

CDC Group plc  
Board of Directors  
123 Victoria Street  
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United Kingdom

**Subject: Assurance of CDC's use of the Development Impact Grid in 2013**

Haarlem, April 30<sup>th</sup>, 2014

Dear Members of the Board,

As per your request we herewith provide you with the annual assurance of CDC's use of the Development Impact Grid ("DI Grid") in 2013 for its direct and indirect investments to which it applies.

The assurance covers two aspects:

1. Is the information provided by CDC consistent with publicly available information?
2. Has the DI score been calculated according to the DI Grid manual?

The assurance process was as follows:

1. We received an Excel-based overview from the CDC Development Impact team ("DI team") of all investments in 2013 to which the DI Grid applies. This overview was accompanied by Development Impact score ("DI score") calculation sheets, investment papers and fund reports ("background documents");
2. We checked (i) whether the information provided in the overview and background documents was compatible with public sources; (ii) if the DI scores were sufficiently verifiable based on the background documents provided by CDC; and (iii) if the DI scores were calculated and assigned according to the DI Grid manual;
3. We requested and received additional information for eight investment cases;
4. We had phone calls with investment officers for two investments to better understand the investment and DI score calculation;
5. We drafted this assurance letter outlining our findings.

Our assessment can be summarised as follows:

Number of invested companies / projects	24	100.0%
Number of requests for additional information	8	33.3%
Of these 8 cases: differences with CDC opinion	3	12.5%

We confirm that CDC invested in 2013 in accordance with the requirements of the Development Impact Target as set out in the CDC Group plc Investment Policy. After this assurance process, the new weighted average DI score for CDC's USD 161.3m total investment amount in 2013 is 2.98. Due to three changes in DI scores, this is slightly lower than the 3.00 score that CDC submitted for assurance. In 2012 this weighted average DI score was 2.92 and over 2012 and 2013 combined it is 2.96. This is well

above the aggregate (weighted average) DI score minimum target of 2.40 as set out in the Investment Policy.

The vast majority of the Development Impact ("DI") scores were appropriately calculated and sufficiently verifiable. For eight investments additional information was requested in order to adequately assure the DI score. These eight cases are summarised below. In two out of these eight cases the assurance process led to a different final DI score and in one case we cannot verify all elements of the DI score yet.

1. Indirect equity investment in Electronic Payments and Services (EPS) (through Aavishkaar Goodwell Fund)
  - a. Investment Difficulty: India (D)
  - b. Development Impact of Sector: Low
  - c. DI score assigned by CDC: 2.00
  - d. DI Grid manual followed: Yes
  - e. Difference with CDC Opinion: Yes  
(CDC and Steward Redqueen agreed on a new DI score)
  - f. Final DI score: 1.00
  - g. Comments: EPS was categorised as microfinance, but the company provides payment services. It therefore should be categorised as financial services rather than microfinance. This changed the DI score from 2.0 to 1.0. CDC agreed with the adapted score.
2. Indirect equity investment in Swarna (through Aavishkaar Goodwell Fund)
  - a. Investment Difficulty: Various states in India (one A, one C and one D)
  - b. Development Impact of Sector: High
  - c. DI score assigned by CDC: 2.75
  - d. DI Grid manual followed: No, because the appropriate weighing variable was not used.
  - e. Difference with CDC opinion: Yes  
(CDC and Steward Redqueen agreed on a new DI score)
  - f. Final DI score: 2.48
  - g. Comments: The DI score was based on an equal division of the invested amount over the states where Swarna has a presence. We requested CDC to base the score on Assets under Management (AUM) per state, as indicated in the manual. As a consequence CDC proposed a lower DI score with which we agree.
3. Indirect investment in Teamwork Arts (through Ambit Pragma Fund II)
  - a. Investment Difficulty: Various states in India (four A, one C and four D)
  - b. Development Impact of Sector: Low
  - c. DI score assigned by CDC: 2.73
  - d. DI Grid manual followed: No, because the manual does not provide specific guidance for cases where there is substantial non-permanent employment involved. Specific guidance will be developed by CDC.
  - e. Difference with CDC Opinion: Yes, but the final DI score is not clear yet  
(During the assurance process CDC found an error in the calculation and consequently proposed a lower, provisional DI score pending our information request – see below for details.)

