

# Pathways to Paris Alignment

**Our approach to driving just, net zero  
and climate-resilient growth in line  
with the Paris Agreement**



November 2025

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# Foreword

**Around the world, we are witnessing the escalating impacts of climate change: extreme weather events, record temperatures, and devastating floods are becoming more frequent and severe. These challenges threaten decades of hard-fought development progress and deepen existing inequalities. According to the World Bank, climate change could push up to 132 million people into poverty by 2030.<sup>1</sup>**

**£2.3 bn**  
climate finance committed since 2020, mobilising a further

**\$1.6 bn**  
through partnerships

<sup>1</sup> From the World Bank's 2020 paper "Revised Estimates of the Impact of Climate Change on Extreme Poverty by 2030"

<sup>2</sup> Bernd Heid, senior partner at McKinsey, noted that the market for climate technology currently stands at nearly \$1 trillion and roughly doubles every decade (Opportunities and Challenges Inside the Booming Climate Tech Market | Columbia Business School)

At British International Investment (BII), we see climate change not only as a risk but as a development challenge and an investment imperative. We invest in some of the world's most climate vulnerable countries, where the effects are already severe.

We also recognise the unique opportunities that many of our markets offer in the transition to net zero. Africa, for example, benefits from high solar radiation, presenting immense potential for renewable energy solutions.<sup>2</sup>

In 2020, we launched our Climate Change Strategy. At the time, there was no clear blueprint for how a development finance institution should align with the goals of the Paris Agreement.

Five years on, we are proud of the progress we've made. Since 2020, we have invested £2.3 billion (\$2.9bn) in climate finance across Africa and Asia, mobilising a further \$1.6 billion through partnerships. More than 40 per cent of our new commitments between 2022 and 2024 have supported climate-positive solutions – exceeding our original targets.

Yet we know that Paris alignment is about more than climate finance, and we are clear-eyed about the work that remains. A significant financing gap persists, especially in adaptation and resilience. We are committed to helping bridge this gap. Through partnerships with governments,

investors, and the private sector, we are scaling solutions that deliver both climate and development benefits. We use the full range of financial tools we have available – from growth and catalytic capital to technical assistance – to support sustainable, inclusive growth.

This report reflects on our journey so far – our approaches, processes and the tools we've developed. It is a journey of learning and refinement. Later in the report, our Head of Climate, Diversity and Advisory Amal-Lee Amin shares five key lessons from our first five years of working towards Paris alignment. We look forward to building on these and hope these insights will be useful to others navigating similar paths.

Climate change poses both risks and opportunities across every sector. We are dedicated to supporting each country we work with on its just and resilient pathway to net zero. By investing in innovation, mobilising capital and systemic change, we can shape a net zero and climate-resilient future where no one is left behind.



**Leslie Maasdorp**  
Chief Executive Officer,  
BII

## Introduction

### What is the Paris Agreement?

In 2015, the global community adopted the Paris Agreement, committing to limit the rise of global temperatures below 2°C above pre-industrial levels, while pursuing efforts to limit the increase to 1.5°C.

Crucially, Article 2.1(c) commits parties to “**make financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.**”

As the UK’s development finance institution, BII plays a critical role in advancing Article 2.1(c). Through our investments in some of the world’s most climate-vulnerable regions in Africa and South Asia, we support countries to pursue net zero, climate-resilient, just development pathways, as well as wider economic and social development objectives.

« We support countries to pursue net zero, climate-resilient, just development pathways »

### What does this mean for BII?

Alignment to the Paris Agreement goes beyond reducing emissions in high-emitting countries or investment portfolios. It recognises the importance of development pathways and involves supporting sustainable development tailored to national contexts and priorities.

As global temperatures continue to rise, climate shocks are becoming more frequent and severe. Building resilience, particularly in the least developed and most vulnerable countries, is just as critical as advancing mitigation efforts.

The Paris Agreement also focuses on the transition being inclusive and just for workers and communities, which is particularly important for high-carbon sectors and value chains.

As a development finance institution, we focus on delivering inclusive climate finance — for example, finance that benefits women, underserved communities, or the lowest-income markets. This is integrated across our entire Paris alignment approach.

### Our journey so far

In 2020, we launched our [Climate Change Strategy](#), *Investing for Clean and Inclusive Growth*, with three pillars:

- **Net zero by 2050:** Investing for a net zero world, because investment decisions today affect emissions tomorrow.
- **Just Transition:** Supporting a ‘just transition’ to a net zero economy by keeping the creation of decent jobs and skills development at the forefront of the change.
- **Adaptation and resilience:** Strengthening adaptation and resilience of communities, businesses and people to the effects of climate change.

Since 2020, BII has been on a journey to ensure its investments support countries’ national goals, align with pathways to just net zero and climate-resilient development, and advance the goals of its own portfolio, while also working through partnerships to drive wider systemic and market transformation.

This report sets out our progress on that journey, detailing how we are supporting our markets and embedding Paris alignment across our portfolio and operations.



**We are aligning all investment flows with the Paris Agreement and driving sustainable, inclusive development**

Our progress so far:

**\$2.9 bn**

climate finance invested between 2020-2024

**\$1.6 bn**

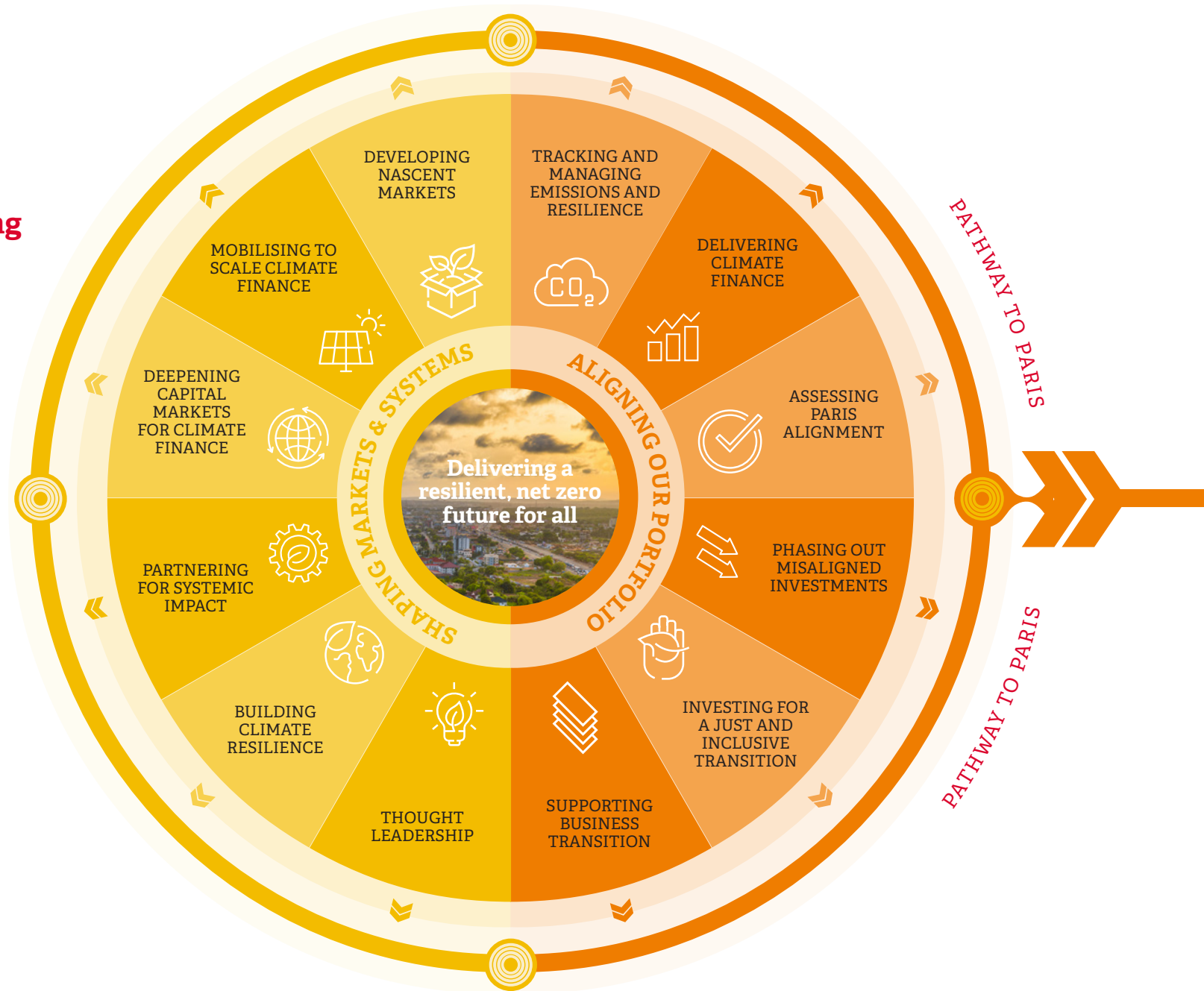
climate finance mobilised between 2020-2024

**42%**

of new commitments qualify as climate finance between 2022-2024

**26.5%**

of our portfolio is climate finance assets at year-end 2024



# Shaping markets and systems





## Our market-level approach

We take a long-term, strategic approach, working collaboratively to advance national development priorities while contributing to the just transition to an inclusive, resilient, net zero economy. Our ambition goes beyond our own investments and portfolio: we partner with others to unlock opportunities that drive economic growth, technological innovation, and systemic transformation.

In this section, we highlight how BII's work contributes to market-wide change.



## Developing nascent markets

Innovation and new technologies are essential to the transition. They bring fresh solutions to market and unlock new business models.

At BII, we invest in emerging sectors such as battery storage, e-mobility and climate-smart agriculture to accelerate progress where commercial capital is scarce. We focus on high-impact areas with the potential to deliver both climate and development outcomes.

Our e-mobility strategy is a prime example: by taking a flexible approach to risk, we help shape early-stage markets and open new pathways for inclusive, sustainable growth.



**1,600**  
tonnes of carbon  
dioxide avoided  
by BasiGo buses

## Spotlight on: Accelerating e-mobility in Kenya

E-mobility is a powerful driver of the net zero transition. Across many countries where we invest, the e-mobility sector is nascent, but its potential is immense. With the right investment, it can transform public transport systems, create green jobs and accelerate the resilient, net zero transition.

We're supporting the growth of e-mobility by investing across the sector, from vehicle manufacturing and battery swapping to charging infrastructure.

Between 2022 and 2024, we invested over \$300 million in e-mobility across Asia and Africa.

In East Africa, the e-mobility sector faces significant challenges, particularly around financing constraints and inadequate charging infrastructure. Commercial lenders are often hesitant to invest due to perceived high risks associated with the early-stage electric vehicle (EV) market.

We are using innovative financing solutions to support first-movers and pioneering businesses in Kenya's emerging e-mobility market, helping to bridge critical funding gaps and unlock scalable growth. Find out more in the case studies.



## A cleaner future for public transport

**Investment name:** BasiGo  
**Location:** Kenya, Rwanda

In 2022, BasiGo became the first company to introduce electric buses into passenger operations in Kenya, offering a cleaner alternative to diesel.

Through our Climate Innovation Facility, we provided a \$5 million concessional loan at a critical early stage, enabling BasiGo to shift from importing fully assembled buses to locally assembling vehicles, significantly reducing costs. We also supported BasiGo's expansion into Rwanda and we're providing technical assistance to develop a carbon credit programme, enabling BasiGo to generate additional revenue and lower the cost of its electric buses. The company has more than doubled its fleet in just two years, helping avoid 1,600 tonnes of emissions.

## Unlocking the potential of electric mobility

**Investment name:** Ampersand  
**Location:** Kenya, Rwanda

Ampersand designs and operates electric motorbikes and battery-swapping stations in Kenya and Rwanda. It aims to deliver 13,000 electric motorcycles and double its battery fleet by early 2026, delivering over 35,000 battery swaps daily and enabling thousands of drivers to access cleaner and more affordable motorcycles.

