CDC Group plc

Investment Policy for the period from 1 January 2012 to 31 December 2016

Part A – Introduction

A1. CDC Group plc

A1.1 CDC is a bilateral development finance institution which is wholly owned by Her Britannic Majesty's Secretary of State for International Development acting through the Department for International Development ("**DFID**") and by Treasury Solicitors' Department ("**TSoL**").

A1.2 Sustained economic growth can yield substantial development gains. Stimulating growth that generates wealth creation is a key driver in lifting, and in keeping, people out of poverty. Profitable, commercially sustainable and responsibly managed private sector businesses are critical in achieving this growth: they employ and train people, pay taxes, invest in research and development, and build and operate infrastructure and services.

A1.3 The Government wishes to make the United Kingdom's international development policy more focused on boosting economic growth and wealth creation in developing countries. CDC is a central element in the execution of such policy.

A2. CDC's Mission and Objectives

A2.1 CDC's mission is to support the building of businesses throughout Africa and South Asia, to create jobs and make a lasting difference to people's lives in some of the world's poorest places.

A2.2 CDC's objectives are to:

(i) invest in businesses and activities, especially when private investors are reluctant to do so, so as to contribute to sustainable development and economic growth that directly or indirectly benefits the poor, and in particular to create lasting employment opportunities;

(ii) demonstrate that profitable, commercially sustainable and responsible investments can be made and/or developed over time in these environments and, where possible, mobilise both direct and indirect private investment in these countries, states or territories; and

(iii) realise, and operate in accordance with, the visions, ambitions and directions for CDC in the CDC Strategy 2012-2016, as approved by DFID on 3rd May 2012 and available on the CDC website.

A3. Purpose of this Investment Policy

A3.1 This Investment Policy sets out the parameters and guidelines within which CDC will conduct its investment business. It also sets out the means by which its achievement of the development and financial targets set for it will be assessed by the Government. This Investment Policy was drafted following the conclusion of, and with due regard to the contributions made to, a public consultation exercise undertaken by DFID entitled "Reforming CDC Group plc" which ran from 5 November 2010 until 31 January 2011.

A3.2 As required by the provisions of the Articles, this Investment Policy was adopted by CDC on 26 October 2013 with the prior approval of DFID and TSol (as the only shareholders of CDC) and it is one of the principal tools by which DFID seeks to ensure that CDC is achieving the objectives set for it (which are set out in paragraph A2 above).

A4. Application of this Investment Policy

A4.1 Subject to paragraph A4.3 below, New Commitments will be invested, and deployed, in accordance with the provisions of this Investment Policy and in accordance with the provisions of the Code of Responsible Investing set out in Appendix 3 (the "**Investment Code**").

A4.2 Commitments entered into by CDC prior to the Commencement Date will be invested, and deployed, in accordance with the provisions of the prior Investment Policy and in accordance with the provisions of the Prior Investment Code.

A4.3 New Commitments to make Indirect Investments entered into by CDC after 1 January 2013 but prior to the Commencement Date will be invested and deployed in accordance with the provisions of the Prior Investment Policy and in accordance with the provisions of the Prior Investment Code but, to the extent relevant, shall be taken into account for the purposes of measuring and monitoring CDC's compliance with Targets 1 and 2. Nevertheless, CDC shall use its reasonable endeavours to ensure that such New Commitments shall be invested and deployed in a manner which does not conflict with the provisions of the Investment Code.

A4.4 CDC will ensure that its investment holding subsidiaries will, at all times, conduct their new investment business in accordance with the provisions of this Investment Policy as if they were expressly named throughout this Investment Policy in place of CDC.

A5. Definitions and Interpretation

A5.1 Words and expressions used in this Investment Policy will have the meaning, and will be subject to the interpretation, set out in Appendix 1.

A5.2 For the purposes of this Investment Policy, capital invested by CDC in New Commitments shall be deemed to be "deployed in, and for the immediate or prospective benefit of", an Eligible Country (and similar expressions), if, at the date of the Investment, the relevant Investment:

(i) is in a company or other entity which has its principal business or headquarters located or organised in an Eligible Country; or

(ii) in the reasonable judgement of CDC, the investment (either solely or in combination with projected future CDC investments) is expected to result in employment or other significant developmental benefits in an Eligible Country.

A5.3 In determining for the purposes of paragraph A5.2 above whether a company or other entity has its principal business headquartered, located or organized, or generates employment or significant developmental benefit in an Eligible Country, all reasonable relevant factors shall be considered including (without limitation): (i) the location of the premises, employees and senior management of each of its businesses; (ii) the source of revenue of each of its businesses; and (iii) backward and forward linkages (including the source of raw materials), and such factors shall be weighted as appropriate in all the circumstances.

A5.4 An investment is "deployed in" a particular Economic Sector or Sectors, if, at the date of the Investment, in the reasonable judgment of CDC, the investment would principally be employed in that sector or sectors. In making that determination, all reasonable relevant factors shall be considered including (without limitation): (i) the specific nature of the activities; (ii) the source(s) of revenue of each of the related entity's businesses; and (iii) backward and forward linkages (including the source of raw materials) and such factors shall be weighted as appropriate in all the circumstances.

Part B – Investment Criteria

B1. Indirect investment, direct investment and co-investment

B1.2 From the Commencement Date, CDC will:

(i) commit its capital to a wide range of investment funds or facilities managed by third party managers (including equity focused investment funds or facilities and also investment funds or facilities focusing on other financial instruments such as debt and guarantee instruments) ("**Indirect Investment**"); and

(ii) commit its capital directly (that is to say otherwise than through the medium of investment funds or facilities managed by third party managers) ("**Direct Investment**").

B1.3 It is acknowledged that a significant move from a focus on Indirect Investment to Direct Investment by CDC will require a substantial increase in the administrative and operational resources employed by CDC to originate, conclude, manage and exit from Direct Investments successfully. CDC will therefore initially seek opportunities for Direct Investment in circumstances where CDC will participate as a co-investor in an investment which is originated, structured and led by another DFI or by private sector investors ("**Co-Investment**"). For the avoidance of doubt, this initial focus on Co-Investment will not preclude CDC from pursuing opportunities for Direct Investment where it is not a co-investor.