- f. Provisional DI Score: 2.45
  - g. Comments: Teamwork Arts is a company that organises several multi-day events throughout India, which are focused on visual arts. The events have an impact on local economies as they generate local (indirect) employment by attracting large crowds and much economic activity. We positively verified whether the events had a sustainable, multi-year character. Therefore, we agree with CDC's general approach in this complicated case. However, based on the current information, we cannot verify all aspects of the DI score because the division of employment between the permanent and non-permanent (event) locations is not fully clear yet. CDC is engaging with the fund manager to get more detailed information in order to propose a final DI score for us to verify.
4. Indirect equity investment in Mentor Management (through Actis Africa Real Estate Fund 2)
    - a. Investment Difficulty: Kenya (B)
    - b. Development Impact of Sector: Low
    - c. DI score: 2.00
    - d. DI Grid manual followed: Yes
    - e. Difference with CDC Opinion: No
    - f. Comments: We assumed Mentor Management was the management company of Garden City, a construction project, but this was insufficiently verifiable based on received materials. CDC confirmed this and sent the appropriate background documentation as proof.
  5. Indirect equity investment in Arohan (through Aavishkaar Goodwill Fund)
    - a. Investment Difficulty: A (three category A states in India)
    - b. Development Impact of Sector: High
    - c. DI score: 4.00
    - d. DI Grid manual followed: Yes
    - e. Difference with CDC Opinion: No
    - f. Comments: The received material indicated that Arohan only has a presence in West Bengal. However, Arohan also has exposure to Bihar and Assam (and has plans on moving into other states). These additional states do not change the overall DI score, as all states are category A.
  6. Direct investment in senior listed non-convertible debentures in AU Financiers
    - a. Investment Difficulty: Various states in India (three A and five D)
    - b. Development Impact of Sector: Low / High (the A states have high impact for financial services, the five D states have low impact)
    - c. DI score: 2.62
    - d. DI Grid manual followed: Yes
    - e. Difference with CDC Opinion: No
    - f. Comments: There were three small mistakes in the DI score calculation, but these did not have a material effect on the final score due to small exposure to the Indian states involved.
  7. Direct investment in Green Infra
    - a. Investment Difficulty: Various states in India (one A, one C and three D)

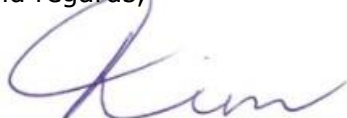
- b. Development Impact of Sector: High
- c. DI score: 2.90
- d. DI Grid manual followed: Yes
- e. Difference with CDC Opinion: No
- f. Comments: Upon our request we received an updated calculation sheet which showed that the calculation methodology was appropriately based on the projects' capacity (in megawatt) per state.

8. Direct investment in Jabong

- a. Investment Difficulty: 26 states in India
- b. Development Impact of Sector: High
- c. DI score: 2.25
- d. DI Grid manual followed: Partly. Although the suggested methodology in the Grid manual was largely followed, full application would have been too data intensive and cumbersome for India. A more pragmatic solution was found with which we agree.
- e. Difference with CDC Opinion: No
- f. Comments: As Jabong is a wholesaler of lifestyle products and operator of e-commerce platforms, its development impact depends on the percentage of procurement from geographies with a higher or equal DI score. This would require knowledge of the procurement of Jabong from each one of the Indian states, which was not available. A study by management consultant Technopak, however, showed that 85% of Jabong's procurement is from within India. We therefore agree with the 'high' sector development impact score assumed by CDC (the threshold for a 'high' score is a minimum of 60% procurement from geographies with a higher or equal DI score).

CDC has been forthcoming in supplying extra information and discussing specific investments. Questions regarding the investment case, development impact and DI score were resolved through email and telephone conversations and differences of opinion were adequately reconciled.

Kind regards,



René Kim  
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