We invested \$7 million through our Climate Innovation Facility to help the company scale its operations and infrastructure, bridging critical financing gaps ahead of its Series B equity round. Our support unlocked additional investment demonstrating how DFIs like BII play a catalytic role.

Our investment is helping to prove the commercial viability of battery swapping technology, unlocking further private sector participation and contributing to the development of the electric mobility sector in Kenya and the wider East African region.

## Deepening capital markets for climate finance

Capital markets have a crucial role to play in financing a just transition to net zero and resilient economies. Yet in emerging economies, where climate impacts are most severe, capital markets often remain underdeveloped due to perceived risks.

We're working to stretch the reach of climate finance by designing financial instruments that can unlock new flows of finance to support climate action.



### Scaling green finance through local and international capital

**Investment name:** NMB Bank Plc  
**Location:** East Africa

NMB Bank's Jamii Bond marked a major milestone for climate finance in East Africa. As the largest sustainability bond ever issued in the region, and the first of its kind to be listed on the Dar es Salaam Stock Exchange, it channels funding into social and climate-focused projects that foster inclusive growth and strengthen resilience to climate change.

Our support for the bond has helped to deepen Tanzania's financial markets by mobilising local and international investors. Issued in both local currency and US dollar, the bond raised a total of TZS 400 billion (\$159 million) in its initial offering. The initiative brings together institutional and impact capital, building market confidence in sustainable finance.

By backing this bond, we're helping to create a blueprint for future issuances, demonstrating how targeted investment can unlock scalable solutions.



### Expanding climate finance for small businesses

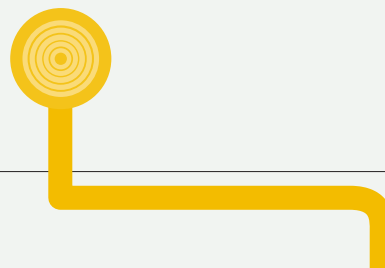
**Investment name:** Symbiotics – Micro, Small & Medium Enterprises Bonds S.A.  
**Location:** Africa, South Asia, South-East Asia

Access to climate finance remains limited for small-scale projects, especially in regions most affected by climate change. While local banks are well-positioned to serve micro, small and medium enterprises (MSMEs), they often face barriers to scaling green lending. These range from limited experience with climate-linked products, to underdeveloped market infrastructure.

To help close this gap, we partnered with Symbiotics to launch the first Green Basket Bond in 2022, followed by a second in 2024. These bonds channel financing to MSME lenders across Africa, South and South-East Asia, enabling them to finance small-scale climate projects including energy efficiency, clean transport, and forestry.

Our investment is designed to stretch the reach of climate finance, making it more inclusive and accessible to small businesses and communities. To amplify the impact, we provided technical assistance to strengthen the capacity of participating banks to scale green lending. This included embedding Green Loan Principles, intensive training on green product development, and broader market training to raise awareness and share tools.

By combining targeted financing with capacity building, we're increasing capital flows to small-scale climate projects in communities where building climate resilience is needed most.



## Mobilising to scale climate finance

Galvanising private investment is critical to tackling the climate emergency.

Development finance institutions like BII must act as catalysts - using concessional capital and innovative financial structures to attract institutional investors into climate solutions.

Our £100 million mobilisation facility, launched last year, is already delivering results. Five asset managers have been shortlisted through our Call for Proposals, with three set to receive up to £50 million each. We have also made our first commitment through the Green Investment Partnership to support green infrastructure projects in South-East Asia (see case study).

Individually small, these initiatives together collectively drive systemic change.



### Mobilising private capital at scale

**Investment name:** Green Investment Partnership  
**Location:** South-East Asia

South-East Asia is estimated to require \$210 billion annually for climate resilient infrastructure, an investment need that public finance alone cannot meet. To help close this funding gap, Financing Asia's Transition Partnership (FAST-P) created Green Investment Partnership to finance and de-risk climate projects in the region.

Green Investment Partnership is an innovative blended finance platform that funds clean energy and sustainable infrastructure projects in South-East Asia. Our \$60 million commitment, including \$10 million through our mobilisation facility, played a critical role in achieving the fund's first close by helping to de-risk the capital structure to attract further commercial capital.

### Tapping into India's renewable power opportunity

**Investment name:** Ayana Renewable Power  
**Location:** India

In 2018, we launched Ayana Renewable Power to catalyse India's clean energy transition. Over eight years our investment helped to mobilise over \$1 billion in additional capital to scale Ayana into a 4.1 GW renewable energy platform and one of India's top ten renewable energy companies.

Ayana's recent acquisition by a domestic investor marks a major milestone, unlocking further growth and reinforcing India's net zero ambitions. Our successful exit demonstrates how we can increase commercial investor confidence, attract private capital into climate-focused businesses, and recycle our own capital to support more impactful investments.



## Partnering for systemic impact

Collaboration is key to achieving the goals of the Paris Agreement and building an inclusive and resilient net zero economy. By working together, we can address common challenges that investors face in our markets and accelerate progress faster than we could alone.

## Adaptation and Resilience Investors Collaborative (ARIC )

In 2020, we joined forces with other development finance institutions to establish and lead the Adaptation and Resilience Investors Collaborative (ARIC): a global initiative to scale private investment in climate adaptation and resilience across developing countries.

Through ARIC, we are helping to mobilise private capital for adaptation, while operationalising this approach within our own portfolio. Our ambition is to enable other institutions to do the same, contributing to the broader systemic transformation required to make financial systems more responsive to climate risk.

To support this goal, together with partners, we developed the [Resilience Challenge Framework](#) that guides investors on assessing, measuring and managing the resilience of their investments as well as the impact of their investments into adaptation finance. This practical tool provides guidance on integrating climate risk assessment and management with investment in adaptation and resilience solutions. It introduces metrics that capture the economic and financial value of adaptation and resilience measures. This is important for helping investors assess portfolio resilience and contribute meaningfully to climate-resilience development.

