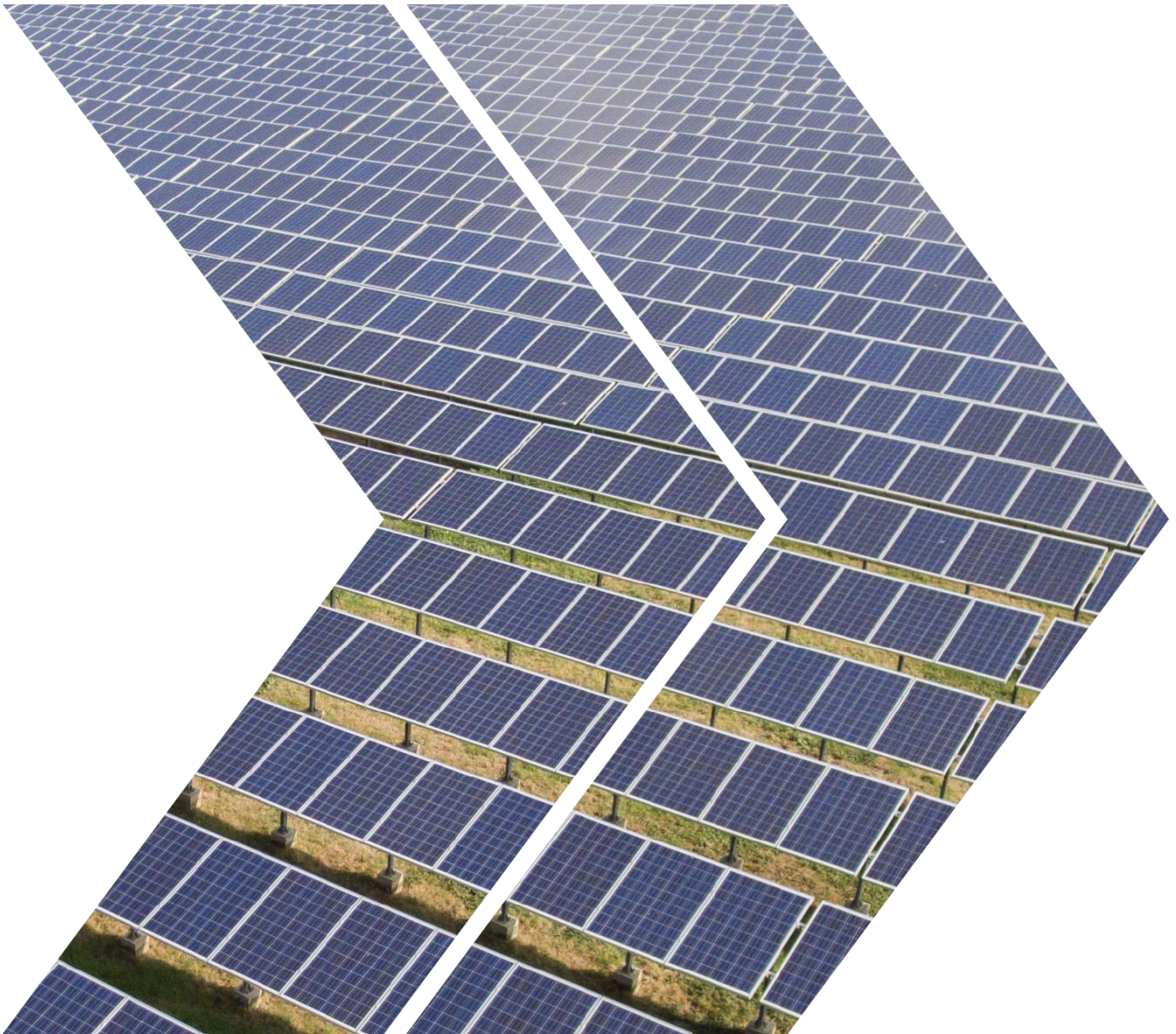


# How we put the PRI into practice

Under  
*Policy on Responsible Investment*



30 April 2026

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## **Annex 1.** BII's responsible investment-related policies

**Note:** This document provides a summary of our RI expectations and the procedural approach we take to implementing the [Policy on Responsible Investment \(PRI\)](#) in practice. However, this document is not a policy, and BII's policy on the matters set out in this document is the PRI.

