**Annual Accounts 2019**
CDC Group plc
The UK's development
finance institution

CDC
Investment works

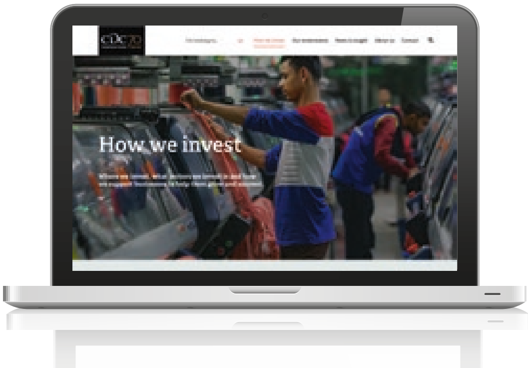
# Towards a decade of action

CDC is the world's first impact investor with over 70 years of experience of successfully supporting the sustainable, long-term growth of businesses in Africa and South Asia. We are a UK champion of the UN's Sustainable Development Goals – the global blueprint to achieve a better and more sustainable future for us all.

CDC is funded by the UK Government and has a dual objective to support business growth that lifts people out of poverty, and to make a financial return. All proceeds from our investments are reinvested to improve the lives of millions of people in Africa and South Asia. Our goal is to help support the economic stability that will enable countries to leave poverty behind.

cdcgroup.com

For more information and to read our Annual Review 2019.




## Strategic and Directors' Report

02-23



## Governance Report

24-55



## Financial Statements

56-111

# Chairman's statement

*"We're continuing to invest in line with our 2012 strategy to narrow our regions and take on more risk, doing the hardest things in the hardest places."*

As I write, we are in the middle of a global crisis due to the Covid-19 pandemic. We don't know exactly what the human and economic impact of the pandemic will be, but we know it's likely to be significant and long-term – including in Africa and South Asia. That means our goal to support the economic stability that will enable countries to leave poverty behind has never been more important.

Even before the pandemic took hold, with just a decade until the target date for the UN's Sustainable Development Goals (SDGs), the challenge to meet the deadline was significant. In September, the United Nations (UN) sounded the alarm that poverty was falling too slowly, highlighting the estimated annual US $2.5 trillion funding gap for the goals. Of this, an estimated US $500 billion to US $1.2 trillion is required annually for Africa alone.

In the face of these challenges, our determination to achieve the ambitious goals we set with our shareholder in 2017 has only strengthened. Our forthcoming Annual Review demonstrates how, in 2019, we've been championing the SDGs in Africa and South Asia, and how our work to better understand, measure and increase development impact is getting increasing momentum.

In 2019, we've been championing the SDGs in Africa and South Asia, and making real progress in our work to understand, measure and increase development impact.

You will read about the progress that we have made in addressing issues of gender inequality, but recent events have of course reminded us of the imperative to address structural racial inequities and biases in all of our investing activities.

We're continuing to invest in line with our 2012 strategy to narrow our regions and take on more risk, doing the hardest things in the hardest places. As a result, we've consistently forecast in public forums over recent years that our financial returns would reduce over time. Our 2019 returns demonstrate this, and it has been another challenging year for our markets. We've seen a sharp slowdown in the growth of the Indian economy, largely as a result of difficulties in the country's financial sector. We've seen a difficult environment for investment funds in Africa, but as a long-term developmental investor, it's crucial we support the countries where we invest during uncertain times.

Given the inherent volatility of our markets, it's important to look across multiple years for trends, and we remain on track to achieve the commitments on long-term financial returns we made to our shareholder in 2012. Nevertheless, the challenge to meet these targets has been steadily increasing: all our commitments since 2012 have been made to Africa and South Asia, where financial returns are lower and more volatile, and we now have a portfolio that reflects the developmental and higher-risk strategy agreed with our shareholder. I believe that the economic and social consequences of Covid-19 will make meeting our financial targets even more challenging.

Building strong partnerships and dialogues with our stakeholders remains critical if we are to achieve the scale of our ambition. Over the past year we've had numerous discussions with UK parliamentarians, civil society, and the corporate and investment sectors. We've also worked hard to support the Independent Commission for Aid Impact (ICAI) in its review, published in March 2019. Achieving development impact drives everything we do, so we welcomed ICAI's review and as a learning organisation we've committed, with enthusiasm, to addressing its recommendations.

On behalf of the Board, I would like to thank all our partners for your interest, your support and your constructive challenge. In particular, I would like to thank the Secretary of State, the team at the Department for International Development (DFID), and all our other colleagues across the UK government.

Finally, I'd like to thank the Board, Nick O'Donohoe, all of ExCo, and the entire CDC staff for continuing to rise to the challenge of investing to achieve a better and more sustainable future for people in Africa and South Asia, in particular at this time of crisis.

**Graham Wrigley**
Chairman

# Chief Executive's statement

*"As we enter the decade of action to achieve the SDGs, our focus has been on maximising the development impact of our investments."*

One of the many aspects of leading CDC that makes me proud is our record as a long-term partner to the businesses we invest in. We stand by them through both good and more challenging times.

At the very beginning of 2019, I visited Kenya. The visit – to mark our 70th anniversary – came days after the dreadful terrorist attacks in Nairobi. We went ahead with our visit to show our solidarity and commitment to the country and region. During our 70 years in Kenya we've been a committed partner, through ups and downs, because that's who we are as an investor.

Now, we're facing a challenge of a very different type and scale to the incident in Kenya. A global pandemic that will undoubtedly have a significant impact on developing regions. A public health emergency that will provoke an economic emergency. In the countries where we invest, governments will be unable to provide the levels of financial support we've seen elsewhere. Now, more than ever, our role as a long-term investor will be crucial.

As our Chairman has highlighted in his statement, a challenging backdrop to our work over the last year has been the economic volatility and uncertainty faced in many countries. Despite this, it's been a year to be proud of. As we enter the decade of action to achieve the SDGs, our focus has been on maximising the development impact of our investments – supporting the companies we invest in, to help achieve a better and more sustainable future for their countries. We've made great strides towards understanding, measuring and increasing the impact we have. During the year, we fully implemented our Impact Framework, helping us meet our commitment to improving people's lives by putting in place a process that helps us understand, harness and track positive outcomes for people and planet.

One way we can contribute to the SDGs is to invest in those places where there is a shortage of mainstream investment. I was delighted we were able to build on our 2018 investment in Nepal, by making a further two investments there in 2019. Firstly, to contribute to the financing of a hydro-electric plant which will help create over 20,000 jobs, as well as increase the country's electricity supply by one-third, providing clean, reliable power to millions of people. Secondly, to support the country's largest private internet provider, which will help bring hundreds of thousands of households and small businesses online. These are pioneering investments, bringing vital services to Nepalese people and businesses, and encouraging future foreign investment.

In 2019, we made a further two investments in Nepal. We contributed to the financing of a hydro-electric plant which will provide clean, reliable power to millions of people; and we invested in an internet provider, to help bring hundreds of thousands of households and small businesses online.

Another way we're demonstrating the kind of bold action needed to meet the SDGs is through the investments made by our Catalyst Strategies. By taking an even more flexible approach to risk in pursuit of impact, we've been able to invest in opportunities this year ranging from a pan-African solar business leading the way in battery storage, to an internet service provider in Myanmar, helping it connect over two million people to the internet. The lessons we're learning from previous investments are helping us find new ways to shape markets. For example, in 2019 we approved a new strategy to address the funding gap in the high-value crops sector in Africa, to connect remote and often poor populations to global supply chains.

I was pleased by our progress towards two particular goals over the past year – climate action and gender equality. Even amid the current pandemic, we know the climate emergency will remain the biggest global development challenge over the next decade. We know it will affect those in the countries where we invest the most. Our forthcoming Annual Review includes examples of the role we're playing – and planning to play – to support our markets to achieve net-zero emissions by 2050. On women's economic empowerment, we're continuing to be a prominent voice and convenor, working with the 2X Challenge, the Gender Finance Collaborative and the Global Impact Investing Network. It's only through partnerships like this that we take real steps to closing the gender gap.

To understand the challenges and opportunities in the countries where we invest, it's vital we stay close to these markets and deepen our understanding of how we can best support their economic development. In 2017 we decided to strengthen our local presence by developing key hubs and in 2019, we opened new country offices in Dhaka, Karachi and Lagos, and expanded our offices in Nairobi and Johannesburg.

We can't predict what the impact of the current Covid-19 pandemic will be in the countries where we invest, or how long it will take for markets to recover. But we do know it means the role of development finance institutions (DFIs) is needed now more than ever. We will support the businesses we invest in – and their countries – through the pandemic and beyond, to recovery and prosperity.

**Nick O'Donohoe**
Chief Executive

# Introduction

## Business objectives and model

CDC is the UK's development finance institution, wholly owned by the UK Government. We have a dual objective: to support growth and jobs that lift people out of poverty, and to make a financial return, which we invest in more businesses. In this way, we use our capital over and over again to help create the jobs and economic stability that will enable countries to leave poverty behind.

Private sector-led growth is essential for overcoming poverty and for allowing human potential to flourish. No country can prosper or move beyond reliance on aid without it. For economic growth to have a lasting, resilient impact, it must transform economies, create jobs and private sector investment, and spread benefits across society. Successful businesses are vital to drive a country's growth, which provides a sustainable route to poverty reduction. Businesses provide jobs and tax receipts which enable a country to fund its own public services, thereby reducing dependence upon aid.

In 2017 CDC and its shareholder, DFID, agreed a new strategic framework for the five years to 2021. The framework is an extension of the 2012 Investment Policy whereby CDC invests only in Africa and South Asia, seeking to focus on the countries and sectors where there is the most potential for development impact. There is now the added ability for CDC to make investments under our new Catalyst Strategies to generate significant development impact by accepting greater risks that would not be possible under the existing Growth Portfolio. CDC commits its capital directly or indirectly using a range of financial instruments including equity, debt, guarantees and grants.

CDC invests to achieve returns from capital appreciation, investment income or both. Investments must have a path to exit and new ownership that will take the investment to the next level.

CDC's objectives are to:

+ contribute to sustainable development and economic growth that directly or indirectly benefit poor people, by investing in businesses and activities, especially when private investors are reluctant to do so;
+ create lasting employment opportunities and support economic transformation and market development by investing in sectors with a high propensity to create jobs or have high growth potential, and activities that address economy-wide barriers to growth;
+ demonstrate to private commercial investors 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 CDC's target countries, states or territories; and
+ realise, and operate in accordance with, the visions, ambitions and directions for CDC set out in the 2012 Investment Policy and in accordance with the corresponding strategic framework 2017-2021*, as approved by DFID on 21 April 2017.

CDC and the businesses in which its capital is invested will:

+ comply with all applicable laws;
+ minimise adverse impacts and enhance positive effects on the environment, workers and all stakeholders as appropriate;
+ set high environmental, social and business integrity standards and provide practical assistance to business and investment fund managers; and
+ work to apply relevant international best practice standards, with appropriate targets and timetables for achieving them.

* CDC's strategic framework 2017-2021 is available for review on CDC's website.

### Strategies for achieving the objectives of the business
CDC expects its investments to achieve results that are appropriate to the opportunities and risks in the relevant market. Amongst the features that CDC seeks in making a decision to commit to an investment are:

+ a credible thesis aimed at CDC's preferred markets but also looking for appropriate development impact;
+ prospective investment returns from capital appreciation and investment income which are commensurate with the investment risk;
+ financial and value additionality, providing capital that is not offered by the private sector in sufficient quantity and value beyond our capital that the market is not providing;
+ a strong management that will apply high standards of business ethics and corporate governance; and
+ a path to investment exit and new ownership that will take the investment to its next level.

Further indication of future strategy development can be found in the Chairman's statement on page 2.

### Key performance indicators (KPIs)
CDC uses KPIs to help measure the effectiveness of the Company in meeting its objectives and its strategy. More information regarding KPIs can be found on pages 8 to 10 and page 52.

### Taxation
CDC's Policy on the Payment of Taxes and the Use of Offshore Financial Centres was published in September 2018 and can be found on the Company's website. CDC respects the tax policies established by governments. CDC requires its investee companies to pay the taxes required in the countries in which they operate and CDC pays taxes wherever they are liable. However, under the CDC Act 1999, CDC Group plc was granted exemption from UK Corporation Tax from May 2003. This allows CDC to recycle more portfolio receipts into new investments in developing countries.

### Board of Directors
Information regarding CDC's Board of Directors including a description of the key activities of the Board is disclosed on pages 26 to 34.

### Appointment of external auditors
Following the completion of the 2018 audit, KPMG stood down as auditors and Deloitte were appointed as new auditors from 2019. For more information refer to the Audit and Compliance Committee report on page 37.

### Strategic and Directors' report
The Strategic report is contained within the Directors' report on pages 2 to 23.

### Section 172
When performing their duties, CDC's Directors have considered the matters set out in section 172(1) (a) to (f) of the Companies Act 2006. See section 'How we engage with our stakeholders' on page 32.

# Financial performance

## Presentation of results

CDC's audited financial statements are prepared in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. These accounts can be found in full from page 57 onwards. CDC, as an investment company, has implemented the Investment Entities Exemption to IFRS 10 whereby all subsidiaries, other than those that provide services that relate to CDC's activities, are accounted for as investments at fair value.

However, in order to explain more fully CDC's underlying portfolio movements, the results shown in this Financial Performance Report on pages 8 to 12 are based on management reports. These reports look through subsidiaries that are non-consolidated investment holding companies to see underlying portfolio movements. This methodology gives the same total return and net assets as the financial results but gives rise to differences in classification. A full reconciliation of these classification differences is provided in note 2 to the accounts on pages 73 to 75. This approach is the same as used by CDC in its management reporting.

Consistent with those reports, the following financial metrics are used to track the underlying performance and financial position of CDC:

*Investment pace:*

+ **New commitments:** The financial value of new commitments made during the year, split between those that are set to be fully funded (via debt or equity, either directly or via intermediaries) and those commitments that represent our maximum liability under unfunded guarantees or trade finance/supply-chain finance programmes.
+ **Drawdowns and receipts:** The actual flow of investment funds into and out of CDC in the year.

*Financial return:*

+ **Portfolio return:** The total income and valuation gains or losses, both realised and unrealised, from investments in the reporting period. This will include the impact of forward foreign exchange contracts (FFECs) used to hedge debt investments.
+ **Operating costs:** The total operating expenses incurred by CDC and its investment holding companies, including depreciation.
+ **Average net profit:** The aggregate net profit for each financial year from 1 January 2012 to date divided by the number of financial years in such period.

*Portfolio value and net assets:*

+ **Portfolio value:** The total value of all equity, debt and fund investments made by CDC and its investment holding companies, including FFECs undertaken to hedge debt investments.
+ **Cash and short-term deposits:** The total cash and short-term deposits held by CDC and its investment holding companies.

Performance in 2019 against these metrics is explained in the relevant paragraphs below.

## Investment pace

A core goal for CDC in the current strategy period (2017-2021) is to increase the pace of new commitments to meet CDC's core development impact objectives by providing impact-led long-term capital in our markets, and to increase the net distribution of cash, to allow the organisation to invest the additional funding (of up to £3.5 billion) awarded by DFID as part of the 2017 business case.

CDC reports both metrics separately. Commitments reflect the completion of new investments in the year, whereas there is nearly always a delay between the reporting of a commitment and the distribution of money related to it. This delay can either be linked to the necessary final steps in closing a deal (after legal commitment but before distribution) or to the nature of the product (for example, most fund commitments will be drawn over a five-year period whilst project finance debt is often drawn over a number of years).

In addition, some commitments do not result in a flow of cash. Most notably, the unfunded trade and supply-chain finance programmes have a different dynamic and cash impact to the fully funded investments. We report the full amount of the potential exposure under these programmes. From a cash perspective, however, we only recognise up front the cash reserves that are set up to reflect the financial exposure created – amounts that are lower than the full exposure. The presentation of our commitment numbers shows these separately.

### New commitments

In 2019, CDC made new commitments of £1,657.2 million (2018: £1,060.2 million) of which £1,174.7 million (2018: £904.3 million) is set to be fully funded by CDC (the distinctions are explained in more detail above).

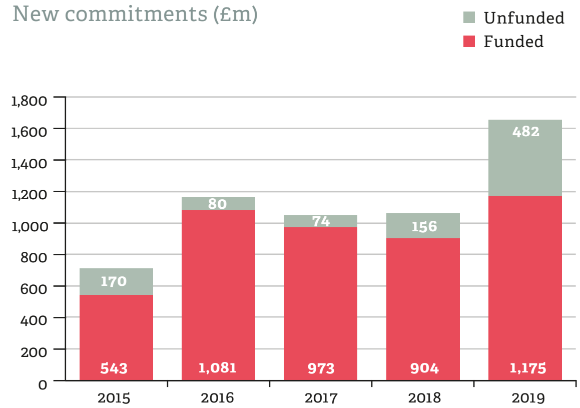
The pace of new commitments was ahead of expectations for the year in our Growth Portfolio although commitments through our Catalyst Strategies closed behind initial expectations. Overall the commitment levels represent an increase of 56 per cent from

2018 levels. CDC expects the commitment pace to increase in 2020 although at a slower growth rate. Our investment pipeline is healthy however the current Covid-19 crisis brings uncertainty into the timing of completing transactions and the potential for changes in investment priorities.

| | 2019 £m | 2018 £m |
|---|---|---|
| Funded commitments | **1,174.7** | 904.3 |
| Unfunded commitments | **482.5** | 135.9 |
| Expected DFI mobilisation | **–** | 20.0 |
| **Total commitments** | **1,657.2** | 1,060.2 |

A full list of new commitments can be found on CDC's website.

New commitments (£m)



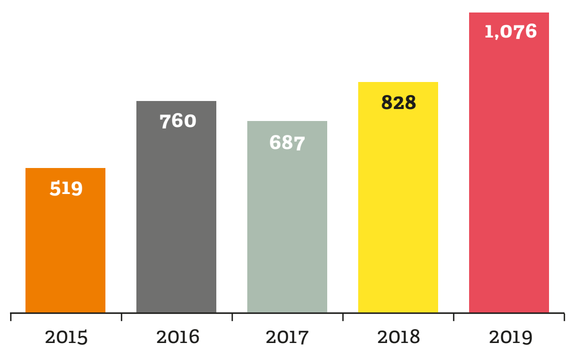

**Drawdowns and receipts**

| | 2019 £m | 2018 £m |
|---|---|---|
| Portfolio drawdowns | **(1,076.2)** | (828.4) |
| Portfolio cash generated | **462.9** | 535.2 |
| **Net portfolio flows** | **(613.3)** | (293.2) |

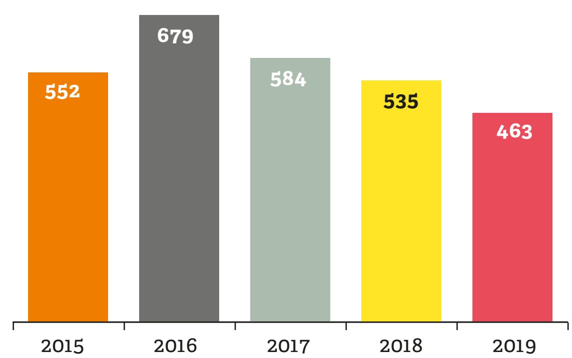
Drawdowns for new investments at £1,076.2 million (2018: £828.4 million) represents a record level, reflecting the increased commitment pace. 69 per cent of new investments were in Africa and 31 per cent were in South Asia. As described above, there is often a lag between commitment and disbursement which is why the drawdown pace lags the growth in commitments. The drawdown pace is expected to increase in future years consistent with the growth in pace of commitments and the maturing of fund and project finance investments.

The portfolio generated cash of £462.9 million (2018: £535.2 million). Generation has been relatively stable in recent years led by returns from the Company's legacy fund investments (concentrated in the years 2006-2008) and these receipts made up 44 per cent of the receipts in 2019. Management expects this pattern to be maintained in the short term; as a long-term investor realisations from CDC's direct investing strategy are expected to grow slowly. This, combined with the steady increase in commitments over the last six years, underpinned the need for the additional capital awarded by DFID in the 2015 recapitalisation and the 2017 business case.

Portfolio drawdowns (£m)




Portfolio cash generated (£m)



# Financial performance continued

## Financial return

**Total return after tax**

| | 2019 £m | 2018 £m |
|---|---|---|
| Growth Portfolio return | **(253.5)** | 49.7 |
| Catalyst Strategies return | **(15.1)** | 20.6 |
| **Total portfolio return** | **(268.6)** | 70.3 |
| Operating costs | **(97.5)** | (79.1) |
| Other net income/(expense) | **(5.5)** | 14.8 |
| **Total return after tax** | **(371.6)** | 6.0 |
| **Average net profit since 01/01/2012** | **122.0** | 192.5 |

The overall result is a total loss after tax of £371.6 million (2018: £6.0 million profit). As a return on opening total net assets on a valuation basis, this represents a loss for CDC's shareholder of 6.4 per cent this year (2018: 0.1 per cent profit). CDC aims to exceed the profitability hurdle set in its Investment Policy that average net profit, calculated as the aggregate net profit for each financial year from 1 January 2012 to date divided by the number of financial years in such period, shall be positive. The average net profit since 2012 is £122.0 million (2018: £192.5 million), exceeding the target.

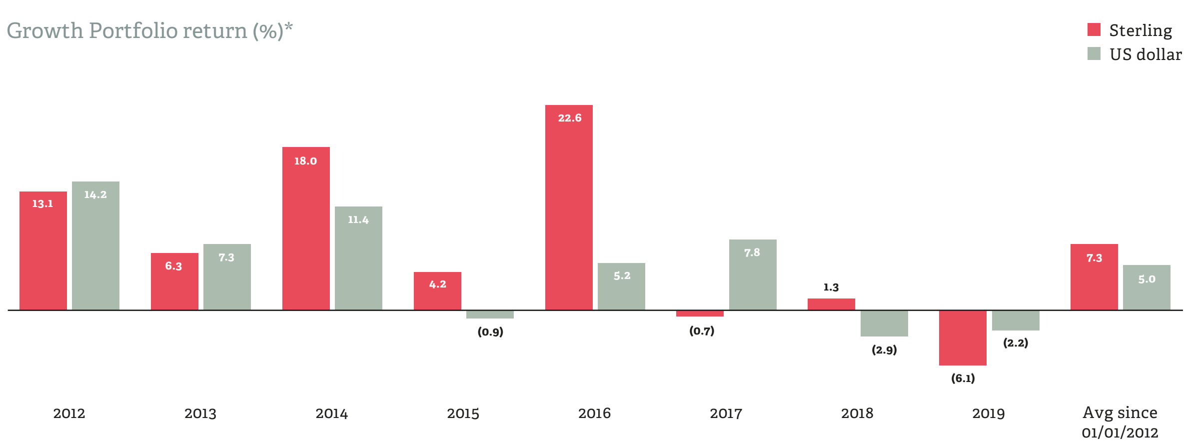
**Portfolio return**

The portfolio generated a £268.6 million loss (2018: £70.3 million gain). This represents a portfolio loss of 6.2 per cent (2018: 0.1 per cent profit) on portfolio investment assets. CDC's management tracks return in US dollars as most investments are denominated in this currency. In US dollar terms, returns are on a downward trend and in 2019 the portfolio generated a 2.1 per cent loss (2018: 2.6 per cent loss). The Sterling result has also suffered from currency translation losses following an increase in the Sterling to US dollar exchange rate from 1.27 at 31 December 2018 to 1.32 at 31 December 2019. Approximately 55 per cent of the reported portfolio loss in the year is attributable to this exchange rate movement. Covid-19 had no impact on the 2019 performance of CDC's investment portfolio. Further details can be found on page 12 and in note 24.

The continuing shift in the portfolio to a focus on investments in Africa and South Asia has increased the financial risk in the portfolio. The largest contributors to portfolio losses in the year were volatility in India financial stocks, along with consumer and agriculture investments in Africa.

As a DFI, CDC invests to generate returns over the long-term recognising that in any isolated year market conditions or events may drive exceptional performance. The agreed target for the Company on its primary investing activities, the Growth Portfolio, is a ten-year average return of 3.5 per cent. This forms one of the targets for the Company's Long-term Development Performance Plan, explained in more detail in the People Development and Remuneration Committee report on pages 40 to 53. Since 2012, the average portfolio return of the Growth Portfolio in Sterling has been 7.3 per cent compared with the 3.5 per cent target as shown in the chart below.

Growth Portfolio return (%)*




Note: These figures represent our Growth Portfolio only and exclude our Catalyst Strategies

The Catalyst Strategies invest to shape nascent markets and build more inclusive and sustainable economies. Given we are investing in markets where there are few precedents or benchmarks, we take a flexible approach to risk in exchange for pioneering impact. This portfolio generated a loss of £15.1 million in 2019, representing a loss of 6.0 per cent. The value of the Catalyst Strategies portfolio as at 31 December 2019 was £324.9 million.

**Operating costs and other net expenses**

Operating costs for the year of £97.5 million (2018: £79.1 million) have increased due to employee numbers rising to 422 at the year-end (2018: 334), increased investment deal costs, and costs associated with an increased presence in our regions. Operating costs represent 2.1 per cent of ending portfolio value which reflects an increase on the position in 2018 and prior years. This rising trend, driven primarily by increased headcount, is reflective of two core trends: (i) the continued scaling of the CDC investment teams to allow them to achieve the investment pace necessary to be able to absorb the extra £3.5 billion capital offered by the shareholder under the 2017 business case; and (ii) the growth of new teams to support greater work around assessing and measuring development impact and supporting other strategic initiatives requested by the shareholder under the strategic framework 2017-2021. The growth in both areas, which also incorporates the establishment and expansion of local offices across our markets, has also had a commensurate impact on the growth of our business support teams. Whilst headcount is expected to continue to rise in 2020, as the build-outs described above continue, it is expected that this level of growth will then slow from 2021 and beyond. Subject to current market uncertainties, it is expected that the pace of growth in the portfolio will pick up with an enhanced pace of new commitments. This will see the operating costs as a percentage of the portfolio begin to decline subject to movements in the portfolio value and the portfolio mix between direct and indirect investments.

## Portfolio and net assets

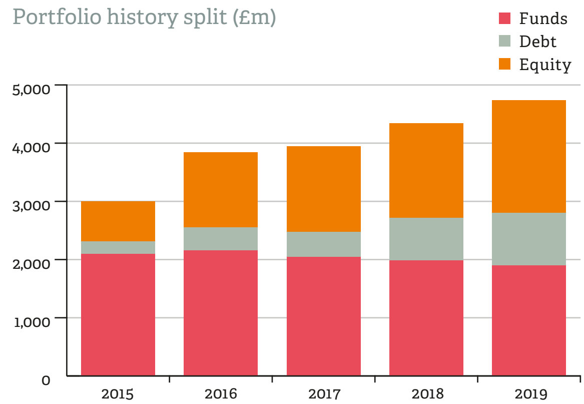
**Portfolio**

| | 2019 £m | 2018 £m |
|---|---|---|
| Portfolio at start of year | **4,339.8** | 3,939.4 |
| New investments | **1,076.2** | 828.4 |
| Realisations | **(343.4)** | (471.3) |
| Value change | **(347.3)** | 37.9 |
| Allowances for guarantees | **11.2** | 5.4 |
| **Portfolio at end of year** | **4,736.5** | 4,339.8 |

The overall CDC portfolio grew by £396.7 million in 2019. As described above, a higher pace of disbursements compared with receipts in 2019 was the main driver of this growth. The portfolio recognised valuation losses of £347.3 million in Sterling terms due to currency losses and net valuation losses in investment currencies.

Direct debt and equity investments continue to make up an increasing share of the portfolio following the shift in investment focus in 2012. At 31 December 2019, CDC had investments in 224 funds, managed by 128 different fund managers, and 116 direct investments.

Portfolio history split (£m)




**Net assets**

| | 2019 £m | 2018 £m |
|---|---|---|
| Growth Portfolio | **4,411.6** | 4,150.4 |
| Catalyst Strategies | **324.9** | 189.4 |
| Net cash and short-term deposits | **349.0** | 370.4 |
| Other net assets | **1,352.4** | 1,091.3 |
| **Total net assets** | **6,437.9** | 5,801.5 |

Total net assets increased in the year from £5,801.5 million to £6,437.9 million, a rise of 11 per cent (2018: 14.8 per cent).

# Financial performance continued

*Net cash and short-term deposits held*
The cash balance decreased from £370.4 million at the start of the year to £349.0 million at the year-end, resulting in a net cash outflow of £21.4 million. At 5.5 per cent of net assets, the cash balance was within the liquidity policy set by the Board of 0-10 per cent of net assets. A wholly owned non-consolidated subsidiary of CDC has a standby Revolving Credit Facility of US $600 million (£455 million). Cash levels, together with an understanding of undrawn commitments and the position of the standby Revolving Credit Facility, are regularly reviewed by management and the Board to confirm they are in line with agreed Company policies. More details can be found in the Risk section of this report on page 16.

During the year CDC drew down £745 million of funds that had been lodged as promissory notes by the shareholder (2018: £360 million). A further £500 million was drawn in Q1 2020 and additional drawings are expected across the coming years as the Company absorbs the new investment agreed with the shareholder in 2017.

*Other net assets*
During 2017, CDC and its shareholder agreed to a new investment of capital under a series of eight promissory notes, up to a total value of £3.515 billion. These are lodged according to an agreed schedule, with the largest notes being lodged in November of the years 2018, 2019 and 2020. In line with the schedule in the current year, CDC issued 1,008 million ordinary shares of £1 each to its shareholder. The shareholder subscribed to the shares by issuing two promissory notes for £53 million and £955 million. At the end of the year these notes, together with a remaining 2018 note for £333 million were undrawn.

*Covid-19*
Early in 2020, the Covid-19 outbreak caused extensive disruption to businesses and economic activities globally.

It is too early to assess what the impact may be on CDC's portfolio or on individual investments. It is likely that CDC may also see some reduced portfolio cash inflows – mainly due to delayed distributions from fund investments and debt repayments. No valuation adjustments or other provisions are reflected in these financial statements.

CDC is committed to continuing to support its investing activities during this crisis. The Company has reviewed and updated its liquidity projections and is confident it has sufficient liquidity to both support its existing commitments and provide additional capital to support portfolio companies, new investments, and to aid local economies through the recovery.

CDC is taking further active steps to identify and manage risks associated with the Covid-19 outbreak. The 2019 results do not include any changes to valuations as a result of Covid-19 because as at 31 December 2019 it was not yet a concern and its impact is therefore a non-adjusting post balance sheet event. For more information refer to the subsequent events note on page 98.

*Pensions*
CDC operates a single pension scheme in the United Kingdom. The defined benefits section of this scheme has been closed to new entrants since 1 April 2000. CDC makes contributions to the defined benefits section in accordance with an agreed schedule of contributions. CDC has adopted International Accounting Standard 19 (revised), which shows a net pension asset of £nil (2018: £nil). The majority of the scheme's liabilities are covered by an insurance policy which substantially reduces the chance that scheme assets will diverge in value from the scheme liabilities. Further details are shown in note 16 to the audited financial statements.

*Dividends*
No dividends have been proposed, declared or paid during 2019. Further detail can be found on page 54.

**Mike Corcoran**
Interim Chief Financial Officer
12 June 2020

# Risk management

The Board is ultimately responsible for CDC's risk management and internal control system and for reviewing its adequacy and effectiveness. The design and operation of the system is delegated to the executive management team.

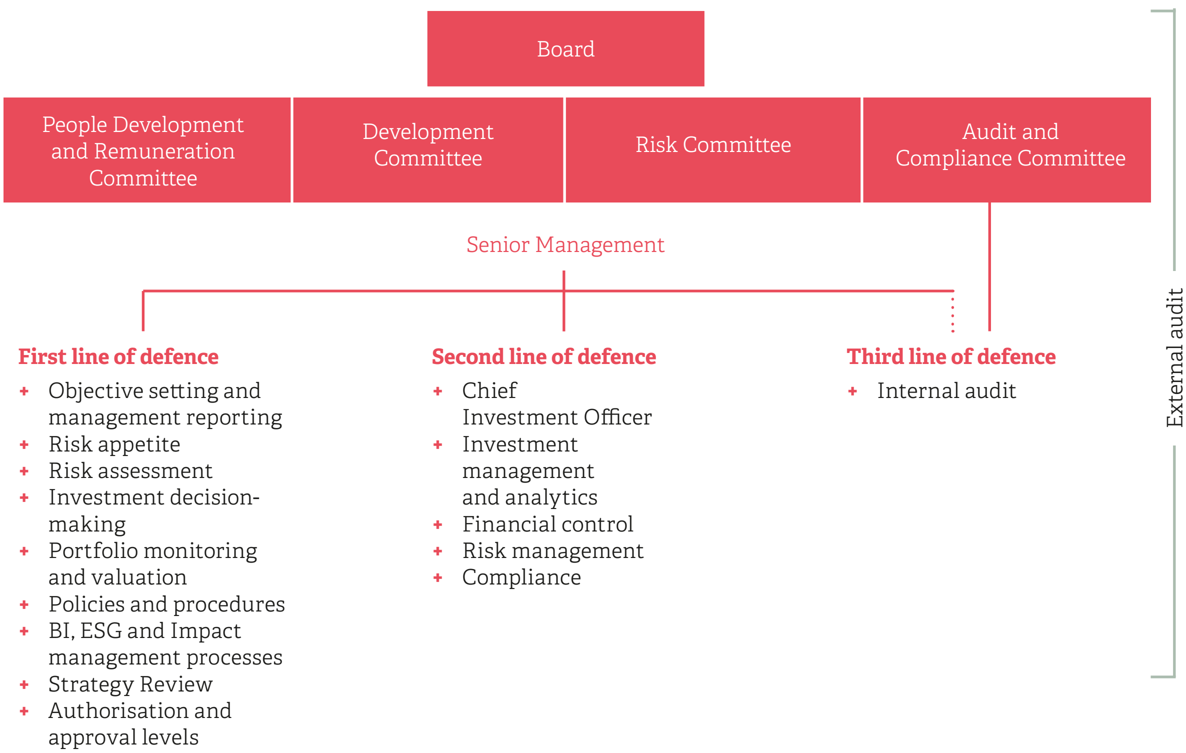
CDC's internal control system provides the Board with reasonable assurance that potential problems will typically be prevented or detected early with appropriate action taken. Material breaches are reported to the Audit and Compliance Committee and are properly actioned.

