the highest exposure to it, Mozambique.

West Africa

- Region highly vulnerable to extended drought. Experiencing also heavy rains and floods.
- Net-zero commitment by 2070 set in law in Nigeria, which is second highest emitter in Africa. Carbon pricing under consideration in Nigeria, Cote d'Ivoire and Senegal.

Southern Africa

- Experiencing an increasing number and intensity of extreme precipitation events and increasing cyclones and tropical storm events resulting in extensive flooding.
- Carbon tax regime in place in South Africa, the largest GHG emitter on the African continent. The EU CBAM could have implications on the country's low carbon transition.

Sources: Drivers of physical risks and opportunities: IPCC Sixth Assessment Report, Climate Change 2022: Impacts, Adaptation and Vulnerability and Regional Factsheets; WMO (2023), State of the Climate in Africa 2022; WMO (2023), Provisional State of the Global Climate 2023; WMO (2023), State of the Climate in Asia 2022; World Bank (2023), World Bank, Carbon Pricing Dashboard website; World Bank (2023), State and Trends of Carbon Pricing 2023; Net Zero Tracker web site, last accessed December 2023; World Bank, CBAM Exposure Index website; African Climate Foundation and The London School of Economics and Political Science (2023), Implications for African Countries of a Carbon Border Adjustment Mechanism in the EU; TIPS Policy Brief 6/2021, European Green Deal: The Carbon Border Adjustment Mechanism and implications for South African and European Union trade.

Transition risks

As presented in previous TCFD reports, transition risks in our portfolio are likely to be mainly concentrated among the fossil fuel assets we hold.[1] They consist primarily of direct and indirect investments in fossil fuel energy generation and in activities across the oil and gas value chain made before our Fossil Fuel Policy came into effect. Most of came into effect. Most of these assets by dollar value are natural gas-fired power plants, mainly located in power-constrained economies in Africa such as Cameroon and Cote d'Ivoire.

As market and investor preferences shift towards lower-emission alternatives for power, mobility and other fossil fuel-dependent products and services, businesses in the fossil fuel value chain may be affected. Government policies encouraging the transition to lower-emission alternatives may affect businesses in the fossil fuel value chain, 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 and India is doing by setting up a national carbon market. However, over 90 per cent of our fossil fuel assets by value are in countries that have not yet introduced net-zero commitments in policy documents or law. Further, as indicated in the analysis presented in prior TCFD reports,[2] they generally have contractual arrangements in place that mitigate direct transition risk drivers such as reductions in demand or asset use, or even early retirement. These are critical electricity-generation infrastructures for the countries in which they operate by providing a significant share of their overall baseload generation. Some of these also play a role in the low-carbon energy transition because they can switch from providing baseload power to dispatchable power that meets 'peaking demand', thereby facilitating increasing integration of intermittent renewable power.

Our investments in other high-emitting assets comprise mainly the manufacturing of fertilisers, core transport infrastructures, and agriculture, which are highly relevant for economic development in our countries and for which lower-carbon alternatives are not yet technically or commercially viable. Further, it is worth noting that some of our investees in these industries are already taking actions to decarbonise or have already implemented technically feasible measures to minimise emissions.

The EU CBAM, a tariff on carbon-intensive products such as energy, cement and fertiliser imported from third countries (non-EU and non-European Free Trade Association), may drive transition risks and climate investment opportunities in our target markets as long as it accelerates the diffusion and uptake of cleaner production technologies.[3] This and other relevant matters appropriate for the markets we operate in and the sectors we invest in, are being considered in the further development of our transition risk assessment methodology.

Physical risks

The impacts of physical risks are already a reality in our markets, and of increasing concern for our investees, with flood, drought and extreme heat being the main source of concern.[4] Some of our investees have been affected by flood events, wildfires and a cyclone but, to the best of our knowledge, not materially. Increasing the ability of our investees to manage climate shocks and stressors is one of the priorities of our Climate Change Strategy.

In 2023, we deepened our understanding of the current and future physical risk exposure of our direct investment portfolio in infrastructure and corporates under varying scenarios (SSP1-2.6, SSP2-4.5 and SSP5-8.5) and timeframes. We identified 'hot spots' associated with assets' exposure to very high- or high-rated climate-related hazards to which they are deemed sensitive, and the proportion of our capital at risk. These relate, in particular, to energy-generation assets on which we need to dive deeper to gain better information about their actual vulnerability to climate shocks and stresses, and identify avenues to reduce climate-related risks if and as needed. To this end, where feasible, we started engagement activities. To support our investees to assess physical risks and identify adaptation solutions, in 2023 we established and started implementing a Paris Alignment Technical Assistance Facility.

Climate-related opportunities

We have a two-pronged approach to identifying and investing in climate mitigation and adaptation solutions. On the one hand, we invest in companies offering these solutions to scale up their availability in the market in which we operate. On the other, we work with prospective counterparties and investees to adopt these solutions to decarbonise their assets and operations and/or increase their climate resilience.

In the context of climate adaptation solutions, we identified opportunities for each of our business groups, across sectors and countries, with the goal of increasing the climate-resilience of people, the planet, and the economies in which we invest. The key cross-business group opportunities we identified span four main themes of key relevance for tackling the climate vulnerabilities of our markets: water security, food security, energy security and climate insurance.

In the context of climate mitigation solutions, opportunities exist across business groups, too. These are integrated in Investment teams' strategies and cover multiple sectors. Renewable energy, electric mobility and circular economy solutions are among key areas for setting our markets on a low-carbon development pathway.

1 Please see the TCFD section in the Annual Accounts 2021 for details on a mapping of the primary types of transition risks that fossil fuel assets in our portfolio might be exposed to.

2 Please see the TCFD section in our Annual Accounts 2021 and 2022.

3 Source: A European Union Carbon Border Adjustment Mechanism: Implications for developing countries.

4 See our Emerging Economies Climate Report 2023, which presents the findings of a survey we conducted with senior executives working across our portfolio of companies and funds in Africa, Asia and the Caribbean.

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

Since the launch of our Climate Change Strategy, climate-related risks and opportunities have influenced our business strategy and our engagement with investees and other stakeholders in several ways:

- We set sustainability as one of our 2022–2026 Strategic Objectives, integrating the extent to which an investment contributes to the transition to net zero and climate-resilient economies in our Impact Score and incentive system.
- We integrated a Paris alignment assessment in our investment process based on the framework agreed with other European development finance institutions.
- We set a climate finance target of 30 per cent of our commitments as a rolling average for the 2022–2026 strategy period (see PAGE 44 for details).
- We established a pool of concessional capital, the Climate Innovation Facility, to provide finance for pioneering climate solutions needed to decarbonise economies and increase the climate resilience of people, business activities, assets and nature.
- We established two technical assistance windows, a pilot Paris alignment Technical Assistance Facility and a Technical Assistance Facility for Financial Institutions, to support a few of our investees to identify, assess and manage climate-related risks and to pursue climate-related opportunities.
- Strengthened partnerships to increase our ability to realise climate investment opportunities.[1]

These elements are contributing to the shift of our portfolio towards lower-emitting activities and those solutions needed to enable others to decarbonise, adapt and increase their climate resilience. They are also contributing to proactively identifying and managing possible drivers of transition or physical risks.

The table below outlines the key potential impacts of each of the key building blocks of our Climate Change Strategy and Paris alignment approach, along with key advancements made in 2023.

Highlights of key 2023 developments of relevance for our business strategy

Paris alignment building blocks	Potential impact	Key highlights for 2023
Net zero by 2050	Shifting our portfolio towards lower-emitting activities to align with the 1.5˚C goal of the Paris Agreement.	Advanced the implementation of our Net Zero Transition Strategy, including by: › Approving an approach for assessing carbon credits investment opportunities and mitigating related risks, and a pilot for highly impactful nature-focused opportunities that rely on carbon credit revenues. › Piloting guidance for assessing Paris alignment in the food and agriculture sector and started developing one for the manufacturing sector.
Just transition	Aligning investments towards the Low-Carbon Development Strategies for a just transition.	Advanced the identification of opportunities for investing in a just transition with the development of the Just Finance India[2] and participation in South Africa's Just Energy Transition Partnership.
Adaptation and resilience	Increasing investments towards climate adaptation and resilience solutions. Increasing climate resilience of our investees and the contexts in which they operate.	Advanced the development of our approach to adaptation and resilience investing by: › Identifying investment and financing opportunities to pursue within Investment teams' strategies. › Exploring opportunities for deploying our pool of concessional capital, the Climate Innovation Facility, for pioneering climate solutions through a thematic origination approach. › Developing with peers, under the aegis of the Adaptation & Resilience Investors Collaborative, an approach for measuring the positive impacts of adaptation investments in a consistent and comparable manner.[3] › Developing and engaging with various stakeholders on a framework for unlocking private capital for climate-resilient water systems.[4]

1 In 2023 we signed a partnership with Shell Foundation to increase access to finance for clean energy businesses in Africa and South Asia (see our website for details). This builds on the partnership established with The Global Energy Alliance for People and Planet to enhance access to reliable clean power.

2 For more information see Just Finance India: Mobilising investment for a just transition to net zero in India report (bii.co.uk).

3 For more information see Development Finance Institutions and Investors Collaborate to Advance Adaptation and Resilience.

4 See Climate Adaptation and Renewable Energy (CARE) for Water for details.

Resilience of our organisation to climate-related risks and opportunities

We have not yet undertaken a quantitative climate stress-test of our portfolio under different climate scenarios, as we are still developing the necessary methodologies and Risk Management Framework to achieve this ambition. However, it is worth noting that:

- Our exposure to fossil fuel assets, which are the most likely to be vulnerable to transition risk drivers, represents a relatively small share of our portfolio and is on a declining trend. Given the context of operation of these assets, and the contractual arrangements they have in place, the transition risk driver that is likely to be most material to these assets is changes in investors' preferences and expectations. This is because it could affect their market value.
- Our exposure to assets more highly vulnerable to physical risks represents a relatively small share of the portfolio we assessed to date. This emerged from a forward-looking assessment of the exposure and sensitivity of our 2022 direct investments portfolio in corporates and infrastructure undertaken over three climate scenarios (SSP1-2.6, SSP2-4.5 and SSP5-8.5) and varying timeframes to identify investees at higher risk to prioritise for further analysis and engagement. In 2024, we will be furthering this assessment.

Finally, we believe that by aligning our investments to the 1.5°C goal of the Paris Agreement, implementing our Net Zero Transition Strategy and working towards increasing the climate resilience of our investees, we have strong mitigants in place against both physical and transition risks.

Risk management

Process for identifying and assessing climate-related risks and opportunities

We identify and assess climate-related physical and transition risks and opportunities in the process of conducting due diligence on new investments and post-investment through portfolio monitoring. Due diligence analyses, which are proportionate to investment-specific circumstances, determines the need for and the nature of climate risk mitigation measures such as GHG emissions reduction interventions or adaptation actions. These then inform our engagement approach with investees through the life of the investment.

The outcome of due diligence is presented to the Investment Committee to inform its investment decision. 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 investment decisions in the pursuit of our mandate. It also helps us to identify and engage with investees on climate-related opportunities.

The visual on the right-hand side provides an overview of all the interrelated climate-related assessments we carry out during the investment process of new investments. These assessments are critical for and underpin our ability to deliver on our net-zero and climate-adaptation and resilience-building objectives.

Overview of our climate assessments for new investments

Type of climate assessment	Paris alignment	Climate-related risks	Climate finance	Sustainability score	Net zero
Scope	New investments	New investments	Eligible investments	New investments	Investments with very high GHG emission
Approach	Assessment of whether an investment is aligned with the goals of the Paris Agreement based on our Fossil Fuel Policy, sector-specific guidance and Climate Finance Methodology. Our approach for conditionally aligned investment is under further development. Investment Committee documents feature the outcomes of the assessment.	Assessment of physical and transition risk drivers during the investment process. Investment Committee documents feature the outcomes of the assessment, which then informs portfolio risk management activities.	Assessment of the climate finance qualification of investments contributing to climate mitigation and/or adaptation based on our Climate Finance Methodology. Investment Committee documents feature the outcomes of the assessment, which then informs portfolio impact management activities.	Assessment of an investment's contribution to our sustainability objective based on its GHG emission intensity and climate finance qualification according to our Impact Score Framework. Investment Committee documents feature the outcomes of the assessment, which is based on the Impact Score system.	Investments with GHG emissions above a certain threshold that do not qualify for climate finance are flagged early in the investment process to decide on next steps based on the scale and depth of their development impact and our ability to support decarbonisation efforts. Should opportunities for transition finance emerge, we would apply the assessment framework we published in 2022.

Physical climate risk identification and assessment in direct investments

We systematically screen new direct debt and equity investments with counterparties operating in climate-sensitive sectors for their exposure to climate-related hazards.[1] We do so by analysing the core geographic location of a counterparty's assets and activities with a commercial tool that covers nine climate-related hazards over multiple time periods and under three climate scenarios (see visual below).

The findings of the screening process determine whether a deeper assessment is required during the subsequent due diligence stage to determine the vulnerability of the counterparty to the identified climate-related hazards, and the necessary adaptation measures required to prevent or reduce the identified physical climate risks. Where appropriate, such measures are detailed in an Environmental and Social Action Plan which forms part of the investment agreement with the investee.

We have applied the same tool to our direct investment portfolio in corporates and infrastructures. The metrics and targets section provides a summary of key findings.

The climate-related hazards covered by our physical risk screening process[2]

	Temperature-related	Water-related	Wind-related
Chronic	› Changing temperatures › Temperature variability › Heat stress	› Changing precipitation › Hydrological variability › Sea level rise › Water scarcity	› Changing wind speeds
Acute	› Heat wave › Cold wave/frost › Wildfire	› Drought › Heavy precipitation › Flood (coastal, fluvial, pluvial)	› Cyclone, hurricane, typhoon › Storm

1 We focus on new investments in the infrastructure, agriculture and forestry, manufacturing, construction and real estate sectors, given the intrinsic climate sensitivity of these sectors and lifespan of the underlying assets. Investments in other sectors are also screened taking a risk-based and proportional approach.

2 Covers climate-related hazards and related risks on physical and biological systems (wildfire risk, for instance, is driven by a combination of high temperatures, low humidity, low rainfall and often high winds). These hazards also provide drivers for e.g. landslides.

Transition risk identification and assessment in direct investments

We systematically screen for transition risk new direct debt and equity investments with counterparties operating in sectors which are most likely to be impacted by the transition to net zero by 2050. Given that new investments in companies and projects more inherently predisposed to be impacted by the low-carbon transition are excluded by our Fossil Fuel Policy, the screening focuses on counterparties operating in other emission-intensive sectors such as heavy manufacturing (for example, pulp and paper, chemicals, and mineral products).

During due diligence, counterparties identified to be at higher transition risk undergo further analyses to determine their exposure and vulnerability to the drivers of transition risks identified by the TCFD framework. Where applicable, the assessment could factor-in carbon pricing requirements which are not yet in place in most of the markets in which we operate. The outcome of the analyses is presented to the Investment Committee to inform investment decisions. This can also include identifying decarbonisation measures to mitigate the identified risks. Where appropriate, these are formalised in the Environmental and Social Action Plan agreed with the investee.

Alignment with the goals of the Paris Agreement is a key avenue for reducing vulnerability to transition risks and identifying avenues for increasing positive impact on the transition. In 2023, as part of our Net Zero Transition Strategy implementation, we piloted the use of a Paris alignment assessment guidance with counterparties operating in the food and agriculture sector. This not only allowed us to identify possible drivers of transition risks that could affect our counterparties, but also proactively identify avenues for helping them to decarbonise through engagement, technical assistance and capital solutions as applicable. In 2024, we aim to complete a Paris alignment assessment guidance note for the heavy manufacturing sector.

Physical and transition risk identification and assessment in indirect investments

Our approach in the context of indirect investments via funds and financial institutions is based on the pillars of the TCFD recommendations and focuses on assessing the governance and risk management frameworks of our target investee funds and financial institutions with respect to climate change. Our approach is risk-based and proportional to their size, investment strategy and portfolio. 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 Toolkit to provide fund managers with tailored step-by-step guidance and practical tools to integrate climate-related risks and opportunities into their investment processes and decision-making. We plan to enhance the TCFD Toolkit with guidance and tools specific to financial institutions as well as complement it with a Paris alignment toolkit to provide 'how-to' guidance on net-zero target setting and climate investing.

Next steps

We acknowledge that both our transition and physical climate risk methodologies require further refinement to ensure consistency in their implementation across the organisation and enable better understanding and management of climate-related risks to our financial and development impact goals. To this end, we are working towards the development and implementation of a transition and physical climate risk ratings system, which involves improvement in our diligence process and data management systems. We also continue to engage with peers to share approaches and lessons from operational experience and identify emerging good practices.

Process for managing climate-related risks

Our climate risk management approach at both the transaction and portfolio level is still evolving since methodologies and processes are still under development in line with advancing insights and methodologies globally.

At the transaction level, as mentioned in earlier sections, we manage our exposure to climate-related risks through the following avenues:

- Compliance with our Fossil Fuel Policy, which excludes new investments in most GHG-emitting fossil fuel activities – particularly exploration and production.[1]
- Integration of climate mitigation and adaptation actions in the Environmental and Social Action plans of counterparties identified to have potential to decarbonise or need to increase their climate resilience.
- Paris alignment sectoral assessment guidance notes.
- The offering of technical assistance to strengthen investees' capabilities to identify, assess and manage climate-related risks and opportunities.

At the portfolio level, the following elements support the management of our exposure to climate-related risk drivers:

- Annual portfolio carbon footprint assessment, which has enabled us to identify the most carbon-intensive assets, which are potentially those more sensitive to climate transition risk drivers.
- Net Zero Transition Strategy and related operational underpinnings to support the real economy transition and steer our portfolio in line with a 1.5°C pathway.
- Physical climate risk assessment of a portion of our portfolio to identify investees most sensitive and exposed to climate-related hazards.
- Active engagement with investees identified to be at higher physical or transition risk to strengthen their awareness, systems, and capability to manage them.
- Integrating climate change risks into our Risk Appetite Framework and Risk Management Policy.

Engagement with investees on climate-related risks and opportunities

Active engagement with investees is necessary to build our understanding of climate-related risks and opportunities and support them in investing in net-zero and climate-resilience solutions. Beyond investment due diligence and portfolio management activities, in 2023, we continued:

- Delivering training on climate-related risks and opportunities to fund managers to promote and support the implementation of the TCFD recommendations. About 150 participants signed-up for the 2023 session from our investees across Africa and South Asia. These included corporate and financial institution investees.
- Building tools to support our investees in the practical implementation of the TCFD recommendations and the assessment of climate- and biodiversity-related risks and opportunities. These include the TCFD Toolkit we developed and released in 2023, and the Water Risk Filter and Biodiversity Risk Filter we supported through our partnership with WWF.
- Offering technical assistance to strengthen the capabilities of our investees to understand the climate-related risks they are facing, build their ability to pursue climate opportunities, and implement the TCFD's recommendations.

In engagement with investees, our professional judgement determines when, how and which climate-related risks should be prioritised over other risks. Our ability to engage is also influenced by the financing structure in place and can depend on collaboration with other co-investors.

1 See our Fossil Fuel Policy for details.

Integrating climate-related risks into our overall Risk Management Framework

Climate change risk is integrated into our Risk Management Framework and is identified in our Risk Taxonomy as a standalone risk type under 'Strategic Risks' (see **PAGE 15**). Recognising that climate-related risks can impact each of our principal risk types (see **PAGE 14**), in 2023 we worked towards enhancing the integration of climate-related risks into our 'Financial Risk' and 'Operational Risk' types. We acknowledge that further work is required to this end, including the enhancement of the initial set of metrics we have been using since 2022 to evaluate whether we are within or outside our risk appetite for climate risk. The assessment of climate-related risks is also integrated in our investment process, from the initial screening stage through the life of an investment as required.

Metrics and targets

In line with the TCFD recommendations we have been developing and using a range of metrics and targets to assess and manage climate-related risks and opportunities in line with our corporate strategy, Climate Change Strategy, Net Zero Transition Strategy and Risk Management Framework.

Metrics used to assess climate-related risks and opportunities

The table below provides an overview of the metrics we have in place to date, presenting them against the cross-industry climate-related metric categories recommended by the TCFD in its 2021 guidance. The following sub-sections provide further details on each of the key metrics. For each, we present data from previous financial periods to allow for trend analysis, and a description of the methodologies used to calculate them.

Metrics overview[1]

Type of metric	TCFD cross-industry metric category	Description
Investment portfolio metrics	Climate-related opportunities	› Financial exposure to climate finance-qualifying assets
	GHG emissions	› Scope 3 (Category 15): Financed emissions (absolute and intensity) › GHG emissions avoided through our investments
	Transition risk	› Financial exposure to fossil fuel assets
	Physical risk	› Financial exposure to assets vulnerable to physical risks
	Remuneration	› Proportion of executive, management and employee remuneration linked to climate considerations
Internal operations metrics	GHG emissions	› GHG emissions of our operations (Scope 1, 2 and part of 3)
	Physical risk	› Physical climate risks to our offices[2]

1 While the TCFD's cross-industry metrics include 'internal carbon price', we do not feature it among our metrics because we do not use a shadow carbon price. In contexts where a carbon pricing regime is in place, or where it is assessed that it might emerge, the financial modelling of an investment would take it into account given its implications on return expectations. '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 materialise.

2 Please see our Annual Accounts 2022 for details.

Investment portfolio metrics

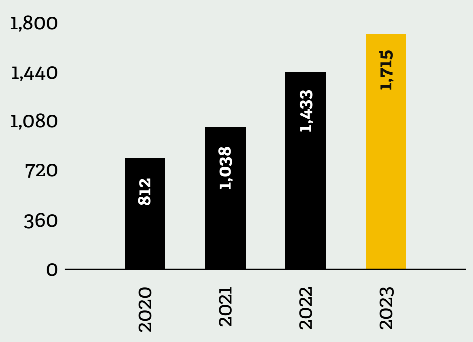
Financial exposure to climate-related opportunities

Our financial exposure to climate-related opportunities, defined as the value of climate finance-qualifying assets as at year-end, accounted for $2.2 billion or 23.5 per cent of our overall portfolio as at year-end 2023. This represents a 26 per cent year-on-year increase and a 96% per cent increase since we started the tracking. The increase was mainly driven by new renewable energy assets entering our portfolio.

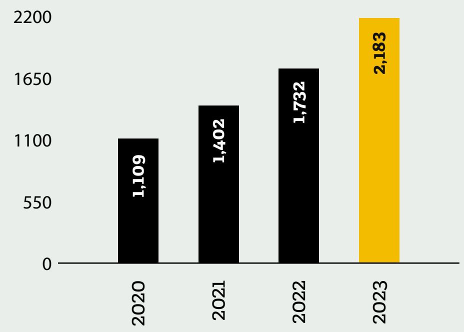
The data shown covers climate finance-qualifying assets via direct investments, intermediated investments through funds, and directed lending via financial institutions determined to be climate finance based on the climate sub-sectors defined by our climate finance methodology.[1]

Portfolio-level exposure to climate finance-qualifying assets at year-end 2020–2023

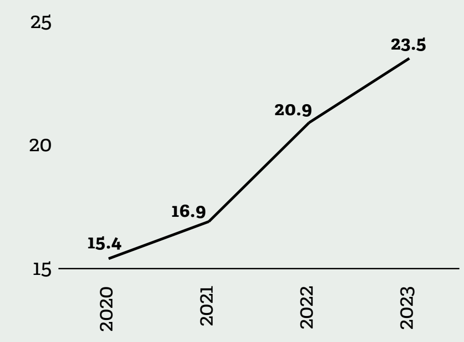
Climate finance-qualifying assets in £ millions



Climate finance-qualifying assets in $ millions



Share of portfolio by value (%)



Financial exposure to fossil fuel assets

Our total exposure to fossil fuel power-generating assets and upstream, midstream and downstream fossil fuel value chain activities has been on a steady downward trajectory since 2020. Most of our financial exposure, which as shown in our previous TCFD report[2] represents a minor share of our overall portfolio, is in natural gas-fired power plants for electricity generation in power-constrained economies such as Cameroon and Côte d'Ivoire. The downward trajectory has been predominantly driven by the entry into force of our Fossil Fuel Policy[3] in 2020, the phase-out of our financial exposure to oil and gas assets through trade and supply chain finance facilities and exits from some legacy fossil fuel investments.

Methodology

Our portfolio exposure to fossil fuel assets covers direct investments and intermediated investments through funds according to the scope outlined in our Fossil Fuel Policy.[3] Data gaps have prevented us from evaluating our exposure via intermediated investments through financial institutions.

GHG emissions: Scope 3 financed emissions

As a financial institution, the majority of our GHG emissions result from activities we finance and invest in. These are referred to as financed emissions and categorised as Scope 3 (category 15) by the Greenhouse Gas Protocol for reporting purposes.

As the graphs in the next page show, our absolute financed emissions and financed emissions intensity (that is, financed emissions divided by the underlying net asset value), have been on a downward trajectory between 2019 and 2021. In 2022, our absolute financed emissions increased by 2.5 per cent over the average 2019–2021 baseline used to develop our Net Zero Transition Strategy, while financed emissions intensity decreased by 26 per cent. On a year-to-year basis, we have observed an increase across both metrics. Given data quality and limitation issues, it is relevant to evaluate the trajectory of our financed emissions towards our net-zero target on a multi-year basis over the current five-year strategy period rather than on a yearly basis.

The key drivers of change identified are outlined as follows:

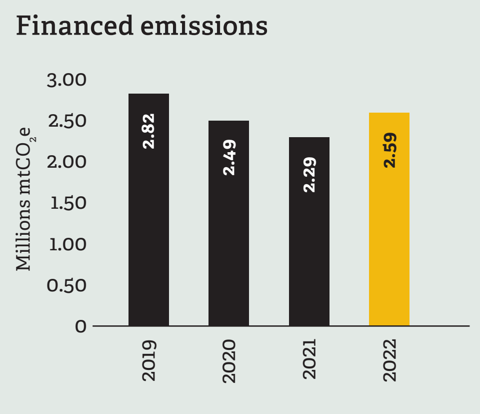
- Increases in total GHG emissions of highest-emitting existing portfolio investees (that is, investments made before 2022). Due to the methodological limitations described below, where emissions for indirect investments are a direct function of companies' revenue data or of financial institutions' loan books, these increases may not accurately reflect changes in the investees' real-world emissions.
- Increases in attribution factors of existing investments due to debt being repaid.

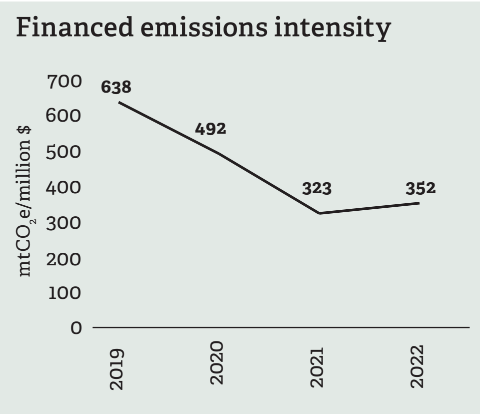
1 Climate finance investments are determined based on our climate finance methodology, which is aligned to the Common Principles for Climate Mitigation Finance Tracking and the Climate Change Adaptation Finance Tracking developed by a group of multilateral development banks and members of the International Development Finance Club. Where needed, these are complemented by other international frameworks – the EU Taxonomy, the Adaptation Solutions Taxonomy and its updated version, the Climate Resilience Investment Solutions Principles.