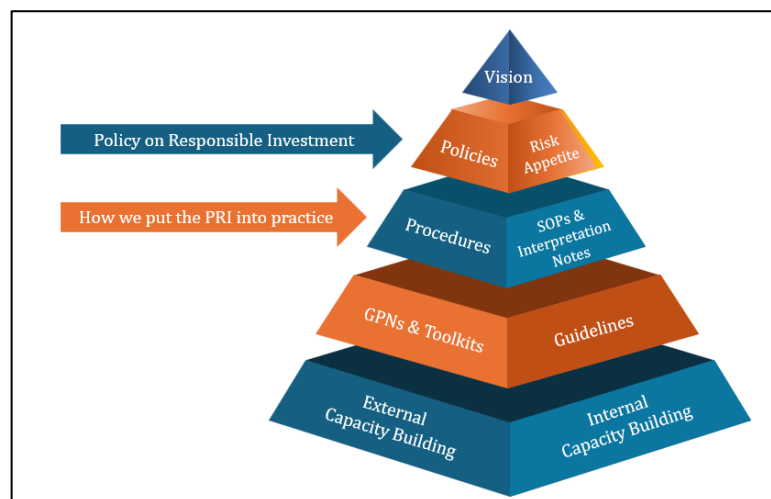
# 1. Introduction

British International Investment (BII)'s PRI highlights the key role we play in supporting our investees<sup>1</sup> to achieve better and more sustainable outcomes through the disciplined management of environmental and social (E&S), business integrity (BI) and corporate governance (CG) risks, collectively referred to as responsible investing (RI) risks. Managing these risks is an important part of how we seek to deliver impact at scale and build the trust that underpins our ability to mobilise capital and support resilient and sustainable businesses.

The PRI establishes a series of RI outcomes we expect investees to achieve or make progress towards throughout the life of our investments. Recognising that each business and operating context is unique, the PRI adopts a differentiated, risk-based and proportionate approach, enabling us to tailor expectations to the specific risks and environments in which our investees operate.

We recognise that applying a differentiated and proportionate approach brings practical challenges, particularly across the wide range of investment products, sectors and geographies in which we operate, many of which present complex development and RI risks. The PRI therefore sits within a broader RI Framework that includes procedures, guidance, tools and capacity-building support to help ensure consistent interpretation and implementation of the PRI across BII and our investees.

Figure 1. The Responsible Investing Framework



This document provides a summary of our RI expectations and the procedural approach we take to implementing the PRI in practice. It is intended for all interested external stakeholders and complements the PRI and our Investment Policy. This document is not a policy in its own right and may evolve over time in line with our strategy, internal procedures and market developments.

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<sup>1</sup> Investee is defined as a company or other entity (including a fund or a financial institution) to which BII or one of our investment holding subsidiaries has made available a financial instrument. A company or other entity to which an investee makes available a financial instrument is not a direct investee of BII.

## 2. Our approach to responsible investing risk management

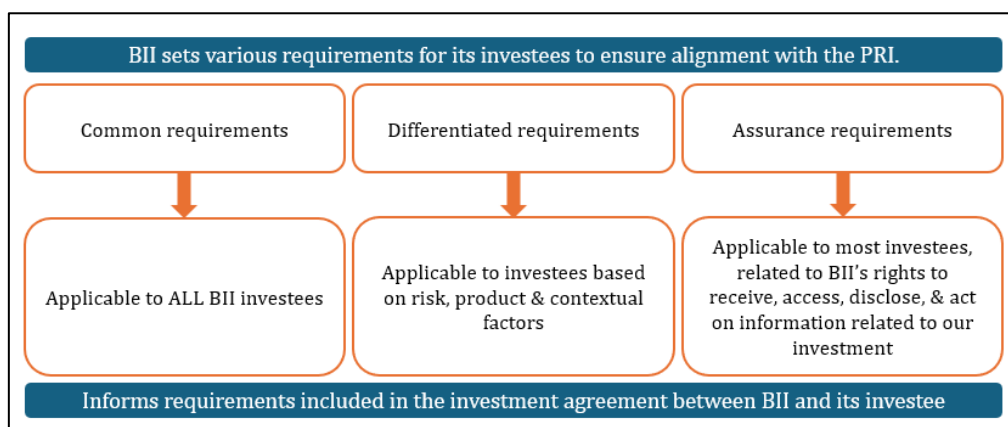
We believe our investment decisions are grounded in a clear and disciplined approach to RI risk management. We seek to promote alignment with our mandate, our policy commitments, and our tolerance for different types of risk. This means we assess whether risks are proportionate to the development impact we aim to achieve, whether they can be managed responsibly over time, and whether the investee has, or can develop, the systems, governance, and capacity needed to operate in line with our standards. Our risk appetite therefore guides not only where we invest, but also how we engage with companies to support improvements in their environmental, social and governance performance.

