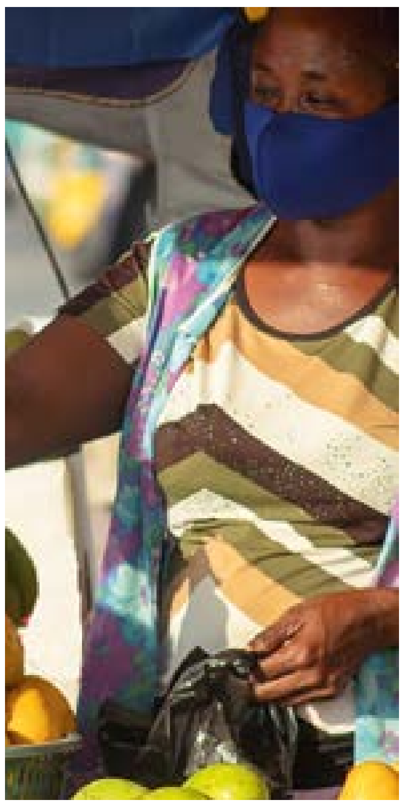
CDC
Investment works

Rising to the challenge



Annual Accounts 2020
CDC Group plc

The UK's development finance institution

Introduction

CDC is the UK's development finance institution 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 solve the biggest global development challenges by investing patient, flexible capital to support private sector growth and innovation.

This report should be read in conjunction with our 2020 Annual Review, which provides an overview of our development impact over the year.

Visit cdcgroup.com for more information, or read our *Annual Review 2020*

Here is how we are **rising to the challenge...**

Strategic and Directors' Report

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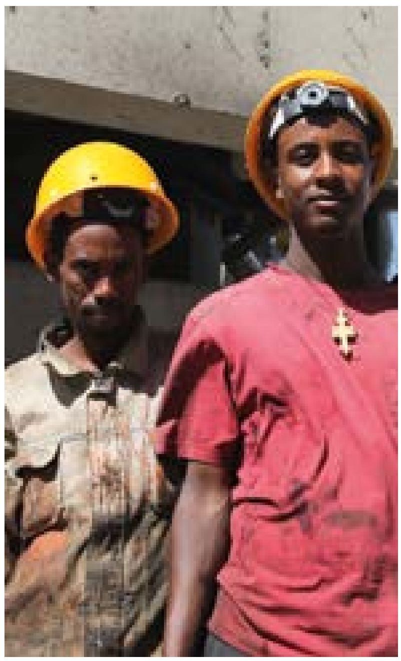

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Chairman's statement

"We had two overarching goals for 2020 – to provide the best response to the economic consequences of COVID-19 in our markets; and to deliver on our current five-year strategy, ensuring the organisation emerges from this crisis ready to support the countries where we invest in the years ahead."

Sir Graham Wrigley
Chairman

A message from Sir Graham Wrigley, Chairman

2021 sees us enter the last year of our five-year strategy period, and of course, we're doing that at a time of great uncertainty in the countries where we invest. As I enter my eighth and final year as Chairman of CDC, I believe that 2020 has been a year of challenges quite unlike any other we have experienced at CDC.

Those challenges have ranged from addressing the impact of COVID-19 in the countries where we invest, to the difficulties experienced by our employees during the ongoing pandemic. At a Board meeting in April, when the scale of the crisis was becoming clear, we collectively agreed we had two overarching goals for 2020 – to provide the best response we could to the economic consequences of COVID-19 in our markets; and at the same time deliver on our current five-year strategy, ensuring the organisation emerges from this crisis ready to support the countries where we invest in the years ahead.

You will read about our COVID response in this report, and in the 2020 Annual Review, which includes an overview of our development impact. With an annual commitment of £1.2 billion, at a time when capital retreated from Africa and South Asia, we've provided much-needed, impact-driven, targeted capital and liquidity to our partners on the ground. To achieve this, we needed both a rapid and new approach in the most challenging of times. However, you will also see that we have remained focused on delivering the strategic commitments we have made to our shareholder – whether delivering on our new climate strategy, or addressing gender and ethnic inequality. We have also worked with our shareholder to review progress against our commitments in the 2017-2021 strategy and started to frame the next 2022-2026 strategy. We look forward to reporting on our achievements against the current strategy and announcing the new strategy later in 2021.

Of course, not everything went to plan. I have consistently forecast that as a result of our developmental strategy to focus exclusively on the most challenging markets of Africa and South Asia, financial returns would reduce over time. In 2020, COVID and the strengthening of sterling have had a significant negative impact on the financial performance of our portfolio. Nevertheless, it is disappointing to record a second year of losses. In the same way we are striving to maximise our development impact, the Board and the management team are focussed on financial returns. Given the volatility of our markets, it is 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, through to the end of this strategy period.

We are proud of our achievements in 2020, but are very aware that it would not be possible without the help of others. In particular, the support of our shareholder has been fundamental. We are very proud to be part of the UK Government's development offer to the world, and we have continued to benefit from a strong relationship with our shareholder, as it merged to become the Foreign, Commonwealth and Development Office (FCDO) in the latter part of 2020. Of course, we are also very grateful to our partners in Africa and South Asia.

As I reflect on my time as Chairman, I'm enormously grateful for the dedication, the passion and the commitment of the variety of the stakeholders I've had the pleasure to work with – from UK parliamentarians to civil society, from London to Lagos. The challenge, quality and diversity of these interactions has helped guide us to better solutions. We continue to welcome this dialogue during the development of our new strategy this year.

I would like to thank my fellow Board members for their unwavering commitment and continued support over the past year. I am very grateful to Wim Borgdorff and Keki Mistry, who stepped down as non-executive directors after completing their terms, and I am delighted to welcome Krishnakumar Natarajan and Kathryn Matthews, who I know will be worthy successors, and also Carolyn Sims as Chief Financial Officer, to the Board. I have been very fortunate to work with 15 very talented Board members over the years, and I thank them all.

Finally, I'd like to thank Nick O'Donohoe, who has led our outstanding management team with calm ambition and remarkable stamina this year. I also salute each and every staff member at CDC for the personal tenacity, resilience and dedication they have shown throughout the last year, to help CDC achieve its mission of helping solve the world's biggest development problems in some of the world's poorest countries.

Sir Graham Wrigley
Chairman

Chief Executive's statement

"The countries where we invest do not have the NHS or the same fiscal support schemes that have been provided by our own Government in the UK. As the scale and impact of the pandemic became clear early last year, we knew we needed to act with the same urgency to provide support and to rise to the challenge."

Nick O'Donohoe
Chief Executive

A message from Nick O'Donohoe, Chief Executive

In previous Annual Reviews, my focus has been on how we've been moving forward, and how we're playing our part to help achieve global development goals. In this extraordinary past year, much of our focus has been on maintaining what has already been achieved, and I expect that to remain the case for some time. The economic impact of COVID-19 has pushed around two per cent of the global population – 140 million additional people – into extreme poverty. Overall, the FCDO predicts the pandemic has reversed progress on fighting world poverty by seven years. The impact of the pandemic will be felt across the world, and particularly in the countries where we invest, for many years.

The countries where we invest do not have the NHS or the same fiscal support schemes that have been provided by our own Government in the UK. As the scale and impact of the pandemic became clear early last year, we knew we needed to act with the same urgency to provide support and to rise to the challenge. We concentrated our response in three areas – to preserve the viability of our current investees to help them safeguard impact and weather the crisis; to strengthen our response to the economic and health challenges of the crisis; and to support economies rebuild, acting as a long-term partner.

Within this, we also asked ourselves three questions – what could we do quickly, what could we do at a scale to make a difference, and what could we do that was relatively simple – to ensure our focus was where we could be most effective. That approach has driven our efforts to help businesses right across the economy. For example, we've found trade finance to be a simple and effective tool to provide the support businesses need to overcome short-term liquidity constraints, and protect jobs, during a crisis. You can find more on our response in the *Annual Review*.

Over the year, our own staff have faced enormous challenges. Like everyone, their working lives, and their home lives, have been severely disrupted. Being unable to travel has meant it is more difficult to support our investees and to find new companies to invest in, and our teams have had to be creative in meeting practical issues like how to conduct remote diligence on new investments. Their tenacity in rising to these challenges, both to support our investee companies and to continue to invest in the markets that need our capital, has been impressive, resulting in £1.2 billion of new commitments last year. Their care for each other, our partners and our mandate has made me prouder than ever to lead CDC.

I am proud, too, of our investment partners. There have been examples of innovation and determination across our portfolio, with businesses often pivoting to new priorities in the midst of the crisis. For example, mPharma, a Ghanaian healthcare company that uses data and technology to help make the medicine supply chain more efficient and reduce the costs of medicines, found ways to distribute one million testing kits to medical labs in five African countries. iMerit, a cutting-edge AI company in India, is another example of a business both supporting its workforce of almost 3,000 – many of whom are from under-resourced communities and over half of whom are women – and achieving business growth during COVID.

The tools we have put in place over the last few years have worked particularly hard this year. The investments we make as part of our Catalyst Strategies, which allow us to take an even more flexible approach to risk in pursuit of impact, have been a key part of our COVID response. For example, MedAccess – a subsidiary of CDC that provides innovative social finance to enable life-changing medical supplies to reach people in Africa and Asia – responded rapidly to the pandemic. This resulted in a $50 million guarantee to support UNICEF to secure vital COVID medical products.

At the same time, CDC Plus, our technical assistance facility, stepped into action, launching two facilities: one to support our investee businesses to adapt or scale up to form part of the response to the pandemic, and the other to develop guidance for companies on how to respond to the crisis. The projects it's supported have ranged from distribution companies delivering basic goods to rural areas, to garment manufacturers shifting into producing personal protective equipment (PPE).

This year has not only been about responding to COVID, and we should not fall into the trap of ascribing all injustices to the pandemic. For example, lack of sustainable investment in the countries where we operate is not new, and before the pandemic 800 million people globally lacked access to electricity. Nonetheless, the valuable lessons it has taught us about the challenges we need to address emphasise several areas of our work.

Chief Executive's statement continued

First, the impacts of crises are rarely gender-neutral and COVID is no different. This makes the work we have led on championing gender-smart investing as crucial as it's ever been. Over the year, we've led the way for other investors, continuing to be a key member of the 2X Challenge, an initiative by 18 development finance institutions and multilateral development banks to support the economic empowerment of women. Almost $200 million of our investments in 2020 qualified under the 2X criteria, and since the initiative began in 2018, we've invested $430 million that meets that standard. With our partners, we also invested in the first '2X Flagship Fund' this year – funds that have committed to investing with a gender lens using the 2X criteria.

Second, it's focused attention further on the importance of responding to the threat of climate change – from lockdowns leading to a fall in emissions, to the focus on building more resilient businesses in the wake of the pandemic. For our part, last year saw us launch our Climate Change Strategy, which focuses on three areas – ensuring our portfolio reaches net zero by 2050, supporting a 'just transition' to a low-carbon economy, and strengthening the resilience of communities, businesses and people to the effects of climate change. Over the year, we've been leading the way, alongside other development finance institutions (DFIs), in making progress against those three areas. For example, we know that in most countries where we invest, the local markets and businesses needed to adapt to climate impacts are only just emerging. We need greater collaboration to grow these, which is why we've committed, with other organisations, to work together on a range of initiatives on adaptation and resilience.