2 Please see the TCFD section in the Annual Accounts 2022.

3 We define fossil fuel assets according to our Fossil Fuel Policy: 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. Therefore, when calculating our portfolio exposure to fossil fuel assets, we included both assets that would be excluded by our Fossil Fuel Policy today, but were made prior to its entry into force, and fossil fuel investments still permitted under the policy.

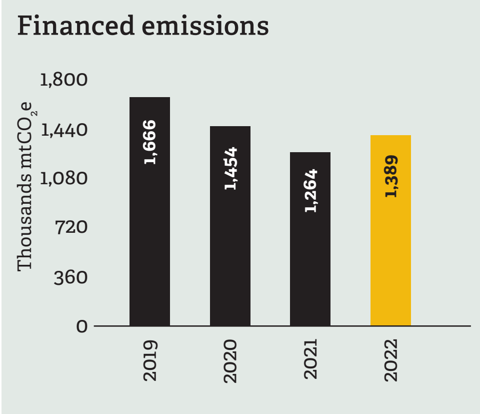
Total financed emissions at year-end 2019–2022[1]

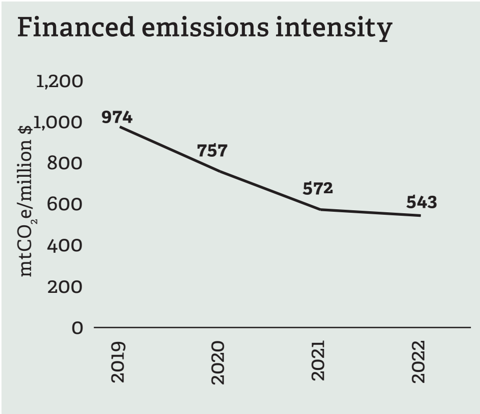




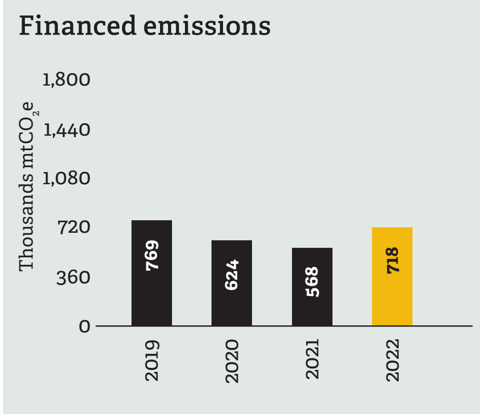
Financed emissions by business group at year-end 2019–2022[1]

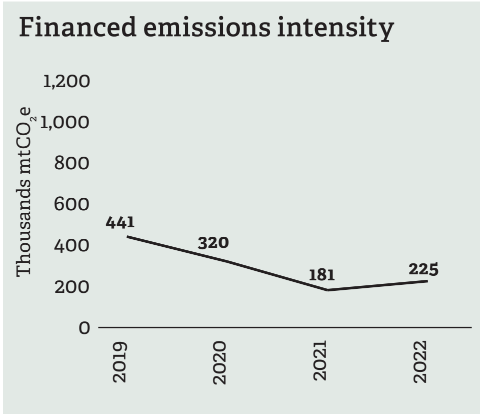
Infrastructure and climate



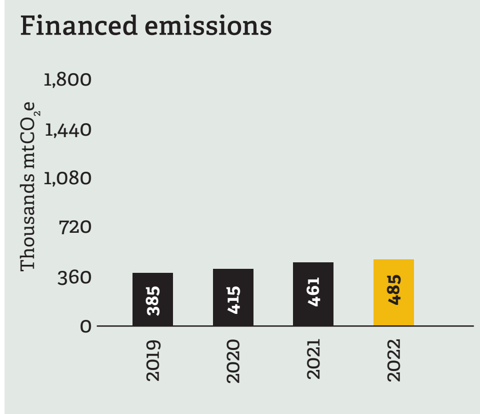


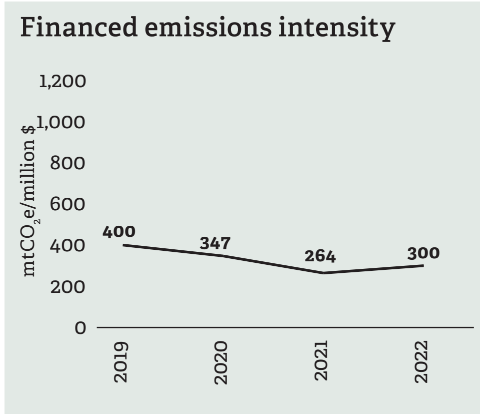
Industries, technology and services





Financial services





Changes in our financed emissions between year-end 2021 and 2022

	2021	2022	% change over 2021	% change over 2019-21 baseline
Financed emissions (in million $mtCO_2e$)	2.29	2.59	+13%	+2.5%
Financed emissions intensity (in $mtCO_2e$/million $)	323	352	+9%	-26%

Due to the reporting cycles of our investees, the financed emissions data presented in this section are based on our portfolio composition as of the end of 2022.

1 Financed emission intensity data for 2019-2021 differ from previous disclosures because of an improvement in the methodology we use to calculate Net Asset Value, which is the denominator for emissions intensity.

Methodology
We follow the Partnership for Carbon Accounting Financials (PCAF)[1] standard to calculate the following components of our portfolio's financed emissions:

- Scope 1 and 2 GHG emissions of our direct investments.
- Scope 1 and 2 GHG emissions of our intermediated investments through funds in companies and infrastructure assets.
- Scope 1 and 2 GHG emissions of our investments in financial institutions (i.e. the financial institutions' operational emissions), excluding trade and supply chain finance.
- Scope 3 finance enabled GHG emissions of our investments in financial institutions (i.e. the Scope 1 and 2 emissions generated by the financial institutions' underlying borrowers), excluding trade and supply chain finance.

Data limitations
PCAF provides guidelines for assessing the data quality of emissions, resulting in a data quality score between 1 (best) and 5 (worst). Our financed emission estimates are based on the highest-quality data available for each asset class. The weighted average PCAF data quality score of our portfolio is 3.04, which reflects the following:

- Most of our emissions are reported (unverified) by investees in our direct investment portfolio, resulting in a data quality score of 2. To improve data quality, while empowering investees to manage the GHG emissions of their assets and operations, we plan to work with our highest-emitting direct investees to conduct verified emissions assessments.
- All emissions for funds and financial institutions are modelled using the Joint Impact Model,[2] which relies on the revenue data and sector/sub-sector categories of the underlying companies in funds' portfolios and the outstanding value of the loans made per sector by financial institutions. Using this data to calculate emissions results in a data quality score of 4 and 5 respectively. It is worth noting that the industry/sector categories from which the Joint Impact Model derives emissions factors do not necessarily accurately capture a company's actual activities because they are not sufficiently granular, and they do not account for GHG emissions removals (for example, from forestry investments).
- Because of limitations in revenue data, and in alignment with previous years, we currently model only part of our funds' portfolio companies.

To address these data quality and limitations issues, we encourage and support fund managers and financial institutions to report on financed emissions (Scope 3, Category 15 emissions of these institutions). We also collaborate with the Joint Impact Model to enhance its modelling capabilities.

1 The PCAF Accounting and Reporting Standard provides financial institutions with a standardised set of guidelines for measuring and reporting financed emissions in line with the GHG Protocol. It is the methodology recommended by the TCFD.

2 The Joint Impact Model is a publicly available tool jointly developed by several development finance institutions, including BII, that allows users to estimate financial flows through the economy and its resulting economic, social and environmental impact, including financed emissions. It has been recognised as a PCAF Standard-aligned method for estimating financed emissions. See jointimpactmodel.org for more information.

The equations below outline the general PCAF approach to calculating financed emissions:

$$\textit{Financed emissions} = \sum_i \textit{Attribution factor}_i \times \textit{Emissions}_i$$

$$\textit{Attribution factor} = \frac{\textit{Outstanding amount}_i}{\textit{Total debt + equity}_i}$$

$$i = \textit{borrower / investee}$$

Attributed financed emissions by PCAF data quality score, 2019–2022

			Share of attributed emissions by PCAF score			
PCAF data quality score	**PCAF option**	**Description**	**2019**	**2020**	**2021**	**2022**
1	1a	Reported verified emissions	0	0.2	1.8	2.7
2	1b	Reported unverified emissions	41.8	42.8	39.3	52.6
2	2a	Calculated emissions based on energy consumption data	1.3	1.8	2.5	0.3
3	2b	Calculated emissions based on primary physical activity data	0	0.3	0.4	0.4
4	3a	Modelled emissions based on company revenue	43.8	38.7	36.5	25.4
5	3b	Modelled emissions based on company assets per sector				18.4[1]
5	3c	Modelled emissions based on company asset turnover ratio	13.1	16.2	19.6	0.3

1 Reflects an improved approach to categorise the quality of the emissions of our intermediary financial institutions as compared to previous years.

GHG emissions avoided through our investments

Based on all direct renewable energy investments in our portfolio (wind, solar, hydro), we avoided 988,000 tCO_2e emissions on an attributed basis in 2022, a 52 per cent increase over 2021. The intensity of attributed emissions avoided also increased by 54 per cent in 2022 in relation to 2021. This trend is because of growth in installed renewable capacity in our power portfolio and increases in attribution factors used.

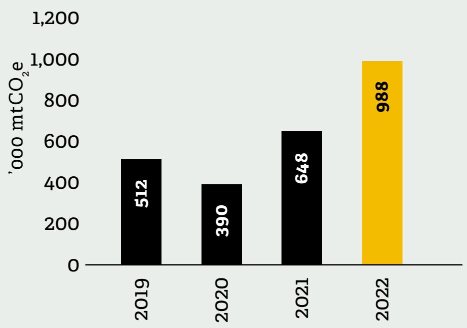
Methodology

We calculated avoided GHG emissions based on the emissions factors from the International Financial Institutions Guideline for a Harmonised Approach to Greenhouse Gas Accounting. The estimate covers only direct investments in renewable energy assets operational as at year-end. It excludes renewable assets still under construction and those we financed through intermediated investments.

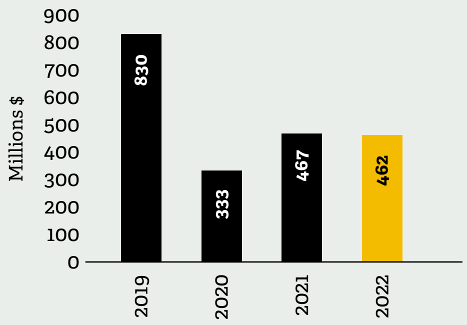
It is worth noting that in 2019, investment value and avoided emissions intensity were calculated using market value. From 2020 onwards, book value was used for consistency with the PCAF Standard.

Estimated avoided GHG emissions of our direct investments, 2019–2022

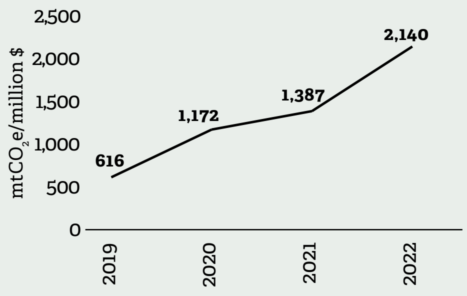
Attributed avoided emissions



Investment value



Attributed avoided emissions intensity



Financial exposure to assets vulnerable to physical risks

Building on the analysis undertaken in the previous year, in 2023 we analysed a portion of our 2022 portfolio for exposure and sensitivity to physical risks. We identified that drivers of physical risks are likely to be mainly concentrated among the energy-generation assets we hold. Further analysis is required to gain a better understanding about their actual vulnerability.

Methodology

To analyse our exposure to physical risks, we applied the same approach outlined in the Risk Management section for direct investments (see » **PAGE 31**). Where applicable and possible, we also engaged with investees to gain a better understanding about their awareness and management of identified physical risk drivers. We also offered technical assistance support to some of our investees to help them gain a better understanding about physical risks and identify adaptation solutions.

Data limitations

To broaden our assessment, we are seeking to bridge data gaps by improving reporting from investees, engaging with them or co-investors, and improving our due diligence assessment and reporting approach. We are also offering technical assistance to both our direct and indirect investees to build mutual understanding about material physical risks and their capabilities to identify, assess and manage them.

Remuneration linked to climate considerations[1]

The performance-related compensation programme (LTIPP) for Executive Committee members, Director, Manager and Executive-level employees is linked to climate according to the following weightings:

- 4 per cent as it pertains to our performance against our climate finance and gender targets over the 2022–2026 period.
- 40 per cent as part of the aggregate performance against our development impact at the portfolio level as determined by the Impact Score across investments, which focuses on the extent to which they are productive, sustainable and inclusive. Climate action is covered under the sustainability impact objective.

1 For more information, please see the Remuneration Policy and Annual report on remuneration featured in the Governance Report.

Internal operations metrics

GHG emissions of our operations

The following tables show the energy usage and the carbon emissions of our operations; the assessment covers direct emissions from the heating of our facilities (Scope 1), indirect emissions from purchased electricity (Scope 2) and other indirect emissions from business travel (Scope 3). The Scope 3 emissions figures presented in the table do not include financed emissions (these are covered in the previous section).

We report our emissions with reference to the latest Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol). In accordance with the 2018 Regulations, the energy use and associated GHG emissions are only for those within the UK that come under the operational control boundary. Therefore, energy use and emissions are aligned with financial reporting for the UK subsidiaries and exclude the non-UK-based subsidiaries that would not qualify under the 2018 Regulations in their own right. The 2023 UK Government GHG Conversion Factors for Company Reporting published by the UK Department for Environment, Food & Rural Affairs (DEFRA) are used to convert energy used in our operations to emissions of CO_2e.

Our operational footprint has marginally decreased in the fiscal year of 2023, despite a slight increase in our full-time employee numbers and after opening two new offices in Nigeria and Mumbai. Our London office purchases 100 per cent renewable energy and sends zero waste to landfill.

1 This refers to our office in Lagos, which we opened in 2023.

Energy and GHG Scope 1 and Scope 2 emissions

	01 January 2021 to 31 December 2021		01 January 2022 to 31 December 2022		01 January 2023 to 31 December 2023	
	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)
Emissions from activities which we own or control including combustion of fuel and operation of facilities tCO_2e (Scope 1)	78	N/A	86	N/A	92	13
Emissions from purchase of electricity, heat, steam and cooling purchased for own use tCO_2e (Scope 2, location-based)	117	81	190	207	186	174
Total gross Scope 1 & Scope 2 emissions tCO_2e	**195**	**81**	**276**	**207**	**278**	**187**
Total gross Scope 1 & Scope 2 emissions tCO_2e (all)	**276**		**483**		**466**	
Intensity ratio tCO_2e (Scope 1 & Scope 2) per employee	0.55		0.77		0.79	
Energy consumption used to calculate above emissions (kWh/000)	974	128	1,454	300	1,405	360
Gas (kWh/000)	421	N/A	471	N/A	502	N/A
Electricity (kWh/000)	551	128	981	300	899	311
Transport fuels (kWh)	2,274	N/A	2,105	N/A	4,928	N/A
Bulk fuels (Diesel) (kWh)[1]	N/A	N/A	N/A	N/A	N/A	48,743
Methodology	Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol) 2018 version					
Outsourced to a third party	Calculated and prepared by Beyondly Global Ltd.					

Total operational footprint

Business travel is dominated by flights which account for 91 per cent of business travel emissions.

The data shows our Scope 3 GHG emissions increased in 2023 as our business continued to rebuild after the COVID-19 downturn, which was still evident at the start of the first quarter of 2022. We now have enhanced systems in place to capture more detailed data across our organisation. We have also built systems to encourage more sustainable choices with more granular details on airlines, aeroplanes and seat choices. Travel is a critical enabler of investing development finance in our regions.

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

Category	Scope	2021	2022	2023
Category 1: Direct emissions	Scope 1	78	86	104
Category 2: Indirect emissions from imported energy	Scope 2	198	395	360
Category 3: Indirect emissions from transportation	Scope 3	651	4,832	8,190
Category 4: Indirect emissions from products used by organisation	Scope 3	10	31	*
Total emissions		**937**	**5,346**	**8,654**
Emissions (tCO_2e) per employee		**1.86**	**8.50**	**14.7**

* Data not yet available.

Our targets for managing climate-related risks and opportunities, and our performance against them

Targets overview

Target	Description	Timeline	Progress
Paris alignment	Alignment of our investments with the Paris Agreement	From 2021	In progress
Net zero by 2050	Invest in line with a 1.5°C-aligned pathway towards a net-zero GHG emissions portfolio level	By 2050, with tracking of interim absolute and financial intensity milestones[1]	In progress
Climate finance	Climate finance commitments to reach 30 per cent as a rolling average	2022–2026 strategy period[2]	On track given 2023 performance

1 Based on the weighted average 2019–2021 baseline and the International Energy Agency (IEA) Net Zero by 2050 scenario for emerging markets and developing economies, which outlines how to achieve this temperature goal while also making progress on the SDGs. Please see our Annual Accounts 2022 for more information.

2 For more information, see our 2022–2026 strategy.

Target: Paris alignment

Aligning our investments with the goals of the Paris Agreement is integral to our support of climate action, and since 2021, new investments have been assessed for Paris alignment. This means that non-climate finance investments are assessed through available sector-specific guidance to identify feasible avenues for supporting counterparties to move towards a 1.5°C-aligned pathway. Activities that are excluded based on our Fossil Fuel Policy are automatically considered as 'misaligned' and not pursued. Activities that are assessed as climate finance are considered as automatically aligned given the active contribution those investments make to climate mitigation and/or adaptation.

Our Paris alignment approach is grounded in our Net Zero Transition Strategy and net-zero target. It is also grounded in our approach to assess physical risk and, where needed, contribute to increasing investees' climate resilience.

Target: Net-zero portfolio GHG emissions by 2050

Our Climate Change Strategy sets out our commitment to invest in line with a 1.5°C-aligned pathway to reach net-zero emissions at the portfolio level by 2050.

To deliver on this commitment, in 2022, we developed a Net Zero Transition Strategy setting out the decarbonisation required and the avenues through which to reduce emissions from our portfolio and pipeline.[1] This means playing an active role in supporting decarbonisation in the real economy and contributing to sustainable development in the markets we invest in, which face challenges to decouple economic growth from GHG emissions.

To progress towards the delivery of our net-zero target, in 2023 we steered origination efforts towards low-carbon solutions, finalised an approach for assessing investment opportunities that rely on substantial carbon credit revenue,[2] such as highly impactful nature-based proposals, and established a technical assistance facility to support our investees in identifying and assessing decarbonisation opportunities.

1 Please see our Annual Accounts 2022 for details on our Net Zero Transition Strategy.

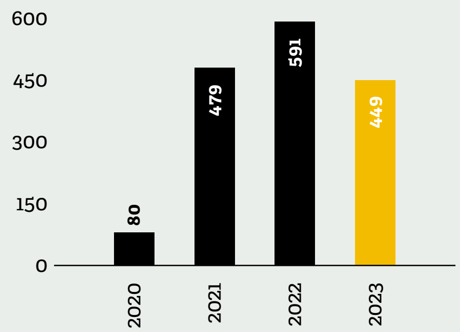
2 As detailed in the Net Zero Transition Strategy section of the Annual Accounts 2022, we will not rely on the purchase of carbon offsets to achieve our net-zero portfolio target.

We acknowledge that our absolute financed emissions may increase in the shorter term, both because of the level of economic development of the countries we invest in and our growing portfolio. In particular, considering market needs, we would be required to allocate capital to high-emitting industry sectors, such as agriculture and manufacturing, that are most relevant for achieving sustainable development and driving the net-zero transition.

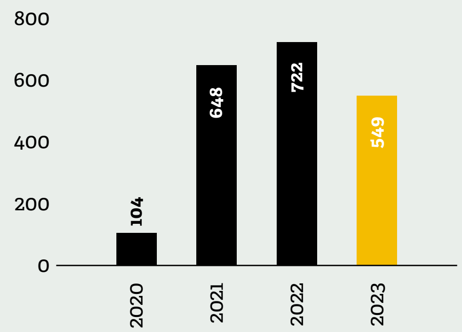
Our ability to achieve our net-zero target is dependent on both endogenous factors, such as our investment choices and engagement approach with investees, as well as exogenous factors, such as the rate of technological and policy progress both within and beyond our markets to close the current gap between international commitments and policy actions and the 1.5˚C temperature goal. However, we have an important role to play in contributing to accelerated progress as technology and policy in our markets increasingly support low-carbon development and our investees see the business case for it.

Total 2020–2023 climate finance commitments in £ and $ millions and as a share of total annual commitments

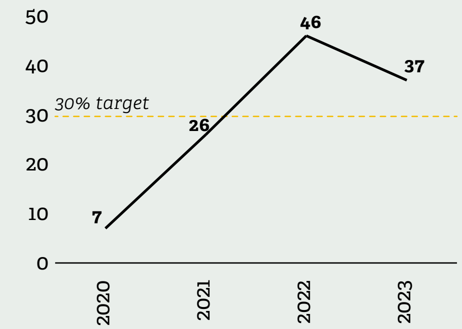
Climate finance commitments in £ millions



Climate finance commitments in $ millions



Share of total commitments (%)



Target: Climate finance commitments

In 2023, our climate finance commitments totalled $549 million or 37 per cent of total new commitments. On average, over our current strategy period of 2022 and 2023, we are tracking at 42 per cent climate finance, which exceeds our 30 per cent climate finance target. We committed an additional $13.6 million of investment under the Climate Innovation Facility, 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.[1]

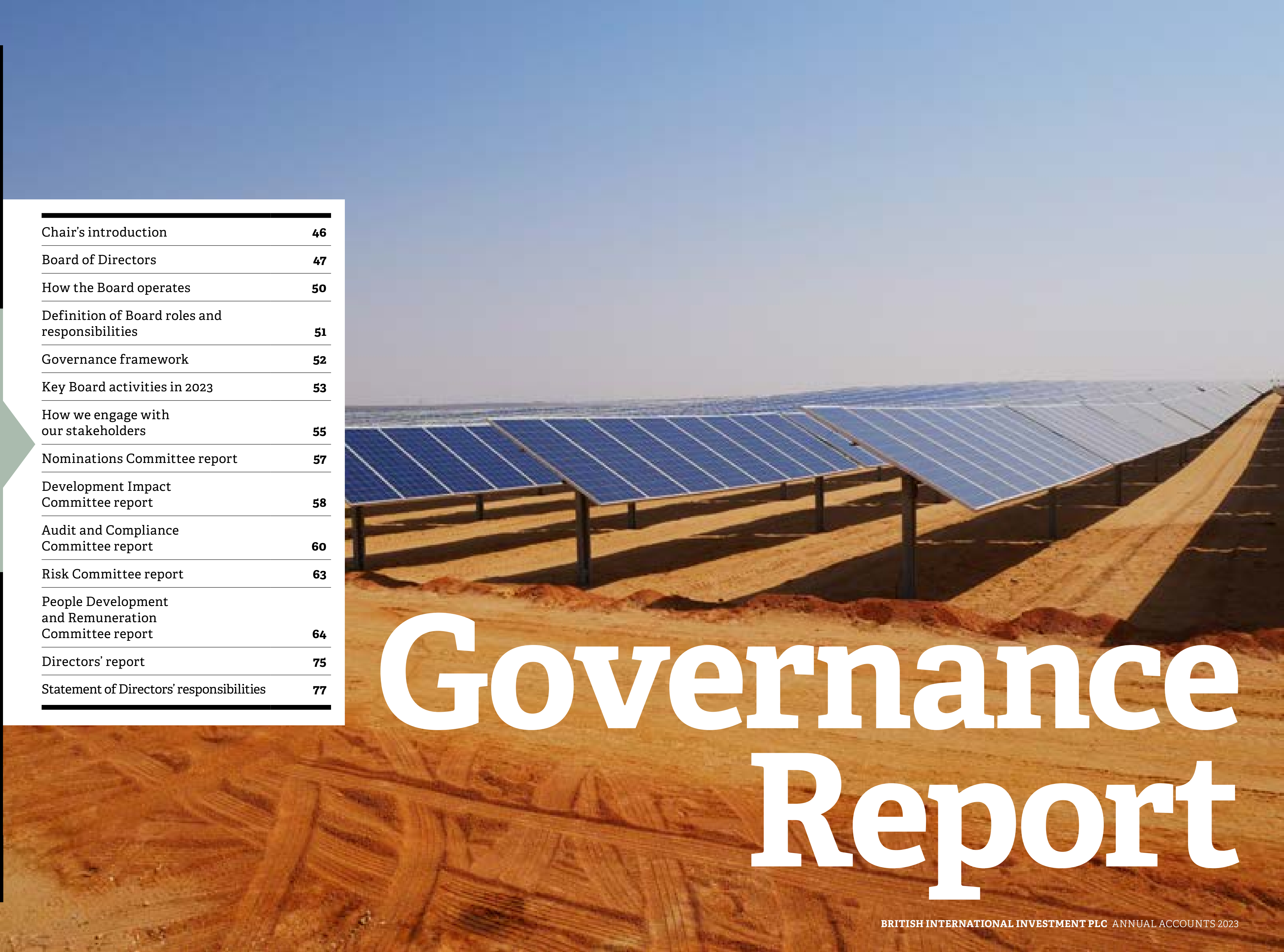
We track our climate finance commitments according to the methodologies developed by a group of multilateral development banks and the International Development Finance Club. Where needed, we complement these with guidance from other international frameworks.[2]

The Strategic Report was approved by the Board and signed on its behalf by

Nick O'Donohoe
Chief Executive Officer
19 April 2024

1 For a full list of our climate finance commitments, please see our Annual Review.

2 These include the EU Taxonomy, the Adaptation Solutions Taxonomy and its updated version, the Climate Resilience Investment Solutions Principles.



Governance Report

Chair's introduction

Diana Layfield
Chair

"Nick O'Donohoe has decided to step down as Chief Executive Officer later in 2024. I would like to express my, and the Board's, huge gratitude to Nick for his dedication."

2023 was another busy year for BII. An important role of the Board is to oversee the delivery of BII's 2022–2026 strategy by management, and I am confident that BII has the right governance structure, values and expertise in place to achieve the successful implementation of the strategy. I am, as ever, hugely appreciative of the diligence, hard work and support shown by my fellow Directors who work tirelessly for the benefit of BII. The following pages evidence the activities of the Board committees during 2023.

Nick O'Donohoe has decided to step down as Chief Executive Officer later in 2024. I would like to express my, and the Board's, huge gratitude to Nick for his dedication. He has led us through a period of significant transformation and has had a tremendous impact on BII and on development finance more broadly. As set out in the Nominations Committee report on **PAGE 57**, we are recruiting his replacement, and a summary of the process will be included in next year's Annual Report.

Following the transition of Laurie Spengler's role from a shareholder-nominated Director to a BII-nominated Director in July 2023, I am delighted that Laurie has agreed to continue to act as a Non-Executive Director of the Company. Laurie has a wealth of knowledge and experience, remains an important voice on the Board, and in the view of the Board still remains independent.

We have undertaken a comprehensive search alongside our shareholder to find a new shareholder-nominated director and hope to make an appointment shortly. Details in respect of the process will be provided in next year's Annual Report.