B1.4 Subject always to the provisions of paragraph B5, in committing its capital to any Direct or Indirect Investment, CDC may invest through one or more investment vehicles (which may be domiciled in a country which is not an Eligible Country) if CDC considers that it is appropriate to do so for fiscal, legal, regulatory or other *bona fide* reasons.

B2. Available instruments

B2.1 It is intended that CDC should offer private sector businesses in Eligible Countries access to financial instruments which may not be provided by the market at all or which may not be provided by the market on reasonable terms, on an adequate scale or at a reasonable cost. As such, and given the wide range of business needs across the spectrum of Eligible Countries, CDC should have a range of financial instruments at its disposal. The instruments in which CDC may directly or indirectly participate will include, without limitation, the following:

(i) equity and quasi-equity instruments (including partnership interests, ordinary shares, preference shares, debentures, income notes, redeemable preference shares, listed or unlisted securities, underwriting of share issues by public or privately owned enterprises, subordinated loan notes and financing the transfer of shares in existing enterprises);

(ii) debt instruments (including senior, subordinated, mezzanine, secured, unsecured, convertible, bonds and debentures);

(iii) guarantees (ranging from all-risk guarantees to partial risk-specific contingent guarantees);

(iv) project preparation companies, funds or facilities;

(v) technical assistance or advisory companies, funds or facilities; and

(vi) such other instruments as enable CDC to achieve its objectives as set out in this Investment Policy.

B2.2 The terms and conditions of any Investment will be subject to CDC's assessment of the risks, the prospective returns associated with, and the financial and ownership structure of, the relevant Investment and will be discussed and agreed with the relevant counterparty. It is acknowledged, however, that when CDC commits its capital to Indirect Investments (and sometimes, to Co-Investments), the terms and conditions of investments in Investee Businesses will be subject to assessment, discussion and agreement by third party fund managers or other financial intermediaries rather than by CDC.

B2.3 CDC will not be restricted as to the proportion of its assets which may be retained in cash, cash equivalents or in other short term financial instruments in circumstances where CDC considers this to be in the best interests of CDC and DFID.

B3. Eligible Countries

B3.1 Subject as provided below, capital invested by CDC in New Commitments will only be deployed in, and for the immediate or prospective benefit of, any of the countries, states or territories in Africa or South Asia listed in Appendix 2 (the "**Eligible Countries**").

B3.2 As a result of significant political or economic change, a country, state or territory either inside or outside Africa or South Asia may be added to or removed from Appendix 2 with the agreement of both CDC and DFID.

B3.3 In Eligible Countries where DFID has a country office, CDC and DFID will seek opportunities to liaise, consult and share knowledge in a mutually agreed manner on the sectors and/or industries in those countries, states or territories which have the greatest developmental need.

B3.4 For the avoidance of doubt, this Investment Policy will not prevent CDC from deploying its capital in, and for the immediate or prospective benefit of, an Old Universe Country to the extent that such deployment is (i) made in accordance with the provisions of a legally binding commitment entered into by or on behalf of CDC prior to the Commencement Date and consistent with the provisions of the Prior Investment Policy, or (ii) is necessary, in the view of CDC's Investment Committee, to protect an existing economic interest. For the purposes of this paragraph only "immediate and prospective benefit" shall have the meaning given to it in paragraph 2.3 of the Prior Investment Policy.

B4. Eligible Sectors

B4.1 None of CDC's capital will be invested, directly or via intermediaries, in any of the following, activities:

(i) production of, or trade in, any product or activity deemed illegal under applicable local or national laws or regulations or subject to internationally agreed phase-outs or bans as defined in global conventions and agreements such as certain:

- hazardous chemicals, pharmaceuticals, pesticides and wastes[1];
- ozone depleting substances[2];
- endangered or protected wildlife or wildlife products[3]; and

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[1] As specified in the 2004 Stockholm Convention on Persistent Organic Pollutants ("POPs"), see www.pops.int; the 2004 Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, see www.pic.int; and the 1992 Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, see www.basel.int; as may be amended from time to time.

[2] As specified in the 1999 Montreal Protocol on Substances that Deplete the Ozone Layer, see www.ozone.unep.org, as may be amended from time to time.

[3] As specified in the 1975 Convention on International Trade in Endangered Species or Wild Flora and Fauna ("CITES"), see www.cites.org, as may be amended from time to time.

- unsustainable fishing methods such as blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 kilometres in length;

(ii) production of, or trade in, arms (i.e. weapons, munitions or nuclear products, primarily designated for military purposes);

(iii) production of, use of, or trade in, unbonded asbestos fibres;

(iv) production of, or trade in, radioactive materials[4]; or

(v) prostitution.

B4.2 None of CDC's capital will be invested in any entity if any of the following activities represents a substantial[5] portion of its business:

(i) gambling, gaming casinos and equivalent enterprises;

(ii) tobacco or tobacco related products[6]; or

(iii) pornography.

B4.3 Subject always to the provisions of paragraphs B4.1 and B4.2 above, all sectors of the economy of each Eligible Country are eligible for the investment of CDC's capital.

B5. Investments through Certain Tax Regimes

CDC will avoid making new Investments through Harmful Tax Regimes. In exceptional cases, where CDC considers that the developmental benefits of an Investment justify the use of an intermediary in such a regime, CDC may invest through such regimes. In each case CDC will make DFID aware of the reasons for the decision and be transparent about that judgement.

B6. Anti-Corruption

CDC will seek to minimise opportunities for corruption, including bribery and fraud, in its own operations and those of its fund managers and portfolio companies. CDC will have an anti-corruption policy which will be available on its website.

B7. Linking CDC's Objectives to its Investment Decisions Using the Development Grid

B7.1 CDC will seek to focus its investments into the geographies and sectors where there is the most potential for development impact, consistent with its mission statement and objectives as set out in paragraph A2.