Third, the use of technology has had a huge impact on the way we have lived our lives through the pandemic. It has emphasised what we already knew to be the case, that finding sustainable and inclusive solutions to reach the UN's Sustainable Development Goals will require technology. That ranges from improving access to the affordable, good-quality internet that is central to development, to providing solutions that have the potential to make a difference to both people and planet.

Our role is to invest in both. First, we've continued to support businesses that are growing the digital infrastructure needed to improve internet access – like Liquid Telecom, the largest independent fibre and cloud provider in Africa, who we invested in for the second time during 2020. Second, under our 'Venture Scale-up Programme', we're investing in early-stage companies that use technology and innovative business models to achieve impact – like CropIn, an agribusiness software specialist that uses technology to monitor crop health remotely, and improves farmers' access to finance and climate resilience tools.

While the last year has been one of our most challenging, it has also shown us what is possible. On a broader level, I am spurred on by the collaboration we have seen between different types of organisation in the race to develop a vaccine, and by the urgency that has been missing from the global response to threats such as climate change. These show us what is possible in tackling global challenges, and I believe that CDC, as a long-term investor in the private sector to tackle some of these challenges, will continue to play an important part in this over the coming year.

Finally, as I reflect on an extraordinary year, I want to take the opportunity to thank all those who helped ensure that CDC continues to deliver on its mission of improving livelihoods in the countries where we invest. That includes all our colleagues at FCDO, our Board and independent Investment Committee members, our investee companies and fund managers, and especially the hard working, committed and very talented team at CDC.

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 on aid.

In 2017 CDC and its shareholder, the Department for International Development (DFID) – now the Foreign, Commonwealth and Development Office (FCDO) since its merger with the Foreign and Commonwealth Office – agreed a new strategic framework for the five years to the end of 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. We are now in the process of agreeing our new five-year strategy with our shareholder, which starts in 2022.

We provide the flexible long-term investment that many businesses in developing countries need to grow. We do this through two portfolios of investments: Catalyst and Growth. Through our Growth portfolio, we inject patient, long-term capital into businesses that have the potential to achieve sustainable growth while making a positive environmental, social and economic impact. Through our Catalyst portfolio, we help shape nascent markets and less commercially proven business models that demonstrate significant potential to contribute to more inclusive and sustainable economies.

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:

+ 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 on our website.

Introduction continued

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. Among 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 additionality (providing capital that is not offered by the private sector in sufficient quantity) and value additionality (providing value beyond 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 3.

Key performance indicators

CDC uses key performance indicators (KPIs) to help measure the effectiveness of the Company in meeting its objectives and its strategy. More information on KPIs can be found on pages 9 to 13 and page 62.

Taxation

CDC's *Policy on the payment of taxes and the use of offshore financial centres* was published in September 2018. CDC respects the tax policies established by governments. We require our investee companies to pay the taxes due in the countries in which they operate and we pay taxes wherever they are due. However, under the CDC Act 1999, CDC Group plc was granted exemption from UK Corporation Tax from May 2003. This allows us to recycle more portfolio receipts into new investments in developing countries.

Board of Directors

Information on CDC's Board of Directors including a description of the key activities of the Board is given on pages 35 to 42.

Strategic and Directors' Report

The Strategic report is contained within the Strategic and Directors' Report on pages 2 to 31.

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 pages 43 to 45.

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 75 onwards. CDC, as an investment company, has applied 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.

To explain more fully CDC's underlying portfolio movements, the results shown in this financial performance section on pages 9 to 13 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 85 to 87.

Consistent with those reports, the financial metrics that follow 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 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 (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 this period.

Portfolio value and net assets:

- **Portfolio value:** The total value of all equity, debt, fund and guarantee investments made by CDC and its investment holding companies, including forward foreign exchange contracts 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 2020 against these metrics is explained in the relevant paragraphs below. Performance against non-financial metrics are detailed in our 2020 *Annual Review*.

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 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 FCDO 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 disbursement 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 disbursement) or to the nature of the product (for example, most fund commitments will be drawn over a five-year period while project finance debt is often drawn over several years).

Some commitments are not expected to result in a cash outflow. Most notably guarantees, in the form of unfunded trade and supply chain finance risk participation agreements, have a different dynamic and cash impact to fully funded investments. The full exposure under these programmes is disclosed in the financial statements as a contingent liability.

Financial performance continued

New commitments

In 2020, CDC made total new commitments of £1,221.2 million (2019: £1,657.2 million) of which £916.4 million (2019: £1,174.7 million) is set to be fully funded by CDC. The remaining £304.9 million was committed to trade finance facilities that can be used as a blend of funded and unfunded guarantees. New commitments were lower than 2019 as investment pace was slower due to the impact of the COVID-19 pandemic. CDC's response to the pandemic has shifted from an acute response to a chronic one, embracing the new normal and refocusing efforts on building back better. Overall, the commitment levels represent a decrease of 26 per cent from 2019 levels. CDC expects the commitment pace to increase in 2021. Our investment pipeline is healthy but the continuing COVID crisis brings uncertainty into the timing of completing transactions.

New commitments can be found on *CDC's website* and in our *Annual Review 2020*.

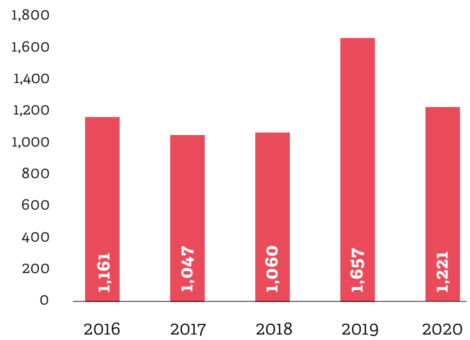
Drawdowns and receipts

	2020 £m	2019 £m
Portfolio drawdowns	**(1,238.8)**	(1,076.2)
Portfolio cash generated	**543.4**	462.9
Net portfolio flows	**(695.4)**	(613.3)

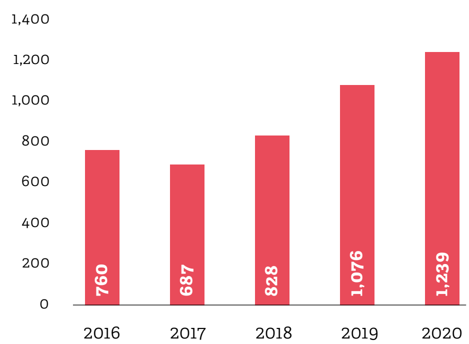
Drawdowns for new investments at £1,238.8 million (2019: £1,076.2 million) represents a record level, reflecting the increased commitment pace of recent years providing much needed impact-driven capital to our markets. Of new investments, 71 per cent were in Africa, 22 per cent were in Asia and 7 per cent were pan-regional.

The portfolio generated cash of £543.4 million (2019: £462.9 million). Generation has been relatively stable in recent years led by returns from the Company's legacy fund investments (concentrated in 2006 – 2008). However, these receipts made up a lower proportion (30 per cent) in 2020, with 57 per cent of the receipts coming from direct debt and equity investments. As a long-term investor, realisations from CDC's direct investing strategy are expected to grow slowly. This, combined with the increased commitment pace over the last six years, underpins the need for the additional capital awarded by FCDO in the 2015 recapitalisation and the 2017 business case.

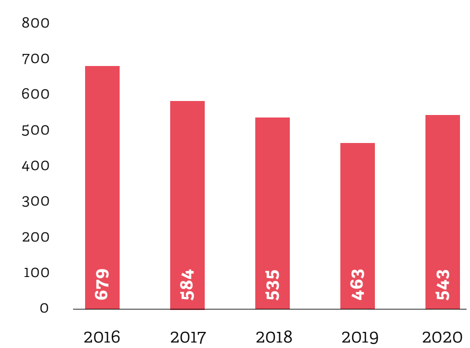
New commitments (£m)



Portfolio drawdowns (£m)



Portfolio cash generated (£m)



Financial return

Total return after tax

	2020 £m	2019 £m
Growth portfolio return	**(92.9)**	(61.7)
Catalyst Strategies return	**40.8**	(0.5)
Foreign exchange losses	**(121.8)**	(206.4)
Total portfolio return	**(173.9)**	(268.6)
Operating costs	**(107.3)**	(97.5)
Other net expense	**(1.0)**	(5.5)
Total return after tax	**(282.2)**	(371.6)
Average net profit since 1 January 2012	**77.1**	122.0

The overall result is a total loss after tax of £282.2 million (2019: £371.6 million loss). As a return on opening total net assets on a valuation basis, this represents a loss for CDC's shareholder of 4.4 per cent in 2020 (2019: 6.4 per cent loss). 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 this period, shall be positive. The average net profit since 2012 is £77.1 million (2019: £122.0 million), exceeding the target.

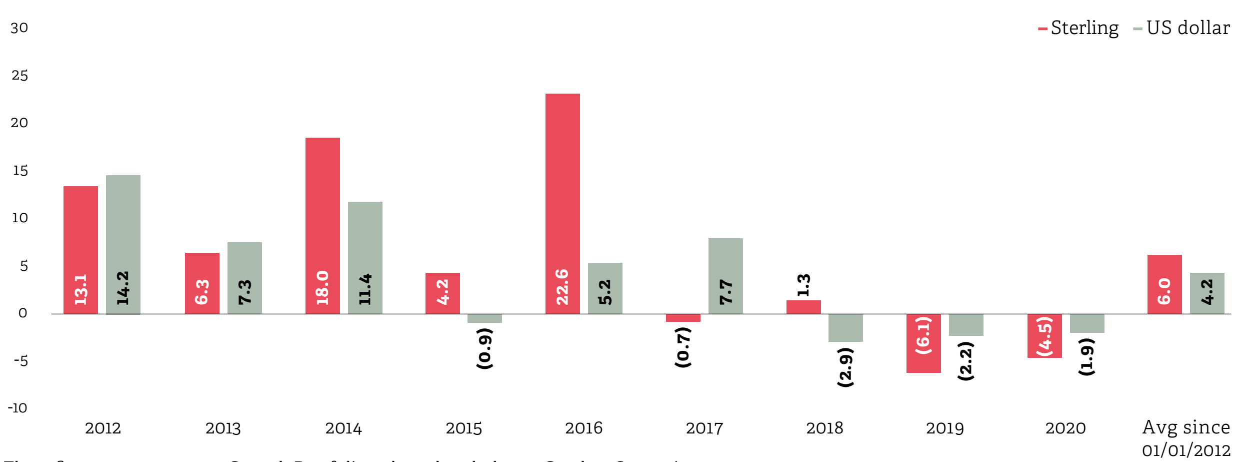
Portfolio return

The portfolio generated a £173.9 million loss (2019: £268.6 million loss). This represents a portfolio loss of 3.7 per cent (2019: 6.2 per cent loss) 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 2020 the portfolio generated a 0.9 per cent loss (2019: 2.1 per cent loss). The pound sterling result has also suffered from currency translation losses of £121.8 million following an increase in the sterling to US dollar exchange rate from 1.32 at 31 December 2019 to 1.37 at 31 December 2020. Throughout 2020, the COVID pandemic caused extensive disruption to businesses and economic activities globally. The pandemic had a significant detrimental impact on the African and South Asian markets that CDC invests in, reflected in the 2020 portfolio performance.

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 Africa and India financial stocks, along with construction and real estate and intermediated fund investments in Africa.