I am very pleased to report that we continue to have a diverse Board in terms of gender and ethnicity. The Board is balanced, with 50 per cent of our members female and 50 per cent male. In addition, 30 per cent of our Board members are based in our markets in Africa and Asia. A key area of focus for the People Development and Remuneration Committee is making BII a more diverse and a more inclusive place to work, and further details can be found in that report on **PAGES 64 TO 74.**

Our Investment Committee, a pivotal part of our execution capability and our governance structure, has continued to be very busy during 2023 with 179 approvals. At the date of this report, our Investment Committee included 14 external members, with 29 per cent based in our markets, 29 per cent female representation and 36 per cent representing ethnically diverse backgrounds. This is a material improvement from 2019, when we had no external members based in our markets, 17 per cent female representation and 8 per cent representing ethnically diverse backgrounds. Recognising the link between diversity and the quality of decision-making, we are currently reviewing our hiring and induction processes for external committee members, so that we can further improve both the diversity and effectiveness of our Investment Committee.

On **PAGES 55 AND 56** we explain how, as a Board, we work with our employees, partners, suppliers, other development finance institutions, NGOs and the UK Government, including our shareholder. I want to thank all our stakeholders for their continued support.

Diana Layfield
Chair

Board of Directors

N Nominations Committee
A Audit and Compliance Committee
P People Development and Remuneration Committee
Chair
R Risk Committee
D Development Impact Committee
E Employee Forum

Diana Layfield

Chair

N P D

Appointed as Chair from January 2022.
As General Manager and Vice President for International Search and Growth (among other roles) at Google, Diana's work spans technology as well as business. As Vice President, Next Billion Users and Vice President 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 technology company Finexia, and 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, Diana 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 CMG

Chief Executive Officer

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. Before taking this role, Nick co-founded Big Society Capital with Sir Ronald Cohen. Big Society Capital 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. Nick served as its CEO from 2011 to 2015.

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. Before JP Morgan, Nick spent 15 years at Goldman Sachs.

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

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

Carolyn Sims

Chief Financial Officer and Chief Operating Officer

Appointed 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. Carolyn was appointed as a Non-Executive Director at Temple Bar Investment Trust plc on 1 January 2023.

Andrew Alli

Non-Executive Director

A N P

Appointed in September 2018.
Andrew is an investor and adviser with extensive experience of investing in Africa, including in the role of 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 spent over a decade with the 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. Andrew was a Non-Executive Director of the Development Bank of Nigeria until January 2024. He is also a Non-Executive Director of FBN Bank (UK) Limited.

Ⓝ Nominations Committee Ⓐ Audit and Compliance Committee Ⓟ People Development and Remuneration Committee
● Chair Ⓡ Risk Committee Ⓓ Development Impact Committee Ⓔ Employee Forum

Dolika Banda

Non-Executive Director

P N D

Appointed in September 2018.
Dolika is an independent consultant with over 30 years' experience in banking and development finance. A Zambian national based in Johannesburg and Lusaka, she has worked across the world in Africa, Europe, Latin America, the Caribbean and the USA. She is a Founding Partner of Mondiale Impact, a firm focused on governance for shaping sustainable and impactful investment.

Dolika currently serves on several boards, including as Chair of Standard Chartered Bank Zambia. She also sits as an independent Non-Executive Director on the boards of CARE-USA and Harith General Partners, a South Africa-based manager of pan-African infrastructure funds.

She is a member of the Leadership Panel of the Africa Center for Economic Transformation and is also a Global Ambassador for the Global Steering Group for Impact Investment. She previously served as Non-Executive Chair of ZCCM Investment Holdings Plc, Non-Executive Director at Ecobank Transnational Incorporated and the FCDO's (previously DFID's) Financial Sector Deepening Africa programme.

Dolika has held positions of CEO of African Risk Capacity Insurance Ltd, Africa Regional Director of British International Investment and Director Financial Markets at the International Finance Corporation. She has held senior positions at Barclays and Citibank in Zambia. She holds a Master's degree in International Business from Schiller University, USA.

Since 2013, Dolika has focused on economic, inclusive, transformational and climate-conscious development for Africa and innovative interventions in education, and how to bring these global issues into the impact governance structure of organisations.

Kathryn Matthews

Non-Executive Director

R N A

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. Previously, Kathryn held senior appointments with AXA Investment Managers, Santander Global Advisers and Baring Asset Management. She has also served on the board of directors of several investment companies, including Fidelity Asian Values and JPMorgan Chinese Investment Trust. Kathryn is currently on the Board of JPMorgan Asia Growth and Income Fund and the Vietnamese Opportunities Fund. She is also Chairman of Barclays Investment Solutions Ltd.

Krishnakumar Natarajan

Non-Executive Director

N P D

Appointed in July 2020.
A leading authority in the global IT sector, Krishnakumar 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 40-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 Chair of NASSCOM Foundation.

Krishnakumar is an active partner of Social Venture Partners – an organisation involved in impactful philanthropy – and he co-runs the Mela Foundation. Krishnakumar is also an active member of the Confederation of Indian Industry. He has a BA in mechanical engineering from the College of Engineering, Chennai, India, and an MA in Business Administration from the Xavier Institute, Jamshedpur, India.

N Nominations Committee | A Audit and Compliance Committee | P People Development and Remuneration Committee
Chair | R Risk Committee | D Development Impact Committee | E Employee Forum

Simon Rowlands
Non-Executive Director

N R D

Appointed in July 2022.
Simon was a co-founding partner of private equity firm Cinven, where he worked for over 22 years. He led a wide range of healthcare as well as other sector transactions, building strong companies that thrived beyond Cinven's exit. In 2016, Simon founded Africa Platforms Capital, a new private equity firm focused on healthcare and disruptive technology in Africa. Before joining Cinven, he worked at British Coal Pension Funds, as well as at an international engineering consulting firm based in the UK and southern Africa.

Simon sits on several boards, including Jacobs Holdings in Switzerland and Alfa Medical Group in Egypt, and is a Director of CDC North Africa Healthcare Limited. Simon also has governance experience in the not-for-profit sector, co-founding the Victoria Falls Wildlife Trust in Zimbabwe. He sits on the Council at the University of Cranfield and chairs the Advisory Board at the School of Management. Simon has an MBA, a degree in Engineering and is a Chartered Engineer.

Laurie Spengler
Non-Executive Director and Senior Independent Director

E N A D

Appointed in July 2016.
Laurie is an impact investment banker, board member and a recognised contributor to the impact investing industry. She has over 25 years' experience in international development with a focus on strategy, capital raising, mergers and acquisitions and private equity transactions. Laurie has developed 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. Laurie is also a Founding Partner of Mondiale Impact, a firm focused on governance for shaping sustainable and impactful investment. From 2006 to 2019, Laurie was President and 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. BRAC Uganda Bank Limited, and SIFEM, the Swiss Development Finance Institution. She is a member of the Advisory Council of the UK Impact Investing Institute, 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.

Chris Woodruff
Non-Executive Director

D N R

Appointed in August 2021.
Chris is Professor of Development Economics and a Fellow at Wolfson College, University of Oxford. He is the Scientific Coordinator for the FCDO–Centre for Economic Policy Research (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, he is a Research Fellow at the CEPR, and a Senior Fellow of the Bureau for Research and Economic Analysis of Development (BREAD) and a Research Fellow at the Institute of Labor Economics (IZA).

Chris's 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 other foundations.

How the Board operates

Role of the Board

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

- Work with the Executive team to determine direction and strategy in accordance with the 2022–2026 strategy and the Investment Policy.
- Monitor the achievement of its performance objectives.
- Monitor its impact is consistent with its mission.
- Ensure its responsibilities to its shareholder are met.
- Ensure that risks are identified and controls are in place.
- Ensure that employees apply appropriate ethical standards in the performance of their duties in accordance with the Policy on Responsible Investing.
- Promote its success in accordance with section 172 of the Companies Act 2006 (see also PAGES 55 AND 56).

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 BII senior executives 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 the Board 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 on PAGES 47 TO 49.

Board diversity

The Board acknowledges the benefits that diversity can bring to the Board and to all levels of the Group's operations and embraces the benefits of having directors who come from a diversity of backgrounds, bringing different perspectives and the challenge needed to ensure effective decision-making. The Board has a 50:50 split between female and male directors, and 30 per cent of our Board members are based in our markets in Africa and Asia and have a deep understanding of the continents and countries in which they live. The Board recognises the importance of having this range of skills, knowledge and experience (including direct experience of the geographic regions in which we operate) among its members.

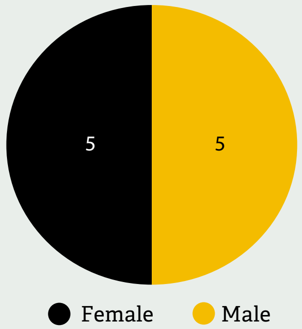
Training, support and advice

Training, where appropriate, is provided to the Board and employees. All Directors have access to the advice and services of Colin Buckley, General Counsel, and Bethany Burrow, Company Secretary, and they can take independent professional advice at BII's expense, if needed. In addition, refresher training was provided on the Directors' responsibilities under the Senior Managers and Certification Regime and on climate-related disclosures. Ad hoc teach-ins were provided on various areas of the business, and a session was also held regarding the Asset Allocation process at BII.

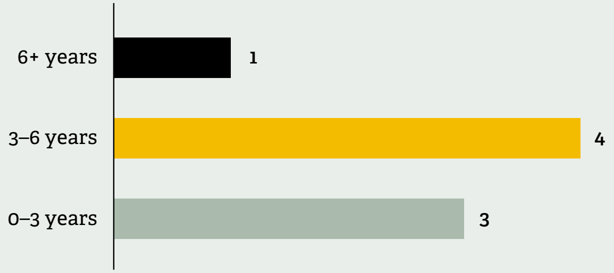
Indemnities

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.

Board gender



Non-Executive Director tenure



Definitions of Board roles and responsibilities

Role of the 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.
The Chair is responsible for leading the Board in determining BII's strategy and objectives but does not participate in day-to-day management of the Company. Diana also has responsibility for leading the Board in its development of company culture and in setting organisational tone.

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

Role of the independent Non-Executive Directors

The Non-Executive Directors are regarded as independent and are diverse in terms of background and experience. They provide constructive challenge and independent thought in decision-making. They also contribute to strategy and policy formation and monitor financial and managerial performance.

Role of the Senior Independent Director

The Senior Independent Director is Laurie Spengler. 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.

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 (currently Chris Woodruff), 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 has delegated responsibility in respect of the management of BII to the Chief Executive 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.

Investment Committee

The Board has delegated authority to make certain investment decisions to the Investment Committee, which forms an important part of BII's governance structure. The Investment Committee makes decisions on significant new investment commitments, as well as certain decisions relating to its existing portfolio. The Investment Committee considers all aspects of such investment proposals, scrutinising and calibrating development impact, additionality, financial, other commercial, business integrity and E&S matters. 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 of which four are female and ten are male. As at 19 April 2024, these are Solomon Asamoah, Sriram Balasubramanyam, Ngalaah Chuphi, Ashley Dunster, Cathy Echeozo, Rod Evison, Mark Gidney, Anne Glover, Anne-Marie Harris, James Heath, Nikunj Jinsi, Maria Kozloski, Richard Munn and John Walker. The Delegated Authority Framework in place enables certain lower-level decisions to be taken outside the Investment Committee process, enabling deal teams to work more quickly and efficiently.

Executive Committee

The Executive Committee advises the Chief Executive Officer on all aspects of delivering BII's mission, within the bounds of his/her authority as delegated by the Board and acts as the senior leadership team at BII to ensure that information communicated to the Board is appropriate and has the full support of the Chief Executive Officer. The Executive Committee is also responsible for agreeing the overall Risk Appetite Statement being proposed to the Risk Committee, and for evaluating the Chief Risk Officer's quarterly report on top risks, mitigations and planned future actions.

Markets Committee

The Markets Committee shapes and safeguards BII's investment policy and strategies. It is also responsible for advising on portfolio construction and risk-limit analysis, including limit setting, climate risk, market and credit risk review and any proposed changes.

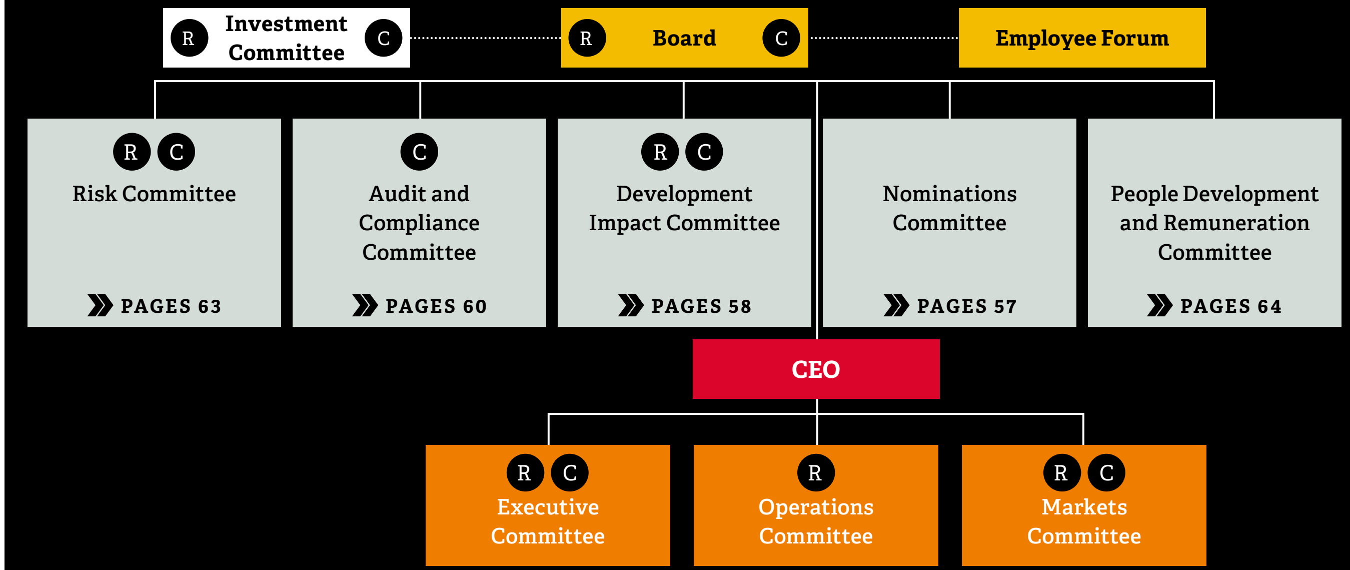
Operations Committee

The Operations Committee ensures the efficient operation and long-term organisational effectiveness of BII. The Operations Committee is also responsible for advising on operational risk and corporate policies and procedures.

Overview of governance structure

R Risk
Please see PAGE 13 of the Risk management section for further details of how these committees relate to BII's Risk Framework.

C Climate
Please see PAGES 23 TO 24 of the Climate-related Financial Disclosures 2023 section for further details of how these committees relate to BII's climate governance structure.



Key Board activities in 2023

During 2023, the Board monitored and reviewed the following:

Area of focus	Activity
Progress against objectives	Considered progress against 2023 objectives and approved the 2024 objectives in relation to the 2022–2026 strategy.
Investment performance	Monitored investment performance, including the approval of and enhancements to the Investment Committee process, diversity, equity, inclusion and belonging (DEIB).
Our people	Considered matters in relation to employee alignment with BII's values, progress on diversity, equity, inclusion and belonging, leadership and management and building on the feedback from employees provided in the 2022 survey, as well as hearing from the Employee Forum. In addition, the Directors review BII's Culture Dashboard; see **PAGE 65** for more information.
Impact Score	Considered the Impact Score performance of our 2022/23 commitments and pipeline, against the business plan and corporate objectives. The Impact Score is a tool for managing strategic impact on a portfolio basis during our 2022–2026 strategy period. It is designed to recognise and incentivise investments that are likely to contribute most to our three strategic impact objectives of productive, sustainable and inclusive development.
Financial performance	Considered and responded to the challenging macroeconomic environment confronting BII's markets which included reviews of liquidity, valuations within the portfolio, organisational structure and financial budgets.
Investments	Considered and responded to specific transactions where there may be political or reputational risk.
Team spotlights	Team spotlights were regularly shared at Board meetings to give the Board the opportunity to hear from colleagues they might not ordinarily meet and to share insights and improve understanding of the operation of our business.
Stakeholder engagement	Continued engagement with our shareholder, as well as ongoing engagement with UK parliamentarians, NGOs and other UK stakeholders.
Reports from Committee Chairs	Received reports from the Committee Chairs in respect of the activities of the Board committees; see **PAGES 57 TO 74** for more information regarding the activities of each of the committees.

Meetings of the Board

At each scheduled meeting, the Board receives a report from the Chief Executive Officer 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 54**). In addition, the other members of the Executive Committee attend by invitation to update the Board on performance, strategic developments and initiatives in their respective areas. An annual schedule of agenda items ensures 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 2023 continued

Attendance at Board and committee meetings in 2023

The Board was scheduled to meet six times during 2023. An additional two ad hoc meetings were held. 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	8	4	4	6	4	5
Diana Layfield[1,2]	8	1	2	5	1	5
Nick O'Donohoe (Chief Executive Officer)[3]	8	4	2	6	4	–
Carolyn Sims (Chief Financial Officer and Chief Operating Officer)[3]	8	4	–	6	4	–
Andrew Alli[4]	8	4	–	5	4	5
Dolika Banda	8	–	4	6	–	5
Kathryn Matthews	8	4	–	–	4	5
Krishnakumar Natarajan	8	–	4	6	–	5
Simon Rowlands	8	–	4	–	4	4
Laurie Spengler	8	3	4	–	–	5
Chris Woodruff	8	–	4	–	4	5

1. Diana Layfield was co-opted to the Development Impact Committee in September 2023 on a temporary basis, pending the appointment of the second shareholder-nominated Director.
2. Diana Layfield attended a meeting of the Audit and Compliance Committee and of the Risk Committee in addition to other committee meetings of which she is a member.
3. Nick O'Donohoe and Carolyn Sims are not members of any of the committees but attend by invitation.
4. Andrew Alli is not a member of the Risk Committee, but attends by invitation as Chair of the Audit and Compliance Committee.

How we engage with our stakeholders

The Companies Act 2006 (the Act) and the 2018 UK Corporate Governance Code (the Code) require the Annual Report to outline how our Directors have performed their duties under section 172 of the Act. The Act provides that our Directors must act in a way that they consider, in good faith, would be most likely to promote the success of BII for the benefit of shareholders as a whole. In doing so, our Directors must have regard, among other things, to the factors set out over the next two pages.

The likely consequences of any decision in the long term

The Directors have direct input into BII's long-term success through their leadership of our strategic direction in accordance with our strategy for the period 2022–2026 as agreed with the shareholder.

The interests of our colleagues

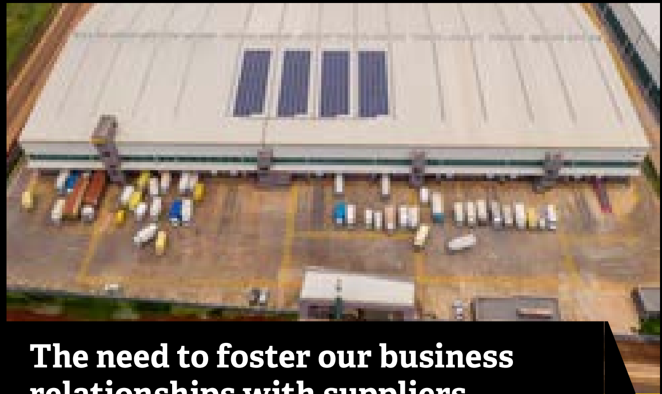
We would not be able to deliver our strategic objectives without our people. Ensuring that we have a dynamic workforce is critical. This is a long-term aim, and our Directors are responsible for ensuring we have the staff to take us into our new strategic period and beyond.

The People Development and Remuneration Committee report on **PAGES 64 TO 74**, 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, diversity and inclusion (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-related issues that were reviewed and discussed by the Committee.

As set out on **PAGE 20**, 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.

The Employee Forum, chaired by Laurie Spengler, has provided more insight to the Board by serving as a further channel of communication with the workforce. It comprises 18 members of staff representing diverse perspectives, functions and levels of seniority to further strengthen our commitment to building an inclusive culture. The Chair of the Employee Forum also provides an update at the Board meetings on topics discussed by the Employee Forum. In addition, Board members meet with Forum members.



The need to foster our business relationships with suppliers, customers and others

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 we invest in and meets with key stakeholders, including investee companies and government officials. In 2023, the Board visited Kenya, learning from partners about the important role we play in ongoing development in the country. In addition, during the year some of our Non-Executive Directors travelled to other countries in which we operate and spent time with the teams there.

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. We also 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.

The impact of our operations on the community and the environment

The Board reviews and oversees the performance of our Impact Score (see » PAGES 58 TO 59), a tool for managing strategic impact on a portfolio basis during our 2022–2026 strategy period. The Impact Score is designed to recognise and incentivise investments that are likely to contribute most to our three strategic impact objectives of productive, sustainable and inclusive development.

The need to maintain a reputation for high standards of business conduct

The Board is aware of the importance of 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. We work to pay our suppliers promptly by embedding a robust finance structure and providing clear and consistent guidance to all third parties.

The need to act fairly for all our stakeholders

Our Global Affairs and Communications functions, working with the Chair and Chief Executive, put 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. We also conduct a regular stakeholder engagement survey, including UK parliamentarians, the UK Government, the third sector, businesses and investors, to ensure we are responding to and learning from external views.

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 our activities, as well as engagement in formal accountability mechanisms through parliamentary committees and oversight bodies.

More about how we operate is in our report on Responsible Investing on » PAGES 19 AND 20. In addition, » PAGES 21 TO 44 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. A summary of the Board's activities is on » PAGE 53. We also publish an Annual Review containing more details about our development impact in our markets.

Nominations Committee report

Diana Layfield
Chair

Committee membership as at 31 December 2023
Diana Layfield (Committee Chair)
Andrew Alli
Dolika Banda
Krishnakumar Natarajan
Simon Rowlands
Laurie Spengler
Chris Woodruff

Number of Committee meetings: 5

Letter from the Chair of the Nominations Committee

The main duties of the Nominations Committee are to appoint new Board members, monitor the Board's independence, structure, size and composition, and review the composition of its 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. The Nominations Committee meets as required with a quorum of two members. All Non-Executive Directors are members, and 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 2023, the Nominations Committee held several discussions on Board succession, including the search for a new shareholder-appointed Director and, in the latter part of the year, for a new Chief Executive Officer.

As reported on **PAGE 7**, Nick O'Donohoe is stepping down as Chief Executive during 2024. The Committee is leading the search for his successor, and we will provide a summary of the process undertaken in the 2024 Annual Report.

In addition, recruitment for a shareholder-nominated Director is underway and an update will be given in next year's Annual Report.

Performance and evaluation

A requirement of the Code is that boards appoint an independent third party to conduct an evaluation of their performance every three years, which was undertaken by Chris Saul Associates, an independent board evaluator. As reported in the 2022 Annual Report, the Board received preliminary findings in February 2023.

"The Directors are a talented group of individuals, with a complementary mix of styles and experience."

The overall assessment was strong, concluding that the Board was operating effectively and was collegiate and well-led, and operates to high standards of professionalism and benefits from quality support. Comments included that there is good gender diversity and it is helpful to have Non-Executive Directors from countries where BII invests. The Directors are a talented group of individuals, with a complementary mix of styles and experience and there is a good balance between 'development skills' and 'financial skills'.

There are always areas in which a board can improve, and Chris Saul Associates made recommendations for how our Board might enhance its efficiency. An action plan based on this report was put in place and run by the Company Secretary.

Please see **PAGE 67** of the Annual Report for the gender balance of those in senior management and their direct reports.

I would like to thank the Directors for all their support in 2023. Each brings a unique set of skills and experience and has continued to contribute hugely to the success of the organisation.

Diana Layfield
Chair

Development Impact Committee report

Chris Woodruff
Chair

Committee membership as at 31 December 2023
Chris Woodruff (Committee Chair)
Dolika Banda
Diana Layfield[1]
Krishnakumar Natarajan
Simon Rowlands
Laurie Spengler

Simon Rowlands joined the Committee on 2 February 2023.

1 Diana Layfield was co-opted to the Development Impact Committee in September 2023 on a temporary basis, pending the appointment of the second shareholder-nominated Director.

Number of Committee meetings: 4

Letter from the Chair of the Development Impact Committee

I am pleased to present my report on the 2023 activities of the Development Impact 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. As such, BII's impact strategy is a major priority for its Board which relies on the Committee's care, diligence and expertise to provide necessary elements of reflection and advice to steer strategic choices in this area. One recent example is our discussions around the development of the approach to inclusion. The work of BII, like all development finance institutions, requires consideration of multiple investment objectives and operational constraints. Responding to the needs of our target markets requires us to consider how to select the right tools and value-enhancing approaches for a particular context. The Development Impact Committee, as part of its mandate, is able to play this role by guiding, monitoring and validating BII's development impact activities.

The Committee continues to oversee the activities of BII's Impact Group, which in 2023 was led by Liz Lloyd, BII's Chief Impact Officer during the year. Topics for specific meetings during the year follow the agreed annual plan for meeting agendas and are also discussed at agenda-setting meetings led by the Chair with support from the Company Secretary's office. At each Committee meeting, we have a number of standing items for discussion, including the Development Impact Management report, which covers the activities of the Impact Group such as performance against its corporate targets during the year and progress made on other Impact Group goals and objectives. The report also covers the current focus areas and priority activities for Impact Group teams, and how the 2022–2026 strategy is shaping its activities.

"BII's impact strategy is a major priority for its Board which relies on the Committee's care, diligence and expertise."

Oversight of the Impact Score continued to be a key area of focus and scrutiny for the Committee in 2023. As set out in my report last year, it had been agreed that EY Paris be appointed to provide independent third-party assurance in respect of the Impact Score. During 2023, EY Paris undertook a limited assurance approach in accordance with the International Standard for Assurance Engagements (ISAE) 3000, the globally recognised assurance standard for audit and review of non-financial information, including impact disclosures, and the assurance findings of our 2022 Impact Score were scrutinised and discussed in detail by the Committee.

In addition, during the year the Committee also discussed the level and scope of assurance to be provided in respect of the independent verification process to be undertaken in relation to 2023 to ensure that both these and the choice of third-party provider remained appropriate.

It is worth pointing out that EY Paris's assurance report is in addition to the external verification of BII's application of the Operating Principles on Impact Management (OPIM) which is undertaken on a biennial basis. This external verification looks much more widely at the whole cycle of impact investment at BII. The latest external verifier report by BlueMark can be found in the Annex of our OPIM statement published in July 2023. BII continues to be included in BlueMark's 'Practice Leaderboard', which highlights impact investors with best-in-class impact management practices.

As part of its oversight mandate, the Committee carried out a number of other activities in 2023 and considered reports regarding gender and diversity, serious incidents in BII's portfolio, and BII's Climate Strategy. The annual assurance in respect of the Policy on Responsible Investing was presented to the Committee for review before final approval by the Board. The Committee also carried out a review of its activities against its terms of reference to ensure its obligations were being discharged properly.