B7.2 CDC recognises that there are many possible ways of defining and measuring development impact but has chosen to focus on, jobs and challenging geographies. CDC and DFID have agreed a framework (the **"Development Grid"**), summarised below and set out in detail on the CDC website, for assessing investments for development impact potential. This framework has been developed with external consultants and academics to provide an objective method for classifying both direct investments and investments made indirectly.

[4] This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment in which the radioactive source could reasonably be considered to be trivial or adequately shielded.

[5] "Substantial portion" is defined as (i) for companies, more than 10% of its consolidated balance sheet or earnings and (ii) for financial institutions, more than 10% of its portfolio volumes.

[6] Except, in the case of tobacco production only, with an appropriate timeframe for phase out.

B7.3 Development impact potential of a potential investment will be assessed on the basis of the following criteria:

(i) the investment difficulty of the country, state or territory where such investment would be made; and

(ii) the propensity of the potential investee's business sector to generate employment.

B7.4 Investment Difficulty:

a) In the case of all countries except India, the investment difficulty of each country was assessed with regard to market size, income level, ability to access finance and the ease of doing business, as follows:

Investment difficulty = Rank (GDP) + Rank (GDP per capita) + Rank (Domestic Credit to Private Sector as % of GDP) + Rank (IFC Ease of Doing Business)

b) In the case of India, each state was assessed with regard to GDP per capita.

c) Each country or state within CDC's geography has been ranked according to this assessment into four categories (D, C, B, A.)

B7.5 Propensity to Generate Employment:

a) The propensity of each business sector (each an "**Economic Sector**") to generate employment was assessed with regard to:

(i) the potential to create employment directly, measured by the employment (both skilled and unskilled) to capital ratio

(ii) the potential to create employment through backward linkages in the supply chain, measured by the local procurement to capital ratio

(iii) the potential for investment into essential infrastructure (physical and financial) to remove business constraints and build an environment for jobs.

b) Each sector has been ranked according to this assessment into three categories (Low, Medium, High.)

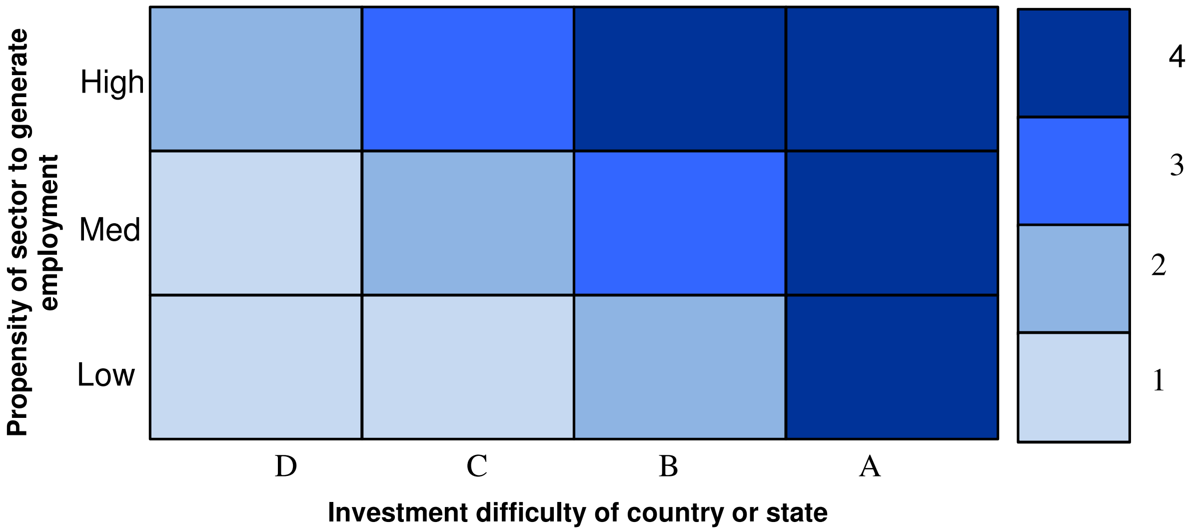
c) The classification of sectors will be refined from time to time by CDC to add new sectors. CDC will notify DFID of any such refinements.

B7.6 The Development Grid plots Investment Difficulty on the "x" axis and Propensity to Generate Employment on the "y" axis. Four categories (1, 2, 3 & 4) have been designated that combine the two criteria. CDC will assess each investment using the framework, and will place it into one or more category or categories.

B7.7 The determination of the appropriate category on the Development Grid for an investment shall be made (i) in the case of Direct Investments, at the time such Direct Investment is approved and (ii) in the case of Indirect Investments, at the time of (or shortly following) any disbursement of funds by CDC to enable the fund or facility to make an investment.

B7.8 Each investment will be independently evaluated annually to ensure accurate categorisation.

B7.9 In making decisions on potential investments, CDC will consider, in each investment decision, its additionality, in the broadest sense. This will include the benefit of CDC's capital, but also the benefit of CDC's know how, which could encompass environmental, social and governance, business integrity or any input particular to that investment which brings value to the investee company. CDC will also consider the mobilisation of additional funding, where it is a lead or important capital provider and therefore in a position to mobilise funds. Both additionality and mobilisation are important issues to be considered together with other investment considerations and which are not themselves dispositive.



Part C – The Performance Framework

C1. The Performance Targets (the "Targets")

C.1.1 CDC will aim to meet the target set out in the Balanced Scorecard (See Appendix 4) relating to the development impact potential of new investments. (Target 1 "**Development Potential**"))

C1.2 CDC will aim to meet the target set out in the Balanced Scorecard for a minimum portfolio return. (Target 2 "**Development Outcome**"))

C1.3 In 2016, CDC, with DFID input, will undertake a review of the methodology used to determine the development impact of its investments and whether it has achieved the desired objectives.