Readers of our annual reports in prior years have seen that we have predicted portfolio returns would fall, even before the pandemic, due to the challenge of our mandate. But we remain determined as an institution to meet our financial return targets, notwithstanding the challenges of our developmental mandate. As a development finance institution, 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 51 to 63. Since 2012, the average portfolio return of the Growth portfolio in pound sterling has been 6.0 per cent compared with the 3.5 per cent target as shown in the chart below.

Growth Portfolio return (%)*



* These figures represent our Growth Portfolio only and exclude our Catalyst Strategies.

Financial performance continued

The Catalyst Strategies invest to shape nascent markets and build more inclusive and sustainable economies. Given that 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 profit of £26.1 million in 2020 net of currency exchange losses (2019: £15.1 million loss), representing a profit of 8.0 per cent (2019: 8.0 per cent loss). However, it is important to note that these investments are very innovative by design with uncertain return profiles. 56 per cent of the portfolio by value returned losses in 2020 with 88 per cent of the overall return coming from two high-performing assets. The value of the Catalyst Strategies portfolio as at 31 December 2020 was £409.1 million (2019: £324.9 million).

Operating costs and other net expenses

Operating costs for 2020 of £107.3 million (2019: £97.5 million) have increased due to employee numbers rising to 479 at year end (2019: 422) and costs associated with an increased presence in our regions. Operating costs represent 2.1 per cent of ending portfolio value, consistent with 2019, but an increase on the position in 2018 and previous years. This rising trend, driven primarily by increased headcount, reflects two core trends: 1) 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 2) 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 incorporates establishing and expanding local offices across our markets, has also had a commensurate impact on the growth of our business support teams.

Portfolio and net assets

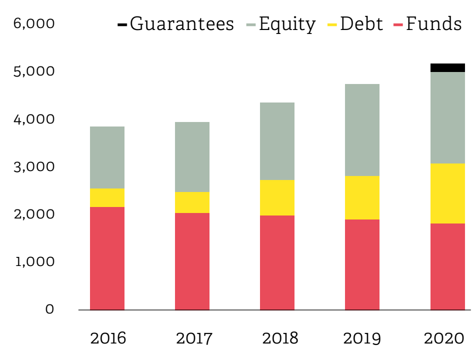
Portfolio

	2020 £m	2019 £m
Portfolio at start of year	**4,736.5**	4,339.8
New investments	**1,238.8**	1,076.2
Realisations	**(463.2)**	(343.4)
Value change	**(292.4)**	(347.3)
Allowances for guarantees	**2.8**	11.2
Portfolio at end of year	**5,222.5**	4,736.5

The overall CDC portfolio grew by £486.0 million in 2020. As described above, a higher pace of disbursements compared with receipts in 2020 was the main driver of this growth. The portfolio recognised valuation losses of £292.4 million in pound 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 2020, CDC had investments in 220 funds, managed by 128 different fund managers, and 126 direct investments.

Portfolio history split (£m)

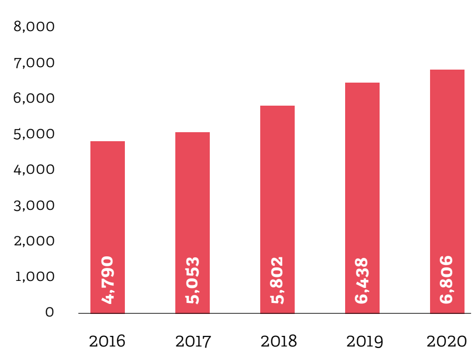


Net assets

	2020 £m	2019 £m
Growth portfolio	**4,813.4**	4,411.6
Catalyst Strategies	**409.1**	324.9
Net cash and short-term deposits	**469.0**	349.0
Other net assets	**1,114.2**	1,352.4
Total net assets	**6,805.7**	6,437.9

Total net assets increased in the year from £6,437.9 million to £6,805.7 million, a rise of 5.7 per cent (2019: 11.0 per cent).

Net assets (£m)



Net cash and short-term deposits held

The cash balance increased from £349.0 million at the start of the year to £469.0 million at year end, resulting in a net cash inflow of £120.0 million. At 6.9 per cent of net assets, the cash balance was within the liquidity policy target 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 $600.0 million (£438.9 million). The facility was not drawn or used at any time during 2019 or 2020. 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. For more details see the Risk management section on pages 14 to 19.

In 2020, CDC drew down £886.0 million of funds that had been lodged as promissory notes by the shareholder (2019: £745.0 million). 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 £3.5 billion. These notes are essential to allow CDC to scale up its investment activity. As a long-term investor, CDC needs long-term funding to enable it to commit to new deals that can take up to two years to conclude. These are lodged according to an agreed schedule, with the largest notes being lodged in November in each of 2018, 2019 and 2020. In line with the schedule in 2020, CDC issued 650 million ordinary shares of £1 each to its shareholder. The shareholder subscribed to the shares by issuing a promissory note for £650.0 million. At the end of the year these notes, together with a remaining 2019 note for £455.0 million were undrawn.

Pensions

CDC operates a single pension scheme in the UK. 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 (2019: £nil). The majority of the scheme's liabilities are covered by an insurance policy which substantially reduces the risk that scheme assets will diverge in value from the scheme liabilities. Further details are shown in note 17 to the audited financial statements.

Dividends

No dividends have been proposed, declared or paid during 2020. See page 64 for more details.

Carolyn Sims
Chief Financial Officer and Chief Operating Officer
22 April 2021

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.

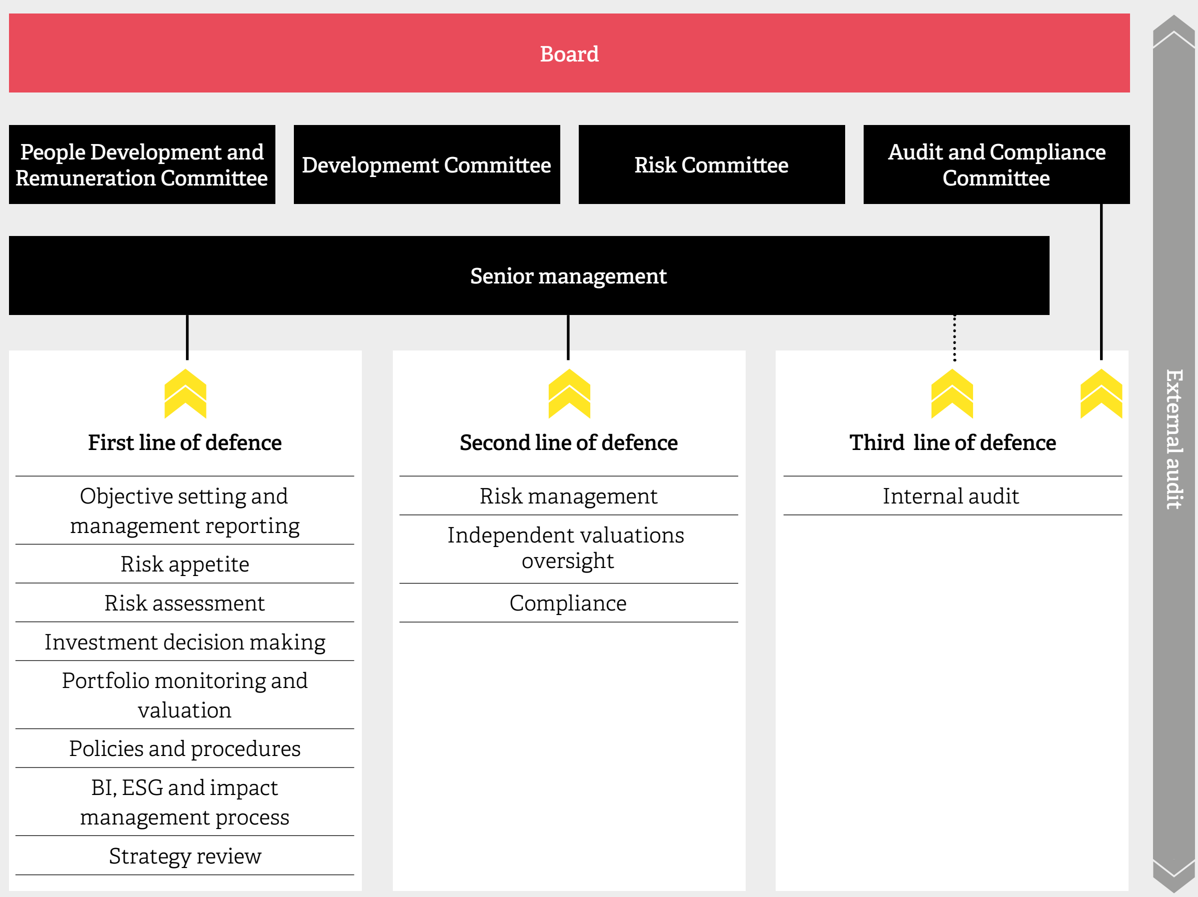
Our internal control system provides the Board with reasonable assurance that potential problems will typically be prevented or detected early with appropriate action taken. Material breaches of risk appetite and controls are reported to the Audit and Compliance Committee or the Risk Committee and updates on agreed actions to address breaches are provided as appropriate.

As with any system of internal control, our 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 risks inherent in our business and the actions taken to mitigate risks assessed as outside appetite;
+ annual approval by the Audit and Compliance Committee of the programme of work for the 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 Money Laundering Reporting Officer and Compliance Officer; and
+ receipt and review of reports on material control breaches.

CDC risk management and internal control framework



The key elements of our risk management and internal control system include:

- setting 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 significant risks 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 core internal controls;
- business integrity (BI), environmental and social (E&S) and impact management processes to identify, assess and manage specific risks in our investment portfolio;
- regular reviews of corporate strategies by the Chief Executive and Board; and
- appropriate management authorisation, approval and control levels, from the Chief Executive downwards. The Board must 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. In 2020 we appointed a new Chief Risk Officer and developed a plan to respond to these recommendations. The Risk Committee is overseeing delivery of the plan.

Risk appetite

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

- We actively seek out equity and credit risks resulting from investments in companies in developing countries in order to achieve both the targets set by our shareholder: a financial return on investment and development impact.
- This business exposes us to E&S, BI and operational risks. We take active steps to understand and where appropriate mitigate or manage these risks so they conform to our risk appetite.
- Our mission exposes us to high contextual risks, in particular risks related to investment returns, E&S impacts and BI, which can never be fully mitigated.
- Our reputation is an important part of our licence to operate. We seek to manage and mitigate reputational risk by carefully considering and closely managing sources of reputational risk and by engaging with stakeholders.

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

Principal risks

Our mandate to invest in some of the most challenging regions of the world exposes us to high inherent risks. We have put in place processes, systems and controls to identify and manage these risks, however they can never be entirely eliminated.

The COVID-19 pandemic in 2020 has increased the risk environment we are operating in, resulting in greater uncertainty in financial markets as well as changes to the way we operate, which makes managing a range of different risks more challenging.

The principal risks are considered to be:

- financial risk;
- development impact risk;
- environmental and social risk;
- business integrity risk;
- operational risk; and
- strategic and external risk.

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

Financial risk

Financial risk includes the risks of underperformance or unacceptable volatility of the investment portfolio return, including market, credit, currency, concentration and climate change (both physical and transition) risks, as well as liquidity risks.

We invest in developing countries in some of the most challenging regions of Africa and South Asia. These investments are inherently risky with the potential for loss of portfolio value leading to lower cash inflows than expected and portfolio returns below targets we have agreed with our shareholder. Equally, the timing of cash distributions from investments is uncertain and unless we have a direct majority equity stake, which is rare, is usually not within our direct control. When we invest through intermediated equity, the sale of interests in these investments may require a long period of time. This is because 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.