In addition, the Committee receives some background and learning at each meeting, to give Committee members the opportunity to learn about specific transactions and strategic issues. In 2023, this included presentations on trade and supply chain finance, BII's Gridworks platform investment, as well as BII's investment in WorldLink Communications Limited, an internet provider in Nepal, reaching customers in some of the least connected parts of the country.

The Committee has also held a number of informal meetings to draw out any items of particular complexity or importance, for example the operation of the Impact Score. These sessions give Committee members more time to ask questions of management or delve into areas of interest or concern ahead of the formal discussion at the meeting.

As always, there are many other worthy initiatives and successes that could be highlighted here. Our Annual Review, published alongside these Annual Accounts, provides an opportunity to learn more about the development impact of our investments.

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 2023.

Chris Woodruff
Chair

Our Impact Score

In 2021, we developed our Impact Score, a tool for managing strategic impact on a portfolio basis during our 2022–2026 strategy period. The Impact Score is designed to recognise and incentivise investments that are likely to contribute most to our three strategic impact objectives of productive, sustainable and inclusive.

Impact Score =	Productive Score +	Sustainable Score +	Inclusive Score
What does this mean?	Raising the productivity of an economy so that it can support a decent standard of living for all.	Helping transform the economy to reduce emissions, protect the environment and adapt to the changing climate.	Sharing the benefits of higher productivity and greater sustainability with poor and marginalised sections of society.
How will we measure it?	1. Degree of need 2. Intensity 3. Economic enablers 4. Catalysing markets	1. Climate mitigation 2. Climate adaptation and resilience	1. Reach to low-income populations 2. Poor and fragile countries 3. Gender and diversity
Overall Impact Score: Ranges from -1 to a maximum capped at 10	Productive Score: Ranges from 0 to 4	Sustainable Score: Ranges from -1 to 4	Inclusive Score: Ranges from 0 to 4

We give every potential investment a score for each of these three objectives and then calculate an overall investment score. The higher the score, the greater the alignment with our objectives. Each investment's expected Impact Score will be updated after two years, to reflect actual performance.

We combine individual scores to create an aggregate Impact Score for our portfolio.

Audit and Compliance Committee report

Andrew Alli
Chair

Committee membership as at 31 December 2023
Andrew Alli (Committee Chair)
Kathryn Matthews
Laurie Spengler

Number of Committee meetings: 4

Letter from the Chair of the Audit and Compliance Committee

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

- review the financial statements;
- review the findings of the external auditor and assess 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 outcomes; and
- oversee the Company's regulated activities and Compliance function.

The biographical information on each Committee member is set out on PAGES 47 TO 49. This confirms that I have recent and relevant financial experience, and that the Committee as a whole has competence relevant to the business sectors in which BII operates.

"The Committee is satisfied that, taken as a whole, the 2023 Annual Report and Accounts are fair, balanced and understandable and has confirmed that to the Board."

Financial reporting

BII's Annual Report and Accounts are prepared in accordance with International Financial Reporting Standards (IFRS). The Committee reviewed the Annual Report and Accounts for 2023, which included supporting information from our finance team that the going concern basis of accounting was appropriate (see note 1 on PAGE 91 of the Financial Statements for more information). Following a detailed review by the Committee, it was agreed to recommend to the Board that it continues to be appropriate to adopt the going concern basis in respect of the preparation of the Group's (the Group being British International Investment plc and its subsidiaries) Financial Statements.

The review of the Financial Statements was 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 Annual Report and Accounts.

Fair, balanced and understandable

The Committee undertook a comprehensive process to support the Board in reaching its conclusion that the 2023 Annual Report and Accounts 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:

Production	Ahead of the production of the Annual Report and Accounts, the Board considered the proposed themes of the report and a summary of the process for its production and sign-off. The subsequent production of the 2023 Annual Report and Accounts has been managed closely by the Chief Financial Officer. A draft of the Annual Report and Accounts was provided to the Committee and the Board for review and comment ahead of the formal meetings to approve the final version.
Cross-functional support	Cross-functional support was provided in drafting the 2023 Annual Report and Accounts, which included input from Communications, Finance, Risk, the Company Secretary, HR and wider business leaders.
Review of disclosures	A review of the 2023 Annual Report and Accounts was conducted by all contributors, to ensure disclosures were balanced, accurate and verified, with further comprehensive reviews by senior management.
Assessment of fair, balanced and understandable	A paper was provided to the Committee which detailed the 2023 year-end assessment of fair, balanced and understandable.
Audit and Compliance Committee review	In addition to the above, a formal review was carried out by the Committee of the draft 2023 Annual Report and Accounts during its meeting in advance of final sign-off by the Board.

Having carefully reviewed and considered all relevant information, the Committee is satisfied that, taken as a whole, the 2023 Annual Report and Accounts are fair, balanced and understandable, and has confirmed that to the 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 considered by the Committee relating to the 2023 Annual Report and Accounts primarily focused on the treatment of investment valuations in respect of both equity and debt. Areas of focus included:

Areas of focus	Issue and role of the Committee
Valuation of equity and debt investments The main area of significant judgement in relation to the Annual Report and Accounts relates to investment valuations as IFRS requires investment assets to be carried at fair value, which, in cases of unquoted investments, entails a certain degree of subjectivity.	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 several methodologies including discounted cash flows, net asset value, realisation proceeds, earnings multiples and appropriate industry benchmarks (see notes 3, 4 and 26 of the Financial Statements which relate to equity investments, loan investments and the summary of significant accounting policies respectively, for more information). These methodologies are prepared in accordance with BII's Valuation Policy, which sets out the fair value principles, policies and procedures commensurate with BII's assessment of the business risk to ensure that BII complies with applicable rules, regulations and accounting standards. The purpose of the Valuation Policy is to ensure investments are valued and reported in a manner that enables BII to produce financial statements that represent a true and fair view of its portfolio in accordance with the International Private Equity and Venture Capital Valuation (IPEV) guidelines and IFRS requirements, as well as market best practice. It is important to recognise the subjective nature of private equity investment valuations and the application of judgement in determining key inputs such as the discount rate, multiples and cash flows of investee companies. These valuation judgements should be consistent with market participant assumptions. 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 the 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. In addition, the Committee receives and discusses reports from the Valuations Department in accordance with the Valuation Policy, which summarises the back testing carried out by the Valuations team on at least an annual basis.

Valuations

The valuation of portfolio investments is a key area for BII, especially as there are several 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 as at the year-end reporting date. Fund valuations are applied quarterly in line with fund managers' reporting. Valuations are approved by the Valuations Steering Committee, which is chaired by the Chief Financial Officer.

An independent Valuations team is in place to oversee governance and reporting in this important area. In addition to this, the team has enhanced the consistency of valuation approaches and increased the rigour of interrogating the valuation judgements made.

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 in relation to BII's internal financial controls, which include, but are not limited to, 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 continues to review 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, resources and independence of the Company's Internal Audit function which reports to the Committee at each quarterly meeting. The Committee approves the annual Internal Audit Plan and, semi-annually, receives formal reports against this plan from the Internal Audit Director. The Internal Audit Director has a direct reporting line to the Chair of the Committee. They meet regularly throughout the year and provide a report to the Committee on the effectiveness of the internal controls environment at BII.

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, and considered the views of management, internal audit and information provided by 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 BII, other than those permitted by the Financial Reporting Council's (FRC's) Ethical Standard in the UK;
- the external auditor's policies for rotating the lead partner and key audit personnel; and
- adherence by management and the external auditor during the year to both BII and its subsidiaries' policies for procuring non-audit services and employing former audit staff.

The Committee has established and reviewed 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 on » **PAGE 102** of the Financial Statements. In addition, a review of the effectiveness of Deloitte LLP as auditor was carried out and concluded in 2023. The Committee agreed that the services provided by Deloitte continued to be effective. D eloitte was re-appointed as the external auditor for the year ending 2023. This is Deloitte's and the relevant audit partner's fifth year in office and a new audit partner will be appointed by Deloitte following the present partner's fifth year.

Modern Slavery Statement

During 2023, the Committee reviewed our Modern Slavery Act statement, which is published on our website; see » **PAGE 20** for more information.

Internal controls

The Committee forms an integral part of our three lines of defence model and its framework of internal controls. The Committee reviewed and recommended to the Board a report on the effectiveness of BII's internal controls. Further information on internal controls and the role the Committee performs in this area is given in the Risk Management section on » **PAGES 13 TO 18.**

Whistleblowing, regulatory and compliance matters

The Chair of the Audit and Compliance Committee, Andrew Alli, is our Whistleblowing Champion. The Audit and Compliance Committee reviewed and assessed the whistleblowing processes, and all staff have received training to reinforce good practice. As a financial services organisation, BII is authorised and regulated by the FCA and governed by several regulations. The Committee receives reports on ongoing compliance and data protection matters at each meeting from the Head of Compliance and Money Laundering Reporting Officer. These also include updates on regulatory developments, data protection, financial regulation and financial crime compliance. A summary of the outcomes of assurance and monitoring activities is also presented at each meeting of the Committee.

Terms of reference and governance

In addition, during the year, the Committee reviewed its activities against its terms of reference and the FRC Minimum Standards Guidance to ensure it was discharging its obligations appropriately. The Committee was also kept up to date in respect of changes to the Code and changes to financial reporting requirements in respect of sustainability disclosures. As set out above, the Committee covered a significant amount of work in 2023, and I would like to convey my thanks to all those involved.

Andrew Alli
Chair

Risk Committee report

Kathryn Matthews
Chair

Committee membership as at 31 December 2023

Kathryn Matthews (Committee Chair)
Simon Rowlands
Chris Woodruff

Simon Rowlands joined on 3 February 2023. Andrew Alli stepped down on 3 February 2023 but continues to attend the Committee as an observer.

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 principal risks facing BII (as set out on **PAGES 13 TO 18**).

In the last two years, we have reported on important changes made to our Risk Reporting and Controls Framework, and we continued to build on these in 2023. As the development of the risk reporting systems has matured due to these enhancements, the Committee has spent more time reviewing specific areas relating to the business and the countries in which we operate, and highlights of these are below.

At each Committee meeting, we consider 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. Monitoring the financial health of the portfolio continues to be of paramount interest.

The Committee also re-reviewed the Risk Appetite Statement and agreed it remains appropriate and is consistent with the 2022–2026 corporate strategy. No material changes were proposed to the overall Risk Appetite Statement or taxonomy, but some changes to metrics and thresholds were agreed, based on our experience of operating metrics and discussions with risk custodians in the organisation.

"In the last two years, we have reported on important changes made to our Risk Reporting and Controls Framework, and we continued to build on these in 2023."

During 2023, specific areas of interest or concern included the management of risk in funds, a liquidity risk management review, a review of the India portfolio market risk, and sector reviews of risks relating to the Infrastructure and Climate Sector and the Financial Services Group areas of the business.

The Committee receives an annual report which contains a review of BII's approach to managing cyber risks, enhancing the tracking of threat actors, and internal governance to facilitate a more effective response to identified threats.

Other areas of focus included the risk areas outside appetite, the activities of the Reputational Risk Committee, and a review of the Model Risk Management Framework. In addition, an informal session was held in 2023 on oversight in respect of the significant risk events process.

A thorough review of the Committee's terms of reference and reporting was also carried out to ensure its responsibilities were being properly discharged and reflect current practice. The Committee also considered the annual self-assessment of the Risk team's activities during 2023 and the work programme for 2024.

I would like to express my gratitude to my colleagues for the work they have carried out in 2023 to ensure that a robust framework remains in place to support the 2022–2026 strategy.

Kathryn Matthews
Chair

People Development and Remuneration Committee report

Dolika Banda
Chair

Committee membership as at 31 December 2023
Andrew Alli
Dolika Banda (Committee Chair)
Diana Layfield
Krishnakumar Natarajan

Andrew Alli joined the Committee on 3 February 2023.

Number of Committee meetings: 6

Letter from the Chair of the People Development and Remuneration Committee

I am delighted to report on the activity of the People Development and Remuneration Committee (PremCo) during 2023.

PremCo applies Board-level scrutiny to core aspects of BII's people strategy and carries out its duties in the context of its corporate strategy and with due regard to the budget and financial implications of all activity.

From February 2023, we welcomed Andrew Alli, who provides a valuable link to the Risk Committee, and we retained PwC as independent external adviser to support our work throughout the year.

PremCo continues to operate in line with three 'Guiding Principles':

- enabling the recruitment, retention and development of individuals of the calibre to allow BII to achieve its mission;
- a clear understanding of the needs of the shareholder and other key stakeholders; and
- the goal of building a team that encapsulates and is inspired by BII's values.

There are several standing topics for consideration by PremCo at each regular meeting. We set agendas referring to six core areas: (i) reward and recognition; (ii) employee engagement, culture and values; (iii) diversity, equity, inclusion and belonging (DEIB); (iv) performance evaluation and talent management and development; (v) talent attraction and acquisition; and (vi) governance. PremCo also reviews quarterly people management reports of data and analysis, including headcount, attrition and the diversity profile of the workforce.

During 2023, additional PremCo meetings were held, first, to agree an approach for recognising the high inflation environment in some of our markets and, second, to focus on our main progressions and promotions cycle. PremCo also held a session to allow for a 'deep dive' on DEIB (to which all Board members were invited).

The HR Leadership team welcomed a new Director, Head of Talent Acquisition, in February 2023, which enabled the team to move ahead with a project to review our Employee Value Proposition (EVP). To attract the very best talent over the long term, we need to be able to articulate our own candidate attraction strategy and external organisational narrative in an authentic, convincing and consistent way. The project has helped to reposition BII as an attractive employer to prospective candidates across our international markets, and also to remind current employees of the benefits of working here. In early 2024, we launched a new career website showcasing our lateral and early careers offering, employee video case studies, digital recruitment brochures, new job specifications templates and an EVP master film.

Remuneration is a key responsibility of PremCo. As always, PremCo recommended to the Board the outcome of the annual salary review, in line with the Remuneration Framework. PremCo also made a recommendation to the Board for the first payment under the new Long Term Incentive Performance Plan (LTIPP). We also successfully concluded discussions with the shareholder in relation to the CEO cap, which limits the maximum remuneration, consisting of salary and LTIPP, payable to the CEO in respect of the same financial year. A significant focus for PremCo during 2024 will be the Triennial Review in line with the Remuneration Framework. The initial work for this started in 2023, and PremCo will work closely with management as the Review progresses.

Other key achievements during 2023 included the launch of our Performance Evaluation and Development Programme (PEDP), which uses performance ratings and consistent assessment criteria to underpin our high performance culture and to support transparent performance conversations. This was reinforced by updated and simplified behavioural competencies, which mean one set of consistent statements are now aligned to BII's values.

PremCo is keenly interested in progress on making BII both a more diverse and a more inclusive place to work. In 2023, we made a shift from D&I to DEIB and launched a three-year strategy and action plan. We relaunched our values and are asking everyone to sign up to our Values Commitment. We produce pay gap reports for both gender and ethnicity. Over time, we have seen improvements in both gaps, although there has been an increase in the ethnicity pay gap this year. We recognise the importance of improving the gender and ethnicity balance in our leadership as a key driver of these gaps, and strive to ensure diverse representation when hiring externally, as well as ensuring our recruitment processes are bias-free.

Our D&I leadership targets for black and female leadership expired at the end of 2023, unfortunately before we were able to meet them. We reviewed the targets and have revised them so they are both global targets and are aligned with our strategy period, which runs to the end of 2026, with interim milestones at the end of 2024 and 2025.

Post the 2022 employee survey, management further analysed some of the survey results through a series of employee focus groups. Given this, PremCo agreed with management in April 2023 that it did not make sense to run a full employee survey in 2023 as it would not provide any substantive new information until the HR team had time to make changes following the focus groups. Instead, as part of ongoing engagement with employees and to further inform our organisational cultural health, we ran a pulse survey in October to address key aspects from the focus group outputs to benchmark progress to date. Our people continue to be engaged, and keen to recommend BII as a good place to work. Our approach to hybrid working continues to both support collaboration across geographies and become appropriately embedded. However, 'speak up' culture remains an area of focus.

We continue to use a Culture Dashboard to evaluate many cultural dimensions, which in 2023 included the results of our autumn pulse survey as well as people management metrics such as attrition, sickness and employee concerns and grievances. Our cultural health remains on par with 2022, with some positive indicators such as a continued decline in attrition and recognition of increased collaboration across geographies and teams.

There were some departures at the senior leadership level, including from the Executive Committee, in 2023. This presented us with an opportunity to look internally first for replacements and to measure the impact of our work to date on talent reviewing and succession planning. We successfully filled the Executive Committee roles internally with a very pleasing number of credible internal applicants.

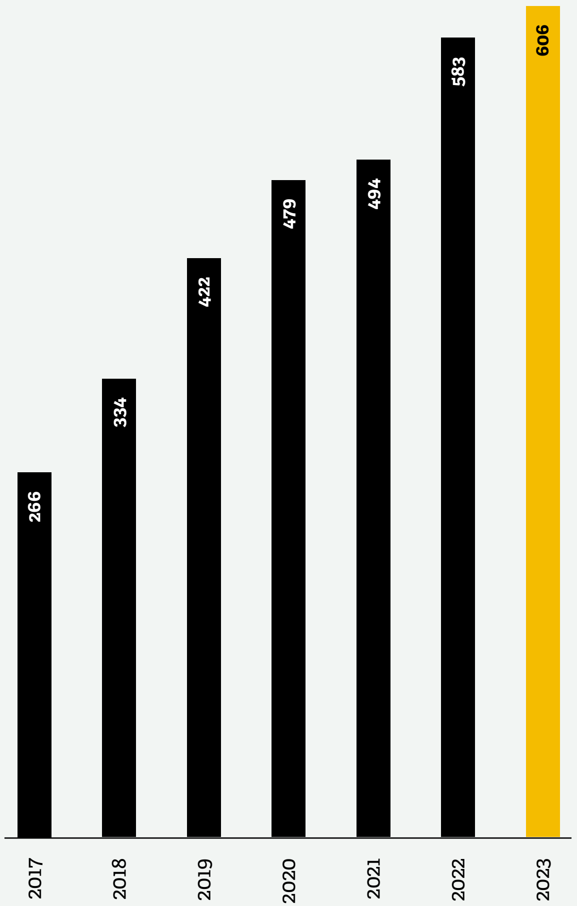
It has been my pleasure to chair PremCo this year, and I thank the other members of PremCo for their dedication to ensuring BII is well placed to attract the very best talent over the long term. Our focus in 2023 has been to build on our values and encourage a culture of openness and transparency where colleagues treat each other with mutual respect within a high-performance environment. The changes in leadership create exciting opportunities for the progression and development of our talent pipeline and are a timely reminder of the critical role that PremCo plays in making BII a great place to work for the people we rely on to deliver our mission.

Dolika Banda
Chair

BII workforce distribution and engagement

Employee headcount had reached 606 across our global locations by the end of 2023. No offices were opened in 2023 but BII ceased to have a presence in Myanmar.

BII year-end headcount



BII global locations

Key

At 31 December 2023

1. Bangladesh, Dhaka
2. Egypt, Cairo
3. Ghana, Accra
4. India, Bangalore
5. India, Mumbai
6. Kenya, Nairobi
7. Nepal, Kathmandu
8. Nigeria, Lagos
9. Pakistan, Karachi
10. Singapore
11. South Africa, Johannesburg
12. UK, London
13. Zimbabwe, Victoria Falls

Workforce engagement

DEIB remain key focus areas for PremCo as we strive to build a more inclusive and dynamic organisation.

Obtaining regular feedback from employees and ensuring we have a speak-up culture is important. In 2023, we ran both employee focus groups and a pulse survey to receive employee feedback and monitor employee engagement. Our employees remain connected to our mission and purpose. We also continue to engage with our employee networks and Employee Forum. Our focus is to keep lines of communication open and support employee feedback at all levels and across all geographies.

In response to feedback from our employees through focus groups, we reviewed and launched a new Performance Evaluation and Development Programme (PEDP). This programme will be underpinned by providing employees with a performance rating and ensuring fair calibration across our teams. The new PEDP will ensure a robust approach to promotion and progression decisions, especially at the most senior levels of the organisation.

We continue to offer a comprehensive range of wellness support. We offer this through healthcare, coaching and HR support. We also understand the importance of balancing family life and work commitments. This is further reflected in our support for parental leave, shared parental leave and flexible return to work options.

We continue to build on our hybrid working model. The model strikes a balance between the ability to work from home and collaboration with our teams face-to-face in the office. We will continue to review this model across 2024 to ensure that it remains fit for purpose both from an employee wellbeing and organisational delivery perspective. Employees view the hybrid working model as a positive benefit and a reflection of organisational values.

Career development

Following the launch of the 'all-BII curriculum' in 2022, we have continued to build on our career development options. This has included the early careers programme and reviewing our secondment offer across teams and internationally. The review of career options will continue to be a focus for us. This will be particularly important where there is no business case for promotion to more senior roles.

Duty of care

We recognise 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. We also aim to ensure the safety of employees in our offices and especially while travelling in our markets, where security can be compromised. In addition, our support for mental wellbeing is supplemented by our healthcare provider and Employee Assistance Programme. Our HR Business Partner team members are qualified mental health first aiders.

Gender and ethnicity pay reporting

We have published our UK Gender and Ethnicity Pay Gap Report on our website every year since 2018. The data at 5 April 2023 shows mean and median gender pay gaps of 22 per cent and 21 per cent, respectively, in favour of men. It is encouraging that the gap is continuing to reduce over the long term.

Women make up 50 per cent of our Board, 53 per cent of our workforce, and occupy 36 per cent of the roles at director level and above.

The report also includes our ethnicity pay gap, ahead of any mandatory reporting requirement; we have, for the first time, disaggregated the data to show figures for Asian employees, for black employees and for employees from other ethnic minority groups. Our mean pay gap is widest for black employees, at 13.5 per cent, compared to 5 per cent for Asian employees and 2 per cent for employees from other ethnic minority groups. Overall, our ethnicity pay gap is smaller than our gender pay gap as a result of greater ethnic diversity at all levels. Full details of our UK Gender and Ethnicity Pay Gap report, which sets out the actions we are taking to close the gaps and improve both gender and ethnic diversity, can be found online.

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). We are also signatories of Business in the Community's Race at Work Charter, demonstrating our ongoing commitment to increasing our ethnically diverse employee population at all levels.

Values and culture

We are guided by three core values which underpin all aspects of our culture and the standards of behaviour we expect across the organisation globally, 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 employee pulse surveys, in exit interviews and feedback to HR. We have developed a Values Commitment statement which makes clear the behaviours our people can expect from their colleagues, and the commitments they in turn will make to their colleagues. We now also collate and measure our cultural health in our Culture Dashboard, as mentioned on PAGE 65. The ongoing measurement of cultural health will remain a key metric for the Board to ensure we sustain alignment with our values.

Remuneration Policy

The Remuneration Policy is articulated within the Remuneration Framework, which PremCo is responsible for agreeing with the FCDO as our shareholder. The current framework was finalised in November 2021, following the Triennial Review. The Remuneration Policy is unchanged from 2021 except for the sections below – see » **PAGES 74 TO 78** of the 2021 Annual Report for details of the remaining elements.

Remuneration Policy for Chief Executive

Components	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. 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. A Chief Executive remuneration cap reinforces the remuneration philosophy as being mission-driven. This cap restricts the maximum amount payable to the Chief Executive in respect of salary and BII's incentive plan (LTIPP), with a further limit of 18% of annual salary to be spent on other benefits covering pension. During 2023, FCDO agreed two changes proposed by the Board: (i) an increase in the Chief Executive cap to £385,000 effective from 1 January 2022; and (ii) an annual increase in the cap in line with and to be applied at the same time as the inflationary increase in UK salaries, with effect from 2023 and every year thereafter. Since the Chief Executive cap was introduced in 2014, it had only been increased once, in 2017 by £5,000. The changes in the cap were considered necessary for fairness to allow the Chief Executive to: (a) receive the same inflationary salary increase as that applied to all other UK employees; and (b) to ensure ongoing participation in the LTIPP, albeit still subject to the cap.
Total reward	The Chief Executive will receive a base salary of £327,600 from 1 January 2024 (£313,490 in 2023). The Chief Executive's base salary is reviewed annually by reference to inflation data, and increased in line with base salaries of employees as governed under the base salary policy below. The maximum pay-out to the Chief Executive in any one year, with respect to salary and LTIPP, will remain subject to the cap, which will be £426,460 for 2024 (£408,100 in 2023). Other benefits cannot exceed 18 per cent of base salary. The Chief Executive's remuneration will be part of the benchmarking exercise to be undertaken every three years. The Chief Executive will be eligible to participate in the benefits in kind, captured on » **PAGE 77** in the 2021 Annual Report, 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.

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 above under 'Remuneration Policy for Chief Executive', is subject to a cap which limits their remuneration (consisting of salary and LTIPP in respect of the same financial year), plus up to 18 per cent of annual salary for other benefits.

Executive Director scenario charts for total remuneration, 2024

Chief Executive

Chief Financial Officer

The charts above provide an indication of the level of remuneration that would be received by Executive Directors in 2024, assuming they remain in office for a full year, under the current Remuneration Policy in three different scenarios. The Chief Executive chart shows and reflects the Chief Executive cap, which limits salary and LTIPP in respect of 2024.

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.

Service agreements

The current Chief Executive's employment is terminable on either side by nine months' notice. The Chief Executive will receive a salary of £327,600 from 1 January 2024 (2023: £313,490) and be entitled to participate in BII's LTIPP, subject to the cap mentioned on PAGE 68.

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 six months' notice.

The Chief Financial Officer will receive a salary of £251,830 from 1 January 2024 (2023: £240,990) and is entitled to participate in BII's LTIPP.

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 the Articles of Association.

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

Name and position	Date of appointment	Notice period (months)
Executive Directors		
Nick O'Donohoe	19 June 2017[1]	9
Carolyn Sims	23 September 2020[1]	6
Non-Executive Directors		
Andrew Alli	24 September 2018	3
Dolika Banda	24 September 2018	3
Diana Layfield[2]	1 December 2021	3
Kathryn Matthews	1 January 2021	3
Krishnakumar Natarajan	15 July 2020	3
Simon Rowlands	22 July 2022	3
Laurie Spengler	28 July 2016	3
Chris Woodruff	1 August 2021	3

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

2 Appointed Chair of the Board from 1 January 2022.

External appointments

The Company believes 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 is a Non-Executive Director on the Board of the European Development Finance Institution. The Chief Financial Officer is a Non-Executive Director on the Board of Temple Bar Investment Trust plc.

Annual report on remuneration

The remuneration of the Non-Executive Directors who held office during the year is shown in the following table:

Non-Executive Directors	2023 fee £	2022 fee £
Diana Layfield	70,000	70,000
Andrew Alli	28,000	28,000
Dolika Banda	28,000	26,500
Kathryn Matthews	28,000	28,000
Krishnakumar Natarajan	22,000	22,000
Simon Rowlands	22,000	11,000
Laurie Spengler[1]	26,000	27,500
Chris Woodruff	28,000	28,000

1 Laurie Spengler was Chair of the Employee Forum, for which she was paid an annual fee of £4,000.

Non-Executive Directors are paid a standard fee of £22,000 and an extra £6,000 for chairing a Board Committee. Non-Executive Directors do not receive any pension, benefits or long-term incentives.