Through the Resilience Challenge we will increasingly assess and steer progress on climate resilience at a portfolio level. This will also help to demonstrate how we contribute to climate-resilient development pathways and the UNFCCC's Global Goal on Adaptation.



## Thought leadership

Collaboration and continuous learning are key to achieving Paris alignment. We aim to support this journey by contributing tools and frameworks that help investors navigate complex challenges and advance sustainable growth.

Here are two examples of guidance we have developed with partners.

### Just Transition: No one left behind in the shift to a net zero economy

The transition must consider the workers and the communities that depend on them and leave no one behind. A Just Transition prioritises workers' rights and addresses gender disparities to ensure the shift to a net zero and climate resilient economy is socially inclusive.

To support this aim, we co-developed [Just Transition Finance Roadmaps](#), focusing on India and South Africa. These roadmaps guide investors on financing strategies that share the benefits of climate action broadly, while ensuring the challenges do not fall disproportionately on the most vulnerable. They outline principles for creating green jobs which are integral to the transition, particularly in economies where development challenges remain significant.

### CARE for Water

Water security is fundamental to health, food systems, and livelihoods but it is threatened by climate change. Mobilising private investment alongside public resources is critical to building resilient water systems, particularly in regions facing both poverty and high climate vulnerability.

To this end, we developed the [Climate Adaptation and Renewable Energy \(CARE\) for Water approach](#). It's a framework which can be applied in any country context. CARE identifies barriers to unlocking private investment in water systems and proposes solutions to support sustainable water access while advancing adaptation goals. It encourages collaboration across sectors.



## Building climate resilience: spotlight on Pakistan

Our work in Pakistan shows how combining investment, technical assistance, and thought leadership can deliver greater impact than any single intervention alone, especially in countries already facing the harsh realities of climate change.

Pakistan is highly vulnerable to climate change, with floods displacing millions in recent years and extreme weather threatening lives and livelihoods.<sup>3</sup> Despite contributing just 1 per cent of global emissions, the country faces mounting climate risks.<sup>4</sup> We have invested in Pakistan since 1988, supporting sectors critical to development, from clean energy to financial services.

<sup>3</sup> More detail from Amnesty International and UN news [Climate change's unequal impacts in Pakistan - Amnesty International](#). [The needs are huge: Pakistan reels from floods as millions left homeless | UN News](#)

<sup>4</sup> From Pakistan's ["Biennial Transparency Report \(BTR\) 2024 - UNFCCC"](#)

### Clean energy for mitigation

Our investments in Atlas Solar PV and Pakistan Wind Power are helping to generate clean, affordable energy, reduce emissions, and strengthen national climate mitigation efforts.

### Climate-smart agriculture with HBL

We partnered with HBL, Pakistan's leading bank, to expand access to credit for smallholder farmers and agribusinesses. The facility helps farmers adopt climate-resilient technologies like solar-powered irrigation. Empowering smallholders and supporting agribusiness integration supports jobs, improves food security and boosts climate resilience.

### Empowering women through climate-resilient microfinance

With Kashf Foundation, we provided technical assistance to assess climate risks and develop loan products for low-income women. This includes housing finance designed for flood and heat resilience. Kashf is now a leader in climate-resilient microfinance, aligned with Pakistan's National Adaptation Plan.

### Policy engagement for systemic change

We've worked with the State Bank of Pakistan on climate bond issuance and contributed to the development of the country's Green Taxonomy, helping to shape a more climate-responsive financial system.



# Shaping our own portfolio





We are committed to transforming our investment portfolio to reach net zero emissions by 2050 and support climate resilience. We manage our portfolio by assessing our investments at both an overall portfolio level and an individual transaction level.

In this section, we outline our integrated approach to shaping our portfolio towards Paris alignment throughout our investment cycle.



## Taking a portfolio-level view

At the portfolio level, we take a strategic approach to achieving our Paris alignment commitment by supporting real economy transition along a 1.5°C pathway, in ways that deliver both development impact and financial returns.

Our Net Zero Transition Strategy sets out a pathway to decarbonise our investment portfolio in line with the 1.5°C goal of the Paris Agreement.<sup>5</sup> Our goal is to reach portfolio net zero emissions by 2050. One of the key levers we use to steer our portfolio in this direction is our climate finance target, committing 30 per cent of new investments to climate-positive solutions.

Equally important is our commitment to supporting high-emitting companies to transition. We take an active role in helping these businesses embed decarbonisation practices across their operations. We recognise that sectors such as agriculture and manufacturing, while carbon intensive, are vital to development. By working with these companies to reduce emissions, we contribute to meaningful, system-wide change and help drive towards a just, resilient net zero economy.

<sup>5</sup> Read a summary of our Net Zero Transition Strategy in our 2022 Annual Accounts [BII-Annual-Accounts-2022.pdf](#)

<sup>6</sup> See here for more information [We're joining the Partnership for Carbon Accounting Financials - British International Investment](#)

### Carbon footprint tracking

To support our target of a net zero portfolio by 2050, we calculate and track our overall portfolio's financed emissions using the Partnership for Carbon Accounting Financials (PCAF) standard.<sup>6</sup> This includes direct investments, intermediated investments through funds, companies and institutions, and investments in financial institutions. We publish our progress in our annual report and our management monitors this on an annual basis.



### Identifying highly emissive investments

For new investments, any highly emissive investments are identified through our Net Zero Transaction Review Process early in the investment cycle. This allows us to carefully assess both the positive development impact and any potential negative climate related effects. We can then work with the investee to support emission reduction and guide them on the pathway to Paris alignment, and ensure our overall portfolio is not negatively impacted.



## Investment cycle

Paris Alignment is integrated throughout our entire investment lifecycle, from investment strategies and initial screening through to exit. When we identify an investment opportunity, we assess the climate impact of our investment. This includes evaluating whether it has potential to qualify as climate finance or transition finance.

