CDC

Growing in ambition and impact

CDC Group plc
Annual Review 2015

Seeing opportunities in challenging environments.

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

www.cdcgroup.com

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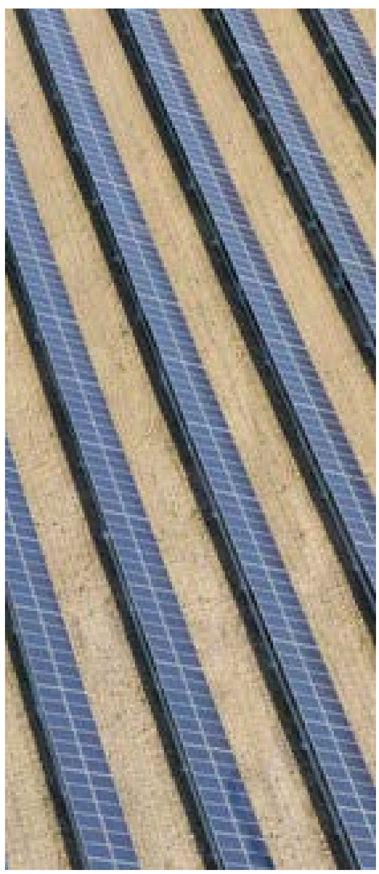

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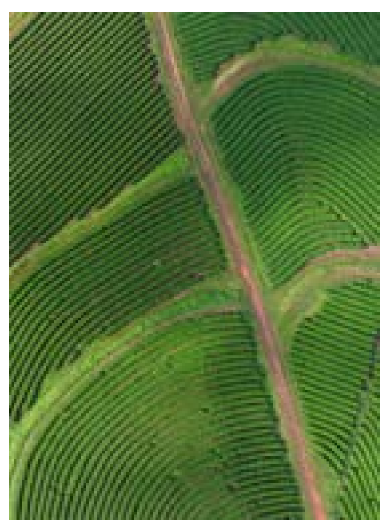


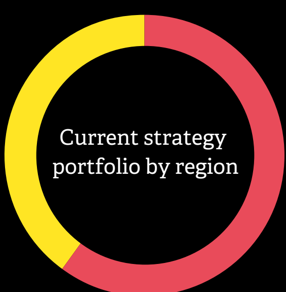
Supporting businesses in Africa and South Asia to create jobs

Where we focus

Investment in the private sector of developing countries has increased over the past decade, yet many businesses still struggle to find the investment to grow. Private sector investors are often put off by higher levels of risk – for example, in investments such as infrastructure projects, or maybe due to a recent civil war. They may be reluctant to stick with a business through turbulent economic or currency cycles, or may not be able to make the extra effort needed to help businesses flourish.

This is why development finance institutions (DFIs) such as CDC are needed.

We invest in Africa and South Asia because over 80 per cent of the world's poor live in these regions. We focus on investing in countries where the private sector is weak, jobs are scarce and the investment climate is difficult, but particularly in sectors where growth leads to jobs. These are agribusiness, construction, education, financial institutions, health, infrastructure and manufacturing.



Africa	**60%**
South Asia	**40%**

Infrastructure	**33%**
Financial services (including microfinance)	**31%**
Health	**6%**
Construction	**5%**
Manufacturing	**3%**
Agribusiness	**3%**
Education	**1%**
Other	**18%**

Portfolio percentage split by region
Since 2012, we have only made new commitments to invest in Africa and South Asia. Remaining investments in the rest of world (currently 28 per cent of our total portfolio) pre-date our current strategy and we expect them to be a negligible proportion of our total portfolio by 2019.

Portfolio percentage split by sector
Our seven priority sectors make up the majority of our portfolio. However, we continue to invest outside these sectors, largely in the most challenging regions, as new investment supporting any sector is beneficial to these economies.

Read more on our website
www.cdcgroup.com

What we put in

We provide the long-term investment that many businesses in developing countries need. We're able to stand firm with businesses through hard times, because we know success in these difficult countries and sectors can sometimes take time.

We invest in three ways – directly, by investing equity or providing debt, and indirectly, by investing through funds.

And we know it takes more than money to grow a great business. So we also invest our time and expertise, and share our experience and networks to help businesses grow.

For example, we help them build their teams and often their boards, and we provide practical, hands-on support to help them achieve good environmental, social and business integrity standards.

« CDC is like us. They look at the long-term horizon, they look at making this world a better place to live. As long as an investment is going to touch more people, and help more people, they are supportive. »

Dr Devi Shetty, Founder and Chairman, Narayana Health

What we achieve

We invest for both development impact and financial return, to encourage the growth of the private sector in Africa and South Asia.

72

We now invest in 72 countries.

1,293

Our investment supports 1,293 businesses – including 684 in Africa and 349 in South Asia.

1.03m

We estimate that in 2015 these businesses have created 1.03 million new jobs directly and indirectly.

£712.9m

We made £712.9 million of new commitments in 2015.

£3,901.2m

Our assets have grown to £3,901.2 million.

7.8%

Over the last five years we've made an average annual return on our net assets of 7.8 per cent.

The year at a glance

A selection of achievements and updates from CDC and our portfolio businesses.

March

- RBL Bank in India expands its financial literacy training programme.
- We establish the Africa List in Zambia, following its successful launch in Uganda in 2014.

February

- We invest in forestry company, Miro, as part of our commitment to support businesses in Sierra Leone during the Ebola outbreak.

June

- We launch our new online Environmental, Social and Governance toolkit to help investors identify and manage these challenges in the businesses they invest in.

May

- We support Pristine Logistics in India in a project to upgrade its environmental, health and safety systems at its freight and container terminals.
- Rainbow Hospitals opens the first multi-purpose children's hospital in Bangalore, India.

Read more on our website
www.cdcgroup.com

August

- Summit Power Meghnaghat completes construction of a 335 megawatt (MW) power plant in Bangladesh.
- Akiira begins geothermal exploration drilling in Kenya.

July

- The Department for International Development announces it will invest £735 million in CDC – the first new money we have received for 20 years.

December

- We publish an independent evaluation of the impact of our fund investments from 2004 to 2012.
- We make our first direct investment in Myanmar – to support the development of telecommunications towers.

September

- Three microfinance institutions we've invested in receive a small finance bank licence from the Reserve Bank of India.
- We form a partnership with Norfund to take ownership of power producer Globeleq Africa.

Growing in ambition and impact

Diana Noble
Chief Executive

We continued to grow our ambition and impact during 2015. A number of landmark events demonstrate the progress we're making towards our vision of a distinctive, enduring institution.

In July, the UK Government invested £735 million in CDC, over five times the net amount invested in us since our inception in 1948. This was a telling endorsement for the strategy we agreed in 2012, and our performance against the expectations we set. We do however remain determined to invest the new capital wisely and stay true to our philosophy of never valuing volume of investments or size of portfolio ahead of the quality of outcomes. The funding will be drawn only as needed, largely to fund a growth in our direct debt business, where we believe there is market demand to do more.

Then in September, we partnered with Norfund, the Norwegian DFI, in an agreement valued at over $700 million, to take direct ownership of Globeleq, the largest independent power producer in Africa. This is an example of our increasing ambition to bring about large-scale transformation. Our vision, through a new strategy, management team and Board, is to create the leading African developer of new power projects; one that is trusted by governments, and can consequently add large-scale power generation for the benefit of African people and businesses.