## 3. Our responsible investing requirements

Throughout the life of our investments, we seek to support investees in working towards the RI outcomes set out in the PRI. This includes respecting people and planet and, where possible, contributing to positive and sustainable development outcomes. To do this, we identify the laws, standards and frameworks that apply to each investment and set out requirements we expect our investees to meet or work towards so that our investment is aligned with the PRI. See our [Reference list of RI standards and frameworks](#) which may be used by BII.

A core principle of the PRI is our ability to take a differentiated, risk-based and proportionate approach. Some requirements apply to all of our investments, while others only apply to certain product types or in specific scenarios. For example, we ask our project-finance investees to apply applicable International Finance Corporation (IFC) Performance Standards and World Bank Environmental, Health and Safety Guidelines to our investments. In contrast, for a debt line to a commercial bank focused on the growth of micro, small and medium-sized enterprise (MSMEs) our requirements centre on the investee's E&S management system and capacity to manage the risks most relevant to the sectors the bank invests in. This can include, for example, implementing policies and procedures to manage client protection risks.

Figure 2. Our RI requirements



When determining which standards and frameworks apply, we consider the RI risks associated with the investment—using our E&S, BI and CG risk classification tools—as well as a range of contextual factors set out in the

PRI. These include the size and duration of our investment, the size and maturity of the investee's business, the presence of other investors, the timing of our investment, and the broader operating

context, including country-level risks. We also consider our ability to influence outcomes. Taken together, these considerations help us to tailor our requirements in a way that is proportionate to the investment, aligned with our capacity to influence, and consistent with the PRI.

These requirements are usually transposed into the investment agreement directly or as part of an E&S, BI and/or CG Action Plan, annexed to the investment agreement. The way these requirements are applied in practice, and the extent to which they are extended to subsidiaries, special purpose vehicles, supply chains or underlying assets, investments and portfolios, depends on the nature of the product and the investment structure.

### Working in partnership with MDB and DFI partners

We often co-invest with multilateral development banks (MDBs) and development finance institution (DFI) partners. In most cases, we may accept closely equivalent requirements to our own (other than for certain reserved matters), as permitted under our [Investment Policy](#). This enables effective collaboration while ensuring that the investment remains aligned with the PRI and with our broader RI framework.

## 4. Our responsible investing lifecycle

The following summarises the procedural approach we take to implementing the PRI in practice.

Figure 3. The RI lifecycle



## 5. Initial engagement and screening

### Assessing early alignment with the PRI and Exclusion List

E&S, BI and CG risks, impacts, and opportunities are assessed early in our investment screening process, alongside the expected development impact and the overall investment rationale. As part

of this early assessment, investment teams, including RI professionals, screen prospective investment opportunities against our PRI and [our exclusion list](#) (XL), raising any concerns to ensure we do not knowingly finance activities that fall outside of our risk appetite or are prohibited.

The XL defines the types of business activities and sectors that we will not finance under any circumstances. It provides firm boundaries, for example, around certain harmful, illegal, or unethical practices. Depending on the product or structure, these exclusions may apply not only to the direct investee but also, where relevant, to subsidiaries and elements of the supply chain. Our XL is broadly aligned with those of our DFI and MDB peers, and where we co-invest or invest in parallel with qualified peers whose exclusion lists are materially consistent with our own, we may rely on their frameworks as permitted under our [Investment Policy](#).

