



British
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Investment

Our approach to investing in sustainable infrastructure

Mobilizing Institutional Investment in Infrastructure in Angola

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An introduction to BII

BII is the UK's Development Finance Institution, wholly owned by HM Government

As the world's first "impact investor", we have a 70+ year track record of delivering commercial and impact performance in some of the most challenging markets globally.

Our mission statement is to: help solve the biggest global development challenges by investing long-term, flexible capital to support private sector growth and innovation.

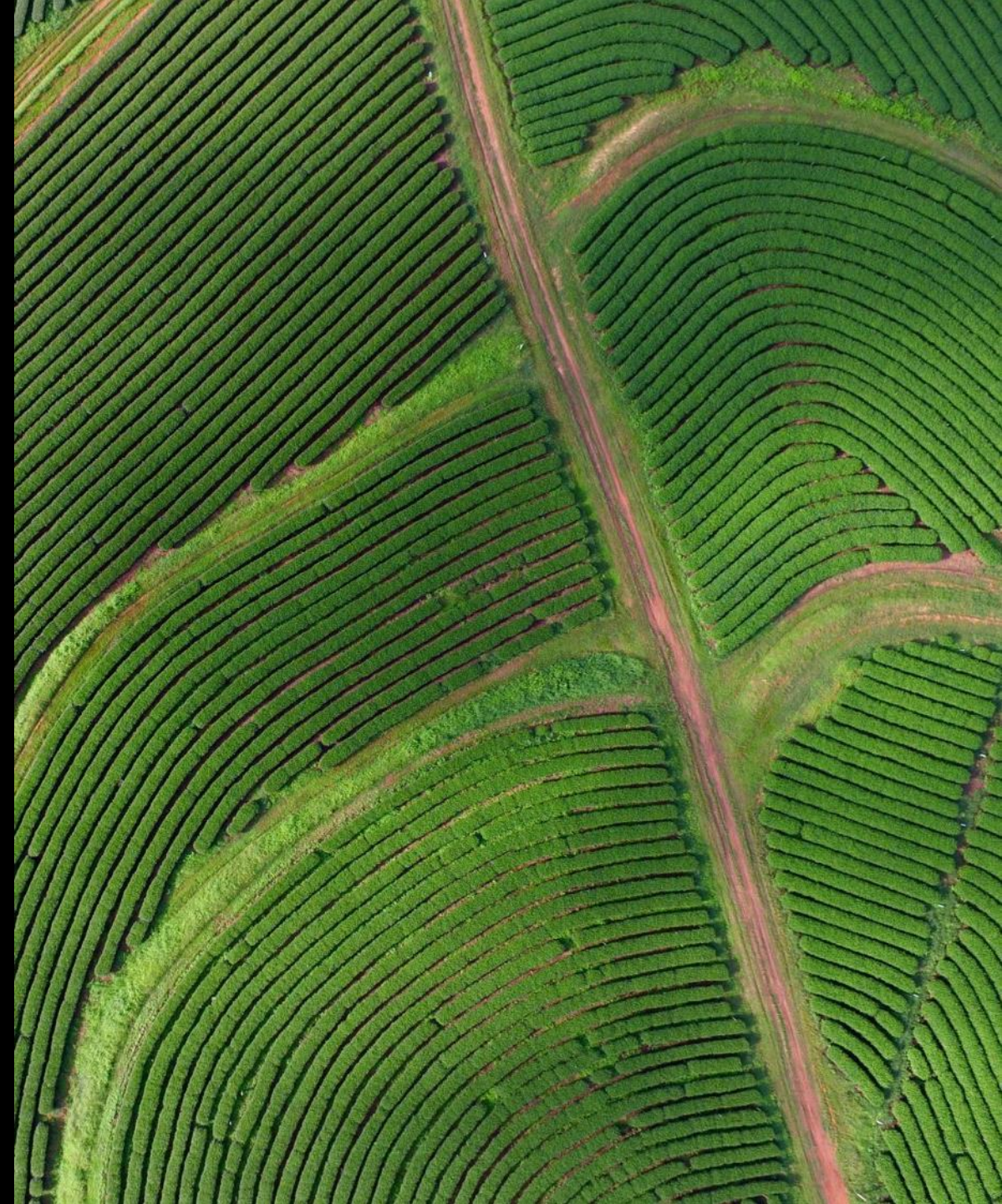
Our mandate is to maximise our development impact at the same time as being a sustainable financial institution. This is reflected in two primary measures of success agreed with our shareholder:

1. An overall portfolio level Impact Score – which captures how our investments contribute towards development that is Productive, Sustainable and Inclusive
2. A Financial Performance measure – to ensure we are profitable as an institution over a multi-year cycle



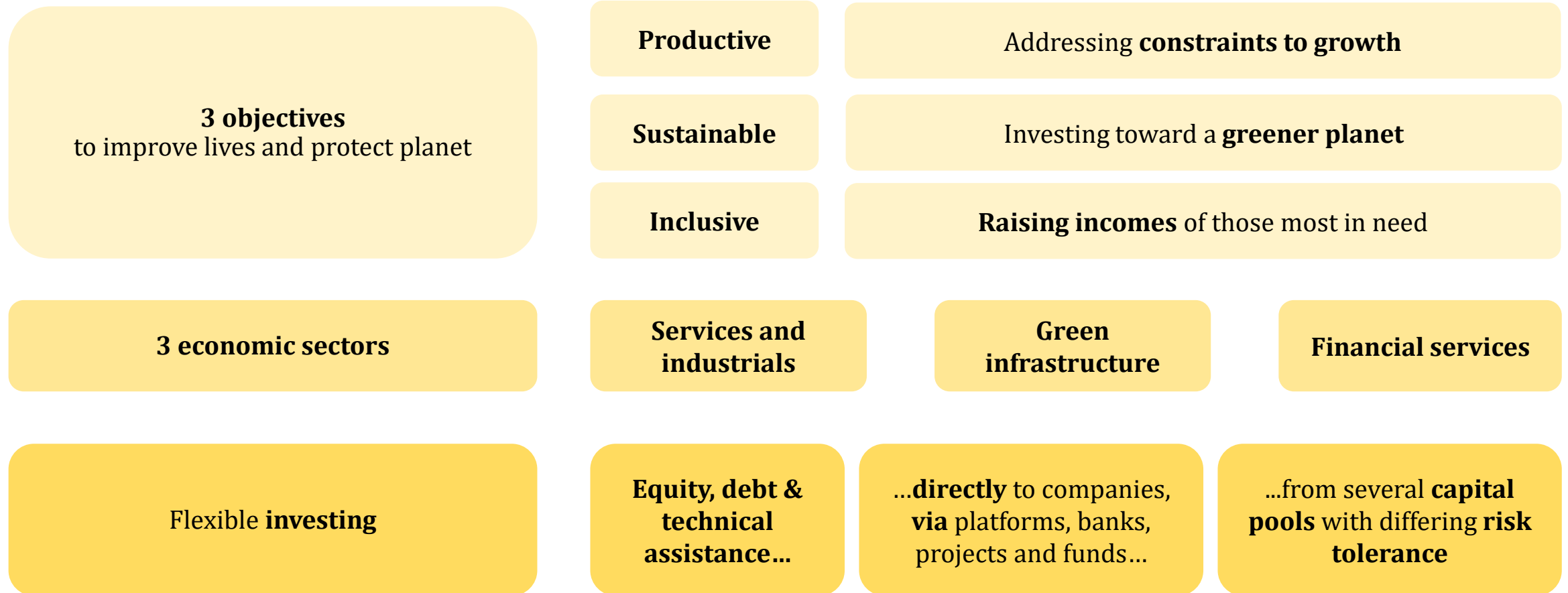
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What we do




Our 2022-26 strategy focuses on three development objectives, with **sustainable infrastructure** being a core component


BII's overall 2022-26 strategy: Impact pillars





Sustainable infrastructure is core to our strategy both for our **impact goals** and for the **significant market opportunity** it offers us

The sustainability opportunity in major markets in our investment universe

 India	GDP	<ul style="list-style-type: none"> \$3,170 Bn
	RE growth target	<ul style="list-style-type: none"> 300GW new capacity by 2030 to achieve 50% RE penetration
	Key climate priorities	<ul style="list-style-type: none"> Lowering carbon intensity of economy by >45% to ensure global competitiveness Supporting sustainable rural development including water security and reforestation Becoming a global green hydrogen leader with 5mtpa production
	Sectors of interest	<ul style="list-style-type: none"> Grid-scale wind & solar, C&I solar, resource efficiency, eMobility