2023 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 £	Incentive plan[1] £	Pension[2] £	Total[3] £
Nick O'Donohoe[4]					
2023	**313,490**	**–**	**94,610**	**41,321**	**449,421**
2022	295,745	–	89,255	38,735	423,735
Carolyn Sims					
2023	**240,990**	**2,308**	**84,501**	**31,765**	**359,564**
2022	227,350	2,526	55,617	29,777	315,270

1 The 2022 Annual Report declared an LTIPP payment to the Chief Executive in respect of 2022 of £9,254 however, there was a further payment of £80,001 following the subsequent increase in the CEO cap, agreed by FCDO, effective 1 January 2022. As a result, the Chief Executive's total remuneration in the 2022 Annual Report of £343,734 increased to £423,735.

2 Represents a cash allowance in lieu of contributions to a pension scheme, net of employer National Insurance contributions.

3 Excluding the incentive plan, there are no other variable elements to total actual remuneration.

4 The CEO is subject to a pay cap, which was £408,100 in 2023 (£385,000 in 2022), such that base salary and incentive plan payment together do not exceed the cap.

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.

	Statistic	25th percentile	Median	75th percentile
2023	Pay ratio – total compensation (Option A)	5:1	4:1	2:1
	Representative employee total compensation	£90,548	£128,124	£200,217
	Representative employee salary	£84,780	£107,470	£141,240

	Statistic	25th percentile	Median	75th percentile
2022	Pay ratio – total compensation (Option A)	4:1	3:1	2:1
2021	Pay ratio – total compensation (Option A)	4:1	3:1	2:1
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 produces the most statistically accurate results. The ratios are calculated on the equivalent total compensation of the 25th percentile, median and 75th percentile of UK employees. Total compensation, which is determined as at 31 December 2023 for UK employees employed throughout 2023, consists of base salary, allowances, benefits and payments relating to the 2023 LTIPP.

The 2023 median pay ratio above is consistent with the pay and progression policies for our UK employees as a whole.

Performance of the LTIPP in 2023

The LTIPP's performance metrics are based on the corporate objectives set by the Board, which are linked to our mission. The first two of these objectives represent the development impact component and the financial performance measure, equally weighted (40 per cent of the LTIPP each, or 80 per cent in total). The remaining 20 per cent of the LTIPP will be awarded based on the performance of up to five other corporate objectives selected annually by the Board.

The Executive Directors are entitled to a payment as a percentage of their base salary, which depends on their level and length of time in the plan ('maximum award'), and achievement against the corporate metrics.

Calculation of the maximum amount

The maximum amount that can be awarded to the Chief Executive is always subject to the overall CEO cap such that their pay (including base salary and LTIPP payment) cannot exceed this cap in respect of any one financial year. In addition, under the LTIPP, the maximum award percentages are capped for all participants, subject to achievement of the performance metrics, based on level and the length of participation in the plan. For the Chief Executive and Chief Financial Officer roles, the maximum award percentages year on year, up to a capped percentage at the end of year 5, are as shown in the table below:

Number of years' participation	0–1	1	2	3	4	5	5+
Percentage of base salary	0–14%	14%	28%	42%	56%	70%	70%

The maximum award which Executive Directors who join 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 1.167 per cent for each full month between 1 January and the date of joining.

The LTIPP replaced the Long Term Development Performance Plan (LTDPP) in which the current Executive Directors participated and under which their maximum award potential increased with tenure in that plan. To recognise that previous tenure, in moving to the LTIPP on 1 January 2022, their maximum award as at 31 December 2021 under the LTDPP was carried forward to the LTIPP.

The maximum awards for Directors in 2023 were therefore calculated as:

Statistic	Nick O'Donohoe[1]	Carolyn Sims
Employment start date	24 April 2017	15 June 2020
Percentage of base salary as at 31 December 2022 accrued under LTIPP to date and previous LTDPP	61.50%	29.83%
Increase in maximum award in 2023	8.50%	14.00%
Maximum award	70.00%	43.83%

1 The Chief Executive's maximum award reached the cap of 70 per cent during 2023, and hence the increase in the year was restricted to 8.5 per cent rather than 14.0 per cent. It will not increase any further with tenure under the LTIPP.

Calculation of the 2023 outcomes

Components	Corporate objectives	Deliverables	Weighting	Achievement	Weighted achievement
Impact	Maximise development impact of portfolio	Measured by the aggregate Impact Score across investments, which focuses on the extent to which they are 'productive', 'sustainable' and 'inclusive'. Refer to the Investment Policy (for the period from 1 January 2022 to 31 December 2026) on the BII website for more information.	40.0%	70.0%	28.0%
Financial	Maintain portfolio financial performance	Staying on track to meet the commercial hurdle of a weighted cumulative investment return of at least 2% on the total portfolio over a seven-year period.	40.0%	100.0%	40.0%
Corporate	Maintain the commitment pace	Commit ~$3.5 billion over a rolling two-year period and 10–15% of total portfolio value in Catalyst investments by end of 2026.	20.0%	60.0%	12.0%
	Meet our climate and gender finance goals	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.			
	Stay within operating cost framework	Keep operating costs within the agreed operating expenditure policy of 1.7% of portfolio value plus unfunded commitments, excluding agreed cost carve-outs, and within the 2023 Board-approved budget.			
	Continue to improve people and cultural health	Improving staff engagement and morale (based on the Culture Dashboard). Increasing the proportion of senior staff at Director level and above: (i) who are black to 11% in the UK and (ii) who are female to 40% globally.			
	Stakeholder relationships	Provide HM Government and HM opposition with strong visibility and understanding of BII's work.			
				Total weighted average achievement	**80.0%**

Calculation of the 2023 outcomes

As such, Executive Director awards were calculated as:

Statistic	Nick O'Donohoe	Carolyn Sims
Base salary at 31 December 2023	£313,490	£240,990
Maximum amount	70.0%	43.83%
Performance achievement percentage	80.0%	80.0%
LTIPP award	£175,554	£84,501
Reduction for Chief Executive capped remuneration	£(80,944)	–
Net LTIPP award	£94,610	£84,501

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 number of employees in both the total salary and total compensation bands have increased slightly at the top end, through inflationary salary increases and tenure-linked increases in the LTIPP, but remain relatively in proportion in the lower bands given the growth in headcount. There are no other forms of remuneration other than those set out in the annual report on remuneration above.

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

	Number of employees Base salary		Number of employees Total compensation	
Statistic	2023	2022	2023	2022[1]
£500,001–£550,000	–	–	–	–
£450,001–£500,000	–	–	1	–
£400,001–£450,000	–	–	4	1
£350,001–£400,000	–	–	9	6
£300,001–£350,000	1	–	21	23
£250,001–£300,000	–	1	40	27
£200,001–£250,000	32	16	57	51
£150,001–£200,000	72	58	62	55
£100,001–£150,000	141	119	124	91
£50,001–£100,000	196	165	154	141
£0–£50,000	64	62	34	26
Total	506	421	506	421

1 The 2022 total compensation numbers have been restated, so that the Chief Executive now sits in the £400,001-£450,000 band (previously £300,001-£350,00) as a result of the increase in the Chief Executive cap (as explained on PAGE 68), which resulted in a higher, albeit capped, payment in respect of the 2022 LTIPP.

Implementation of pay in 2024

Base salary

Following a review in the year, PremCo agreed an increase of 4.5 per cent in the base salaries of the CEO from £313,490 to £327,600 and the Chief Financial Officer from £240,990 to £251,830. This 4.5 per cent increase was in line with the wider UK workforce. The increases are effective from 1 January 2024.

LTIPP

The performance metrics for 2024, shown in the following table, are selected from the 2024 corporate objectives set by the Board.

The Board will assess the level of performance of these seven objectives annually, with the five weighted 4 per cent each representing the corporate component scored on a scale of 0 to 5, and award the LTIPP accordingly.

Corporate objectives	Deliverables	Weighting
Development impact of portfolio	Maximise development impact, as measured by the Aggregate Impact Score across investments, which focuses on the extent to which they are 'productive', 'sustainable' and 'inclusive'. Refer to the Investment Policy (for the period 1 January 2022 to 31 December 2026) on the BII website for more information.	40%
Portfolio financial performance	Maintain portfolio financial health by staying on track to meet the commercial hurdle of a weighted cumulative investment return, gross of costs, of at least 2% on the total portfolio over a seven-year period.	40%
Commitment pace	On track to (a) maintain a commitment pace of ~$3.5 billion over a rolling two-year period, (b) have 10–15% of total portfolio value in Catalyst investments by the end of 2026 and (c) have committed up to £500 million in South-East Asia by 2026 (as market conditions allow).	4%
Climate, gender and inclusion	On track to have the following percentages of new commitments: 30% labelled as climate finance, 25% as 2x qualified and 30% as highly inclusive on a cumulative five-year basis over the 2022–2026 period.	4%
Operating cost framework and budget	Keep operating cost within the agreed operating expenditure policy (1.7% of portfolio value plus unfunded commitments, excluding agreed cost carve-outs), and within the 2024 Board-approved budget.	4%
People and cultural health	Successfully roll-out the Performance Evaluation & Development Programme (PEDP); increase the proportion of women and black people in leadership in line with our agreed D&I milestones; continue to trend green on the Culture Dashboard.	4%
Stakeholder relationships	Effectively manage shareholder priorities (including satisfactorily delivering existing programme-funded facilities and designing any new ones) and ensure wider stakeholders have strong visibility and understanding of BII's work.	4%

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 the advice received is objective and independent of conflicts of interest. During 2023, PwC also provided services to the rest of the Group on tax compliance.

On behalf of the Board

Dolika Banda
Chair

Directors' report

The Directors present their report for the financial year ended 31 December 2023.

Principal activities and Investment Policy

BII is a development finance institution that invests its capital in private sector businesses in developing countries. Our principal activity is providing the flexible long-term investment these businesses need to grow. 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 and Statement

BII is an unlisted public limited company which is wholly owned by the UK Government. Although it 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. The Company's Corporate Governance Statement (which also forms part of this Directors' Report) is set out on PAGES 45 TO 77 of the Annual Report.

Information included in the Strategic Report and elsewhere in the Annual Report

The Company's Strategic Report is on PAGES 2 TO 44 and includes the following information that would otherwise be required to be disclosed in this Directors' Report.

Subject matter	Section	Page reference
Likely future development in the business	Chief Executive's Statement	5 to 7
Events since the end of the financial year	Note 25 to the Financial Statements	114
Engagement with employees	How we engage with our stakeholders	55
	People, Development and Remuneration Committee report	65 to 74
Engagement with suppliers, customers and others	Governance Report	55
Greenhouse gas emissions, energy consumption and energy efficiency action	Climate-related Financial Disclosures 2023	21 to 44
Financial risks	Risk management	16

Further information on our investments, development impact and case studies can be found in our Annual Review.

Regulation

BII is authorised and regulated by the FCA under the Financial Services and Markets Act 2000. Where applicable, certain Group subsidiaries' businesses outside the UK are regulated by national regulators.

Branches

BII has no overseas branches. However, at the date of the Annual Report and Accounts, its subsidiary, British International Investment Holdings Limited, has branches, representative offices and overseas registrations based in South Africa, Ghana, Egypt and Nepal.

Dividends

The Directors do not recommend payment of a dividend for the year (2022: nil).

Directors

The names of the current Directors of the Company, along with their biographical details, are set out on PAGES 47 TO 49 and are incorporated into this report by reference. The Directors have no interests in the share capital of the Company.

The powers given to the Directors are contained in the Company's Articles of Association and are subject to relevant legislation.

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.

Directors' indemnities

Qualifying third-party indemnities (as defined by section 234 of the Companies Act 2006) under the Articles of Association of the Company were in force during the year. See PAGE 50 for information, which is incorporated into this report by reference. In addition, the Company maintains Directors' and Officers' Liability insurance for the benefit of its Directors.

Articles of Association

The Articles of Association may be amended in accordance with the provisions of the Companies Act 2006 by way of Special Resolution of the Company's shareholder.

Share capital and control

At the beginning of the year, the Foreign Secretary held 4,896,650,000 ordinary shares of £1 each and one special rights redeemable preference share of £1 in the capital of the Company.

During the year, a further 442,545,894 ordinary shares were issued to the Foreign Secretary. As at 31 December 2023, the Foreign Secretary held 5,339,195,895 ordinary shares of £1 each 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 agrees the five-year strategy 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. The Foreign Secretary, as 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. The Permanent Under-Secretary meets with the Chair and the Non-Executive Directors each year, and the individual Board Committee Chairs meet annually with a senior member of the FCDO team to discuss the committees' activities and priorities.

Donations

BII does not make monetary donations or gifts in kind to political parties, elected officials or election candidates.

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate for at least 12 months from the date of approval of the Financial Statements (see note 1 on PAGE 91 of the Financial Statements for more information).

Annual General Meeting

An AGM will be held in 2024 in accordance with the Companies Act 2006. See PAGE 51 for more information in respect of the reappointment of Directors at the AGM.

Auditor

Deloitte LLP is the auditor of the Company. A resolution to reappoint Deloitte was passed at the AGM of the Company held on 6 June 2023, and Deloitte will be seeking reappointment at the 2024 AGM.

Disclosure of information to the 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 they have taken all the steps 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.

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 principal means of updating the views and opinions of its employees. In addition, managers are responsible for keeping their employees up to date with developments and performance of the Company, 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 Report on PAGE 20.

Employment of disabled persons

It is important 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. We will deal with all persons with the same attention, courtesy and consideration regardless of any protected characteristic, save that we recognise our 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.

Approved by the Board and signed on its behalf by

Bethany Burrow FCG
Company Secretary
British International Investment plc
19 April 2024

Statement of Directors' responsibilities

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

The Directors are responsible for preparing the Annual Accounts 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 IFRS, as issued by the IASB, as adopted by the UK. 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 60) 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 IFRS 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

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 2023 and of the group's and of the company's loss for the year then ended;
- the group 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);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted standards and as applied in accordance with the provisions of the Companies Act 2006; 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 Statements of Cash Flow; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and 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 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 matter that we identified in the current year was the valuation of equity investments using the discounted cash flow method. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £171m 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	The significant risk attributable to valuation of debt investments with a high degree of judgement has been excluded as a key audit matter this year because the size this population has significantly reduced predominantly due to debt restructurings and repayments in full. This population of debt investments with a high degree of judgment is no longer material and the impact of significant auditor judgement has reduced for the current year. As a result, this is no longer considered a key audit matter.

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 shareholder agreement and inspecting post year end bank statements;
- headroom available between the liquidity position and the commitments; and
- appropriateness of the going concern disclosures in the financial statements.

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 equity investments using the discounted cash flow method

Key audit matter description	At 31 December 2023, the group held investments totalling £5,102.0 (2022: £4,847.3m) in unquoted companies which are classified at fair value through profit and loss. Within that balance we identified a key audit matter relating to equity investments which are valued using the discounted cash flow (DCF) method totalling £1,107.2 (2022: £1,062.7m). 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: › the appropriateness of the discount rate applied to the DCF model; › the appropriateness of the inputs into the DCF model including the timing and size of cash flows (including arrears), growth rates and terminal values. 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 financial statements. The sensitivity analysis of key inputs on the group's valuation methodologies are described in note 3 to the financial statements.

How the scope of our audit responded to the key audit matter	We performed the following procedures: › obtained an understanding and tested relevant controls related to the valuation of equity investments; › evaluated the accuracy and completeness of the valuation disclosures to assess whether they are compliant with IFRS 13 Fair Value Measurement and IFRS 9 Financial Instruments. And for a sample of equity investments using the discounted cash flow method we: › assessed the appropriateness of the valuation methodology selected; › performed sensitivity analysis on key inputs to understand the susceptibility of the valuations to changes in key assumptions; › in conjunction with our valuation specialists, we performed an assessment of the appropriateness of the discount rate, the growth rate and terminal value on investments where applicable; › 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; › tested the macroeconomic assumptions included in the forecasts with reference to observable market data and external forecasts; › tested the consistency of macroeconomic assumptions used in the cash flow forecasts with those used in the discount rate assumptions; › assessed the historical accuracy of the cash flow forecasts against actual results in order to assess the reliability of the forecasts; and › employed audit analytic tools on the valuation models to assess complex investments for model integrity; and › assessed the equity investment disclosures in note 3 of the Annual Accounts, including the fossil fuel related disclosures.
Key observations	We concluded the judgements and assumptions utilised in determining the fair value of the group's equity investments valued using the discounted cash flow method, to be within an acceptable range. We also concluded that the valuation of these investments at year end is appropriate.

6. Our application of materiality

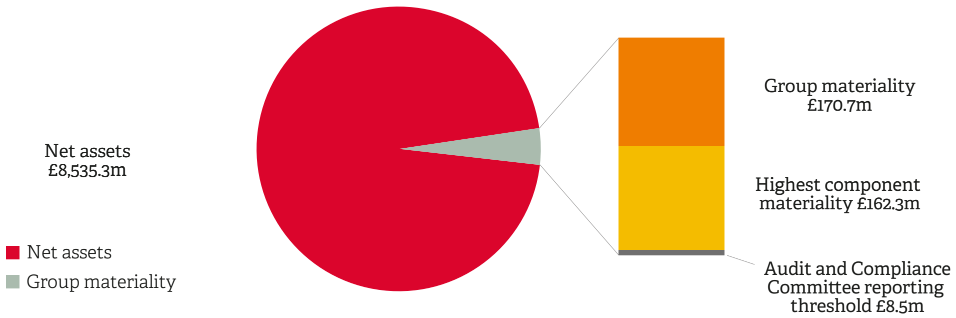
6.1. Materiality

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	£170.7m (2022: £162m)	£162.3m (2022: £154m)
Basis for determining materiality	2% (2022: 2%) of net assets.	2% (2022: 2%) of net assets, capped at 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 Parent 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 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% (2022: 70%) of group materiality	70% (2022: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. our assessment of the control environment and the fact that we were able to rely on controls for our testing of investments, and b. the nature and level of misstatements identified during the previous years' audit.	

6.3. Error reporting threshold

We agreed with the Audit and Compliance Committee that we would report to the Committee all audit differences in excess of £8.5m (2022: £8.0m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Compliance 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 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 £162m (2022: £0.01m to £154m). All of the work is performed by the group audit team. This approach is in line with the prior year.

7.2. Our consideration of the control environment

We identified the financial reporting, revenue, treasury, payroll expenditure, expenses, foreign exchange gains/losses, guarantees, equity, fund and debt investment business cycles to be the most relevant to the audit. We tested relevant controls and adopted a controls reliance approach over the payroll expenditure, equity, fund and debt investments cycles. In conjunction with our IT specialists, we performed general IT controls testing over the group's financial reporting system.

7.3. Our consideration of climate-related risks

We obtained an understanding of management's process for considering the impact of climate-related risks and climate related reporting. » PAGES 21 TO 44 of the Annual Accounts details the group's Climate-related Financial Disclosures. Our procedures performed included reading the climate-related disclosures in the front half of the Annual Accounts to consider if they are fair, balanced and comprehensive, consistent with our understanding of the group's business. In addition, we have engaged our internal climate change and sustainability specialists to review compliance of the Climate-related Financial Disclosures.

We have also considered management's own assessment of the impact of climate related risks in the valuation of investments and assessed the disclosures highlighting the valuation judgement in note 3 and note 4 of the financial statements.

8. Other information

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

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 Statement of Directors' Responsibilities, 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, the directors, Internal Audit, Compliance, the Chairman and the Audit and Compliance Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- 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 relevant internal specialists, including valuation and IT 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:

- valuation of equity investments using the discounted cash flow method.

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 2006.

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. These included the UK Bribery Act 2010 and FCA regulation.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of equity investments using the discounted cash flow method as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to the key audit matter.

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 and Compliance Committee and Chief Legal Officer 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, reviewing internal audit reports and any correspondence with the FCA; 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.

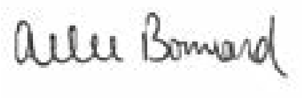
13.2. Directors' remuneration

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

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
(Senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom

19 April 2024

Consolidated Statement of Financial Position

As at 31 December

Assets	Notes	2023 £m	2022 £m
Non-current assets			
Plant and equipment	13	**10.6**	11.7
Intangible asset	14	**1.3**	1.8
Equity investments at FVTPL	3	**5,330.1**	5,086.2
Loan investments at FVTPL	4	**1,301.4**	1,350.8
Guarantees	5	**79.4**	87.0
Other receivables		**0.5**	0.6
Deferred tax asset	12	**0.2**	0.2
		6,723.5	6,538.3
Current assets			
Trade and other receivables	15	**706.0**	402.3
Note receivable	24	**319.5**	30.0
Forward foreign exchange contracts (FFECs)	8	**73.1**	86.4
Cash and cash equivalents	6	**818.9**	1,159.1
		1,917.5	1,677.8
Total assets		**8,641.0**	8,216.1
Equity and liabilities			
Attributable to the equity holders of the Company			
Issued capital	7	**5,339.2**	4,896.7
Foreign currency translation reserves		**(0.4)**	0.2
Retained earnings		**3,157.3**	3,200.7
Total equity		**8,496.1**	8,097.6
Non-current liabilities			
Expected credit loss provision on unfunded loan commitments	4	**0.1**	4.8
Long-term lease liability	22	**7.5**	8.2
Deferred government grant income	20	**93.0**	39.3
		100.6	52.3
Current liabilities			
Trade and other payables	16	**39.6**	50.4
Forward foreign exchange contracts (FFECs)	8	**1.5**	12.2
Expected credit loss provision on unfunded loan commitments	4	**0.4**	0.4
Short-term lease liability	22	**2.8**	3.2
		44.3	66.2
Total liabilities		**144.9**	118.5
Total equity and liabilities		**8,641.0**	8,216.1

Notes 1 to 27 form part of the financial statements. The accounts were approved by the members of the Board on 19 April 2024 and were signed on their behalf by:

Nick O'Donohoe
Chief Executive Officer
Company number: 3877777

Carolyn Sims
Chief Financial Officer and Chief Operating Officer

Consolidated Statement of Comprehensive Income

For the 12 months to 31 December

	Notes	2023 Total £m	2022 Total £m
Investment income	9	**196.6**	158.1
Fair value gains/(losses) on equity investments	3	**116.9**	(191.9)
Fair value gains on loan investments	4	**2.3**	(96.9)
Fair value (losses)/gains and expected credit losses on guarantees	5	**(0.4)**	3.4
Expected credit loss on unfunded loan commitments	4	**4.7**	4.1
Foreign exchange (losses)/gains on equity investments	3, 11	**(264.5)**	453.2
Foreign exchange (losses)/gains on loan investments	4, 11	**(93.4)**	156.9
Foreign exchange (losses)/gains on guarantees	5, 11	**(4.3)**	14.9
Government grant income	20	**0.9**	0.5
Other income	9	**11.8**	13.9
Foreign exchange gains/(losses) arising on FFECs	11	**103.2**	(218.9)
Administrative and other expenses	10	**(143.5)**	(134.8)
(Loss)/profit from operations before tax and finance costs		**(69.7)**	162.5
Finance costs		**(1.1)**	(0.4)
Finance income		**54.2**	11.6
Foreign exchange (losses)/gains (cash and cash equivalents)	11	**(18.2)**	13.4
(Loss)/profit from operations before tax		**(34.8)**	187.1
Income tax expense	12	**(9.3)**	(20.0)
(Loss)/profit for the year		**(44.1)**	167.1
Items that will not be reclassified to profit and loss (net of tax):			
Recognised actuarial gain on pensions	17	**0.4**	0.4
Items that will be reclassified to profit and loss (net of tax):			
Foreign currency translation reserves		**(0.3)**	0.2
Other comprehensive income		**0.1**	0.6
Total comprehensive (loss)/profit for the year		**(44.0)**	167.7

Notes 1 to 27 form part of the financial statements.

Consolidated Statement of Cash Flows

For the 12 months to 31 December

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
(Loss)/profit from operations before tax		**(34.8)**	187.1
Adjustments for:			
Depreciation of plant and equipment	13	**4.9**	5.2
Amortisation of intangible asset	14	**0.5**	0.6
Finance income		**(54.2)**	(11.6)
Dividend income		**(21.8)**	(24.9)
Finance costs		**1.1**	0.4
Change in fair value of equity investments	3	**(116.9)**	191.9
Change in fair value of loan investments	4	**(2.3)**	96.9
Fair value and expected credit losses on guarantees	5	**0.4**	(3.4)
Defined benefit pension costs	10	**0.8**	0.8
Expected credit loss on unfunded loan commitments	4	**(4.7)**	(4.1)
Deferred government grant income	20	**53.7**	32.2
Effect of exchange rate fluctuations on non FFEC transactions		**382.6**	(637.0)
Cash flows from/(used in) operations before changes in working capital		**209.3**	(165.9)
Increase in trade and other receivables		**(70.3)**	(16.2)
Increase/(Decrease) in derivative financial instruments		**2.6**	(76.8)
Decrease in trade and other payables		**(12.1)**	(2.1)
Cash flows from/(used in) operations		**129.5**	(261.0)
Finance costs		**(1.1)**	(0.4)
Defined benefit pension contributions paid		**(0.4)**	(0.4)
Taxes paid		**(8.0)**	(19.6)
Cash flows from/(used in) operating activities		**120.0**	(281.4)

	Notes	2023 £m	2022 £m
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**443.5**	630.8
Acquisition of equity investments	3	**(682.1)**	(897.8)
Acquisition of plant and equipment	13	**(3.9)**	(2.0)
Interest received		**54.2**	11.6
Dividend received		**21.8**	24.9
Loan advances	4	**(523.3)**	(494.7)
Loan repayments	4	**248.1**	336.7
Guarantee advances	5	**(50.1)**	(47.0)
Guarantee repayments	5	**53.6**	76.3
Cash flows used in investing activities		**(438.2)**	(361.2)
Cash flows from financing activities			
Proceeds from promissory notes		**–**	1,085.7
Lease payments	22	**(3.8)**	(3.7)
Cash flows (used in)/from financing activities		**(3.8)**	1,082.0
Net (decrease)/increase in cash and cash equivalents		**(322.0)**	439.4
Effect of foreign exchange rate changes		**(18.2)**	13.4
Cash and cash equivalents at 1 January		**1,159.1**	706.3
Cash and cash equivalents at 31 December	6	**818.9**	1,159.1

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 gain on pensions £m	Foreign currency translation reserves £m	Retained earnings £m	Total £m
At 1 January 2022		4,682.0	1.7	–	3,031.5	7,715.2
Profit for the year		–	–	–	167.1	167.1
Other comprehensive income for the year		–	0.4	0.2	–	0.6
Total comprehensive profit for the year		–	0.4	0.2	167.1	167.7
Issue of ordinary shares	7	214.7	–	–	–	214.7
At 31 December 2022		4,896.7	2.1	0.2	3,198.6	8,097.6
Changes in equity for 2023						
Loss for the year		**–**	**–**	**–**	**(44.1)**	**(44.1)**
Other comprehensive income for the year		**–**	**0.4**	**(0.3)**	**–**	**0.1**
Total comprehensive loss for the year		**–**	**0.4**	**(0.3)**	**(44.1)**	**(44.0)**
Issue of ordinary shares	7	**442.5**	**–**	**–**	**–**	**442.5**
At 31 December 2023		**5,339.2**	**2.5**	**(0.1)**	**3,154.5**	**8,496.1**

Company Statement of Changes in Equity

For the 12 months to 31 December

	Notes	Share capital £m	Recognised actuarial gain on pensions £m	Foreign currency translation reserves £m	Retained earnings £m	Total £m
At 1 January 2022		4,682.0	1.7	–	3,031.5	7,715.2
Profit for the year		–	–	–	167.3	167.3
Other comprehensive income for the year		–	0.4	–	–	0.4
Total comprehensive profit for the year		–	0.4	–	167.3	167.7
Issue of ordinary shares	7	214.7	–	–	–	214.7
At 31 December 2022		4,896.7	2.1	–	3,198.8	8,097.6
Changes in equity for 2023						
Loss for the year		**–**	**–**	**–**	**(44.4)**	**(44.4)**
Other comprehensive income for the year		**–**	**0.4**	**–**	**–**	**0.4**
Total comprehensive loss for the year		**–**	**0.4**	**–**	**(44.4)**	**(44.0)**
Issue of ordinary shares	7	**442.5**	**–**	**–**	**–**	**442.5**
At 31 December 2023		**5,339.2**	**2.5**	**–**	**3,154.4**	**8,496.1**

Notes 1 to 27 form part of the financial statements.