In addition to screening against the PRI and XL, we also assess potential RI-related reputational risks at this early stage. This helps to promote alignment with our policy requirements and to also uphold the integrity and credibility of our broader mandate.

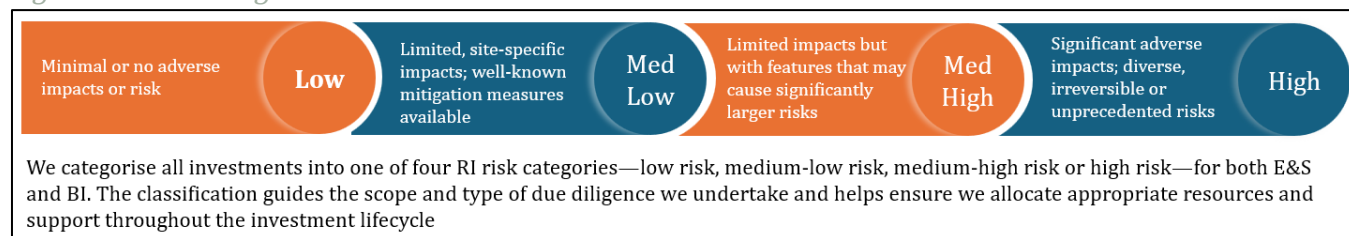
### Screening for E&S, BI, and CG risks

If a financing opportunity meets with our investment strategy, is within our overall risk appetite and does not involve excluded activities, we continue to assess the potential RI risks and opportunities as part of our investment cycle. Specialists from our RI team are engaged from the outset alongside our investment teams to request relevant RI information to identify and assess these and associated RI reputational risks. We also undertake, where necessary, independent work to assess key risks and validate findings.

### Responsible investing risk classification

The classification of RI risk guides the scope and type of E&S, BI and CG due diligence we undertake and helps ensure we allocate appropriate resources and support to investments based on the RI risks throughout the investment lifecycle. The risk rating is also a key determinant of the requirements we may set on an investee to align with the RI outcomes established in the PRI.

Figure 4. Risk Categorisation



We categorise all investments, including through financial intermediaries (FIs) and funds<sup>2</sup>, into four risk categories: low risk, medium-low risk, medium-high risk, or high risk, for both BI and E&S. Our four-point E&S risk scale broadly correlates with the European Development Finance Institution (EDFI) categories of A, B+, B, and C, as well as other DFI/MDB categorisation norms.

Figure 5. E&S and BI risk ratings

Risk	High risk (A)	Medium-high risk (B+)	Medium-low risk (B)	Low risk (C)
<b>E&amp;S</b>	Financed business activities with potential significant adverse social or environmental impacts, and/or risks that are diverse, irreversible or unprecedented.	Financed business activities with generally limited potential adverse social or environmental impacts, and/or risks that are site-specific and readily addressed through mitigation measures but having some specific features which can have significantly larger adverse social or environmental impacts.	Financed business activities with limited potential adverse social or environmental impacts, and/or risks that are site-specific and readily addressed through well-known mitigation measures.	Financed business activities with minimal or no adverse social or environmental impacts or risks.
<b>BI</b>	Financed business activities present significant integrity risks that are highly likely to occur and that would carry a potentially severe financial, regulatory or reputational impact to BII. Existing controls do not sufficiently mitigate material risks.	Financed business activities present notable integrity risks that are likely to occur and would carry a potentially significant financial, regulatory or reputational impact to BII. Meaningful residual risk remains despite controls and mitigants in place.	Financed business activities present moderate integrity risks that could credibly occur and would carry a moderate financial, regulatory or reputational impact on BII. Residual risks are largely mitigated and do not pose material concerns.	Financed business activities present limited risks to BII that are unlikely to occur and would carry a limited financial, regulatory or reputational impact on BII. Residual risks are limited and robustly mitigated.

Our E&S risk rating incorporates inherent sector or business-related risks, the scale and severity of an investee’s E&S exposure, and the investee’s existing controls, capacity and overall commitment to managing them. It also includes contextual risk factors related to the broader operating environment, for example, conflict-affected states, or rapidly evolving contexts in least developed countries, particularly where there may be heightened human rights risks.