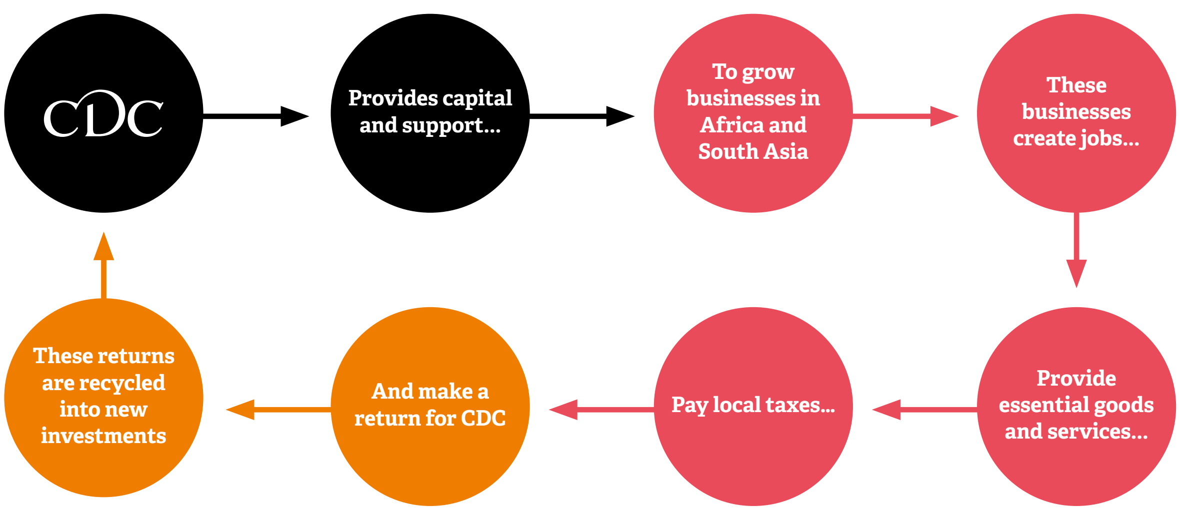
We continued to exceed our agreed objectives for both development impact and financial return, although our pre-2012 portfolio will continue to dominate returns for a few more years. The post-2012 portfolio looks promising, but it is early days and we expect the next few years, especially in Africa, to provide a much more challenging environment than the past decade. In addition to taking direct ownership of Globeleq, we made 27 new investments totalling £712.9 million. Our portfolio in Africa and South Asia supported 17.9 million direct and indirect jobs, of which 1.03 million were newly created jobs. Importantly, it also contributed $2.6 billion in local taxes.

The CDC team has also grown in line with investment pace and the needs of a larger direct portfolio. However, growing attrition does give some cause for concern; it's crucial that we provide a fulfilling environment that not only attracts great people but also retains them for timeframes that match our often decades-long investment cycle. To support this, an important exercise during the year culminated in some distinctive identities for CDC to unite around; these are detailed on page 36.

Risk in many forms is inherent to our work. As Erik Solheim wisely comments on page 18: "it's always difficult to be the first to invest". We know we'll never eliminate risk: many of our decisions require finely balanced judgements, which we'll sometimes get wrong. But we do what we can to manage it. During 2015, we upgraded our risk frameworks: first to ensure we identify, understand and, where possible, mitigate risks, and second to make sure the residual risks don't exceed tolerable levels. The process was led by our new Chief Financial Officer and overseen by a new Board Risk Committee.

Looking forward to 2016, we'll review with our shareholder how we've performed against the expectations set for the 2012-16 strategy period, and plan what we want to achieve for the next five years. While we can always improve, I anticipate that continuity and consistency will be our guiding principles. One of our team's greatest achievements has been to re-establish CDC's reputation in our markets as a pioneering, long-term, yet commercial investor. And we want to continue building on this.

How we work



Meeting the challenge of the new development agenda

Graham Wrigley
Chairman

2015 was an important year for CDC and the development agenda. For the first time in 20 years, we received an investment from the UK Government. This new capital will allow us to invest, in phases, on an even greater scale in job-creating sectors such as agribusiness, infrastructure, financial institutions and construction. I'm grateful to our shareholder, the Board and the CDC team for the immense amount of work and thought they put into building, and vigorously testing, the business case.

Last year I wrote that we were sharply focused on realising our new strategy, set in 2012. And as you read this report, you'll see that this year has been no different. We've increased our pace of investment and backed businesses we believe will make a real difference to the economic well-being of their countries and, importantly, the people living and working in the communities they operate in.

It's not always an easy task. Finding businesses in Africa and South Asia that have the potential to meet our dual objectives, of having a development impact as well as providing a financial return, is hard. The legal, regulatory and economic systems that allow businesses to flourish in countries such as the UK are often lacking in the regions where we operate. We search for businesses that strive, as we do, for commercial return and high standards in areas such as the environment and corporate governance. On top of this, we have to make sure we bring something that purely commercial investors couldn't or wouldn't. If the pool of potential investments seems big at the beginning, it certainly isn't when we've filtered it for these criteria.

This approach means we've found and backed some great businesses and great teams. And we've been doing this while growing our own organisation quickly, which is no small challenge in itself. Thank you to the CDC team, led by our committed and inspiring CEO Diana Noble, for continuing to rise to the challenge every day. We've also strengthened the development impact skills of our Board, by adding Professor Sam Fankhauser of the London School of Economics. We expect another impact specialist to join in 2016, which will create a better balance between investment and development impact experience. I'd also like to thank the external members of our investment committees, who provide invaluable support to our investment decision making by bringing deep knowledge of products and sectors in the countries where we invest.

Of course, it wasn't just a landmark year for CDC, it was a momentous year for every country, organisation and individual interested in achieving sustainable development across the world. The new Global Goals, agreed in September, set everyone's sights on 2030. Goal 8 promotes "sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" and so particularly resonates with our mission. A strong private sector is essential for providing the income, jobs, goods and services that help people escape poverty. The United Nations estimates that only half the annual $2.5 trillion needed to achieve the Global Goals is currently available, which is why the Government's increased focus on economic development in the new UK Aid Strategy, along with its new money for CDC, is so important.

Over the past 70 years, we have backed many thousands of successful businesses and helped change millions of lives for the better. Of course, we're just one small part of the development landscape: NGOs, governments, businesses and countless others all have significant roles to play. But, as we look ahead to the coming years, and the challenge of the new agenda, we feel very motivated to live up to our history and do more to create lasting change for people living in the poorest parts of the world.

$2.5trn

Only half the $2.5 trillion needed to achieve the Global Goals is currently available.

« We feel very motivated to live up to our history and do more to create lasting change for people living in the poorest parts of the world. »

Development impact: supporting job creation in difficult places

We support the building of businesses to create jobs, because having a job is one of the first steps out of poverty.

Financial return: growing successful businesses

We invest in businesses to support their growth and help them make a financial return, so they can continue to create jobs and pay taxes well beyond our involvement. It also means we can recycle the money into new investments.

Supporting job creation in difficult places

Our mandate is to support the building of businesses to create jobs, because having a job is one of the first steps out of poverty.

Having a job allows people in poor countries to make their own choices and build a more prosperous future for their families. Global Goal 8, agreed in 2015, aims for full and productive employment and decent work for all by 2030. The scale of the challenge is huge, with tens of millions of new jobs needed each year in Africa and South Asia. Many countries in these regions face high unemployment and four-fifths of those with a job work in the uncertain informal economy.