We conduct thorough due diligence to understand whether the business is aligned with the Paris Agreement or has the potential to align. We also identify climate risk, including both physical and transition risks, and explore ways to address them. These assessments inform our investment decisions. Gradually we are improving our investment process so that physical and transition risk assessments become an entry point to the initial Paris alignment assessment.

Our engagement doesn't end at the point of investment. Throughout our investment period we actively monitor climate performance and provide ongoing support to investees. This includes our in-house expertise and technical assistance to help businesses strengthen their climate strategies, improve resilience, and unlock further value.

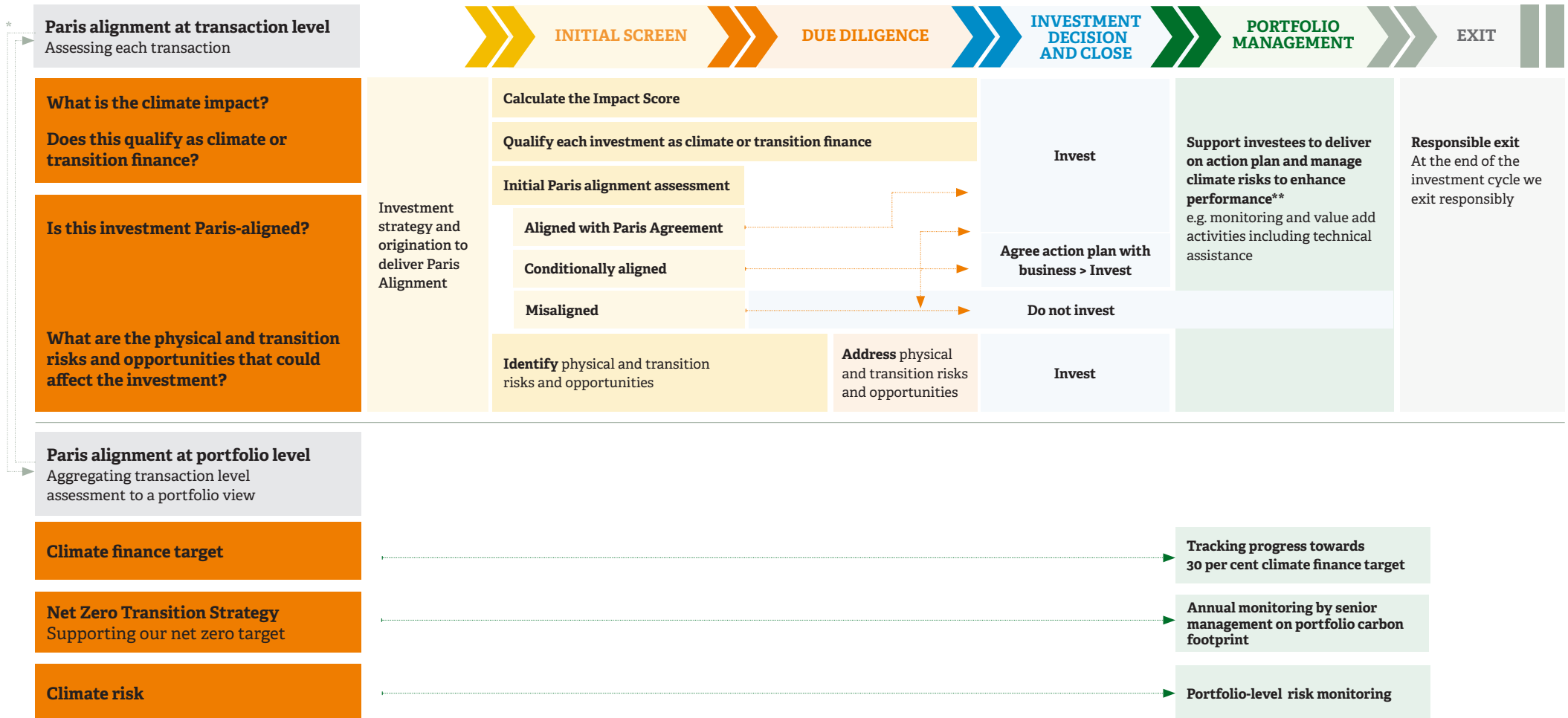


Find out how our Paris Alignment assessment contributes to the **Impact Score** we give to every potential investment.





## How these tools work in the investment process



\* Data from the transaction level assessment can be used at an aggregate level to inform the portfolio view, and portfolio steering decisions help inform our work at the individual transaction level

\*\* During portfolio management we may also identify further opportunities for follow on investment and technical assistance



## Transaction-level assessment

In 2020 we began our journey to align our portfolio with the Paris Agreement. To do this, we use a transaction-level framework to assess every investment for its alignment with the goals of the Paris Agreement.

Our Paris Alignment Assessment Framework determines whether an investment is already Paris-aligned or whether we can support it to become aligned through targeted actions. There are three outcomes:

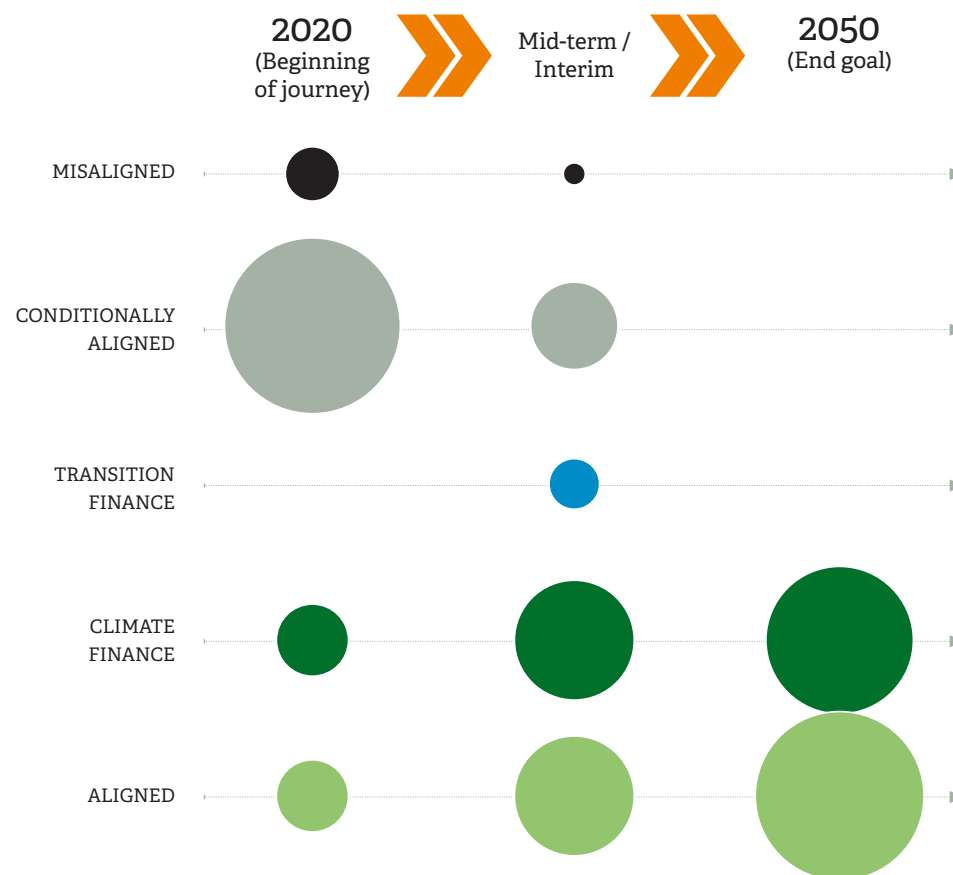
- **Misaligned** – Projects excluded under Fossil Fuel Policy and not consistent with a 1.5°C pathway.
- **Conditional** – Projects that could align with a 1.5°C pathway following further analysis or support.
- **Aligned** – Projects that qualify as climate finance or are consistent with a 1.5°C pathway.

We are phasing out misaligned legacy assets, working with investees to support their transition through investment capital and technical assistance, and have steadily increased our investments in climate finance. Transition finance can support high-emissive companies to decarbonise, and investors can use it to support companies move towards a 1.5°C aligned trajectory; a helpful addition as we steer the portfolio to 2050.

By 2050, this will mean that all investments within our portfolio will be Paris-aligned, with many qualifying as climate finance (see graphic).



## What a portfolio journey to net zero might look like



This representation is purely illustrative and not based on BII's portfolio data.



## Phasing out misaligned investments

We do not make new misaligned investments and we're phasing out legacy ones. For example, we will not make new commitments – either directly or through funds – to any fossil fuel exploration, coal- or oil-fired power generation or to transport infrastructure primarily dependent on fossil fuels.<sup>7</sup> Our responsible investing policy is consistent with the Government's commitment to end support for the fossil fuel energy sector overseas.

<sup>7</sup> More information on misaligned activities is available in our [Fossil Fuel Policy](#)

## Supporting conditional investments to transition

When an investment is neither automatically misaligned nor aligned, there is further assessment to understand the pathway to Paris Alignment. These investments make up the bulk of our portfolio, and we are committed to working collaboratively with companies to help them reach Paris alignment. We use an array of tools and guidance to help us understand the pathway in the various markets we work with.

- [Natural Gas Power Plants: Assessing alignment with the Paris Agreement](#)
- [Food and Agriculture: Assessing alignment with the Paris Agreement](#)
- Manufacturing: Assessing alignment with the Paris Agreement (forthcoming)

Once an investment has been identified as conditional, we can decide the best route to help close the gap towards Paris Alignment. This could involve using targeted technical assistance to support specific challenges or developing credible transition plans.

## Supporting agribusinesses to transition

**Investment name:** Johnvents Group  
**Location:** Nigeria

Nigeria is the world's fourth largest cocoa producer, and agriculture is a cornerstone of the country's economy. Our investment in Johnvents Group – one of Nigeria's largest cocoa processors – supports the business to optimise efficiencies, increase production, and strengthen its sustainability and traceability practices. These improvements are helping Nigeria to play a more prominent role in the global supply chain for sustainably sourced cocoa.

We used sector-specific guidance to assess this investment's Paris alignment as we do for all new food and agriculture investments. This allowed us to assess whether the company's agricultural practices follow practices essential to align with the Paris Agreement's 1.5°C climate goal.

Johnvents is Rainforest Alliance certified, demonstrating its commitment to rigorous sustainability standards and actively working to minimise its environmental footprint. Our assessment identified an opportunity for Johnvents to go a step further in their environmental action plan. As a result, Johnvents committed to zero deforestation. This milestone has been successfully achieved, strengthening their sustainability credentials and enabling them to access broader markets and customers.



## Boosting transition finance

To accelerate the transition in high-emitting and often hard-to-abate sectors that are critical for economic development and job creation, transition finance provides a useful framework and targeted resource to help bring down emissions. This is why in 2022 we partnered with South African banks and leading think-tanks to develop a [Practitioner's Guide to Transition Finance in Africa](#).

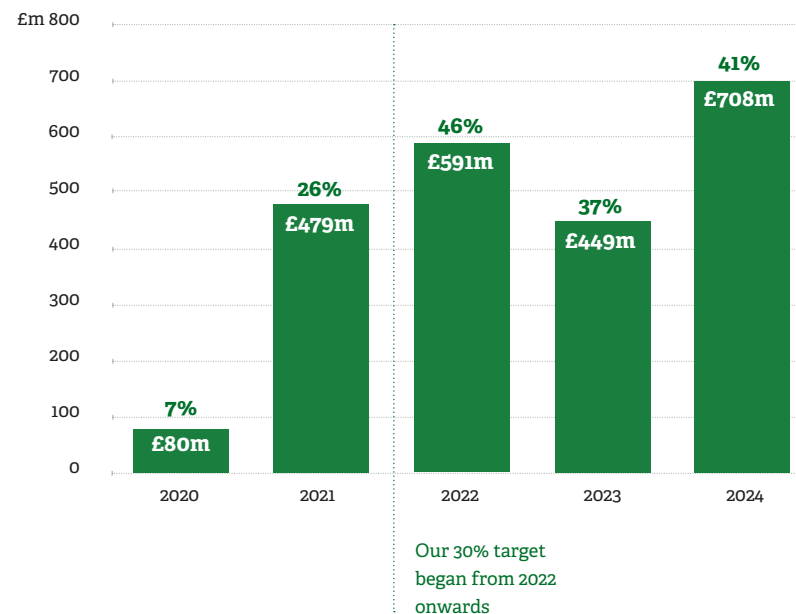
## Aligned and climate finance investments – the future for all our investments