Company Statement of Financial Position

As at 31 December

Assets	Notes	2023 £m	2022 £m
Non-current assets			
Plant and equipment	13	**6.6**	9.3
Intangible asset	14	**1.3**	1.8
Equity investments at FVTPL	3	**5,343.0**	5,095.9
Loan investments at FVTPL	4	**1,301.4**	1,350.8
Guarantees	5	**79.4**	87.0
		6,731.7	6,544.8
Current assets			
Trade and other receivables	15	**698.1**	401.6
Note receivable	24	**319.5**	30.0
Forward foreign exchange contracts (FFECs)	8	**73.1**	86.4
Cash and cash equivalents	6	**808.0**	1,151.4
		1,898.7	1,669.4
Total assets		**8,630.4**	8,214.2
Equity and liabilities			
Issued capital	7	**5,339.2**	4,896.7
Retained earnings		**3,156.9**	3,200.9
Total equity		**8,496.1**	8,097.6
Non-current liabilities			
Expected credit loss provision on unfunded loan commitments	4	**0.1**	4.8
Long-term lease liability	22	**4.7**	6.0
Deferred government grant income	20	**93.0**	39.3
		97.8	50.1
Current liabilities			
Trade and other payables	16	**32.7**	51.0
Forward foreign exchange contracts (FFECs)	8	**1.5**	12.2
Expected credit loss provision on unfunded loan commitments	4	**0.4**	0.4
Short-term lease liability	22	**1.9**	2.9
		36.5	66.5
Total liabilities		**134.3**	116.6
Total equity and liabilities		**8,630.4**	8,214.2

Notes 1 to 27 form part of the financial statements. The accounts were approved by the members of the Board on 19 April 2024 and were signed on their behalf by:

Nick O'Donohoe
Chief Executive Officer
Company number: 3877777

Carolyn Sims
Chief Financial Officer and Chief Operating Officer

Company Statement of Comprehensive Income

For the 12 months to 31 December

	Notes	2023 Total £m	2022 Total £m
Investment income	9	**196.6**	158.1
Fair value gains/(losses) on equity investments	3	**119.9**	(189.8)
Fair value gains/(losses) on loan investments	4	**2.3**	(96.9)
Fair value (losses)/gains and expected credit losses on guarantees	5	**(0.4)**	3.4
Expected credit loss on unfunded loan commitments	4	**4.7**	4.1
Foreign exchange (losses)/gains on equity investments	3, 11	**(265.0)**	453.4
Foreign exchange (losses)/gains on loan investments	4, 11	**(93.4)**	156.9
Foreign exchange (losses)/gains on guarantees	5, 11	**(4.3)**	14.9
Government grant income	20	**0.9**	0.5
Other income	9	**11.4**	12.2
Foreign exchange gains/(losses) arising on FFECs	11	**103.2**	(218.9)
Administrative and other expenses	10	**(147.7)**	(136.3)
(Loss)/profit from operations before tax and finance costs		**(71.8)**	161.6
Finance costs		**(0.7)**	(0.4)
Finance income		**54.1**	11.6
Foreign exchange (losses)/gains (cash and cash equivalents)	11	**(17.3)**	14.0
(Loss)/profit from operations before tax		**(35.7)**	186.8
Income tax expense	12	**(8.7)**	(19.5)
(Loss)/profit for the year		**(44.4)**	167.3
Items that will not be reclassified to profit and loss:			
Other comprehensive income (net of tax)			
Recognised actuarial gain on pensions	17	**0.4**	0.4
Total comprehensive (loss)/profit for the year		**(44.0)**	167.7

Notes 1 to 27 form part of the financial statements.

Company Statement of Cash Flows

For the 12 months to 31 December

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
(Loss)/profit from operations before tax		**(35.7)**	186.8
Adjustments for:			
Depreciation of plant and equipment	13	**3.5**	4.4
Amortisation of intangible asset	14	**0.5**	0.4
Finance income		**(54.1)**	(11.6)
Dividend income		**(21.8)**	(24.9)
Finance costs		**0.7**	0.4
Change in value of equity investments	3	**(119.9)**	189.8
Change in value of loan investments	4	**(2.3)**	96.9
Fair value and expected credit losses on guarantees	5	**0.4**	(3.4)
Defined benefit pension costs	10	**0.8**	0.8
Expected credit loss on unfunded loan commitments	4	**(4.7)**	(4.1)
Deferred government grant income	20	**53.7**	32.2
Effect of exchange rate fluctuations on non-FFEC transactions		**379.6**	(637.6)
Cash flows from/(used in) operations before changes in working capital		**200.7**	(169.9)
Increase in trade and other receivables		**(62.5)**	(16.1)
Increase/(Decrease) in derivative financial instruments		**2.6**	(76.8)
(Decrease)/Increase in trade and other payables		**(18.3)**	0.3
Cash flows from/(used in) operations		**122.5**	(262.5)
Finance cost		**(0.7)**	(0.4)
Defined benefit pension contributions paid		**(0.4)**	(0.4)
Taxes paid		**(8.7)**	(19.5)
Cash flows from/(used in) operating activities		**112.7**	(282.8)

	Notes	2023 £m	2022 £m
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**443.5**	630.8
Acquisition of equity investments	3	**(682.6)**	(897.8)
Acquisition of plant and equipment	13	**(0.8)**	(1.2)
Interest received		**54.1**	11.6
Dividend received		**21.8**	24.9
Loan advances	4	**(523.3)**	(494.7)
Loan repayments	4	**248.1**	336.7
Guarantee advances	5	**(50.1)**	(47.0)
Guarantee repayments	5	**53.6**	76.3
Cash flows used in investing activities		**(435.7)**	(360.4)
Cash flows from financing activities			
Proceeds from promissory notes		**–**	1,085.7
Lease payments	22	**(3.1)**	(3.4)
Cash flows (used in)/from financing activities		**(3.1)**	1,082.3
Net (decrease)/increase in cash and cash equivalents		**(326.1)**	439.1
Effect of foreign exchange rate changes		**(17.3)**	14.0
Cash and cash equivalents at 1 January		**1,151.4**	698.3
Cash and cash equivalents at 31 December	6	**808.0**	1,151.4

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 2022 were authorised for issue in accordance with a resolution of the Directors on 20 April 2023. BII is a limited company incorporated in England and Wales whose shares are not publicly traded. The registered office is located at 123 Victoria Street, London, England, SW1E 6DE. Company registration number: 3877777. VAT registration number: 190 7041 19.

The Group's primary activity is investing in emerging markets. More details on BII's primary activities can be found on » PAGE 8 of the Strategic Report and » PAGE 75 of the Governance Report. 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 Report on » PAGE 8, 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 £5,339.2 million and retained earnings of £3,156.9 million. At 31 December 2023, net assets were £8,496.1 million including cash and short-term deposits of £861.9 million (including non-consolidated subsidiaries), and promissory notes receivable of £319.5 million (excluding the capital grant). BII and FCDO agreed a new capital funding programme which allows for up to £2,500 million to be issued up to 31 March 2026 of which £289.5 million was lodged in March 2023 and £280.0 million was lodged in March 2024. Additionally, BII has access to a £471.3 million ($600.0 million) revolving credit facility (RCF) via a wholly owned non-consolidated subsidiary. Long-term liabilities mostly comprise outstanding investment commitments of £1,995.3 million, and investment pace in 2024 is expected to be in the region of £1.7 billion ($2.1 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 2024 without needing to call on the RCF. Two new liquidity targets were introduced in January 2023: 1) a cash to net asset value ratio below 10 per cent over a rolling 12-month period recognising timing and quantum uncertainties inherent in cash flows for investment disbursements and receipts; 2) a collateral coverage ratio above 100% at all times to demonstrate that we have sufficient liquid resources to meet liabilities as they fall due (this replaces the commitment coverage ratio). The rolling 12-month cash to net asset value ratio exceeded the 10 per cent target throughout 2023 and was 14 per cent at 31 December 2023. The collateral coverage ratio target has been met all year.

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 level 3 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 cash flows.

1. Corporate information and accounts preparation continued

There is heightened uncertainty around valuations given the macroeconomic challenges experienced by many of BII's core countries such as acceleration of inflation, raising interest rates and depreciation of currencies. As a result the Valuations Steering Committee specifically considered the impact of these macroeconomic challenges 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.

Being an investment entity means that BII holds all investments at fair value and does not consolidate any investments even if BII has a controlling stake.

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 markets in which we invest by creating lasting employment.

BII has one investor, FCDO. 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 funds which are clearly focused on such capital appreciation. These funds 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 2022). 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.

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 2023. 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 material accounting policy information 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.

	2023 £m	2022 £m
Portfolio return	**71.5**	285.6
Assets – Portfolio value	**7,319.5**	6,888.6

Reconciliation to Financial Performance Report

Within the management reports, the results of which are shown in the Financial Performance report on PAGES 9 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 2023 £m	Reclassify portfolio items 2023 £m	Other items and reclassifications 2023 £m	Management reports 2023 £m
Portfolio return		**(46.8)**	**118.3**	**–**	**71.5**
Administrative expenses/ operating costs		**(143.4)**	**–**	**(2.8)**	**(146.2)**
Other net income/(expense)		**93.1**	**(118.3)**	**1.7**	**(23.5)**
Finance costs		**(1.1)**	**–**	**1.1**	**–**
Finance income/ interest income		**54.2**	**–**	**–**	**54.2**
Total comprehensive income/ total return after tax		**(44.0)**	**–**	**–**	**(44.0)**

	Notes	2022 £m	2022 £m	2022 £m	2022 £m
Portfolio return	3,4,5&9*	497.7	(212.1)	–	285.6
Administrative expenses/ operating costs	10	(134.8)	–	(1.3)	(136.1)
Other net (expense)/income		(206.4)	212.1	0.9	6.6
Finance costs		(0.4)	–	0.4	–
Finance income/ interest income		11.6	–	–	11.6
Total comprehensive income/ total return after tax		167.7	–	–	167.7

* 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.

2. Operating segments analysis continued

Statement of financial position

	Notes	Primary statements 2023 £m	Reclassify portfolio items 2023 £m	Other items and reclassifications 2023 £m	Management reports 2023 £m
			Reconciling items		
Portfolio value		**7,264.5**	**70.8**	**(15.8)**	**7,319.5**
Net cash and short-term deposits		**818.9**	**–**	**43.0**	**861.9**
Other net assets/(liabilities)		**412.7**	**(70.8)**	**(27.2)**	**314.7**
Total net assets attributable to equity holders of the Company		**8,496.1**	**–**	**–**	**8,496.1**

	Notes	2022 £m	2022 £m	2022 £m	2022 £m
Portfolio value	3,4&5*	6,843.8	74.3	(29.5)	6,888.6
Net cash and short-term deposits	6	1,159.1	–	33.0	1,192.1
Other net assets/(liabilities)		94.7	(74.3)	(3.5)	16.9
Total net assets attributable to equity holders of the Company		8,097.6	–	–	8,097.6

* 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 2023 £m	Reclassify portfolio items 2023 £m	Other items and reclassifications 2023 £m	Management reports 2023 £m
		Reconciling items		
Portfolio drawdowns	**(1,255.5)**	**–**	**(24.1)**	**(1,279.6)***
Portfolio receipts	**745.2**	**212.9**	**(0.1)**	**958.0**
Net investment flows	**(510.3)**	**212.9**	**(24.2)**	**(321.6)**
Other cash flows	**170.1**	**(212.9)**	**34.0**	**(8.8)**
Net increase in cash and cash equivalents	**(340.2)**	**–**	**9.8**	**(330.4)**

	2022 £m	2022 £m	2022 £m	2022 £m
Portfolio drawdowns	(1,439.5)	(74.6)	(52.4)	(1,566.5)
Portfolio receipts	1,043.8	186.8	26.2	1,256.8
Net investment flows	(395.7)	112.2	(26.2)	(309.7)
Other cash flows	848.5	(112.2)	46.6	782.9
Net increase in cash and cash equivalents	452.8	–	20.4	473.2

* This is different to the amount shown on page 10 which includes £153.0 million to reflect the acquisition of UK Climate Investments from the shareholder (see note 24 for further details).

Geographic information

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

	Notes	Africa 2023 £m	South Asia 2023 £m	Rest of World 2023 £m	Multi-region† 2023 £m	Total 2023 £m
Portfolio return	3,4,5&9*	**(100.7)**	**50.4**	**(15.1)**	**18.6**	**(46.8)**

	Notes	2022 £m	2022 £m	2022 £m	2022 £m	2022 £m
Portfolio return	3,4,5&9*	192.2	317.9	–	(12.4)	497.7

* 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.

2. Operating segments analysis continued

Investment profile

Group	Level 1 2023 £m	Level 3 2023 £m	Total 2023 £m	Level 1 2022 £m	Level 3 2022 £m	Total 2022 £m
Equity	**228.2**	**5,101.9**	**5,330.1**	238.9	4,847.3	5,086.2
Loans	**18.5**	**1,282.9**	**1,301.4**	18.2	1,332.6	1,350.8
Guarantees	**–**	**79.4**	**79.4**	–	87.0	87.0
At 31 December, at fair value	**246.7**	**6,464.2**	**6,710.9**	257.1	6,266.9	6,524.0

Company	Level 1 2023 £m	Level 3 2023 £m	Shares held in Group companies* 2023 £m	Total 2023 £m	Level 1 2022 £m	Level 3 2022 £m	Shares held in Group companies* 2022 £m	Total 2022 £m
Equity	**228.2**	**5,101.9**	**12.8**	**5,343.0**	238.9	4,847.3	9.7	5,095.9
Loans	**18.5**	**1,282.9**	**–**	**1,301.4**	18.2	1,332.6	–	1,350.8
Guarantees	**–**	**79.4**	**–**	**79.4**	–	87.0	–	87.0
At 31 December, at fair value	**246.7**	**6,464.2**	**12.8**	**6,723.8**	257.1	6,266.9	9.7	6,533.7

* Amounts represent consolidated subsidiaries only.

3. Equity investments

Group	Listed shares 2023 £m	Unlisted shares 2023 £m	Total 2023 £m	Listed shares 2022 £m	Unlisted shares 2022 £m	Total 2022 £m
At 1 January, at fair value	**238.9**	**4,847.3**	**5,086.2**	341.9	4,216.0	4,557.9
Additions	**–**	**835.1**	**835.1**	–	897.8	897.8
Disposals	**(45.8)**	**(397.7)**	**(443.5)**	(114.2)	(516.6)	(630.8)
Fair value gains/(losses)	**44.7**	**72.2**	**116.9**	15.5	(207.4)	(191.9)
Foreign exchange (losses)/gains	**(9.5)**	**(255.0)**	**(264.5)**	(4.3)	457.5	453.2
At 31 December, at fair value	**228.2**	**5,101.9**	**5,330.1**	238.9	4,847.3	5,086.2

Company	Listed shares 2023 £m	Unlisted shares 2023 £m	Shares held in Group companies* 2023 £m	Total 2023 £m	Listed shares 2022 £m	Unlisted shares 2022 £m	Shares held in Group companies* 2022 £m	Total 2022 £m
At 1 January, at fair value	**238.9**	**4,847.3**	**9.7**	**5,095.9**	341.9	4,216.0	7.4	4,565.3
Additions	**–**	**835.1**	**0.4**	**835.5**	–	897.8	–	897.8
Disposals	**(45.8)**	**(397.7)**	**–**	**(443.5)**	(114.2)	(516.6)	–	(630.8)
Fair value gains/(losses)	**44.7**	**72.2**	**3.2**	**119.9**	15.5	(207.4)	2.1	(189.8)
Foreign exchange (losses)/gains	**(9.5)**	**(255.0)**	**(0.5)**	**(265.0)**	(4.3)	457.5	0.2	453.4
At 31 December, at fair value	**228.2**	**5,101.9**	**12.8**	**5,343.0**	238.9	4,847.3	9.7	5,095.9

* Amounts represent consolidated subsidiaries only.

3. Equity investments continued

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

Group	Listed shares 2023 £m	Unlisted shares 2023 £m	Total 2023 £m	Listed shares 2022 £m	Unlisted shares 2022 £m	Total 2022 £m
Realised fair value (losses)/gains	**(7.0)**	**51.2**	**44.2**	57.9	131.9	189.8
Unrealised fair value gains/(losses)	**51.7**	**21.0**	**72.7**	(42.4)	(339.3)	(381.7)
Fair value gains/(losses) on equity instruments	**44.7**	**72.2**	**116.9**	15.5	(207.4)	(191.9)

Company	Listed shares 2023 £m	Unlisted shares 2023 £m	Shares held in Group companies* 2023 £m	Total 2023 £m	Listed shares 2022 £m	Unlisted shares 2022 £m	Shares held in Group companies* 2022 £m	Total 2022 £m
Realised fair value (losses)/gains	**(7.0)**	**51.2**	**–**	**44.2**	57.9	131.9	–	189.8
Unrealised fair value gains/(losses)	**51.7**	**20.9**	**3.1**	**75.7**	(42.4)	(339.3)	2.1	(379.6)
Fair value gains/(losses) on equity instruments	**44.7**	**72.1**	**3.1**	**119.9**	15.5	(207.4)	2.1	(189.8)

* 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 £82.7 million (2022: £35.4 million) mainly due to a lack of activity in the markets they trade on. Unlisted shares are included within Level 3. BII holds no Level 2 equity investments.

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 £5,102.0 million (2022: £4,847.3 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 £2,661.5 million (2022: £2,356.7 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 potentially exposed to a particular set of financial risks driven by the ongoing decarbonisation of the economy. BII's financial exposure to fossil fuel assets is relatively limited at less than 10 per cent of total portfolio. Most of our equity investments in these assets are contractually insulated from direct transition risks, thus having limited exposure to direct cash flow risk (see related analysis in BII's Annual Accounts 2022, » PAGE 32). 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. Refer to » PAGE 38 for the CFD investment portfolio metrics.

3. Equity investments continued

Discounted cash flows (DCF)

£1,017.2 million being 20.0% (2022: £1,062.7 million, 20.9%) 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, and 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 rates include cost of equity, weighted average cost of capital, and capitalisation rates.

Trading multiples

£828.8 million being 16.2% (2022: £994.9 million, 19.6%) 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 (NAV)

£2,945.0 million being 57.7% (2022: £2,691.4 million, 52.8%) of BII's equity and fund investments are valued using the 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 intermediated equity investments and non-consolidated subsidiaries. The NAV approach is also applied for the valuation of certain investments the fair-values of which are supported by independent valuation reports, listed shares and other assets. 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. In addition, BII compares the Fund Manager's reported NAV to audited fund financial statements when received, to assist in understanding the reliability of the Fund Managers' NAVs.

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 2023 £m	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation £m
Global equity securities	**828.8**	Comparable trading multiples	EBITDA multiple	12.9x	15.0%	+83.9 -83.9
			Price/book multiple	3.0x	15.0%	+23.6 -23.6
			Revenue multiple	3.9x	15.0%	+36.7 -38.5
Global equity securities	**1,017.2**	DCF	Discount rate	13.8%	3.1%	+311.4 -215.3
Intermediated equity and non-consolidated subsidiaries	**2,945.0**	NAV			10.0%	+294.5 -294.5
Global equity securities	**310.9**	Other				–
TOTAL	**5,101.9**					+750.2 -655.9

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 £1,863.3 million and undrawn commitments of £1,078.2 million (2022: fair value of £1,701.6 million and undrawn commitments of £988.5 million). The Group earned investment income of £3.3 million (2022: £8.8 million) and generated fair value gains of £77.3 million (2022: gains of £85.5 million) from these entities during the year.

4. Loan investments

	Group and Company					
	Level 1 2023 £m	Level 3 2023 £m	Total 2023 £m	Level 1 2022 £m	Level 3 2022 £m	Total 2022 £m
At 1 January	**18.2**	**1,645.9**	**1,664.1**	–	1,446.1	1,446.1
Loan advances	**–**	**523.3**	**523.3**	18.6	476.1	494.7
Loan repayments	**–**	**(248.1)**	**(248.1)**	–	(336.7)	(336.7)
Fair value gains/(losses)	**1.1**	**1.2**	**2.3**	(2.6)	(94.3)	(96.9)
Foreign exchange (losses)/gains	**(0.8)**	**(92.6)**	**(93.4)**	2.2	154.7	156.9
At 31 December	**18.5**	**1,829.8**	**1,848.3**	18.2	1,645.9	1,664.1
Less: Loan investments due within one year (note 15)	**–**	**(546.9)**	**(546.9)**	–	(313.3)	(313.3)
At 31 December	**18.5**	**1,282.9**	**1,301.4**	18.2	1,332.6	1,350.8

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

BII classifies the majority of its loan instruments measured at fair value under the Level 3 hierarchy: inputs that are not based on observable market data. BII holds no Level 2 loan investments.

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.

Fossil fuel assets are potentially exposed to a particular set of financial risks driven by the ongoing decarbonisation of the economy. BII's financial exposure to fossil fuel assets is relatively limited at less than 10 per cent of total portfolio. Most of our debt investments in these assets are contractually insulated from direct transition risks where offtaker willingness to pay is not affected by the fossil fuel portfolio. Potential increases in margins demanded by fossil fuel debt investors due to risk or shareholder pressure is a primary valuation uncertainty for longer-maturity assets which do not seem to be priced in the debt markets yet. Refer to » PAGE 38 for the CFD investment portfolio metrics.

Discounted cash flows

£1,745.7 million being 94.4% (2022: £1,570.3 million, 94.4%) 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.

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

Description	Fair value at 31 December 2023 £m	Valuation technique	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation £m
Loan investments at fair value through profit and loss	**1,745.7**	Discounted cash flows	10.2%	+2.0%	-76.1
				-2.0%	+62.3
	102.6	Other			–
Total	**1,848.3**				-76.1
					+62.3

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	
	2023 £m	2022 £m
Current liabilities	**0.4**	0.4
Non-current liabilities	**0.1**	4.8
Total	**0.5**	5.2

5. Guarantees

	Group and Company					
	Funded 2023 £m	Unfunded 2023 £m	Total 2023 £m	Funded 2022 £m	Unfunded 2022 £m	Total 2022 £m
At 1 January	**93.0**	**0.5**	**93.5**	105.0	(0.1)	104.9
Guarantee advances	**50.1**	**–**	**50.1**	47.0	–	47.0
Guarantee repayments	**(53.6)**	**–**	**(53.6)**	(76.3)	–	(76.3)
Movement in deferred income	**1.6**	**(0.8)**	**0.8**	0.4	(0.8)	(0.4)
Fair value and expected credit (losses)/gains	**(0.4)**	**–**	**(0.4)**	1.5	1.9	3.4
Foreign exchange (losses)/ gains	**(4.4)**	**0.1**	**(4.3)**	15.4	(0.5)	14.9
At 31 December	**86.3**	**(0.2)**	**86.1**	93.0	0.5	93.5
Less: deferred income due within one year (note 15)	**(4.0)**	**(2.7)**	**(6.7)**	(2.4)	(4.1)	(6.5)
At 31 December	**82.3**	**(2.9)**	**79.4**	90.6	(3.6)	87.0

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 £199.2 million (2022: £296.9 million). These are guarantees whereby third parties can require the Company to fund loans if certain events occur. These are not accounted for on the balance sheet unless called upon.

6. Cash and cash equivalents

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Cash at bank and in hand	**57.0**	49.0	**47.9**	42.5
Short-term deposits receivable	**761.9**	1,110.1	**760.1**	1,108.9
Total cash and cash equivalents	**818.9**	1,159.1	**808.0**	1,151.4

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 3 months 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 £818.9 million (2022: £1,159.1 million).

7. Issued capital

	2023 Number	2023 £m	2022 Number	2022 £m
At 1 January, ordinary shares of £1 each	**4,896,650,000**	**4,896.7**	4,682,000,000	4,682.0
Issued, ordinary shares of £1 each	**442,545,894**	**442.5**	214,650,000	214.7
At 31 December, ordinary shares of £1 each	**5,339,195,894**	**5,339.2**	4,896,650,000	4,896.7

Ordinary shares

During the year ended 31 December 2023, the Company issued 442,545,894 ordinary shares (2022: 214,650,000 ordinary shares) to its parent entity; see note 24 for further details.

The number of ordinary shares reserved for issue under a subscription agreement is nil shares (2022: 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 and controlling party 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	
	2023 £m	2022 £m
Gross FFECs in profit	**73.1**	86.4
Gross FFECs in loss	**(1.5)**	(12.2)
Net total	**71.6**	74.2

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

	Group and Company	
	2023 £m	2022 £m
Current assets	**73.1**	86.4
Current liabilities	**(1.5)**	(12.2)
Total	**71.6**	74.2

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 2023, the Group held 74 FFECs (2022: 63 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, South African rand and Indian rupee denominated debt investments and cash balances. The tables below are presented under the weighted average spot rate method.

The Group's sterling denominated contracts comprise:

Foreign currency	Foreign currency in millions 2023	Weighted average spot price 2023	2023 £m	Foreign currency in millions 2022	Weighted average spot price 2022	2022 £m
US dollar	**2,171.4**	**1.2319**	**1,762.6**	2,244.4	1.1675	1,922.4
Euro	**172.1**	**1.1564**	**148.8**	159.0	1.1552	137.7
South African rand	**5,630.4**	**23.1246**	**243.5**	1,033.8	20.85	49.6
Indian rupee	**40,554.0**	**102.2787**	**396.5**	41,111.4	96.5339	425.9

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

Foreign currency	Foreign currency in millions 2023	Weighted average spot price 2023	2023 US$m	Foreign currency in millions 2022	Weighted average spot price 2022	2022 US$m
Indian rupee	**2,924.6**	**83.1186**	**35.2**	3,175.2	82.3508	38.6

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 9 TO 12.