For these reasons, while our work has broader benefits, we focus on the number of jobs created in our portfolio to measure our impact.

Our impact in 2015

This year, our portfolio in Africa and South Asia supported 17.9 million jobs, of which 1.03 million were newly created jobs; a job creation rate of 6.1 per cent. In addition, $2.6 billion in taxes were paid locally.

How we measure jobs

Each year we collect data from a wide sample of portfolio companies. In 2014, 388 businesses reported and this increased to 484 businesses in 2015, which we believe represents the majority of employment activity in our African and South Asian portfolio. The sample will change slightly each year, as new investments are added, while others leave our portfolio. We are therefore cautious about drawing direct annual comparisons.

This information is combined with contextual employment and macroeconomic data to measure 'direct' and 'indirect' jobs. Our methodology for measuring these jobs was developed by impact and sustainability experts using well-accepted approaches.

A growing business hires workers in direct jobs and can also create indirect jobs in three different ways:

1. In supply chains. By buying more goods and services, jobs are generated within suppliers.
2. Through local wages. Workers spend their wages locally, stimulating more jobs.
3. Through better access to infrastructure and finance. Removing barriers such as no access to power, poor transport links or limited access to finance stimulates economic activity, which leads to job creation.

Understanding our impact in 2015

We only started calculating indirect job creation last year, so it's early days. We know that the numbers, whilst providing a useful headline guide to the impact of our investments, can only be an approximation. However, as we develop our understanding, we'll use it, over time, to inform our investment strategies and enhance our impact.

Despite more companies reporting data, job creation from the portfolio was lower in 2015 compared with 2014: 1.03 million jobs compared with 1.3 million. However, this result isn't a surprise and we expect it to continue to fluctuate annually, based primarily on the economic environment.

The job creation rate of 6.1 per cent appears to have exceeded the rate experienced in many larger economies. For example Nigeria's economy-wide job creation rate was 1.5 per cent and South Africa's equivalent figure was 1.3 per cent.

Within the data, we have seen some interesting trends:

+ Fewer jobs were supported in supply chains and as a result of local wages.
+ Increased access to power and finance were major drivers of job creation, underlining their importance as the two largest sectors we invest in.
+ Africa, despite being a larger portion of our portfolio, was a smaller contributor to job creation than South Asia.
+ Female job creation, encouragingly, is estimated to be almost a third of the total.

Future plans

We will continue to collect and analyse jobs data and build up evidence to use and share with others. We plan to publish a peer-reviewed paper on our full methodology and results in 2016. We want to invite experts to comment on and improve, where possible, our approach to impact measurement.

We will progessively extend the data we collect and report beyond job volume, although we expect it to remain our focus. For example, we're interested in increasing our understanding of impact in priority sectors, and of job quality.

To find out more, visit cdcgroup.com/Measuring-Performance

Direct jobs created by our portfolio

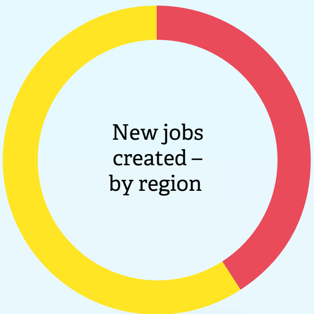
25,000

Direct and indirect jobs created by our portfolio

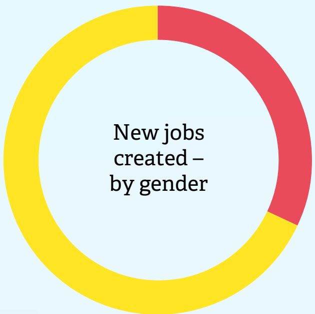
1.03m

Job creation rate 2014–15

6.1%



Africa	**41%**
South Asia	**59%**



Women	**32%**
Men	**68%**

Women's economic empowerment

Women getting good jobs, growing their own businesses and gaining equal access to services is important for sustainable development. However, there are social and economic obstacles that prevent these things happening.

In 2015, the businesses we invest in created over 326,000 direct and indirect jobs for women. We found that investments in financial services, food processing, health and education were notable for their above-average hiring of women.

Our 2015 investment in Ujjivan, one of the largest microfinance institutions in India, is one example of a business supporting women. It serves just over three million predominantly female customers, helping finance micro-enterprises, home improvement, education, healthcare and emergencies.

Harvesting at Madagascar Lychee Export.

Growing successful businesses

We invest in businesses to support their growth and help them make a financial return, so they can continue to create jobs and pay taxes well beyond our involvement.

Making a financial return also means we can recycle the money into new investments to create even more impact, especially to support jobs. Over the past decade, we have been successful in increasing our total assets from £1.2 billion in 2004, to £3.9 billion in 2015.

Having said that, the past decade has been an unusually benign one for investors in emerging markets, with rising asset prices and more stable political and economic environments. We anticipate that investment will be more difficult over the next decade.

Strong financial returns also help us demonstrate that it is possible to invest successfully in difficult environments, and to attract commercial capital to these countries and sectors. In 2015, we committed $350 million to fund managers, and this helped encourage a further $832 million of private sector investment.

This year, we received our first new money from the UK Government in 20 years. The £735 million will allow us to invest on an even greater scale. And because we recycle our financial return into future investments, each pound invested goes even further.

To find out more about our financial performance, see our 2015 Annual Accounts at cdcgroup.com/Published-Information

Achieving strong financial returns alongside development impact: Green Infra, India

Green Infra is an independent wind and solar power producer in India. We invested over $16 million and helped its management exceed national environmental and social standards. When we exited in 2015, we achieved a financial return of 12.4 per cent, which we will use for new investments.

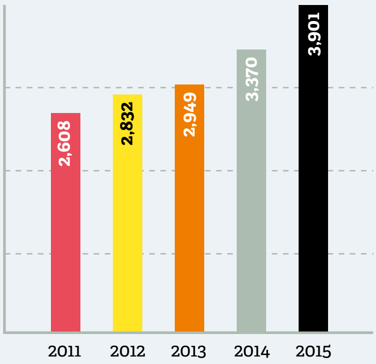
We also achieved our desired development impact. Our support helped the company to nearly double its energy production, to over 650 MW, a large part of which was in India's poorest areas. The electricity generated by Green Infra now reaches around one million people in four Indian states.

Not only that, our investment also helped create 600 good quality jobs in constructing, operating and maintaining new wind farms.

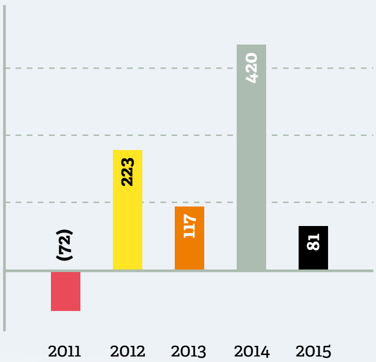
« Over the last 70 years CDC has backed many thousands of successful businesses. I am excited that this extra capital will allow us to do more and live up to our proud history. »

Diana Noble, CEO, on the new investment from DFID

Total net assets (£m)



Total return after tax (£m)



Total net assets (£m)

£3,901.2m

Total return after tax (£m)

£80.8m

Return on net assets

2.4%

Average annual return on net assets 2011–15

7.8%

Miro Forestry Company, Ghana and Sierra Leone.

Making an impact: how others see our role

Erik Solheim
Chair of the OECD's Development Assistance Committee

CDC prioritises challenging countries: this year we made our first direct investment in Myanmar.