As with any system of internal control, CDC's system is designed to manage, rather than eliminate, the risk of failure and therefore cannot provide absolute assurance against material misstatement or loss.

The Audit and Compliance Committee and the Risk Committee review the system of risk management and internal control on an ongoing basis via:

+ regular review by the Risk Committee of the overall risks inherent in CDC's business and the actions taken to mitigate those risks where appropriate;
+ annual approval by the Audit and Compliance Committee of the programme of work for CDC's internal audit function and regular review of the results of this work, including progress on proposed control improvements;
+ annual review by the Audit and Compliance Committee of the work of the Group's Money Laundering Reporting Officer and Compliance Officer; and
+ receipt and review of reports on breaches.

**Risk management and internal control framework**



# Risk management continued

The key elements of the Group's risk management and internal control system include:

- setting of annual corporate objectives and quarterly reporting against financial and business targets;
- a risk appetite statement defined by the Board and set out in the Risk Management Policy;*
- the executive management team operating processes to identify, evaluate and manage any significant risks, financial or non-financial, faced by the Company;
- an investment decision-making process designed to ensure high-quality, transparent and accountable investment decisions;
- a regular portfolio valuation and monitoring process;
- policies and procedures that govern CDC's operations and set out the core internal controls;
- Business integrity, ESG and impact management processes to identify, assess and manage specific risks within our investment portfolio;
- regular reviews by the Chief Executive and Board of corporate strategies; and
- appropriate management authorisation, approval and control levels, from the Chief Executive downwards. The Board must specifically approve transactions above these levels.

In 2019 we commissioned a review of our risk management approach which generated a number of recommendations, including the appointment of a Chief Risk Officer, which will be delivered in 2020.

The Board's risk appetite statement is based on the following principles:

- CDC actively seeks out equity and credit risks resulting from investments in companies in developing countries in order to achieve both the targets set by its shareholder being a financial return on investment and development impact.
- Carrying out this business exposes us to environmental and social, business integrity and operational risks. We take active steps to understand and where appropriate mitigate or manage these risks so they do not damage our licence to operate.
- CDC's mission exposes us to high contextual risks, in particular related to investment returns, environmental and social damage and business integrity risk, which can never be fully mitigated.
- CDC's reputation is an important part of our licence to operate. We seek to manage and mitigate reputational risk by addressing the underlying causes of reputational risk and by engaging with stakeholders.

Regardless of our appetite for individual risks, we expect all exposures to be well understood and consideration given to the most appropriate way of managing a risk – a high risk appetite doesn't necessarily mean we will not seek to manage the risk.

## Principal risks

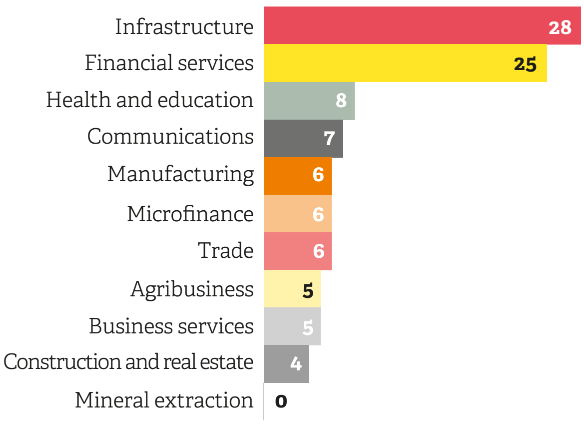
CDC's mandate to invest in some of the most challenging regions of the world exposes it to high inherent risks. Although CDC takes steps to manage and mitigate these risks, they can never be entirely eliminated and some residual risk remains. The principal risks are considered to be:

- Financial risk
- Environmental and social risk
- Business integrity risk
- Development impact risk
- Operational risk
- Strategic and external risk

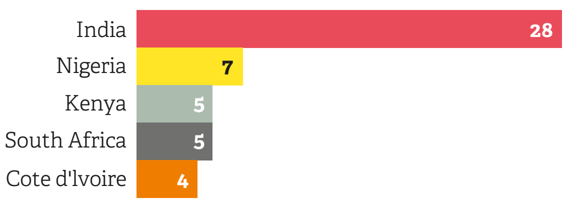
Reputational risk is also recognised as risk that can arise as a consequence of any of the six principal risks.

* The Risk Management Policy is available for review on CDC's website.

Underlying portfolio by sector (%)




Underlying portfolio by top five highest country exposures (%)




**Financial risk**

CDC invests in developing countries with a mandate to increase available capital in some of the most challenging regions of Africa and South Asia. Such investments are inherently risky with the potential for loss of portfolio value leading to lower cash inflows than expected and portfolio returns below targets CDC has agreed with its shareholder. Equally, the timing of cash distributions from investments is uncertain and unless CDC has a direct majority equity stake, which is rare, is usually not within the direct control of CDC. When CDC invests through intermediated equity, the sale of interests in these investments may require a long period of time since there is only a limited market for secondary sales of emerging markets private equity interests and sales usually require the consent of the fund manager, the granting of which may be at its discretion.

The most material financial risk to CDC is a significant reduction in the value of its portfolio and any subsequent impact on cash flows. This can be affected considerably by external factors beyond CDC's control.

In line with CDC's strategy, since 2012 new investments have only been made in Africa and South Asia. Over time this has decreased the amount of geographic diversification within the portfolio and increased exposure to investment risk in these markets.

The markets that CDC invests in are some of the most vulnerable to climate change and both physical and transition risks could result in a material financial impact to CDC.

In respect of managing this risk, CDC has adopted the following policies and processes:

**Portfolio diversification:** CDC maintains a diversified portfolio of assets comprising a combination of debt and equity investments which, in turn, are held directly or indirectly via a range of fund managers. CDC uses a framework of country, sector and single party limits to avoid excessive concentrations within the portfolio. Triggers, agreed with the Risk Committee, are set below the limits to act as an early warning indicator. Any exposures that are close to, or breach triggers, are discussed by senior management and a decision made on the most appropriate course of action to take. The outcome of these discussions is reported to the Risk Committee. During 2019 there were no breaches of agreed limits.

CDC's investments provide it with a portfolio of 1,228 underlying companies that are diversified by size, geography and industry sector.

Countries: CDC has investments in 66 countries. The top five highest country exposures represent 49 per cent of the portfolio, with the largest exposure being 28 per cent in India.

Sectors: CDC's highest sector exposure is 28 per cent in Infrastructure.

Single parties: The top 20 investments represent 39 per cent of the portfolio.

# Risk management continued

**Investment selection and portfolio management:** The Board has delegated certain of its investment decision-making powers to the CDC Investment Committee. The CDC Investment Committee reviews each investment proposal, including issues such as fit with CDC strategy, investment and development impact (DI) theses, financial risk/return, environmental and social (E&S) and business integrity (BI) risks. The membership of the Investment Committee includes independent members and members of senior executive management. Where investment decisions fall outside of delegated authorities then a panel of Non-executive Directors will be invited to participate in those specific investment discussions. Once an investment has been made, CDC operates a portfolio management process based on using its influence and formal rights so that it manages each investment in a way which is consistent with expectations set with the Investment Committee to maximise development impact and financial returns, maintain a strong and constructive relationship with management and other key stakeholders, and maintains an up-to-date and clear sight of performance and risk levels.

**Cash management:** In order to manage liquidity risks, CDC targets having cash availability in excess of 80 per cent of aggregate undrawn contractual investment commitments. In 2019, this was met via a combination of available cash, promissory notes due from its parent entity, and a committed standby Revolving Credit Facility at a wholly owned non-consolidated subsidiary of CDC.

CDC also targets maintaining a cash balance of between 0 per cent and 10 per cent of net asset value, and this target was met as at 31 December 2019.

The Board regularly considers cash flow forecasts at Board meetings and expects CDC to meet its undrawn commitments, as well as commitments to future investments, from distributions received from its current investments, the promissory notes held and the cash balance.

**Currency:** Given its geographical focus, CDC is exposed to valuation risk caused by fluctuation in foreign exchange rates. The functional currency of investments is predominantly US dollars. However, the underlying financial assets are held in a wide range of local emerging market currencies. As a long-term investor CDC does not hedge its fund or direct equity investments. Some debt transactions, however, are hedged to ensure returns match the pricing on the loan. Foreign currency cash balances (predominantly US dollars) which are in excess of those required in the next six months are hedged in order to manage exposure and eliminate significant translation differences. Details of CDC's foreign currency balances are shown in note 17.

**Valuation:** The valuation of CDC's investments is subjective and there is an inherent risk that valuations may not reflect fair value. CDC's equity valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines (December 2018), which in turn are in accordance with the fair value requirements contained within IFRS 13 Fair Value measurements. Debt investments are held at fair value in accordance with IFRS 13 and classified at fair value through profit and loss in line with IFRS 9 Financial Instruments. Investments are held at fair value, which is the expected value at which an orderly transaction would take place between market participants at the reporting date. Portfolio reviews of CDC's investments and the underlying investments in its private equity funds are carried out quarterly by the relevant CDC investment managers. As part of these reviews, valuations are prepared which are reviewed by the CDC finance team and by the Valuation Steering Committee. Summary valuation and financial return information is regularly reviewed by the Board with additional detail and discussion at the Audit and Compliance Committee. For more details on the valuation methodologies refer to note 25. Valuation movements are disclosed in note 3 and note 4.

**Development impact risk**
Development impact is at the heart of CDC's mission and the primary reason for its existence. Development impact risk is the risk that CDC will fail to achieve its development objective to create jobs, and contribute to the biggest global development challenges. To manage this risk, the Company seeks to focus its investments into the geographies and sectors where there is most potential for development impact by using the Development Impact Grid and by setting out a development impact thesis for each potential investment.

These are used to assess every investment opportunity at Investment Committee meetings. The Company also monitors the impact of its investments at portfolio, sector and individual levels and seeks to understand the context and reasons for any changes, and to identify opportunities for course correction.

**Environmental and social risk**
CDC believes that operating to high environmental and social (E&S) standards is a fundamental part of business success and long-term sustainability. CDC is committed to helping portfolio businesses grow and flourish not only by providing capital, but also by helping them achieve good E&S standards.

CDC is exposed to a variety of E&S risks, including that a business in which CDC has invested materially damages the environment, contributes to or is affected by climate change, causes death or serious injury, fails to deliver appropriate working terms and conditions, or causes social harm, through the companies that it invests in, both directly and indirectly. In order to manage this risk, CDC has an E&S team which contributes to due diligence on potential investments, assists investee companies in developing or improving their E&S approach, monitors performance of investee companies via annual reports and monitoring visits (generally for higher-risk investments) and assists with resolution of E&S issues should they arise.

All fund managers and investee businesses receiving CDC capital must sign up to and comply with CDC's Code of Responsible Investing. The Code requires companies to assess, monitor and improve E&S standards (as necessary). Companies or projects with potentially significant E&S risks must work towards compliance with the International Finance Corporation (IFC) Performance Standards. In Africa and South Asia many businesses, especially small, locally owned companies, may fall short of CDC's requirements at the time they receive CDC's capital. Part of CDC's role as a DFI is to support companies as they develop policies and systems that enable them to manage the E&S risks associated with their operations in such a way as to add value to the business while benefitting the workers, the wider community and the environment at local, regional and national levels.

**Business integrity risk**
CDC believes that in helping develop standards to better manage business integrity risks in the countries where we invest, there is a clear development impact by improving the performance of companies, helping improve access to capital and reducing investment risk. CDC recognises that bribery and corruption, money laundering, fraud, terrorist financing and breaches of sanctions regimes can damage the development goals of our investments and also put at risk CDC's reputation and licence to operate. By developing and implementing policies and procedures for the identification, assessment, mitigation and reporting ourselves, and promoting good practice with our investees, we believe we can create a virtuous cycle of development impact and protecting CDC.

Our low business integrity risk appetite informs our policies and procedures to ensure we invest only where we believe risks can be assessed and managed within appetite, with our investees aligned with our expectations. We assure this risk appetite by operating robust procedures that:

+ meet our regulatory and legal obligations;
+ inform our strategies and support investment decisions following careful and independent assessment;
+ help guide and advise our investees as to how to best manage their business integrity risks;
+ protect CDC through our legal agreements with investees and intermediaries that allow us to exit an investment or stop further investment in the event of serious business integrity incidents;
+ actively monitor that business integrity residual risks remain within appetite through the life of the investment; and
+ support timely and effective escalation and investigation of material risks when they arise.

# Risk management continued

**Operational risk**
Operational risk is the risk of loss or damage to CDC caused by errors or weaknesses in its internal systems and processes or in the way they are operated. CDC seeks to mitigate these risks by having policies, procedures and processes in place that include appropriate control measures, hiring skilled staff to operate these processes and training staff to allow them to make good decisions. CDC's internal audit function performs regular reviews to assess the adequacy and effectiveness of the control measures. The internal audit programme is approved by the Audit and Compliance Committee.

**Strategic and external risk**
The strategic and external risks at CDC are those risks which arise from the context in which CDC is operating and the strategic decisions that CDC has made, including the effect of external events on CDC. They are often long-term in nature and frequently outside CDC's direct control. CDC seeks to manage these risks by maintaining the confidence of key opinion formers and political stakeholders in the role of CDC, being aware of and preparing for the impact of political changes that could affect CDC and developing plans to ensure the continuity of business-critical processes.

**Covid-19**
The Board has engaged in regular discussions and assessment of risks associated with the Covid-19 outbreak and has identified risks related to portfolio return, liquidity and ability to meet strategic objectives as material risks to CDC. Risks related to business continuity and staff wellbeing continue to be reviewed but are not assessed as material given the steps that have already been taken to mitigate these risks. For more information refer to the subsequent events note on page 98.

# Responsible investing

## A responsible investor

How we invest is just as important as the amounts we invest. Our vision to support the creation of opportunity and to improve people's lives won't come at any cost. Being a responsible investor means working with honest companies and business partners; protecting workers' rights; providing social safeguards; and protecting against environmental damage and the harmful effects of climate change. In doing so we seek to set high standards across the markets we invest in and provide practical assistance to help the companies and funds we invest in to improve their business practices.

Our work is guided by our Code of Responsible Investing. In 2019, we delivered classroom training for over 100 fund managers and investees on environmental, social and business integrity matters.

Our mission drives us to address the structural inequities that hold people and communities back from achieving their full potential. As we write, a long overdue discussion about how to tackle the injustice of endemic and systemic racism is taking place globally, and we are reflecting that discussion within our own organisation. As a responsible investor we know that we can make a significant difference when deciding in what and in whom to invest, and in light of recent events we are committed to considering where and how we can do more and do better. In recent years we have placed a focus on investing in support of women and in 2020 our work in this area continued to gather momentum, particularly in ways that will encourage other investors to engage in gender smart investing. For example, we joined forces with other impact investors to create an industry standard that will enable the global investment community to better measure and track the gender impact of their financial commitments. More information on this topic and on our approach as a responsible investor can be found in our Annual Review 2019 which is published separately.

### Anti-bribery and Corruption Policy

Business integrity is a core aspect of our mission and informs all our operations and decision-making. We take a 'zero-tolerance' approach towards bribery and corruption and our commitment to business integrity is enshrined in our Code of Responsible Investing. We comply with all applicable laws, in both the UK and the jurisdictions where we invest, and believe our efforts to identify and mitigate integrity risks help ensure the success and sustainability of our investment strategy.

We have detailed business integrity and compliance policies and procedures that are informed by the key principles of the UK Bribery Act 2010. These aim to ensure that all staff members follow the Company's commitment to integrity and legal compliance. This includes conducting appropriate risk assessments at all stages of the investment cycle and thorough due diligence on all investments to avoid associating with individuals or entities against whom credible allegations of corruption have been made.

We publish a full policy on bribery and corruption on our website.

### Human rights and the Modern Slavery Act

CDC's investments are underpinned by a firm commitment to responsible investment and evolving international investment good practice. CDC's Code of Responsible Investing includes procedures to ensure that business integrity, environmental, health and safety and social issues are assessed as key components of the Company's investment and monitoring processes. The Company requires its fund managers to ensure that the portfolio companies in which its capital is invested are themselves committed to international investment good practice in these areas and that any shortfalls are addressed through effective action plans.

Developing countries remain characterised by poor labour standards, inadequate environmental and social protection and weak corporate governance. Employee representation and legislation may be weak or poorly enforced. In addition, pressure to strengthen regulation and improve performance in these areas may not be as strong as in more developed countries.

CDC seeks to apply principles of responsible investment when it invests directly and requires its fund managers to encourage their portfolio companies to adopt higher standards when it invests indirectly.

In compliance with the UK Modern Slavery Act 2015, we publish a statement annually on our website.

## A responsible employer

Our ability, as CDC, to have a positive impact on our mission is founded on our ability to attract and retain high-quality staff. Whilst having a purposeful mission is a hugely motivating factor for our staff, we recognise that employees will only stay at CDC and fulfil their personal potential if we create an environment which encourages and supports them.

# Responsible investing continued

**Engagement**
We try hard to listen to our employees. Each year we run an employee survey, and feed the results back to them openly, inviting further debate and solutions for the areas in which they think we could do better. On top of this we undertake regular pulse surveys to glean responses to individual things we do or events we hold. We don't like to lose people but, when we do, an independent organisation conducts an exit interview and feeds back to us what they hear. Through all this we strive to continually improve the environment for employees and our employee experience.

Although growing fast, we remain a relatively small organisation, and so have to work hard to ensure employees feel that they are developing at CDC. This is partly through a rigorous process enabling people to progress and be promoted through the organisation if they are performing well, but also through an extensive programme of training and development which enables employees to develop skills, stay on top of technical developments and access individual coaching and mentoring opportunities. We focus heavily on developing our managers, recognising that only skilled managers will themselves be able to get the best out of their teams.

**Diversity**
We look to hire extraordinary people. We have hired at scale in recent years, and have grown a workforce with a broad range of skills and backgrounds. We know that decisions made by a diverse group of people are likely to be better decisions, and that a workplace which feels inclusive to all its members will promote better work and a happier environment.

As we write, global events have turned our collective attention to the scourge of racism. Racism and inequality in many forms exist in the UK and in the places where we do our work. We have recently held a series of diversity and inclusion workshops and will be absorbing the results of those to determine where and how we can do better. In particular, we believe that it is no longer enough to be inclusive, we must also actively act against discrimination to motivate change. We are committed to supporting our Black, Asian and Minority Ethnic (BAME) colleagues and to ensuring that, at CDC, the dialogue is always open on matters of inequality of all kinds whether it is based on race, gender, religion or sexual orientation.

CDC's work increasingly involves reviewing our investee companies to gauge their success in equality, diversity, and promoting women's economic empowerment. With that background it is imperative that, when developing our own workplace, we focus closely on diversity and inclusion. We have thriving networks recognising women, LGBTQi employees, parents and carers, and we are currently supporting an active engagement amongst our BAME staff. We increasingly track the diversity of each step of our core processes (covering recruiting, promotions and progressions), and have a target for improving female representation at the top of CDC. This latter target, and broader actions to improve the gender balance of our organisation, are discussed in more detail in our Gender Pay Gap Report which is published separately.

We have a thriving internship programme, built on relationships with some of the foremost global business schools, which leads to over 50 applicants for each internship place and often becomes a ticket to starting a career at CDC. We are also having an ever livelier discussion about improving social mobility, and for the second year running welcomed school students from underprivileged backgrounds to gain work experience at CDC, enabling us to learn from each other.

**Reward**
Our responsibilities as an employer are reflected in the way in which we reward our employees. In order to achieve significant development impact in challenging places through high-quality investing, we look to attract people with the same talent and expertise as those investing elsewhere in the private sector. Our commitment to good stewardship of the public money which we spend and invest, means that we do not hire people motivated solely by personal financial gain, and our individual reward is not tied to the financial success of specific investments. We provide good employment benefits and a work environment through which we want to encourage people to do their best work, and to want to stay at CDC. Further discussion of CDC's remuneration can be found in the People Development and Remuneration Committee report on pages 40 to 53.

With all these elements of support, engagement, development, inclusion and reward, we seek to create a working environment at CDC within which our employees can thrive and which allows the organisation to succeed in improving the lives of people in some of the world's most challenging places.

# Task force on climate-related financial disclosures

## Introduction

Climate change is the most important challenge facing our generation. The scale of the challenge is vast. In 2018, the Intergovernmental Panel on Climate Change (IPCC) special report underscored the importance of limiting global average temperature increase to 1.5˚C for sustainable development and poverty eradication. The 1.5˚C goal creates a clear pathway for global action – it means greenhouse gas (GHG) emissions need to be cut by 45 per cent by 2030 and reach net zero by 2050. The Paris Agreement explicitly recognises the role of finance in Article 2.1 c by setting out that finance flows should be consistent with a pathway towards low GHG emissions and climate-resilient development.

CDC as the UK's DFI needs to future-proof its operations given the threat climate change poses for our dual mandate of development impact and financial return. At the same time CDC is well placed to support the investment opportunities needed to deliver the transition to net zero and resilient economies in Africa and South Asia. Our markets are the most vulnerable and the least prepared for climate change but also offer significant opportunities for economic transformation and new development pathways. There remains great need for economic growth, energy access and improved living standards to meet the UN's Sustainable Development Goals (SDGs).

We recognise we need a whole-of-organisation approach towards addressing both climate change risks and opportunities through our investments and in how we operate. In the UK Government's Green Finance Strategy published in July 2019, CDC committed to make climate-related financial disclosures in our accounts in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations as soon as practical, following the close of the 2020 financial year. Recognising the importance of TCFD, we have decided to provide initial disclosures this year, with a view to provide more detailed disclosures after the close of the 2020 financial year.

## Governance

In 2019 we strengthened the organisational structures to oversee climate risks and opportunities. To enhance climate accountability at the Board level, CDC has reviewed and adjusted relevant Terms of Reference to state how climate change is integrated into the Governance framework. These updates reflect that climate impact is to be discussed by the Development Committee, with risks including climate risk to be discussed by the Risk Committee. Climate change expertise exists and is discussed at board level when relevant, for example, the Board recently adopted the Climate Change Strategy.

Senior management through the Executive Committee (ExCo) also has oversight of climate change as the Chief Executive is ultimately responsible for delivery of CDC's corporate objectives for 2020 which includes 'Implement CDC's climate change strategy'. This is being managed at the ExCo level by the Chief Impact Officer and the Climate Change and ESG-Impact teams in the Impact Group.

## Strategy

Climate change is one of the key cross-cutting themes outlined in CDC's 2017-2021 strategy and a new Climate Change Strategy was agreed by the Board. This covers the whole organisation and investments across all sectors and products. It sets out how climate risk and opportunities are to be identified, assessed and managed and is structured around the four pillars of the TCFD framework, including 1) Strategy, articulating CDC's approach towards alignment with the Paris Agreement on climate change 2) Governance 3) Risk Management and 4) Metrics. More detail on our new climate change strategy will be publicly available on our website mid 2020.

Under the Strategy pillar, we outline our approach to Paris alignment based on the three building blocks of:

(1) net zero emissions by 2050;
(2) supporting a just transition for workers and communities; and
(3) increasing adaptation and resilience against climate risks.

# Task force on climate-related financial disclosures continued

The strategy takes a sectoral approach across our key sectors of infrastructure, food and agriculture, forestry, manufacturing, construction and real estate, financial institutions and trade finance. Each sector deep-dive explored how CDC will identify opportunities to invest to support the transition to net-zero and climate-resilient economies. A key part of this is investing in technologies and businesses which are crucial to the low-carbon transition and building resilience. Opportunities look different in every sector and range from renewable energy, electric vehicles, forestry to water infrastructure and beyond. For example, in 2019 we invested in Roserve Enviro Private Limited under our energy access and efficiency strategy. The company provides end-to-end wastewater treatment and recycling solutions to industrial clients across India, supporting the reduction in use of freshwater in a water-stressed country and increasing resilience. The facility is expected to fund projects that generate water savings of over 25 million litres per day.

We will also do more to increase mitigation and resilience by adding value alongside capital. For example, in 2019 we worked with Zephyr Power Limited, a renewable energy company in Pakistan, to implement a mangrove rehabilitation programme which will provide increased storm protection capacity along the coastline as well as to their wind farm.

In addition to investment and value-add opportunities for each sector the strategy identifies physical and transition risks in our products and priority sectors. This new strategy builds upon existing work as we've been committed to climate action for many years and have been implementing a climate policy since 2014. The work we've been involved in already shows that consuming fewer resources and helping companies adapt to climate change helps to build sustainable businesses. At the same time, it benefits the communities these companies operate in and society as a whole.

Investing in renewable energy is a key part of this. In 2017, 2018 and 2019 combined we invested over US $900 million in clean power generation, 18 per cent of our annual commitments, up from 5 per cent in 2016. This has included founding the renewable energy platform Ayana to develop solar and wind generation projects across India and running a skilling programme alongside to support the local community participating in new 'green' jobs as part of a Just Transition. It's also meant investing in off-grid solar power company M-KOPA to provide 90 million hours of kerosene-free lighting a month, to 750,000 households across East Africa.

We've been supporting the businesses we invest in – across sectors ranging from food and agriculture to construction and real estate to healthcare – to become climate smart. We've worked with Rainbow Hospitals, an Indian paediatric and maternity hospital chain, to both reduce resource use and utility bills at the same time. We supported Rainbow to gain 'EDGE' green-building certification for three of its hospitals, all of which have achieved savings of over 20 per cent in energy use, water use and embodied energy in materials. Nonetheless, we know we need to go further and will do so through the implementation of our new climate change strategy and the recommendations of TCFD.

## Risk

CDC's sector investment strategies that are starting to consider physical and transition risks include infrastructure, food and agriculture, forestry, manufacturing, construction and real estate, financial institutions and trade finance. In 2019 the ESG-Impact and Climate Change teams assessed physical climate risk at a transaction level for the highest-risk deals. We will conduct further work in 2020 and 2021 to put in place the necessary approaches to identify, assess and manage physical and transition risks at both the transaction and portfolio levels. Portfolio financial climate risk will be assessed by our Investment Management & Analytics team, within the Chief Investment Officer's (CIO) office. The Climate Strategy is being managed as part of the Impact Group and financial risk by the CIO office with advice from the Climate Change team.

## Metrics

CDC is currently developing a range of metrics which will track progress against our three building blocks of alignment with the Paris Agreement, some examples of what these may include are detailed in the table below. In 2019 we initiated work with our peers in the European Development Finance Institutions to harmonise our metrics across the group.

## Carbon footprint

In 2019 CDC measured its corporate carbon footprint for the London office based on its emissions from air travel and electricity usage. For overseas offices approximations were used to assess the footprint based on number of employees. CDC's total carbon footprint is 8,680 tonnes (t) of $CO_2$ which averages to approximately 20.6 $tCO_2e$ per employee.

Scope 1 - direct emissions from Company facilities (heating) – 9 $tCO_2e$
Scope 2 - indirect emissions from purchased electricity, (electricity, cooling and condenser) – 181 $tCO_2e$
Scope 3 - other indirect emissions (air and rail travel) – 8,490 $tCO_2e$

CDC utilises ClimateCare in the carbon offsetting process. All calculations made by ClimateCare are based on 2019 DEFRA/DECC emissions factors, which are available publicly online. This combines best practice, industry-standard data conversion factors with raw data received from CDC to calculate final $CO_2$ emissions.

CDC has chosen to continue offsetting this via ClimateCare through projects in Sierra Leone, Kenya and Bangladesh. The project in Sierra Leone supports the Gola Rainforest National Park, working with communities and stakeholders to ensure that the park and its buffer zone are better protected and threats of encroachment are minimised. The project in Bangladesh provides low-smoke, efficient cookstoves in people's homes, reducing fuel consumption and improving health outcomes. The project in Kenya assists Aqua Clara Water Filters in delivering safe and affordable drinking water while reducing carbon emissions.

The Strategic and Directors' report was approved by the Board and signed on its behalf by:

**Nick O'Donohoe**
Chief Executive
12 June 2020

| Objective | | Metrics |
|---|---|---|
| **Finance in line with a 1.5°C carbon budget to support low-carbon development pathways** | 1. Measure our financial contribution to mitigation investments | + Climate Finance (US $ committed per year): align with the Multilateral Development Banks mitigation sectors<br>+ Amount mobilised into mitigation |
| | 2. Measure the reduction of greenhouse gas emissions over time to align with net zero pathways | + Whole portfolio carbon footprint |
| **Just Transition** | 3. Understand and report our contribution to a 'Just Transition' | **2020**<br>+ Pilot projects to report on an individual basis<br>**2021 onwards**<br>+ Jobs created in low-carbon sector<br>+ Number of skilling projects run |
| **Adaptation and resilience** | 4. Measure our financial contribution to adaptation and resilience metrics | + A methodology for measuring adaptation finance is under development |



# Governance Report

# Chairman's introduction

I am pleased to introduce the Governance Report for the year ended 31 December 2019. This report includes an overview of the Group's governance structure and a description of the key activities of the Board and its committees during the year.

Clive MacTavish, our Chief Financial Officer (CFO), left CDC in 2019. Clive played a significant role in helping us to improve and expand our governance reporting. I would like to thank both Clive and also Mike Corcoran who was appointed Interim CFO following Clive's departure.

While the purpose of this report is to focus on our activities as a Board in 2019, a key focus for 2020 has been our response to the Covid-19 pandemic. From the beginning of the crisis, we have strived to adapt our processes and increase the frequency of Board meetings to cope with the significant challenges that Covid-19 presents. Our first priority was focusing on the duty of care to our staff as well as ensuring that our operations could be set up to work remotely. The People Development and Remuneration Committee received a detailed report on the steps being taken to protect the well-being of all our staff both in the UK and overseas, and the Board has received regular updates from the Incident Management Team, who have done a fantastic job managing CDC's response. At the Board, our main focus has been working with the management team and the shareholder to provide the best possible response to Covid-19 in our markets, but at the same time ensuring we work within our financial and liquidity limits at a time of great economic stress. I expect to report more fully in 2021 on the steps we have taken as a Board and the analysis we have received but I anticipate that while the impact of Covid-19 will be challenging, there will be an even greater need for our patient capital in the markets where we work.

Transparency has been an ongoing commitment and we continue to publish the summary minutes of our Board meetings on our website. In addition, as a Board we are now subject to the Senior Managers and Certification Regime (SMCR) and we continue to review all our governance arrangements through this lens. We have also started a process to evaluate and improve our complaints handling processes throughout CDC as we seek to respond promptly when issues are raised with us.

The five Board committees continue to play an important role in the governance of CDC and in helping CDC to operate effectively and efficiently, making the best use of everyone's time. On the following pages you will find reports from each of the committees and I would like to thank my fellow Board members for their continued support and commitment.

In addition to our established Board committees, I also asked Dolika Banda to chair a sub-committee of the Development Impact Committee which reviews the activities of CDC Plus, our DFID grant-making facility; and I asked Michele Giddens to chair the Catalyst Strategies sub-committee to ensure that, as a Board, we have clear oversight of these activities. Dolika is also our Board Safeguarding Champion and, as a Board, we all recognise that we have a hugely important role to play in ensuring that we protect both our employees but also all those involved in our portfolio operations from bullying and any form of harassment.

Our Investment Committees have continued to be very busy during 2019 and I would also like to thank all our external members for their guidance and commitment.

I have always acknowledged the importance of our stakeholders both internally and externally to the long-term success of CDC. On page 32 we explain how, as a Board, we work with our employees, our partners, our suppliers, other DFIs, NGOs and the UK Government including our shareholder, DFID. As Laurie Spengler reports on page 42 a key focus in 2020 will be looking at ways in which we can ensure that the Board hears the voice of CDC employees in our decision-making at the Board table. We commenced a project in 2019 with the aid of external advisers to determine the best model for CDC based on the recommendations of the UK Corporate Governance Code issued by the Financial Reporting Council. We already have a number of initiatives in place and we will be continuing our efforts in 2020 to connect with all our employees on a regular basis. I look forward to continuing to engage with all our stakeholders during 2020.

**Graham Wrigley**
Chairman
12 June 2020

# Board of Directors

**Graham Wrigley**
**Chairman**
Nominations Chair

Appointed Chairman and Non-executive Director in 2013.

Ever since visiting Nepal and India in 1981 Graham had wanted to work in international development. So, in 2006 he quit his business career and decided to 'retrain' for a new career by completing an MsC in Development Economics at SOAS University of London. Since then, he has worked in a variety of roles with SME and microfinance organisations in sub-Saharan Africa, Nepal and the poor states of North India, with a personal goal of helping these companies become sustainable and help their countries' economic development.

Graham's first career was in business. He was a founder partner of Permira and a member of the firm's management board as it grew into one of the world's leading private equity firms, with over US$20 billion under management. Prior to that he worked for Bain & Co.

Graham studied Law and Economics at Cambridge University and has an MBA from INSEAD, one of the world's leading business schools, where he is a visiting professor. He also works with several charities, including Sir Edmund Hillary's Himalayan Trust UK, where he serves as Chairman and has volunteered for them for over 35 years.

**Nick O'Donohoe**
**Chief Executive**

Appointed Chief Executive and Executive Director in June 2017.

Nick was previously a Senior Adviser to the Bill and Melinda Gates Foundation where he specialised in the use of blended finance models to support the work of the Foundation. Prior to taking this role, Nick co-founded, with Sir Ronald Cohen, Big Society Capital (BSC). He served as its Chief Executive Officer from 2011 to 2015.

BSC is an independent financial institution established by the UK Government as 'the world's first social investment bank' and is capitalised with unclaimed UK bank accounts and investment by the largest UK banks.

Previously Nick worked at JP Morgan, latterly as Global Head of Research. He was a member of the Management Committee of the Investment Bank and the Executive Committee of JP Morgan Chase, as well as the senior sponsor for JP Morgan's Social Finance Unit. Nick co-authored "Impact Investments: An Emerging Asset Class", published by JP Morgan and the Rockefeller Foundation in November 2010. Prior to JP Morgan, he spent 15 years at Goldman Sachs.

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

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

**Andrew Alli**
**Non-executive Director**
Audit and Compliance Chair (from February 2019)

Appointed in September 2018.

Andrew is the Chief Executive of SouthBridge Group, a pan-African financial service firm. Prior to this he was President and Chief Executive Officer of the Africa Finance Corporation, a multilateral financial institution focused on improving Africa's critical infrastructure.