 South Africa	GDP	<ul style="list-style-type: none"> \$420 Bn
	RE growth target	<ul style="list-style-type: none"> 25 GW called for by 2030 to support coal decommissioning
	Key climate priorities	<ul style="list-style-type: none"> Lowering carbon intensity of economy and diversifying power sources to ensure economic competitiveness Playing a lead role in battery and EV value chain Becoming a green hydrogen export leader with >300ktpa production
	Sectors of interest	<ul style="list-style-type: none"> Grid-scale wind & solar, C&I solar, green hydrogen, resource efficiency, municipal water

 Egypt	GDP	<ul style="list-style-type: none"> \$400 Bn
	RE growth target	<ul style="list-style-type: none"> 49GW of new capacity (DRE and on-grid) by 2035 to reach 42% RE penetration
	Key climate priorities	<ul style="list-style-type: none"> Improving water adaptation via significant desalination investments Becoming the region's leading supplier of low-carbon hydrogen (\$40Bn investment target in sector)
	BII Sectors of interest	<ul style="list-style-type: none"> Wind, solar PV, desalination, green hydrogen

 SE Asia	GDP	<ul style="list-style-type: none"> \$1,940 Bn (3-country total)
	RE growth target	<ul style="list-style-type: none"> 48GW planned by 2030 to support economic growth and coal decommissioning
	Key climate priorities	<ul style="list-style-type: none"> Lowering carbon footprint of exporters and supporting further sustainable growth via C&I RE Addressing vulnerability of coastal urban infrastructure Expanding water access & wastewater treatment
	BII Sectors of interest	<ul style="list-style-type: none"> Grid-scale solar, wind, and hydro; C&I solar, energy storage, water

To maximise sustainability impact, we invest patient capital with a dual mandate



Principles for maximising our impact in sustainable infrastructure

- **Patient Capital:** We are a long-term investor with no fixed exit timelines; instead we seek to provide capital at the tenor at which it is needed to drive development impact and fill market gaps
- **Flexible structuring:** We invest across the capital structure via debt, mezzanine, and equity. We also work through partner financial institutions to help source local currency liquidity and maximise our reach
- **Dual mandate:** All of our investments are assessed on the basis of both financial return and development impact, with a clear thesis needed for each area
- **Higher tolerance for market and business model risk:** As a DFI, our role is to take appropriate risks to support inclusive and sustainable growth without distorting markets
- **Special pools of capital for climate impact and innovation:** We have set aside special funds under our “Catalyst” strategies to take on higher levels of risk to support innovative technologies and business models. In infrastructure, we use these pools of capital to ensure that tariffs for end users are affordable even in challenging markets and higher-risk environments.
- **Value addition for investees:** We are a hands-on partner to investees, using our sector expertise and helping them strengthen their internal processes to maximise impact

Our sustainability strategy is based on three building blocks of Net Zero by 2050, just transition, and adaptation and resilience

- 100% of BII's investments will be **aligned with our countries' Net Zero pathways**
- 30% of BII's investments will qualify as **Climate Finance**, including a \$1Bn commitment to India

Paris alignment

Pillars



Priorities & Examples

- Develop a carbon budget and clear pathway to portfolio Net Zero
- Invest with full alignment with our countries' Net Zero pathways

- Focus on job creation, re-and upskilling in new low carbon/resilient sectors

- Increase resilience in our portfolio companies, including a gender lens
- Invest in sectors targeted for resilience



\$50m commitment to first solar CSP project financed on commercial project finance basis in Africa










Support to our India RE development platform train 400 rural youth in solar PV installation



\$4m venture investment in provider of AI and data to optimise smallholder farming productivity

To achieve our sustainability goals, we are building a diversified portfolio across technologies and industries