C2. The Performance Indicators (the "Indicators")

C2.1 CDC will aim to demonstrate investment success in its target geographies. (Indicator 1)

C2.2 CDC will aim to mobilise third party commercial capital, where appropriate. (Indicator 2)

C2.3 CDC will aim to ensure that its portfolio remains appropriately diversified against risk. (Indicator 3)

C2.4 CDC will aim to increase its debt and direct equity investments over the Policy Period. (Indicator 4)

C2.5 CDC will aim to drive the management of environmental and social risks, corporate governance and business integrity in its investments. (Indicator 5)

C2.6 CDC will periodically provide DFID with a range of forecasts of annual ODA and will (throughout the year) monitor and communicate to DFID actual ODA against these forecasts. (Indicator 6)

C2.7 CDC and DFID may agree to refine the Indicators to ensure quality monitoring of CDC's performance against its investment objectives.

C3. Monitoring the Targets

C3.1 Achievement of the Targets will be measured (over appropriate agreed periods) by CDC at financial year ends.

C3.2 By no later than 30 April in each year, the Board will confirm and deliver to DFID,

(a) written confirmation (a **"Confirmation")**

(i) whether or not the Targets applicable to the immediately preceding financial year have been achieved; and

(ii) in circumstances where the Targets applicable to the immediately preceding financial year have not been achieved, the Confirmation will set out in reasonable detail: (1) the extent of CDC's under-achievement; (2) the reasons for CDC's under-achievement; and (3) an action plan to meet the relevant Target in future; and

(b) Written assurances (the **"Assurances"**) from CDC's external evaluators and auditors (as applicable) that they agree with the Confirmation with regard to whether each of the Targets applicable to the immediately preceding financial year have been achieved.

C3.4 For the purposes of this Performance Framework, a Target will be deemed to be achieved by CDC in respect of any financial year or as at the end of the Policy Period (as the case may be) in circumstances where:

(i) the Confirmation is issued by CDC in the form, and within the period, prescribed above;
(ii) the Confirmation confirms the achievement of the relevant Target;
(iii) the Assurances are issued in the form, and within the period, prescribed above; and
(iv) the Assurances confirm that they do not disagree materially with the Confirmation with regard to each Target applicable to the immediately preceding financial year.

C3.5 Once the Confirmation and Assurances are issued, they will promptly be disclosed to the public.

C4 Evaluation of Development Impact

CDC, having consulted DFID, will adopt a policy regarding evaluation, including ex post evaluation, of the development impact of some or all of its investments.

Part D – The Reporting Framework

D1. Annual reporting

D1.1 CDC will report to DFID (in a form reasonably satisfactory to DFID) promptly following the end of each financial year, in respect of the immediately preceding financial year, on:

(i) its financial performance (including a portfolio breakdown between Eligible and non-Eligible Countries);
(ii) its compliance with the Investment Policy;
(iii) its compliance with the Investment Code;
(iv) its performance against the Targets;
(v) any refinement of the framework under B7.5(c);
(vi) its performance against the Indicators;
(vii) its performance against any annual investing objectives agreed with the Board each year and budget;
(viii) an assurance on compliance with the Remuneration Framework of CDC; and
(ix) a financial and non-financial risk assessment report.

D1.2 CDC will provide DFID, before the commencement of each year, an annual budget, including annual investing objectives agreed with the Board for such year.

D1.3 If the Board believes an audit of its implementation processes in relation to the Investment Code to be necessary, CDC will make a copy of the audit available to DFID promptly following the end of the financial year.

D2. Quarterly reporting

D2.1 CDC will report to DFID (in a form reasonably satisfactory to DFID) promptly following the end of each period of 3 months (each such period being a **"Quarter"**), in respect of the immediately preceding Quarter, on:

(i) its financial performance (including a portfolio breakdown between Eligible and non-Eligible Countries);
(ii) any issues or concerns of CDC arising from the implementation of, or compliance with, the Investment Policy;
(iii) any issues or concerns of CDC arising from the implementation of, or compliance with, the Investment Code;
(iv) its progress towards the Targets;
(v) any refinements of the framework under B7.5(c);
(vi) its progress towards the Indicators;
(vii) its operating costs against budget;
(viii) its cash position (including a report on any borrowing made by CDC out of the ordinary course);
(ix) an updated range of forecasts of annual Official Development Assistance and Other Official Flows, as defined by the OECD;
(x) relevant risks and mitigating actions; and
(xi) any investments made through a Harmful Tax Regime.

D3. CDC Annual Report and Accounts

CDC will publish annually (in a form reasonably satisfactory to DFID) an Annual Report and Accounts that will give an overview of CDC's financial and developmental performance.

D4. Transparency

CDC will make available as much relevant information as is reasonably possible relating to (i) its Investments; (ii) its Investee Businesses; (iii) the investment funds pursuant to which it conducts its Indirect Investment; and (iv) entities with which CDC has made Co-Investments, in each case to the extent permitted by applicable legislation and the requirements of commercial confidentiality. The above information will be made available in accordance with CDC's Disclosure Policy.

D.5 Other Matters

DFID and CDC agree that the reports described in Paragraphs D.1, D.2 and D.3 constitute all of the normal reports, reviews or audits that will be required of CDC by DFID. DFID may, from time to time, request that CDC contribute to reviews or audits of DFID. DFID shall give CDC as much notice as possible of any such review or audit and where possible an opportunity to agree the scope of such review or audit as it affects CDC. CDC shall make all reasonable efforts to contribute to such exercises.

Part E - Amendment, Modification or Replacement of this Investment Policy and Prior Policies and Other Matters

E1.1 Except as otherwise provided herein, this Investment Policy will not be altered, modified or replaced without first:

(i) CDC's ordinary shareholders (being DFID and TSoL[7]) approving the alteration, modification or replacement by passing an ordinary resolution; and

(ii) CDC's special shareholder (being DFID) giving its written consent to the alteration, modification or replacement.

Words and expressions used in this paragraph E1.1 will have the meaning given to them in the Articles.