Our BI risk rating reflects the likelihood and impact of risks occurring that could cause financial regulatory or reputational damage to BII or our investee. It incorporates inherent factors relating

<sup>2</sup> In these cases, the risk of the underlying portfolio companies and the sector breakdown of the loan book (actual or pipeline) are key factors in determining the category.

to the geography, sector and product of the investment in addition to any counterparty red flags identified. We also factor due diligence findings and mitigating actions that shape residual risks, including reviewing the maturity of the company’s governance, controls and risk management systems, with enhanced review in higher risk scenarios.

## 6. Due diligence and assessment

### Scope of due diligence

We conduct tailored RI due diligence to understand the risks and opportunities associated with an investment. This may include desktop or on-the-ground research through local visits, directly or through technical consultants, to engage with the investee and relevant stakeholders on the RI risks of our financing.

### Differentiated approaches to due diligence

In practice, this means that the depth of review depends on the nature of the investment, the sector, and the potential impacts involved, as well as coordination with other investors, when present, and to the extent possible. During due diligence, our RI team works closely with investment teams and where necessary, external experts, to evaluate an investee’s practices, policies, and track record. We look at issues such as the investee’s capacity to manage environmental issues, labour standards, community engagement and governance structures. For some transactions, for example, investing equity in an early-stage manufacturing business, we may focus on operational health and safety measures to prevent gender-based violence and harassment (GBVH) and building foundational board governance structures. For other transactions, such as a large project finance transaction with an experienced developer, we may focus on community resettlement, biodiversity risk management or procurement-related controls.

### Assessing management systems and capacity

A core focus of our due diligence is the assessment of an investee’s management systems, which are widely recognised across international standards and frameworks as the foundation of effective risk governance. Strong management systems enable companies to identify, anticipate and manage the RI risks most material to their business. These systems typically encompass policies, procedures, monitoring, reporting and audit processes, governance mechanisms, organisational capacity and training. We believe that maintaining a dynamic and appropriately scaled risk management system helps

Figure 6. Indicative contents of a management system



companies to respond effectively to the operational and strategic risks associated with their business activities, including those supported by our investment.

In practice, our assessment considers whether an investee has the structures, resources and competencies needed to manage E&S, BI, and CG risks in line with the risk profile of its activities and the scale and institutional maturity of the enterprise. This includes evaluating the clarity and implementation of policies, the robustness of internal controls, the effectiveness of oversight and accountability arrangements, and the extent to which management systems are embedded across the organisation. We seek to understand whether the investee can monitor performance, respond to incidents, engage stakeholders appropriately and continuously improve its practices.

Where gaps are identified, we engage with investees to agree proportionate, time-bound actions that seek to strengthen their systems and capacity. The investee is responsible for delivering these actions, so that it can manage risks and impacts over time, including beyond the life of our investment. For early-stage or lower-capacity businesses, this may involve targeted support or phased improvements aligned with the company's growth trajectory. For more mature or higher-risk operations, we expect more sophisticated systems and stronger governance arrangements. In all cases, our focus is on ensuring that management systems are credible, fit for purpose and capable of delivering responsible and resilient business performance.

### **Identifying value creation opportunities**

The due diligence process is not only about identifying and avoiding risk; it is also an opportunity to identify where we can help strengthen impact and support long-term value creation. Our subject matter specialists, including experts in climate, biodiversity, health and safety, GBVH, human rights, corporate governance, anti-corruption, fraud and sanctions, can provide thematic insight to help investees align with global standards and good international practice. Their expertise also supports our work on emerging areas where industry or country norms are still evolving or where additional clarity is needed. Where we identify opportunities for deeper support, or where we can help in shaping market practice, we may draw on technical assistance funding to help investees build capacity, strengthen systems, or pilot innovative approaches that can create value beyond our portfolio.

### **Including RI in the investment decision-making process**

RI due diligence findings are systematically integrated into our investment decisions. For each transaction, the RI specialist responsible prepares a summary of key RI risks, opportunities, and proposed mitigation measures for inclusion in the investment paper submitted to the Investment Committee (IC). This includes an assessment of whether the proposed investment is within our RI risk appetite, any gaps with our PRI expectations and any material residual or unmitigated RI risks that require IC judgement on how we should proceed.