A financial professional with over 30 years' experience in both developed and developing countries, he is currently a Non-executive Director of the Development Bank of Nigeria, where he chairs the Audit Committee. He spent over a decade with the IFC, where he held senior positions including as Country Manager for Nigeria and South Africa. A dual citizen of the UK and Nigeria, Andrew is a Chartered Accountant and has a BEng in Electronics and Electrical Engineering from King's College, University of London and an MBA from INSEAD.

**Dolika Banda**
**Non-executive Director**

Appointed in September 2018.

Until December 2019, Dolika served as Chief Executive Officer of African Risk Capacity Insurance Ltd and has held Non-executive Director positions at Ecobank Transnational and the UK Department for International Development's Financial Sector Deepening Africa programme.

A Zambian national based in Lusaka, she has over 25 years' experience in international finance and banking and has worked across the world in Africa, Europe, Latin America, the Caribbean and the US. A former Director at the IFC and a former Regional Director for Africa at CDC Group, Dolika's involvement in development finance followed a successful career in banking.

She has held senior positions at Barclays Bank Zambia in corporate and merchant banking and at Citibank Zambia in financial control, credit, treasury and international relationships. Dolika holds a Master's in International Business from Schiller University and has received awards as Zambian Woman of the Year 2018 and Africa Femmes Performantes (Africa's Performing Women) 2012 for vision and courage.

**Wim Borgdorff**
**Non-executive Director**
Risk Chair

Appointed in September 2014.

Wim was Founder of AlpInvest Partners, a private equity investment management firm with over EUR37 billion of fund, secondary and co-investments under management. He is a Non-executive board member of the Bernard van Leer Foundation, a long-standing privately endowed Dutch charity dedicated to early child development globally. From 2000 to 2016 Wim held several senior management roles at AlpInvest Partners which became part of The Carlyle Group in 2011. In 2008 he defined the AlpInvest ESG policies and made AlpInvest an early subscriber to the UN Principles for Responsible Investment. Prior to AlpInvest, Wim founded ABP Investments' alternative investments unit. Previously he was a Managing Director at ING Real Estate.

Wim received an MSc cum laude from Delft University of Technology and an MBA from Erasmus University Rotterdam.

The terms and conditions of appointment of Non-executive Directors are available for review on CDC's website.

# **Board of Directors** continued

**Sam Fankhauser**
**Non-executive Director**
Development Impact Chair

Appointed in April 2015.

Professor Sam Fankhauser is Director at the Grantham Research Institute on Climate Change at the London School of Economics. He is also an Associate Director at the economics consultancy Vivid Economics. Previously Sam served as Deputy Chief Economist and Director, Policy Studies, at the European Bank for Reconstruction and Development. Prior to that he worked at the World Bank and the Global Environment Facility.

Sam studied Economics at the University of Berne, the London School of Economics and University College London.

**Michele Giddens OBE**
**Non-executive Director**

Appointed in December 2014.

Michele is a Partner and Co-Founder of Bridges Ventures, a specialist fund manager dedicated to sustainable and impact investment. She has over 20 years of experience in impact investment and international development finance.

Prior to co-founding Bridges in 2002, Michele spent eight years with Shorebank Advisory Services (now Enclude). She ran small business lending programmes in Russia, Central and Eastern Europe, advised on microfinance in Bangladesh, the Middle East and Mongolia and worked in the US community development finance sector. In the early 1990s, she was with the IFC, the private sector financing arm of the World Bank Group. Whilst there she worked on international joint venture investments during the process of private sector development in Eastern Europe.

She was an adviser to the Social Investment Task Force and Chair of the Community Development Finance Association between 2003 and 2005. She is a former Chair of the UK National Advisory Board to the Global Social Impact Investment Steering Group, as established by the G8 and a former member of the BVCA Council. Michele has a BA Honours in Politics, Philosophy & Economics from Oxford University and an MBA from Georgetown University, Washington, DC.

**Keki Mistry**
**Non-executive Director**

Appointed in September 2014.

Keki is the Vice-Chairman and Chief Executive Officer of the Housing Development Finance Corporation (HDFC) in India. HDFC has been a pioneer in the housing finance industry over the last 25 years and has helped provide thousands of Indians with financial assistance to own a home. Earlier in his career Keki was seconded to CDC to help evaluate the operations of mortgage financial institutions in Asia. He holds a number of directorships in India and is a fellow of the Institute of Chartered Accountants of India.

**Laurie Spengler**
**Non-executive Director**
People Development and Remuneration Chair

Appointed in July 2016.

Laurie J Spengler is an impact investment banker, board member and a recognised contributor to the impact investing industry.

Laurie has over 25 years' experience in international development with a focus on strategy, capital raising, M&A, and private equity transactions. She has developed a particular expertise in structuring and launching investment vehicles that align different types of capital to allow operating enterprises, financial institutions and funds to generate positive social, environmental and development outcomes while delivering appropriate financial returns.

From 2006-2019, Laurie was President & CEO of Enclude, a global advisory firm dedicated to building inclusive, sustainable and prosperous local economies. Previously, Laurie was founder and CEO of Central European Advisory Group and worked as an attorney at White & Case.

Laurie has recently been appointed to the UK Impact Investing Institute, having previously served on the UK National Advisory Board to the Global Social Impact Investment Steering Group, as established by the G8. Laurie is a Senior Fellow and Advisory Council member at Casei3 at Duke University's Fuqua Business School. She is a member of the Council on Foreign Relations.

Laurie has a JD from Harvard University and an undergraduate degree from Stanford University.

# How the Board operates

## Introduction

### Role of the Board

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

+ Determine the direction and strategy of CDC in accordance with the Company's Investment Policy.
+ Monitor the achievement of the Company's business objectives.
+ Monitor CDC's delivery of development impact consistent with our mission.
+ Ensure that the Company's responsibilities to its shareholder are met.
+ Ensure that risks are identified and controls are in place.
+ Ensure that the Company's employees apply appropriate ethical standards in the performance of their duties in accordance with CDC's Code of Responsible Investing.

Certain matters are reserved for Board approval or decision and there is a clear delegation of authority to the Chief Executive, the Investment Committee and other senior executives within the Company for other specific matters.

### Board size and composition

The Board has nine members: the Chairman, one Executive Director and seven independent Non- executive Directors. The Board's members come from a range of backgrounds and it is structured to ensure that no individual or group of individuals is able to dominate the decision-making process and no undue reliance is placed on any individual. Details of the individual Directors and their biographies are set out on pages 26 to 29.

### Board diversity

The Board acknowledges the benefits that diversity can bring to the Board and to all levels of the Group's operations. It recognises the importance of having a Board with a range of skills, knowledge and experience including direct experience of the geographic regions in which we operate. It also embraces the benefits to be derived from having Directors who come from a diversity of backgrounds, bringing different perspectives and the challenge needed to ensure effective decision-making.

## Definitions of Board roles and responsibilities

### Role of Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separate and there is a clear division of responsibilities between the two roles.

The Chairman is Graham Wrigley. Graham held two directorships and two trusteeships during 2019 excluding his CDC directorship. The Board considers that he had, and continues to have, sufficient time to undertake his duties at CDC. The Chairman is responsible for leading the Board in determining CDC's strategy and objectives, but does not participate in the management of the Company. Graham also has responsibility for leading the development of the Company's culture by the Board and for ensuring that the Board sets the tone from the top.

The Chief Executive is Nick O'Donohoe, who is primarily responsible for the day-to-day management of the Company and for overseeing the adoption of the Group's culture. Nick chairs the CDC Executive Committee, the executive forum of senior leaders that supports his management oversight of the Company.

### Role of independent Non-executive Directors

The Non-executive Directors are regarded as independent and are from varied business and other backgrounds.

The Non-executive Directors exercise judgement and carry substantial weight in Board decisions.

They contribute to strategy and policy formation and monitor CDC's financial and managerial performance.

### Role of Senior Independent Director

The Senior Independent Director is Wim Borgdorff.

The Senior Independent Director acts as a sounding board for the Chairman and Executive Directors and leads the Chairman's annual performance review. In addition to the existing channels for shareholder communications, shareholders may discuss any issues or concerns they have with the Senior Independent Director.

### Appointment and removal of Directors

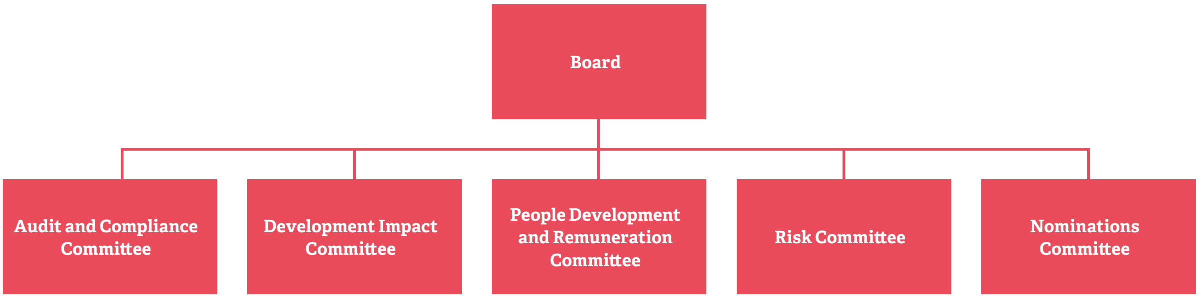
The Company's articles of association require that all the Directors retire and offer themselves for re-election at the Annual General Meeting (AGM). Accordingly all the Directors will offer themselves for re-election at the AGM.

DFID has appointed the Chairman and two of the Company's Non-executive Directors who are deemed to be independent.

## Governance framework

**Board governance structure**

The Board committee structure is shown in the diagram below. The Board has delegated responsibility for certain matters to its committees, as set out in written terms of reference which are reviewed annually.




The Chair of each committee reports regularly to the Board on matters discussed at committee meetings. Reports for each of the Board's committees are set out later in this report and they include further detail on each committee's role and responsibilities, and the activities undertaken during the year.

**Investment Committee**

The Board has delegated certain of its investment decision-making powers to the CDC Investment Committee. Where investment decisions fall outside of delegated authorities then a panel of Non-executive Directors will be invited to participate in those specific investment discussions.

The membership of the Investment Committee includes independent members and members of senior executive management. CDC has recruited highly experienced investors to complement the internal members of the Investment Committee. These are Wanching Ang, Adam Barron, Stewart Hicks, John Kelting, Sriram Balasubramanyam, Paul Fitzsimons, Mark Gidney, James Heath, Richard Munn, Rod Evison, Anne-Marie Harris, Donald Peck and Nicholas Rouse.

**Meetings of the Board**

At each scheduled meeting the Board receives a report from the Chief Executive on the performance of the Company. In addition, the other members of the CDC Executive Committee attend by invitation to update the Board on performance, strategic developments and initiatives in their respective areas.

There is an annual schedule of rolling agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycle. Meetings are structured to ensure that there is sufficient time for consideration and debate of all matters. In addition to scheduled or routine items, the Board also considers key issues that impact the Group, as they arise.

The Directors receive detailed papers in advance of each Board meeting. The Board agenda is carefully structured by the Chairman in consultation with the Chief Executive and the Company Secretary. Each Director may review the agenda and propose items for discussion with the Chairman's agreement. Additional information is also circulated to Directors between meetings as required.

Each Board meeting includes time for discussion between the Chairman and Non-executive Directors without the Executive Directors. All Board and committee meetings are appropriately minuted and summary Board minutes are published on the CDC website after each meeting.

## Key Board activities in 2019

During 2019, the Board particularly spent time monitoring and reviewing the following:

+ The continued progress of CDC to invest and deliver commitments to enable CDC to meet its objectives as set out in the 2017-2021 strategic framework.
+ Monitoring investment performance and approving enhancements to the Investment Committee process including in-depth reviews of investments which had not performed as had been expected.
+ The people agenda, covering the pace and level of resourcing, actions to support diversity and inclusion, and duty of care.
+ Recognising the importance of culture the Board agreed a set of metrics which would enable it to monitor and measure culture at future meetings.
+ The performance of our Catalyst Strategies, which have been designed to have a transformational development impact, and can take a greater level of financial risk.
+ The Climate Change strategy recognising the importance of the Government's Green Strategy and compliance with TCFD.
+ The continued growth of our overseas operations.
+ Approval of our sector strategies.

- Continuing to review opportunities for capital mobilisation, and partnerships with other organisations.
- Continued engagement with our stakeholders including DFID, NGOs, DFIs and UK PLCs.

Since the start of 2020 the Board has discussed the impact of the Covid-19 pandemic on CDC's business and its stakeholders at both its scheduled and ad hoc Board meetings. In addition to receiving reports on liquidity, capital allocation and financial risk appetite, the Board has also considered the impact of Covid-19 on our employees and work practices, as well as our markets, our corporate objectives and wider strategy.

## How we engage with our stakeholders

This section of the Annual Report and Accounts forms our section 172 disclosure describing how the Directors considered the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 (the Act). It also forms the Directors' statement required under section 414CZA of the Act.

Section 172 requires a director of a company to act in a way that he/she considers, in good faith, would most likely to promote the success of the company for the benefit of its members as a whole having regard to the long-term consequences of any decision made and with regard to the community and environment in which it operates. For the purposes of the legislation, members include the employees of the company, customers, suppliers and others with whom CDC works and interacts. This section sets out how the Directors are ensuring the long-term success of the company in a way that considers these factors.

The Chairman working with the Chief Executive and Company Secretary ensure that Board agendas and papers enable Board decisions to be made in the context of our stakeholder responsibilities. As CDC is a mission-led, government-owned institution, the Board is very sensitive to the stakeholder world in which it operates and its responsibility for stewardship and good governance at all levels.

The Directors have direct input into CDC's long-term success through their leadership on our strategic direction and in 2019, the Board began discussing the framework for the new strategy period from 2022 – 2026. In 2019, the Board also supported the launch of a new set of Corporate Values which underpin how CDC as an organisation operates and each employee's performance is measured on the basis of those values.

### Working with our people

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

The People Development and Remuneration report on pages 40 to 53, including the letter from the Committee Chair, explains the Directors' work to fulfil their duties to our employees. This has included reviewing attrition rates, remuneration and reward, promotions and progressions, diversity and inclusion as well as culture and learning. At each Board meeting, the Chair of the People Development and Remuneration Committee updates the other Directors on the key personnel issues that were reviewed and discussed by the Committee.

As set out on page 44 CDC is fully committed to diversity and inclusion and the Board is aware of its relevance in the context of its decision-making. Each Director has received unconscious bias and safeguarding training.

### Working with our partners

A development-focused mission is at the heart of all the Board's deliberations. We support the sustainable, long-term growth of businesses in Africa and South Asia; our goal is to help support the economic stability that will enable countries to leave poverty behind. We are also a champion of the UN's Sustainable Development Goals (SDGs) – the global blueprint to achieve a better and more sustainable future for us all. The Board is committed to building its understanding of the challenges and opportunities of the countries where we invest.
Every year the Board visits a country that CDC invests in and meets with key stakeholders including investee companies and government officials.

Our Annual Review details the work we have done during 2019 to meet our strategic objectives, and it explains our work in 2019 to champion the SDGs in Africa and South Asia.

### Working with our suppliers

The Board is aware of the importance of giving due consideration to business relationships with its suppliers at CDC and the Company is updating its procurement and payment policy practice and processes to ensure the continued strength of its supplier relationship management as the Company grows. The objective of this activity is to ensure propriety, fairness, consistency, good practice and value for money in all contracts for services, supplies and works entered into or on behalf of CDC. Updates to the policy and initiatives across CDC also emphasise CDC's continued commitment when purchasing goods, services or works, to select those which are produced and delivered without abuse or exploitation of persons involved and have the least negative impact on the environment; as far as is reasonably practical. Updates to the payment systems will continue to see CDC pay its suppliers promptly by embedding a robust structure and providing clear and consistent guidance to all third-parties.

**Working with Government, NGOs and other DFIs**
Between 2016 and 2018, we delivered a political and stakeholder engagement programme which focused on protecting our immediate licence to operate. Through this we have successfully achieved the passing of the CDC Act (up to £12 billion), launched the 2017-21 strategy and secured stakeholder support for the latest capital increase (£3.5 billion). The primary focus of this activity has been targeted at three groups of stakeholders: UK Parliament, UK NGOs and the DFID Private Sector Development team.

Since 2018, building on the successful execution of this strategy, we have broadened out our stakeholder approach and resourced a specialist team in CDC – the Global Affairs function – to deliver it. The function aims to advance our 'license to operate' by building stakeholder trust in our institution. It is focused on supporting the organisation to be externally oriented; assisting it to proactively manage relationships; and influencing decisions that matter to us.

A proactive engagement programme is run across a broad range of stakeholders including: political stakeholders; the UK Government (both DFID as a shareholder and wider government both in Whitehall and overseas); other development finance institutions; and a range of third-party influencers, including NGOs, think tanks and foundations.

**Board decision-making**
The Board considers the matters set out in Section 172 of the Companies Act 2006 during its deliberations. We set out below two specific examples of how the Directors have fulfilled some of these duties.

**Hearing the employee voice in the Boardroom**
Led by the Chairman, a working group was established at the request of the Board, to establish how Directors should respond to the recent requirement in the UK Corporate Governance Code (the 'Code') for ensuring that the employee voice is heard at the Board table.

The Directors already had regular contact with employees through the regular team spotlights at the Board, an annual staff social event in our London office, and individual Directors working with different groups of employees on specific issues on a regular basis.

Over the past six months this working group, which received advice and guidance from an external governance consultant, has explored different approaches. This has included looking at FTSE companies, other DFIs, partnerships and employee-owned organisations; and considering options ranging from appointing employees as Directors, to designating a Director with responsibility and establishing an employee forum. Several discussions took place with Directors before a hybrid model was agreed which will be implemented later in 2020.

**Climate change**
The Board recognises that the climate emergency is the biggest global development challenge facing the world today and knows that it will affect those living in the countries where we invest the most. As part of its ongoing commitment to sustainability, CDC signed up to the Task Force on Climate-related Financial Disclosures (TCFD). Pages 21 to 23 set out our disclosures in line with the TCFD recommendations. The broader Climate Change Strategy that we developed in 2019 was discussed initially by a working party including members of the Development Impact Committee but was submitted to the full Board for approval given its importance to our business. Governance arrangements have also been amended to ensure that there is adequate oversight on the delivery of our Climate Change Strategy at the Board table.

**Training, support and advice**
Training, where appropriate, is provided to the Board and employees. All Directors have access to the advice and services of Colin Buckley, the General Counsel, and Jane Earl, the Company Secretary, and they may obtain independent professional advice at CDC's expense, if required.

The Company's articles of association permit the Board to grant indemnities to the Directors in relation to their duties as directors. Such indemnities are in respect of liabilities incurred by a Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company unless the Director is ultimately held to be at fault. In line with market practice, each Director benefits from an indemnity which includes provisions in relation to duties as a Director of the Company or an associated company and protection against derivative actions.

**Performance and evaluation**
The Board undertook an internal review of its effectiveness and that of its committees which was conducted by the Chairman assisted by the Company Secretary. In line with the recommendations of the UK Corporate Governance Code, the Board receives an external evaluation every three years with an internal evaluation conducted by the Chairman and Company Secretary in the intervening years.

Meetings were held with each of the Directors, and members of the Executive Committee with the results being shared with the shareholder, DFID.

The evaluation focused on a range of different areas relevant to board effectiveness and corporate governance, including:

+ the role and composition of the Board;
+ oversight on key areas of responsibility;
+ meeting effectiveness and Board information;
+ people and culture; and
+ assessing progress against the recommendations highlighted by the external review.

The report was presented to the Nominations Committee in February 2020. The evaluation concluded that the Board is strong and effective and had implemented the majority of the recommendations from the external review. Improvements were identified and would be adopted during the year to further improve the effectiveness of the Board and its committees.

**Attendance at Board and committee meetings in 2019**

The Board had scheduled to meet six times during 2019. Separate to this, there is regular communication between the Company and the Board between meetings.

| | Board | Audit and Compliance | Development Impact | People Development and Remuneration | Risk | Nominations |
|---|---|---|---|---|---|---|
| **Number of scheduled meetings during the year** | 6 | 4 | 4 | 5 | 4 | 3 |
| Graham Wrigley (Chair) | 6 | 4 | 4 | 5 | 4 | 3 |
| Nick O'Donohoe (Chief Executive) | 6 | 4 | 4 | 5 | 4 | 3 |
| Clive MacTavish[1] (Chief Financial Officer) | 4 | 3 | – | 3 | 3 | 2 |
| Andrew Alli | 6 | 4 | – | – | 3 | 3 |
| Dolika Banda | 6 | – | 4 | 4 | – | 3 |
| Wim Borgdorff | 5 | 2 | – | 4 | 3 | 3 |
| Valentine Chitalu[1] | 1 | 1 | – | – | 1 | 1 |
| Sam Fankhauser | 5 | – | 4 | – | 4 | 3 |
| Michele Giddens | 5 | – | 4 | – | 4 | 2 |
| Keki Mistry | 5 | 4 | – | 5 | – | 3 |
| Laurie Spengler | 6 | – | 4 | 5 | – | 3 |

1 Resigned during the year.

At the end of 2019 it was agreed that Wim Borgdorff would leave the Audit and Compliance Committee and join the Development Impact Committee. In addition, Laurie Spengler would join the Audit and Compliance Committee and would leave the Development Impact Committee. These changes were designed to enable the Board Directors to gain further experience of other committees whilst also bringing a fresh perspective to the committee's business.

Nick O'Donohoe and Clive MacTavish are not members of any of the committees but attend by invitation.

# Nominations Committee report

**Letter from the Chair of the Nominations Committee**
The Nominations Committee meets as required with a quorum of two members. All Non-executive Directors are members and our remit includes appointing new Board members, reviewing the Board's independence, structure, size and composition as well as reviewing the composition of our Board committees. The Nominations Committee also considers succession planning and makes recommendations to the Secretary of State for International Development as a holder of a special share in CDC Group plc, as appropriate.

During 2019 the Nominations Committee had two formal meetings. Board succession and ensuring that we have the right balance of skills at the Board table has been a focus during 2019. In this context, we started the search for a replacement for Keki Mistry who is due to retire at our 2020 July Board meeting. We have always felt immensely privileged to have someone of Keki's stature on our Board and as I write this letter we are in the final stages of identifying a successor.

At the beginning of the year, the Committee worked with our external evaluators to implement their recommendations. One of the key recommendations arising from the Board evaluation was that the Board should 'move up a level' in order to take a more strategic and less hands-on role but recognising the Board is responsible and accountable to the shareholder for the delivery of CDC's objectives.

In addition, we sought to clarify the expectations of the Board with regard to executive contribution and attendance at Board and committee meetings, while streamlining agendas to focus on key strategic items.

Increasing the diversity of our senior management was another recommendation which the Committee actively supported together with an increased focus on our people and the culture of CDC. We held our first culture review at the Board in November 2019 and this will continue to be an annual review with agreed metrics against which to measure progress.

Later in the year, the Company Secretary and I undertook an internal Board evaluation process which included interviews with the Board Directors and with members of the Executive Committee. We are pleased to report that the Board continues to work well but we have identified areas where we believe we can improve. We also reviewed our progress in implementing the recommendations we received from our external evaluator. I am pleased to say that we have implemented the majority of their proposals. One area where we feel we can continue to improve is on the structure of our Board and Committee agendas and improving the quality and format of our Board and Committee papers.

As I wrote last year, I am fortunate to chair a Board of such engaged and committed Directors as I do here at CDC. Each brings a unique set of skills and experience and over the past year has contributed hugely to the success of the organisation through their leadership.

**Graham Wrigley**
Chairman

# Development Impact Committee report

**Letter from the Chair of the Development Impact Committee**

Development impact is at the core of CDC's mission and at the heart of its values as an impact-led commercially rigorous investor. The role of the Development Impact Committee is to guide, monitor and provide assurance over CDC's development impact activities, including compliance with CDC's Code of Responsible Investing and related policies and procedures. The Committee comprises five Non-Executive Directors and is supported by CDC's Impact Group in all that it does. In 2019, we were delighted to welcome Liz Lloyd as CDC's first Chief Impact Officer, who while not a member of the Committee, plays a key role in managing development impact across CDC.

An important duty of the Committee is to ensure that the reporting on and measurement of CDC's development impact is performed in a robust and consistent manner. Each year we receive assurance from an independent assessor on our measurement of development impact which is shared with DFID, our shareholder. In 2019 this assurance was provided by PwC. I am pleased that CDC's development impact scores continue to be higher than the target agreed with DFID.

In 2019 CDC has taken important steps to enhance its approach to delivering development impact, anchored in the objectives of the UN Sustainable Development Goals (SDGs). Our new Impact Framework aligns us with emerging industry standards by adopting the Impact Management Project's five dimensions of impact and by becoming a founding signatory of the Operating Principles for Impact Management. It enables CDC to more rigorously assess the development impact of investments, manage progress against expectations and measure what is achieved. It reflects the wider impact of our investing activities against the SDGs and ensures a focus on the impact on people and planet. We also commissioned an independent review of non-financial additionality which suggested an encouraging level of satisfaction with the value CDC is adding to the companies in which it invested.

Providing high-quality jobs for a growing population remains a core objective for CDC. In 2019 we strengthened our methodology for measuring direct and estimating indirect economic impacts, engaging with experts and other DFIs, in particular, the European DFI group, EDFI. Harmonised approaches have been agreed on gender, jobs, carbon emissions and other topics.

Environmental and social outcomes are a key aspect of development impact. Our team works closely with investee companies to ensure they seek opportunities for environmental and social improvements and manage associated risks which impact their operations and their communities at a local, regional and national level. We are particularly keen to ensure that we are supporting safe workplaces, ensuring that all employees are kept safe and treated with respect.

The fight against climate change is becoming increasingly critical. I am extremely pleased that in 2019 CDC signed up to the Task Force on Climate-related Financial Disclosures (TCFD) from 2020/21 and while we are not required to report until 2021 it is a demonstration of our commitment that we have included our first disclosure in this regard on pages 21 to 23. Our new climate change strategy aligns CDC with the objectives of the Paris Agreement. Given its importance, the strategy was approved by the full Board but as a Committee we worked with management on refining the strategy.

During 2019, our Value Creation team presented strategies for job quality and skills and leadership which we approved.

The Committee also monitored the activities of the CDC Plus team, CDC's grant facility, providing assurance to both the CDC Board and DFID that the facility provided value for money and was working within its remit to extend CDC's impact. We are also engaged with DFID and academic experts in commissioning multi-year sectoral evaluations, so we can learn and enhance the impact of our investments.

There are many other important initiatives and successes that could be highlighted here. Instead, I would commend to you CDC's Annual Review which will be published alongside this report, where you can learn more about our development impact in our markets.

CDC lives and breathes development impact. I would personally like to thank all CDC employees who have contributed to the work of the Committee during 2019.

**Sam Fankhauser**
Chair

# Audit and Compliance Committee report

## Letter from the Chair of the Audit and Compliance Committee

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

- To review the financial statements.
- To review the findings of the external auditor and the independence of the external auditor.
- Direct the internal audit programme and receive regular reports from internal audit.
- Monitor the management accounting and the policies and procedures relating to valuations.
- Monitor the Group's whistleblowing procedures and results.
- Oversee the Company's regulated activities and compliance function.

I would draw your attention to the biographical information on each Committee member set out on pages 26 to 29. You will see that the Committee Chair has recent and relevant financial experience and the Committee as a whole has competence relevant to the business sectors that CDC operates within.

## Financial reporting

CDC's accounts are prepared in accordance with International Financial Reporting Standards.
The Committee reviewed the Annual Report and Accounts for 2019, which included supporting information from Finance that the going concern basis of accounting was appropriate. This included a summary of both the short and long-term liquidity position, the impact of Covid-19 and long-term forecasting assumptions affecting CDC and its business. Following a detailed review by the Committee, it was agreed to recommend to the Board that it continued to be appropriate to adopt the going concern basis in respect of the preparation of the Group's financial statements (see page 70 for the Group's going concern statement).

The reviews were supported by analysis and discussion provided by the finance team and the reports of the external auditors. Having considered these inputs and the Committee's own independent judgements, the Committee recommended to the Board the approval of the financial statements.

## Fair, balanced and understandable

There has been a comprehensive review process to support the Board in reaching its conclusion that the 2019 Annual Report is fair, balanced and understandable and whether it provides the necessary information to assess the Group's performance, business model and strategy. The process which enabled the Committee to reach this conclusion included:

- the production of the 2019 Annual Report and Accounts, managed closely by the Chief Financial Officer;
- cross-functional support to drafting the 2019 Annual Report and Accounts which included input from Finance, Risk, Corporate Secretariat, HR and wider business leaders;
- a management letter detailing the 2019 year-end assessment of fair, balanced and understandable;
- a formal review by the Committee of the draft 2019 Annual Report and Accounts in advance of final sign-off; and
- a final review by the CDC Board of Directors.

Having carefully reviewed and considered all relevant information, the Committee is satisfied that, taken as a whole, the 2019 Annual Report and Accounts are fair, balanced and understandable and has confirmed that to the CDC Board.

## Key accounting judgements

Key judgements and estimates deliberated by the Committee relating to the Annual Report and Accounts for 2019 are primarily related to the treatment of valuations. Asset valuations, in particular for unquoted investments, are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate. To this regard, the Committee has assessed the accuracy and reliability of valuations by appointing PwC as independent subject matter expert for selected investments.

### Valuations

The valuation of portfolio investments is a key area for the Company, especially as there are a large number of unlisted portfolio investments. Quarterly valuations are provided by the investment teams and reviewed by the Finance team. PwC has been appointed as an independent expert and has continued to perform independent assessments of selected assets in 2019.

### Controls over financial reporting

It is important to demonstrate that appropriate controls are in place in respect of financial reporting. Therefore, the Committee has reviewed the internal financial controls and governance framework that underpins our financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements.

### Internal audit

The Committee reviews the scope, activity and resources of the Company's internal audit function. The Committee approves the annual internal audit plan and, semi-annually, receives formal reports against this plan from the CDC Internal Audit Manager, Siobhan Foley. The Internal Audit Manager has a direct reporting line to the Chair of the Committee and meets regularly with the Committee Chair throughout the year. The Internal Audit Manager also has a private meeting with the Committee at each Committee meeting.

During 2019, following the external quality assessment undertaken by Deloitte on the internal audit function, the Committee received confirmation that all the outstanding recommendations have been addressed.

### External audit and auditor independence

The Committee has satisfied itself as to the independence of the external auditor, Deloitte. In doing so, it considered the following factors, having regard to the views of management, internal audit and the external auditor:

+ The external auditor's procedures in place for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Company, other than those permitted by the Financial Reporting Council's Ethical Standard in the United Kingdom.
+ The external auditor's policies for the rotation of the lead partner and key audit personnel.
+ Adherence by management and the external auditor during the year to the Group's policies for the procurement of non-audit services and the employment of former audit staff.

The Committee has established policies determining the non-audit services that the external auditor can provide and the procedures required for pre-approval of any such engagement. These policies, which were updated early in 2020, provide for the auditor to be engaged only for work that is not prohibited by professional or other regulatory requirements. This essentially limits work to tax services and assurance services that are of an audit nature, but excludes internal audit services. Even where the policy allows for the external auditor to be engaged to provide non- audit services, prior approval is required from either the Chief Financial Officer, the Committee Chair or the Committee itself.

During the year the Committee reviewed the fees paid to the external auditor. A summary of the fees paid and other services is set out in note 9 of the financial statements on page 82.

Following a tender process carried out in 2018, Deloitte was appointed as the external auditor for the year ending 2019. Consequently, this is their first year in office as auditor.

### Modern Slavery Statement

During 2019 the Committee reviewed CDC's Modern Slavery Statement, a copy of which is published on CDC's website. See page 19 for further information, 'Responsible Investing'.

### Internal controls

The Committee forms an integral part of CDC's three lines of defence model and its framework of internal controls. Further information on internal controls and the role the Committee performs in this area is set out in the Risk management section on page 13.

### Whistleblowing

The Chair of the Risk Committee is the Whistleblowing Champion for CDC. The Committee reviewed and assessed the whistleblowing processes and agreed that training be provided to staff to reinforce good practice.

### Regulatory and compliance matters

As a financial services organisation, CDC is governed by a number of regulations. In 2019, the FCA visited CDC's offices as part of its routine supervisory assurance of smaller regulated firms to review CDC's anti-money laundering and sanction controls. Feedback from this review was broadly positive with recommendations to increase the resourcing within the team and to undertake an analysis of financial crime risk potential.

In addition, reviews were undertaken by EY and Oliver Wyman at the request of the Company. EY submitted a limited-scope review of CDC's Financial Service and Market Act (FSMA) permissions to ensure that they remained fit for purpose. Following the recommendation of the Oliver Wyman review the Compliance and Business Integrity team was divided into two, each with their own department heads.

During 2019 the Chairman and I met senior representatives of DFID as part of maintaining ongoing dialogue with the sole shareholder.

The Committee covered a significant amount of work in 2019 and many of these areas of focus will continue into 2020. I would like to take this opportunity to thank both Deloitte and my CDC colleagues who have, during the course of the year, supported the work of the Committee.

**Andrew Alli**
Chair

# Risk Committee report

**Letter from the Chair of the Risk Committee**
I am very pleased to introduce the report on the activities of the Risk Committee during 2019. The Committee's main duties are to oversee the implementation of the Risk Management Policy and the risks facing CDC.

A key focus during 2019 was monitoring those risks which fell outside our agreed appetite and reviewing the steps taken to bring the risk within our agreed appetite. During the course of the year these included travel security, information security, E&S risks in our portfolio and our job creation methodology. We also monitored the corporate high-level risk map at each meeting.

You will see from pages 13 to 18 of the Strategic and Directors' Report the presentation of the key risks facing CDC and how these are mitigated.

In 2019 we devoted time to discussing travel security and our duty of care to our employees and we approved enhancements to our existing processes to ensure that as an organisation we were in a position to respond quickly and appropriately to any issue which might arise.