The global view

Erik Solheim has held this role since 2013, before which he was Norway's Minister for Environment and International Development.

What do you see as the role of the private sector and DFIs in development?
There's no longer a dispute about the need for private sector involvement in development. The role of DFIs is to connect development aid with private investment, and explore how we can employ market forces in the world's more challenging places.

What contribution do you think DFIs can make in achieving the Global Goals?
To achieve the Goals, countries need finance: they need tax receipts, private investment and official development assistance (ODA). Although they can't do it alone, DFIs can help in all of these; through mobilising ODA, and encouraging commercial investment by helping to build the private sector in developing countries.

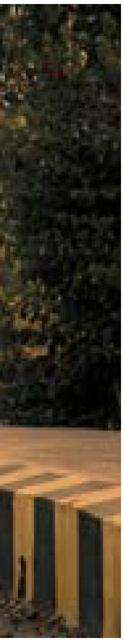
Should DFIs mainly be concerned with Global Goal 8 (for decent work and economic growth) or is their remit wider?
They should also look at Goal 1 – to eradicate poverty by 2030 – because to eradicate poverty you have to create economic growth and provide jobs. Therefore DFIs should work very hard to underpin growth in developing countries.

How do investments from DFIs, such as CDC, create conditions in frontier or emerging markets so other private investment can follow?
They can advise governments, particularly in creating the appropriate legal framework to attract investment. Investors simply won't come if they don't see long-term stability. But, most importantly, DFIs can show other potential investors that it can be done – after all, it's always difficult to be the first to invest.

What do you see as the future role for DFIs?
The most important thing is for DFIs and the private sector to assist in developing countries not 'on the horizon' – those where there is very little investment at the moment. There is an essential role to play here in attracting long-term investment and creating jobs.

« Without the CDC and Standard Chartered facility, we would have had to cut half of our jobs. »

Jiad Swaid, CEO, Benco Trading



Jiad Swaid
CEO of Benco Trading Ltd

The business view

Benco Trading, in Sierra Leone, imports and distributes construction materials and foods. It received a loan as a result of a 2014 agreement between CDC and Standard Chartered Sierra Leone. The agreement aimed to share the risk on up to $50 million of new loans to support businesses struggling to access finance due to the Ebola outbreak.

Freetown, Sierra Leone.

During the Ebola crisis, several countries banned ships from calling at Sierra Leone. This was a problem for Benco as we lost our revenue from importing cement from Senegal. We received $3 million, which helped protect our staff – without this facility we would have had to cut half of our jobs.

With this cash flow, we were able to shift business strategy to focus on goods and services that were needed at the time – particularly by all the people in Sierra Leone from NGOs and other foreign organisations. Then, by February 2015, we were able to start receiving goods from Senegal again.

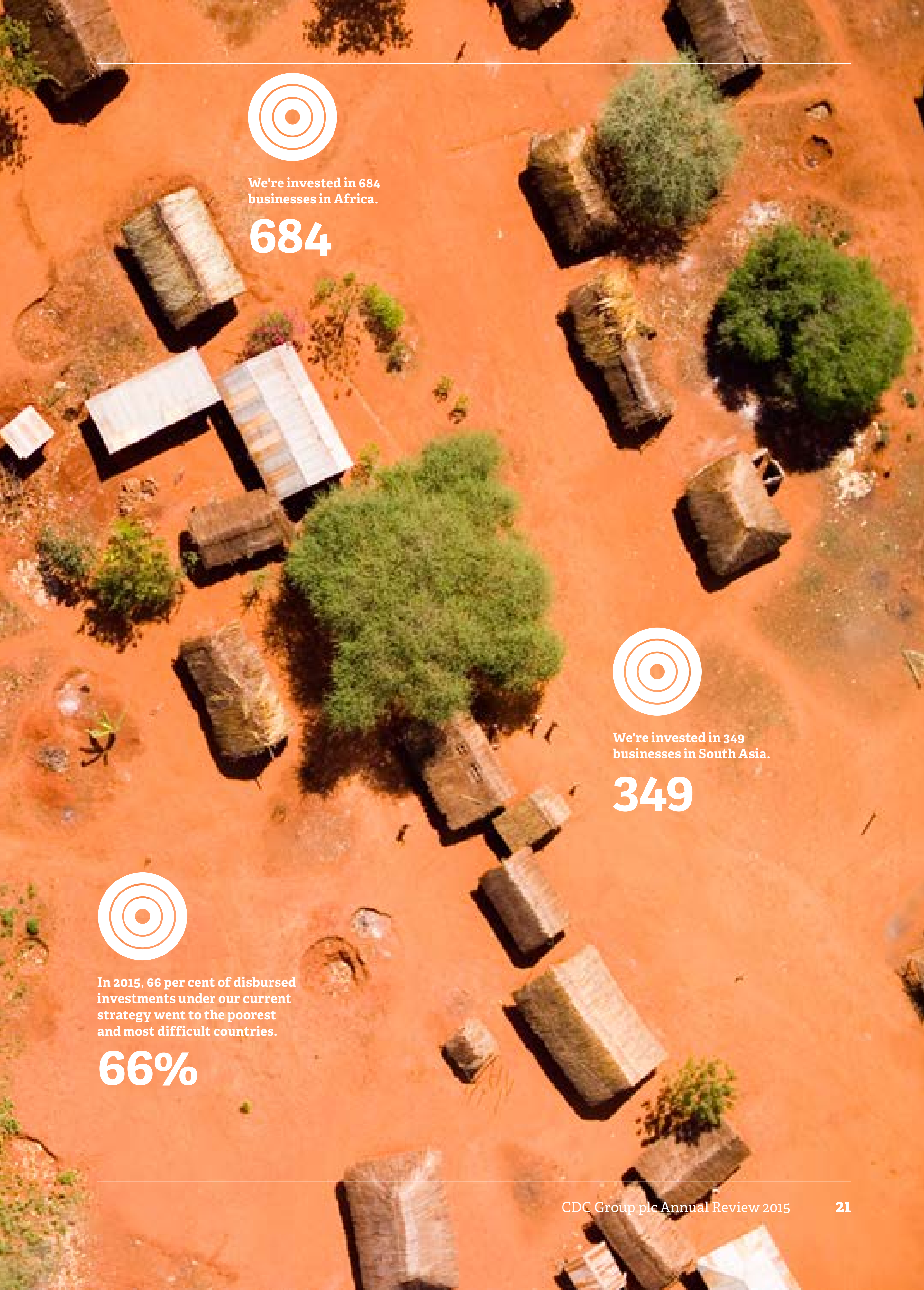
Since the Ebola crisis, business has started to pick up again – we have doubled our capacity and are importing more than ever before. Before the crisis, we had around 250 employees. Now we have created a further 50 jobs – and we're still hiring.

Institutions such as CDC can play an even bigger role in Sierra Leone, as banking restrictions mean medium-term capital is not available at reasonable interest rates. Improved access to this type of funding would allow more entrepreneurs to grow businesses and create jobs.

Our investments prioritise the poorest countries of Africa and South Asia, where the private sector is weak, jobs are scarce, and investing is difficult because of power shortages, lack of finance, poor logistics, security issues, governance challenges and skills shortages. These countries are often fragile and affected by conflict and climate change.

We've graded countries based on their investment difficulty and income level. We're not afraid to invest in countries that appear low on the World Bank's Doing Business rankings.