These considerations are discussed as part of final IC deliberations, and can influence whether, and on what terms, an investment proceeds, for example, through conditions precedent, time-bound action plans, or enhanced monitoring requirements. Where significant reputational

risks are identified, the transaction or issue may be escalated to our Reputational Risk Committee for further discussion and guidance, in line with our broader risk governance framework.

## 7. Action plans and investment agreements

### Action plans

Where due diligence identifies gaps in an investee's policies, systems, practices and capacity relevant to the management of RI risks, we seek assurance from the investee that these gaps will be addressed through specific, time-bound measures. These requirements are typically formalised in action plans which set out clear deliverables to be achieved within an agreed timeframe by the investee. Action plans are a central tool for driving improvements in our portfolio and form a key part of our portfolio monitoring and reporting processes. We will only proceed with an investment where we have confidence that an investee is able and willing to work towards meeting our requirements within the agreed period and to the required standard of performance and impact. Action plans may range from foundational steps for early-stage or lower-capacity businesses to more sophisticated system enhancements for mature or higher-risk investees.

### Investment agreements

Investment agreements are a critical mechanism for embedding our RI expectations and supporting enforceability. The actions set out in an action plan become legally binding obligations on the investee, alongside appropriate clauses and undertakings. These undertakings articulate the common and, where appropriate, differentiated E&S, BI and CG requirements investees are expected to meet. The agreements also prohibit activities and goods on our [Exclusion List](#) and include a range of assurance provisions covering our rights to receive, access and disclose relevant information, and how we can take action in response to non-performance. While we will seek to address breaches of RI requirements, we recognise that the degree of leverage available varies across products, structures and market contexts. Our approach therefore focuses on using the tools available to us, including contractual rights, engagement, monitoring and technical assistance, to support investees in meeting their obligations and achieving the outcomes set out in the PRI.

## 8. Information disclosure

As a DFI, we recognise that transparency is fundamental to our mandate and to maintaining accountability to our stakeholders, including the UK Parliament, the public and the communities we serve. The PRI, our List of Excluded Activities, RI vision statement and other elements of our RI Framework are publicly available on our [RI website](#). These materials set out our requirements, standards and approach to managing RI risks.

In line with our [Transparency and Disclosure Policy](#), we publish information on our investments through the [BII online investment database](#). This includes key facts about each investment, detailed impact information, as well as the E&S risk category and an E&S summary. These

disclosures support accountability and illustrate how our investments contribute to productive, sustainable and inclusive growth.

We publish summary highlights and portfolio insights in our Annual Review, which provides an accessible overview of our investment activity, impact performance and key developments over the year.

Further information on our transparency commitments is available on our Data disclosure page: [Data disclosure - British International Investment](#).

## **9. Ongoing support and capacity building**

We seek to strengthen RI practices not only within our portfolio but across the wider market. To this end, we share and promote good practice through regular training programmes on RI matters for investees, as well as for our own employees. These typically include workshops on a range of topics, including corporate governance good practice, E&S risk management for fund managers and financial intermediaries, GBVH, occupational health and safety, supply chain risk management, anti-bribery and corruption, and fraud risk management. In addition, investees and other stakeholders can access our publicly available ESG Toolkits, notably the [ESG Toolkit for Fund Managers](#) and the [ESG Toolkit for Financial Intermediaries](#). They can also access Good Practice Notes (GPN), which provide practical guidance on a range of RI issues, including modern slavery, GBVH, and health and safety management.

Where appropriate, we may draw on our technical assistance resources to strengthen RI practices across our portfolio and the wider market, including capacity building, advisory support and knowledge products.

## **10. Monitoring, reporting and engagement**

Throughout the lifetime of an investment, we maintain an active and structured approach to monitoring RI performance. Monitoring activities range from reviewing investee reporting, engaging with management teams, site visits where appropriate (directly or with the support of consultants), and following up on E&S, BI or CG action plan commitments. We also track serious incidents including GBVH incidents, fatalities, fraud and corruption events, and material governance developments, to ensure that issues are escalated and addressed in a timely and proportionate manner. This ongoing engagement supports investees in improving practices, strengthening resilience and enhancing long-term value.