We continued the development of our risk management process and our investment risks. In 2019 we held workshops to discuss value at risk and portfolio construction. In addition, we maintain a watching brief over our portfolio limits and delegated authorities. We regularly review our single obligor, sector and counterparty limits as well as hedging and foreign exchange exposure. We also commissioned a review of our risk management approach which generated a number of recommendations, including the appointment of a Chief Risk Officer, which will be delivered in 2020.

In light of the Covid-19 pandemic, an initial high-level risk assessment has been produced to assist the Committee in understanding and providing oversight of the main risks to CDC that have been identified, the relative prioritisation of those risks and the mitigation already taken or planned. See page 18 for further information.

Reports were also received from the Exceptional Risk Committee, which considered specific investment proposals that present particular reputational risks to CDC, as part of our ongoing monitoring of investment risk.

The Committee is principally supported by the Chief Financial Officer and the Risk Manager. I am grateful to my CDC colleagues for the work they have done to ensure that we have a robust risk management framework in place.

**Wim Borgdorff**
Chair

# People Development and Remuneration Committee report

**Letter from the Chair of the People Development and Remuneration Committee**

**Introduction**

I am pleased to introduce this report on the activities of the People Development and Remuneration Committee (PremCo) of CDC.

The remit of PremCo has been deliberately designed to focus on the recruitment, retention and development of talented people committed to delivering the mission of CDC. While remuneration is an important component of this remit, the Committee's attention is spent on a broader set of issues relating to the building of a capable and effective team behaving in alignment with the values of the organisation. PremCo's overarching goal is to help ensure that the culture of CDC advances the mission of the company and is properly nurtured through solid people policies with regard to the attraction, management and development of talent across the entire organisation. This overarching goal has become even more important as CDC undertakes a period of further growth and geographic reach of its operations.

I write this note at the time of a global pandemic that is touching all corners of the world. Economic repercussions of Covid-19 will be felt most acutely by poor and marginalised communities in developing economies, the markets in which CDC operates and invests. Fulfilling our duty of care to CDC staff in every location has been and will continue to be a top priority in the Covid-19 context. I am pleased with the efforts taken by CDC management to ensure the safety of all staff and to proactively support their well-being as the duration of the pandemic remains uncertain.

I have been encouraged by the determined spirit across CDC to fulfil our mission, recognising the particular relevance of a development finance institution in responding quickly to address the economic challenges of a global pandemic while continuing to seek opportunities to invest in a more resilient future for marginalised communities in some of the hardest-hit regions. The effects of Covid-19 will be felt for some time; the CDC team has already demonstrated its readiness to contribute positively in advancing investment solutions.

Appreciating the magnitude of the pandemic, PremCo and management decided to defer until later in the year payouts to staff for 2019 awards under the Long-term Development Performance Plan (LTDPP). In addition, CDC's Non-executive Directors (NEDs) and independent members of the Investment Committee voluntarily agreed to reduce their fees by 25 per cent for the remainder of calendar year 2020.

On the heels of grappling with this global pandemic, the first week of June focused our collective attention on issues of structural racism and systemic bias. The mission of CDC challenges us to confront injustice and inequality in the markets where we invest. And yet, injustice and inequality are ubiquitous. Challenging systemic racism requires commitment and action: from where we invest, to how we invest, to the values that underpin our culture and to our willingness to understand the experiences of colleagues across the organisation. PremCo reiterates its commitment to acknowledge and discuss openly issues of racism and all forms of inequality. We will pursue and prioritise actions that build on our diversity and inclusion efforts to date, with an open recognition that much remains to be done. We pledge to listen and to learn as a Committee about the dimensions of inequality experienced by CDC staff. We pledge to pursue practices that even more effectively address all forms of inequality across our organisation. Our strengthened commitment will also make us more effective in how we achieve our goals as a long-term development organisation.

As covered in more detail elsewhere in this report, 2019 has continued many of the trends of 2018, with continued growth for CDC both in terms of the portfolio of investments and the geographic reach and scale of the organisation.

PremCo organises its meetings with a standing agenda focused on five core themes:

- Reward
- Hiring and attrition
- Gender and diversity
- Culture and leadership
- Governance

Within this thematic framework, key discussions during 2019 included the following.

- Our work on diversity and inclusion has continued with active employee networks set up representing women at CDC, our Black, Asian and Minority Ethnic staff, LGBTQI+ employees and parents and carers. Each of these employee networks has presented to PremCo, which has been involved and supportive of their work and employee initiatives. Active engagement with these employee networks is part of PremCo's efforts to strengthen the voice of CDC employees and vis-à-vis the governing bodies of the Company. In terms of external engagement, CDC signed up to the HM Treasury Women in Finance Charter in September 2019, and gained a Bronze Award from the ENEI (Employers Network for Equality and Inclusion). In line with the Women in Finance Charter requirements, a target of 34-36 per cent for gender diversity at senior levels at CDC has been set for 2022-23, and 2019 saw progress towards this, ending the year at 29 per cent. PremCo has encouraged the development of an evidence-based approach to analysing progress in diversity and inclusion in addition to qualitative engagement and reports. Management information is reviewed at each meeting, monitoring and guiding more sophisticated analysis of engagement, recruitment and attrition by gender, ethnicity and other dimensions.
- In 2018 support was given to a major project to review and better articulate the values underpinning CDC's culture. This project resulted in the 2019 roll-out by CDC's Executive Committee of an updated set of core values. PremCo has been a proactive champion of these updated values throughout 2019, seeking ways to ensure that the values inform and are reflected in much of PremCo's work:

  a. Impact-led, commercially rigorous
  b. Tenacious in the face of challenges
  c. Collaborative and caring

  Following promulgation of the updated values, a significant exercise was undertaken during 2019 to define behavioural and technical competencies across the organisation in alignment with CDC's values. Establishing explicit behavioural and technical competencies as a reference point for all CDC staff is expected to enable better management by setting forth coherent standards for evaluation of performance, to foster more satisfying career paths, and to enhance more consistent recruitment.
- Managing material growth in headcount has been a particular challenge for the company and the Committee has kept a close eye on the pace of hiring and attrition as well as related issues such as the hiring of staff outside the UK and the growth of CDC's regional office network. In the course of 2019 CDC's operational geographic reach extended to new CDC staff in Bangladesh, Nigeria and Kenya. Overall, we have been pleased to experience low staff attrition during 2019. Understanding management's approach to talent development and career progression has also been a related area of consideration as we review various metrics reflecting the health of the organisation.

**CDC remuneration philosophy**

CDC's overall approach to remuneration is framed within the CDC Remuneration Framework – the overarching governance document for CDC remuneration. PremCo is responsible for agreeing the CDC Remuneration Framework with the shareholder. In addition to the agreed philosophy, the Framework also covers different elements of remuneration for all staff (including the Chief Executive) and how each element works in practice. The document also details the governance and authorisation processes for remuneration within CDC, and the monitoring and review mechanisms available to the shareholder and UK Government Investments (UKGI). The current version of the Framework was finalised in 2017 and is published on the website of CDC.

PremCo focuses on the overall Employee Value Proposition at CDC which goes beyond pay. In order to deliver value to the taxpayer in attracting and developing the talent needed to deliver on its mission, CDC's remuneration, particularly that awarded to investment professionals, is not benchmarked against commercial private equity but benchmarked in a triennial exercise, as set out in the Remuneration Framework, against a group of peer development finance institutions. As a mission-driven investment organisation benchmarking its remuneration outside the private investment industry, new starters frequently accept a reduction in salary upon joining CDC and career staff accept a different financial trajectory while at CDC. Whilst this remuneration differential provides an ongoing challenge in securing talent, CDC succeeds in attracting and retaining high-calibre candidates owing to the purpose and diverse range of work on offer, the personal and professional development opportunities available, other non-financial elements of reward, the values of the organisation and, perhaps most importantly, to the fundamental motivation of contributing to CDC in achieving its mission.

Long-term commitment is critical to CDC's effectiveness in delivering its mission. To align senior management and investment employees with the exceptionally long-term nature of the business, and to compensate them for the fact that they often take a significant discount on what they could earn to come and work at CDC, the company operates a Long-term development performance plan (LTDPP) which encourages staff to remain with CDC. The incentive plan is based on CDC achieving long-term financial and development goals, as well as rewarding longer service, critical to CDC as an organisation providing patient, long-term capital. Payout under the current plan is capped, limiting the maximum potential reward of all employees.

In addition, the Chief Executive's salary and incentive award earned in any year, as disclosed below in the single total figure of remuneration, will remain below a maximum of £305,000.

**Performance against long-term targets**
PremCo oversees the annual calculation of the award made under the LTDPP. In 2019 the overall Development Performance Percentage was 98.1 per cent with the company's long-term financial return and development impact both being ahead of the agreed targets in the Remuneration Framework. These calculations are explained in more detail in the body of this report. As already noted, pay-out of the 2019 award, which normally is paid in Q2, will be deferred until later in 2020.

**Plans for PremCo in 2020**
The PremCo agenda in 2020 will notably include the following items:

- Consistent with the Remuneration Framework, PremCo is responsible for undertaking a remuneration review every three years. With the last review having been concluded in 2017, PremCo will conclude the next triennial review of remuneration in 2020. The triennial review consists of a benchmarking exercise and the opportunity for PremCo to review the scope and terms of the Remuneration Framework and to propose any modifications to ensure that the Framework remains fit for purpose for CDC to deliver its mission.
- Embedding the updated CDC values will continue during 2020, including the introduction of culture metrics reviewed by PremCo regularly. In addition, the behavioural and technical competency framework will be fully built into the CDC recruitment process, strengthening the company's success rate in continuing to hire candidates motivated and able to contribute to CDC's ongoing growth.
- We will increase our focus on employees' wellbeing, challenging ourselves to fulfil the duty of care we have at all levels of the company, from keeping our employees safe, to measuring their engagement, to helping foster an environment of positive mental health in the workplace.
- The Committee will work to ensure that the organisation meets the people-related aspects of the 2018 FRC Guidance on Board Effectiveness, which include monitoring culture.
- The Committee will continue to give significant attention to the diversity and inclusion agenda, including the publication of the 2019 Gender Pay Gap, the development and publication of ethnicity pay gap data, support of management to engage our internal community in the context of racism and structural inequality, continued unconscious bias training commenced in 2019, and the monitoring of progress against targets and on new initiatives to encourage greater diversity at CDC.
- The Committee, together with the full Board, will undertake further efforts to connect with the employees of CDC in order for the Board to gather information and understand the perspectives of CDC staff as part of the decision-making process of the Board. These efforts are aligned with trends of enhanced corporate governance. At CDC, we are in a strong position to build on the engagement efforts with staff across the organisation that have been initiated over the past two years. The outcome of these efforts is likely to take the form of an Employee Forum, the composition of which will be reflective of the diversity of perspectives within CDC and the mandate for which will allow the Board to deepen its proximity to the pulse of the organisation.

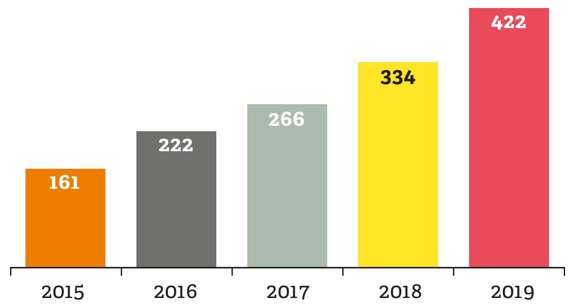
There will be many other workstreams and PremCo will continue to set its agenda using the five core themes presented earlier to ensure that all are appropriately considered at each meeting.

**Conclusion**
2019 was a busy year for PremCo, reflecting substantial growth and strategic execution at CDC in line with its current five-year objectives. PremCo has taken an active part in the full range of people matters, giving support and encouragement to CDC's management, whilst at the same time ensuring that management remains accountable for its decisions. Throughout, PremCo works in a manner which endeavours to reflect the shareholder's interests. A focus on culture, including barriers to be tackled in building an inclusive, anti-racist culture, requires multiple efforts from many as well as an honest assessment of progress made. It also requires engaged interaction with staff across the organisation. PremCo looks forward to continuing to work with management and the shareholder in the year ahead.

In closing, I would like to acknowledge the contributions of all PremCo members, each of whom has provided essential input and support in recognition of the importance of building a mission-aligned CDC culture over the long term. I would also like to acknowledge the decision to reduce NED fees during 2020. Perhaps most importantly, I would like to thank the staff across CDC for their commitment and drive in responding to the economic repercussions of Covid-19 in a manner fully aligned with the mission of CDC and in expressing their voices and views about structural racism and injustice in order to strengthen our internal commitment to do more to achieve equality for all.

**Laurie Spengler**
Chair
12 June 2020

CDC year-end headcount




### CDC workforce growth and distribution

In the last year CDC has maintained a high pace of growth necessitated by our enlarged investment pace, and the need to put our money to work where it can have most impact. Since 2015 CDC has grown by 261 people, including headcount growth of 88 in 2019 alone. We have expanded our geographic footprint, with employees in ten global locations, compared with only three locations five years previously. We have hired coverage professionals in our markets in Bangladesh and Pakistan to build our South Asian coverage, as well as adding a second Indian office in Mumbai. Additionally we have a presence in Ethiopia, Kenya, Nigeria and Zimbabwe to add to our longer-established presence in South Africa.

### Workforce policies and engagement

The organisation has a range of policies designed to strengthen engagement and ensure that employees can effectively balance their professional life and family responsibilities. These policies include enhanced maternity, paternity, shared parental leave and dependant care leave, as well as an informal flexible working policy. In addition, employees with over five years' service are entitled to a month's paid sabbatical.

The organisation makes a big investment in employees' learning and development through an extensive curriculum of customised and high-quality technical, behavioural and managerial skills courses.

### CDC global locations

Key

**Since 31/12/2015**
India, Bangalore
South Africa, Johannesburg
United Kingdom, London
Zimbabwe, Victoria Falls

**Since 31/12/2019**
Bangladesh, Dhaka
Ethiopia, Addis Ababa
India, Mumbai
Kenya, Nairobi
Nigeria, Lagos
Pakistan, Karachi

### Duty of Care

CDC recognises the extent of its duty of care towards employees. It is grounded in our values of collaboration and caring and means taking all reasonable steps to ensure their wellbeing, health and safety. It covers our commitment to ensuring a good work-life balance, safeguarding employees in an atmosphere of psychological safety, free from harassment, and providing active support for their mental and physical health that includes onsite medical and psychological services. In addition, we aim to ensure the safety of employees both in our offices and especially whilst travelling in our markets where security can be compromised.

### Gender pay reporting

The Gender Pay Report is a separately published report and is available for review on CDC's website. The report shows median and average pay gaps of 28 per cent and 29 per cent respectively in favour of men. The report sets out the commitments we are making to close our pay gap and to improve gender diversity at CDC. Diversity is a key focus for PremCo and will continue to form an important part of its standing agenda as we strive to build a more inclusive and dynamic organisation.

Within CDC 56 per cent of the workforce are women, while women occupy 29 per cent of the roles at Director level and above as CDC looks to achieve its gender diversity target of 34-36 per cent at senior levels by 2022-23, in line with the requirements of the Women in Finance Charter.

### Diversity and inclusion

Over the past two years, the company has deepened its efforts to increase the diversity of its employee population at all levels, and to create a more inclusive working environment. Understanding our data – through our gender pay gap reporting, analysis by gender and ethnicity of our promotion data and a planned ethnicity pay gap report to be prepared later this year – has enabled us to pinpoint issues for targeted intervention. Alongside data analysis we have promoted the setting up of employee networks; following consultation and internal discussions during 2019, in 2020 we launched Umoja works, our ethnicity network, joining the women's network – She works, Pride works - our LGBTQI+ network, and Caring works, for parents and carers. Through invited speaker sessions, employee consultation groups and training in unconscious bias and inclusive leadership we aim to surface and address some of the underlying issues. Listening and learning are vital to addressing inequality in all its forms. The CDC Diversity and Inclusion agenda will work to embed equality in our policies and our culture.

In addition to being signatories of HM Treasury's Women in Finance Charter, we are members of Working Families, Carers UK and the Employers' Network for Equality and Inclusion (enei). We are proud to have been awarded a Bronze Award in 2019 by the enei for our action towards creating a more inclusive workplace.

### Values and culture

CDC is guided by a set of recently refreshed values – describing 'us at our best' - which guides standards of behaviour and decision-making across the firm. The values are embedded into our performance assessment and measured in the annual employee engagement survey. The survey is one of a range of metrics – including performance, training, recruitment, attrition and absence data – that forms a 'culture dashboard' by which the Board monitors the organisation's cultural health.

## Remuneration Policy

### Remuneration Policy overview

PremCo is responsible for agreeing the CDC Remuneration Framework with the UK government's Department for International Development. The Remuneration Framework articulates the philosophy underpinning the pay structure at CDC. The current Remuneration Framework is intended to support CDC's achievement of its financial and developmental objectives. The Framework 'should enable the recruitment and retention of individuals of the calibre that will allow CDC to achieve its mission to achieve impressive developmental impact in challenging places through targeted, high-quality investing skills. Without the right calibre of individuals, CDC will not achieve its mission and is likely to deplete its balance sheet through poor investment judgement'. The scope of the Remuneration Framework covers base salary, long-term incentives, in the form of the Long-term Development Performance Plan and other benefits. The ongoing challenge for CDC is to hire the people needed to achieve the organisation's mission whilst requiring them to take a discount, which is often significant, relative to other market opportunities they may have. The goal is that the taxpayer gets real value for money from CDC and that the CDC employees are motivated to contribute to CDC's mission as the UK's development finance institution.

CDC undertakes a benchmarking exercise every three years as set out in the Remuneration Framework. Following the exercise, PremCo reverts to DFID to confirm that the Remuneration Framework remains fit for purpose or, if necessary, propose changes to DFID. As the current Remuneration Framework was finalised in 2017, a benchmarking and review exercise is underway in 2020.

The Remuneration Framework has a specific section which covers the remuneration of the Chief Executive and this is described first before the policies applicable to all other employees. The sections below follow the order of the Remuneration Framework.

### Remuneration Policy for Chief Executive

| Component | Operation and implementation during the year |
|---|---|
| **Support for objectives of CDC** | To be successful CDC needs to attract both world-class senior investment professionals to lead it and a comparable calibre of professionals to provide operational and transactional support.<br>It is recognised that CDC cannot provide competitive market salaries for such people and that commitment to the CDC mission will always be the key motivating factor for the Chief Executive. The Chief Executive reward cap, which was last increased marginally in 2017, reinforces the remuneration philosophy as being mission-driven and continues to ensure that the current incumbent is paid at less than a third of the level of the pre-2012 incumbent. |
| **Total reward** | The Chief Executive will receive a base salary of £287,130 from 1 January 2020 (£283,165 in 2019), with the potential to be reviewed annually by reference to inflation data, in line with base salaries of employees as governed under the base salary policy below.<br>The maximum pay-out to the Chief Executive in any one year, with respect to salary and LTDPP, will remain below £305,000 plus other benefits of up to 18 per cent of base salary. The Chief Executive's remuneration will be part of the benchmarking exercise to be undertaken every three years.<br>The Chief Executive will be eligible to participate in the benefits in kind described in the benefits section below, with the exception that, whilst private medical insurance will be available for overseas travel, the Chief Executive will not have access to UK private medical insurance paid for by CDC. |

### Remuneration Policy for Executive Directors, Executive Committee members and Group employees

| Component | Operation and implementation during the year |
|---|---|
| **Support for objectives of CDC** | CDC base salary levels reflect roles, experience and skills. CDC's annual Personal Development Approach (PDA) performance review process and its promotion and progression process ensure that managers discuss performance and development with every person at CDC and promotion indicators exist for every band of employee. The recent roll-out of technical and behavioural competencies provides consistent and objective criteria for performance assessment and promotion. We aim for our processes to be transparent, clear and simple, reflecting the working environment and culture that we seek to create. |
| **Base salary** | Individual base salaries reflect job responsibilities, the experience and skills of the individual relative to other CDC employees, market rates of the comparator group and the sustained level of individual performance. CDC operates a levelling structure consisting of a series of bands, within which are a number of pegs, each with its own unique salary. The salaries within a band have a range of around 5-20 per cent to allow progression year on year if performance warrants, before being considered for promotion to the next level.<br>Under the terms of the Remuneration Framework, base salary levels are reviewed annually by reference to inflation data. |
| **Support for objectives of CDC** | Encouraging employees to save for retirement is an integral part of the culture of any responsible employer. The CDC scheme forms part of the employee value proposition which attracts people to work for CDC. |
| **Pension** | All UK employees of CDC, including Executive Directors, are offered a non-contributory stakeholder pension arrangement, or a cash equivalent (at no further cost to the company) for those impacted by limits on pension allowances, with employer contributions from 8-15 per cent as follows: |

| Age band | Company contribution rate |
|---|---|
| Under 30 | 8%[1] |
| 30-39 | 9% |
| 40-49 | 12% |
| 50 and above | 15% |
| Managing Directors | 15% |

CDC operates a funded pension scheme providing benefits on a defined benefit basis for employees who entered service prior to 1 April 2000. There are no longer any active members of the scheme.

1 This rate was increased from 6 per cent effective 1 April 2019 in accordance with the UK government's auto-enrolment legislation.

| Component | Operation and implementation during the year |
|---|---|
| **Support for objectives of CDC** | The LTDPP was created to align the interests of CDC senior employees and DFID by incentivising CDC employees to:<br>+ invest for long-term development and financial impact;<br>+ make those investments financially successful, because it is agreed that actual development impact is typically well correlated with financial success; and<br>+ protect the value of CDC's balance sheet. |

**Remuneration Policy for Executive Directors, Executive Committee members and Group employees**

| Component | Operation and implementation during the year |
|---|---|
| **Long-term Development Performance Plan (LTDPP)** | The following employees are eligible for an LTDPP award:<br>+ Managing Directors (which includes all members of the Executive Committee)<br>+ Directors in all teams<br>+ Managers and executives in Investment teams<br>+ Managers in the Responsible Investing, Legal and Strategy teams<br>+ Managers in Operations teams<br>Awards are structured relative to an individual's salary and calculated with reference to tenure and the achievement by CDC of specific development and financial targets. The maximum cash award payable at the end of the first year of employment is 10 per cent of salary. This maximum increases by 10 per cent per annum up to a maximum of 100 per cent of salary after ten years.<br>In any year, the specific payment is calculated by multiplying an individual's maximum award entitlement by CDC's Development Performance Percentage for the year. This latter number is the sum of two elements: CDC's Development Potential Percentage (DPP) and CDC's Development Outcome Percentage (DOP). Please refer to the section on 'Performance of LTDPP' on page 51 for more details.<br>Operations team managers are eligible for a 50 per cent LTDPP which mirrors the main LTDPP award with a revised annual cash award of up to 5 per cent payable at the end of the first year, increasing by 5 per cent per annum up to a maximum of 50 per cent of salary after ten years.<br>The Board confirms the DPP and DOP outcome each year, together with assurances from CDC's external evaluators and auditors, by written letter to DFID. |
| **Support for objectives of CDC** | Providing benefits which are supportive of the lives of our employees (without ever being lavish or unnecessary) is important to ensure that CDC remains an attractive place to work. As an organisation which is not always able to match market rates of salary, it is important that our employee benefits are seen to match market standards, being modern and attractive to encourage a diverse workforce. |
| **Benefits** | Benefits offered to all employees including Executive Directors:<br>+ Life assurance cover, which will pay a lump sum equivalent to either four times base salary in the event of death, plus a dependant pension of 30 per cent of salary, or eight times base salary with no dependant pension.<br>+ Permanent health insurance, which provides cover in the event that employees are unable, through ill health, to continue to work for the Company.<br>+ Private medical insurance, which can include cover for family members. As previously noted the Chief Executive is not eligible to receive medical insurance unless for business travel.<br>+ Annual medical check-ups for all employees that frequently travel overseas on business.<br>+ Sabbaticals lasting up to one month for employees with five years' service and three months for those with ten years' service. |

**Remuneration Policy for Non-executive Directors**

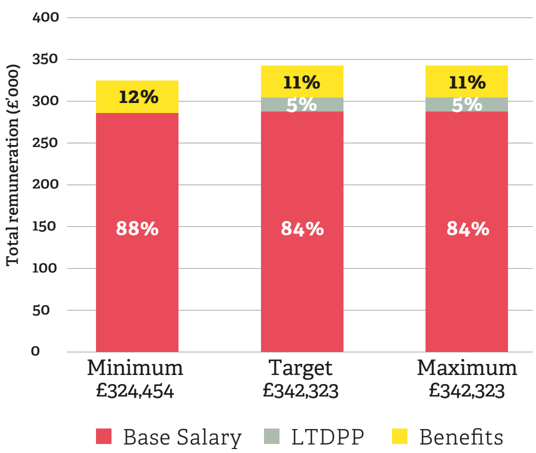
| Component | Operation and implementation during the year |
|---|---|
| **Base fee** | The remuneration of the Non-executive Directors takes the form of fees which have been agreed with DFID.<br>Chairman: £35,000 per annum<br>Non-executive Directors: £22,000 per annum to sit on the Board plus two committees |
| **Committee Chair fees** | Non-executive Directors: £6,000 per annum<br>Non-executive Director remuneration is subject to an overall cap of £28,000 per annum |

## Recruitment policy

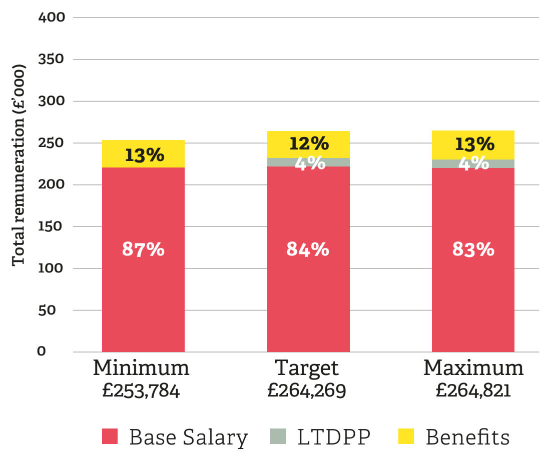
Any new Executive Director, Non-executive Director or Chairman will be engaged on the same terms and conditions as the current incumbents described in this section unless noted otherwise; and provided that such engagement shall be consistent with terms of the Remuneration Framework in effect at the time of such engagement.

The current incumbent Chief Executive has a service agreement which is subject to a compensation cap of £305,000.

### Chief Executive




### Chief Financial Officer[1]




1 The new CFO is scheduled to join CDC on 1 July 2020. The different elements of pay, which form the basis for the numbers above, reflect the full-year equivalent with the exception of the LTDPP amount. As LTDPP award potential as % of base salary is based on tenure, the LTDPP amounts reflect the period for which the CFO will be in office during the year (from 1 July 2020 until the year-end). This approach is considered more appropriate and representative for the scenario chart above.

## Executive Director scenario charts for total remuneration, 2020

The charts above provide an indication of the level of remuneration that would be received by Executive Directors in the 2020 year, assuming they remain in office for a full year, under the current Remuneration Policy in three different scenarios.

The following assumptions were made in preparing these charts:

- Minimum – this includes only the fixed elements of pay, being base salary, benefits and pension.
- Target – this includes the fixed elements and the maximum LTDPP award excluding the CDC Board's discretionary adjustment.
- Maximum – this includes the fixed elements and the maximum LTDPP award.

## Service agreements

The Chief Executive has an employment contract which is terminable on either side by 12 months' notice. The Chief Executive will receive a salary of £287,130 from 1 January 2020 (2019: £283,165) and is entitled to participate in CDC's LTDPP subject to the £305,000 cap mentioned above.

The previous Chief Financial Officer left CDC on 31 December 2019. The new Chief Financial Officer, who is scheduled to join CDC on 1 July 2020, has a statement of written particulars of employment which is terminable on either side by 6 months' notice. The new Chief Financial Officer will receive a salary of £220,730 and is entitled to participate in CDC's LTDPP scheme. During the intervening period, an interim appointment was made to fill the role of acting Chief Financial Officer but not the role of Executive Director.

The Non-executive Directors have letters of appointment including the terms disclosed in the table below. Non-executive Directors will be subject to re-election at an Annual General Meeting in accordance with the provisions for retirement of Directors by rotation contained in CDC's Articles of Association.

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

| | Date of appointment | Notice period (months) |
|---|---|---|
| **Executive Directors** | | |
| Nick O'Donohoe | 19 June 2017[1] | 12 |
| Clive MacTavish (until 1 October 2019)[2] | 13 November 2015[1] | 3 |
| **Non-executive Directors** | | |
| Andrew Alli | 24 September 2018 | 3 |
| Dolika Banda | 24 September 2018 | 3 |
| Wim Borgdorff | 1 September 2014 | 3 |
| Valentine Chitalu (retired 28 February 2019) | 31 March 2010 | 3 |
| Sam Fankhauser | 13 April 2015 | 3 |
| Michele Giddens | 1 December 2014 | 3 |
| Keki Mistry | 1 September 2014 | 3 |
| Laurie Spengler | 28 July 2016 | 3 |
| Graham Wrigley | 4 December 2013 | 3 |

1 Nick O'Donohoe and Clive MacTavish have employment contracts with the Company dated 24 April 2017 and 7 September 2015 respectively.
2 Clive MacTavish stepped down as a Board Director and Chief Financial Officer on 1 October 2019 and remained in employment until 31 December 2019.

**Policy on payment for loss of office**
CDC expects Executive Directors to provide service through their contractual notice periods to ensure that there is a secure handover to a replacement. As an alternative CDC may, at its discretion, pay in lieu of that notice should this be seen as preferable for the Company. That payment would be determined by the notice period and the applicable annual salary and other benefits for the individual. Equally, on cessation of employment, Executive Directors may, at the discretion of PremCo, retain entitlement to a pro-rata annual long-term incentive for their period of service in the financial year prior to their leaving date. CDC expects that any other payments would be kept within the terms of the planned Public Sector Exit Payments (Limitation) Bill currently being taken through the legislative process.

**Shareholder views**
CDC is wholly owned by DFID. As noted elsewhere, CDC's remuneration policies are comprehensively set out in the CDC Remuneration Framework which was originally agreed with DFID in 2012, revised and agreed in 2017 and under review during 2020.

**External appointments**
The Company believes that it can benefit from Executive Directors holding non-executive appointments. It also believes that such appointments provide a valuable opportunity for personal and professional development. Such appointments are subject to the approval of the Board. The Chief Executive is a Non-executive Director on the boards of the Global Steering Group for Impact Investment and Mustard Seed Trust Limited. Clive MacTavish as Chief Financial Officer held no non-executive appointments up to and including 1 October 2019 when he stepped down from the Board.

## Annual Report on remuneration

### Non-executive Director remuneration

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

| | 2019 fee £ | 2018 fee £ |
|---|---|---|
| Graham Wrigley | **35,000** | 35,000 |
| Andrew Alli (from 24 September 2018) | **28,000** | 7,538 |
| Dolika Banda (from 24 September 2018) | **22,000** | 5,923 |
| Wim Borgdorff | **28,000** | 28,000 |
| Valentine Chitalu (retired 28 February 2019) | **4,667** | 28,000 |
| Sam Fankhauser | **28,000** | 28,000 |
| Michele Giddens | **22,000** | 22,000 |
| Keki Mistry | **22,000** | 22,000 |
| Laurie Spengler | **28,000** | 28,000 |

Non-executive Directors do not receive any pension, benefits or long-term incentives.

### 2019 single total figure of remuneration for Executive Directors

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

| | Actual remuneration | | | | |
|---|---|---|---|---|---|
| | Base salary £ | Non-pension benefits £ | LTDPP £ | Pension £ | Total £[1] |
| **Executive Directors** | | | | | |
| Nick O'Donohoe (from 24 April 2017) | | | | | |
| 2019 | 283,165 | – | 21,834 | 37,324[2] | 342,323 |
| 2018 | 276,530 | – | 28,469 | 36,450 | 341,449 |
| Clive MacTavish | | | | | |
| 2019 (to 1 October 2019)[3] | 163,409 | 3,175 | 69,465 | 22,587[4] | 258,636 |
| 2018 | 212,580 | 4,063 | 69,443 | 31,430 | 317,516 |

1 Excluding the LTDPP there are no other variable elements to total actual remuneration.
2 Represents a cash allowance in lieu of contributions to a pension scheme, net of employer National Insurance contributions.
3 Clive MacTavish stepped down as a Board Director and Chief Financial Officer on 1 October 2019 and remained in employment until 31 December 2019 to support with the transition of his duties and responsibilities to an interim CFO. The amounts in the table reflect the period up to and including 1 October 2019.
4 Represents employer contributions to the company pension scheme of £14,415 and a cash allowance of £8,172 in lieu of pension contributions, net of employer NIC.

### Changes to the Board

Clive MacTavish's last day on the Board was 1 October 2019. He remained an employee of CDC Group until 31 December 2019 and was paid his salary for this period, amounting to £54,271. He received a payment under the LTDPP in accordance with the rules of the plan of £23,071, a pension allowance and pension contributions totalling £7,548 and taxable private medical cover of £1,054. In addition under his leaving agreement Clive received a total of £90,700 including his contractual entitlement for payments in lieu of notice. No other payments were made or remain to be paid. All payments complied with the Public Sector Exit Payments (Limitation) Bill currently in passage through Parliament. There were no other payments to past Directors during the year.

**CEO and employee pay ratios**

PremCo is pleased to disclose the ratio of CEO single total figure of remuneration (shown in the preceding Executive Directors' table) in accordance with the Companies (Miscellaneous Reporting) Requirements 2018. The following table sets out the total compensation expressed as a ratio of the CEO's remuneration at each quartile along with the total compensation and salary for the representative employee.

| Year | Statistic | 25th percentile | Median | 75th percentile |
|---|---|---|---|---|
| 2019 | Pay ratio - total compensation (Option A) | 4:1 | 3:1 | 2:1 |
| | Representative employee total compensation | £78,238 | £110,626 | £171,410 |
| | Representative employee salary | £70,795 | £87,708 | £109,269 |

We elected to use the preferred method of Option A, which is based on all UK employees on a full-time equivalent basis, as the UK Government considers this to produce the most statistically accurate results. The ratios are calculated on the equivalent total compensation of the 25th percentile, median and 75th percentile UK employee. Total compensation, which are determined as at 31 December 2019 for those UK employees employed throughout 2019, consist of base salary, allowances, benefits and payments relating to the 2019 Long-term Development Performance Plan.