Investing in challenging places



We're invested in 684 businesses in Africa.

684

We're invested in 349 businesses in South Asia.

349

In 2015, 66 per cent of disbursed investments under our current strategy went to the poorest and most difficult countries.

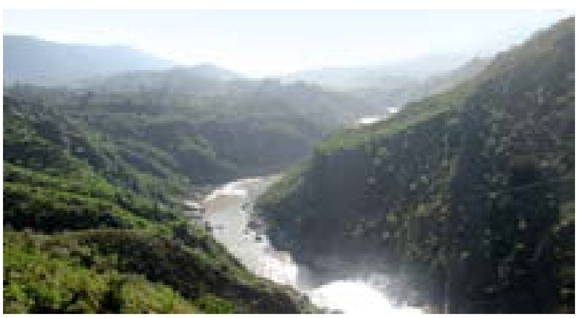
66%

Investing where the private sector is weak and jobs are scarce

Focus on Pakistan

Pakistan can be a difficult place to do business. There is potential – economic growth of around 5 per cent, rising consumer demand and a growing middle class. However, transportation and infrastructure are weak, and there is a dire shortage of power. When it comes to registering property, getting credit, enforcing contracts or dealing with construction permits, Pakistan ranks low on international comparisons. Add a reputation for security problems, and it's not surprising commercial investors are very cautious.

With over 50 million people living in poverty – nearly a quarter of the population – there is a compelling case for investment. By being one of the first, we can create the confidence needed for commercial investors to follow.



£11.2 million investment in Gulpur, a 102 MW hydropower plant

Power shortage is one of the biggest barriers to Pakistan's development. Blackouts, lasting eight hours on average, leave millions without power and hold back businesses.

The new hydropower plant, due for completion by 2020, will bring down the overall cost of power and help reduce greenhouse gas emissions by reducing reliance on fossil fuels. Currently, 68 per cent of Pakistan's energy comes from fossil fuels, 29 per cent from hydropower and 3 per cent from other sources.

£14.8 million investment in Daraz, an online retailer

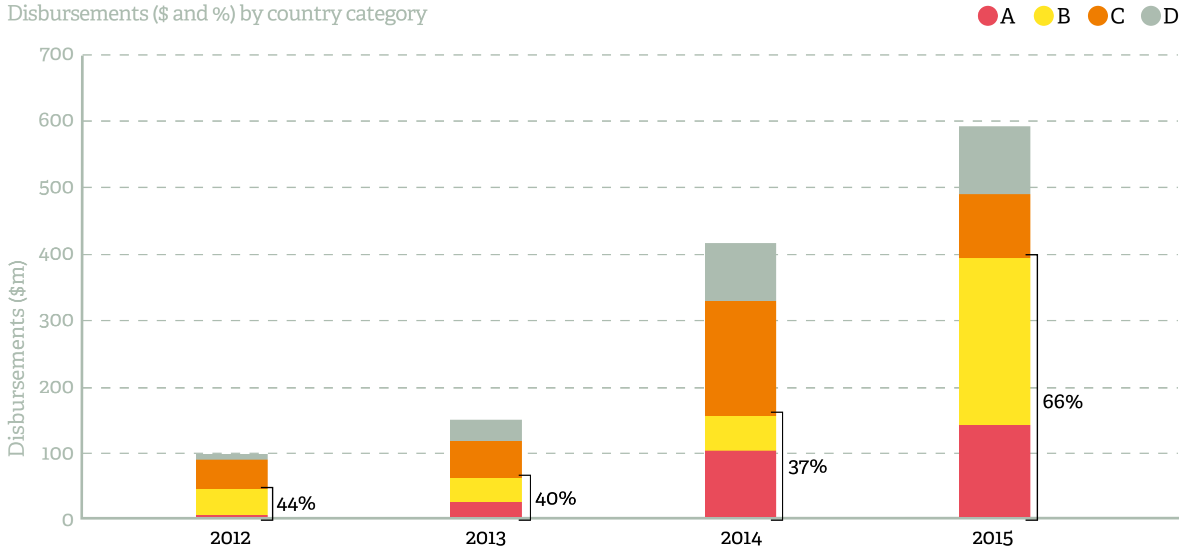
Daraz, founded in Pakistan in 2012, sells clothes, electronics and other goods online to six million monthly users across South Asia.

Our investment will help the company buy from more small clothing suppliers in Pakistan and also support the development of local logistics. Daraz expects to employ 4,000–5,000 additional delivery staff over the next five years.

We are also working with Daraz to implement the Ethical Trading Initiative's code of conduct in its supply chain. This will improve labour standards, pay and safety for workers.

Proportion invested in the most difficult countries

With the help of economists, we've graded each country based on investment difficulty and income level. The proportion of our disbursed investments under our current strategy going to the poorest and most difficult countries – which we refer to as category A and B countries – was 66 per cent in 2015 (compared with 44 per cent in 2012).



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The investment climate

The business environment in challenging places can be more volatile than in stable, developed economies. Investors like CDC help provide businesses with the stability they need to grow in the long term.

A collapse in commodity prices and a widespread drought has led to weak growth across sub-Saharan Africa. Crude oil, coffee, copper and iron ore – the backbones of many African economies – have all suffered price drops, some by as much as 60 per cent in two years. The drought has led to crop failure, food price inflation and World Food Programme assistance.

However, the picture from country-to-country is nuanced. Countries reliant on commodity exports, such as Nigeria, have seen their economies weaken, while many net importers of oil, such as Kenya, have continued to grow strongly.

The outlook is more positive in South Asia, despite several countries experiencing a fall in GDP in 2015. However, growth continues to be hampered in some countries by political instability and slow progress delivering reforms. Many countries face poor transport infrastructure and low access to energy. Nepal, in particular, is still struggling to recover following the devastating earthquake in April 2015.