To achieve the goal of limiting the increase of global temperatures to 1.5°C, finance to rapidly develop, deploy and scale adaptation and mitigation solutions is urgently needed. Climate finance flows surpassed \$1 trillion for the first time in 2021, but according to the Independent High-Level Expert Group on Climate Finance, emerging economies (excluding China) will need as much as \$2.5 trillion per year by 2030 to meet climate goals.<sup>8</sup>

In 2020, we pledged that climate finance would make up at least 30 per cent of BII's new commitments. We remain well ahead of that target: in 2024, we committed £708 million to climate finance, representing 41 per cent of our total commitments, and mobilising \$461 million in private investment. Over the past 3 years, BII has deployed more than \$2 billion in climate finance.

Climate-finance-qualifying assets now make up a growing share of our portfolio - 26.5 per cent in 2024, compared with 15.4 per cent in 2020. We assess, report and track climate finance using our [Climate Finance Methodology](#) tool, based on the Common Principles developed by MDBs and the IDFC. Climate finance investments are automatically Paris-aligned, although not all Paris-aligned investments are classified as climate finance.

## Annual climate finance commitments



<sup>8</sup> Climate Policy Initiative Annual finance for climate action surpasses USD 1 trillion, but far from levels needed to avoid devastating future losses - CPI

## Assessing climate risks and opportunities

We assess climate-related risks for every new investment we make. We're piloting a climate risk rating process which helps us to evaluate exposure to both physical climate risk and transition risk. It also highlights opportunities to address and manage these risks.

Following each risk assessment, we work with investees to address risks and capture

### Physical climate risks

Physical climate risks are financial risk and losses that can arise from the impacts that the changing climate is having on our world – destructive storms, flooding, wildfires and more.

### Transition risks

Transition risks are the risks of potential negative impacts resulting from the rapid shift to a net zero-carbon future, caused by policy, technology, market and reputation.

**To learn more about climate risks, visit our toolkit.**



opportunities. For example, where physical climate risk is high, we agree an action plan or identify opportunities for adaptation finance. Where transition risk is high, we explore transition finance solutions to support decarbonisation and competitiveness.

We implement recommendations and disclose climate risks and opportunities in line with the Task Force on Climate-related Financial Disclosures (TCFD), helping to protect both portfolio value and development impact. This integrated approach ensures that, while we manage high-risk exposures, we also harness opportunities from the net zero transition—investing in innovative climate technologies and resilient business models.

Our climate risk rating tool will also support portfolio-level monitoring and stress testing, enabling a comprehensive understanding of climate-related financial risks and informing our strategic decision-making across the portfolio.

One emerging area we're learning more about is nature risk. Our Policy for Responsible Investing requires the application of the IFC performance standards during due diligence to consider the negative impacts an investment could have on nature. We have created [guidance for fund managers](#) and supported the development of WWF's [Biodiversity](#) and [Water Risk Filter](#) using our technical assistance.

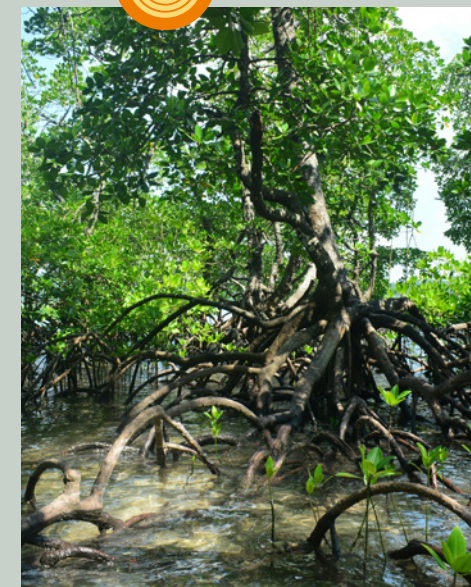
### Future proofing with mangroves restoration

**Investment name:** Zephyr Power  
**Location:** Pakistan

Zephyr Power, a renewable energy company in Pakistan, operates a wind farm on coastal tidal wetlands – an area increasingly vulnerable to rising sea levels due to climate change.

While the farm was originally designed with long-term flood risk in mind, we worked with Zephyr Power to further strengthen its resilience to climate change using nature-based solutions. Together, we implemented a mangrove restoration programme to protect the site and the surrounding infrastructure.

Mangroves are a natural flood defence, but due to human intervention in the area there was substantial damage. Restoring and protecting the mangroves has created wide-ranging benefits for both wildlife and local communities, alongside enhanced climate protection. Local fishermen have reported increased populations of fish, shrimp, and crab thanks to the mangroves.



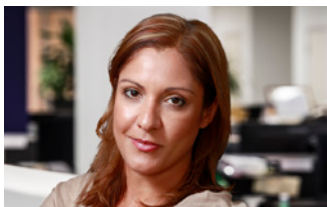
The initiative protects the wind farm and nearby civil infrastructure, acting as a buffer against tidal flows. This not only mitigates flood risk but also reduces maintenance costs for the business. It demonstrates how nature-based adaptation measures can add tangible value to climate finance investments, ensuring they remain resilient in the face of escalating climate risks.

# Conclusion



## What have we learnt since launching our Climate Change Strategy?

Paris alignment is a journey towards 2050. As we continue to refine our approach we have reflected on what we have learnt. We look to partners in the development finance and impact investing communities to collaborate so that we can go faster and further together. Here, we share five key lessons from the five years since launching our Climate Change Strategy.