Target sectors

-  **Utility-scale renewable energy (RE):** Contributing to the 100GW in new renewable power called for by 2030 in government plans in our target markets
-  **Commercial and industrial (C&I) renewable energy:** Serving the growing demand among corporate clients for rooftop solar and offsite RE projects that provide cost savings, reliability, and help meet their ESG commitments
-  **Green Hydrogen:** Investing in the energy storage medium of the future in order to tap the expected 210m tons p.a. 2030 global market¹ for hydrogen in fertiliser, transport fuel, dispatchable power source, and source of process heat for steel and cement
-  **Battery Energy Storage:** Strengthening grid reliability and allowing the integration of increasing shares of intermittent wind and solar power
-  **Water:** Including industrial wastewater treatment, large, and medium-scale water supply projects to serve growing urban populations
-  **Resource efficiency and Energy-as-a-service:** Helping scale up and deploy innovative technologies that reduce the usage of energy and water, using flexible business models designed for the needs of emerging-market businesses
-  **Green transport and eMobility:** Building the charging and battery-swapping infrastructure needed to decarbonise logistics and electrify the two-wheeler and mass transit markets in fast-growing African and Asian cities

1. Estimated demand under the IEA Net Zero 2050 scenario. Source: IEA, 2021 Global Hydrogen Review.

Examples of our sustainable infrastructure investments to date

Examples of recent climate finance investments



Sun King (Formerly Greenlight Planet)

Multi-tranche, \$13m local currency facility in KES, UGX, and TZS to finance the growth of Sun King's pay-as-you-go solar home systems business in Kenya, Tanzania and Uganda.



Scatec Kenhardt 1, 2, & 3

\$126m project finance loan and \$26m mezzanine facility (via H1 Holdings) for Scatec and H1's 150MW dispatchable solar project including 1.1GWh of storage. The only all-renewable solution procured under South Africa's Risk Mitigation IPP round, it is among the largest battery / solar hybrid projects globally.

Scatec African Hydropower platform

Separately, a \$137m equity commitment to a JV with Norfund and Scatec to develop >675MW of run-of-river hydropower in some of Africa's most challenging markets, including the ground-breaking Ruzizi Hydropower project shared between DRC, Rwanda, and Burundi.



Gridworks

\$300 million equity commitment for Gridworks, a development platform set up by BII in 2019 to invest in Africa's on-grid and off-grid electricity network infrastructure. Gridworks recently closed Uganda's first private-sector transmission upgrade project and owns a pioneering off-grid utility being developed in DRC.



ACWA Redstone Concentrated Solar Power

\$50m project finance commitment to ACWA's 100MW CSP project now under construction in South Africa. The largest CSP in South Africa and one of the largest IPP project finance deals in the country, it will provide 12 hours a day of clean dispatchable power

Quantifiable climate impacts

5,250+

MW renewable power capacity in operation or construction by our direct investees, across **wind, solar PV, hydropower, and concentrated solar power**

4.8m

Est. tons of CO2 emissions avoided per year by our direct IPP investments alone, with further avoidance from our off-grid and C&I portfolio

1,150+

MWh on-grid battery storage capacity in construction by our investees in South Africa and Mozambique