Risk management continued

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

In respect of managing this risk, we have adopted the following policies and processes:

Portfolio diversification: we maintain a diversified portfolio of assets made up of a combination of debt and equity investments which, in turn, are held directly or indirectly via a range of fund managers. We use a framework of country, sector and single party limits to avoid excessive concentrations in the portfolio. Triggers, agreed with the Risk Committee, are set below the limits to act as an early warning indicator. Senior management discuss any exposures that are close to, or breach, triggers and decide on the most appropriate course of action to take. They report the outcome of these discussions to the Risk Committee. During 2020 there were no breaches of agreed limits or triggers.

Our investments give us a portfolio of 1,195 underlying companies that are diversified by size, geography and industry sector.

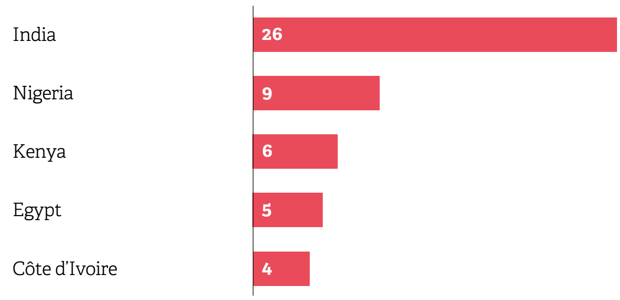
Countries: We have investments in 67 countries. The top five highest country exposures represent 50 per cent of the portfolio, with the largest exposure being 26 per cent in India.

Sectors: Our highest sector exposure is 30 per cent in financial services.

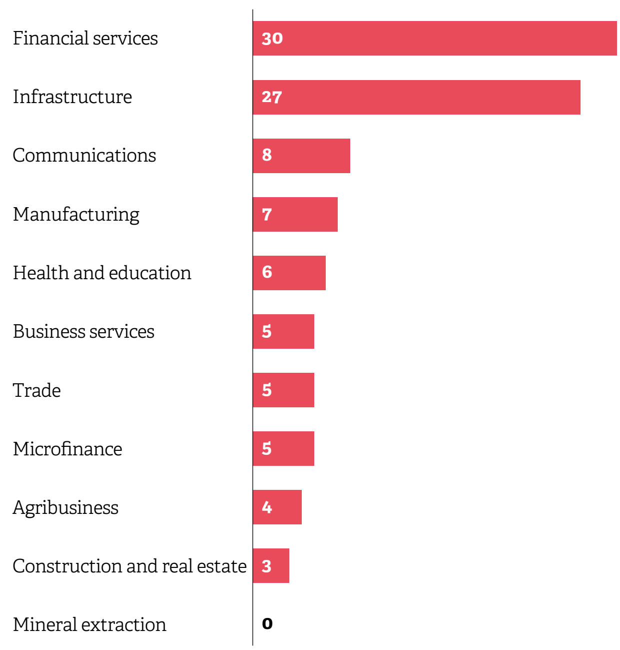
Single parties: The top 20 investments represent 39 per cent of the portfolio.

Investment selection and portfolio management: The Board has delegated some of its investment decision-making powers to the Investment Committee. The Committee reviews each investment proposal, including issues such as strategic fit, investment and development impact theses, financial risk/return, E&S and BI risks. The Investment Committee is made up of independent members and members of senior executive management. Where investment decisions fall outside delegated authorities then one or two non-executive directors are invited to participate in those specific investment discussions. Once an investment has been made, we operate a portfolio management process based on using our influence and formal rights so that we manage each investment in

Underlying portfolio by top five highest country exposures (%)



Underlying portfolio by sector (%)



a way which is consistent with Committee expectations to optimise development impact and financial returns, maintain a strong and constructive relationship with management and other key stakeholders, and maintain an up-to-date and clear sight of performance and risk levels. Following the onset of the COVID crisis up until the end of 2020, we put in place a streamlined Express Investment Committee process for use when urgent Committee decisions were needed due to the impact of the pandemic. We also needed to intensify CDC's portfolio management processes to monitor investments experiencing the most stress due to the crisis – until September 2020 this included weekly or fortnightly review meetings between investment teams and senior management.

Climate change: In 2020, we introduced an interim climate risk process to identify climate-related physical and transition risks for new transactions. The process is embedded in our existing due diligence and its outcomes are presented to the Investment Committee and thereby inform investment decisions. For a full description of our interim approach to identifying and managing climate risk see pages 26 to 28.

Cash management: To manage liquidity risks, we target having cash availability in excess of 80 per cent of aggregate undrawn contractual investment commitments. In 2020, 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.

We also target maintaining a cash balance of between 0 and 10 per cent of net asset value, and this target was met as at 31 December 2020.

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. As a result of greater uncertainty due to the COVID pandemic, the frequency of cash flow forecasts to the Board was increased during 2020.

Currency: Given our geographical focus, we're 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 we do not hedge our fund or direct equity investments. The majority of direct debt transactions are hedged to minimise the impact of currency fluctuations and translation differences. Foreign currency cash balances (predominantly US dollars) which are in excess of those required in the next six months are hedged to manage exposure and eliminate significant translation differences. Details of CDC's foreign currency balances are shown in note 18 of the financial statements on page 101.

Valuation: The valuation of the majority of CDC's investments involves a degree of subjectivity and there is an inherent risk that valuations may not reflect fair value. During 2020 there was increased uncertainty in financial markets due to the COVID pandemic, which in turn lead to greater uncertainty in valuations. We've developed our equity valuation guidelines to align with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines (December 2018), which in turn align with the fair value requirements contained in 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 our private equity funds are carried out quarterly by the relevant investment managers. As part of these reviews, managers prepare valuations which are reviewed by the Head of Valuations and approved by the Valuation Steering Committee. The Board regularly reviews summary valuation and financial return information, and there is additional detail and discussion at the Audit and Compliance Committee. For more details on the valuation methodologies, see note 25 of the financial statements. Valuation movements are given in notes 3, 4 and 5.

Development impact risk

Development impact is at the heart of our mission and the primary reason we exist. Development impact risk is the risk that CDC will fail to achieve our development objectives and contribute to the biggest global development challenges. To manage this risk, we seek to focus our investments in the geographies and sectors where there is most potential for development impact by using the Development Impact Grid and setting out a development impact thesis for each potential investment.

These are used to assess every investment opportunity at Investment Committee meetings. We also monitor the impact of our investments at portfolio, sector and individual levels and seek to understand the context and reasons for any changes, and to identify opportunities for course correction.

Risk management continued

Environmental and social risk

We believe that operating to high E&S standards is a fundamental part of business success and long-term sustainability. We are committed to helping portfolio businesses grow and flourish not only by providing capital, but also by helping them achieve good E&S performance.

We are exposed to a variety of E&S risks, including that a business in which we invest 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.

All investees receiving our capital are required to comply with relevant sections of CDC's Code of Responsible Investing. Investees that are subject to high E&S risks must also comply with international good practice (as defined by the International Finance Corporation's Performance Standards). The Code requires companies to assess and manage E&S risks which frequently involves developing E&S management systems, improving working and labour conditions, and developing additional E&S capacity and oversight.

To manage these risks, our E&S team contributes to due diligence on potential investments, agrees and monitors progress against action plans with investee companies to meet the requirements of the Code, assists investee companies in developing or improving their approach to E&S performance, monitors investee companies via annual reports and monitoring visits (generally for higher-risk investments) and assists with resolving E&S issues should they arise.

E&S risks in CDC's portfolio have increased in 2020 due to a range of social and labour issues which are likely to be more significant as a result of COVID and reduced ability to work with investees in the traditional manner due to travel restrictions.

Business integrity risk

BI risk is the risk of undesired outcomes of bribery and corruption, money laundering, fraud, terrorist financing, tax evasion, breaches of sanctions regimes and related reputational risks negatively impacting our ability to operate and deliver on our objectives.

Our appetite for BI risks materialising in our investments is low. This informs our risk assessment and follow-on approach, to ensure we invest only where we believe risks can be managed within appetite, with our investees aligned to our expectations. We assure this risk appetite by operating robust procedures that:

- meet our internal Code of Responsible Investing, regulatory and legal obligations, while helping to protect our reputation;
- inform our strategies and support investment decisions following careful and independent due diligence and assessment of investee BI risks;
- through active portfolio oversight, help guide and advise our investees on how to best manage their BI 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 BI incidents;
- actively monitor investees to help ensure BI risks remain within appetite through the life of the investment;
- support timely and effective escalation and investigation of material risks when they arise; and
- maintain management information and report on BI issues internally and externally.

BI risks in our portfolio may have increased in 2020 due to potential rises in fraud cases and possibly lower oversight of financial crime risks by companies and regulators as a result of COVID, especially in financial services. There has also been a reduced ability to work with investees in the traditional manner due to travel restrictions. Controls implemented by the BI team to help mitigate this risk include increased use of technology and more regular engagement with investees, in-country contacts and deal teams, increased use of external consultants and expanding training on managing BI issues to the business.

Operational risk

Operational risk is the risk of loss or other damage to CDC resulting from inadequate or failed processes, people and systems at CDC. This includes risks related to the security of our people, premises and information, and legal risks other than those directly associated with compliance with the requirements of regulatory bodies such as the FCA.

Our internal policies and procedures set out the control measures to mitigate operational risks in systems and internal processes. Our operational risk processes include:

- identifying and analysing the causes of events when they occur; and
- conducting thematic and scheduled reviews with risk owners.

These contribute to keeping assessments of individual risks up to date and allow us to monitor risk levels. Our internal audit function performs regular reviews to assess the adequacy and effectiveness of control measures. The internal audit programme is approved by the Audit and Compliance Committee.

The COVID pandemic resulted in a significant change in ways of working, with most staff moving to home-based working from March 2020 onwards. As a result mitigation measures in place for some risks have been reviewed and enhanced, including:

- our approach to investment due diligence and monitoring to identify ways this can be managed effectively with constrained travel;
- the controls (including segregation of duties) in place to mitigate the risk of internal or external fraud in our payment process;
- controls in the area of cyber security, including activities to raise awareness of new threats with staff; and
- monitoring risks to staff wellbeing, taking account of both mental and physical wellbeing, using staff surveys.

Strategic and external risk

The strategic and external risks at CDC are those risks which arise from the context in which we operate and the strategic decisions we have made, including the effect of external events on CDC. They are often long term in nature and frequently outside our direct control. We seek to manage these risks by maintaining the confidence of key opinion formers and political stakeholders in our role, being aware of and preparing for the impact of political changes that could affect us, and developing plans to ensure the continuity of business-critical processes.

Responsible investing

A responsible investor

CDC aims to be a responsible investor that supports the growth of companies in our markets through investment capital and applying E&S and BI standards. Our work is guided by our Code of Responsible Investing which defines the E&S and BI standards that we apply to investments, using IFC Performance Standards as the basis of our requirements. Being a responsible investor means working with our portfolio to ensure high E&S and BI standards are being met, and supporting investees as they improve performance in areas such as climate change, worker rights and fraud. In doing so we seek to set high standards across the markets we invest in and provide practical assistance to help the companies we invest in to improve their business practices.