**Amal-Lee Amin**  
Managing Director and Head of Climate,  
Diversity and Advisory, BII

### 1.

**Paris alignment is about more than climate finance.**

Climate finance is vital, but it's only part of the picture. Paris alignment requires embedding climate risk and opportunity into every investment we make.

There was no blueprint when we began aligning with the goals of the Paris Agreement. We've learnt from DFI peers, commercial investors and standard-setters, and our investees – adapting what works for our development and investment mandate. Where we've built new internal tools we've shared them with [fund managers](#). Where we've identified challenges, we have partnered to find solutions and are still looking to do so as we progress through our Paris alignment journey.

### 2.

**Adaptation and resilience must move as fast as net zero, and investing in nature can help.**

We've tracked adaptation finance since 2020, but the joint MDB/IDFC common climate finance methodology focuses on input metrics and does not fully incentivise nor reflect the reality of private sector investment in adaptation and resilience. That's why we are working with like-minded investors to launch the Resilience Challenge at COP30. Building on our collective experience, this approach can help nudge investors towards ensuring capital supports adaptation and resilience.

We have also gained valuable insights through our investments in nature-based solutions. We look forward to deepening our partnerships in this space.





### 3. Tracking real-world outcomes matters as much as counting finance flows.

Climate finance flows tell us how much money is moving, but they don't tell us what's changing on the ground. Tracking real world climate outcomes is important too – like decarbonising companies and increasing resilience of supply chains.

Transition finance is a key emerging area (see page 20). Tracking greenhouse gas reductions is essential to delivering transition plans. Similarly, the Resilience Challenge aims to develop investor-relevant KPIs that show the financial value of adaptation planning and resilience.

Another key takeaway is the importance of understanding who is impacted, in order to deliver truly inclusive climate finance. This means considering jobs, communities and the gender-climate nexus. That's why we are enhancing our data collection and analysis capabilities, beyond tracking against our 30 per cent climate finance target.

### 4. Supporting businesses to prepare for the green economy creates value.

Helping businesses prepare for the green economy isn't just good for the planet, it's also good for business growth.

Through climate risk assessments and technical assistance we've worked with investees to identify new opportunities. Our partnership with Kashf Foundation in Pakistan is one example (see page 13). We're looking to build on this to scale further.

Our [Climate Investment Playbook](#) was created to demystify how to invest in adaptation and mitigation climate solutions and to demonstrate the financial and to development value of climate-smart business. For example, many climate-smart agribusiness solutions also yield socio-economic benefits for rural communities.

### 5. Market transformation needs concessional capital, technical assistance and strong partnerships.

Changing markets is hard. It requires perseverance and deploying all the tools we have available. Our [concessional funding](#) from our shareholder has allowed us to take more risks where climate and development impact is strong. We've also recently reflected on how [blended finance can drive climate adaptation](#). Through our technical assistance programmes, we have deepened our impact and amplified learning for greater market impact. Our work in Kenya shows what's possible when some of these elements come together (see page 8).

Over the past five years we've gained greater insight into the value of partnerships. Working with others – DFIs, private investors, and local partners – is essential to accelerate a just and inclusive transition to net zero and climate resilient economies. No single actor can do this alone, but together we can – and must – go faster and further.



## Conclusion

In the countries where we invest, the impacts of climate change are disproportionately severe. Development is at risk in the face of climate change. BII is fully committed to climate action and supporting our markets to tap into the economic opportunity that the new green economy brings.

BII is on a journey towards net zero and climate resilience. We focus on quality of finance as much as quantity. While we increase our volume of climate finance, we are working to make sure capital is inclusive and reaching the most vulnerable populations who are at forefront of the effects of climate change. The examples in this report highlight some of the most climate-vulnerable regions are also engines of opportunity, where capital and innovation work hand-in-hand.

But there is more to do. The scale and pace of change required are far greater than any single institution can achieve alone. Systemic impact comes when we work together with investors, governments, development finance institutions, and the private sector to share risk, build confidence, and drive market transformation.

We believe we can go faster together, through partnerships to scale up private capital for just, net zero and climate-resilient development. Through collaboration - by sharing tools, knowledge, best practice and lessons learnt - we can accelerate progress and help shape the global economy for a sustainable future.

The time to act is now: to scale up capital and seize the opportunities of a net zero transition that is inclusive, resilient and just.



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# Appendix & Glossary

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**AI** – Artificial intelligence; in farming this can include crop monitoring, predictive analytics, automated machinery, and optimising irrigation

**Agritech** - Technology applied to improve the efficiency, output, and sustainability of agricultural practices, often incorporating AI

**ARIC** - Adaptation and Resilience Investors Collaborative, an international partnership of development finance organisations working together to accelerate and scale up private investment in climate adaptation and resilience in developing and emerging countries

**A&R** – Adaptation and Resilience; strategies and actions that help communities and systems cope with the effects of climate change and reduce vulnerability to future risks

**Climate finance** - Funding provided to support mitigation and adaptation efforts in response to climate change

**DFI** – Development finance institution, a government-backed institution that invests in private sector projects in developing countries to promote sustainable economic growth and reduce poverty

**Direct investments** - Investments made directly into a company or project, as opposed to through intermediaries or funds

**IDFC** - International Development Finance Club, a partnership of development banks whose aim is to complement each other's needs for more efficient global development

**Intermediated investments** - Investments made through financial intermediaries (e.g., private equity funds, local banks) rather than directly into the end-project or company

**Just Transition** – A transition toward a low-carbon economy that is inclusive and equitable, ensuring that vulnerable or marginalised workers and communities are not left behind

**MDB** - Multilateral development banks, International financial institutions established by multiple countries that provide financial and technical assistance for development projects (e.g. World Bank)

**MSME** - Micro, Small, and Medium Enterprise

**PCAF** - Partnership for Carbon Accounting Financials

**UNFCCC** - United Nations Framework Convention on Climate Change, the UN process for negotiating an agreement to limit climate change



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