E1.2 Save to the extent expressly provided to the contrary in this Investment Policy, this Investment Policy will supersede and replace all prior investment policies of CDC (including, without limitation, the Prior Investment Policy) with effect from the Commencement Date.

E1.3 This Investment Policy will only relate to capital invested by CDC on behalf of DFID to achieve the objectives set out in this Investment Policy. In the event that CDC manages third party capital (whether made available by DFID to achieve other specific objectives or by another third party) it will, for the avoidance of doubt, manage such capital in accordance with such arrangements as shall be agreed by the Board and by DFID and which shall be consistent with the Investment Code.

[7] TSoL holds only a nominal holding of ordinary shares of CDC as nominee for DFID

Appendix 1

Definitions and interpretation

1. Definitions

“Act” means the UK’s Commonwealth Development Corporation Act 1999.

“Articles” means the articles of association of CDC, as amended from time to time.

“Audited Accounts” means the audited report and accounts of CDC for any financial year.

“Board” means the board of directors of CDC.

“CDC” means CDC Group plc**.**

“Co-Investment” has the meaning give to it in paragraph B1.3.

“Commencement Date” means the date of adoption of this Investment Policy by CDC being 26 October 2013.

“Commitment” means a legally binding commitment to make a Direct Investment, an Indirect Investment or a Co-Investment**.**

“Development Grid” has the meaning given to it in paragraph B7.2.

“DFI” means a development finance institution owned in whole, or in part, by the public sector.

“DFID” has the meaning given to it in paragraph A1.1.

“Direct Investment” has the meaning given to it in paragraph B1.2.

“Economic Sector” has the meaning given to it in paragraph B7.5

“Eligible Country” has the meaning given to it in paragraph B3.1.

“Government” means Her Britannic Majesty’s Government.

“Harmful Tax Regime” shall mean any regime that does not adequately exchange tax information internationally. At the time of this Investment Policy, such a regime is deemed to be one that either (i) has not undergone any peer review as part of the Global Forum on Transparency and Exchange of Information for Tax Purposes (the “Global Forum”) or (ii) following a Phase 1 review, has not yet been found by the Global Forum able to proceed to its Phase 2 review. Such determination will be updated by action of CDC, with the prior consent of DFID, to reflect improvements in global standards, including on tax information exchange, and specifically by incorporating overall ratings once they are determined by the Global Forum .

“Indirect Investment” has the meaning given to it in paragraph B1.2.

“**Investee Business**” means any underlying business in which CDC has an interest by way of a Direct Investment, an Indirect Investment or a Co-Investment.

“**Investment**” means any Direct Investment, Indirect Investment or Co-Investment.

“Investment Code” has the meaning given to it in paragraph A4.1.

”Investment Policy” means this document as from time to time amended, modified and/or replaced in accordance with the provisions of this Investment Policy and of the Articles.

"New Commitment" means any Commitment entered into by or on behalf of CDC after the 1 January 2013 (for the avoidance of doubt, a follow-on investment entered into by CDC in respect of any New Commitment shall also be considered to be a New Commitment for the purposes of this Investment Policy).

"Old Universe Countries" means those countries constituting the "CDC Universe" as defined in Appendix 1 of the Prior Investment Policy.

"Policy Period" means the period beginning on 1 January 2013 and expiring on 31 December 2016.

"Prior Investment Code" means the investment code set out at Appendix 2 of the Prior Investment Policy.

"Prior Investment Policy" means the investment policy adopted by CDC on 17 December 2008 to take effect from 1 January 2009.

"Subsidiary" has the meaning given to it in the UK's Companies Act 2006.

"Targets" has the meaning given to it in paragraph C1.

"**TSoL**" has the meaning given to it in paragraph A1.1.

Appendix 2

Eligible Countries, States and Territories

Country	Region
Afghanistan	South Asia
Algeria	Africa
Angola	Africa
Bangladesh	South Asia
Benin	Africa
Bhutan	South Asia
Botswana[8]	Africa
Burkina Faso	Africa
Burundi	Africa
Cameroon	Africa
Cape Verde	Africa
Central African Republic	Africa
Chad	Africa
Comoros and Mayotte	Africa
Congo (Democratic Republic of)	Africa
Congo (Republic of)	Africa
Côte d'Ivoire	Africa
Djibouti	Africa
Egypt, Arab Rep.	Africa
Equatorial Guinea	Africa
Eritrea	Africa
Ethiopia	Africa
Gabon	Africa
Gambia, The	Africa
Ghana	Africa
Guinea	Africa
Guinea-Bissau	Africa
India	South Asia
Kenya	Africa
Lesotho	Africa
Liberia	Africa
Libya	Africa
Madagascar	Africa
Malawi	Africa
Maldives	South Asia
Mali	Africa
Mauritania	Africa
Mauritius[9]	Africa
Morocco	Africa
Mozambique	Africa
Myanmar	South Asia
Namibia	Africa
Nepal	South Asia

[8] CDC will make no Direct Investments into Botswana except for the immediate or prospective benefit of countries classified in categories C, B, or A on the Development Grid.
[9] CDC will make no Direct Investments into Mauritius except for the immediate or prospective benefit of countries classified in categories C, B, or A on the Development Grid.

Niger	Africa
Nigeria	Africa
Pakistan	South Asia
Rwanda	Africa
Sao Tome and Principe	Africa
Senegal	Africa
Seychelles	Africa
Sierra Leone	Africa
Somalia	Africa
South Africa[10]	Africa
South Sudan	Africa
Sri Lanka[11]	South Asia
Sudan	Africa
Swaziland	Africa
Tanzania	Africa
Togo	Africa
Tunisia	Africa
Uganda	Africa
Zambia	Africa
Zimbabwe	Africa

[10] CDC will make no Direct Investments into South Africa except where the sector is classified as High on the Development Grid, or where the investment will result in significant immediate or prospective benefit of deprived areas or sections of the population in South Africa or of countries classified in categories C, B, or A on the Development Grid.

[11] CDC will make no Direct Investments where more than 25% of the investment is for the immediate and prospective benefit of Sri Lanka or into an entity with more than 25% of its business invested inSri Lanka.