We recognise that our requirements may prove challenging to our investees and hence we provide a variety of support, guidance (including the *CDC ESG Toolkit for Fund Managers*) and capacity building workshops to our portfolio. In 2020 for example we delivered E&S and BI training to over 360 people from over 150 funds and portfolio companies via a combination of virtual and physical workshops.

Our mission drives us to address the structural inequities that hold people and communities back from achieving their full potential. A long overdue discussion about how to tackle the injustice of endemic and systemic racism continues to take place globally, and we are reflecting on that discussion in our own organisation. As a responsible investor we know we can make a significant difference when deciding in what and whom to invest, and we are committed to considering where and how we can do more and better. In recent years we have focused 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 its financial commitments. More information on this topic and on our approach as a responsible investor can be found in our *Annual Review*, which is published separately.

Anti-bribery and Corruption Policy

BI is a core aspect of our mission and informs all our operations and decision-making. We take a zero-tolerance approach to bribery and corruption – both at CDC and among our investee companies and fund managers – and our commitment to BI is enshrined in our Code of Responsible Investing. We comply with all applicable laws, in 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 BI 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 people 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 international labour laws and this is a consistent feature of our engagement with our portfolio (including to the extent possible through assessment of labour risks in our investee's supply chains). In 2020 we also increased our capacity and commitments to address gender-based violence and harassment in our portfolio as part of our broader commitment to safeguarding.

In compliance with the UK Modern Slavery Act 2015, we assess the extent to which we are aware of, and managing risks associated with, modern slavery in our operations and investments and publish a *Modern Slavery Act 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. While having a purposeful mission is a hugely motivating factor for our people, we recognise that employees will only stay at CDC and fulfil their personal potential if we create an environment which encourages, supports and develops them and where they feel a sense of psychological safety and belonging.

Engagement

We try hard to listen to our employees. Each year we run an employee survey and feed the results back to staff 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. This has been particularly helpful as we have focused on responding to the changing needs of our employees through the pandemic and the sudden wholesale move to homeworking. We don't like to lose people but, when we do, we conduct a structured exit interview and follow up accordingly. Through all this we strive to continually improve our employees' environment and experience.

Although growing fast, we remain a relatively small organisation, and we work hard to make sure employees feel 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 and demonstrating required levels of competence. It is 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 leaders and managers, recognising that only skilled, empathetic managers will be able to get the best out of their teams.

We have set up an Employee Forum aimed at continuous improvement of our working culture and to strengthen engagement between the Board and CDC staff. We have appointed Laurie Spengler, the designated non-executive director for employee engagement, to lead on this, supported by Employee Forum members, to ensure the Board has a broad and rich perspective on workforce considerations. Although the Board already has several touchpoints with staff, this forum provides another, more focused, opportunity for them to be involved in shaping and contributing to improvements in CDC's culture and employee experience.

Diversity

We aim to hire exceptional people. We have recruited at scale in recent years and have grown a workforce with a diverse set of skills and backgrounds. We know that diverse teams perform at a higher level and make higher quality decisions than homogenous groups do. A workplace which is inclusive to all its members will promote authenticity, resulting in better work and a happier environment, and enable a better connection with its clients.

We are committed to ensuring equality in all areas of company life, for all employees, based on all protected characteristics, visible and invisible differences. In 2020, since the global events which ignited the Black Lives Matter movement and prompted deep reflection and debate across CDC on racism and inequality, we have run a series of discussion groups to better understand the challenges in our organisation and create a plan to address them. To spearhead and accelerate our work, we recruited a Diversity and Inclusion Manager who has put in place a comprehensive inclusion framework. This sets out our strategy for leveraging the diversity inherent in our employee population while ensuring our culture embeds inclusion. Activities which have flowed from the framework include increasing the advocacy for diversity and inclusion from our senior leaders, who are now sponsoring our diversity networks, running scenario-based training for every employee in the Company on inclusive behaviours, strengthening the governance around all our diversity networks, revisiting our history and brand and focusing on increasing our investment in African-owned businesses.

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 vital that, when developing our own workplace, we focus closely on diversity and inclusion. We have thriving networks recognising women (She works), lesbian, gay, bisexual, transgender, queer and intersex employees (LGBTQI+ and friends network), parents and carers (Caring works), and those interested in, from or associated with the African continent (Umoja works). We increasingly track the diversity of each step of our core processes (covering recruiting, promotions and progressions). We have a target for improving representation of women and, for the first time this year, Black leaders, at the top of CDC. These targets, and broader actions to improve the gender and ethnic balance of our organisation, are discussed in more detail in our *Gender and Ethnicity 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 increasingly targeting universities and business schools in our local markets. We continue to have lively discussions about improving social mobility, and for the third year running welcomed school students from underprivileged backgrounds to gain work experience at CDC – albeit online due to the pandemic – enabling us to learn from each other. In 2021 we are also participating in the 100 Black Interns Programme focused on increasing the representation of the Black community in investment roles across the sector. Our Legal team is also partnering with local charitable trusts to increase social mobility and access into the legal profession. The Resourcing team has developed and is implementing a diversity resourcing plan, accessing diverse talent through a variety of routes to market with an entry point either early in their career or as an experienced hire. Our requirement for diverse candidate slates and shortlists, together with an objective assessment and selection process, ensures effective governance is ingrained in the process and supports the resourcing plan.

Reward

Our responsibilities as an employer are reflected in how we reward our employees. 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 don't hire people motivated solely by personal financial gain, and our individual reward is not tied to the financial success of particular 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 58 to 63.

With all these elements of support, engagement, development, inclusion and reward, we seek to create a working environment at CDC in 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 one of the most important challenges facing our generation. It is global in nature, and its economic and social impacts are far-reaching in breadth and magnitude. The extent of future impacts will be determined by actions taken today. The financial sector plays a critical role in supporting the 'just transition' towards net zero and building resilience to the impact of climate change. The Paris Agreement explicitly recognises the role of finance in Article 2.1 c, calling to "make finance flows consistent with a pathway towards low greenhouse gas (GHG) emissions and climate-resilient development". This is the foundation for *CDC's Climate Change Strategy*, published in 2020, which articulates our commitment to Paris alignment and to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Identifying, assessing and managing climate-related risks and opportunities is a strategic priority for us, given the threat climate change poses to our dual mandate of development impact and financial return. We are well placed to support the investment opportunities needed to deliver a just transition towards net zero, and climate-resilient economies in Africa and South Asia. Our markets are considered to be among the most vulnerable and the least prepared for climate change, yet they can significantly benefit from new opportunities emerging through the global economic transformation now underway. There remains great need for economic growth, improved access to energy and water and improved living standards to meet the UN's Sustainable Development Goals (SDGs).

We recognise we need a whole-of-organisation approach to addressing climate change risks and opportunities through our investments and in how we operate. The recommendations of the TCFD provide a framework for this, indeed we used this framework to structure our Climate Change Strategy. We committed to make climate-related financial disclosures aligned with the TCFD in the UK Government's Green Finance Strategy published in July 2019.

This is our second TCFD-aligned disclosure, and so it reflects the work we have done in 2020 to advance our implementation of the TCFD recommendations. It also indicates our future plans, including working towards our first climate finance target. Under this target, 30 per cent of new commitments made in 2021 will be in climate finance qualifying sectors. The approach taken preparing this disclosure reflects the fact that good practice on the methodologies and metrics for reporting is still evolving. We recognise it is a multi-year journey and that disclosing consistent and comparable information about the risks and opportunities associated with climate change calls for close collaboration and engagement with peers, investees, borrowers and other stakeholders.

Governance

Board oversight

Since 2019, our Board has been responsible for overseeing climate-related risks and opportunities. It exercises this oversight with the support of the Development Impact, Risk, and Audit Committees. The Board approved our Climate Change Strategy in 2020 and exercises oversight of its implementation.

Management's role

The Chief Executive Officer (CEO) is ultimately responsible for the delivery of our corporate objectives and Climate Change Strategy. Our 2020 corporate objectives included 'Implement CDC's Climate Change Strategy' and our 2021 objectives include 'Strengthen our impact approach to key development themes such as climate and inclusion'. Detail on these objectives and how they were met can be found on pages 24 to 31. The CEO allocated the Chief Impact Officer to lead on these objectives. Our Executive Committee (our senior management team) has oversight of the Climate Change Strategy implementation through regular quarterly updates. For example, last year the Committee approved our *Fossil Fuel Policy* and our *Guidance on Natural Gas Power Plants*, which provides a methodology for considering investment in natural gas power plant investments in the context of the Paris Agreement (see pages 24 and 25 for further information on these). Our Executive Committee's consideration and endorsement demonstrates our commitment to achieving net zero emissions across our portfolio by 2050.

Our Chief Risk Officer, appointed in 2020, is responsible for ensuring that CDC has appropriate processes in place for managing risks associated with climate risk. The Chief Risk Officer and Chief Impact Officer are jointly responsible for implementing the recommendations of the TCFD.

They are supported in their responsibilities by:

+ A Climate Risk Working Group, made up of senior members of the Climate Change team, Environmental, Social and Governance Impact (ESG-I) team, and the office of the Chief Investment Officer. This cross-functional group oversees and contributes to the workplan for TCFD implementation.
+ The Investment, ESG-I and Climate Change teams, who are responsible for identifying, assessing and managing climate-related risks at an individual investment level.

The goals of the Climate Risk Working Group are to:

+ Oversee the implementation of CDC's approach to physical risks: this includes the methodology and process for integration at portfolio and investment level, as well as the implications for adaptation and resiliency measures required and acceptable residual risks.
+ Oversee the implementation of CDC's approach to transition risks: this includes the methodology and process for integration at portfolio and investment level.
+ Oversee the implementation of alignment towards a net zero emissions portfolio by 2050: this includes setting multi-year carbon budgets which contribute to portfolio construction and risk exposure limits.
+ Oversee the annual TCFD disclosure.

We have also established a cross-departmental Climate Action Group to further involve investment teams in implementing our Climate Change Strategy. The group is responsible for overseeing delivery of our investments to meet our climate goals including our climate finance target. It is made up of senior representation from all of our investment teams to ensure we support climate solutions across multiple sectors. It also includes participants from the Climate Change and ESG-I teams.

Day-to-day responsibilities for identifying and assessing climate risks at an individual investment level lie with the ESG-I team and the investment teams responsible for screening new investments for physical climate risks and transition risks, respectively. The outputs of their assessments are included in analysis which supports investment decision-making, and ways to mitigate any risks are included in longer-term planning where possible (see Risk management section on pages 14 to 19).

In 2020, we restructured our investment teams to organise them on a sector, rather than product basis – the three teams are Financial Services, Infrastructure and Climate, and SMART Industries (Services, Manufacturing, Agriculture, Real estate, Technology). While all three teams are responsible for delivering climate-focused investing and risk management where appropriate, the Infrastructure and Climate team has a particular focus on deepening our capability in climate-focused investing.

Task Force on Climate-related Financial Disclosures continued

Strategy

Our *Climate Change Strategy* sets out our priorities for managing climate-related risks and pursuing climate-related opportunities. The strategy covers the whole organisation and investments across all sectors and products and is structured around the four pillars of the TCFD framework: 1) strategy, articulating our approach towards alignment with the Paris Agreement on climate change, 2) governance, 3) risk management, and 4) metrics. It sets out how climate risks and opportunities are to be identified, assessed, managed and reported.