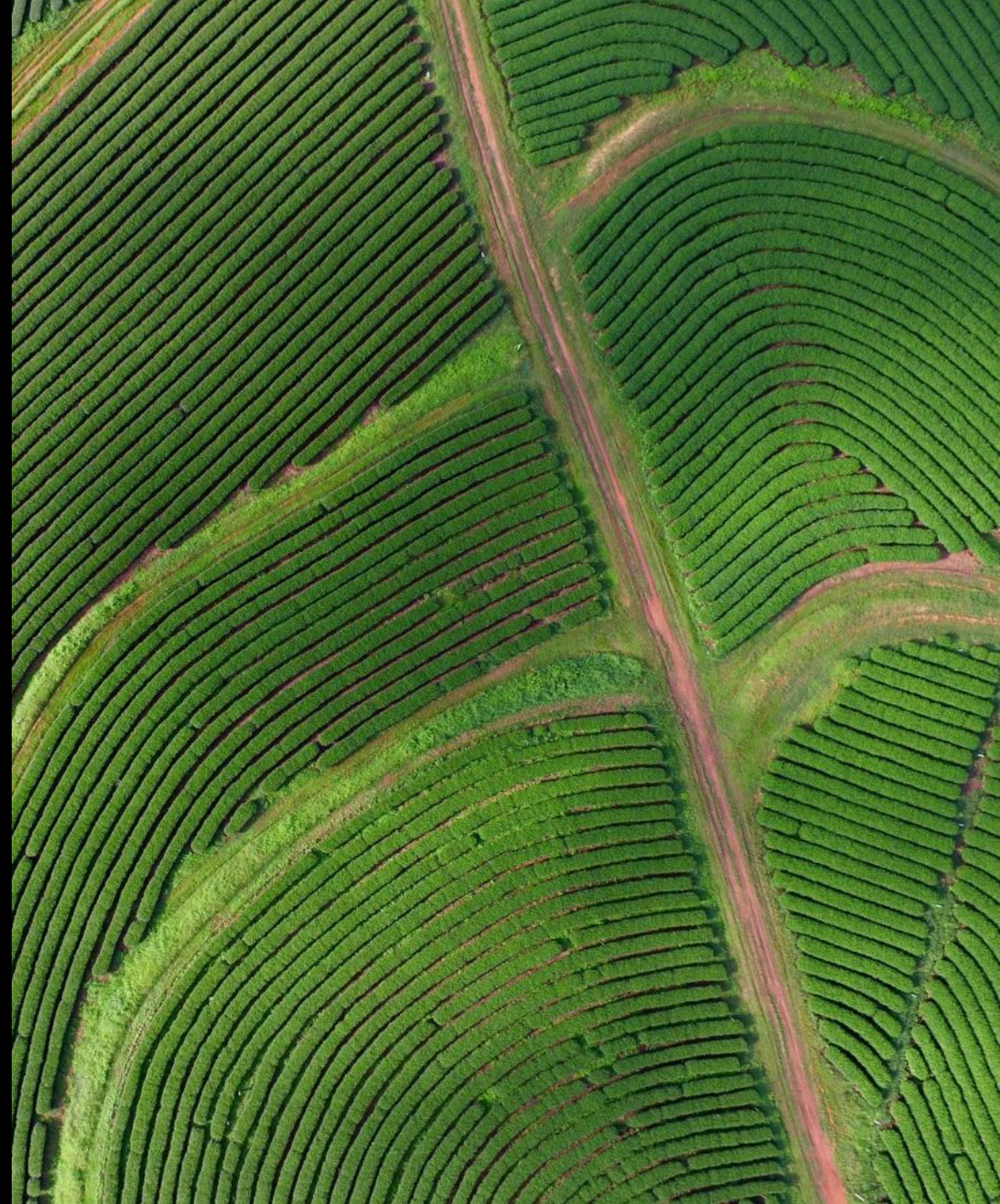
41%

2021 vs 2020 **year-on-year growth** in renewable power production in our direct power portfolio



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How we do it



Environmental, social, business integrity and governance assessment is a core part of the investment process at BII

BII has a team of over 50 full-time professionals focused on assessing, monitoring, and remediating ESG and business integrity issues across our pipeline and portfolio. **Areas of focus and activities include:**

Environmental & Social (E&S)



How a business **impacts the environment** across the business products, services, supply chain and operations



How a business **impacts the wellbeing of its staff and wider society**, including Safeguarding

Business Integrity (BI)



How a business is exposed to or engages in **financial crimes or unethical practices**, including via 3rd party relationships



How the **corporate governance**, risk and management systems, organizational **ethics and values** of an investee impact on performance