9. Income

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Investment income				
Interest income	**160.8**	120.0	**160.8**	120.0
Loan and guarantee fee income	**14.0**	13.2	**14.0**	13.2
Dividend income	**21.8**	24.9	**21.8**	24.9
Total investment income	**196.6**	158.1	**196.6**	158.1
Other income				
Management fee income	**10.1**	13.5	**9.4**	12.0
Other operating income	**1.7**	0.4	**2.0**	0.2
Total other income	**11.8**	13.9	**11.4**	12.2

10. Administrative and other expenses

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Wages and salaries	**(62.4)**	(55.2)	**(56.0)**	(49.0)
Social security costs	**(9.1)**	(9.0)	**(9.0)**	(8.9)
Pension costs – defined benefit	**(0.8)**	(0.8)	**(0.8)**	(0.8)
Pension costs – defined contribution	**(6.5)**	(5.7)	**(6.0)**	(5.2)
Long-term Investment Performance Plan (LTIPP) accrual*	**(13.2)**	(10.3)	**(11.0)**	(8.5)
Total employee benefits expense	**(92.0)**	(81.0)	**(82.8)**	(72.4)
Professional services	**(6.3)**	(6.2)	**(6.0)**	(5.7)
Auditor remuneration (see below)	**(1.0)**	(0.8)	**(0.6)**	(0.7)
Operating leases expense	**(0.2)**	(0.1)	**(0.7)**	0.1
Other administrative expenses	**(38.6)**	(40.9)	**(53.6)**	(52.5)
Total administrative expenses	**(138.1)**	(129.0)	**(143.7)**	(131.2)
Depreciation of plant and equipment	**(4.9)**	(5.2)	**(3.5)**	(4.5)
Amortisation of intangible asset	**(0.5)**	(0.6)	**(0.5)**	(0.6)
Other expenses	**–**	–	**–**	–
Total administrative and other expenses	**(143.5)**	(134.8)	**(147.7)**	(136.3)

* The LTIPP was newly introduced in 2022 replacing the previous Long-term Development Performance Plan (LTDPP).

The average monthly number of Group employees during the year was 594 (2022: 548).
The average monthly number of Company employees during the year was 511 (2022: 473).

The aggregate of Directors' remuneration in 2023 was £1.0 million (2022: £0.9 million). Refer to PAGES 70 TO 73 for the Annual report on remuneration which gives more details on remuneration and the LTIPP.

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Audit of the Group financial statements	**(0.6)**	(0.6)	**(0.6)**	(0.6)
Audit of the consolidated subsidiaries	**(0.4)**	(0.1)	**–**	–
Audit related assurance services	**–**	–	**–**	–
Other services	**–**	(0.1)	**–**	(0.1)
Total auditor remuneration	**(1.0)**	(0.8)	**(0.6)**	(0.7)

11. Net foreign exchange differences

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Exchange (losses)/gains arising on equity investments	**(264.5)**	453.2	**(265.0)**	453.4
Exchange (losses)/gains arising on loan investments	**(93.4)**	156.9	**(93.4)**	156.9
Exchange (losses)/gains arising on guarantees	**(4.3)**	14.9	**(4.3)**	14.9
Exchange gains/(losses) arising on FFECs	**103.2**	(218.9)	**103.2**	(218.9)
Exchange (losses)/gains arising on cash and cash equivalents	**(18.2)**	13.4	**(17.3)**	14.0
Total foreign exchange differences	**(277.2)**	419.5	**(276.8)**	420.3

12. Income tax

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Current tax				
Withholding tax expense	**8.7**	19.5	**8.7**	19.5
Current UK tax charge	**–**	–	**–**	–
Current overseas tax charge	**0.6**	0.5	**–**	–
Total current tax	**9.3**	20.0	**8.7**	19.5
Foreign deferred tax				
Attributable to timing difference arising in the current year	**–**	–	**–**	–
Total income tax expense	**9.3**	20.0	**8.7**	19.5
Reconciliation of deferred tax asset				
As of 1 January	**0.2**	0.2	**–**	–
Tax expenses during the year	**–**	–	**–**	–
As at 31 December	**0.2**	0.2	**–**	–

12. Income tax continued

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

	Group		Company	
	2023 %	2022 %	2023 %	2022 %
UK corporation tax rate	**23.5**	19.0	**23.5**	19.0
Effect of overseas taxation	**59.9**	(15.1)	**0.1**	(14.4)
Effect of UK tax exemption	**(110.2)**	6.8	**(105.6)**	5.8
Effective tax rate for the year	**(26.8)**	10.7	**(82.0)**	10.4

UK tax exemption

By virtue of the CDC Act, 1999, BII plc (formerly known as CDC Group plc) has the benefit of a statutory exemption from UK corporation tax. However, as the Company is an investment company, much of the investment income it generates is exempt under usual UK corporation tax rules. Therefore, the benefit of this statutory exemption to the Company is estimated to be £nil million on loss before tax of £35.7 million for FY2023 (2022: £nil million on profit before tax of £186.8 million). This statutory exemption does not apply to the Company in jurisdictions outside the UK or the Company's subsidiaries which pay tax in the jurisdictions in which they operate.

UK Corporation Tax rules changed from 19% to 25% on 1 April 2023. The rate of 23.5% is the pro-rated rate for the year.

13. Plant and equipment

	Group					
	Furniture and equipment 2023 £m	Right of use asset 2023 £m	Total 2023 £m	Furniture and equipment 2022 £m	Right of use asset 2022 £m	Total 2022 £m
At 1 January	**0.7**	**11.0**	**11.7**	1.9	12.4	14.3
Additions	**0.7**	**3.2**	**3.9**	–	2.0	2.0
Disposals	**–**	**–**	**–**	–	–	–
Depreciation charge for the year	**(0.5)**	**(4.4)**	**(4.9)**	(1.2)	(4.0)	(5.2)
Exchange differences	**0.1**	**(0.2)**	**(0.1)**	–	0.6	0.6
At 31 December	**1.0**	**9.6**	**10.6**	0.7	11.0	11.7

	Company					
	Furniture and equipment 2023 £m	Right of use asset 2023 £m	Total 2023 £m	Furniture and equipment 2022 £m	Right of use asset 2022 £m	Total 2022 £m
At 1 January	**0.7**	**8.6**	**9.3**	1.7	10.9	12.6
Additions	**–**	**0.8**	**0.8**	–	1.2	1.2
Disposals	**–**	**–**	**–**	–	–	–
Depreciation charge for the year	**(0.3)**	**(3.2)**	**(3.5)**	(1.0)	(3.5)	(4.5)
At 31 December	**0.4**	**6.2**	**6.6**	0.7	8.6	9.3

14. Intangible asset

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
At 1 January	**1.8**	2.4	**1.8**	2.4
Additions	**–**	–	**–**	–
Amortisation charge for the year	**(0.5)**	(0.6)	**(0.5)**	(0.6)
At 31 December	**1.3**	1.8	**1.3**	1.8

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

15. Trade and other receivables

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Loan investments due within one year (note 4)	**546.9**	313.3	**546.9**	313.3
Guarantees due within one year	**6.7**	6.5	**6.7**	6.5
Amounts owed by non-consolidated investment entities	**5.6**	10.5	**5.6**	10.5
Amounts owed by non-investment subsidiaries	**–**	–	**0.9**	1.2
Prepayments	**3.8**	2.5	**3.8**	2.5
Government grant receivable	**75.7**	32.7	**75.7**	32.7
VAT recoverable	**2.2**	1.6	**1.8**	1.4
Other receivables	**65.1**	35.2	**56.7**	33.5
Total trade and other receivables	**706.0**	402.3	**698.1**	401.6

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	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Trade payables*	**1.2**	1.4	**1.2**	1.5
Amounts owed to non-consolidated investment entities	**1.0**	21.4	**1.0**	21.4
Amounts owed to non-investment subsidiaries	**–**	–	**0.6**	3.0
Tax payable	**1.7**	0.4	**–**	–
LTIPP accrual	**14.9**	12.3	**12.7**	10.5
Other accruals and deferred income	**20.8**	14.9	**17.2**	14.6
Total trade and other payables	**39.6**	50.4	**32.7**	51.0

* The average credit for trade payable is 33 days.

The amount owed to investment entities in 2023 for Group and Company is £1.0 million (2022: £21.4 million) of which £nil is interest bearing.

17. Pension commitments

The Company and Group operate one funded pension scheme in the UK called the CDC Pensions Scheme (the '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 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 Trustee 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.

17. Pension commitments continued

Main assumptions:	2023 %	2022 %
Discount rate	**4.5**	4.8
RPI Inflation assumption	**3.3**	3.5
CPI Inflation assumption	**2.9**	2.9
Deferred pension revaluation		
Excess over GMP (RPI capped at 5% pa)	**3.4**	3.8
GMP	**5.1**	5.3
Pension increases in payment		
Fixed 5% pensions	**5.0**	5.0
RPI capped at 5% pa pensions	**3.1**	3.2
'Scheme Benefit Limit' (greater of 3% pa and RPI)	**3.9**	4.1
Pre 88 GMPs	**0.0**	0.0
Post 88 GMPs (CPI capped at 3% pa)	**2.4**	2.4

Life expectancy of a pensioner reaching age 65	2023	2022
for a male, currently aged 65	**24.1**	24.0
for a female, currently aged 65	**26.2**	26.1
for a male, reaching age 65 in 10 years' time	**25.2**	25.1
for a female, reaching age 65 in 10 years' time	**27.3**	27.2

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-22 Quoted	Allocation percentage 31 Dec-22 Unquoted	Allocation percentage 31 Dec-22 Total
Buy-in contract with Rothesay Life	**0.0%**	**97.3%**	**97.3%**
In 2023	**0.0%**	**97.3%**	**97.3%**
Cash/net current assets/other	**2.7%**	**0.0%**	**2.7%**
In 2023	**2.7%**	**0.0%**	**2.7%**
Fair value of scheme assets at 31 December 2023	**£8.1m**	**£287.5m**	**£295.6m**
Fair value of scheme assets at 31 December 2022	£8.4m	£288.4m	£296.8m

Assets and liabilities of the Scheme at 31 December	2023 £m	2022 £m
Buy-in contract with Rothesay Life	**287.5**	288.4
Net current assets	**8.1**	8.4
Fair value of assets	**295.6**	296.8
Defined benefit obligation	**(289.0)**	(290.1)
Surplus	**6.6**	6.7
Restriction due to asset ceiling	**(6.6)**	(6.7)
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 2022	**(290.1)**	**296.8**	**(6.7)**	**–**
Administration costs incurred during the year	**–**	**(0.8)**	**–**	**(0.8)**
Interest cost	**(13.6)**	**13.9**	**(0.3)**	**–**
Past service cost – plan amendments	**–**	**–**	**–**	**–**
Cost recognised in administrative expenses	**(13.6)**	**13.1**	**(0.3)**	**(0.8)**
Actuarial gain due to liability experience	**7.9**	**–**	**–**	**7.9**
Actuarial loss due to liability assumptions	**(8.4)**	**–**	**–**	**(8.4)**
Actuarial gain on assets	**–**	**0.5**	**–**	**0.5**
Change in effect of asset ceiling	**–**	**–**	**0.4**	**0.4**
Remeasurement effects recognised in the Group's Statement of Comprehensive Income	**(0.5)**	**0.5**	**0.4**	**0.4**
Employer contributions to the CDC Pensions Scheme	**–**	**0.4**	**–**	**0.4**
Benefits paid (including administration costs)	**15.2**	**(15.2)**	**–**	**–**
Cash flows	**15.2**	**(14.8)**	**–**	**0.4**
At 31 December 2023	**(289.0)**	**295.6**	**(6.6)**	**(0.4)**

17. Pension commitments continued

Reconciliation of the (liability)/asset:	Defined benefit obligation £m	Fair value of assets £m	Asset ceiling £m	(Liability)/ asset £m
At 31 December 2021	(426.5)	435.2	(8.7)	–
Administration costs incurred during the year	–	(0.8)	–	(0.8)
Interest cost	(7.5)	7.7	(0.2)	–
Past service cost – plan amendments	–	–	–	–
Cost recognised in administrative expenses	(7.5)	6.9	(0.2)	(0.8)
Actuarial loss due to liability experience	(19.4)	–	–	(19.4)
Actuarial gain due to liability assumptions	148.6	–	–	148.6
Actuarial loss on assets	–	(131.0)	–	(131.0)
Change in effect of asset ceiling	–	–	2.2	2.2
Remeasurement effects recognised in the Group's Statement of Comprehensive Income	129.2	(131.0)	2.2	0.4
Employer contributions to the CDC Pensions Scheme	–	0.4	–	0.4
Benefits paid (including administration costs)	14.7	(14.7)	–	–
Cash flows	14.7	(14.3)	–	0.4
At 31 December 2022	(290.1)	296.8	(6.7)	–

Maturity profile of defined benefit obligations at 31 December	2023 £m	2022 £m
Expected benefit payments due within 1 year	**16.1**	17.4
Expected benefit payments due within 1-2 years	**16.5**	18.1
Expected benefit payments due within 2-3 years	**16.9**	18.4
Expected benefit payments due within 3-4 years	**17.2**	18.7
Expected benefit payments due within 4-5 years	**17.3**	18.9
Expected benefit payments due within 5-10 years	**88.3**	96.5
Expected benefit payments due after 10 years	**390.0**	397.1

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, funded 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 Secured Overnight Financing Rates (SOFR).

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							
2023	**–**	**31.0**	**26.0**	**57.0**	**–**	**–**	*****
2022	–	22.5	26.5	49.0	–	–	*
Financial assets: short-term deposits receivable within 90 days							
2023	**760.1**	**–**	**–**	**760.1**	**5.09%**	**1.0**	**–**
2022	1,110.0	–	–	1,110.0	3.64%	1.0	–
Financial assets: short-term deposits receivable after 90 days							
2023	**1.8**	**–**	**–**	**1.8**	**0.08%**	**1.0**	**–**
2022	0.1	–	–	0.1	0.00%	1.0	–
Financial assets: loan investments							
2023	**541.0**	**1,298.5**	**8.8**	**1,848.3**	**8.80%**	**6.4**	**–**
2022	603.9	1,050.8	9.4	1,664.1	8.30%	7.2	–

* The Group's no interest cash is repayable on demand.

18. Financial instruments continued

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							
2023	**–**	**31.0**	**16.9**	**47.9**	**–**	**–**	*****
2022	–	22.5	26.5	49.0	–	–	*
Financial assets: short-term deposits receivable within 90 days							
2023	**760.1**	**–**	**–**	**760.1**	**5.09%**	**1.0**	**–**
2022	1,108.9	–	–	1,108.9	3.64%	1.0	–
Financial assets: short-term deposits receivable after 90 days							
2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2022	–	–	–	–	–	–	–
Financial assets: loan investments							
2023	**541.0**	**1,298.5**	**8.8**	**1,848.3**	**8.80%**	**6.4**	**–**
2022	603.9	1,050.8	9.4	1,664.1	8.30%	7.2	–

* The Company's no interest cash is repayable on demand.

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 2023 £m	Other 2023 £m	Total 2023 £m	US dollars 2022 £m	Other 2022 £m	Total 2022 £m
Pound sterling	**156.4**	**22.6**	**179.0**	466.3	25.9	492.2
Total	**156.4**	**22.6**	**179.0**	466.3	25.9	492.2

The following table shows the currency of the Group's equity investments:

Currency	Listed equity at valuation 2023 £m	Unlisted equity at valuation 2023 £m	Total 2023 £m	Listed equity at valuation 2022 £m	Unlisted equity at valuation 2022 £m	Total 2022 £m
US dollar	**8.4**	**4,021.7**	**4,030.1**	9.0	4,005.5	4,014.5
Indian rupee	**61.3**	**590.6**	**651.9**	59.8	511.9	571.7
Euro	**–**	**254.5**	**254.5**	–	244.3	244.3
Pound sterling	**–**	**164.6**	**164.6**	–	17.1	17.1
Moroccan dirham	**135.8**	**–**	**135.8**	153.0	–	153.0
South African rand	**–**	**40.8**	**40.8**	–	43.3	43.3
Nepalese rupee	**–**	**24.2**	**24.2**	–	19.5	19.5
Pakistani rupee	**22.7**	**–**	**22.7**	17.1	–	17.1
Other	**–**	**5.5**	**5.5**	–	5.7	5.7
Total	**228.2**	**5,101.9**	**5,330.1**	238.9	4,847.3	5,086.2

The following table shows the currency of the Group loan investments:

Currency	Level 1 2023 £m	Level 3 2023 £m	Total 2023 £m	Level 1 2022 £m	Level 3 2022 £m	Total 2022 £m
US dollar	**18.5**	**1,380.1**	**1,398.6**	18.2	1,193.7	1,211.9
Indian rupee	**–**	**248.3**	**248.3**	–	270.8	270.8
Euro	**–**	**88.7**	**88.7**	–	95.5	95.5
South African rand	**–**	**87.6**	**87.6**	–	57.1	57.1
Kenyan shilling	**–**	**14.4**	**14.4**	–	28.3	28.3
Tanzanian shilling	**–**	**10.7**	**10.7**	–	–	–
Other	**–**	**–**	**–**	–	0.5	0.5
Total	**18.5**	**1,829.8**	**1,848.3**	18.2	1,645.9	1,664.1

Group guarantee investments of £86.1 million are all denominated in US dollars.

18. Financial instruments continued

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 2023 £m	Other 2023 £m	Total 2023 £m	US dollars 2022 £m	Other 2022 £m	Total 2022 £m
Pound sterling	153.7	16.5	170.2	463.6	20.9	484.4
Total	153.7	16.5	170.2	463.6	20.9	484.4

The following table shows the currency of the Company's equity investments:

Currency	Listed equity at valuation 2023 £m	Unlisted equity at valuation 2023 £m	Total 2023 £m	Listed equity at valuation 2022 £m	Unlisted equity at valuation 2022 £m	Total 2022 £m
US dollar	8.4	4,024.7	4,033.1	9.0	4,008.1	4,017.1
Indian rupee	61.3	595.2	656.5	59.8	515.8	575.6
Euro	–	254.5	254.5	–	244.3	244.3
Pound sterling	–	169.9	169.9	–	20.3	20.3
Moroccan dirham	135.8	–	135.8	153.0	–	153.0
South African rand	–	40.8	40.8	–	43.3	43.3
Nepalese rupee	–	24.2	24.2	–	19.5	19.5
Pakistani rupee	22.7	–	22.7	17.1	–	17.1
Other	–	5.5	5.5	–	5.7	5.7
Total	228.2	5,114.8	5,343.0	238.9	4,857.0	5,095.9

The following table shows the currency of the Company's loan investments:

Currency	Level 1 2023 £m	Level 3 2023 £m	Total 2023 £m	Level 1 2022 £m	Level 3 2022 £m	Total 2022 £m
US dollar	18.5	1,380.1	1,398.6	18.2	1,193.7	1,211.9
Indian rupee	–	248.3	248.3	–	270.8	270.8
Euro	–	88.7	88.7	–	95.5	95.5
South African rand	–	87.6	87.6	–	57.1	57.1
Kenyan shilling	–	14.4	14.4	–	28.3	28.3
Tanzanian shilling	–	10.7	10.7	–	–	–
Other	–	–	–	–	0.5	0.5
Total	18.5	1,829.8	1,848.3	18.2	1,645.9	1,664.1

Company guarantee investments of £86.1 million are all denominated in US dollars.

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:

2023 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	761.9	478.6	546.9	79.4	73.1
Due within one to two years	–	–	220.7	–	–
Due within two to three years	–	–	260.1	–	–
Due within three to four years	–	–	168.5	–	–
Due within four to five years	–	–	184.0	–	–
Due after five years	–	–	468.1	–	–
Total	761.9	478.6	1,848.3	79.4	73.1

18. Financial instruments continued

2022 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	1,110.1	402.3	313.3	87.0	86.4
Due within one to two years	–	–	194.9	–	–
Due within two to three years	–	–	177.8	–	–
Due within three to four years	–	–	173.8	–	–
Due within four to five years	–	–	169.7	–	–
Due after five years	–	0.6	634.6	–	–
Total	1,110.1	402.9	1,664.10	87.0	86.4

2023 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	**2.8**	**39.6**	**1.5**
Due within one to two years	**2.3**	**–**	**–**
Due within two to three years	**2.4**	**–**	**–**
Due within three to four years	**2.3**	**–**	**–**
Due within four to five years	**0.5**	**–**	**–**
Due after five years	**–**	**–**	**–**
Total	**10.3**	**39.6**	**1.5**

2022 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	3.2	50.4	12.2
Due within one to two years	2.1	–	–
Due within two to three years	2.0	–	–
Due within three to four years	2.0	–	–
Due within four to five years	2.1	–	–
Due after five years	–	–	–
Total	11.4	50.4	12.2

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:

2023 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	**760.1**	**470.7**	**546.9**	**79.4**	**73.1**
Due within one to two years	**–**	**–**	**220.7**	**–**	**–**
Due within two to three years	**–**	**–**	**260.1**	**–**	**–**
Due within three to four years	**–**	**–**	**168.5**	**–**	**–**
Due within four to five years	**–**	**–**	**184.0**	**–**	**–**
Due after five years	**–**	**–**	**468.1**	**–**	**–**
Total	**760.1**	**470.7**	**1,848.3**	**79.4**	**73.1**

2022 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	1,108.9	401.6	313.3	87.0	86.4
Due within one to two years	–	–	194.9	–	–
Due within two to three years	–	–	177.8	–	–
Due within three to four years	–	–	173.8	–	–
Due within four to five years	–	–	169.7	–	–
Due after five years	–	–	634.6	–	–
Total	1,108.9	401.6	1,664.10	87.0	86.4

2023 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	**1.9**	**32.7**	**1.5**
Due within one to two years	**1.5**	**–**	**–**
Due within two to three years	**1.6**	**–**	**–**
Due within three to four years	**1.6**	**–**	**–**
Due within four to five years	**–**	**–**	**–**
Due after five years	**–**	**–**	**–**
Total	**6.6**	**32.7**	**1.5**

18. Financial instruments continued

2022 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	2.9	51.0	12.2
Due within one to two years	1.7	–	–
Due within two to three years	1.7	–	–
Due within three to four years	1.8	–	–
Due within four to five years	0.8	–	–
Due after five years	–	–	–
Total	**8.9**	**51.0**	**12.2**

The Company does not net off contractual amounts of financial assets and liabilities.

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 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	
	2023 £m	2022 £m	2023 £m	2022 £m
Opening value	**6,586.7**	5,767.0	**6,596.4**	5,774.4
Additions	**1,408.5**	1,420.9	**1,408.5**	1,420.9
Disposals and repayments	**(699.4)**	(929.6)	**(699.4)**	(929.6)
Deferred income movement	**0.8**	(0.4)	**0.8**	(0.4)
Fair value movement	**72.9**	(298.3)	**72.5**	(296.2)
Foreign exchange movement	**(351.8)**	627.1	**(351.7)**	627.2
Closing value	**7,017.7**	6,586.7	**7,027.1**	6,596.4

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. Liquidity Risk is managed by reference to two liquidity metrics: 1) a cash to net asset value ratio below 10 per cent over a rolling 12-month period recognising timing and quantum uncertainties inherent in cash flows for investment disbursements and receipts; 2) a collateral coverage ratio above 100% at all times to demonstrate that we have sufficient liquid resources to meet liabilities as they fall due. The Group's cash balance as at 31 December 2023 was £818.9 million (2022: £1,159.1 million) and its capital commitments including long-term commitments were £1,995.3 million (2022: £2,526.8 million).

	Group		Company	
Analysis of total cash balance	2023 £m	2022 £m	2023 £m	2022 £m
Cash at bank and in hand	**57.0**	49.0	**47.9**	42.5
Short-term deposits receivable	**761.9**	1,110.1	**760.1**	1,108.9
Total	**818.9**	1,159.1	**808.0**	1,151.4

The short-term deposits receivable can easily be converted into cash. The Company has promissory notes of £319.5 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 addition, unfunded guarantees can also be called upon at short notice.

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.

19. Financial risk management continued

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.

	2023 £m	2022 £m
2013 and prior	**227.3**	322.5
2014	**16.2**	37.8
2015	**30.7**	42.2
2016	**36.6**	86.0
2017	**106.5**	140.8
2018	**61.3**	147.1
2019	**263.9**	413.1
2020	**112.2**	210.6
2021	**347.1**	451.8
2022	**359.2**	674.9
2023	**434.3**	–
Total	**1,995.3**	2,526.8

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	2023 £m	2022 £m	2023 £m	2022 £m
Loan investments	4	**1,848.3**	1,664.1	**1,848.3**	1,664.1
Guarantees	5	**79.4**	87.0	**79.4**	87.0
FFECs in profit	8	**73.1**	86.4	**73.1**	86.4
Trade and other receivables (excluding loans)	15	**159.1**	89.0	**151.2**	88.3
Notes receivable	24	**319.5**	30.0	**319.5**	30.0
Short-term deposits	6	**761.9**	1,110.1	**760.1**	1,108.9
Cash and cash equivalents	6	**57.0**	49.0	**47.9**	42.5
Total		**3,298.3**	3,115.6	**3,279.5**	3,107.2

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 at 31 December 2023, 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.

Market risk

Interest rate risk

The Group's and Company's interest rate risk arises primarily from exposure to the investment loan and bond portfolio and to a lesser degree, term deposits at financial institutions. The exposure to fixed rate assets gives rise to fair value (price) risk while the exposure to floating rate assets gives rise mostly to variations in cash flow receipts over time. Interest rate risk is monitored and reported to management (starting in Q4 22) on a quarterly basis. The Group currently does not hedge this risk as it is within risk appetite but will continue to evaluate and monitor its levels and impacts in the future.

British International Investment plc has a portfolio of loans valued at £1,848.3 million (2022: £1,664.1 million), of which £541 million (2022: £603.9 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 2.5 per cent increase in interest rates across maturities would cause a fair value loss of approximately £36.9 million based on year-end figures.

As at 31 December 2023, the weighted average interest rate earned on the Group's and Company's bank deposit was 5.15 per cent (2022: 3.65 per cent). In preparing the sensitivity analysis, a reasonable approximation of possible change is considered to be a 2 per cent increase and 2 per cent decrease (2022: 2.0 per cent increase and 2.0 per cent decrease) change in all interest rates. With all other variables held constant, a 2 per cent increase would have a £21.5 million positive impact on the Group's profit before tax (2022: 2.0 per cent increase would have a £15.1 million positive impact on the Group's profit before tax). A 2 per cent decrease would have £21.5 million negative impact on the Group's profit before tax (2022: 2.0 per cent decrease would have a £15.1 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.

19. Financial risk management continued

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 15 per cent decrease (2022: 10 per cent increase or 15 per cent 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.

2023	+ 10%			- 15%		
Currency	Unhedged financial assets £m	FFECs £m	Total impact on profit £m	Unhedged financial assets £m	FFECs £m	Total impact on profit £m
US dollar	**(567.9)**	**(151.8)**	**(719.8)**	**852.2**	**294.7**	**1,146.9**
Indian rupee	**(91.1)**	**(34.9)**	**(126.0)**	**142.6**	**67.7**	**210.3**
Euro	**(34.6)**	**(18.0)**	**(52.6)**	**51.8**	**35.0**	**86.8**
Moroccan dirham	**(14.1)**	**–**	**(14.1)**	**21.2**	**–**	**21.2**
Pakistani rupee	**(2.3)**	**–**	**(2.3)**	**3.5**	**–**	**3.5**
South African rand	**(13.0)**	**(22.0)**	**(35.0)**	**19.4**	**42.7**	**62.1**
Nepalese rupee	**(2.4)**	**–**	**(2.4)**	**3.6**	**–**	**3.6**
Other	**(2.2)**	**–**	**(2.2)**	**3.3**	**–**	**3.3**

2022	+ 10%			- 15%		
Currency	Unhedged financial assets £m	FFECs £m	Total impact on profit £m	Unhedged financial assets £m	FFECs £m	Total impact on profit £m
US dollar	(760.7)	(168.9)	**(929.5)**	1,141.0	327.8	**1,468.8**
Indian rupee	(126.2)	(29.8)	**(156.0)**	189.2	72.9	**262.1**
Euro	(17.6)	(6.7)	**(24.3)**	26.5	24.8	**51.3**
Moroccan dirham	(16.0)	–	**(16.0)**	23.9	–	**23.9**
Pakistani rupee	(1.8)	–	**(1.8)**	2.7	–	**2.7**
South African rand	(15.2)	(4.6)	**(19.7)**	22.8	8.9	**31.7**
Nepalese rupee	(2.0)	–	**(2.0)**	2.9	–	**2.9**
Other	(0.8)	–	**(0.8)**	1.3	–	**1.3**

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 2023, the Group had equity investments of £5,330.1 million (2022: 5,086.2 million). Included in this balance is an investment in a wholly owned investment entity with a value of £1,138.2 million which represented 21.4 per cent of the Group's equity investments (2022: £1,206.7 million, 23.7 per cent).