Appendix 3

CODE OF RESPONSIBLE INVESTING

INTRODUCTION

CDC believes it should invest in a responsible fashion, considering environmental, social and governance (ESG) and business integrity matters. Effective management of these matters not only reduces the possibility of stakeholders being adversely affected by business activities, but also provides them with access to remedy. It can also add value to businesses through, for example, improving business efficiency, staff motivation and stakeholder relations. The Code of Responsible Investing (this "Code") sets out CDC's requirements, recommendations and management systems to invest responsibly. Through this Code, CDC works with intermediaries and companies in a responsible approach to business that starts with compliance with certain basic requirements and works towards the adoption of internationally recognised standards of best practice.

CDC recognises that not every business will be in full compliance with this Code at the date of investment. In such cases, CDC, or its fund managers, will work with the business to develop an Action Plan (that seeks to achieve compliance) with clear deliverables in reasonable time frames, taking into consideration the risks and opportunities specific to that business and its size and resources.

Guidance on how this Code can be implemented in practice can be found in CDC's Toolkit on ESG for Fund Managers (which can be downloaded from CDC's website: www.cdcgroup.com) and IFC's E&S Toolkit (www.estoolkit.com). Guidance for financial institutions can be found at www.firstforsustainability.org. In-depth analyses of sector-specific risks can be found in the World Bank's EHS Guidelines (http://www.ifc.org/ifcext/sustainability.nsf/Content/EHSGuidelines). FMO also host good online resources for private equity funds and microfinance institutions: http://www.fmo.nl/esg-tools

Guide to Application of the Schedules of the Code

The table below refers to the requirements directly applicable to the organisation at the top of the column. Therefore, a Fund Manager or Financial Institution should consider the final column when evaluating requirements for investee businesses.

Schedule No.	CDC	Fund Managers	Financial Institutions (high risk)	Financial Institutions (other)	Portfolio Companies
1	Yes				
2	Yes (for direct investments)	Yes	Yes for high risk sector investments (which in turn should apply Schedules 3 & 4 where relevant)	Investees to comply with Applicable Laws and International Sanctions only	
3		Yes	Yes	Yes	Yes
4		Yes (where relevant)	Yes (where relevant)	Yes (where relevant)	Yes (where relevant)
5					Where appropriate
6	Yes	Yes	Yes	Yes	Yes

CODE OF RESPONSIBLE INVESTING

1. CDC's capital will not be invested, either directly or indirectly, in any Excluded Activity.

2. CDC shall maintain a responsible investment management system, as outlined in Schedule 1.

3. Every Portfolio Company shall either (i) comply with all Requirements or (ii) for any Requirements with which it does not comply, have agreed to an Action Plan. Every Portfolio Company shall implement systems to monitor:

    a. implementation of the Action Plan, and

    b. that the business otherwise remains in compliance with the relevant provisions of this Code.

4. Every Fund Manager shall either (i) maintain management systems that satisfy Schedule 2 and comply with all Requirements or (ii) for any provisions of Schedule 2 or Requirements with which it does not comply, have agreed to an Action Plan.

5. Any Financial Institution in which CDC invests directly shall:

    a. not use such funds to invest in any Excluded Activity,

    b. comply with all Requirements, and

    c. ensure that each business that such Financial Institution invests in complies with Applicable Laws.

    Any Financial Institution that uses CDC funds for a portfolio that contains a substantial exposure to businesses or projects with potential for significant adverse social or environmental impacts shall additionally maintain management systems that satisfy Schedule 2 for such portfolio.

6. So long as CDC is invested in a business, CDC (if the investment is direct) or the Fund Manager or Financial Institution (if the investment is indirect) shall ensure that:

    a. any Action Plan is implemented, and

    b. the business otherwise remains in compliance with the relevant provisions of this Code.

7. CDC, Fund Managers and Financial Institutions shall promote, and where practicable support any investee business that seeks to implement, the recommended actions listed in Schedule 5.

8. In the event CDC co-invests (including with other development finance institutions), CDC may elect to apply requirements differing from, but substantially similar to, those in this Code in order to harmonise the requirements of all investors.

GLOSSARY

Action Plan: A plan that seeks to achieve compliance with the Requirements on a specified schedule which CDC, the Financial Institution or the Fund Manager (as applicable) reasonably believes that the business is willing and able to implement.

Applicable Laws: As defined in Schedule 3.

EHS Guidelines: World Bank Group Environmental Health and Safety Guidelines.

Excluded Activity: Any business or activity listed on Schedule 6.

Financial Institution: A commercial or mortgage bank, an insurance company, financial leasing company or similar institution.

Fund Manager: Any investment fund manager managing capital on behalf of CDC.

IFC PS: IFC Performance Standards.

International Sanctions: As defined in Schedule 3.

Portfolio Company: Any of the following (i) a company that has received capital directly from CDC; (ii) a company that has received CDC capital through a Fund Manager; or (iii) a company in the portfolio of a Financial Institution, provided that CDC funds are being used in the portfolio and the Financial Institution is required by this Code to maintain management systems that satisfy Schedule 2.

Requirements: As to any business, the requirements set out on Schedule 3 and those requirements set out on Schedule 4 that apply to the business.

The Code: This Code of Responsible Investing.

SCHEDULE 1

RESPONSIBLE INVESTMENT MANAGEMENT SYSTEMS FOR CDC

CDC will:

- assist its Fund Managers and Financial Institutions to establish and maintain ESG management systems, including through the provision of training and guidance materials;
- establish and maintain for its direct investments ESG management systems substantially similar to those described in Schedule 2[12];
- keep under active review the implementation of the Code, including timely progress against agreed Action Plans, through engagement and correspondence with Portfolio Companies, Fund Managers and Financial Institutions, using technical experts where necessary;
- provide a grievance mechanism through which stakeholders can report alleged breaches of this Code;
- in the event that CDC considers there has been a material breach of this Code by a Fund Manager, Financial Institution or a Portfolio Company, investigate the matter and seek to resolve any breach together with the Fund Manager, Financial Institution and/or Portfolio Company, as appropriate. If discussions with the Fund Manager, Financial Institution or Portfolio Company do not adequately resolve the issue, CDC will consider a variety of options including third party investigations, negotiated settlements, contractual remedies and its future relationship(s) with the breaching parties; and
- publicly report on its implementation of the Code.