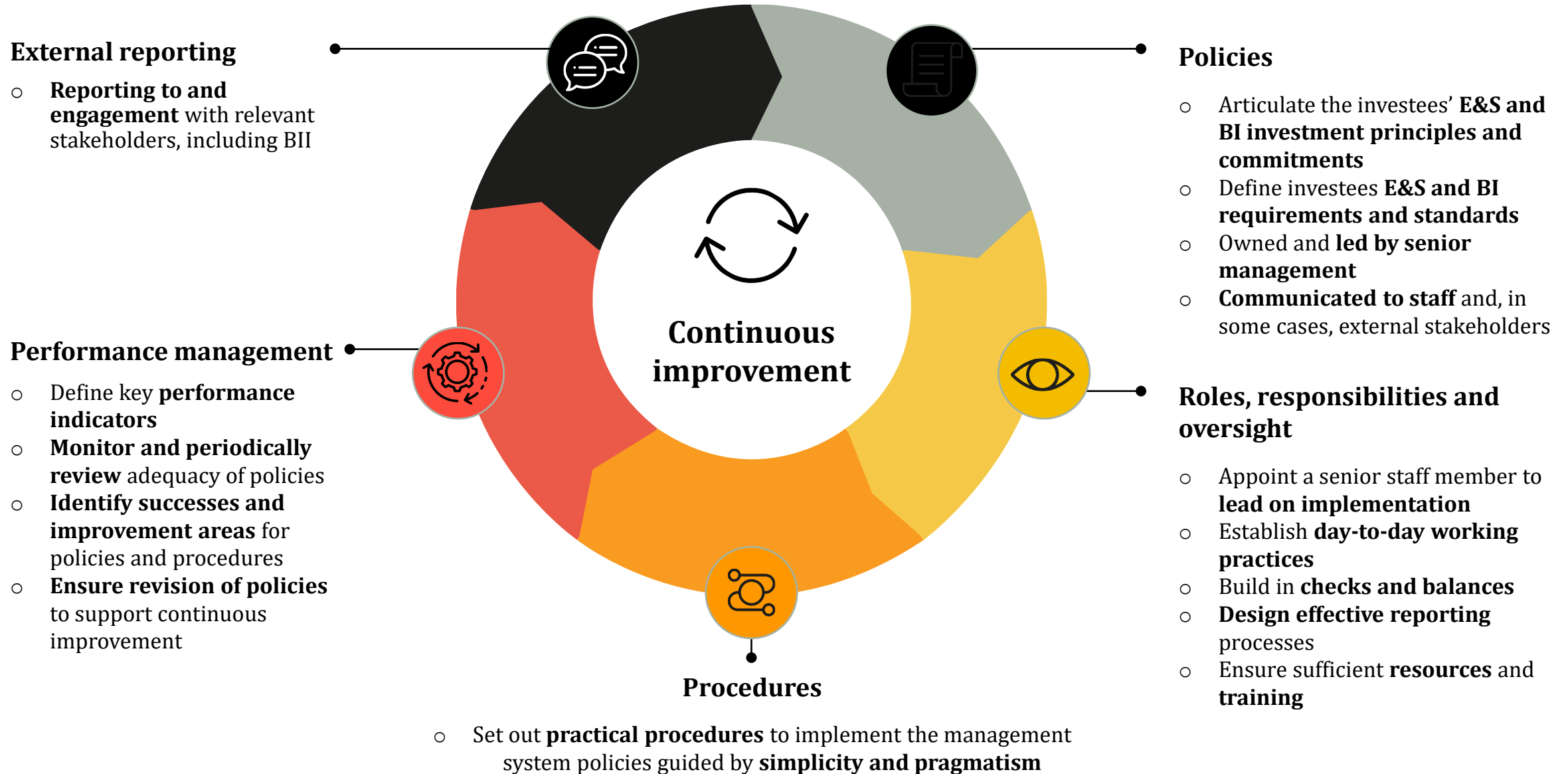
Typical support provided to investees:

- Developing action plans that align companies with international best practice
- Developing and/or strengthening internal controls, policies and procedures
- Building capacity to deliver positive impact – both within organisations and market or sector wide

Examples of value addition offered by BII:

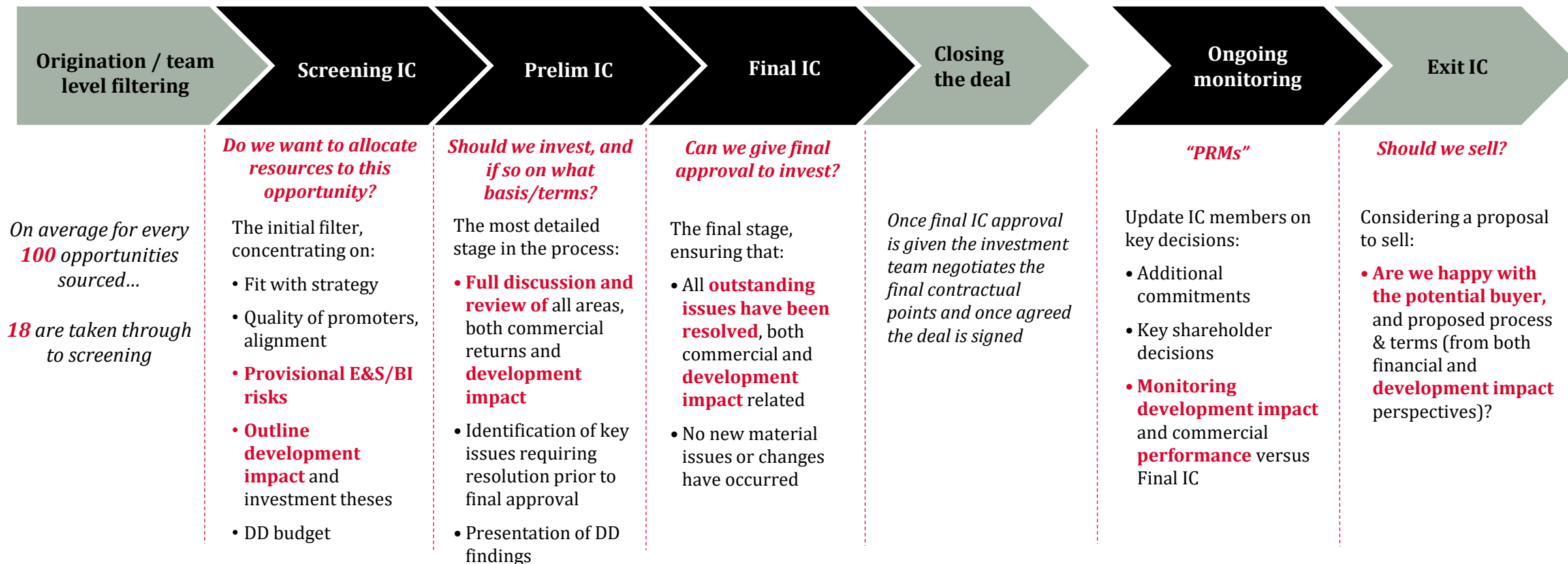
- Improving workforce health and safety to improve retention, productivity and protect workers through international labour and working practices
- Sharing best practice to reduce opportunities for fraud and corruption
- Realising resource efficiency gains to bring down business costs
- Helping manage supply chain risks which often come with reputational or legal liabilities
- Guidance on ESG reporting and disclosure to support market access and positioning of businesses

BII helps investees develop and implement comprehensive, ongoing **E&S** and **BI Management Systems**



We examine **impact** and **sustainability** at each stage of the investment process, just as with commercial considerations

Schematic overview of BII investment process



We aim to **quantify and track the sustainability thesis** for every investment in sustainable infrastructure

Examples of quantitative impact theses for recent projects

Recent BII investment	Expected development impacts
Grid-scale renewable investment 1	<ul style="list-style-type: none"> • Avoid 269,000 tons of CO2 emissions per year • Support 180,000 power-enabled jobs in low-income & fragile countries • Provide equivalent electricity to serve 3.7m consumers in low-income & fragile countries
Grid-scale renewable investment 2	<ul style="list-style-type: none"> • Avoid 1.0m tons of CO2 emissions per year • Support 10,000 power-enabled jobs in a lower-middle income country • Provide equivalent electricity to serve 236,000 consumers in a lower-middle income country
Grid-scale renewable + storage project	<ul style="list-style-type: none"> • Avoid 708,000 tons of CO2 emissions per year
Water project	<ul style="list-style-type: none"> • Increase treated water supply to host city by >30% • Reach 500,000 consumer and business customers with clean water
Commercial & Industrial investment	<ul style="list-style-type: none"> • Avoid 258,000 tons of CO2 emissions per year
Off-grid investment	<ul style="list-style-type: none"> • Provide energy access to 1.9m unelectrified households in lower income countries with current access rates <50%

SDGs targeted by BII's sustainable infrastructure investments



- 1. Sustainability starts with a strategic focus**
- 2. Sustainable infrastructure investing is about more than just avoiding ESG risks – it is also about seizing the opportunities offered by the energy transition**
- 3. Sustainability in emerging markets infrastructure is a long-term journey: Market gaps will exist and investees sometimes need support to develop best-practices**
- 4. Sustainability considerations should be analysed throughout the investment process and considered alongside commercial factors**
- 5. Quantifying your sustainability thesis and monitoring performance on an ongoing basis is key to refining your strategy and improving your performance over the long term**

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