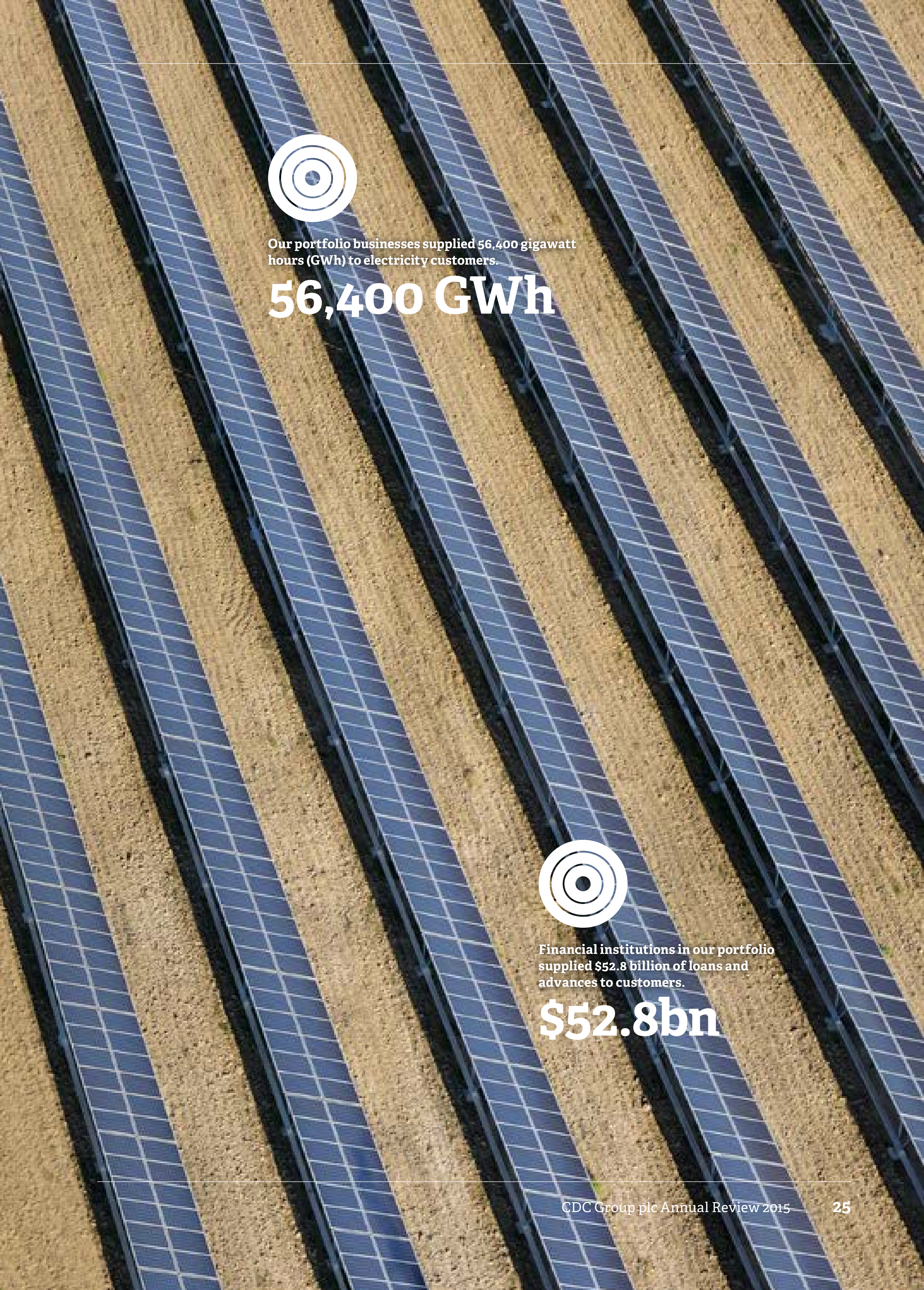
We prioritise sectors that bring the biggest economic transformation: more and better jobs, higher productivity, helping poorer consumers and empowering citizens. These are agribusiness, construction, education, financial institutions, health, infrastructure and manufacturing.

These sectors transform economies in many ways. Manufacturing creates jobs directly. Agribusiness creates jobs in the supply chain, and investing in power helps all local businesses grow, leading to further jobs.

In 2015, 73 per cent of disbursed investments under our current strategy went to high priority sectors.

73%

Investing in key sectors



Our portfolio businesses supplied 56,400 gigawatt hours (GWh) to electricity customers.

56,400 GWh

Financial institutions in our portfolio supplied $52.8 billion of loans and advances to customers.

$52.8bn

Investing in sectors where growth leads to jobs

Focus on power

We prioritise investing in power because without electricity developing countries can't reach their economic potential. No developed country has achieved growth without widespread access to reliable and cost-effective power. We support businesses providing power generation, transmission and distribution.

Power cuts result in lost output, higher costs and squeezed margins for businesses, which then often have to rely on their own expensive back-up diesel or petrol generators. The problem is most stark in sub-Saharan Africa, where over 600 million people – two-thirds of the population – lack access to electricity and half of all businesses say the lack of reliable electricity is a major constraint.

One obstacle to power infrastructure development, particularly in Africa, is that early-stage work falls mainly to local developers without the track record to attract the necessary capital. As a result, a lot of effort is wasted and very few new power projects get off the ground. The risk of failure means most large investors focus on late-stage developments.

Supporting early-stage power generation in Africa: Globeleq Africa

During 2014 and 2015, CDC partnered with the Norwegian DFI, Norfund, to take direct ownership of Globeleq Africa, to address the bottleneck in early-stage power development. Now our largest direct investment, Globeleq is the largest developer, owner and operator of independent power plants in Africa, producing more than 1,200 MW in eight locations across five countries. Our plans for Globeleq will result in over 5,000 MW of new generating capacity in the next decade. 1,000 MW alone is enough to support the development of over 20,000 businesses, which could provide over 800,000 salaried jobs. Already, we have established a new Board and management to help Globeleq become a long-term developer for Africa.

Globeleq's power plants

« During 2015, Azito added an extra 139 MW to its overall capacity of 430 MW. The team is now responsible for supplying 25 per cent of the total electricity demand in Côte d'Ivoire. The newly expanded plant is one of the most affordable and efficient thermal generation facilities in Côte d'Ivoire. »

Marc Clissen, General Manager, Azito plant (the largest gas-powered plant in West Africa)

?

Understanding more about power and job creation

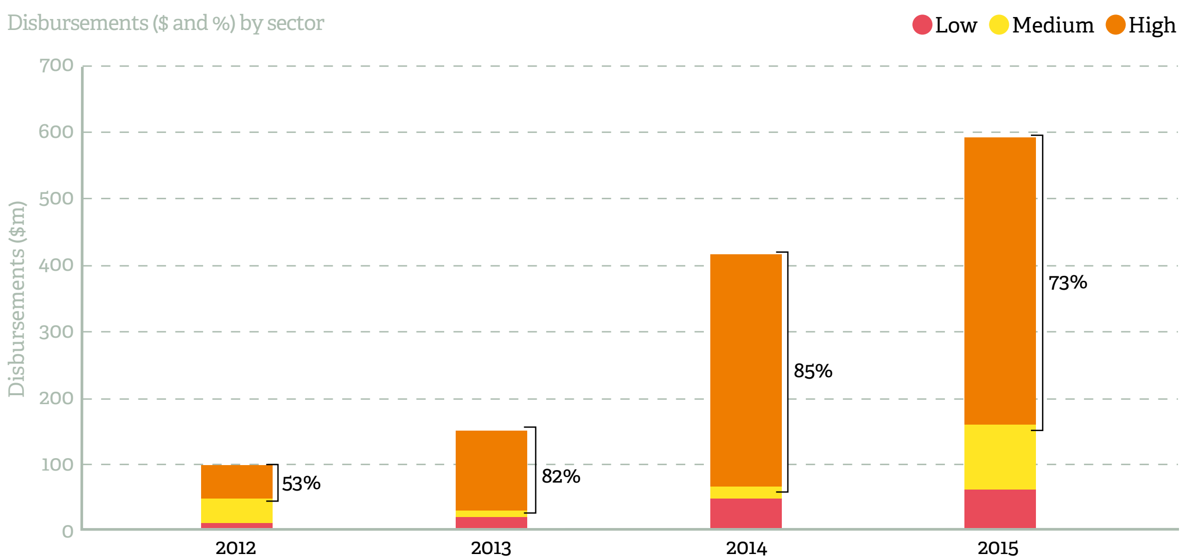
As well as investing in power infrastructure, we're developing our understanding of how the sector creates jobs and growth. We commissioned an independent, in-depth review to understand whether energy drives economic growth or vice versa. The review concluded that energy drives economic growth and that insufficient, unreliable or costly access to power can be a binding constraint for all sizes of businesses.

To build on these findings, in 2016, we intend to publish an evaluation of the links between power and job creation in Ugandan businesses.