[12] In the case of co-investments, CDC will ensure that one of the co-investment partners, or CDC, manages the Portfolio Company in line with Schedules 1 to 6 of this Code.

SCHEDULE 2

RESPONSIBLE INVESTMENT MANAGEMENT SYSTEMS FOR FUND MANAGERS AND FINANCIAL INSTITUTIONS

> ***Note:*** Schedule 2 applies to all Fund Managers. It also applies to any Financial Institutions that use CDC funds for a portfolio that contains a substantial exposure to businesses or projects with potential for significant adverse social or environmental impacts.

Responsible investment management systems shall include:

- **Policy and Processes.** Ensuring the Fund Manager's or Financial Institution's own operations comply with the Requirements; identifying the environmental, social and governance risks of all new investments and appropriately managing and monitoring those risks (including the identification of climate change risks, and reporting on greenhouse gas emissions from high carbon intensity activities); preventing any investment in an Excluded Activity; assessing compliance of all investments with the Requirements and developing an Action Plan to address any areas of non-compliance; establishing a public grievance process for the reporting of ESG matters.

- **Roles and Responsibilities.** Assigning ESG responsibilities to (i) a designated representative of senior management, who is a member of appropriate investment and governing bodies and (ii) suitably trained employee(s) or consultant.

- **Performance Management.**
    - Working with Portfolio Companies continually to improve their performance on environmental (including climate change risks), social, corporate governance and business integrity matters;
    - monitoring Portfolio Companies' performance and continued compliance with this Code including their timely progress against agreed Action Plans, including periodic meetings and/or site visits (as warranted by the risks of such business) and using technical experts where necessary;
    - identifying and recording any serious incidents involving Portfolio Companies that result in loss of life, severe permanent injury or severe permanent damage to health, a material adverse environmental or social impact, or material breach of law relating to environmental, social or business integrity matters, including financial irregularities, and promote appropriate corrective actions; and
    - ensuring integration of ESG management systems into their business so that they continue after any exit from the investment.

- **Reporting.** Ensuring regular (and no less than annual) reporting of environmental (including climate change), social and governance matters (and immediate reporting of any serious incidents, such as fatalities or breaches of law) to governing bodies and investors.

SCHEDULE 3

REQUIREMENTS FOR ALL BUSINESSES

Every business in which CDC's capital is invested will:

- operate in compliance with applicable local and national laws including laws covering environmental impacts, labour rights, social issues, corporate governance and those intended to prevent extortion, bribery, corruption and financial crime ("Applicable Laws");
- operate in compliance with relevant international sanctions, including those of the European Union and the United Nations ("International Sanctions");
- implement management systems, appropriate to the size and nature of the business, that ensure a systematic approach to ESG risk assessment, addressing relevant risks, monitoring and reporting on progress and, to the extent possible, involving stakeholders;
- ensure achievement of and continuous compliance with the Requirements or related Action Plan;

Working Conditions and Labour Rights

- not employ or make use of forced labour;
- not employ or make use of child labour;
- pay wages which meet or exceed industry or legal national minima;
- not discriminate in terms of recruitment, progression, terms and conditions of work and representation, on the basis of personal characteristics unrelated to inherent job requirements, including gender, race, colour, caste, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, marital status, membership of workers' organisations, legal migrants, or HIV status;
- adopt an open attitude towards workers' organisations and respect the right of all workers to join or form workers' organisations of their own choosing, to bargain collectively and to carry out their representative functions in the workplace;
- provide reasonable working conditions including a safe and healthy work environment, working hours that are not excessive and clearly documented terms of employment; and in situations where workers are employed in remote locations for extended periods of time to ensure that such workers have access to adequate housing and basic services

Access to Remedy

- provide an appropriate grievance mechanism that is available to all workers and where appropriate other stakeholders;

- implement a procedure for the reporting of wrongdoing and misconduct in the workplace that includes protection for the reporter and appropriate disciplinary action for anyone found to harass the reporter;

Business Integrity

- uphold high standards of business integrity and honesty;
- adopt and implement policies to prevent extortion, bribery, fraud, corruption and financial crime in accordance with local law requirements and international best practice;
- properly record, report and review financial and tax information;
- establish corporate governance practices appropriate to the size and nature of the business;
- deal with regulators in an open and co-operative manner; and
- use information received from its business partners only in the best interests of the business relationship and not for personal financial gain by any worker.

SCHEDULE 4

ADDITIONAL REQUIREMENTS FOR SPECIFIC ACTIVITIES

If the activities of a Portfolio Company involve or could be reasonably expected to involve:

- significant air emissions (including of Green House Gases – GHGs), use of water or generation of liquid effluents, generation of hazardous or other solid wastes; or resource use inefficiencies;
- transactions that generate adverse community health and safety impacts;
- the acquisition and/or use of land that result in economic or physical displacement;
- significant negative impacts on biodiversity, habitats or ecosystem services;
- impacts to Indigenous Peoples (or other marginalised and vulnerable groups);
- impacts to cultural heritage; or
- other significant negative environmental or social impacts;

then (i) the relevant IFC PS's should be implemented, (ii) an appropriate stakeholder engagement plan should be developed, and (iii) an environmental and social impact assessment and/or issue specific action plan (e.g. a resettlement action plan) should be developed for such activities.
If the activities of a Portfolio Company could reasonably be expected to involve:

- *significant risks to the health and safety of workers or to other stakeholders, including affected communities,* assess and mitigate those risks, for example through a Health and Safety audit and action plan, in line with the relevant IFC PS's and EHS Guidelines; *microfinance*, endorse and apply the SMART Campaign Client Protection Principles;
- *coal-fired power,* ensure the use of coal is justified by the investment's development impact; and
- *significant emissions of greenhouse gases,* ensure that adequate measures to reduce emissions to the extent possible and mitigate adverse climate impacts are implemented and that the company reports on its emissions .