A 10 per cent change in the fair value of the Group's equity investments would impact the Group's profit by £533.0 million (2022: 10 per cent change, impact £508.6 million).

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 2022). 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 Parent entity 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 Parent entity. 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	2023 £m	2022 £m
Fair value financial assets		**4.9**	3.3
Grant income recognised	9	**0.9**	0.5
As at 31 December			
Deferred grant income (non-current)		**(93.0)**	(39.3)
Promissory note receivable (current)	15	**75.7**	32.7

21. Capital commitments

Amounts contracted for but not provided for in the accounts amounted to £1,995.3 million (2022: £2,526.8 million) for investment commitments (see note 19 for further details).

22. Leases

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Right of use assets – cost	**21.4**	24.2	**17.5**	21.3
Total	**21.4**	24.2	**17.5**	21.3

Information about leases for which BII is a lessee is presented below.

Right of use assets – accumulated depreciation

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Balance at 1 January	**14.1**	10.1	**12.3**	8.8
Depreciation charged for the year	**4.3**	4.0	**3.2**	3.5
Balance at 31 December	**18.4**	14.1	**15.5**	12.3

Lease liabilities

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Current liabilities	**2.8**	3.2	**1.9**	2.9
Non-current liabilities	**7.5**	8.2	**4.7**	6.0
Total lease liabilities	**10.3**	11.4	**6.6**	8.9

During the year, total lease payments made by the Group were £3.8m (2022: £3.7 million) and £3.1m (2022: £3.4 million) by the Company.

Lease charges within the year

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Interest on lease liabilities/finance costs	**0.7**	0.4	**0.4**	0.4
Depreciation	**4.3**	4.0	**3.2**	3.5
	5.0	4.4	**3.6**	3.9

23. Contingent liabilities

The Group and the Company had the following contingent liabilities as at 31 December 2023:

- In respect of unfunded risk participation agreements with a value of £199.2 million (2022: £296.9 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 £6.3 million (2022: £8.1 million)

These may, but probably will not, require an outflow of resources.

24. Related party transactions

Parent entity

During 2022 and 2023, 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 £289.5 million in 2023 (2022: £214.7 million). On 5 October 2023, the Parent entity subscribed to 153,045,894 ordinary shares in the capital of the Company for the transfer of securities in UK Climate Investments LLP.

During the year, the Company received £nil (2022: £1,085.7 million) from its Parent entity in relation to settlement of a portion of the promissory notes receivable.

As at 31 December 2023, the Company had promissory notes of £319.5 million (2022: £30.0 million) due from its Parent entity. The receivable is payable on demand and without interest.

During 2023, the Company received a capital grant of £56.7 million (2022: £39.8 million) by issuance of a promissory note. As at 31 December 2023, the Company had £75.7 million (2022: £32.7 million) of promissory notes receivable (refer to note 15).

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 64 TO 74. 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 KMP.

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:

	2023 £m	2022 £m
Statement of comprehensive income		
Interest income	**3.7**	8.4
Management fee income	**9.4**	12.0
Management fee expense	**(12.7)**	(16.6)
Statement of financial position		
Equity investments	**1,600.2**	1,719.3
Equity investments – non-holding companies	**243.7**	234.4
Trade and other receivables	**6.1**	11.7
Trade and other payables	**–**	(24.4)

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 2023. 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.

FCDO lodged a new promissory note for £280 million on 6 March 2024.

March 2024 saw the devaluation of the Egyptian pound. At 31 December 2023, the value of investments held by the Group was £48.9 million. The devaluation of the currency is not material to the Group.

26. Summary of material accounting policy information

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 2022). 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 that 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 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 a difference in accounting standards. BII performs back-testing to check if there are any significant differences between fund audited financial results against quarterly fund reports which are used in the valuation process.

Loan investments are recognised at the fair value of the consideration given to originate the loan and are subsequently measured at fair value. For passive co-investments, BII values its direct equity investments based on Fund Manager valuation methodology. Passive co-investment loans are valued at amortised cost. 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, and 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.

26. Summary of material accounting policy information continued

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 based on 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 3 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 the 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, 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. A default event is triggered when a guarantee is called as a result of the customer failing to meet its obligations under the terms of the agreement. The method used to calculate the ECLs are based on the following inputs:

26. Summary of material accounting policy information continued

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 obligor's 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 is 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 cash flows.

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.

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.

26. Summary of material accounting policy information continued

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 (LTIPP) 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.

26. Summary of material accounting policy information continued

New and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the Group's financial statements.

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 accounting standards became effective for periods commencing on or after 1 January 2023:

- 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. BII has assessed the requirements of the standard as having no impact on the Group, as the Group does not have any contracts that meet the definition of an insurance contract under IFRS 17.
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies, which requires Companies to disclose material accounting policy information rather than significant accounting policies.
- Amendments to IAS 8 – Definition of Accounting Estimates. The Group has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. This standard has no material impact on the Group.

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:

- Amendments to IFRS 10 and IAS 28 – Sale of Contribution of Assets between an Investor and its Associate or Joint Venture. The standard is effective from 1 January 2024.
- Amendments to IAS 1 Classification of liabilities as Current or Non-Current. The standard is effective from 1 January 2024.

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
British International Investment India Advisers Private Limited^ Premise No.11, 1st Floor, 3 North Avenue, Maker Maxity, Bandra Kurla Complex, Mumbai, MH 400051 IN, India	Ordinary	100.0	Investment advisory
British International Investment Holdings Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment advisory
British International Investment East Africa Advisers Limited 3rd Floor, Westpark Suites, Ojijo Road, Parklands, Kenya	Ordinary	100.0	Investment advisory
BII West Africa Investments Limited KPMG Towers, Bishop Aboyade Cole Street, Victoria Island, Lagos, Nigeria	Ordinary	100.0	Investment advisory
Dayton Advisers Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment advisory
BII Pakistan (Private) Limited 1st Floor, Modern Motors House, Beaumont Road, Karachi 75530, South Sindh, Pakistan	Ordinary	100.0	Investment advisory
BII Bangladesh Advisers (Private) Limited C/o Locus, Tower-52, Level-4, Road-11, Block-C, Banani, Bangladesh	Ordinary	100.0	Investment advisory
British International Investment (Singapore) Pte Ltd 1 Robinson Road #17-00, AIA Tower Singapore	Ordinary	100.0	Investment advisory
BII LLC Unit F6, Building E, 5A The Waterway, New Cairo, Cairo, Egypt	Ordinary	100.0	Investment advisory

^ Directly held by the Company.

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27. Related undertakings continued

Subsidiaries not consolidated

Company 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 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment Holding	USD	12.5	178.5
CDC Africa Cement Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	In liquidation	USD	–	–
BII Africa Power Limited c/o IQ EQ Corporate Services (Mauritius) Ltd, Cascades Building, Edith Cavell Street, Port Louis, Republic of Mauritius	Ordinary	100.0	Investment holding	USD	(0.2)	66.2
BII Asset Management Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
CDC Emerging Markets Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	(0.6)	–
BII Financial Services Mauritius Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	GBP	0.1	0.6
BII Gateway Holdings LLP^ 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	4.0	221.0
BII Gateway A LLP 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	EUR	1.7	88.3
BII Gateway B LLP 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	1.3	3.1
BII Gateway C LLP 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	2.6	120.6
BII Gateway D LLP 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	–	–
BII Group Limited 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant Company	GBP	–	–
BII Holdings Guernsey Limited^x 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	52.6	492.6
BII India EV LLP 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	–	51.5
CDC India Investments Private Limited^ Premise No.11, 1st Floor, 3 North Avenue, Maker Maxity, Bandra Kurla Complex, Mumbai, MH 400051 IN, India	Ordinary	100.0	Investment holding	INR	–	–
CDC India Opportunities Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	0.5	14.0
BII Investment Holdings Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	In liquidation	GBP	–	–
BII Nepal Opportunities Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	3.9	10.7
British International Investment Overseas Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	GBP	–	–
CDC Pakistan Power Projects Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	5.5	8.5
BII Scots GP Limited^ 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	Ordinary	100.0	Investment holding	USD	–	–

27. Related undertakings continued

Company 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 South Asia Limited^ c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	In liquidation	USD	–	–
BII Ukraine Limited 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	–	–
BII South Asia Renewables Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	(2.2)	–
BII Nominee No.1 Limited (Previously The Africa List Limited)^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
Gridworks Development Partners LLP^ 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	(9.4)	23.3
MedAccess Guarantee Limited^ 84 Eccleston Square, Pimlico, London SW1V 1PX	Ordinary	100.0	Operating company	USD	9.9	194.4
Pan African Holdings Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	In liquidation	GBP	–	–
Sinndar Holdings Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	0.8	50.9
BII Scots LP^ 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	Partnership interest	100.0	Investment holding	USD	(2.4)	35.8
UK Climate Investments LLP Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD, England	Ordinary	100.0	Investment holding	GBP	(1.5)	165.6
CDC North Africa Healthcare Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	98.0	Investment holding	USD	(5.8)	63.0
Growth Investment Partners Ghana Ltd Ground Floor, Regimanuel Gray Head Office Building A02 Maale Dada St, PO Box 2617 Accra, Ghana	Ordinary	97.8	Investment holding	USD	–	–
Globeleq Limited Second Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WW	Ordinary	70.0	Operating holding company	USD	(27.0)	357.1
Dayton Investments Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	51.0	Investment holding	USD	0.8	38.7

* 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 BII Holdings Guernsey Limited is the borrower of record for the committed standby US$600m (£471.3m) Revolving Credit Facility (RCF). The assets of BII 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.

27. Related undertakings continued

The significant holdings in undertakings of BII at the end of the year are set out below.

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
3one4 Capital IFSC Fund 50 Saint Marks Road, Ashok Nagar, Office Number 1, 5th Floor, 1 Sobha, Bangalore, Karnataka 560001, India	Partnership interest	100.0	USD	–	–
A4C S Feeder LP 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ	Partnership interest	100.0	USD	(188.0)	26.3
Actis Energy 3C Sub-Feeder LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	14.0	35.6
Actis Africa Real Estate Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	In liquidation	
Advent Latin America Private Equity Fund IV LP Avenue Brigadeiro Faria Lima 3400, Set 41, Sao Paulo, 04538-132, Brazil	Partnership interest	100.0	USD	(0.1)	1.8
Ancile Trade Access Program Sub-Fund C/O Inoks Capital S.A., Rue de l'athénée 32, Geneva, Switzerland	Ordinary shares	100.0	USD	1.2	47.1
UK Climate Investments LLP Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD, England, United Kingdom	Partnership interest	100.0	GBP	–	165.6
Happy Travel Rolling Investors LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD		0.3
Ninety One Africa Credit Opportunities Funds (Investec) 36 Hans Strijdom Avenue, Foreshore, Cape Town, Foreshore 8001, South Africa	Partnership interest	100.0	USD	(2.4)	0.6
GEF Africa-LC Sustainable Forestry Fund LP 5471 Wisconsin Avenue, Suite 300, Chevy Chase, MD, 20815	Partnership interest	100.0	USD	(3.2)	–
Pragati India Fund Limited 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	99.0	USD		0.2
Takura III African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe	Partnership interest	99.0	USD	(0.2)	12.1

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Qiming Venture Partners II LP PO Box 309GT, Ugland House, George Town, Grand Cayman, Cayman Islands	Partnership interest	98.9	USD	3.3	22.9
Kotak India Affordable Housing Fund I 27 BKC, 7th Floor, Plot No C-27, Bandra Kurla Complex, Bandra, Mumbai – 400051, India	Units	90.9	INR	149.4	137.1
Actis South Asia Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	90.7	USD		0.2
Actis Infrastructure 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	83.8	USD		3.6
Momentum Africa Real Estate Parallel Company The Rex Building, 62 Queen Street, 2nd Floor, London EC4R 1EB, England, United Kingdom	Ordinary shares	83.3	USD	–	2.9
Actis Latin America 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	75.5	USD	–	1.5
Kotak India Private Equity Fund III 10th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	75.0	USD		–
AgDevCo Limited Chancery House 53-64 Chancery Lane, Holborn, London, United Kingdom, WC2A 1QS	Preference shares	71.4	USD		–
Actis ASEAN Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	69.2	USD		0.2
Altra Private Equity Fund I LP PO Box 1040, 2nd Floor, Harbour Centre, North Church Street, Grand Cayman, KY1-1102, Cayman Islands	Partnership interest	53.9	USD		–
Actis China 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	51.0	USD		0.1
Ayojana Fund (Pvt) Ltd 7th Floor, McLarens Building, 123, Bauddhaloka Mawatha, Colombo 4, Sri Lanka	Ordinary shares	50.0	LKR	–	–
NDB Venture Investment (Pvt) Ltd 7th Floor, McLarens Building, 123, Bauddhaloka Mawatha, Colombo 4, Sri Lanka	Ordinary shares	50.0	LKR	–	–

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
The Africa Power Platform PCC Platinum Square. Hola Road Industrial Area, Suite No. 10. Nairobi, Kenya	Ordinary shares	49.9	USD	^	^
Klinchenberg B.V. Fridtjof Nansens plass 4 N-0160, Oslo	Ordinary shares	49.9	USD	^	^
Aavishkaar Goodwell India Microfinance Development Company II Limited Level 6, One Cathedral Square, Jules Koenig Street, Port Louis, Mauritius	Ordinary shares	49.7	USD	^	^
Takura II African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe	Partnership interest	49.5	USD	^	^
14 Trees Limited c/o Holcim Group Services Ltd, im Schachen, 5113 Holderbank, AG, Switzerland	Ordinary shares	48.9	CHF	^	^
Pan African Housing Fund LLC Suite 510, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	47.7	USD	^	^
Kotak India Private Equity Fund Limited Suite 2005, Level 2, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary shares	47.3	USD	^	^
Zephyr Power (PVT.) Limited 68-B, Sindhi Muslim Housing Society, Karachi 74400, Pakistan	Ordinary shares	46.7	USD	^	^
Actis Africa Real Estate Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	46.6	USD	^	^
APF-II India Holdings Private Limited Unit 2, 4B, 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	45.8	USD	^	^
Insitor Impact Asia Fund Private Limited 6 Temasek Boulevard, #09-05, Suntec Tower Four, Singapore 038986	Partnership interest	45.2	USD	^	^
Aavishkaar Emerging India Fund 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 IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	44.4	USD	^	^
APF-I (Mauritius) Limited 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	43.7	USD	^	^
Endure Capital 21 C.V. 228 Hamilton Avenue, 3rd Floor, Palo Alto, CA 94301, United States	Partnership interest	43.5	USD	^	^
Africa Logistics Properties Crossinvest Global Management Limited, Avenue Geranium and Reservoir Road, Suite 011, Grand Baia Business Park, Grand Baie, Mauritius	Ordinary shares	42.0	USD	^	^
Aureos South Asia Fund (Holdings) LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	41.2	USD	^	^
ARM Cement Limited L.R. No. 209/7417/2 Chiromo Road, Westlands, Nairobi, Kenya	Ordinary shares	41.0	USD	^	^
Actis China Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	40.0	USD	^	^
Africa Water Infrastructure Development Limited St Peter's Port, Guernsey	Partnership interest	40.0	USD	^	^
Frontier Energy II Delta K/S C/O Frontier Investment Management, Bredgade 30 Copenhagen, 1260 Denmark	Partnership interest	39.6	USD	^	^
Kelix Bio Ltd (previously Zanzibar Pharma) 1 Bartholomew Ln, London EC2N 2AX	Ordinary shares	37.5	USD	^	^
Bujagali Holding Power Company Limited Plot No. 108/112, 5th Street, Industrial Are, Kampala, Uganda	Ordinary shares and redeemable preference shares	37.4	USD	^	^
African Forestry Impact Platform Post Office Box 434, North Sydney, New South Wales 2059, Australia	Partnership interest	37.2	USD	^	^
ShoreCap III 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 c/o Bech-Brunn Law Firm, Langelinie Alle 35, 2100 Copenhagen, Denmark	Partnership interest	36.4	EUR	^	^

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27. Related undertakings continued

Company 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 Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	35.4	USD	^	^
Actis Africa 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	35.3	USD	^	^
Faering Capital Fund III 95, Maker Chambers III, Nariman Point, Mumbai 400 021, India	Ordinary shares	35.2	USD	^	^
Saratoga Asia II LP c/o Walkers SPV Limited, Walkers House, 87 Mary Street, Grand Cayman KY 1-9002, Cayman Islands	Partnership interest	35.2	USD	^	^
Metro Wind Power Limited 7th Floor, Al-Tijarah Centre, 32-1-A, Block-6, P.E.C.H.S., Main Shahrah-e-Faisal, Karachi-75400, Pakistan	Ordinary shares	35.0	USD	^	^
Solon Capital Holdings c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	33.4	USD	^	^
GEMS Africa Unit Office 28, Level 3, Gate Village Building 10, Dubai International Financial Centre, Dubai, 8607, United Arab Emirates	Ordinary shares	33.3	USD	^	^
Ascent India Fund IV IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	33.0	USD	^	^
Pembani Remgro Infrastructure Fund II c/o Augentius Fund Administration, (Mauritius) Limited, Level 3, Alexander, House, 35 Cybercity, Ebene, Mauritius	Partnership interest	32.6	USD	^	^
Amicus Capital Partners Private Equity I Villa 188, Adarsh Palm Retreat, Outer Ring Road, Devarabisanahalli, Bangalore 560103, India	Ordinary shares	32.3	USD	^	^
Growth Catalyst Partners – Annex Fund 318 W. Adams Street #1607 Chicago, IL 60606	Ordinary shares	31.9	USD	^	^
Pembani Remgro Infrastructure Mauritius Fund I LP c/o Augentius Fund Administration (Mauritius) Limited, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	Partnership interest	31.1	USD	^	^
Garden City c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	30.9	USD	^	^
Actis India Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	30.7	USD	^	^
Injaro Agricultural Capital Holdings Limited c/o CKLB International Management Ltd, 1st Floor, 24 Dr Joseph Rivière Street, Port Louis, Mauritius	Ordinary shares	30.5	USD	^	^
Divercity Urban Property Fund Proprietary Limited Eyethu house, 270 Marshall Street City & Surburban, Johannesburg	Ordinary shares	30.1	ZAR	^	^
Fibonacci India Fund Co Limited (Phi Capital) IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	29.9	USD	^	^
Jacoma Estates Limited Hyde Park House, 5 Manfred Road, London	Preference shares	29.4	USD	^	^
Adiwale Fund I c/o Ocorian Corporate Services, Tower A, 1 CyberCity Ebene Mauritius	Partnership interest	29.4	EUR	^	^
The Sierra Investment Fund 5th Floor, Barkly Wharf, La Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	28.9	USD	^	^
Sawari Ventures North Africa Fund I Cooperatief U.A. One Drive Mohamed Sobhy, 4th Floor, Apartment 9, Cairo Egypt	Ordinary shares	28.7	USD	^	^
Energy Access Ventures Fund 7 Boulevard Malesherbes, 75008 Paris, France	Units	28.6	EUR	^	^

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Aureos Central Asia Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	28.5	USD	^	^
Colony Latin America Fund I-A LP (formerly Aureos Latin America Fund I LP) Colony Latin America Fund I GP, LLC Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands	Ordinary shares	28.3	USD	^	^
Helios Investors IV Helios Investors IV, L.P. P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands	Ordinary shares	28.2	USD	^	^
HR Food Processing Private Limited 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	^	^
COVID-19 Energy Access Relief Fund, B.V. Hoogoorddreef 15 ,1101 BA Amsterdam The Netherlands	Ordinary shares	28.0	USD	^	^
Insitor Impact Asia Fund 2 140B Neil Road 088869 Singapore	Ordinary shares	27.9	USD	^	^
CardinalStone Capital Advisers Growth Fund 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Partnership interest	27.8	USD	^	^
Abraaj Pakistan Fund I LP 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 St Louis Business Centre, Cnr Desroches & St. Louis Streets, Port Louis, Republic of Mauritius	Ordinary shares	27.5	INR	^	^
Atlantic Coast Regional Fund LLC 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 4th Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	27.2	USD	^	^
International Finance Participation Trust (Cayman 2004) PO Box 32322SM, Century Yard, Cricket Square, Grand Cayman, Cayman Islands	Units	27.0	USD	^	^
Ankur Capital II N5, Jetha Compound, Dr B Ambedkar Road, Byculla (east, Mumbai 400 027	Partnership Interest	26.7	INR	^	^
Regional Education Finance Fund for Africa 2, rue d'Alsace, L-1122 Luxembourg	Ordinary shares	26.7	USD	^	^
Growth Catalyst Partners LLC 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	26.5	USD	^	^
Ethos Private Equity Fund V 26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands	Partnership interest	26.5	USD	^	^
Capital Alliance Property Investment Company LP 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 2 More London Riverside, London, SE1 2JT	Partnership interest	26.1	USD	^	^
Aureos West Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	26.0	USD	^	^
Africa Forestry Fund II IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	25.9	USD	^	^
Metier AMN Partnership LP 4th Floor, Building 3, Oxford Parks 8 Parks Boulevard , Rosebank Johannesburg, 2196, South Africa	Partnership interest	25.9	USD	^	^
Ascent Rift Valley Fund II Ascent Capital Advisory Services 3rd Floor, Block E, ABC Place, Waiyaki Way, Nairobi, Kenya	Partnership interest	25.3	USD	^	^

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Aureos Southern Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	25.1	USD	^	^
Progression Eastern African Microfinance Equity Fund 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 #04-02 112 Robinson Road, Singapore, 068902	Ordinary shares	24.8	USD	^	^
Frontier Bangladesh II LP PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	Partnership interest	24.5	USD	^	^
VenturEast Life Fund III IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Preference shares	24.5	INR	^	^
Equator Africa Fund 2520 Nancy Gray Avenue, Fort Collins, Colorado, 80525, USA	Ordinary shares	24.4	USD	^	^
Seefund2 International IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	24.2	USD	^	^
Bangladesh Managed Account C.V. B45 Twenty-Foot Road, 3rd Floor, La Croisette, Grand Baie, Mauritius	Partnership interest	24.0	USD	^	^
Aavishkaar India II Company Limited 608 St James Court, St Denis Street, Port Louis, Mauritius	Ordinary shares	23.7	USD	^	^
Lynx Food Group Level 5 Alexander House 35 Cybercity Ebene Mauritius	Ordinary shares	23.7	USD	^	^
Africa Capitalworks Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary shares	23.3	USD	^	^
CX Partners Fund II 22 Saint Georges Street, Port Louis, Mauritius	Ordinary shares	23.2	USD	^	^

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Sahel Capital – FAFIN c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	22.8	USD	^	^
Sarva Capital LLC 6, Seethammal Colony, 1st Cross Street, Teynampet, Alwarpet, Chennai, Tamilnadu 600018 India	Ordinary shares	22.7	USD	^	^
India Financial Inclusion Fund Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	22.5	USD	^	^
Myanmar Opportunities Fund II c/o PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands	Partnership interest	22.4	USD	^	^
DP World Sokhna FZE Attaka, Suez Governorate 8131003, Egypt	Ordinary shares	22.2	USD	^	^
Ventureast Proactive Fund LLC IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	22.2	USD	^	^
Chemistry Holdings Limited 1/A, Sarguna Salai, Nagalkeni, Chromepet, Chennai 600044, India	Ordinary shares & Compulsory convertible preference shares	21.7	USD	^	^
iMerit Inc. 985 University Avenue Suite 8, Los Gatos, CA 95032, United States	Ordinary shares	21.2	USD	^	^
TLCom TIDE Africa Fund 85 Great Portland Street W1W 7LT London United Kingdom	Partnership Interest	21.3	USD	^	^
Green Growth Feeder Fund Pte. Ltd 163 Penang Road, #08-01, Winsland House II, Singapore 238463	Partnership Interest	21.2	USD	^	^
TVS Industrial & Logistics Parks Pvt Ltd B-106,10th Floor, Mittal Tower, B Wing, Nariman Point, Mumbai, Maharashtra 400021, India	Ordinary shares	21.1	USD	^	^

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Blue Sapphire Healthcares Private Limited 152, Mandakini Enclave, Alaknanda, Dehli – 110019, India	Ordinary shares	21.0	USD	^	^
Asian Institute of Medical Sciences Blue Sapphire Healthcares Private Limited 152, Mandakini Enclave, Alaknanda, Dehli – 110019, India	Ordinary shares	21.0	USD	^	^
Phatisa Food Fund 2 S3-S4, 2nd Floor Palm Square Complex, La Mivoie Mauritius	Ordinary shares	21.0	USD	^	^
Aavishkaar India Fund VI 13B, 6th Floor, Techniplex II, IT Park · Off Veer Sarvarkar Fly Over, Goregaon West · Mumbai, Maharashtra 400062 · India	Ordinary shares	20.7	INR	^	^
UNICAF UNICAF Building, Famagusta Avenue, 6019, Larnaca, Cyprus	Partnership interest	20.0	EUR	^	^
Actis India 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	20.0	USD	^	^
African Rivers Fund c/o Abax Corporate Services Ltd, 6th Floor, Tower A1, Cybercity, Ebene, Mauritius	Ordinary shares	20.0	USD	^	^
H1 Capital (Pty) Ltd 130 Bree St, Manhattan Place, Cape Town, South Africa	Redeemable preference shares	20.0	ZAR	^	^
India Agribusiness Fund II Limited D-41, Third Floor, Defence Colony, New Delhi, Delhi 110024, India	Ordinary shares	20.0	USD	^	^
UNIC Online Limited 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.

Glossary

Catalyst Portfolio	One of BII's portfolios, which takes a flexible approach to risk in exchange for creating impact
CFD	Climate-related Financial Disclosure
Commercial hurdle	A weighted cumulative investment return of at least 2% on the total portfolio over a seven-year period
the Company	British International Investment plc
DFI	Development finance institution
ESG	Environmental, social and governance
EU CBAM	European Union's Carbon Border Adjustment Mechanism
FCDO	Foreign, Commonwealth and Development Office
GHG	Greenhouse gas
the Group	British International Investment plc and its subsidiaries
Growth Portfolio	BII's largest investment portfolio, focused on providing capital to businesses with the potential to achieve sustainable growth while making positive environmental, social and economic impact
Kinetic Portfolio	One of BII's portfolios, focused on concessional investment strategies
MW	Megawatt
PCAF	Partnership for Carbon Accounting Financials
SDGs	The set of Sustainable Development Goals that the United Nations (UN) member states aim to achieve by 2030
the shareholder	Secretary of State for Foreign, Commonwealth and Development Affairs (the Foreign Secretary)
SME	Small and medium-sized enterprise
TCFD	Task Force for Climate-related Disclosure
tCO_2e	Tonnes of carbon dioxide equivalent

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