Our approach to climate change: using the four pillars of the TCFD

Climate Change Strategy

	1. Strategy	2. Governance	3. Risk management	4. Metrics
What	Climate case for CDC Institutional ambition and Paris alignment Tools Sector perspectives Partnerships	Board oversight Management oversight Investment process and portfolio management	Risk governance Physical and transition risk tools and processes Scenario analysis	Portfolio emissions Climate finance Sector metrics Green/carbon-related metrics
How	Transaction level Sector investment strategies Climate capabilities	Accountability Expertise Board structure Organisational integration	Transaction level Portfolio level	Building into investment process Portfolio management
	How and what we invest in	How we operate		

Two types of climate-related financial risks are identified in our Climate Change Strategy (see also page 17 of the risk management section):

+ *Physical risks*: both chronic and acute: those arising from weather and climate-related events such as droughts, floods or storms, or progressive shifts in climate and weather patterns such as increasing mean temperatures. The physical impacts of climate change can have wide-ranging impacts in the countries where we invest, from crop productivity to flood damage.
+ *Transition risks:* those resulting from the process of adjustment towards a lower-carbon economy, prompted by, for example, changes in policy and legal frameworks, technology advancements, or evolving market sentiment.

The climate emergency requires action across all sectors and financial products. Our Climate Change Strategy applies a climate lens to the sectors we invest in: infrastructure, food and agriculture, forestry, manufacturing, construction and real estate, financial institutions and trade finance. It presents sectoral deep dives exploring sector-specific climate-related risks and identifies opportunities to invest in support of the transition to net zero and climate-resilient economies.

Our approach to Paris alignment is based on three building blocks, all of which are key to how we will manage climate-related risk and increase investment in relevant opportunities:

1. Achieving net zero emissions by 2050;
2. Supporting a just transition for workers and communities; and
3. Increasing adaptation and resilience against climate risks.

Since the development and publication of our strategy in July 2020, we have started implementing all three building blocks.

Net zero

In 2020, we started developing guidance and tools to assess Paris alignment at an individual investment level. This includes new guidance to help us determine whether future investments in our pipeline are 'aligned', 'misaligned' and therefore excluded, or 'conditionally-aligned' with the goals of the Paris Agreement. We developed a guidance note for our investment teams which defines which investments are considered 'Paris aligned' and also qualify as climate finance. We also finalised a new *Fossil Fuel Policy* which is fully aligned with the *UK Government's new policy on ending financing of fossil fuel projects overseas* with very limited exceptions, for example gas power that can be demonstrated as consistent with a country's pathway to net zero emissions. In light of this policy, we will not make any new investments – direct investments, commitments to funds, or through directed lending to financial institutions – across most of the fossil fuel value chain, therefore also limiting our exposure to climate-related transition risks.

For sectors that are 'conditionally-aligned', i.e. neither clearly aligned nor misaligned to the goals of the Paris Agreement, we have started to develop in-house guidance tools to assess 'Paris alignment'. The first of these tools is our *Guidance on Natural Gas Power Plants*, to help evaluate whether a given project is deemed consistent with a country's pathway to net-zero and to minimise transition risks. Further guidance on Paris alignment for other conditionally-aligned sectors within our investment remit are planned.

We are investing to support the net-zero transition in our markets. For example, in 2020 we invested $13 million in Greenlight Planet Inc. It provides solar home systems on a pay-as-you-go basis to 11.2 million people across Kenya, Tanzania, Uganda and Nigeria, where 80 per cent are rural customers. In 2020 it is estimated to have avoided over 735,000 tonnes of carbon dioxide emissions.

Just transition

We are actively supporting a just transition to net zero and resilient economies. It is crucial to ensure that economic transformation and job creation is socially inclusive for workers and communities while managing the impact on workers in sectors with high carbon transition risk. A just transition focus presents a natural fit for CDC given our core mandate of creating jobs.

For example, in 2020 we were a founding member of the *Just Transition Finance Roadmaps (JTFR) project in South Africa and India*, two coal-dependent countries with decarbonisation ambitions.[1] The project aims to mobilise capital for transitioning coal regions and communities out of these unsustainable economic activities into new activities that create jobs and wider positive social and economic benefits. Through the JTFR project we plan to engage the international and local finance community to support this transition, alongside the private sector, governments, policymakers, regulators, civil society and local communities. Last year we also supported our investee *Ayana Renewable Power* to develop a skills project for community members to find green jobs in Rajasthan, India, and began preliminary discussions with investees that manage fossil fuel assets about just transition planning.

1. South Africa committed to achieve net zero by 2050 – see Government of *South Africa (2020), South Africa Low-Emission Development Strategy 2050*. India committed to achieve a target of 40 per cent cumulative electric power installed capacity from non-fossil fuel-based energy sources in its 2030 *Intended Nationally Determined Contribution*.

Task Force on Climate-related Financial Disclosures continued

Adaptation and resilience

The regions where we invest are particularly vulnerable to the impacts of climate change, which makes climate adaptation and resilience an urgent challenge. Our approach to adaptation and resilience is two-pronged:

1. Increase the resilience of existing and new portfolio companies by helping them to identify physical climate risks and adopt climate adaptation solutions. For example, we've worked with Zephyr Power Limited to implement a mangrove rehabilitation programme at its coastal wind power plant in Pakistan which will provide increased storm protection capacity along the coastline as well as to its wind farm.[2]

2. Target investments towards climate adaptation and resilience businesses offering solutions to climate change shocks and stressors. For instance, in 2020 we co-invested in the Indian-based agri-tech company CropIn alongside a tech venture capital fund, Chiratae Ventures, as part of our 'Venture Scale-up' Catalyst Strategy. CropIn is helping to build the resilience of the agricultural sector to physical climate-related risks. It 'digitises' the farm management process using technology such as satellite images and artificial intelligence to remotely monitor crop health, make yield predictions, enable precision agricultural techniques and monitor changing weather patterns. These insights are passed on to farmers, banks and microfinance institutions through digital apps to improve their decision-making.[3]

Finally, to accelerate investments in adaptation and resilience, particularly private investments, we partnered with FCDO, the Global Centre on Adaptation, FMO, Proparco and AFD to launch the 'Adaptation and Resilience DFI + Collaborative' at the *Finance in Common Summit* in November 2020. Together we aim to engage with other relevant partners to increase collaboration and actions to address barriers to private sector investment in adaptation and resilience, including policy and market failures, and to grow the local markets for the business solutions needed to adapt to climate impacts.

Risk

In 2020, we made initial updates to our Risk Management Policy and Risk Appetite Statement to more clearly include climate change risks (as part of both our financial and environmental and social risk types). We also expanded the scope of our risk register programme to include assessment of operational risks associated with the delivery of our Climate Change Strategy. As we implement the recommendations of the TCFD these will be expanded and updated.

Our approach to identifying and assessing climate-related risks

In 2020, the Offices of the Chief Investment Officer and Chief Impact Officer developed an initial process to identify climate-related physical and transition risks at the individual investment level. As a result of this work, we have begun to implement an Interim Climate Risk Process for new investments. This is embedded in our due diligence process and outcomes are presented to the Investment Committee, informing investment decisions.

The process, which is currently qualitative, is initially focusing on those sectors which are either relatively more sensitive to climate-related risks in our markets, or which significantly contribute to climate change. As we continue to implement the recommendations of the TCFD, learn from the interim process and develop guidance, we aim to build on this approach.

This interim approach includes different processes for direct investments and for indirect investments, each detailed below.[4]

Direct investments

In the interim process, direct investments (equity/debt provided directly to an investee) are assessed for potential physical and transition risks where relevant in line with the TCFD framework. Key sectors considered for physical risks and transition risks, and corresponding processes, are outlined below.

2. See Earth Security (2020), *Financing the Earth's Assets: The Case for Mangroves as a Nature-based Climate Solution*.
3. See for example, *CropIn's website* and Kumar P. (2017), *Bringing technology to the doorsteps of India's smallholder farmers for climate resilience*.
4. 'Direct investments' refers to debt and equity investments that CDC has made directly into companies. 'Indirect investments' refers to investments into financial institutions and third-party managed funds. Here, the relationship between the underlying investment and CDC is intermediated and therefore requires a different approach of working with the intermediary.

Physical risk

The approach to physical risks for direct investments focuses on infrastructure, agriculture, manufacturing, and construction and real estate. We recognise that physical risks may be present for any investment but have concentrated initial efforts in the sectors where physical impacts are likely to be more salient.

New investments in these four sectors are screened by the ESG-I team using a physical hazard identification tool. This tool includes 11 physical hazards, ranging from river flood to water scarcity to extreme heat. The tool indicates which physical hazards may present elevated risks at any specific location. Outputs of this tool are used to inform the Environmental and Social Due Diligence (ESDD) process, in which possible hazards are further explored where relevant. Other related risks which are critical to the operations of the investee, but which may not have presented in the tool, can also be explored.

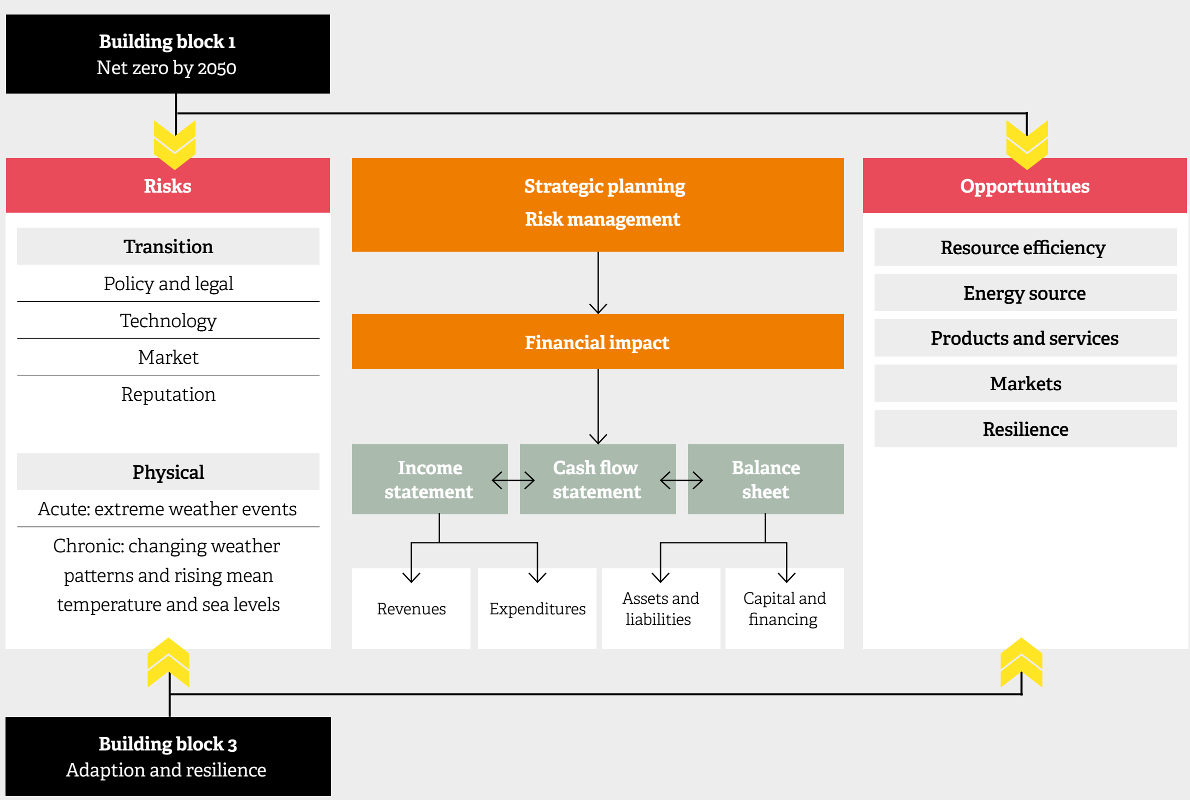
The ESDD takes further steps to understand potential impacts of any climate hazards presenting as high risk. Where possible, actions to mitigate physical hazard impacts are included in relevant deal documentation such as the Environmental and Social Action Plan.