To find out more about our evaluations, visit cdcgroup.com/Measuring-Performance

Proportion invested in priority sectors

With the help of economists, we've evaluated sectors for their job creation potential. The proportion of disbursed investments under our current strategy in sectors that create the greatest number of jobs was 73 per cent in 2015 (compared with 53 per cent in 2012).



We know it takes more than money to grow a great business. So as well as investing capital, we also invest our time and expertise, and share our experience and networks with the businesses in our portfolio.

We help them build their teams, and we provide practical support to help them achieve good environmental, social and business integrity standards. Examples include improving working conditions in factories, reducing water use, or improving relations with their local communities.

In 2015, we provided environmental, social and governance training to 128 participants on themes including workers' rights, health and safety and business integrity.

128

Providing more than money

Over 1,500 suppliers have now signed up to an ethical code of conduct at an online clothing company we support in India.

1,500

The Africa List, a community of the next generation of CEOs set up by CDC, currently operates in three high-growth African countries, with a total of 600 members.

600

Investing our expertise and support

Focus on environmental, social and governance standards

High environmental, social and governance standards are a fundamental part of business success. As well as being the right thing to do, high standards can reduce risks and deliver a competitive edge. For example, reducing energy consumption can bring savings and make a business more attractive to investors and partners.

Supporting businesses to improve working conditions: Jabong, India

Jabong is an online Indian clothing company we have invested in since 2013. From the start, we wanted to improve working conditions in its supply chain.

With our support, Jabong has become the first Indian member of the Ethical Trading Initiative. We've helped them establish a Social Compliance team and introduce an ethical code of conduct for suppliers. The number of suppliers signed up to the code has doubled, from over 700 suppliers in 2014 to over 1,500 in 2015, covering almost 2,000 factories and 200,000 workers. The success of the model has led Global Fashion Group, Jabong's owner, to apply it to other businesses in the group.

Helping companies use resources efficiently: Rainbow Hospitals, India

We work with businesses we invest in to identify how they can become more energy and water efficient.

Rainbow Hospitals is an Indian paediatric and maternity hospital chain pioneering specialist services for children. In 2015, we began a programme to help it find ways it could reduce its carbon footprint and energy costs, while maintaining a high standard of care.

Hospitals are large consumers of energy, so we helped Rainbow carry out full energy audits to highlight savings it could make, which it is now implementing. We are also supporting Rainbow conduct water audits at selected hospitals.

« We care about developing a sustainable business that also ensures the longevity of our supply chain. We aim to do this through improving labour and health and safety standards amongst suppliers and in our own operations. »

Nils Chrestin, Chief Financial Officer, Global Fashion Group (owner of Jabong)

?

Climate-smart investment

In 2015, we introduced a new climate change policy. Through this, we're helping businesses become resilient to immediate risks to their survival, such as flooding or water shortage, and to adopt climate-friendly initiatives and renewable-energy generation. Before we invest in a business, we consider how climate change affects its location, the sector and the specific business in question. This helps us agree an action plan before we invest – to tackle risks and maximise opportunities. Rainbow Hospitals is just one example of this policy in action.

« The Africa List has expanded my network and helped spark new ideas on how we can evolve into a world-class business. »

Natasha Chiumya, Co-founder, FNC Legal, Zambia

Supporting the next generation of CEOs in Africa

The Africa List

For Africa to realise its enormous potential, it needs to support its next generation of business leaders – people who are equipped with the skills to capitalise on opportunities, navigate challenges and build the businesses that will help the continent thrive.

The quality of leadership is the largest single factor in any company's success or failure. We've been supporting businesses in Africa for nearly 70 years, and as a long-term investor we know it's just as important to pay attention to human capital as financial capital.

That's why we set up The Africa List, a community of the next generation of CEOs. Similar business networks are common in developed economies, including larger African countries such as South Africa and Nigeria, but not in more nascent ones.

How the model works

The Africa List currently operates in three high-growth countries – it launched in Uganda in 2014, and in Tanzania and Zambia in 2015. In each, we identified 100 high-performing companies, and asked their CEO or Chair to nominate two exceptional future leaders to join The Africa List.

The Africa List holds events in each country to bring members together to connect, share ideas and, ultimately, develop as leaders. We've also partnered with leading business schools such as the Saïd Business School, and private sector organisations such as Bain & Company, to help members access leadership and management training.

We plan to expand into more high-growth African countries next year, including the Democratic Republic of Congo and Ethiopia.

The year's new investments

New commitments by region

Africa

£288.3m

South Asia

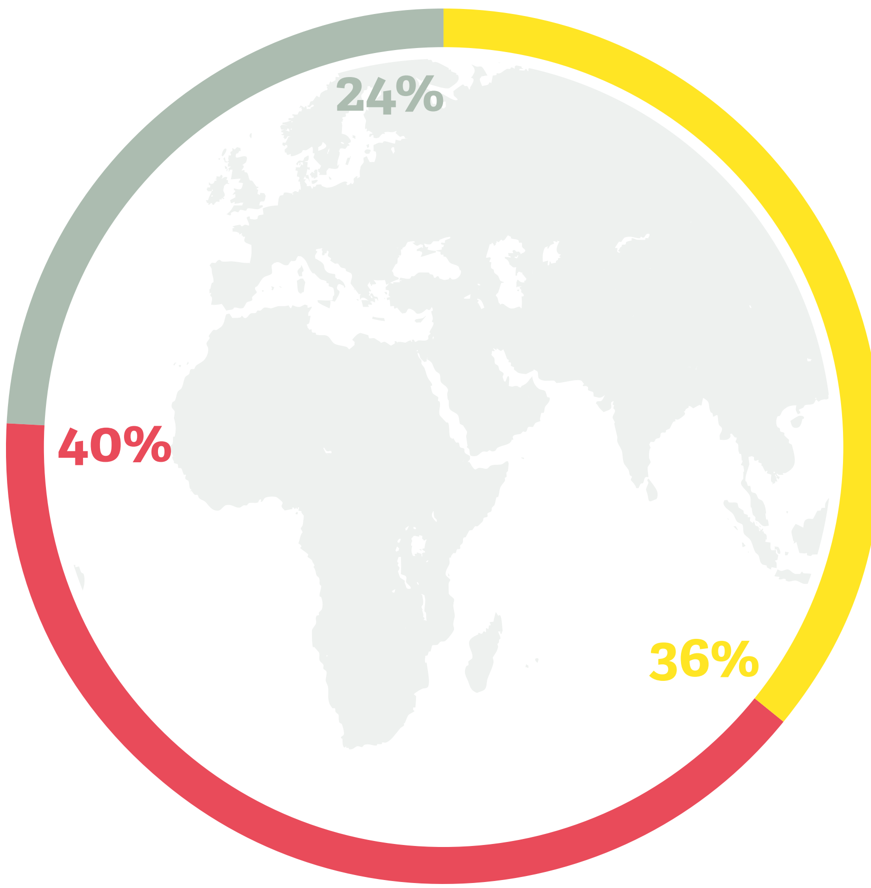
£254.1m

Pan regional

£170.5m

Total invested

£712.9m



Our fund commitments

Abraaj Africa Fund III
Pan Africa **£33.9m**
Investment in a fund focused on businesses in Kenya, Nigeria, South Africa, Ghana and Côte d'Ivoire, to attract commercial capital to the region and educate investors new to the African market

Abraaj Pakistan Fund I
Pakistan **£17.0m**
Investment in a country with growing economic potential, but a difficult place to do business, with low penetration from multinational companies