The 2019 median pay ratio above is consistent with the pay and progression policies for our UK employees as a whole.

**Performance of the Long-term Development Performance Plan (LTDPP)**

Executive Directors are entitled to a payment, as a percentage of their base salary, which is dependent on length of employment and CDC's performance assessed with respect to two key measures linked to our mission.

*Calculation of the maximum amount*

The maximum amount that can be awarded to the Chief Executive is capped so that pay remains below £305,000 in any one year. The maximum for the Chief Financial Officer is based on the length of employment after 1 January 2012 (the same as for all eligible staff) which is as shown in the table below:

| No. of years' employment after 1 January 2012 | 0–1 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10+ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Percentage of base salary | 0–10% | 10% | 20% | 30% | 40% | 50% | 60% | 70% | 80% | 90% | 100% |

The maximum award which Executive Directors who join CDC after 1 October are entitled to, will be determined from 1 January of the following year. The maximum award Directors joining before 1 October are entitled to will be determined from the start of the same year but the amount will be reduced by 0.833 per cent for each full month between 1 January and the date of joining.

The maximum amounts for Directors in 2019 were therefore calculated as:

| | Nick O'Donohoe | Clive MacTavish |
|---|---|---|
| Employment start date | 24 April 2017 | 7 September 2015 |
| Percentage of base salary | 30.00% | 50.00% |
| Adjustment for no. of full months not employed | (2.50%) | (6.67%) |
| Maximum amount | 27.50% | 43.33% |

*Calculation of the 2019 outcomes*

| | Development Potential Percentage (50%) | Development Outcome Percentage (50%) |
|---|---|---|
| **Purpose** | To measure the development impact potential of CDC investments. | To measure the development outcome of CDC investments in terms of financial return. |
| **Metric** | The first 90 per cent is based on the three-year aggregate Development Impact (DI) score calculated by development grid based on:<br>+ the difficulty of making an investment in a particular geography; and<br>+ the investment's propensity to create employment in the applicable industry sector.<br>If the 90 per cent target is met, then the Board will determine the allocation of the remaining 10 per cent of the DPP based upon the performance of the innovative higher-impact, higher-risk investments under qualifying strategies, now referred to as the Catalyst Strategies, as judged by the PremCo and Development Committee. | Cumulative Investment Return since 2012. |
| **Assessment** | See 2017 Remuneration Framework, available on CDC's website, for assessment methodology. | |
| **Outcome** | Aggregate DI score 2017-2019 = 2.92<br>The DI score exceeded 2.5, triggering a decision on the allocation of the remaining 10 per cent of the DPP. The Board allocated 6.20 per cent based on its assessment of CDC's progress in developing and executing against the objectives for the Catalyst Strategies. This resulted in an overall DPP score of 98.1 per cent. | Cumulative Investment Return 2012-2019: 7.30 per cent. |

*2019 summary*

| | | |
|---|---|---|
| Weighting | 50.00% | 50.00% |
| Achievement | 96.20% | 100.00% |
| Outcome | 48.10% | 50.00% |
| **Total** | **98.10%** | |

As such, Executive Director awards were calculated as:

| | Nick O'Donohoe | Clive MacTavish |
|---|---|---|
| Base salary at 31 December 2019 | £283,165 | £163,409 |
| Maximum amount | 27.50% | 43.33% |
| Development Performance Percentage | 98.10% | 98.10% |
| LTDPP award | £76,391 | £69,465 |
| Reduction for Chief Executive capped remuneration | (£54,557) | – |
| Net LTDPP award | £21,834 | £69,465 |

**Employee remuneration**
CDC recognises that it is important to provide full transparency over its remuneration to all its employees. A disclosure on all employees remuneration was previously made separately to the annual accounts but since 2017 it has been incorporated within these remuneration disclosures. The revised table below shows the impact of LTDPP separate to that of base salary. As the organisation is still growing, and as the LTDPP scheme was only established in 2012, CDC expects that should its senior employees remain with the company the count of people in the top bands of the table will increase over the next few years. By comparison, the counts of employees by base salary should remain more balanced proportionately and consistent with the growth of the Company. There are no other forms of remuneration other than those set out in the remuneration report above.

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

| Compensation | No. of employees Base salary | | No. of employees Total compensation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| £400,001–£450,000 | **–** | – | **6** | 2 |
| £350,001–£400,000 | **–** | – | **3** | 5 |
| £300,001–£350,000 | **–** | – | **9** | 7 |
| £250,001–£300,000 | **2** | – | **16** | 17 |
| £200,001–£250,000 | **9** | 11 | **25** | 27 |
| £150,001–£200,000 | **28** | 37 | **37** | 27 |
| £100,001–£150,000 | **73** | 65 | **62** | 53 |
| £50,001–£100,000 | **124** | 87 | **104** | 77 |
| £0–£50,000 | **58** | 35 | **32** | 20 |
| Total | **294** | 235 | **294** | 235 |

**People Development and Remuneration Committee**
CDC's People Development and Remuneration Committee during 2019 comprised Laurie Spengler (Chair), Wim Borgdorff, Keki Mistry, Dolika Banda and Graham Wrigley. Further details can be found on page 34 of the Governance Report.

**Committee Adviser**
The Committee's external adviser PwC attends each meeting to provide independent advice and updates to the Committee on relevant corporate governance and market-related developments. PwC is a signatory to the Remuneration Consultants' Code of Conduct; this gives the Committee additional confidence that the advice received is objective and independent of conflicts of interest. During the year ended 31 December 2019, PwC also provided services to the rest of the Group on tax compliance and assurances on the DI score under the LTDPP.

On behalf of the Board

**Laurie Spengler**
Chair

# Additional strategy and corporate governance information

## Principal activities and investment policy

CDC is a development finance institution, which invests its capital in private sector businesses in developing countries. Its principal activity is risk capital investment. It invests directly in companies through debt and equity instruments. It also invests in companies indirectly through fund investments and other investment vehicles managed by third-party investment fund managers.

## Governance Code

CDC is an unlisted public limited company which is wholly owned by the UK Government. Although CDC does not meet the governance reporting criteria of the Companies (Miscellaneous Reporting) Regulations 2018, as good practice the Board has considered both the UK Corporate Governance Code issued in July 2018 and the Wates Corporate Governance Principles for Large Private Companies issued in December 2018. It was agreed that the UK Corporate Governance Code sets out the most appropriate governance code that should apply to CDC. The principles and provisions of the UK Corporate Governance Code have been reviewed and reported on in this Annual Report, to the extent that the Board believes necessary for a company of CDC's size and nature.

## Strategic Review

The information that fulfils the requirements of the Strategic Review can be found in the Strategic and Directors' Report section on pages 2 to 23. Further information on CDC's investments, development impact and case studies can be found in the Annual Review which is available on CDC's website.

Information regarding future developments and investment strategies can be found in the Chairman's Statement on page 2.

## Regulation

CDC is authorised and regulated by the Financial Conduct Authority under the Financial Services and Markets Act 2000. Where applicable, certain Group subsidiaries' businesses outside the United Kingdom are regulated by local authorities.

## Matters concerning the financial statements

### Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

As set out elsewhere in this report, since 31 December 2019 the Covid-19 pandemic has severely impacted the global economy, including those regions in which CDC operates. Therefore, the Board made enquiries in respect of the effect of Covid-19 on a wide range of issues, such as the effect on CDC's portfolio and funding commitments, its liquidity, strategy and the safety of its staff. Following both these enquiries and those undertaken in the ordinary course of business, it is the Board's view that it remains appropriate to adopt the going concern basis in preparing the Company and Group financial statements. For further information refer to note 24 of the financial statements.

### Dividend recommendation

The Directors do not recommend payment of a dividend for the year (2018: nil).

### Disclosure of information to auditor

So far as each Director is aware at the date of approval of this report, there is no relevant audit information of which the Company's auditor is unaware and each Director confirms that he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Deloitte replaced KPMG as auditor during the year.

## Ownership and shareholder governance

At the beginning of the year, the Secretary of State for International Development held 2,578,000,000 ordinary shares of £1 each and one special rights redeemable preference share of £1 in the capital of the Company.

On 13 March 2019, a further 53,000,000 ordinary shares were issued to the Secretary of State for International Development. As at 31 December 2019, the Secretary of State for International Development held 3,586,000,000 ordinary shares of £1 each (2018: 2,578,000,000 ordinary shares) and one special rights redeemable preference share of £1 each.

CDC is answerable to the shareholder in line with normal corporate governance. The Secretary of State for International Development appoints the Chairman and two of the Non-executive Directors. The Secretary of State also agrees CDC's Investment Policy which sets five-year objectives including instruments, geographies, excluded activities, reporting obligations and performance targets linked to financial returns and development impact. It also sets the Code of Responsible Investing which sets environmental, social and governance standards, including those relating to business integrity. DFID, as sole shareholder, exercises oversight and monitors CDC's performance through the Board, through open communication and through a combination of formal reporting, and frequent formal and informal interactions with CDC management and staff. DFID meets quarterly with CDC's Chairman, Chief Executive, Chief Financial Officer and Chief Operating Officer; and annually with the Chairman, the Chief Executive, the CDC Board and the Chairs of each committee of the Board.

### Directors' conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company has processes to disclose and identify potential and actual conflicts of interest. Such conflicts are then considered for approval by the Board, subject, if necessary, to appropriate conditions.

### Employees

CDC's policy on employment is one of equal opportunity in the recruitment, training, career development and promotion of employees. Formal employee appraisals and informal discussions are CDC's principal means of updating itself on the views and opinions of its employees. In addition, CDC's managers are responsible for keeping their employees up to date with developments and performance of the business, which is achieved by way of regularly scheduled meetings.

Further information on the Company's approach to being a responsible employer can be found in the Strategic and Directors' Report section of this document.

### Employment of disabled persons

It is important that CDC provides a working environment in which people can perform at their best and harmoniously with their colleagues. Discrimination or harassment at work because of a protected characteristic (age, disability, gender re-assignment, marriage or civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation) is unlawful, and will be treated as a serious disciplinary matter. The Company will deal with all persons with the same attention, courtesy and consideration regardless of any protected characteristic save that it recognises its duty to make reasonable adjustments for disabled persons.

### Website

The maintenance and integrity of CDC's website is the responsibility of the Directors. The work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board.

**Jane Earl FCIS**
Company Secretary
CDC Group plc
On behalf of the Board of Directors
12 June 2020
Registered in England No. 3877777

## Statement of Directors' responsibilities

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent company and of the profit or loss of the Group and Parent company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

+ properly select and apply accounting policies;
+ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
+ provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
+ make an assessment of the Group and Parent company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group and Parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Financial statements

# Independent Auditor's Report to the members of CDC Group plc

## Report on the audit of the financial statements

### 1. Opinion

In our opinion:

+ the financial statements of CDC Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
+ the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
+ the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
+ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

+ the Consolidated and Company Statement of Comprehensive Income;
+ the Consolidated and Company Statement of Financial Position;
+ the Consolidated and Company Statements of Changes in Equity;
+ the Consolidated and Company Cash Flow Statement; and
+ the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Summary of our audit approach

| | |
|---|---|
| **Key audit matters** | The key audit matters that we identified in the current year were:<br>+ valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs; and<br>+ fair value of debt investments. |
| **Materiality** | The materiality that we used for the group financial statements was £127m which was determined on the basis of 2 per cent of net assets. |
| **Scoping** | Our group audit scope included the audit of the parent, which accounts for more than 99 per cent of the net assets of the group. We performed analytical procedures on the remaining components. |

**4. Conclusions relating to going concern**
We are required by ISAs (UK) to report in respect of the following matters where:

+ the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
+ the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**5. Key audit matters**
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*5.1 Valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs*

| | |
|---|---|
| **Key audit matter description** | At 31 December 2019, the Group held investments totalling £3,936.4 million (2018: £3,734.0 million) in unquoted companies which are classified at fair value through profit and loss.<br>We identified a key audit matter relating to unquoted direct equity investments which are valued using the discounted cash flow method. The investments are required to be compliant with IFRS 13 Fair Value Measurement and IFRS 9 Financial Instruments. The complex nature of the methodologies employed, combined with the number of significant judgements, means there is a risk that the fair value of the investments could be misstated and there is a related risk of fraud. The key assumptions and judgements relating to these investments have been summarised as:<br>+ discount rates – the determination of the appropriate discount rate for each investment that is reflective of current market conditions and the specific risks of the investment;<br>+ macroeconomic assumptions – these include inflation and growth rates; and<br>+ forecasted future cash flows – specific investments use certain assumptions in the cash flow forecasts that are particularly complex and judgemental (i.e. timing of receipt of arrears).<br>The sensitivity analysis of key inputs on the group's valuation methodologies are described in note 3 to the Annual Accounts. |

| | |
|---|---|
| **How the scope of our audit responded to the key audit matter** | We performed the following procedure on a selection of samples:<br>**Pervasive procedures:**<br>+ Obtained an understanding of the relevant controls around valuation of equity investment and relied on them.<br>+ Considered the appropriateness of the valuation methodology selected.<br>+ Tested the accuracy and completeness of the factual inputs into the financial model by agreeing to underlying agreements.<br>+ Performed sensitivity analysis on key valuations and compared our own expectation to management's sensitivity analysis to understand the susceptibility of the valuations to changes in key assumptions.<br>+ Tested the macroeconomic assumptions included in the forecasts with reference to observable market data and external forecasts where possible.<br>+ Reviewed the forecasted cash flows for the investments selected and sought to agree to third-party support.<br>+ Reviewed the historical accuracy of the cash flow forecasts against actual results in order to assess the reliability of the forecasts.<br>+ Reviewed the adequacy of the valuation disclosures to assess whether they are compliant with IFRS 13 Fair Value Measurement and IFRS 9 Financial Instrument.<br>+ Assessed the disclosures around the potential valuation impact of the post year-end Covid-19 outbreak, as a non-adjusting event.<br>**Procedures designed for specific investments:**<br>+ Employed audit analytics on the valuation models to assess material investments for integrity (i.e. Globeleq).<br>+ Involved our valuation specialists in assessing appropriateness of key management assumptions.<br>+ Developed and compared own expectations of discount rates and management's discount rates and assessed the reasonableness of any differences. |
| **Key observations** | We consider the judgements and assumptions utilised in determining the fair value of the Group's investments, when considered in aggregate, to be within a reasonable range. |

*5.2 Fair value of debt investments*

| | |
|---|---|
| **Key audit matter description** | For the year ended 31 December 2019, investment in debt was £759.0 million (2018: £639.9m). The fair values are based on a discounted cash flows method. The complex nature of this methodology, combined with the number of significant judgements involved with determining the discount rate means there is a risk that the fair value of the investments could be misstated and there is an inherent risk of fraud associated with significant judgements.<br>The significant accounting policies with respect to the group's application of IFRS 9 Financial Instruments and valuation methodologies are described in note 25 to the Annual Accounts.<br>The sensitivity analysis of key inputs on the group's valuation methodologies are described in note 4 to the Annual Accounts. |

| | |
|---|---|
| **How the scope of our audit responded to the key audit matter** | We performed the following procedures on a selection of samples:<br>+ Obtained an understanding of the relevant controls around valuation of debt instruments but did not rely on them.<br>+ Considered the appropriateness of the valuation methodology selected.<br>+ Performed and challenged management's sensitivity analysis on the key valuations to understand the susceptibility of the valuations to changes in key assumptions.<br>+ Tested the accuracy and completeness of factual inputs into the financial model by agreeing to underlying contracts.<br>+ Tested cash collections that support default assumptions.<br>+ Involved our valuation specialists in assessing the reasonableness of the discount rates. We challenged the reasonableness of the rates based on macroeconomic factors, country specific factors and business specific factors by looking at comparable data where possible.<br>+ Reviewed the adequacy of the valuation disclosures to assess whether they are compliant with IFRS 13 Fair Value Measurement and IFRS 9 Financial Instruments.<br>+ Assessed the disclosures around the potential valuation impact of the post year end Covid-19 outbreak, as a non-adjusting event. |
| **Key observations** | We consider the judgements and assumptions utilised in determining the fair value of the Group's debt investments, when considered in aggregate, to be within a reasonable range. |

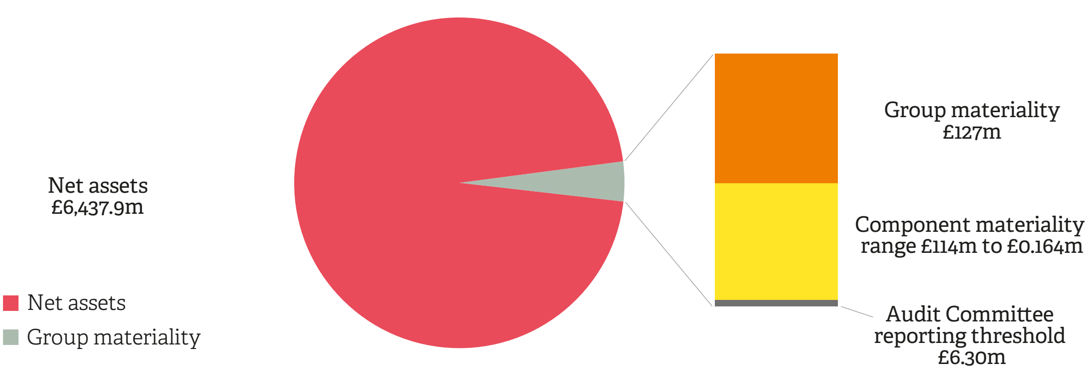
## 6. Our application of materiality

*6.1 Materiality*

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Materiality** | £127m | £114m |
| **Basis for determining materiality** | 2 per cent of net assets | 2 per cent of net assets<br>Parent company materiality equates to 1.8 per cent of net assets, which is capped at 90 per cent of group materiality. |
| **Rationale for the benchmark applied** | The Group's primary activity is making investments to support local development. This benchmark is industry practice for an asset-based organisation. | The company's primary activity is making investments to support local development. This benchmark is industry practice for an asset-based organisation. |




*6.2 Performance materiality*

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

Group performance materiality was set at 70 per cent of Group materiality for the 2019 audit. In determining performance materiality, we considered the following factors:

a. Our assessment of the control environment and the fact that we were able to rely on controls for our testing of equity investments,
b. The fact that this was the first year we have acted as auditor, and
c. The nature and level of misstatements identified during the previous year's audit.

*6.3 Error reporting threshold*
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £6.3 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

**7. An overview of the scope of our audit**
*Identification and scoping of components*
Our audit was scoped by obtaining an understanding of Group and its environment, including Group-wide controls, and assessing the risk of material misstatement at the Group level. The most significant component of the Group is the parent. Our Group audit scope included the full scope audit of parent which accounted for more than 99 per cent of net assets of the Group. At the Group level we also tested the consolidation process and performed analytical procedures on the remaining components to component materialities which ranged from £114 million to £0.164million.

**8. Other information**
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**9. Responsibilities of Directors**
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

**10. Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## Report on other legal and regulatory requirements

### 11. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

### 12. Matters on which we are required to report by exception

*12.1. Adequacy of explanations received and accounting records*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

*12.2. Directors' remuneration*

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

### 13. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Allee Bonnard

**Allee Bonnard**
Senior Statutory Auditor
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

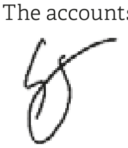
12 June 2020

# Consolidated Statement of Financial Position
## As at 31 December

| Assets | Notes | 2019 £m | 2018 Restated* £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | 12 | **19.7** | 3.7 |
| Intangible asset | 13 | **0.4** | 0.4 |
| Equity investments at FVTPL | 3 | **3,936.4** | 3,743.0 |
| Loan investments at FVTPL | 4 | **680.9** | 590.0 |
| Other receivables | | **0.2** | 0.1 |
| Deferred tax asset | | **0.1** | 0.1 |
| | | **4,637.7** | 4,337.3 |
| **Current assets** | | | |
| Trade and other receivables | 14 | **133.0** | 88.2 |
| Tax recoverable | | **0.1** | 0.1 |
| Note receivable | 22 | **1,341.0** | 1,078.0 |
| Forward foreign exchange contracts | 7 | **29.1** | 14.7 |
| Cash and cash equivalents | 5 | **349.2** | 349.8 |
| | | **1,852.4** | 1,530.8 |
| **Total assets** | | **6,490.1** | 5,868.1 |
| | | | |
| **Equity and liabilities** | | | |
| **Attributable to the equity holders of the Company** | | | |
| Issued capital | 6 | **3,586.0** | 2,578.0 |
| Foreign currency translation reserves | | **(0.2)** | – |
| Retained earnings | | **2,852.1** | 3,223.5 |
| **Total equity** | | **6,437.9** | 5,801.5 |
| **Non-current liabilities** | | | |
| Net pension liability | 16 | **–** | – |
| Long-term lease liability | 20 | **14.0** | – |
| | | **14.0** | – |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **35.5** | 39.3 |
| Forward foreign exchange contracts | 7 | **0.1** | 27.3 |
| Short-term lease liability | 20 | **2.6** | – |
| | | **38.2** | 66.6 |
| **Total liabilities** | | **52.2** | 66.6 |
| **Total equity and liabilities** | | **6,490.1** | 5,868.1 |

* Comparative figures have been regrouped in accordance with current year classification.

Notes 1 to 26 form part of the financial statements.
The accounts were approved by the members of the Board on 12 June 2020 and were signed on their behalf by:



**Graham Wrigley**
Chairman

**Nick O'Donohoe**
Chief Executive

# Consolidated Statement of Comprehensive Income
## For the 12 months to 31 December

| | Notes | 2019 Total £m | 2018 Restated* Total £m |
|---|---|---|---|
| Investment income | 8 | **90.9** | 69.4 |
| | | | |
| Fair value (losses)/gains on equity instruments | 3 | **(376.4)** | 52.9 |
| Fair value gains/(losses) on debt instruments | 4 | **15.5** | (22.9) |
| Other income | 8 | **13.3** | 11.9 |
| Net foreign exchange differences (FFECs and loan investments) | 10 | **(12.1)** | (47.2) |
| Administrative and other expenses | 9 | **(98.5)** | (79.3) |
| **(Loss)/profit from operations before tax and finance costs** | | **(367.3)** | 15.2 |
| Finance costs | | **(0.5)** | (1.4) |
| Finance income | | **5.5** | 6.4 |
| Net foreign exchange differences (cash and cash equivalents) | 10 | **(7.5)** | 17.2 |
| **(Loss)/profit from operations before tax** | | **(369.8)** | 7.0 |
| Income tax expense | 11 | **(1.1)** | (0.6) |
| **(Loss)/profit for the year** | | **(370.9)** | 6.4 |
| *Items that will not be reclassified to profit and loss:* | | | |
| Recognised actuarial loss on pensions | 16 | **(0.5)** | (0.4) |
| *Items that will be reclassified to profit and loss (net of tax):* | | | |
| Foreign currency translation reserves | | **(0.2)** | – |
| | | | |
| **Other comprehensive income** | | **(0.7)** | (0.4) |
| Total comprehensive (loss)/profit for the year | | **(371.6)** | 6.0 |

* Comparative figures have been regrouped in accordance with current year classification.

Notes 1 to 26 form part of the financial statements.

# Consolidated Statement of Cash Flows
## For the 12 months to 31 December

| | Notes | 2019 £m | 2018 Restated* £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/profit from operations before tax | | **(369.8)** | 7.0 |
| Depreciation of plant and equipment | 12 | **3.8** | 0.9 |
| Amortisation of intangible asset | 13 | **0.1** | 0.2 |
| Loss on disposal of plant and equipment | | **–** | 0.1 |
| Finance income | | **(5.5)** | (6.4) |
| Finance costs | | **0.5** | 1.4 |
| Dividend income | | **(16.4)** | (14.8) |
| Change in fair value of loan investments | 4 | **(15.5)** | 22.9 |
| Defined benefit pension costs | 9 | **0.5** | 0.3 |
| Change in value of equity investments | 3 | **376.4** | (52.9) |
| Effect of exchange rate fluctuations | | **38.8** | (49.1) |
| **Cash flows from operations before changes in working capital** | | **12.9** | (90.4) |
| (Increase)/decrease in trade and other receivables | | **(17.3)** | 2.0 |
| (Increase)/decrease in derivative financial instruments | | **(41.6)** | 27.1 |
| (Decrease)/increase in trade and other payables | | **(3.8)** | 11.1 |
| **Cash flows from operations** | | **(49.8)** | (50.2) |
| Defined benefit pension contributions paid | 16 | **–** | (0.8) |
| Finance costs | | **(0.5)** | (1.4) |
| Taxes paid | | **(1.1)** | (0.7) |
| **Cash flows from operating activities** | | **(51.4)** | (53.1) |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of equity investments | 3 | **251.8** | 340.0 |
| Acquisition of equity investments | 3 | **(815.0)** | (459.8) |
| Acquisition of plant and equipment | 12 | **(0.5)** | (0.5) |
| Acquisition of intangible asset | 13 | **(0.1)** | (0.6) |
| Finance income | | **5.5** | 6.2 |
| Dividend income | | **16.4** | 14.8 |
| Loan advances | 4 | **(219.2)** | (327.4) |
| Loan repayments | 4 | **77.5** | 50.2 |
| **Cash flows from investing activities** | | **(683.6)** | (377.1) |
| **Cash flows from financing activities** | | | |
| Proceeds from promissory notes | | **745.0** | 360.0 |
| Lease payments | 20 | **(3.1)** | – |
| **Cash flows from financing activities** | | **741.9** | 360.0 |
| Net increase/(decrease) in cash and cash equivalents | | **6.9** | (70.2) |
| Unrealised (losses)/gains from foreign cash | | **(7.5)** | 17.2 |
| Cash and cash equivalents at 1 January | | **349.8** | 402.8 |
| **Cash and cash equivalents at 31 December** | 5 | **349.2** | 349.8 |

* Comparative figures have been regrouped in accordance with current year classification.

Notes 1 to 26 form part of the financial statements.

# Consolidated Statement of Changes in Equity*

| | Notes | Share capital £m | Recognised actuarial loss on pensions £m | Foreign currency translation reserves £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|
| At 1 January 2018 | | 1,836.0 | (0.5) | – | 3,218.0 | 5,053.5 |
| Profit for the year | | – | – | – | 6.4 | 6.4 |
| Other comprehensive income for the year | | – | (0.4) | – | – | (0.4) |
| Total comprehensive income for the year | | – | (0.4) | – | 6.4 | 6.0 |
| Issue of ordinary shares | 6 | 742.0 | – | – | – | 742.0 |
| **At 31 December 2018** | | 2,578.0 | (0.9) | – | 3,224.4 | 5,801.5 |
| **Changes in equity for 2019** | | | | | | |
| Loss for the year | | **–** | **–** | **–** | **(370.9)** | **(370.9)** |
| Other comprehensive income for the year | | **–** | **(0.5)** | **(0.2)** | **–** | **(0.7)** |
| **Total comprehensive loss for the year** | | **–** | **(0.5)** | **(0.2)** | **(370.9)** | **(371.6)** |
| Issue of ordinary shares | 6 | **1,008.0** | **–** | **–** | **–** | **1,008.0** |
| **At 31 December 2019** | | **3,586.0** | **(1.4)** | **(0.2)** | **2,853.5** | **6,437.9** |

* Comparative figures have been regrouped in accordance with current year classification.

# Company Statement of Changes in Equity*

| | Notes | Share capital £m | Recognised actuarial loss on pensions £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|
| At 1 January 2018 | | 1,836.0 | (0.5) | 3,218.0 | 5,053.5 |
| Profit for the year | | – | – | 6.4 | 6.4 |
| Other comprehensive income for the year | | – | (0.4) | – | (0.4) |
| Total comprehensive profit for the year | | – | (0.4) | 6.4 | 6.0 |
| Issue of ordinary shares | | 742.0 | – | – | 742.0 |
| **At 31 December 2018** | | 2,578.0 | (0.9) | 3,224.4 | 5,801.5 |
| **Changes in equity for 2019** | | | | | |
| Loss for the year | | **–** | **–** | **(371.1)** | **(371.1)** |
| Other comprehensive income for the year | | **–** | **(0.5)** | **–** | **(0.5)** |
| **Total comprehensive loss for the year** | | **–** | **(0.5)** | **(371.1)** | **(371.6)** |
| Issue of ordinary shares | 6 | **1,008.0** | **–** | **–** | **1,008.0** |
| **At 31 December 2019** | | **3,586.0** | **(1.4)** | **2,853.3** | **6,437.9** |

* Comparative figures have been regrouped in accordance with current year classification.

# Company Statement of Financial Position
## As at 31 December

| Assets | Notes | 2019 £m | 2018 Restated* £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | 12 | **18.3** | 3.5 |
| Intangible asset | 13 | **0.3** | 0.4 |
| Equity investments at FVTPL | 3 | **3,939.7** | 3,745.3 |
| Loan investments at FVTPL | 4 | **680.9** | 590.0 |
| | | **4,639.2** | 4,339.2 |
| **Current assets** | | | |
| Trade and other receivables | 14 | **132.4** | 88.5 |
| Tax recoverable | | **–** | – |
| Note receivable | 22 | **1,341.0** | 1,078.0 |
| Forward foreign exchange contracts | 7 | **29.1** | 14.7 |
| Cash and cash equivalents | 5 | **346.5** | 347.2 |
| | | **1,849.0** | 1,528.4 |
| **Total assets** | | **6,488.2** | 5,867.6 |
| | | | |
| **Equity and liabilities** | | | |
| Issued capital | 6 | **3,586.0** | 2,578.0 |
| Retained earnings | | **2,851.9** | 3,223.5 |
| **Total equity** | | **6,437.9** | 5,801.5 |
| **Non-current liabilities** | | | |
| Net pension liability | 16 | **–** | – |
| Long-term lease liability | 20 | **13.6** | – |
| | | **13.6** | – |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **34.3** | 38.8 |
| Forward foreign exchange contracts | 7 | **0.1** | 27.3 |
| Short-term lease liability | 20 | **2.3** | – |
| | | **36.7** | 66.1 |
| **Total liabilities** | | **50.3** | 66.1 |
| **Total equity and liabilities** | | **6,488.2** | 5,867.6 |

* Comparative figures have been regrouped in accordance with current year classification.

Notes 1 to 26 form part of the financial statements.
The accounts were approved by the members of the Board on 12 June 2020 and were signed on their behalf by:

**Graham Wrigley**
Chairman

**Nick O'Donohoe**
Chief Executive

# Company Statement of Comprehensive Income
## For the 12 months to 31 December

| | Notes | 2019 Total £m | 2018 Restated* Total £m |
|---|---|---|---|
| Investment income | 8 | **90.9** | 69.4 |
| Fair value (losses)/gains on equity instruments | 3 | **(375.4)** | 53.2 |
| Fair value gains/(losses) on debt instruments | 4 | **15.5** | (22.9) |
| Other income | 8 | **12.9** | 11.8 |
| Net foreign exchange differences (FFECs and loan investments) | 10 | **(12.1)** | (47.2) |
| Administrative and other expenses | 9 | **(99.7)** | (79.8) |
| **(Loss)/profit from operations before tax and finance costs** | | **(367.9)** | (15.5) |
| Finance costs | | **(0.5)** | (1.4) |
| Finance income | | **5.5** | 6.4 |
| Net foreign exchange differences (cash and cash equivalents) | 10 | **(7.4)** | 17.3 |
| **(Loss)/profit from operations before tax** | | **(370.3)** | 6.8 |
| Income tax expense | 11 | **(0.8)** | (0.4) |
| **(Loss)/profit for the year** | | **(371.1)** | 6.4 |
| *Items that will not be reclassified to profit and loss:* | | | |
| **Other comprehensive income** | | | |
| Recognised actuarial loss on pensions | 16 | **(0.5)** | (0.4) |
| **Total comprehensive (loss)/profit for the year** | | **(371.6)** | 6.0 |

* Comparative figures have been regrouped in accordance with current year classification.

Notes 1 to 26 form part of the financial statements.

# Company Statement of Cash Flows
## For the 12 months to 31 December

| | Notes | 2019 £m | 2018 Restated* £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/profit from operations before tax | | **(370.3)** | 6.8 |
| Depreciation of plant and equipment | 12 | **3.5** | 0.8 |
| Amortisation of intangible asset | 13 | **0.1** | 0.2 |
| Loss on disposal of plant and equipment | | **–** | 0.1 |
| Finance income | | **(5.5)** | (6.4) |
| Dividend income | | **(16.4)** | (14.8) |
| Finance costs | | **0.5** | 1.4 |
| Change in fair value of loan investments | 4 | **(15.5)** | 22.9 |
| Defined benefit pension costs | 9 | **0.5** | 0.3 |
| Change in value of equity investments | 3 | **375.4** | (53.2) |
| Effect of exchange rate fluctuations | | **38.6** | (48.7) |
| **Cash flows from operations before changes in working capital** | | **10.9** | (90.6) |
| (Increase)/decrease in trade and other receivables | | **(15.8)** | 0.8 |
| (Increase)/decrease in derivative financial instruments | | **(41.6)** | 27.1 |
| (Decrease)/increase in trade and other payables | | **(4.5)** | 10.8 |
| **Cash flows from operations** | | **(51.0)** | (51.9) |
| Defined benefit pension contributions paid | 16 | **–** | (0.8) |
| Finance cost | | **(0.5)** | (1.4) |
| Taxes paid | | **(0.8)** | (0.4) |
| **Cash flows from operating activities** | | **(52.3)** | (54.5) |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of equity investments | 3 | **251.8** | 340.0 |
| Acquisition of equity investments | 3 | **(815.0)** | (459.8) |
| Acquisition of plant and equipment | 12 | **–** | (0.2) |
| Acquisition of intangible asset | 13 | **(0.1)** | (0.6) |
| Finance income | | **5.5** | 6.2 |
| Dividend income | | **16.4** | 14.8 |
| Loan advances | 4 | **(219.2)** | (327.4) |
| Loan repayments | 4 | **77.5** | 50.2 |
| **Cash flows from investing activities** | | **(683.1)** | (376.8) |
| **Cash flows from financing activities** | | | |
| Lease payments | 20 | **(2.8)** | – |
| Proceeds from promissory notes | | **745.0** | 360.0 |
| **Cash flows from financing activities** | | **742.2** | 360.0 |
| **Net increase/(decrease) in cash and cash equivalents** | | **6.8** | (71.3) |
| **Unrealised (losses)/gains from foreign cash** | | **(7.5)** | 17.2 |
| **Cash and cash equivalents at 1 January** | | **347.2** | 401.3 |
| **Cash and cash equivalents at 31 December** | 5 | **346.5** | 347.2 |

* Comparative figures have been regrouped in accordance with current year classification.