Transition risk

The approach to transition risk focuses on key subsectors which are most likely to be impacted by rapid decarbonisation. As discussed above, most GHG-emitting fossil fuels are now excluded in accordance with our new *Fossil Fuel Policy*. Our *Guidance for Natural Gas Power Plants* ensures we limit our investments only to gas projects which are consistent with a country's pathway to net zero emissions.

Noting the new fossil fuel exclusions and specific guidance for gas power plants, the focus of the interim process is on other sectors which are highly GHG emissions intensive. These include transport infrastructure, high-carbon agriculture and high-carbon manufacturing.

The interaction between CDC's Paris alignment approach and transition and physical climate risk



Task Force on Climate-related Financial Disclosures continued

For these sectors, transition risk analysis focuses on the four drivers of transition risks identified by the TCFD framework: changes in legal and regulatory frameworks, market, technology and reputation. The interim process outlines a series of questions for each of the four areas, which are answered qualitatively, if relevant. This provides structure but also flexibility to tailor further analysis as needed. Qualitative responses to relevant transition risk questions are included in analysis provided for Investment Committee review.

Indirect investments
The approach to financial institutions and private equity funds is principles based. This is because the investee institution manages its own portfolio of assets. Our process aims to encourage intermediary institutions to develop an approach that adopts the TCFD's recommendations and is at the same time suitable for their size and strategy.

Initially, we are focusing on a subset of priority institutions based on underlying climate risks and CDC's influence. For example, we are prioritising work with private equity funds with agriculture or infrastructure-focused investment strategies which may face higher climate-related risks, and commercial banks in which we have invested equity – particularly where CDC has influence at the board level.

To support these institutions, we have developed internal principles-based guidance. This helps investees become 'TCFD-ready' by outlining steps they can take to understand their climate risk and governance, and apply these and other elements of TCFD. We encourage these investees to move towards implementing the recommendations, though we do not require them to sign up to the TCFD.

The aim of the indirect process is to support investees to assess and address climate risks, and to move them towards international industry practice at a pace that is ambitious but also considerate of appropriateness for the market.

Metrics and targets

As part of implementing the TCFD's recommendations, we are developing a range of metrics to assess climate-related financial risks and opportunities. We are also developing metrics to track progress against the three building blocks of our Paris alignment approach, including our climate finance target of 30 per cent of annual commitments in 2021, and our target to reach net zero emissions at a portfolio level by 2050. The data included in this disclosure is not subject to audit, as detailed in the audit opinion on pages 68 to 74, but is collected on a best-effort basis.

The table below provides some initial examples of what these may include. We are also working with peers and other relevant stakeholders and practitioners on advancing the development of adaptation and resilience metrics.

Strategy 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 mitigation finance (£ and % committed per year): aligned with the multilateral development bank climate finance methodology for mitigation finance + Amount mobilised into climate finance
	2. Measure the reduction of GHG emissions over time to align with net zero pathways	+ Whole portfolio emissions footprint
Just transition	3. Understand and report our contribution to a just transition	+ Jobs created in low carbon sectors + Number of people skilled for jobs in low-carbon sectors
Adaptation and resilience	4. Measure our financial contribution to adaptation and resilience	+ Climate adaptation finance (£ committed per year)

Current portfolio exposure to climate finance and carbon-related assets

Over the last year, we've analysed our existing portfolio exposure to both carbon-related assets and 'green' subsectors, that is those which are contributing to the net zero transition, which we define using our climate finance methodology.

As of end 2020, our exposure was as follows:

	Portfolio (£ millions)	Portfolio ($ millions)	Share of portfolio (%)
Carbon-related assets[5]	665	910	12.6
Climate finance[6]	812	1,109	15.4

The data shown here represents the value of our investment portfolio at the end of 2020 in carbon-related or climate finance qualifying assets. This covers our exposure to carbon-related or climate finance qualifying assets via direct investments and funds. Data was not available for our exposure via financial institutions. However we were able to calculate our exposure to carbon-related assets via trade and supply chain finance in 2020 and for 2021 onwards we are working on a methodology to calculate our climate finance exposure via trade and supply chain finance risk participation agreements too. A proportion of the portfolio qualifies as neither carbon-related assets or climate finance qualifying assets.

With our increasing focus on climate action we are shifting our portfolio towards climate finance including renewable energy. We have committed more climate finance than the current portfolio value yet shows, because our commitment numbers include money committed to projects or companies, but which has not yet been drawn down.

We have not yet tested these exposures to carbon-related assets against different scenarios for global policies to reduce global GHGs and so the above table does not show CDC's exposure to transition risk. We are planning to implement stress testing and portfolio risk analysis in the future.

Climate finance target

Our climate finance target is that 30 per cent of our annual commitments in 2021 either qualify as mitigation finance or adaptation finance. This is the first year CDC has had a climate finance target. We will track our climate finance commitments according to our climate finance methodology, which uses the multilateral development bank climate finance methodology for mitigation finance and for adaptation finance takes the principles and process-based approach of the EU Taxonomy for Sustainable Activities.

Net zero portfolio emissions target

In our Climate Change Strategy, we committed to finance in line with a 1.5˚C carbon budget and reach net zero emissions at a portfolio level by 2050. We are working to align the portfolio with net zero by 2050 pathways for Africa and South Asia through the development of our portfolio carbon budget. The first part of this work, which started in 2020, is developing our approach to measuring our financed emissions, that is the GHG emissions that occur in our investment portfolio attributed to CDC by our investment share. From 2021 onwards, we will develop a roadmap for the next five-year strategy period.

Greenhouse gas emissions of our investment portfolio

The emissions impact of our investment portfolio can be presented according to the different types of impact on the atmosphere:

1. *Absolute generated emissions:* the total amount of GHG emissions emitted by our investees.
2. *Avoided emissions:* the GHG emissions that are avoided by investee activities, as compared with business-as-usual scenario (limited to renewable energy projects).
3. *Sequestered emissions:* the total amount of GHG emissions removed from the atmosphere and permanently stored by investee activities (e.g. via forestry).

5. We define carbon-related assets as per our *Fossil Fuel Policy* for coal, oil and gas based on these definitions: upstream activities (exploration and production of fossil fuels), midstream (transportation and storage of raw fossil fuels), downstream (refining and distribution of refined fossil fuels), and power generation (defined as grid-connected rather than in captive capacity). We also include companies or projects that exclusively provide services (including advisory), equipment or other outputs to excluded fossil fuel activities, such as a company that exclusively provides construction services for oil exploration activities.
6. We define climate finance using CDC's climate finance methodology.
7. The PCAF accounting and reporting standard covers the seven gases under the Kyoto Protocol that are also mandated under the UNFCCC to be included in national inventories. These are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride, and nitrogen trifluoride. There are converted to tCO_2e using the 100-year time horizon global warming potentials published by the Intergovernmental Panel on Climate Change (IPCC) – either the AR5 values published by the GHG Protocol or the IPCC's most recently published assessment report.

Task Force on Climate-related Financial Disclosures continued

1. Absolute generated emissions

Methodology

CDC's financed emissions are part of our scope 3 category 15 downstream emissions. In 2020, we joined the *Partnership for Carbon Accounting Financials (PCAF)*[7] which is the global GHG accounting and reporting standard for the financial industry. We have used this PCAF standard, for the first time, to calculate the scope 1 and 2 GHG emissions of our underlying direct investments (excluding financial institutions) which were in our portfolio as of end 2019, see graphic below. We will continue to refine our approach in subsequent years.

The PCAF methodology consists of two main parts:

1. the GHG emissions of the investee which can either be a) reported b) calculated (based on physical activity data) or c) estimated (based on economic activity data); and
2. CDC's attribution share in the investee which was based on CDC's percentage of total enterprise value (or total assets where appropriate) of our underlying investments.

In terms of the emissions categories, our emissions calculations for our underlying portfolio companies were based on:

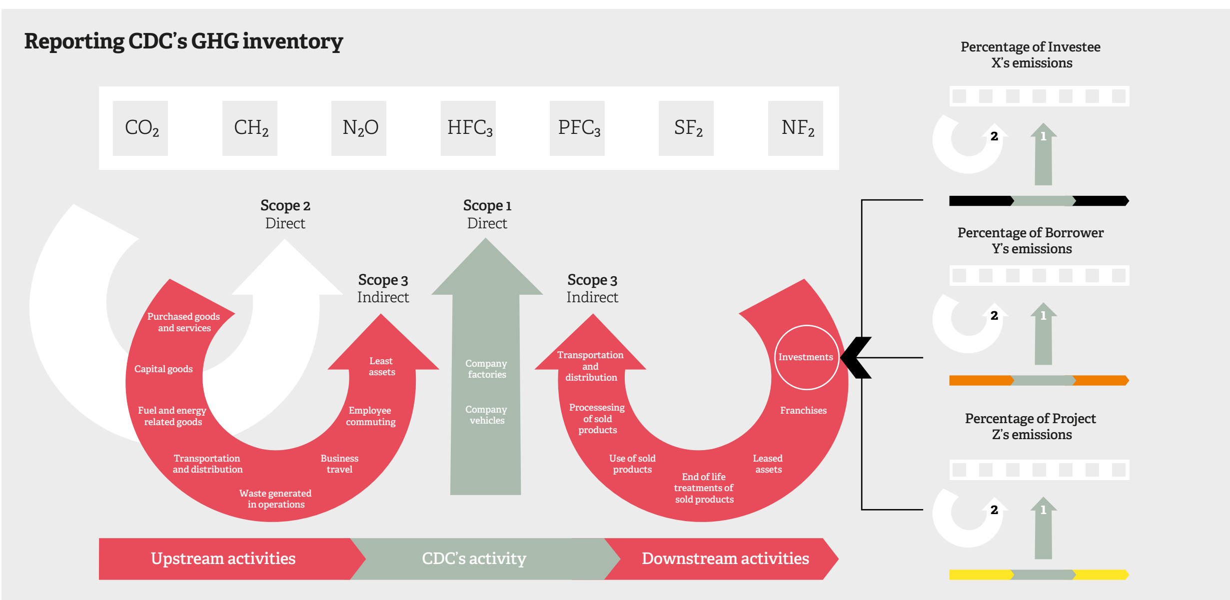
+ scopes: scope 1 and 2 (but not scope 3);
+ phase: operational emissions (but not embodied emissions[8]);
+ source: both energy consumption and process emissions; and
+ boundary: annual emissions (but not lifetime emissions).

Results

The following are the results of our financed and attributed carbon footprint for our direct investments, in two of our industry groups – the infrastructure and climate group, and the SMART group. These results have been normalised by the investment value of our portfolio in these two industry groups, expressed in tonnes of carbon dioxide equivalent (tCO_2e)/$ millions invested.