SCHEDULE 5

RECOMMENDED PRACTICES ENDORSED AND PROMOTED BY CDC

Businesses should consider the potential for positive environmental and social impact from their business activities and how these could also benefit the business, for example through cost savings, reduced staff turnover or improved stakeholder relations. These should include adopting, developing, offering or marketing:

- products, services, skills or employment opportunities that could benefit community stakeholders;
- a living wage that is sufficient to meet workers' needs; and
- resource efficient, greenhouse gas reducing or low carbon technologies or working practices.

CDC also promotes the following international standards and encourages the businesses for which they are appropriate to make progress over time work towards achieving and maintaining them:

- the UN Declaration of Human Rights and the "Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework";
- OECD Guidelines for Multinational Enterprises: recommendations for responsible business conduct in a global context;
- the range of internationally certifiable environmental, social and quality standards issued by the International Organization for Standardization ("ISO"), including the ISO 14000 series, notably including standards for environmental management systems (ISO 14001), and Greenhouse Gas emission accounting and verification (ISO 14064-65), the ISO 26000 series on social responsibility and the ISO 9000 series on quality management;
- internationally recognised standards on health and safety including the ILO guidelines for occupational safety and health, the international occupational health and safety management system specification OHSAS 18001, HSG65 and industry specific international good practice standards related to the safety of product use, for example the international Good Manufacturing Practice standards for food and pharmaceutical products promoted by the World Health Organization;
- relevant and credible standards as demonstrated by independent verification or certification such as the Forestry Stewardship Council certification, the Roundtable on Responsible Soy, the Marine Stewardship Council certification; the Principles and Criteria of the Roundtable on Sustainable Palm Oil and the Extractive Industries Transparency Initiative; and
- international standards of good corporate governance.

SCHEDULE 6

EXCLUSION LIST

Any of the following activities:

- Production of, or trade in, any product or activity deemed illegal under applicable local or national laws or regulations or subject to internationally agreed phase-outs or bans as defined in global conventions and agreements such as certain:
    - hazardous chemicals, pharmaceuticals, pesticides and wastes;
    - ozone depleting substances;
    - endangered or protected wildlife or wildlife products; and
    - unsustainable fishing methods such as blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 kilometers in length;
- Production of, or trade in, arms (i.e. weapons, munitions or nuclear products, primarily designated for military purposes);
- Production of, use of, or trade in, unbonded asbestos fibres;
- Production of, or trade in, radioactive materials[13]; or
- Prostitution.

Any businesses, if any of the following activities represents a substantial portion of such business[14]:

- gambling, gaming casinos and equivalent enterprises;
- tobacco or tobacco related products[15]; or
- pornography.

[13] This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment in which the radioactive source could reasonably be considered to be trivial or adequately shielded.
[14] For companies, "substantial" means more than 10 % of their consolidated balance sheets or earnings. For financial institutions, "substantial" means more than 10% of their underlying portfolio volumes.
[15] Except, in the case of tobacco production only, with an appropriate timeframe for phase out.

Appendix 4

Balanced Scorecard

	Objective	Measured By	
Targets			
Target 1	**New investments have targetted the geographies and sectors with the greatest potential development impact**	**Aggregate Development Score for all investments made in the preceding three years, weighted by size of investment (as further defined in the CDC Remuneration Framework)**	**2.4**
Target 2	**Portfolio makes a minimum annual return**	**The average portfolio return (aggregate realised and unrealised profits from the investment portfolio divided by the beginning value of the portfolio) for the last 10 years (or, if shorter, since 2012) (as further defined in the CDC Remuneration Framework)**	**3.5%**
Indicators			
Indicator 1	Demonstrates investment success in its target geographies	No. of second time funds where CDC backed the first time fund/team	
		No. of second time funds where CDC backed the first time fund/team with an increased % if non-DFI capital	
		No. of third time funds where CDC backed the first time fund/team	
		No. of third time funds where CDC backed the first time fund/team with increased % non-DFI capital	
		% of direct equity investments exited with +ve IRR (by number)	
		No. of unexited direct equity investments who raised further capital from non-DFI at a higher per share valuation	
		% of debt investment not impaired (by value)	
Indicator 2	Mobilisation of Additional Funding	Mobilisation Indicator*	
Indicator 3	Portfolio remains appropriately diversified against risk	Largest fund manager (excl. Actis) as a percentage of total portfolio value	<10%
		Percentage of total portfolio value invested in a single Eligible Country (excl. India)	<20%
		Percentage of total portfolio value invested in India	<30%
		Percentage of total portfolio value invested in a single non-Eligible Country	
		Largest investment into an investee company (looking through any investment holding company) as a percentage of total portfolio value	<5%
Indicator 4	Investments across the range of investment instruments	Debt & Structured Finance as a percentage of total new investments over the investment period	By end 2016 ~ 20%
		Equity Invesments as a percentage of total new investments over the investment period	By end 2016 ~ 20%
Indicator 5	Continues to drive ESG standards in its investments	Percentage of evaluations rated satisfactory and above	>70%
Indicator 6	Provide a range of forecasts of annual ODA and monitor and communicate actual ODA against these forecasts	DFID satisfied with schedule of ODA forecasts	Y/N

**A fraction, expressed as a percentage, the numerator of which is the amount of investments in funds by others subsequent to a legal commitment by CDC plus all capital committed at subsequent closings of the fund, subject to the tapering factor described below and the denominator of which is the sum of CDC's investments in funds.*

The tapering factor depends on whether it is a first, second or subsequent fund as follows: investments by others in first time funds have no tapering; investments in second funds are tapered by 25%, third funds are tapered by 50% and fourth funds are tapered by 75% so that only 25% counts as mobilization.