### **Risk-based prioritisation of monitoring**

We prioritise our monitoring efforts based on the level of RI risk associated with each investment. Higher-risk investments typically receive more frequent and intensive engagement, including closer monitoring of management systems, site-level performance and progress against agreed

action plans. Lower-risk investments are monitored proportionately, with a focus on ensuring that minimum standards are maintained and that any emerging issues are identified early.

Our approach is grounded in the UN Guiding Principles on Business and Human Rights. In practice, this means we seek to continuously assess contextual changes, such as shifts in operating environments, conflict dynamics, governance conditions or stakeholder concerns, and adjust our monitoring accordingly. This risk-based model enables us to allocate resources efficiently while maintaining oversight across a diverse portfolio, recognising that the nature and scale of risks vary across sectors, geographies and investment structures.

### **Internal performance tracking and portfolio-level oversight**

To maintain a clear and consistent view across the portfolio, we use structured monitoring ratings that capture the status of E&S and BI performance at the asset level. These ratings feed into our internal early warning system, which highlights emerging concerns and helps ensure risks are identified and addressed early. They also inform our internal quarterly portfolio reviews, where we assess portfolio-level trends, discuss watchlist assets and agree any required deep dives or follow-up actions. This integrated approach, combining asset-level monitoring, risk signalling and portfolio-level oversight, ensures that we maintain a coherent view of performance, support investees effectively and uphold our responsibilities under the RI framework.

### **Information access**

Effective monitoring relies on investees providing us with timely, accurate information and reasonable access to sites and management teams. This enables us to assess progress, verify performance and assure alignment with the PRI.

## **11. Escalation, exit and continuous improvement**

Effective monitoring is supported by a structured approach to escalation, remediation and, where necessary, responsible exit. When material RI issues are identified, we aim to work closely with investees to agree and implement corrective or remedial actions, drawing on our monitoring insights, action plans and engagement with management teams. Where persistent underperformance continues, whether on RI or financial grounds, these issues are reviewed as part of our quarterly portfolio oversight processes, enabling senior leaders from across BII to agree on additional steps required to maximise the chances of a positive outcome.

If issues cannot be resolved, or when considering any exit, sale, participation or disposal, we assess whether this is consistent with our mission, objectives and the spirit of the PRI. This includes considering the long-term sustainability of outcomes and applying our responsible exit framework to help ensure decisions factor in the protection of people, the environment and the integrity of our impact. Our approach recognises that responsible exit is an integral part of responsible investing, and that the way we exit can influence the durability of development outcomes.

We also embed continuous improvement into our RI practice. Lessons from monitoring, grievances and complaints, serious incidents, and our broader portfolio experience inform updates to our policies, guidance and processes. This helps ensure that our approach evolves in line with emerging standards, stakeholder expectations and the realities of operating in complex markets, strengthening our ability to deliver sustainable impact over time.

## 12. Grievances

Our management-led [Reporting and Complaints Mechanism](#) is operated by the Information and Complaints Officer in the Compliance team.<sup>3</sup> This mechanism lets external parties<sup>4</sup> report alleged breaches of the provisions of the Policy by BII, a BII investee or a portfolio company of a fund in which we have invested. It facilitates the handling of complaints and helps us identify opportunities to enhance our approach for current and future operations. In appropriate cases, we may take measures in response to complaints, such as enabling access to redress or remediation for affected individuals or stakeholders.

The Reporting and Complaints Mechanism Rules are available [here](#). Our Reporting and Complaints Register which covers the annual activities of the mechanism, is available [here](#).

## 13. PRI assurance

We maintain a structured assurance process that sets out how we put the PRI into practice across our investments. Each year, we review how our RI commitments are applied in both new investments and the existing portfolio, drawing on ongoing monitoring, risk management activities and engagement with investees.