Notes 1 to 26 form part of the financial statements.

# Notes to the accounts

## 1. Corporate information and accounts preparation

### Corporate information

The financial statements of CDC Group plc (CDC or the 'Company') for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 12 June 2020. CDC is a limited company incorporated in England and Wales whose shares are not publicly traded. The Group's primary activity is investing in emerging markets. Both the Company and some of the Group's subsidiaries make investments.

### Statement of compliance

The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and as adopted by the European Union.

### Basis of preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and other financial instruments that have been presented and measured at fair value in accordance with relevant accounting standards. The financial statements are presented on a going concern basis and in Pounds Sterling, which is the Company's functional currency. All values are rounded to the nearest one hundred thousand pounds except where otherwise indicated.

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised. The area on which the most significant estimates and judgements are made is on the fair value of equity and debts investments. The Group's fair value methodologies for equity investments are disclosed in note 25.

### Going concern

The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

Following the year-end the Board has reviewed and evaluated the impact of Covid-19 to ensure that no going concern issues have arisen. Refer to note 24 on page 98 for further information.

*Critical accounting judgements*

The preparation of financial statements in accordance with IFRS requires management to exercise judgement in applying relevant accounting policies.

The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include meeting the definition of an investment entity, fair value of financial instruments under IFRS 9, pensions and post-retirement benefits, and provisions including conduct and legal, competition and regulatory matters.

Another key judgement is the assessment required to determine the degree of control or influence CDC exercises and the form of any control to ensure that the financial treatment of investment entities is accurate.

There is a risk that if the judgement exercised, or the estimates or assumptions used, subsequently turn out to be incorrect, this could result in material losses to the Group, beyond what was anticipated or provided for.

Further development of standards and interpretations under IFRS could also materially impact the financial results, condition and prospects of CDC.

*Critical accounting estimates*

The preparation of financial statements in accordance with IFRS requires the use of estimates. The key accounting estimates are the carrying value of our investment assets, which are stated at fair value.

Given the importance of the valuation of investments, CDC has a separate Valuations Steering Committee to discuss and review the valuation of its portfolio. However, asset valuations for unquoted investments are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate such as trading multiples, discount rates and assumptions in expected cashflows.

For more information refer to note 3 and note 4.

The primary direct risk of the UK's anticipated exit from the EU is not expected to be material to the Group given CDC's investment activities are primarily carried out outside of the EU.

The estimated impact of Covid-19 to CDC's portfolio is discussed in more detail in note 24.

In the process of applying the accounting policies, CDC has made the following judgement which has a significant effect on the amounts recognised in the financial statements:

*Assessment as investment entity*
Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are as follows:

+ An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services.
+ An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
+ An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

CDC's purpose is to invest for capital appreciation and investment income so as to contribute to sustainable development and economic growth in Africa and South Asia by creating lasting employment.

CDC has one investor, DFID. Its funds are provided by DFID in the form of share capital with the intention that CDC provides investment management services by using those funds to invest in developing countries through a mixture of direct investment and fund of funds private equity structures.

CDC's mission is to invest to support the growth of all sizes of private sector business from the micro level right up to the largest because it believes that a balanced private sector is necessary for economic development and robust job creation. In addition to creating jobs, CDC intends to demonstrate that it is possible to invest successfully in challenging environments, thereby attracting other sources of capital including, in time, fully commercial capital. Whilst CDC's mission statement does not explicitly state that CDC commits to investing for capital return and/or investment income, the nature of the investments made by CDC and its track record in recent years indicate that investments are being made on this basis. The core remit of all investments is that capital appreciation and investment income will be earned, alongside a sustainable return in the countries within which they are investing. Moreover, CDC currently invests in a range of large and mid-market private equity houses which are clearly focused on such capital appreciation. These houses have a diverse range of investors including high net worth individuals, financial institutions and other fund of fund investors, each of whom is investing for capital appreciation and investment income.

CDC also seeks to demonstrate that it is possible to have invested successfully in challenging environments, thereby attracting other sources of capital. CDC therefore plans a path to investment exit and a new ownership that will take the investment to its next level, as successful exits from investments have this demonstration effect.

CDC manages, measures and reports its investment portfolio of over 200 investments at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018). Whilst CDC has one investor, the nature of the investor, being the UK Government, is such that it is in effect investing on behalf of the UK taxpayer and therefore a link to multiple unrelated investors can be made.

On the basis of the above, CDC has concluded that it meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

## 1. Corporate information and accounts preparation (continued)

**Consolidation**

*Subsidiaries*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries which provide services and are not themselves investment entities (non-investment subsidiaries), for the year ended 31 December 2019. The financial statements of subsidiaries are prepared for the same reporting year as the Company. Consistent accounting policies are applied, with adjustments being made to bring into line any dissimilar accounting policies.

Subsidiaries are all entities over which the Company has control. Control is defined as the rights to direct relevant activities of an entity so as to obtain benefits from its activities. This generally results from a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether the Company controls another entity.

Non-investment subsidiaries are fully consolidated from the date on which control passes to the Company and consolidation ceases from the date that control ends. All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, are eliminated in full on consolidation.

All investment entity subsidiaries are accounted for at fair value through profit and loss.

*Associates*

Associates are entities which the Group has significant influence over, but does not control, generally accompanied by a shareholding of between 20 per cent and 50 per cent of the voting rights.

No associates are presented in the consolidated statement of financial position as the Group elects to hold such investments as fair value financial assets. This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by entities that are akin to venture capital organisations to be excluded from its measurement methodology where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9 Financial Instruments. Changes in fair value are recognised in the statement of comprehensive income for the period.

*Foreign currency translation*

Items included in the financial statements of each of the Group's non-investment subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Pounds Sterling.

Foreign currency transactions are translated into the functional currency of the underlying reporting entity using the exchange rate prevailing at the date of the transaction. Assets and liabilities are retranslated at spot rates at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of assets and liabilities denominated in foreign currencies at the year-end exchange rate are recognised in the statement of comprehensive income.

The results and financial position of all non-investment subsidiaries that have a functional currency different from the reporting currency of the Group are translated into the presentation currency as follows:

+ Assets and liabilities: Closing rate at the date of the statement of financial position.
+ Income and expenses: Average rate.
+ Cash flows: Average rate.

Resulting exchange differences on translation of subsidiary financial statements are taken to a currency translation reserve as a separate component of equity. Upon disposal of subsidiaries, the related exchange gains and losses are taken to the statement of comprehensive income.

A summary of other significant accounting policies can be found in note 25.

## 2. Operating segments analysis

Operating segments are the components of the entity whose results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. CDC's operating segments are internally reported to the Group's Chief Executive, who is the chief operating decision maker, and reviewed at least quarterly.

For management purposes, CDC is organised into business units based on its investment instrument types and has four reportable segments: direct debt; direct equity; funds; and forward foreign exchange contracts. No operating segments have been aggregated to form the reportable operating segments.

Information related to each reportable segment is set out below. Segment portfolio return is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments.

| | Debt 2019 £m | Equity 2019 £m | Funds 2019 £m | Forward foreign exchange contracts 2019 £m | Total 2019 £m |
|---|---|---|---|---|---|
| Segment portfolio return | **73.0** | **(192.4)** | **(159.3)** | **10.1** | **(268.6)** |
| Total segment operating profit/(loss) | **73.0** | **(192.4)** | **(159.3)** | **10.1** | **(268.6)** |
| Segment assets – Portfolio value | **895.9** | **1,931.3** | **1,875.0** | **34.3** | **4,736.5** |

| | 2018 £m | 2018 £m | 2018 £m | 2018 £m | 2018 £m |
|---|---|---|---|---|---|
| Segment portfolio return | 47.8 | 50.0 | 37.8 | (65.3) | 70.3 |
| Total segment operating profit/(loss) | 47.8 | 50.0 | 37.8 | (65.3) | 70.3 |
| Segment assets – Portfolio value | 751.3 | 1,621.5 | 1,984.0 | (17.0) | 4,339.8 |

During the year there were no transactions between operating segments.

**Reconciliation to Financial Performance Report**

Within the management reports, the results of which are shown in the Financial Performance Report on pages 8 to 12, CDC consolidates investment entity subsidiaries acting as investment holding companies in order to track the underlying performance and financial position of CDC. This does not impact these subsidiaries' investment entity status under IFRS 10. In the primary statements, these investment entity subsidiaries are not consolidated but are held as investments at fair value. The results in the management reports give the same total return and net assets as the primary statements but give rise to differences in classification. The classification differences relate mainly to portfolio, cash and cash flows. Forward foreign exchange contracts relating to the investment portfolio are included in portfolio return and portfolio value in the management reports.

.

## 2. Operating segments analysis (continued)

### Statement of comprehensive income

| | Notes | Primary statements 2019 £m | Reconciling items: Reclassify portfolio items 2019 £m | Reconciling items: Other items and reclassifications 2019 £m | Management reports 2019 £m |
|---|---|---|---|---|---|
| Portfolio return | 3,4&8* | **(301.5)** | **32.9** | **–** | **(268.6)** |
| Administrative expenses/operating costs | 9 | **(98.5)** | **–** | **1.0** | **(97.5)** |
| Other net income/(expense) | | **23.4** | **(32.9)** | **4.0** | **(5.5)** |
| Finance costs | | **(0.5)** | **–** | **0.5** | **–** |
| Finance income | | **5.5** | **–** | **(5.5)** | **–** |
| **Total comprehensive profit/total return after tax** | | **(371.6)** | **–** | **–** | **(371.6)** |

| | Notes | 2018 £m | 2018 £m | 2018 £m | 2018 £m |
|---|---|---|---|---|---|
| Portfolio return | 3,4&8* | 130.9 | (60.6) | – | 70.3 |
| Administrative expenses/operating costs | 9 | (79.3) | – | 0.2 | (79.1) |
| Other net (expense)/income | | (50.6) | 60.6 | 4.8 | 14.8 |
| Finance costs | | (1.4) | – | 1.4 | – |
| Finance income | | 6.4 | – | (6.4) | – |
| Total comprehensive loss/total return after tax | | 6.0 | – | – | 6.0 |

* Portfolio return per the primary statements is the aggregate of the increase/(decrease) in fair value of equity and debt investments in note 3 and 4, and exchange adjustment in note 4 and total investment income in note 8.

### Statement of financial position

| | Notes | Primary statements 2019 £m | Reconciling items: Reclassify portfolio items 2019 £m | Reconciling items: Other items and reclassifications 2019 £m | Management reports 2019 £m |
|---|---|---|---|---|---|
| Portfolio value | 3,4&14* | **4,698.1** | **34.3** | **4.1** | **4,736.5** |
| Net cash and short-term deposits | 5 | **349.2** | **–** | **(0.2)** | **349.0** |
| Other net assets/(liabilities) | | **1,390.6** | **(34.3)** | **(3.9)** | **1,352.4** |
| **Total net assets attributable to equity holders of the Company** | | **6,437.9** | **–** | **–** | **6,437.9** |

| | Notes | 2018 £m | 2018 £m | 2018 £m | 2018 £m |
|---|---|---|---|---|---|
| Portfolio value | 3,4&14* | 4,385.2 | (17.0) | (28.4) | 4,339.8 |
| Net cash and short-term deposits | 5 | 349.8 | – | 20.6 | 370.4 |
| Other net assets/(liabilities) | | 1,066.5 | 17.0 | 7.8 | 1,091.3 |
| Total net assets attributable to equity holders of the Company | | 5,801.5 | – | – | 5,801.5 |

* Portfolio per the primary statements is the aggregate of equity investments in note 3, the total of current and non-current loan investments in note 4 and guarantees in note 14.

**Statement of cash flows**

| | Reconciling items | | | |
|---|---|---|---|---|
| | **Primary statements 2019 £m** | **Reclassify portfolio items 2019 £m** | **Other items and reclassifications 2019 £m** | **Management reports 2019 £m** |
| Portfolio drawdowns | **(1,034.2)** | **–** | **(42.0)** | **(1,076.2)** |
| Portfolio receipts | **329.3** | **119.5** | **14.1** | **462.9** |
| Net investment flows | **(704.9)** | **119.5** | **(27.9)** | **(613.3)** |
| Other cash flows | **704.3** | **(119.5)** | **7.1** | **591.9** |
| **Net decrease in cash and cash equivalents** | **(0.6)** | **–** | **(20.8)** | **(21.4)** |

| | **2018 £m** | **2018 £m** | **2018 £m** | **2018 £m** |
|---|---|---|---|---|
| Portfolio drawdowns | (787.2) | – | (41.2) | (828.4) |
| Portfolio receipts | 390.2 | 65.2 | 79.8 | 535.2 |
| Net investment flows | (397.0) | 65.2 | 38.6 | (293.2) |
| Other cash flows | 344.0 | (65.2) | (28.6) | 250.2 |
| Net (decrease)/increase in cash and cash equivalents | (53.0) | – | 10.0 | (43.0) |

**Geographic information**

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

| | **Africa 2019 £m** | **South Asia 2019 £m** | **Rest of World 2019 £m** | **Multi-region* 2019 £m** | **Total 2019 £m** |
|---|---|---|---|---|---|
| Segment portfolio return | **(118.6)** | **(114.9)** | **(47.0)** | **(21.0)** | **(301.5)** |

| | **2018 £m** | **2018 £m** | **2018 £m** | **2018 £m** | **2018 £m** |
|---|---|---|---|---|---|
| Segment portfolio return | 136.1 | 16.2 | (40.4) | 19.0 | 130.9 |

* Multi-region includes investments which span across all three of the other geographic segments.

## 3. Equity investments

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **Listed shares 2019 £m** | **Unlisted shares 2019 £m** | **Total 2019 £m** | **Listed shares 2018 £m** | **Unlisted shares 2018 £m** | **Total 2018 £m** |
| At 1 January, at fair value | **315.7** | **3,427.3** | **3,743.0** | 403.6 | 3,192.9 | 3,596.5 |
| Additions | **164.6** | **650.4** | **815.0** | – | 459.8 | 459.8 |
| Disposals | **(10.0)** | **(241.8)** | **(251.8)** | (10.9) | (329.1) | (340.0) |
| Transfers | **205.0** | **(198.4)** | **6.6** | (38.2) | 12.0 | (26.2) |
| (Decrease)/increase in fair value | **(173.0)** | **(203.4)** | **(376.4)** | (38.8) | 91.7 | 52.9 |
| **At 31 December, at fair value** | **502.3** | **3,434.1** | **3,936.4** | 315.7 | 3,427.3 | 3,743.0 |

| | Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Listed shares 2019 £m** | **Unlisted shares 2019 £m** | **Shares held in Group companies 2019 £m** | **Total 2019 £m** | **Listed shares 2018 £m** | **Unlisted shares 2018 £m** | **Shares held in Group companies 2018 £m** | **Total 2018 £m** |
| At 1 January, at fair value | **315.7** | **3,427.3** | **2.3** | **3,745.3** | 403.6 | 3,192.9 | 2.0 | 3,598.5 |
| Additions | **164.6** | **650.4** | **–** | **815.0** | – | 459.8 | – | 459.8 |
| Disposals | **(10.0)** | **(241.8)** | **–** | **(251.8)** | (10.9) | (329.1) | – | (340.0) |
| Transfers | **205.0** | **(198.4)** | **–** | **6.6** | (38.2) | 12.0 | – | (26.2) |
| (Decrease)/increase in unrealised fair value | **(173.0)** | **(203.4)** | **1.0** | **(375.4)** | (38.8) | 91.7 | 0.3 | 53.2 |
| **At 31 December, at fair value** | **502.3** | **3,434.1** | **3.3** | **3,939.7** | 315.7 | 3,427.3 | 2.3 | 3,745.3 |

Listed shares represent Level 1 of the fair value hierarchy, unless they are valued on a basis other than the quoted price as explained in note 25. The current value of quoted investments that are included within Level 3 is £47.7 million (2018: £58.0 million). Unlisted shares are included within Level 3. CDC holds no Level 2 equity investments.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period. The transfer of investments from Level 1 to Level 3 reflects investments listed on a public exchange which is not considered to be an active market. There have been two transfers from Level 3 (unlisted shares) to Level 1 (listed shares) during the year. The transfers in to Level 3 reflect the conversion of loan investments (note 4) in to unlisted equity investments.

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The Group's fair value methodology for equity investments is disclosed in note 25.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, CDC has used valuation techniques to derive the fair value.

Level 3 valuations are reviewed on a quarterly basis by CDC's Valuation Committee which reports to the Board of Directors on a quarterly basis. The Committee considers the appropriateness of the valuation model inputs, as well as the valuation results, using various valuation methods and techniques generally recognised as standard within the industry.

Level 3 equity investments amount to £3,427.1 million and consist of private equity positions. Included in Level 3 equity investments are investments into private equity funds which are valued using CDC's attributable proportion of the reported fund net asset value which is derived from the fair value of the underlying investments. The current value of such investments is £1,875.0 million.

CDC's direct equity investments which are valued based on unobservable inputs are included in Level 3. The valuation techniques that require significant unobservable inputs are the net present value of estimated future cash flows and comparable trading multiples.

For more information relating to the impact on the equity investment valuations caused by Covid-19 refer to note 24.

*Discounted cash flows*
£600.0 million of CDC's portfolio is valued using the net present value of estimated future cash flows. The discount rates adopted by CDC are overall supported by the Capital Asset Pricing Model framework and will differ on an asset by asset basis depending on country, sector and construction risk.

*Trading multiples*
£216.5 million of CDC's portfolio is valued using comparable trading multiples. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by either its earnings before interest, taxes, depreciation and amortisation (EBITDA) or book value. The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

| **Description** | **Fair value at 31 December 2019 £m** | **Valuation technique** | **Unobservable inputs** | **Weighted average input** | **Reasonable possible shift +/- (absolute value)** | **Change in valuation £m** | **Change in valuation US$m** |
|---|---|---|---|---|---|---|---|
| Global equity securities | **216.5** | Comparable trading multiples | EBITDA multiple | 13.8 | 10.0% | 11.0 | 14.6 |
| | | | Price/book multiple | 2.0 | 10.0% | 8.7 | 11.6 |
| | | | Revenue multiple | 5.0 | 10.0% | 1.1 | 1.5 |
| | | | Discount to multiple | 15.0% | 10.0% | 16.4 | 21.7 |
| Global equity securities | **600.0** | Discounted cash flows | Discount rate | 11.8% | 0.5% | 17.3 | 23.0 |

The fair value hierarchy also applies to forward foreign exchange contracts; see note 7 for further details.

The Group has exposure to a number of unconsolidated structured entities as a result of its investment activities in equity. They are limited life private equity funds or co-investments managed by general partners under a limited partnership agreement. The risk and maximum exposure to loss arising from the Group's involvement with these entities is their fair value of £1,412.5 million (2018: £1,355.0 million). The Group earned investment income of £8.2 million (2018: £6.5 million) and generated fair value losses of £41.3 million (2018: losses of £4.8 million) from these entities during the year.

## 4. Loan investments

| | Group and Company | |
|---|---|---|
| | **2019 £m** | **2018 £m** |
| At 1 January | **639.9** | 327.9 |
| Loan advances | **219.2** | 327.4 |
| Loan repayments | **(77.5)** | (50.2) |
| Transfers | **(6.6)** | 26.2 |
| Fair value gains/(losses) for the year | **15.5** | (22.9) |
| Exchange adjustment | **(31.5)** | 31.5 |
| **At 31 December** | **759.0** | 639.9 |
| Less: Loan investments due within one year (note 14) | **(78.1)** | (49.9) |
| **At 31 December** | **680.9** | 590.0 |

Loan investments are held at fair value through profit and loss when they are managed, and their performance evaluated, on a fair value basis. Refer to note 23 for changes in accounting policies and disclosures.

CDC classifies loan instruments measured at fair value under the Level 3 hierarchy: inputs that are not based on observable market data.

Level 3 inputs are sensitive to assumptions when ascertaining the fair value. The valuation techniques for debt instruments that require significant unobservable inputs are the net present value of estimated future cash flows.

*Discounted cash flows*
£759.0 million of CDC's portfolio is valued using the net present value of estimated future cash flows. Long-term cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment. The discount rates adopted by CDC will differ on an asset by asset basis depending on country, sector and market risk.

| **Description** | **Fair value at 31 December 2019 £m** | **Valuation technique** | **Unobservable inputs** | **Weighted average life** | **Weighted average input** | **Reasonable possible shift +/- (absolute value)** | **Change in valuation £m** | **Change in valuation US$m** |
|---|---|---|---|---|---|---|---|---|
| Loan investments at fair value through profit and loss | **759.0** | Discounted cash flows | Discount rate | 6.7 years | 5.6% | 1.0% | 80.4 | 106.4 |

For more information relating to the impact on the loan investment valuations caused by Covid-19 refer to note 24.

## 5. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Cash at bank and in hand | **46.7** | 79.8 | **44.3** | 77.6 |
| Short-term deposits receivable | **302.5** | 270.0 | **302.2** | 269.6 |
| **Total cash and cash equivalents** | **349.2** | 349.8 | **346.5** | 347.2 |

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and 90 days depending on the immediate requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £349.2 million (2018: £349.8 million).

## 6. Issued capital

| | 2019 Number | 2019 £m | 2018 Number | 2018 £m |
|---|---|---|---|---|
| **Authorised, allotted, called up and fully paid** | | | | |
| At 1 January, ordinary shares of £1 each | **2,578,000,000** | **2,578.0** | 1,836,000,000 | 1,836.0 |
| Issued, ordinary shares of £1 each | **1,008,000,000** | **1,008.0** | 742,000,000 | 742.0 |
| **At 31 December, ordinary shares of £1 each** | **3,586,000,000** | **3,586.0** | 2,578,000,000 | 2,578.0 |

**Ordinary shares**
During the year ended 31 December 2019, the Company issued 1,008,000,000 ordinary shares (2018: 742,000,000 ordinary shares) to a related party; see note 22 for further details.

The number of ordinary shares reserved for issue under a subscription agreement is nil shares (2018: nil shares).

**Special rights redeemable preference share**
One special rights redeemable preference share of £1 is issued and fully paid. The ownership of the special rights redeemable preference share is restricted to the agents of the Crown. It has special rights to restrict changes to the Company's Memorandum and Articles of Association and changes to the Company's capital structure. The share otherwise carries no voting rights and no rights to share in the capital or profits of the Company.

**Parent and ultimate parent entity**
The Company's parent and ultimate parent is the Secretary of State for International Development.

## 7. Forward foreign exchange contracts

Forward foreign exchange contracts (FFECs) (current and non-current) comprise:

| | Group and Company | |
|---|---|---|
| | 2019 £m | 2018 £m |
| Gross FFECs in profit | **29.1** | 14.7 |
| Gross FFECs in loss | **(0.1)** | (27.3) |
| **Net total** | **29.0** | (12.6) |

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

| | Group and Company | |
|---|---|---|
| | 2019 £m | 2018 £m |
| Current assets | **29.1** | 14.7 |
| Current liabilities | **(0.1)** | (27.3) |
| **Total** | **29.0** | (12.6) |

In accordance with the fair value hierarchy described in note 3, FFECs are measured using Level 2 inputs. The fair value of the FFECs at the year-end is derived from the difference between the agreed forward rate with the counterparty bank and the forward rate at the balance sheet date. CDC uses Thompson Reuters to obtain the forward rate at the balance sheet date. The 2019 fair value of £29.0 million is entirely recurring and there has been no change in the valuation technique used to fair value the instruments during the year.

### Contracts not designated for hedge accounting

At 31 December 2019, the Group held 56 FFECs (2018: 58 FFECs) which were not designated for the purposes of hedge accounting, but were used to mitigate the currency effects on the Group's US dollar, South African rand, Euro and Indian rupee denominated debt investments and cash balances.

The Group's Sterling denominated contracts comprise:

| Foreign currency | Foreign currency in millions 2019 | Average spot price 2019 | 2019 £m | Foreign currency in millions 2018 | Average spot price 2018 | 2018 £m |
|---|---|---|---|---|---|---|
| US dollar | **1,135.0** | **1.2883** | **881.0** | 1,110.5 | 1.2895 | 861.2 |
| South African rand | **–** | **–** | **–** | 3.6 | 18.0725 | 0.2 |
| Euro | **64.0** | **1.1672** | **54.8** | 36.2 | 1.1266 | 32.1 |
| Indian rupee | **19,986.7** | **91.4661** | **218.5** | 14,668.0 | 94.1186 | 155.8 |

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

| Foreign currency | Foreign currency in millions 2019 | Average spot price 2019 | 2019 US$m | Foreign currency in millions 2018 | Average spot price 2018 | 2018 US$m |
|---|---|---|---|---|---|---|
| Indian rupee | **18,965.0** | **71.1333** | **266.6** | 20,598.0 | 72.6544 | 283.5 |

Gains or losses arising from the movement in fair values of these FFECs are taken to the statement of comprehensive income.

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks of the Group can be found in the Financial Performance report on pages 8 to 12.

## 8. Income

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 £m** | **2018 £m** | **2019 £m** | **2018 £m** |
| **Investment income** | | | | |
| Interest income | **70.3** | 52.1 | **70.3** | 52.1 |
| Loan and guarantee fee income | **4.2** | 2.5 | **4.2** | 2.5 |
| Dividend income | **16.4** | 14.8 | **16.4** | 14.8 |
| **Total investment income** | **90.9** | 69.4 | **90.9** | 69.4 |
| | | | | |
| **Other income** | | | | |
| Management fee income | **12.7** | 11.8 | **12.3** | 11.7 |
| Other operating income | **0.6** | 0.1 | **0.6** | 0.1 |
| **Total other income** | **13.3** | 11.9 | **12.9** | 11.8 |

## 9. Administrative and other expenses

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 £m** | **2018 £m** | **2019 £m** | **2018 £m** |
| Wages and salaries | **(37.6)** | (30.1) | **(33.8)** | (27.4) |
| Social security costs | **(5.6)** | (4.5) | **(5.5)** | (4.5) |
| Pension costs – defined benefit | **0.5** | (0.3) | **0.5** | (0.3) |
| Pension costs – defined contribution | **(3.7)** | (2.9) | **(3.4)** | (2.7) |
| Long-term Development Performance Plan (LTDPP) accrual | **(8.4)** | (6.5) | **(7.2)** | (5.8) |
| **Total employee benefits expense** | **(54.8)** | (44.3) | **(49.4)** | (40.7) |
| Professional services | **(5.4)** | (4.7) | **(5.2)** | (4.6) |
| Auditor remuneration (see page 82) | **(0.6)** | (0.6) | **(0.5)** | (0.6) |
| Operating leases expense | **(0.5)** | (2.8) | **(0.2)** | (2.5) |
| Other administrative expenses | **(31.8)** | (25.5) | **(39.4)** | (30.3) |
| **Total administrative expenses** | **(93.1)** | (77.9) | **(94.7)** | (78.7) |
| | | | | |
| Depreciation of plant and equipment | **(3.8)** | (0.9) | **(3.5)** | (0.8) |
| Amortisation of intangible asset | **(0.1)** | (0.2) | **(0.1)** | (0.2) |
| Other expenses | **(1.5)** | (0.3) | **(1.4)** | (0.1) |
| **Total administrative and other expenses** | **(98.5)** | (79.3) | **(99.7)** | (79.8) |

The average monthly number of Group employees during the year was 385 (2018: 309). The average monthly number of Company employees during the year was 350 (2018: 275).

The aggregate of Directors' remuneration in 2019 was £0.8 million (2018: £0.9 million). Refer to pages 45 to 53 for the Annual Report on Remuneration which gives more details on remuneration and the LTDPP.

## 9. Administrative and other expenses (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Audit of the group financial statements | **(0.4)** | (0.3) | **(0.4)** | (0.3) |
| Audit of the consolidated subsidiaries | **(0.1)** | – | **–** | – |
| Other services | **(0.1)** | (0.3) | **(0.1)** | (0.3) |
| **Total auditor remuneration** | **(0.6)** | (0.6) | **(0.5)** | (0.6) |

## 10. Net foreign exchange differences

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Exchange (losses)/gains arising on loan investments | **(31.5)** | 31.5 | **(31.5)** | 31.5 |
| Exchange gains/(losses) arising on FFECs | **19.4** | (78.7) | **19.4** | (78.7) |
| **Total net foreign exchange differences (FFECs and loan investments)** | **(12.1)** | (47.2) | **(12.1)** | (47.2) |
| Exchange (losses)/gains arising on cash and cash equivalents | **(7.5)** | 17.2 | **(7.4)** | 17.3 |
| **Total net foreign exchange differences** | **(19.6)** | (30.0) | **(19.5)** | (29.9) |

## 11. Income tax

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| **Current tax** | | | | |
| Withholding tax expense | **0.8** | 0.4 | **0.8** | 0.4 |
| Current UK tax charge | **–** | – | **–** | – |
| Current overseas tax charge | **0.3** | 0.2 | **–** | – |
| **Total current tax** | **1.1** | 0.6 | **0.8** | 0.4 |
| **Foreign deferred tax** | | | | |
| Attributable to timing difference arising in the current year | **–** | – | **–** | – |
| **Total income tax expense** | **1.1** | 0.6 | **0.8** | 0.4 |
| **Tax recoverable** | | | | |
| Current overseas tax recoverable | **0.1** | 0.1 | **–** | – |
| **Total tax recoverable** | **0.1** | 0.1 | **–** | – |

| **Reconciliation of deferred tax asset** | | | | |
|---|---|---|---|---|
| **As of 1 January** | **0.1** | 0.1 | **–** | – |
| Tax expenses during the year | **–** | – | **–** | – |
| **As at 31 December** | **0.1** | 0.1 | **–** | – |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 % | 2018 % | 2019 % | 2018 % |
| UK corporation tax rate | **19.0** | 19.0 | **19.0** | 19.0 |
| Effect of overseas taxation | **–** | 1.2 | **–** | (1.5) |
| Effect of UK tax exemption | **(19.3)** | (11.6) | **(19.2)** | (11.6) |
| **Effective tax rate for the year** | **(0.3)** | 8.6 | **(0.2)** | 5.9 |

**UK tax exemption**

By virtue of the CDC Act 1999, CDC Group plc was granted exemption from UK corporation tax with effect from 1 May 2003. This exemption amounted to £nil million in 2019 (2018: £0.8m). The exemption does not apply to the Company in jurisdictions outside the UK or the Company's subsidiaries which pay tax in the jurisdictions where they operate.

## 12. Plant and equipment

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| At 1 January | **3.7** | 4.2 | **3.5** | 4.2 |
| Additions | **19.8** | 0.5 | **18.3** | 0.2 |
| Disposals | **–** | (0.1) | **–** | (0.1) |
| Depreciation charge for the year | **(3.8)** | (0.9) | **(3.5)** | (0.8) |
| **At 31 December** | **19.7** | 3.7 | **18.3** | 3.5 |

The additions in the year for both Group £19.8 million and Company £18.3 million represent the right of use assets which arose from CDC adopting IFRS 16 during 2019. CDC opted not to restate 2018 comparatives in relation to the adoption of IFRS 16.

## 13. Intangible asset

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| At 1 January | **0.4** | – | **0.4** | – |
| Additions | **0.1** | 0.6 | **-** | 0.6 |
| Amortisation charge for the year | **(0.1)** | (0.2) | **(0.1)** | (0.2) |
| **At 31 December** | **0.4** | 0.4 | **0.3** | 0.4 |

## 14. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 £m** | 2018 £m | **2019 £m** | 2018 £m |
| Loan investments due from third parties (note 4) | **78.1** | 49.9 | **78.1** | 49.9 |
| Guarantees | **2.7** | 2.3 | **2.7** | 2.3 |
| Amounts owed by investment entities | **16.1** | 6.9 | **16.1** | 6.9 |
| Amounts owed by non-investment subsidiaries | **–** | – | **0.7** | 0.7 |
| Prepayments | **1.4** | 1.7 | **1.3** | 1.7 |
| VAT recoverable | **1.6** | 1.1 | **1.6** | 1.1 |
| Other receivables | **33.1** | 26.3 | **31.9** | 25.9 |
| Total trade and other receivables | **133.0** | 88.2 | **132.4** | 88.5 |

The amount owed by investment entities in 2019 for Group and Company is £16.1 million (2018:£6.9 million). Other receivables amount in 2019 for Group is £33.1 million (2018:£26.3 million) and Company is £31.9 million (2018:£25.9 million). The amount repayable within 30 days for Group is £7.1 million and Company £5.9 million and £26 million.

## 15. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 £m** | 2018 £m | **2019 £m** | 2018 £m |
| Trade payables+ | **1.6** | 1.8 | **1.6** | 1.8 |
| Amounts owed to investment entities | **19.5** | 27.0 | **19.5** | 27.0 |
| Amounts owed to non-investment subsidiaries | **–** | – | **1.1** | 0.4 |
| Other taxes and social security | **0.1** | 0.1 | **–** | – |
| LTDPP accrual | **8.9** | 7.1 | **8.0** | 6.5 |
| Other accruals and deferred income | **5.4** | 3.3 | **4.1** | 3.1 |
| Total trade and other payables | **35.5** | 39.3 | **34.3** | 38.8 |

+ The average credit for trade payable is 29 days

The amount owed to investment entities in 2019 for Group and Company is £19.5 million (2018:£27 million) of which £16 million is interest bearing at an effective interest rate of 0.79 per cent.

## 16. Pension commitments

The Company and Group operate one funded pension scheme in the UK called the CDC Pensions Scheme. This provides benefits on a defined benefit basis for staff who entered service prior to 1 April 2000. Subsequent entrants are eligible for membership of a separate defined contribution scheme. The scheme is governed by a Board of Trustees which is responsible for the administration of the plan assets and for the definition of the investment strategy. The pension scheme is funded by the payment of contributions to a separately administered trust fund.

For the vast majority of the Scheme members, benefits have now been fully secured under an insurance policy by the Pension Scheme Trustee with Rothesay Life. However, this policy does not cover in full the benefits that may be awarded to dependants. The buy-in substantially reduces the chance that scheme assets will diverge in value from the scheme liabilities. For example, if the discount rate was to decrease by 0.25 per cent, scheme liabilities would increase by 4.7 per cent but this would be largely offset by an increase in scheme assets of 4.5 per cent. Similarly, if life expectancy at age 60 was to increase by one year, scheme liabilities would increase by 3.5 per cent but assets would increase by 3.4 per cent.