Actis Africa Real Estate Fund 3
Pan Africa **£33.9m**
Supporting a fund focused on greenfield retail, residential and office real estate, to create jobs in construction and to support the fund's focus on energy efficiency in its projects

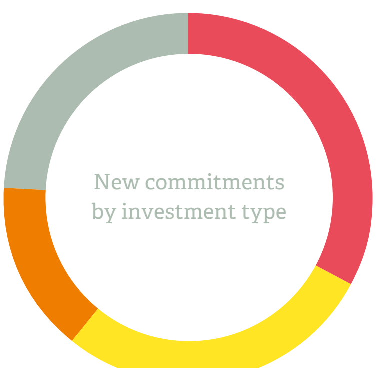
Apis Growth Fund I
Africa and South Asia **£20.4m**
Supporting a fund which focuses on companies promoting innovation in, and access to, financial services

Ascent Rift Valley Fund I
East Africa **£10.2m**
Investment in a fund focused on SMEs, to develop the private sector in Ethiopia and Uganda

Capital Alliance Private Equity Fund IV
West Africa **£33.9m**
Supporting a fund manager with a strong track record of developing the private sector in Nigeria, by investing in and growing mid-size companies

?

Supporting power generation in Africa
In addition to these 27 new investments, CDC partnered with the Norwegian DFI, Norfund, to take direct ownership of Globeleq Africa, the largest independent power producer in Africa. In an agreement valued at over $700 million, CDC now holds a 70 per cent shareholding and Norfund holds 30 per cent.



Funds	33%
Direct equity	28%
Direct debt	15%
Trade finance	24%

Frontier Bangladesh Fund II
Bangladesh — **£13.6m**
Supporting a fund manager with a strong track record of developing successful Bangladeshi businesses

Pembani Remgro Infrastructure Fund I
Pan Africa — **£50.9m**
Supporting a fund addressing the infrastructure gap in Africa by investing in opportunities in transport, power, telecommunications, water and sanitation

Plenty Private Equity Fund
India — **£20.4m**
Supporting a good performing fund manager during tough fundraising conditions in India

Synergy Private Equity Fund
Ghana and Nigeria — **£3.4m**
Investment in a fund with a focus on SMEs in West African Anglophone countries, to develop the private sector in that region

Total

£237.6m

Our direct investments

Bigfoot Gmbh (trading as 'Jabong')
India — **£0.8m**
Further investment to support an online clothing company improving working conditions in its large supply chain

CRDB Bank
Tanzania — **£7.7m**
Supporting a commercial bank to expand its branch network to address low access to financial services

Daraz
Pakistan, Bangladesh and Myanmar — **£14.8m**
Supporting the growth of an online retailer to buy from local clothing suppliers and to create local logistics jobs

Equitas Microfinance Limited
India — **£11.8m**
Further investment in a leading microfinance institution to allow it to reach more poor and unbanked customers with a broader range of financial services

Feronia Inc
Democratic Republic of Congo — **£15.1m**
Further investment in an agricultural production and processing business in the poorest regions of the DRC

GEMS Africa
Pan Africa **£29.2m**
Supporting high-quality school education, including at a low cost, and teacher training across Africa

Gulpur Hydropower
Pakistan **£11.2m**
Investment in the construction, operation and maintenance of a 102 MW hydropower plant, to bring down the cost of power and reduce reliance on fossil fuels

Habib Bank Limited
Pakistan **£82.3m**
Supporting the privatisation of Pakistan's largest commercial bank, and restarting CDC's direct investing in the country

IHS Zambia Limited
Zambia **£26.4m**
Development of telecommunications towers to improve accessibility and reliability of coverage

INT Towers
Nigeria **£13.3m**
Development of telecommunications towers to improve coverage, including in the northern region

Irrawaddy Green Tower Project
Myanmar **£13.5m**
Supporting the construction and operation of telecommunications towers, and CDC's first direct investment in the country

Janalakshmi Financial Services Limited
India **£33.0m**
Supporting a microfinance institution's lending to urban poor customers, including diversifying its offer to its poorest customers

Miro Forestry Company
Ghana and Sierra Leone **£10.0m**
Supporting the growth of a sustainable timber business to boost timber production and job creation

Pristine Logistics
India **£15.3m**
Investment in a developer and operator of rail freight infrastructure to boost infrastructure and create jobs in India's poorest states

Ratnakar Bank (trading as 'RBL Bank')
India **£4.5m**
Further investment in the bank to support expansion of its agribusiness and SME lending

Standard Chartered Risk Sharing Facility
Africa and South Asia **£169.6m**
Agreement between CDC and Standard Chartered Bank, allowing businesses to get the finance they need from local banks to reach international markets

Ujjivan Financial Services Private Limited
India **£16.8m**
Supporting a leading microfinance institution to provide access to formal credit for unbanked customers in urban, semi-urban and rural areas

Total
£475.3m

Our identities

We've trebled in size over the last three years. We have had to grow to meet new challenges and ensure our investments continue to perform effectively. As we grew, it became obvious that we needed to unite around a single set of principles that would shape our views and actions. So early in the year, we developed a set of identities that are unique to our way of working.

Compassion is central to everything we do.

We work so that people in Africa and South Asia have good, stable jobs that offer them and their families a better future.

We owe our clients and prospective clients a fast and thoughtful process.

We try to provide valuable and candid insight even if the answer is no.

We accept the tough challenges inherent in our mission.

Yet we understand where risks become untenable and are driven by quality rather than volume.

We are quick and non-defensive when things go wrong.

We are tenacious and take as much pride from fixing problems as celebrating what goes right.

We oppose bureaucracy.

We believe in hiring great people with judgement and creating efficient processes they respect to help them get to the right answers.

We never forget that we are investing and spending taxpayers' money.

We are open and transparent because we recognise that taxpayers have a right to know where their money is invested.

We promote a fulfilling work environment.

Every person at CDC contributes to the mission and our work environment. We believe in high standards and hard questions from any source, and humility whilst being supportive to each other.

Glossary of terms

DFI	Development finance institution
DFID	Department for International Development
GDP	Gross domestic product
Global Goals	A set of sustainable development goals that UN member states aim to achieve by 2030
GWh	Gigawatt hour
MW	Megawatt
NGO	Non-governmental organisation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
SME	Small and medium enterprise
$	All $/dollars are US dollars unless otherwise stated

Data disclaimer

While we have used our reasonable efforts to ensure the accuracy of the data used in this report, data regarding employment and taxes paid has not been audited or independently verified. Data on employment and taxes paid has been received from many but not all of CDC's investee businesses. We have received this data from our investment partners, including the fund managers that have invested our capital (and the capital of others) in these businesses. Data may be from different points in time but was requested to relate as closely as possible to year end 2015. Employment data may sometimes include contract workers and other non-permanent workers. Tax data mostly refers to corporate taxes paid in the 2014 financial year by CDC's investee businesses. This data should be read as indicative of magnitude rather than exact figures.

Photography

All photographs originate from CDC's image library of investee businesses, or have been supplied by investment partners, purchased on stock libraries, or have been taken by CDC employees on site visits.

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Designed and produced by Luminous
www.luminous.co.uk

www.cdcgroup.com

CDC Group plc
123 Victoria Street
London SW1E 6DE
United Kingdom
T +44 (0)20 7963 4700
E enquiries@cdcgroup.com

www.cdcgroup.com

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