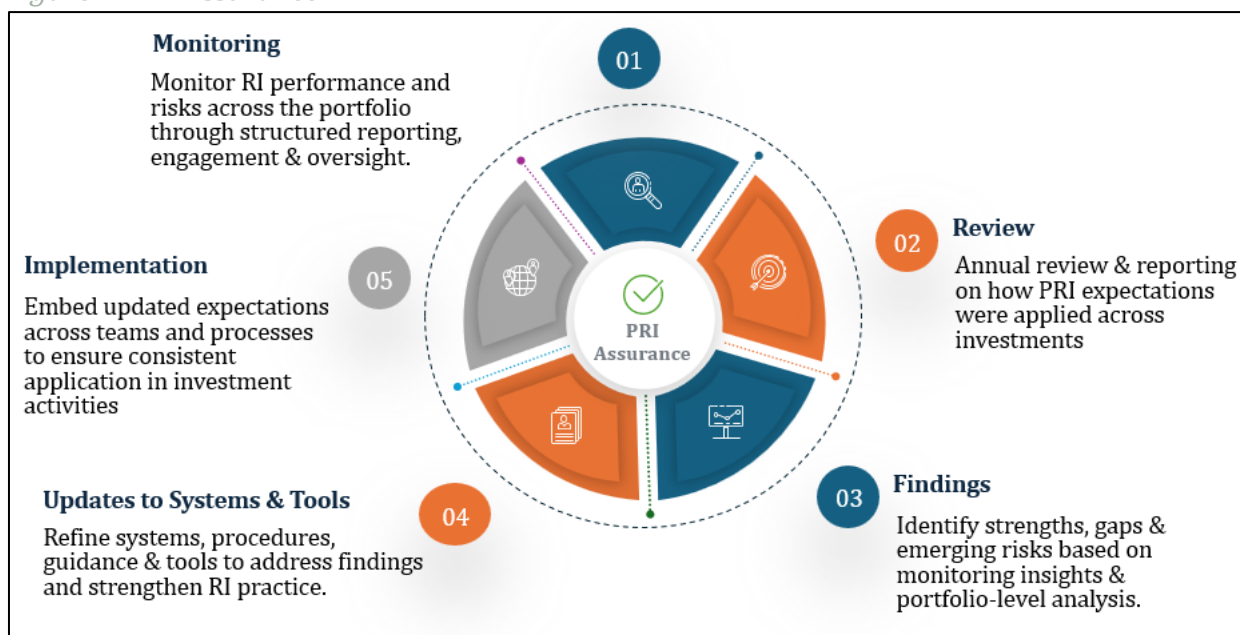
This annual review enables our Board to provide formal assurance to our shareholder, the Foreign, Commonwealth & Development Office, on how we have applied our due diligence and portfolio management practices, and how we seek to meet the expectations set out in the PRI, strengthening our approach where needed. This process reflects our commitment to transparency, strong governance and continuous improvement in responsible investing. The assurance process also helps identify areas for improvement and informs updates to our RI Framework.

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<sup>3</sup> Our Reporting and Complaints Mechanism is not a fully Independent Accountability Mechanism. However, it operates independently from our first-line Investment and RI teams to maintain internal independence.

<sup>4</sup> External parties include individuals, community groups, non-governmental organisations, or other persons or entities.

Figure 7. PRI Assurance



## 14. PRI governance

We apply a clear and structured governance process to help ensure consistent interpretation and application of the PRI across our portfolio. Questions relating to the PRI at the investment level are addressed through our RI team, which works closely with investment colleagues to assess the issue and determine the appropriate course of action. Where questions relate to broader policy interpretation or the application of the PRI across multiple investments or products, they are considered by our Impact Risk and Policy team in consultation with RI, Legal and other relevant functions. This dual pathway helps ensure that both investment-specific and policy-level questions are handled consistently, transparently and with appropriate senior oversight. In exceptional cases, matters may be escalated to our senior leadership to ensure alignment with our institutional standards and expectations.

## Annex 1. BII's responsible investment-related policies

- [Policy on Responsible Investment](#)
- [Investment Policy](#)
- [Commitment to Sanctions Compliance](#)
- [Reports and Complaints Mechanism](#)
- [Transparency and Disclosure Policy](#)
- [Tax strategy and policy on the payment of taxes and the use of offshore financial centres.](#)
- [Whistleblowing Policy](#)
- [Commitment to Anti-Bribery and Corruption](#)
- Our approach to the fossil fuel energy sector is governed by HMG Fossil Fuel Policy: [Aligning UK international support for the clean energy transition](#), published by the Department for Energy Security & Net Zero



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