**Description of funding arrangements and policies**

The preliminary results of the 31 March 2018 actuarial valuation showed that after the buy-in, Technical Provisions were £9.1 million and the scheme assets were £14.8 million, giving a funding surplus of £5.7 million. Given the improved funding position since the previous valuation, the Trustees proposed, and the Company accepted that no contributions to the Scheme would be due during the years ending 31 March 2019, 2020 or 2021. This is because the funding surplus at 31 March 2018 was expected to be sufficient to meet the expected cost of continued accrual for the then one remaining active member. The expected contribution for period ending 31 December 2019 for CDC is £ nil million and for the scheme particpants is £nil million.

Annual valuations are prepared by Willis Towers Watson using the projected unit credit method. Scheme assets are stated at their market values at the respective statement of financial position dates. The weighted average duration of the defined benefit obligations is 19 years.

| Main assumptions: | 2019 % | 2018 % |
|---|---|---|
| Discount rate | **1.9** | 2.7 |
| Inflation assumption | **3.4** | 3.6 |
| Pre 1 May 1996 joiners (for pensions accrued before 1 April 2000) increases | **5.0** | 5.0 |
| Pre 1 May 1996 joiners (for pensions accrued after 31 March 2000) increases and post 30 April 1996 joiners | **3.4** | 3.6 |
| Rate of increase for deferred pensions | **3.4** | 3.6 |

| Life expectancy of a pensioner reaching age 60 | Male | Female |
|---|---|---|
| **In 2019** | **29.5** | **30.9** |
| In 2018 | 29.3 | 30.8 |
| **In 2029** | **30.9** | **32.0** |
| In 2028 | 30.8 | 31.9 |

Concentration risk is relatively low as Rothesay Life is required to provide a level of capital that would enable it to meet its liabilities and to hold ring-fenced collateral against CDC policy obligations. In addition, CDC policy falls under the Financial Services Compensation Scheme which will guarantee 100 per cent of the value of the payments promised under the buy-in arrangement should Rothesay Life be unable to.

| Scheme asset information | Allocation percentage 31 Dec-19 Quoted | Allocation percentage 31 Dec-19 Unquoted | Allocation percentage 31 Dec-19 Total |
|---|---|---|---|
| **Buy-in contract with Rothesay Life** | **0.0%** | **96.8%** | **96.8%** |
| In 2018 | 0.0% | 96.7% | 96.7% |
| **Cash/net current assets/other** | **3.2%** | **0.0%** | **3.2%** |
| In 2018 | 3.3% | 0.0% | 3.3% |
| **Fair value of scheme assets at 31 December 2019** | **£14.7m** | **£444.5m** | **£459.2m** |
| Fair value of scheme assets at 31 December 2018 | £13.5m | £396.7m | £410.2m |

## 16. Pension commitments (continued)

| Assets and liabilities of the scheme at 31 December | 2019 £m | 2018 £m |
|---|---|---|
| Buy-in contract with Rothesay Life | **444.5** | 396.7 |
| Net current assets | **14.7** | 13.5 |
| Fair value of assets | **459.2** | 410.2 |
| Defined benefit obligation | **(447.0)** | (399.2) |
| Surplus | **12.2** | 11.0 |
| Restriction due to asset ceiling | **(12.2)** | (11.0) |
| **Net pension liability** | **–** | – |

| Reconciliation of the (liability)/asset: | Defined benefit obligation £m | Fair value of assets £m | Asset ceiling £m | (Liability)/asset £m |
|---|---|---|---|---|
| **At 31 December 2017** | (470.0) | 475.6 | (5.7) | (0.1) |
| Administration costs incurred during the year | – | (0.3) | – | (0.3) |
| Interest cost | (11.0) | 11.1 | (0.1) | – |
| Past service cost – plan amendments | – | – | – | – |
| **Cost recognised in administrative expenses** | (11.0) | 11.1 | (0.1) | (0.3) |
| Actuarial gain due to liability experience | 12.8 | – | – | 12.8 |
| Actuarial gain due to liability assumptions | 43.6 | – | – | 43.6 |
| Actuarial gain on assets | – | (51.6) | – | (51.6) |
| Change in effect of asset ceiling | – | – | (5.2) | (5.2) |
| **Remeasurement effects recognised in the Group's statement of comprehensive income** | 56.4 | (51.6) | (5.2) | (0.4) |
| Employer contributions to the CDC Pensions Scheme | – | 0.8 | – | 0.8 |
| Benefits paid (including administration costs) | 25.4 | (25.4) | – | – |
| **Cash flows** | 25.4 | (24.6) | – | 0.8 |
| **At 31 December 2018** | (399.2) | 410.2 | (11.0) | – |

| Reconciliation of the (liability)/asset: | Defined benefit obligation £m | Fair value of assets £m | Asset ceiling £m | (Liability)/asset £m |
|---|---|---|---|---|
| **At 31 December 2018** | (399.2) | 410.2 | (11.0) | – |
| Administration costs incurred during the year | **–** | **(0.5)** | **–** | **(0.5)** |
| Interest cost | **(10.5)** | **10.8** | **(0.3)** | **–** |
| Past service cost – plan amendments | **–** | **–** | **–** | **–** |
| **Cost recognised in administrative expenses** | **(10.5)** | **10.3** | **(0.3)** | **(0.5)** |
| Actuarial gain due to liability experience | **0.5** | **–** | **–** | **0.5** |
| Actuarial gain due to liability assumptions | **(55.4)** | **–** | **–** | **(55.4)** |
| Actuarial gain on assets | **–** | **56.3** | **–** | **56.3** |
| Change in effect of asset ceiling | **–** | **–** | **(0.9)** | **(0.9)** |
| **Remeasurement effects recognised in the Group's statement of comprehensive income** | **(54.9)** | **56.3** | **(0.9)** | **0.5** |
| Employer contributions to the CDC Pensions Scheme | **–** | **–** | **–** | **–** |
| Benefits paid (including administration costs) | **17.6** | **(17.6)** | **–** | **–** |
| **Cash flows** | **–** | **–** | **–** | **–** |
| **At 31 December 2019** | **(447.0)** | **459.2** | **(12.2)** | **–** |

| Maturity profile of defined benefit obligations at 31 December | 2019 £m | 2018 £m |
|---|---|---|
| Expected benefit payments due within 1 year | **23.0** | 22.8 |
| Expected benefit payments due within 1-2 years | **23.7** | 23.6 |
| Expected benefit payments due within 2-3 years | **24.5** | 24.5 |
| Expected benefit payments due within 3-4 years | **25.4** | 25.3 |
| Expected benefit payments due within 4-5 years | **26.2** | 26.3 |
| Expected benefit payments due within 5-10 years | **145.0** | 146.0 |
| Expected benefit payments due after 10 years | **179.2** | 130.7 |
| **Net pension liability** | **447.0** | 399.2 |

## 17. Financial instruments

The Group's principal financial assets (as defined in IFRS 7) comprise cash, short-term deposits, amounts receivable under finance leases, foreign exchange contracts, trade receivables, notes receivable, guarantees, loan investments and equity investments. For the purposes of this note, the disclosure on financial assets has been split between these asset classes in order to give more meaningful information. Financial liabilities comprise trade and other payables and foreign exchange contracts. The benchmark rate for floating rate assets and liabilities is based on one-week to six-month LIBOR rates.

### Interest rate exposures – Group

| | Fixed rate £m | Floating rate £m | No interest £m | Total £m | Fixed rate weighted average interest rate % | Fixed rate weighted period to full maturity Years | No interest maximum period to full maturity Years |
|---|---|---|---|---|---|---|---|
| Financial assets: cash | | | | | | | |
| **2019** | **–** | **40.0** | **6.7** | **46.7** | **–** | **–** | ***** |
| 2018 | – | 77.7 | 2.1 | 79.8 | – | – | * |
| Financial assets: short-term deposits receivable within 90 days | | | | | | | |
| **2019** | **302.5** | **–** | **–** | **302.5** | **1.3%** | **1.0** | **–** |
| 2018 | 270.0 | – | – | 270.0 | 1.9% | 1.0 | – |
| Financial assets: loan investments | | | | | | | |
| **2019** | **348.8** | **406.4** | **3.8** | **759.0** | **7.86%** | **7.5** | **3.0** |
| 2018 | 265.4 | 374.5 | – | 639.9 | 7.7% | 7.9 | – |

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

## 17. Financial instruments (continued)

### Interest rate exposures – Company

| | Fixed rate £m | Floating rate £m | No interest £m | Total £m | Fixed rate weighted average interest rate % | Fixed rate weighted period to full maturity Years | No interest maximum period to full maturity Years |
|---|---|---|---|---|---|---|---|
| **Financial assets: cash** | | | | | | | |
| **2019** | **–** | **40.0** | **4.3** | **44.3** | **–** | **–** | ***** |
| 2018 | – | 75.5 | 2.1 | 77.6 | – | – | * |
| **Financial assets: short-term deposits receivable within 90 days** | | | | | | | |
| **2019** | **302.2** | **–** | **–** | **302.2** | **1.9%** | **1.0** | **–** |
| 2018 | 269.6 | – | – | 269.6 | 1.9% | 1.0 | – |
| **Financial assets: loan investments** | | | | | | | |
| **2019** | **348.8** | **406.4** | **3.8** | **759.0** | **7.9%** | **7.5** | **3.0** |
| 2018 | 265.4 | 361.5 | – | 626.9 | 7.7% | 7.9 | – |

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

### Currency exposures – Group

The tables below show the Group's currency exposures that give rise to exchange rate gains and losses that are recognised in the statement of comprehensive income. Such exposures comprise those monetary assets and liabilities of Group companies that are not denominated in their functional currency. In order to protect the Group's Sterling statement of financial position and reduce cash flow risk, the Group uses FFECs to mitigate the risk of foreign exposures arising on forecast receipts, cash balances and payments in foreign currencies.

The following table shows the Group's foreign currency denominated cash and cash equivalents balances:

| Functional currency | US dollars 2019 £m | Other 2019 £m | Total 2019 £m | US dollars 2018 £m | Other 2018 £m | Total 2018 £m |
|---|---|---|---|---|---|---|
| Sterling | **154.9** | **2.6** | **157.5** | 246.6 | 3.8 | 250.4 |
| **Total** | **154.9** | **2.6** | **157.5** | 246.6 | 3.8 | 250.4 |

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

| Functional currency | Listed equity at valuation 2019 £m | Unlisted equity at valuation 2019 £m | Total 2019 £m | Listed equity at valuation 2018 £m | Unlisted equity at valuation 2018 £m | Total 2018 £m |
|---|---|---|---|---|---|---|
| US dollar | **–** | **3,031.5** | **3,031.5** | – | 2,913.6 | 2,913.6 |
| Indian rupee | **259.0** | **187.6** | **446.6** | 247.1 | 270.3 | 517.4 |
| Pakistani rupee | **56.2** | **–** | **56.2** | 49.8 | – | 49.8 |
| Euro | **17.5** | **189.8** | **207.3** | – | 204.7 | 204.7 |
| Chinese yuan | **–** | **3.3** | **3.3** | – | 13.8 | 13.8 |
| Sterling | **–** | **20.2** | **20.2** | – | 20.2 | 20.2 |
| Ugandan shilling | **–** | **–** | **–** | 13.0 | – | 13.0 |
| Moroccan dirham | **162.7** | **–** | **162.7** | – | – | – |
| South African rand | **1.9** | **0.6** | **2.5** | 2.4 | 0.7 | 3.1 |
| Tanzanian shilling | **2.1** | **–** | **2.1** | 3.4 | – | 3.4 |
| Other | **–** | **4.0** | **4.0** | – | 4.0 | 4.0 |
| **Total** | **499.4** | **3,437.0** | **3,936.4** | 315.7 | 3,427.3 | 3,743.0 |

**Currency exposures – Company**
The tables below show the Company's currency exposures that give rise to exchange rate gains and losses that are recognised in the statement of comprehensive income. Such exposures comprise those monetary assets and liabilities that are not denominated in the Company's functional currency. In order to protect the Company's Sterling statement of financial position and reduce cash flow risk, the Company uses FFECs to mitigate the risk of foreign exposures arising on forecast receipts, cash balances and payments in foreign currencies.

The following table shows the Company's foreign currency denominated cash and cash equivalents balances:

| Functional currency | US dollars 2019 £m | Other 2019 £m | Total 2019 £m | US dollars 2018 £m | Other 2018 £m | Total 2018 £m |
|---|---|---|---|---|---|---|
| Sterling | **153.9** | **1.6** | **155.5** | 245.3 | 2.9 | 248.2 |
| **Total** | **153.9** | **1.6** | **155.5** | 245.3 | 2.9 | 248.2 |

## 17. Financial instruments (continued)

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

| Functional currency | Listed equity at valuation 2019 £m | Unlisted equity at valuation 2019 £m | Total 2019 £m | Listed equity at valuation 2018 £m | Unlisted equity at valuation 2018 £m | Total 2018 £m |
|---|---|---|---|---|---|---|
| US dollar | **–** | **3,032.8** | **3,032.8** | – | 2,913.8 | 2,913.8 |
| Indian rupee | **259.0** | **188.6** | **447.6** | 247.1 | 271.2 | 518.3 |
| Pakistani rupee | **56.2** | **–** | **56.2** | 49.8 | – | 49.8 |
| Euro | **17.5** | **189.8** | **207.3** | – | 204.7 | 204.7 |
| Chinese yuan | **–** | **3.3** | **3.3** | – | 13.8 | 13.8 |
| Sterling | **–** | **21.2** | **21.2** | – | 21.4 | 21.4 |
| Ugandan shilling | **–** | **–** | **–** | 13.0 | – | 13.0 |
| Moroccan dirham | **162.7** | **–** | **162.7** | – | – | – |
| South African rand | **1.9** | **0.6** | **2.5** | 2.4 | 0.7 | 3.1 |
| Tanzanian shilling | **2.1** | **–** | **2.1** | 3.4 | – | 3.4 |
| Other | **–** | **4.0** | **4.0** | – | 4.0 | 4.0 |
| **Total** | **499.4** | **3,440.3** | **3,939.7** | 315.7 | 3,429.6 | 3,745.3 |

### Liquidity risk – Group

The following tables show the maturity profile of the Group's financial assets and liabilities other than cash and equity investments:

| **2019 Financial assets: Maturity profile** | Short-term deposits £m | Other receivables £m | Loan investments £m | FFECs £m |
|---|---|---|---|---|
| **Due within one year, but not on demand** | **302.5** | **133.0** | **101.9** | **29.1** |
| **Due within one to two years** | **–** | **–** | **105.4** | **–** |
| **Due within two to three years** | **–** | **–** | **94.7** | **–** |
| **Due within three to four years** | **–** | **–** | **84.8** | **–** |
| **Due within four to five years** | **–** | **–** | **72.5** | **–** |
| **Due after five years** | **–** | **–** | **299.7** | **–** |
| **Total** | **302.5** | **133.0** | **759.0** | **29.1** |

| *2018 Financial assets: Maturity profile* | Short-term deposits £m | Other receivables £m | Loan investments £m | FFECs £m |
|---|---|---|---|---|
| Due within one year, but not on demand | 270.0 | 88.2 | 49.9 | 14.7 |
| Due within one to two years | – | – | 66.4 | – |
| Due within two to three years | – | – | 72.4 | – |
| Due within three to four years | – | – | 74.8 | – |
| Due within four to five years | – | – | 71.8 | – |
| Due after five years | – | – | 304.6 | – |
| Total | 270.0 | 88.2 | 639.9 | 14.7 |

| **2019 Financial liabilities: Maturity profile** | **Lease liabilities £m** | **Trade and other payables £m** | **FFECs £m** |
|---|---|---|---|
| **Due within one year, but not on demand** | **2.6** | **35.5** | **0.1** |
| **Due within one to two years** | **2.8** | **–** | **–** |
| **Due within two to three years** | **2.9** | **–** | **–** |
| **Due within three to four years** | **2.3** | **–** | **–** |
| **Due within four to five years** | **1.7** | **–** | **–** |
| **Due after five years** | **4.3** | **–** | **–** |
| **Total** | **16.6** | **35.5** | **0.1** |

| *2018 Financial liabilities: Maturity profile* | Trade and other payables £m | FFECs £m |
|---|---|---|
| Due within one year, but not on demand | 39.3 | 27.3 |
| Due within one to two years | – | – |
| Total | 39.3 | 27.3 |

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

**Liquidity risk – Company**
The following tables show the maturity profile of the Company's financial assets and liabilities other than cash and equity investments:

| **2019 Financial assets: Maturity profile** | **Short-term deposits £m** | **Other receivables £m** | **Loan investments £m** | **FFECs £m** |
|---|---|---|---|---|
| **Due within one year, but not on demand** | **302.5** | **132.4** | **101.9** | **29.1** |
| **Due within one to two years** | **–** | **–** | **105.4** | **–** |
| **Due within two to three years** | **–** | **–** | **94.7** | **–** |
| **Due within three to four years** | **–** | **–** | **84.8** | **–** |
| **Due within four to five years** | **–** | **–** | **72.5** | **–** |
| **Due after five years** | **–** | **–** | **299.7** | **–** |
| **Total** | **302.5** | **132.4** | **759.0** | **29.1** |

| *2018 Financial assets: Maturity profile* | Short-term deposits £m | Other receivables £m | Loan investments £m | FFECs £m |
|---|---|---|---|---|
| Due within one year, but not on demand | 270.0 | 88.5 | 49.9 | 14.7 |
| Due within one to two years | – | – | 66.4 | – |
| Due within two to three years | – | – | 72.4 | – |
| Due within three to four years | – | – | 74.8 | – |
| Due within four to five years | – | – | 71.8 | – |
| Due after five years | – | – | 304.6 | – |
| Total | 270.0 | 88.5 | 639.9 | 14.7 |

## 17. Financial instruments (continued)

| **2019 Financial liabilities: Maturity profile** | **Lease liabilities £m** | **Trade and other payables £m** | **FFECs £m** |
|---|---|---|---|
| Due within one year, but not on demand | **2.3** | **34.3** | **0.1** |
| Due within one to two years | **2.7** | **–** | **–** |
| Due within two to three years | **2.7** | **–** | **–** |
| Due within three to four years | **2.2** | **–** | **–** |
| Due within four to five years | **1.7** | **–** | **–** |
| Due after five years | **4.3** | **–** | **–** |
| Total | **15.9** | **34.3** | **0.1** |

| *2018 Financial liabilities: Maturity profile* | **Trade and other payables £m** | **FFECs £m** |
|---|---|---|
| Due within one year, but not on demand | 38.8 | 27.3 |
| Due within one to two years | – | – |
| Total | 38.8 | 27.3 |

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

### Fair value of financial assets and liabilities – Group and Company

**Financial assets**

Quoted and unquoted equity investments are included in the statement of financial position at fair value. There is no material difference between the fair value and the book value of the Group's cash, short-term deposits, loan investments, notes receivable or trade and other receivables. The Group's foreign exchange contracts in profit are held in the statement of financial position at fair value.

**Financial liabilities**

There is no material difference between the fair value and the book value of the Group's trade and other payables. The Group's foreign exchange contracts in loss are held in the statement of financial position at fair value.

## 18. Financial risk management

The Group's and Company's activities expose them to a variety of financial risks including market risk, credit risk, liquidity risk and cash flow interest rate risk. Market risk includes foreign currency risk, interest rate risk and price risk. The main financial risks managed by the Group and Company are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Group and Company use FFECs to manage their financial risks associated with their underlying business activities and the financing of those activities. The Group and Company do not undertake any trading activity in financial instruments.

### Liquidity risk

The Group's and Company's policy on liquidity risk is to ensure that they always have sufficient funding to meet all short to medium-term funding requirements. CDC targets having cash availability in excess of 80 per cent of aggregate undrawn contractual investment commitments as well as a cash balance within CDC's desired range of 0- 10 per cent of its net asset value in cash. The Group's cash balance at 31 December 2019 was £349.2 million (2018: £349.8 million) and its capital commitments including long-term commitments were £2,133.7 million (2018: £2,146.6 million).

| Analysis of total cash balance | Group 2019 £m | Group 2018 £m | Company 2019 £m | Company 2018 £m |
|---|---|---|---|---|
| Cash at bank and in hand | **46.7** | 79.8 | **44.3** | 77.6 |
| Short-term deposits receivable | **302.5** | 270.0 | **302.2** | 269.6 |
| **Total** | **349.2** | 349.8 | **346.5** | 347.2 |

The short-term deposits receivable can easily be converted into cash. The Group's and Company's contractual maturities of derivatives and non-derivative financial liabilities are disclosed in note 17.

**Investment commitments: Maturity profile**
Fund commitments are generally drawn down over a five-year term although in some cases this may be shorter. Typically, there are restrictions to ensure that there is a ceiling on the proportion of commitment that can be drawn down in one year. Direct investment commitments are typically drawn down over a shorter term.

In forecasting cash flows, CDC uses industry standard models for drawdown profiles. The Board considers this regularly when reviewing CDC's ability to meet these commitments.

The following table shows the vintage year of the outstanding commitments to the Group's investments as at 31 December. The commitments are not accounted for as liabilities on CDC's balance sheet and are only recognised when called upon.

| | 2019 £m | 2018 £m |
|---|---|---|
| 2010 and prior | **226.4** | 256.5 |
| 2011 | **36.5** | 38.2 |
| 2012 | **67.4** | 93.0 |
| 2013 | **79.7** | 201.4 |
| 2014 | **51.0** | 70.6 |
| 2015 | **207.8** | 223.2 |
| 2016 | **205.8** | 269.8 |
| 2017 | **338.7** | 425.7 |
| 2018 | **346.9** | 568.2 |
| 2019 | **573.5** | – |
| **Total** | **2,133.7** | 2,146.6 |

**Credit risk**
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December was:

| | Notes | Group 2019 £m | Group 2018 £m | Company 2019 £m | Company 2018 £m |
|---|---|---|---|---|---|
| Equity investments | 3 | **3,936.4** | 3,743.0 | **3,939.7** | 3,745.3 |
| Loan investments | 4 | **759.0** | 590.0 | **759.0** | 590.0 |
| FFECs in profit | 7 | **29.1** | 14.7 | **29.1** | 14.7 |
| Trade and other receivables (excluding loans) | 14 | **54.9** | 38.4 | **54.3** | 38.6 |
| Notes receivable | 22 | **1,341.0** | 1,078.0 | **1,341.0** | 1,078.0 |
| Short-term deposits | 5 | **302.5** | 270.0 | **302.2** | 269.6 |
| Cash and cash equivalents | 5 | **46.7** | 79.8 | **44.3** | 77.6 |
| **Total** | | **6,469.6** | 5,813.9 | **6,469.6** | 5,813.8 |

## 18. Financial risk management (continued)

Credit risk on the Company's Sterling cash balance is mitigated as cash not required for day-to-day operations is deposited with the UK Government Debt Management Office. Credit risk on other currency balances and FFECs is mitigated as the Group and Company transact with institutions with high credit ratings. If possible, cash is deposited with financial institutions that have a long-term credit rating ascribed by Moody's of A2 or above.

There is no recourse to the Company for the debt balances within subsidiaries.

### Market risk

*Interest rate risk*

The Group's and Company's interest rate risk arises primarily from fixed rate deposits (fair value risk) and floating rate deposits (cash flow risk).

As at 31 December 2019 the average interest rate earned on the Group's and Company's bank deposit was 1.4 per cent (2018: 1.9 per cent). In preparing the sensitivity analysis, a reasonable approximation of possible change is considered to be a 1.0 per cent (2018: 1.0 per cent) change in all interest rates. With all other variables held constant, a 1.0 per cent change would have a 0.03 per cent, £0.1 million impact on the Group's profit before tax (2018: 1.8 per cent, £0.1 million impact on the Group's profit before tax). Although this is within the range the Company regards as acceptable, it is envisaged that the Company will use the majority of its cash balance in meeting its capital commitments.

*Foreign currency risk*

The Group's largest exposure is to the US dollar. As at 31 December 2019, £3,031.5 million, 77.5 per cent of the investments of the Group and £3,032.8 million, 77.5 per cent of the investments of the Company, are denominated in US dollars (2018: £2,913.6 million, 77.8 per cent Group and £2,913.8 million, 77.8 per cent Company). In order to protect the Group's Sterling statement of financial position and reduce cash flow risk, the Group uses forward foreign exchange contracts to hedge foreign exposures arising on forecast receipts, cash balances and payments in foreign currencies.

A 13 cent, 10 per cent movement in the average exchange rate for the US dollar against Sterling with all other variables held constant would impact profit by £95.2 million (2018: 13 cent (10 per cent) movement, impact profit by £206.7 million).

*Equity price risk*

The Group and Company invest in a wide range of fund investments managed by a variety of fund managers, along with a range of direct equity investments.

As at 31 December 2019, the Group and Company had an investment in an investment entity with a value of £1,204.0 million which represented 30.6 per cent of the Group's equity investments (2018: £1,164.8 million, 30.9 per cent).

A 10 per cent change in the fair value of the Group's equity investments would impact the Group's profit by £392.9 million (2018: 10 per cent change, impact £374.3 million).

*Valuation risk*

The Group values its portfolio according to CDC's valuation methodology. The CDC valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments are valued at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants given current market conditions at the measurement date. The detailed valuation methodology sets out best practice with respect to valuing investments. Valuation risks are mitigated by portfolio reviews of CDC's investments and the underlying investments in its private equity funds which are carried out quarterly by the relevant CDC investment managers. As part of these reviews, valuations are prepared and reviewed by CDC management and then considered by the Audit and Compliance Committee. For more details on the valuation methodology refer to note 25.

### Capital management

CDC considers its capital to be the total equity shown in the statement of changes of equity. The Company's objectives when managing capital are:

+ to comply with the capital requirements set by DFID regarding investing in eligible countries and sectors;
+ to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns and benefits for stakeholders; and
+ to maintain a strong capital base to support the development of the Group's businesses.

The Board monitors the results of the Group and its financial position.

## 19. Capital commitments

Amounts contracted for but not provided for in the accounts amounted to £2,133.7 million (2018: £2,146.6 million) for investment commitments (see note 18 for further details).

## 20.Leases

IFRS 16 Leases, which replaced IAS 17 Leases, was applied effective from 1 January 2019.

IFRS 16 applies to all leases except for licences of intellectual property, rights held by licensing agreement within the scope of IAS 38 Intangible Assets, service concession arrangements, leases of biological assets within the scope of IAS 41 Agriculture, and leases of minerals, oil, natural gas and similar non-regenerative resources.

IFRS 16 does not result in a significant change to lessor accounting; however, for lessee accounting there is no longer a distinction between operating and finance leases.

Lessees will be required to recognise both: 1) A lease liability, measured at the present value of remaining cash flows on the lease; and 2) A right of use asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The right of use asset will amortise to the income statement over the life of the lease.

There is a recognition exemption in IFRS 16 for short-term leases and leases of low-value assets which allows the lessee to apply similar accounting as an operating lease under IAS 17.

CDC has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets including IT equipment. CDC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Additionally, CDC applies IFRS 16 on a modified retrospective basis and took advantage of the option not to restate comparative period.

The impact on adoption for the Group was an increase in property, plant and equipment of £19.8 million, and an increase in other liabilities of £16.6 million, with no material impact on retained earnings. The impact of adoption for the Company was an increase in property, plant and equipment of £18.3 million, and an increase in other liabilities of £15.9 million, with no material impact on retained earnings.

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 £m** | **2018 £m** | **2019 £m** | **2018 £m** |
| Right of use assets | **19.8** | – | **18.3** | – |
| **Total** | **19.8** | – | **18.3** | – |

## 20.Leases (continued)

Information about leases for which CDC Group is a lessee is presented below.

### Right of use assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Balance at 1 January | – | – | – | – |
| Depreciation charged for the year | 3.0 | – | 2.7 | – |
| **Balance at 31 December** | **3.0** | – | **2.7** | – |

### Lease liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Current liabilities | 2.6 | – | 2.3 | – |
| Non-current liabilities | 14.0 | – | 13.6 | – |
| **Total lease liabilities** | **16.6** | – | **15.9** | – |

During the year, total lease payments made by the Group were £3.1 million and £2.8 million by the Company.

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Interest on lease liabilities/finance costs | 0.2 | – | 0.1 | – |
| Depreciation | 3.0 | – | 2.7 | – |
| | **3.2** | – | **2.8** | – |

## 21. Contingent liabilities

The Group and the Company had the following contingent liabilities as at 31 December 2019:

+ In respect of risk participation agreements with a value of £354.3 million (2018: £246.8 million).
+ In respect of undertakings to power distributors and governments in connection with the operation of power generating subsidiaries with a maximum legal liability of £3.8 million (2018: £nil).

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

As at 31 December 2019, the expected credit loss for the risk participation agreements stands at 1.55 per cent of CDC's total exposure at risk therefore CDC takes the view that it is unlikely an outflow of resources will occur. However, CDC recognises that as a result of the Covid-19 pandemic, there is an increased likelihood of the guarantees being called upon.

## 22. Related party transactions

### Parent entity

During 2018 and 2019, the Company entered into subscription agreements with its parent entity, in respect of the issue of ordinary shares in the Company. The parent entity subscribed to the shares by issuing promissory notes for the value of the shares of £1,008.0 million in 2019 (2018: £742.0 million).

During the year the Company received £745.0 million from its parent entity in settlement of a portion of the promissory notes receivable.

As at 31 December 2019, the Company has promissory notes of £1,341.0 million (2018: £1,078.0 million) due from its parent entity. The receivable is payable on demand and without interest.

**Key management personnel**
CDC defines its key management personnel (KMP) as the members of the Executive Committee, including the Chief Executive and Chief Financial Officer. KMP are remunerated on the basis of the PremCo report outlined on pages 40 to 53. In addition to their remuneration, there are no other short or long-term benefits, post-employment benefits, termination benefits or share-based benefits given to CDC's key management personnel.

**Subsidiaries**
During the year, the Company entered into transactions with its consolidated and non-consolidated subsidiary companies.

The transactions entered into and trading balances outstanding at 31 December were as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| **Statement of comprehensive income** | | |
| Interest income | **13.3** | 11.9 |
| Management fee income | **12.3** | 11.7 |
| Management fee expense | **(9.3)** | (5.8) |
| Interest payable | **(0.1)** | (1.4) |
| **Statement of financial position** | | |
| Equity investments | **1,415.7** | 1,380.3 |
| Trade and other receivables | **16.8** | 7.6 |
| Trade and other payables | **(20.6)** | (27.4) |

## 23. Changes in accounting policies and disclosures
On 1 January 2018, the Group adopted IFRS 9 Financial Instruments for the first time. The nature and effect of these changes are disclosed below.

**IFRS 9 Financial Instruments**
IFRS 9 replaces the classification and measurement models previously contained in IAS 39 Financial Instruments.

**Recognition and measurement**
In 2018, the Group applied IFRS 9 retrospectively but did not restate comparative information. Loan investments were recognised at amortised cost  less expected credit loss in accordance with IFRS 9. The accounting for the Group's financial assets and liabilities was not materially different following the adoption of IFRS 9. IFRS 9 also contains new requirements on the application of hedge accounting; however, CDC opt not to apply hedge accounting therefore the new accounting requirements do not impact CDC's financial statements.

CDC's debt portfolio has grown in size and represents approximately 16 per cent of the total balance sheet portfolio and further growth is expected to continue in future years. CDC is required to measure and evaluate substantially all of its investments at fair value under the investment entity exemption of IFRS 10 and has changed the classification of its loan investments from amortised cost to fair value through profit and loss (FVTPL). The effect of the change in accounting policy has not had a material impact on the valuation of loan investments and the Company decided not to restate comparatives. Refer to note 4 for more information.

## 24. Subsequent events

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2019. Events after the reporting period that are indicative of conditions that arose after the reporting period do not lead to adjustment of the financial statements, but are disclosed in the event that they are material.

Since 31 December 2019 the Covid-19 pandemic has severely impacted the global economy, including those regions in which CDC operates. The uncertainties over the emergence and spread of Covid-19 have caused market volatility on a global scale. The quantum of the effect on CDC's investments is difficult to determine, however CDC is closely monitoring the situation and considering the effect it may have on the valuation of any impacted investments which could be material. CDC is closely monitoring the liquidity needs of its investee companies in order to take action should any emergency funding requirement arise. CDC also expects to see its income in 2020 impacted from a reduction in interest and increases in expected credit risk related to its loan investments.

CDC has implemented business continuity procedures, including remote working, to ensure safety of staff and to enable the business to continue to operate with minimal disruption.

In accordance with the requirements of IFRS the fair valuations at the date of the consolidated statement of financial position reflect the economic conditions in existence at that date. The next date at which a valuation of investments will be performed will be as at 31 March 2020. It is expected this will result in substantial downward pressure on the CDC investment portfolio valuations. Any losses associated with these developments will be recognised in the 2020 financial statements. At present the extent of these potential losses cannot be reliably estimated.

## 25. Summary of significant accounting policies

The accounting policy for plant and equipment is no longer specified as it is no longer material to the Group or Company.

The intangible asset comprises the purchase and development of a new investment software system. The accounting policy is not specified as it is not material to the Group or Company.

### Non-current assets

*Investments*

The Group and Company classify their loan investments, equity investments, including investments in investment entities and financial guarantees, as financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition.

### Financial assets at fair value through profit and loss

These financial assets are designated as assets held at fair value through profit and loss by management at the date of inception. FFECs are also classified as held for trading in this category unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the statement of financial position date.

The Group's fair value methodology has been derived using the International Private Equity and Venture Capital Valuation Guidelines (December 2018). This methodology is applied to direct investments and investments held within funds. The approach to calculating the fair value is as follows:

+ The enterprise value is determined for the investee company or fund using a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable assumptions and estimates.
+ The enterprise value is adjusted for surplus assets or liabilities or any other relevant factor.
+ Higher-ranking financial instruments are deducted taking into account any financial structuring that may dilute the investment holding.
+ The net attributable enterprise value is apportioned between the financial instruments held according to their ranking.
+ The amounts derived are allocated according to the holding in each financial instrument, representing their fair value.

Valuation methodologies used are as follows:

- Investments where fair value derives mainly from the underlying assets, such as funds managed by fund managers, are valued at net asset value using appropriate valuation measures for the underlying assets and liabilities.
- Quoted equity is normally valued at the quoted share price. However, in certain circumstances the quoted price may be considered to not represent fair value, for example: shares are closely held by related parties; the shares are very thinly traded and small trades lead to excessive volatility in quoted price; or substantial transactions occur at a price that is not the quoted price. Where this is considered to be the situation, an appropriate alternative methodology is used.
- Realisations in process are valued at the expected realisation proceeds, although discounts are applied to reflect the level of certainty of the transaction completion.
- If there has been a recent investment in the company, the price of the recent investment, less any impairment charge, is used to determine fair value.
- Early stage companies without positive cash flow or profit are valued using an appropriate industry benchmark if that gives a reliable estimate of fair value.
- Companies with maintainable profits or cash flows are valued on an earnings basis using an appropriate earnings multiple from companies in similar sectors and markets. The key judgements include selecting an appropriate multiple, which is derived from comparable listed companies or relevant market transaction multiples. Companies in the same geography and sector are selected and then adjusted for factors including liquidity risk, growth potential and relative performance.
- Companies in industries with specific valuation metrics are valued using those specific valuation metrics where they provide the most reliable estimate of fair value.
- Companies whose cash flows can be forecast with confidence are valued using future cash flows discounted at the appropriate risk-adjusted discount rate. This method requires management to make certain assumptions about the model inputs, including forecast cash flows, future currency exchange rates and the discount rate.
- In exceptional cases, where fair value cannot be reliably measured, the investment is valued at the previous carrying value unless there is evidence of value impairment, in which case value is reduced to reflect the extent of estimated impairment.

Gains and losses realised on disposal or redemption, by reference to the valuation at the previous statement of financial position date, and unrealised gains and losses from changes in the fair values of the equity portfolio are taken to the statement of comprehensive income.

The Group uses settlement date accounting when accounting for regular purchases or sales. When the Group becomes party to a sales contract of an equity investment, it derecognises the asset on the day ownership is transferred. Any gains or losses arising on purchases between trade and settlement date are accounted for in the statement of comprehensive income.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise either when the Group provides money to a counterparty in the form of loans with no intention of trading it, or, in the case of trade receivables and note receivables, in the normal course of business.

Loan investments are recognised at the fair value of the consideration given to originate the loan and are subsequently measured at fair value.

Fair value is determined in line with CDC's valuation policy, which is compliant with the fair value guidelines under IFRS and derived from the International Private Equity and Venture Capital (IPEV) Valuation Guidelines. Specifically, CDC classifies loans at fair value through profit and loss when they are managed, and their performance evaluated, on a fair value basis. Information about these loans is reported to management on that basis.

In determining the fair value of the loans, CDC has elected to use the discounted cash flow method. Cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment including past events, current market conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

**Guarantees**

The Group enters into risk participation agreements in return for fees. Under a risk participation agreement, the Group undertakes to meet a customer's obligations under the terms of an agreement if the customer fails to do so. The guarantees are initially recognised off-balance sheet and then subsequently measured at their expected credit loss provision.

## 25. Summary of significant accounting policies (continued)

**Forward foreign exchange contracts**
The Group and Company use FFECs as part of their asset management activities to manage exposures to foreign currency risk. The Company does not use FFECs for speculative purposes.

The fair value of the FFECs at the year-end is the difference between the agreed forward rate and the forward rate at the balance sheet date.

Gains and losses on FFECs transacted as economic hedges but not qualifying for hedge accounting are taken to the statement of comprehensive income.

**Cash and cash equivalents**
Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments, such as short-term deposits, with maturities of three months or less on initial recognition.

**Trade and notes receivable**
Trade and notes receivable are non interest-bearing and are recognised when CDC becomes a party to the contractual provision of the instrument. They are initially measured at fair value and subsequently at amortised costs less provision for impairment.

**Impairment of assets**
The carrying amounts of assets, other than deferred tax assets, financial instruments and retirement benefit assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment.

If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of the Group's assets is the greater of their fair value less costs to sell and value in use, calculated as the present value of expected future cash flows. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of all assets is reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements include trade receivables, contract assets recognised and measured under IFRS 15 and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on CDC first identifying a credit loss event. Instead CDC considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

+ financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
+ financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

A '12-month expected credit loss' is recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Financial liabilities**
Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, contractual obligations, excluding FFECs, to deliver cash or another financial asset to another entity are measured at amortised cost using the effective interest method.

**Provisions, contingent liabilities and contingent assets**
Provisions are recognised if there is a present obligation, whether legal or constructive, which has arisen as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability.

Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

**Income**
Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

*Dividends*
Dividend income is recognised when the right to receive payment is established. Where the right to receive a dividend is in doubt, dividends are recorded on the date of receipt.

*Interest*
The interest on a loan investment and guarantees is recognised on a time apportioned basis so as to reflect the effective yield on the loan. Where there is objective evidence of loss of value or inability to collect loan interest, for example where loan interest remains unpaid after 90 days, a provision is recognised.

Fees and commission income that are an integral part of the effective interest rate of a financial instrument, such as a loan instrument, are recognised as an adjustment to the effective interest rate.

*Management fee income*
A fixed percentage management fee is earned for providing asset management services to subsidiaries. These fees are recognised as revenue each period in accordance with the terms of the agreements.

**Employee benefits**
The Company operates a funded defined benefit pension scheme in the UK, called the CDC Pensions Scheme, for staff who entered service prior to 1 April 2000. There is a defined contribution section for subsequent entrants.

The CDC Pensions Scheme is funded by the payment of contributions to a separately administered trust fund. The cost of providing benefits under the Company's funded defined benefit plan is determined using the projected unit credit actuarial valuation method, with actuarial valuations being carried out triennially.

The costs of providing defined contribution pensions are charged to the statement of comprehensive income as they become payable.

The cost of the performance related compensation programme (LTDPP) is charged to the statement of comprehensive income in the year to which the award relates. In the prior year, the cost of the LTDPP was accrued across the lifetime of the scheme. See note 1 for more details.

**Income tax**
The CDC Act 1999 provided the Company with exemption from UK corporation tax with effect from 1 May 2003. This does not affect overseas taxation of the Company or of its subsidiaries.

Current tax is recognised as income or expense and is included in the net profit for the year, unless it relates to a transaction or event which is recognised directly in equity, whereupon the current tax is charged or credited to equity accordingly.

Current and deferred tax assets and liabilities are offset only when they arise from the same tax reporting group and relate to the same tax authority and when the legal right to offset exists.

## 25. Summary of significant accounting policies (continued)

Current and deferred taxes are recognised as a tax credit or expense in the year in which they arise except for deferred taxes recognised or disposed of upon the acquisition or disposal of a subsidiary.

Some dividend and interest income received is subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as a tax expense.

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantially enacted at the statement of financial position date.

Deferred tax assets are recognised only to the extent that the Directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

**Operating leases**

IFRS 16 Leases, which replaced IAS 17 Leases, was applied effective from 1 January 2019.

IFRS 16 applies to all leases except for licences of intellectual property, rights held by licensing agreement within the scope of IAS 38 Intangible Assets, service concession arrangements, leases of biological assets within the scope of IAS 41 Agriculture, and leases of minerals, oil, natural gas and similar non-regenerative resources. Refer to note 20 for more details.

**Operating segments**

IFRS 8 Operating Segments requires an entity to present segment information on the same basis as the financial information which is reviewed regularly by management to assess performance. The information set out in note 2 presents the summarised financial information in order to explain more fully CDC's investment activities, together with the financial results that are presented under IFRS in which CDC consolidates all non-investment subsidiaries.

**New and revised IFRS Standards in issue but not yet effective**

The accounting policies set out in these financial statements have been applied consistently to all periods presented.

The following standards are issued but not yet effective, and have not been applied to these financial statements. The Group intends to adopt these standards when they become effective. These are not expected to have any material impact on the Group's financial statements:

+ IFRS 17 Insurance Contracts. IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard is currently effective from 1 January 2021 and has not yet been endorsed by the EU. CDC Group will assess the expected impact of adopting this standard and it is expected not to have any material impact to the Group.
+ Amendments to IFRS 3 Definition of Business.
+ Amendments to References to the Conceptual Framework in IFRS Standards.
+ Amendments to IAS 1 and IAS 8 Definition of Material.
+ Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark reform.
+ Amendments to IAS 1 Classification of liabilities as Current or Non-Current.
+ Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

## 26. Related undertakings

The principal subsidiaries of CDC at the end of the year and the percentage of equity capital are set out below.

### Subsidiaries consolidated

| Company and registered address | Class of share | Percentage held by CDC | Principal activities |
|---|---|---|---|
| **CDC India Advisers Private Limited^**<br>Prestige Blue Chip, Block 2, No9, Hosur Road, Koramangala, Bengalaru, Karnataka – 560029, India | Ordinary | 100.0 | Investment advisory |
| **CDC Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment advisory |
| **CDC East Africa Advisers Limited**<br>Suite E19, 2nd Floor West Wing, ICEA Lion Centre, Riverside Park, Waiyaki Way, Nairobi, Kenya | Ordinary | 100.0 | Investment advisory |
| **CDC West Africa Investments Limited**<br>St Nicholas House, 10th Floor, Catholic Mission Street, Lagos, Nigeria | Ordinary | 100.0 | Investment advisory |
| **Dayton Advisers Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment advisory |
| **Development Corporation Pakistan Advisers (Private) Limited**<br>1st Floor, Modern Motors House, Beaumont Road, Karachi 75530, South Sindh, Pakistan | Ordinary | 100.0 | Investment advisory |
| **CDC Bangladesh Advisers (Private) Ltd**<br>Chamber Building (2nd Floor), 122-124 Motijheel C.A, Dhaka-1000, Bangladesh | Ordinary | 100.0 | Investment advisory |

^ Directly held by the Company.

### Subsidiaries not consolidated

| Company<br>Registered address and principal place of business | Class of share | Percentage held by CDC | Principal activities | Currency | Profit/(loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|---|
| **Africa Power Group Limited**<br>1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL | Ordinary | 100.0 | Investment holding | USD | 57.7 | 187.1 |
| **Africa Power XF Limited**<br>1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL | Ordinary | 100.0 | Investment holding | USD | – | – |
| **CDC Africa Cement Limited**<br>1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL | Ordinary | 100.0 | Investment holding | USD | (0.1) | (143.2) |
| **CDC Africa Power Limited**<br>c/o IQ EQ Corporate Services (Mauritius) Ltd, Cascades Building, Edith Cavell Street, Port Louis, Republic of Mauritius | Ordinary | 100.0 | Investment holding | USD | 7.3 | 87.0 |
| **CDC Asset Management Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Dormant company | GBP | – | – |
| **CDC Capital for Development Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Dormant company | GBP | – | – |
| **CDC Emerging Markets Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment holding | USD | 0.1 | 17.9 |
| **CDC Financial Services (Mauritius) Limited^**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 100.0 | Investment holding | GBP | 0.2 | 13.4 |
| **CDC Funds Management Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Dormant company | GBP | – | – |

## 26. Related undertakings (continued)

| Company<br>Registered address and principal place of business | Class of share | Percentage held by CDC | Principal activities | Currency | Profit/(loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|---|
| **CDC Holdings Guernsey Limited^ x**<br>1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL | Ordinary | 100.0 | Investment holding | USD | 49.3 | 384.6 |
| **CDC India Investments Private Limited^**<br>Unit 804, 8th Floor, B Wing, The Capital, G Block, Bandra Kurla, Complex, Bandra, Mumbai, Maharashtra, India, 400051 | Ordinary | 100.0 | Investment holding | INR | – | – |
| **CDC India Opportunities Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment holding | USD | (5.9) | (2.3) |
| **CDC Investment Holdings Limited^**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 100.0 | Investment holding | GBP | – | 3.6 |
| **CDC Nepal Opportunities Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment holding | USD | (5.9) | (2.3) |
| **CDC Overseas Holdings Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment holding | GBP | – | – |
| **CDC Pakistan Power Limited**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 100.0 | Investment holding | USD | – | – |
| **CDC Pakistan Power Projects Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment holding | USD | 3.6 | 4.6 |
| **CDC PTL Holdings Limited**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 62.0 | In liquidation | USD | – | – |
| **CDC Scots GP Limited^**<br>50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ | Ordinary | 100.0 | Investment holding | USD | – | – |
| **CDC Scots LP^**<br>50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ | Partnership interest | 100.0 | Investment holding | USD | (6.6) | 59.1 |
| **CDC South Asia Limited^**<br>c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 100.0 | Investment holding | USD | – | 0.5 |
| **CDC South Asia Renewables Limited^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Investment holding | USD | (0.1) | 2.3 |
| **Dayton Investments Limited^**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 51.0 | Investment holding | USD | (7.5) | 123.8 |
| **Globeleq Limited**<br>Second Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WW | Ordinary | 70.0 | Operating holding company | USD | (15.9) | 468.5 |
| **Gridworks Development Partners LLP^**<br>123 Victoria Street, London, England, SW1E 6DE | Partnership interest | 100.0 | Investment holding | USD | (2.3) | 0.7 |
| **MedAccess Guarantee Limited (Previously CFAM Limited)^**<br>123 Victoria Street, London, England, SW1E 6DE | Ordinary | 100.0 | Operating company | USD | 3.1 | 202.8 |
| **Middle East Foods and Trade Company SAE**<br>6 of October City, Cairo, Egypt | Ordinary | 65.0 | In liquidation | USD | – | – |
| **North African Foods Limited**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 100.0 | Investment holding | USD | – | – |
| **Pan African Holdings Limited^**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary | 100.0 | Investment holding | GBP | – | 3.2 |

| Company<br>Registered address and principal place of business | Class of share | Percentage held by CDC | Principal activities | Currency | Profit/(loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|---|
| **Sinndar Holdings Limited**<br>1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL | Ordinary | 100.0 | Investment holding | USD | 7.2 | 26.9 |

* Profit/(loss) for the year and aggregate capital and reserves for the subsidiary as at the end of its relevant financial year.
^ Directly held by the Company.
x CDC Holdings Guernsey Limited is the borrower of record for the committed standby US$600m Revolving Credit Facility (RCF). The assets of CDC Holdings Guernsey will be used as security should there be any drawings under the RCF. With CDC Group plc being exempt from UK corporation tax there is no tax advantage to be gained from this company being incorporated in Guernsey.

These subsidiaries are not consolidated due to the application of IFRS 10 and are carried at fair value through profit and loss. There are no restrictions on the ability of the unconsolidated subsidiaries to transfer cash to CDC. There are no contractual arrangements that require CDC to provide financial support to the unconsolidated subsidiaries. CDC has not provided any non-contractual assistance to any of the unconsolidated subsidiaries during the reporting year.

Under section 409 of the Companies Act 2006, CDC is required to disclose specified details of all its related undertakings including significant holdings. The significant holdings in undertakings of CDC are equity investments including funds, carried at fair value through profit and loss, in which CDC's holding amounts to 20 per cent or more of the nominal value of any class of shares in the undertaking. CDC's holdings operate across several sectors including infrastructure, financial services, health and education, trade, communications, agribusiness, microfinance, business services, manufacturing, construction and real estate, and mineral extraction.

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

| Company<br>Registered address | Class of share | Percentage held by CDC | Currency | Profit/(loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **A4C S Feeder LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 100.0 | USD | 1.90 | 27.80 |
| **Actis Africa Real Estate Fund LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 100.0 | USD | (3.5) | 5.9 |
| **Actis Energy 3C Sub-Feeder LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 100.0 | USD | 7.8 | 35.6 |
| **Advent Latin America Private Equity Fund IV LP**<br>75 State Street, Boston, MA 02109, USA | Partnership interest | 100.0 | USD | (0.1) | 4.6 |
| **Pragati India Fund Limited**<br>4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius | Ordinary shares | 99.0 | USD | (0.1) | 21.8 |
| **Qiming Venture Partners II LP**<br>PO Box 309GT, Ugland House, George Town, Grand Cayman, Cayman Islands | Partnership interest | 98.9 | USD | (23.7) | 74.8 |
| **Actis Africa Fund 2 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 93.0 | USD | – | – |
| **Happy Travel Rolling Investors LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 92.1 | USD | – | – |
| **Kotak India Affordable Housing Fund**<br>27 BKC, 7th Floor, Plot No C-27, Bandra Kurla Complex, Bandra, Mumbai – 400051, India | Units | 90.9 | INR | – | 1,149.0 |
| **Actis South Asia Fund 2 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 90.7 | USD | – | – |
| **Actis Infrastructure 2 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 83.8 | USD | (0.3) | 0.3 |

## 26. Related undertakings (continued)

| Company<br>Registered address | Class of share | Percentage held by CDC | Currency | Profit/(loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **Momentum Africa Real Estate Parallel Company**<br>Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius | Ordinary shares | 83.3 | USD | – | – |
| **Actis Latin America 3 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 75.5 | USD | 3.4 | 36.2 |
| **Kotak India Private Equity Fund III**<br>10th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius | Ordinary shares | 75.0 | USD | 0.9 | 26.4 |
| **Actis ASEAN Fund LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 69.2 | USD | – | – |
| **Aureos China Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 54.8 | USD | – | – |
| **Altra Private Equity Fund I LP**<br>PO Box 1040, 2nd Floor, Harbour Centre, North Church Street, Grand Cayman, KY1-1102, Cayman Islands | Partnership interest | 53.9 | USD | (0.1) | 8.9 |
| **Actis China 3 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 51.0 | USD | (2.2) | 1.0 |
| **Aavishkaar Goodwell India Microfinance Development Company II Limited**<br>Level 6, One Cathedral Square, Jules Koenig Street, Port Louis, Mauritius | Ordinary shares | 49.7 | USD | ^ | ^ |
| **InFrontier AF LP**<br>695 High Road, Galla House, London, N12 0BT | Partnership interest | 49.5 | USD | ^ | ^ |
| **Takura II**<br>African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe | Partnership interest | 49.5 | USD | ^ | ^ |
| **Kendall Court Mezzanine (Asia) Bristol Merit Fund LP**<br>PO Box 709GT, 122 Mary Street, Grand Cayman, Cayman Islands | Partnership interest | 49.2 | USD | ^ | ^ |
| **14 Trees Limited**<br>c/o Holcim Group Services Ltd, im Schachen, 5113 Holderbank, AG, Switzerland | Ordinary shares | 49.0 | CHF | ^ | ^ |
| **Kamponji Enterprises Limited**<br>Proto Feeds Building, Robert Mugabe Highway, Limbe, Blantyre, Malawi | Ordinary shares | 49.0 | USD | ^ | ^ |
| **Pan African Housing Fund LLC**<br>Suite 510, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius | Ordinary shares | 47.7 | USD | ^ | ^ |
| **Kotak India Private Equity Fund Limited**<br>Suite 2005, Level 2, Alexander House, 35 Cybercity, Ebene, Mauritius | Ordinary shares | 47.3 | USD | ^ | ^ |
| **Zephyr Power (PVT.) Limited**<br>68-B, Sindhi Muslim Housing Society, Karachi 74400, Pakistan | Ordinary shares | 46.7 | USD | ^ | ^ |
| **Actis Africa Real Estate Fund 2 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 46.6 | USD | ^ | ^ |
| **APF-II India Holdings Private Limited**<br>Unit 2, 4B, 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius | Ordinary shares | 45.8 | USD | ^ | ^ |
| **Insitor Impact Asia Fund Private Limited**<br>6 Temasek Boulevard, #09-05, Suntec Tower Four, Singapore 038986 | Partnership interest | 45.2 | USD | ^ | ^ |
| **Aavishkaar Emerging India Fund**<br>GFin Corporate Services Ltd, Level 6, GFin Tower, 42 Hotel Street, Cybercity, Ebène 72201, Mauritius | Ordinary shares | 44.6 | USD | ^ | ^ |

| Company<br>Registered address | Class of share | Percentage held by CDC | Currency | Profit/(loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **Dynamic India Fund S4 I**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Ordinary shares | 44.4 | USD | ^ | ^ |
| **APF-I (Mauritius) Limited**<br>33 Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 43.7 | USD | ^ | ^ |
| **Africa Logistics Properties**<br>Crossinvest Global Management Limited, Avenue Geranium and Reservoir Road, Suite 011, Grand Baia Business Park, Grand Baie, Mauritius | Ordinary shares | 42.0 | USD | ^ | ^ |
| **Feronia Inc**<br>181 Bay Street, Suite 1800, Toronto, Ontario, Canada, M5J 2T9 | Ordinary shares | 41.9 | USD | ^ | ^ |
| **ARM Cement Limited**<br>L.R. No. 209/7417/2 Chiromo Road, Westlands, Nairobi, Kenya | Ordinary shares | 41.7 | USD | ^ | ^ |
| **Fibonacci India Fund Co Limited**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Ordinary shares | 41.4 | USD | ^ | ^ |
| **Aureos South Asia Fund (Holdings) LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 41.2 | USD | ^ | ^ |
| **Actis China Fund 2 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 40.0 | USD | ^ | ^ |
| **Aureos Malaysia Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 40.0 | USD | ^ | ^ |
| **Bujagali Holding Power Company Limited**<br>Plot No. 108/112, 5th Street, Industrial Are, Kampala, Uganda | Ordinary shares and redeemable preference shares | 37.4 | USD | ^ | ^ |
| **ShoreCap III**<br>c/o SGG Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 37.0 | USD | ^ | ^ |
| **Africa Forestry Fund II**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Ordinary shares | 36.9 | USD | ^ | ^ |
| **Ascent India Fund IV**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Ordinary shares | 36.8 | USD | ^ | ^ |
| **Africa Capitalworks**<br>Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius | Ordinary shares | 36.4 | USD | ^ | ^ |
| **DI Frontier Market Energy & Carbon Fund**<br>c/o Bech-Brunn Law Firm, Langelinie Alle 35, 2100 Copenhagen, Denmark | Partnership interest | 36.4 | EUR | ^ | ^ |
| **VenturEast Proactive Fund II LLC**<br>St Louis Business Centre, Cnr Desroches & St. Louis Streets, Port Louis, Mauritius | Ordinary shares | 36.2 | USD | ^ | ^ |
| **Actis Sunrise Development Limited**<br>c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 36.0 | USD | ^ | ^ |
| **Adlevo Capital Africa LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 35.4 | USD | ^ | ^ |
| **Actis Africa 3 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 35.3 | USD | ^ | ^ |

## 26. Related undertakings (continued)

| Company<br>Registered address | Class of share | Percentage held by CDC | Currency | Profit/ (loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **Faering Capital Fund III**<br>95, Maker Chambers III, Nariman Point,<br>Mumbai 400 021, India | Ordinary shares | 35.2 | USD | ^ | ^ |
| **Saratoga Asia II LP**<br>c/o Walkers SPV Limited, Walkers House, 87 Mary Street,<br>Grand Cayman KY 1-9002, Cayman Islands | Partnership interest | 35.2 | USD | ^ | ^ |
| **Manipal**<br>c/o CIM Corporate Services Ltd, Les Cascades Building,<br>33 Edith Cavell Street, Port Louis, Mauritius | Ordinary shares & preference shares | 35.0 | USD | ^ | ^ |
| **Healthcare Global (Africa)**<br>HCG Tower, No 8 P. Kalinga Rao Road,<br>Sampangi Rama Nagar, Bangalore, India | Preference shares | 33.9 | USD | ^ | ^ |
| **GEMS Africa Limited**<br>1st Floor, Jeep Showroom Building, Sheikh Zayed Road,<br>Dubai, UAE | Ordinary shares and shareholder loan | 33.4 | USD | ^ | ^ |
| **Amicus Capital Partners Private Equity I**<br>Villa 188, Adarsh Palm Retreat, Outer Ring Road,<br>Devarabisanahalli, Bangalore 560103, India | Ordinary shares | 32.5 | USD | ^ | ^ |
| **Sawari Ventures Fund I**<br>Jan van Goyenkade 8, 1075 HP Amsterdam, Netherlands | Ordinary shares | 31.7 | USD | ^ | ^ |
| **Solon Capital Holdings**<br>c/o Trident Trust Company (Mauritius) Limited, 5th Floor,<br>Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius | Ordinary shares | 31.4 | USD | ^ | ^ |
| **Rainbow Children's Medicare Private Limited**<br>22, Road No 4, Banjara Hills, Hyderabad 500 034, India | Ordinary shares and compulsory convertible preference shares | 31.4 | INR | ^ | ^ |
| **GEF Africa Sustainable Forestry Fund LP**<br>5471 Wisconsin Avenue, Suite 300, Chevy Chase, MD, 20815, USA | Partnership interest | 31.2 | USD | ^ | ^ |
| **Pembani Remgro Infrastructure Mauritius Fund I LP**<br>c/o Augentius Fund Administration (Mauritius) Limited,<br>Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius | Partnership interest | 31.1 | USD | ^ | ^ |
| **Garden City**<br>c/o International Management (Mauritius) Limited, Les<br>Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 31.0 | USD | ^ | ^ |
| **CardinalStone Capital Advisers Growth Fund**<br>5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis,<br>Mauritius | Partnership interest | 30.9 | USD | ^ | ^ |
| **JS Private Equity Fund I LLC**<br>Level 6, One Cathedral Square, Jules Koenig Street,<br>Port Louis, Mauritius | Partnership interest | 30.8 | USD | ^ | ^ |
| **Actis India Fund 2 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 30.7 | USD | ^ | ^ |
| **Injaro Agricultural Capital Holdings Limited**<br>c/o CKLB International Management Ltd, 1st Floor,<br>24 Dr Joseph Rivière Street, Port Louis, Mauritius | Ordinary shares | 30.5 | USD | ^ | ^ |
| **Regional Education Finance Fund for Africa**<br>2, rue d'Alsace, L-1122 Luxembourg | Ordinary shares | 30.2 | USD | ^ | ^ |
| **Kendall Court Mezzanine (Asia) Fund 1 LP**<br>PO Box 709 GT, 122 Mary Street, Zephyr House,<br>Grand Cayman, Cayman Islands | Partnership interest | 29.7 | USD | ^ | ^ |
| **Anthem Asia SME Venture Fund**<br>1 Raffles Place, 13-01 One Raffles Place, Tower 1, Singapore | Partnership interest | 29.0 | USD | ^ | ^ |

| Company<br>Registered address | Class of share | Percentage held by CDC | Currency | Profit/ (loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **The Sierra Investment Fund**<br>5th Floor, Barkly Wharf, La Caudan Waterfront, Port Louis, Mauritius | Ordinary shares | 28.9 | USD | ^ | ^ |
| **Aureos South East Asia Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 28.6 | USD | ^ | ^ |
| **Energy Access Ventures Fund**<br>7 Boulevard Malesherbes, 75008 Paris, France | Units | 28.6 | EUR | ^ | ^ |
| **Aureos Central Asia Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 28.5 | USD | ^ | ^ |
| **Aureos Latin America Fund I LP**<br>100 King Street West 1600, Toronto, Ontario, Canada M5X 1G5 | Ordinary shares | 28.3 | USD | ^ | ^ |
| **Jacoma Estates Limited**<br>Hyde Park House, 5 Manfred Road, London, SW15 2RS | Preference shares | 28.0 | USD | ^ | ^ |
| **Veritas Finance Private Limited**<br>S15, 2nd Floor, Economist House, Thiru Vi Ka Industrial Estate, Guindy, Chennai 600032, Tamil Nadu, India | Ordinary shares | 28.0 | INR | ^ | ^ |
| **Abraaj Pakistan Fund I LP**<br>Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands | Partnership interest | 27.5 | USD | ^ | ^ |
| **Atlantic Coast Regional Fund LLC**<br>c/o Abax Corporate Services, Level 6, One Cathedral Square, Jules Koeing Street, Port Louis, Mauritius | Ordinary shares | 27.3 | USD | ^ | ^ |
| **BTS India Private Equity Fund**<br>4th Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 27.2 | USD | ^ | ^ |
| **International Finance Participation Trust (Cayman 2004)**<br>PO Box 32322SM, Century Yard, Cricket Square, Grand Cayman, Cayman Islands | Units | 27.0 | USD | ^ | ^ |
| **Growth Catalyst Partners LLC**<br>33 Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 26.9 | USD | ^ | ^ |
| **Aavishkaar India II Company Limited**<br>608 St James Court, St Denis Street, Port Louis, Mauritius | Ordinary shares | 26.6 | USD | ^ | ^ |
| **Ethos Private Equity Fund V**<br>26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands | Partnership interest | 26.5 | USD | ^ | ^ |
| **Capital Alliance Property Investment Company LP**<br>c/o Caledonian Trust (Cayman) Limited, 69 Dr. Roy's Drive, George Town, Grand Cayman, Cayman Islands KY1-1102 | Partnership interest | 26.2 | USD | ^ | ^ |
| **Actis Umbrella Fund LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 26.1 | USD | ^ | ^ |
| **Aureos West Africa Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 26.0 | USD | ^ | ^ |
| **Aureos Southern Africa Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 25.1 | USD | ^ | ^ |
| **Progression Eastern African Microfinance Equity Fund**<br>c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 24.9 | USD | ^ | ^ |
| **India Infrastructure Fund (Singapore) Private Limited**<br>#04-02 112 Robinson Road, Singapore, 068902 | Ordinary shares | 24.8 | USD | ^ | ^ |

## 26. Related undertakings (continued)

| Company<br>Registered address | Class of share | Percentage held by CDC | Currency | Profit/(loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **Takura III**<br>African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe | Partnership interest | 24.8 | USD | ^ | ^ |
| **Frontier Bangladesh II LP**<br>PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands | Partnership interest | 24.5 | USD | ^ | ^ |
| **VenturEast Life Fund III**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Preference shares | 24.5 | INR | ^ | ^ |
| **Ethos Mezzanine Partners III**<br>26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands | Partnership interest | 24.3 | USD | ^ | ^ |
| **Seedfund2 International**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Ordinary shares | 24.2 | USD | ^ | ^ |
| **Emerge Central America Growth Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 23.8 | USD | ^ | ^ |
| **Kula Fund II Limited**<br>c/o Ridgeway Blake Lawyers, First Rank Building, Rue Emile Mercet, Port Vila, Vanuatu | Ordinary shares | 23.8 | USD | ^ | ^ |
| **Myanmar Opportunities Fund II**<br>c/o PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands | Partnership interest | 22.8 | USD | ^ | ^ |
| **CX Partners Fund II**<br>22 Saint Georges Street, Port Louis, Mauritius | Ordinary shares | 22.8 | USD | ^ | ^ |
| **Sahel Capital – FAFIN**<br>c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius | Ordinary shares | 22.8 | USD | ^ | ^ |
| **Sarva Capital LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 22.7 | USD | ^ | ^ |
| **Central Africa Growth Sicar SA**<br>16 Boulevard Royal, L-2449 Luxembourg | Ordinary shares | 22.5 | EUR | ^ | ^ |
| **India Financial Inclusion Fund**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 22.5 | USD | ^ | ^ |
| **Ventureast Proactive Fund LLC**<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius | Ordinary shares | 22.2 | USD | ^ | ^ |
| **Blue Sapphire Healthcares Private Limited**<br>152, Mandakini Enclave, Alaknanda, Dehli – 110019, India | Ordinary shares | 21.0 | USD | ^ | ^ |
| **Novastar Ventures Africa Fund II**<br>c/o Apex Fund Services Ltd, 4th Floor, 19 Bank Street, Cybercity, Ebene 72201, Mauritius | Partnership interest | 20.7 | USD | ^ | ^ |
| **Africa Food Security Fund I**<br>c/o SGG Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, Mauritius | Partnership interest | 20.4 | USD | ^ | ^ |
| **Investec Africa Credit Opportunities Fund**<br>Glategny Court, Glategny Esplande, St Peter Port, Guernsey, GY1 1WY | Participating shares | 20.2 | USD | ^ | ^ |
| **Miro Forestry Developments Limited**<br>The St Botolph Building, 138 Houndsditch, London, EC3A 7AR | Ordinary shares | 20.2 | USD | ^ | ^ |
| **African Infrastructure Investment Fund III**<br>Colinton House, 1 Oakdale Road, Newlands, 7700, Cape Town, South Africa | Partnership interest | 20.1 | USD | ^ | ^ |

| Company<br>Registered address | Class of share | Percentage held by CDC | Currency | Profit/(loss) for the year* LCY'000 | Aggregate capital and reserves* LCY'000 |
|---|---|---|---|---|---|
| **Actis India 3 LP**<br>2 More London Riverside, London, SE1 2JT | Partnership interest | 20.0 | USD | ^ | ^ |
| **Africa Improved Foods (Holding) BV**<br>Het Overloon 1, 6411 TE Heerlen, The Netherlands | Ordinary shares | 20.0 | USD | ^ | ^ |
| **African Rivers Fund**<br>c/o Abax Corporate Services Ltd, 6th Floor, Tower A1, Cybercity, Ebene, Mauritius | Ordinary shares | 20.0 | USD | ^ | ^ |
| **Aureos East Africa Fund LLC**<br>Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius | Ordinary shares | 20.0 | USD | ^ | ^ |
| **India Agribusiness Fund II Limited**<br>5th Floor, Ebene Esplanade 24 Cybercity Ebene, Mauritius | Ordinary shares | 20.0 | USD | ^ | ^ |
| **UNIC Online Limited**<br>4 Inomenon Ethnon, Anastasia Building Floor 3, 6042, Larnaca, Cyprus | Ordinary shares | 20.0 | EUR | ^ | ^ |

* Profit/(loss) for the year and aggregate capital and reserves for the significant holding as at the end of its relevant financial year.
^ Information not required as CDC Group plc's holding is less than 50 per cent and undertaking's financial information is not published.

**CDC Group plc**
123 Victoria Street
London SW1E 6DE
T +44 (0)20 7963 4700
F +44 (0)20 7963 4750
enquiries@cdcgroup.com
www.cdcgroup.com
Registered in England No 3877777
VAT registration number 190 7041 19

luminous
Consultancy, design and production
**www.luminous.co.uk**

CDC
Investment works

UK Government

CDC Group plc
123 Victoria Street
London SW1E 6DE
United Kingdom

T +44 (0)20 7963 4700
E enquiries@cdcgroup.com

**cdcgroup.com**

CDC is wholly owned
by the UK Government



@CDCGroup

CDC Group plc