Industry group	Attributed emissions (tCO_2e)	Investment value ($ millions)	Emissions intensity (tCO_2e/$ millions)
Infrastructure and climate	1,150,449	1,007.5	1,142
SMART	73,823	1,224.6	60
Total	1,224,272	2,232.1	548

Calculations for financed scope 1 and 2 emissions of our direct portfolio as of end 2019 covered all investees and 98.8 per cent of our attributed emissions achieved a robust data quality score of 2 as per the PCAF score card. This means emissions of most portfolio companies were based on reported unverified emissions by the investee or energy consumption data, and only a limited number of investments were modelled based on economic activity data.



8. According to the *PCAF Standard*, embodied emissions are emissions associated with the non-operational phases of a project e.g. for buildings, this includes emissions cause by extraction, manufacture, transportation, assembly, maintenance, replacement, deconstruction, disposal and end of life aspects of the materials and systems.

PCAF recommends that the weighted data quality score is normalised by the outstanding amount of loans or investments. However, because some investments report Scope 1 and Scope 2 emissions using different methods with different scores, we have normalised the data quality score using the volume of total attributed emissions as per the table below. Under PCAF, this is an acceptable alternative to using the outstanding amount.

PCAF data quality score	PCAF option	Description	Percentage of attributed emissions by PCAF score category
1	1a	Reported verified emissions	0
2	1b	Reported unverified emissions	95.9
	2a	Calculated emissions based on energy consumption data	2.9
4	3a	Modelled emissions based on company revenue	1.1
5	3c	Modelled emissions based on company asset turnover ratio	0.1

Considerations and next steps
Due to portfolio company reporting cycles the numbers presented above were based on our portfolio composition as of the end of 2019. In the future we will progress our work to integrate our intermediated portfolio, including financial institutions and third-party managed funds, into our financed emissions footprint. This is an area where data availability is limited and there is a lack of PCAF guidance for intermediated financing.

2. Avoided emissions
On an attributed basis, our direct investments in renewable energy (wind, solar, hydropower) avoided emissions of 616 tCO_2e per million $ invested in this sector as of the end of 2019 (see table below). This only included power plants that were operational as of the end of 2019, not those still under construction. Calculations were based on the emissions factors from the *International Financial Institutions Framework for a Harmonised Approach to Greenhouse Gas Accounting*.

Industry group	Attributed avoided emissions (tCO_2e)	Investment value ($ millions)	Avoided emissions intensity (tCO_2e/$ millions)
Infrastructure and climate (renewable energy projects only)	511,660	829.9	616

3. Sequestered emissions
We are working with other European development finance institutions – Finnfund, Swedfund and FMO – to develop an online tool for calculating the carbon sequestration occurring through forestry investments. We will publish this data alongside our emissions footprint in subsequent years.

GHG emissions of our operations
In 2020 our total operational carbon footprint was 415.7 tonnes (t) of CO_2e which averages to approximately 0.9 tCO_2e per employee. The footprint for the London office formed the majority of our operational footprint in 2020, totalling 363.6 tCO_2e and was broken down in the following scopes:

Scope 1 – direct emissions from company facilities (heating) – 94.0 tCO_2e
Scope 2 – indirect emissions from purchased electricity, (electricity, cooling and condenser) – 180.5 tCO_2e
Scope 3 – other indirect emissions, (air and rail travel) – 89.1tCO_2e

We measured our total operational carbon footprint for our London office based on emissions from air travel and energy and electricity usage. For our Africa and South Asia offices, and therefore for our total footprint calculation, approximations were used to assess the footprint based on number of employees. As travel, which formed the majority of our 2019 operational footprint, was so restricted in 2020, our operational footprint is smaller than in previous years. Through our green employee network, 'Green works', we supported employees with information about how to reduce at home carbon and environmental footprints when working remotely.

Methodology
We use ClimateCare in the carbon offsetting process. We send ClimateCare our flight and energy use data and they support us with both the calculation of our footprint and the offsetting process. All calculations made by ClimateCare are based on 2020 Defra/ Department of Energy and Climate Change emissions factors, which are available publicly online. This combines best practice, industry standard data conversion factors with our raw data to calculate final CO_2e emissions. In 2020 we bought offsets from the Climate+Care mixed portfolio. These are high impact offset carbon credits from projects such as efficient cookstoves in Ghana and Bangladesh.

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

Nick O'Donohoe
Chief Executive
22 April 2021

Governance Report

Chairman's introduction

I am pleased to introduce the Governance Report for the year ending 31 December 2020. 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.

We said goodbye to Wim Borgdorff and Keki Mistry during 2020 as they stood down as non-executive directors. It is hard to find words which will do justice to the contribution which Wim and Keki made to the Board. Both were great ambassadors for CDC and I speak for the Board and Executive Committee when I say that we all appreciated their wise counsel and commitment.

I am delighted that we were able to recruit worthy successors in Krishnakumar Natarajan and Kathryn Matthews. On pages 37 and 38 you will find their biographies. Krishnakumar brings a wealth of digital and entrepreneurial experience as well as the voice of India. Kathryn has had a career in blue chip companies as both an executive and non-executive director. I am grateful to Andrew Alli for stepping in as the Chair of the Risk Committee during a period when Wim Borgdorff was unwell. Kathryn Matthews has been appointed Chair of the Risk Committee following Wim's departure.

In addition, Carolyn Sims joined the Board in September 2020 as Chief Financial Officer/Chief Operating Officer. I am grateful to Mike Corcoran for his work as interim Chief Financial Officer during 2019 and 2020. I take particular pleasure in being able to report that from a gender perspective, the CDC Board is now equally split between male and female directors and from an ethnicity perspective, 30 per cent of our Board members are African and Asian, and live and work there, bringing the voice of Africa and Asia to the board table..

We will be saying goodbye to Sam Fankhauser in 2021 as his term comes to an end and, as I write this report, the search for Sam's replacement is underway. I want to take this opportunity to thank Sam for his leadership of our Development Impact Committee – we will miss his passion for our mission and deep expertise in climate change. This will be my final year as Chairman at CDC, and I will work with Michele Giddens (our Senior Independent Director) to support the Foreign Secretary and our shareholder in their appointment of my successor. It has been a great privilege to work for CDC, and I have committed to both the shareholder and my colleagues that I will be 100 per cent dedicated until completing a smooth transition.

As noted in my introduction, the key focus for 2020 has been to provide the best possible response to the COVID-19 pandemic whilst remaining focused on our long-term stewardship of CDC. Our COVID response covered not just our investment activity and support for the portfolio companies but also ensured we did our best to deliver our duty of care to our employees, from physical or mental health issues to the physical security of our offices and homeworking. Our stewardship response meant ensuring we carried on delivering on our commitments in the current five-year strategy, upheld our standards of governance, and worked to ensure the organisation comes out of this crisis ready for the rebuild in the years ahead. You will be able to read about some of this detailed in the individual committee reports. The five Board committees continue to play an important role in the governance of CDC and in helping CDC to operate effectively and efficiently, whilst providing high quality oversight and support.

Not surprisingly, the Board had significantly more Board meetings in 2020 as we monitored the impact of COVID on our people and business, working in partnership with the Executive Committee. And even though we were unable to travel, we carried out a virtual Board trip to Nigeria and Ghana learning from people on the ground about the important role CDC has to play in ongoing development in those countries. We also began the triennial review of our Remuneration Framework in 2020. More of this can be found in the People Development and Remuneration Committee report on page 53 but I am particularly grateful to Laurie Spengler for her leadership.

Finally, our Investment Committees (a pivotal part of our execution capability and a key plank of our governance structure) has continued to be very busy during 2020 with 178 Investment Committee meetings and once again I would also like to thank all 13 external members for their guidance and commitment. CDC is very lucky to have such committed talent to support investment decision-making. As always, we have continued succession planning within the Group, and have made great progress in increasing diversity in 2020.

I have always acknowledged the importance of our stakeholders both internally and externally to the long-term success of CDC. On pages 43 to 45 we explain how, as a Board, we work with our employees, our partners, our suppliers, other development finance institutions, non-governmental organisations (NGOs) and the UK Government including our shareholder, FCDO. With regard to our employees, I am pleased to advise that, in accordance with the recommendations of the UK Corporate Governance Code, we have designated Laurie Spengler to be the non-executive director responsible for ensuring that the employee voice is heard during Board discussions. To enable Laurie to fulfil her role we have also established an Employee Forum and further information is set out on page 52 in respect of the formation of this very important committee.

Sir Graham Wrigley
Chairman
22 April 2021

Board of Directors

Sir Graham Wrigley KCMG
Chairman
Nominations Chair

Appointed Chairman and Non-executive Director in 2013.

Ever since visiting Nepal and India in 1981 Sir 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 small and medium enterprise 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 helping their countries' economic development.

Sir 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 $20 billion under management. Before that he worked for Bain & Company.

Sir 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 over 36 years.

Nick O'Donohoe
Chief Executive

Appointed Chief Executive and Executive Director in June 2017.

Nick was previously a Senior Adviser to the Bill & Melinda Gates Foundation where he specialised in the use of blended finance models to support the foundation's work. Before taking this role, Nick co-founded, with Sir Ronald Cohen, Big Society Capital. He served as its CEO from 2011 to 2015.

Big Society Capital 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. Before 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 and Deputy Chairman of the Global Steering Group for Impact Investment.

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

Board of Directors continued

Carolyn Sims
Chief Financial Officer and Chief Operating Officer

Joined CDC in June 2020; appointed to the Board in September 2020.

Previously, Carolyn worked for Schroders where she was Chief Financial Officer of the Wealth Management Division and a member of the Group Management Committee. Before that, she was the Chief Financial Officer for Cazenove Capital Management from 2007 until its sale to Schroders in 2013.

Carolyn started her career with Touche Ross & Co where she qualified as an ACA. She then joined Lazard where her roles included Chief Operating Officer for Global Capital Markets and Finance Director in the UK.

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 services firm. Before this he was the President and CEO of 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, Andrew is a Non-executive Director of the Development Bank of Nigeria where he chairs the Audit Committee. He spent over a decade with the International Finance Corporation (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 Fellow of the Institute of Chartered Accountants, 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.

Dolika is an independent consultant with extensive experience in banking and development finance. She previously served as CEO 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.

Dolika 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 degree 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.

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. Before 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
Senior Independent 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.

Before 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, where she worked on international joint venture investments during the process of private sector development in Eastern Europe.

Michele 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 British Private Equity & Venture Capital Association Council. Michele has a BA Honours degree in Politics, Philosophy and Economics from Oxford University and an MBA from Georgetown University, Washington, DC.

Kathryn Matthews
Non-executive Director
Risk Chair

Appointed in January 2021.

Kathryn has been involved in financial services for the last 40 years. Her last executive role was as Chief Investment Officer, Asia Pacific (ex-Japan) for Fidelity International, and before that she held senior appointments with William M Mercer, AXA Investment Managers, Santander Global Advisors and Baring Asset Management. She has also previously been on the Board of Directors for a number of investment companies including Fidelity Asian Values and JP Morgan Chinese Investment Trust. She was also, until recently, on the Board of Trustees for the Nuffield Trust.

Kathryn is a Member of the Council for the Duchy of Lancaster, and a director of the Vietnam Opportunities Fund. She also sits on the Board of Directors for Barclays Bank UK plc and Pendal Group, a global asset management company based in Australia.

Board of Directors continued

Krishnakumar Natarajan
Non-executive Director

Appointed in July 2020

A leading authority in the global IT sector, Krishnakumar Natarajan co-founded Mindtree in 1999 and has played key roles in building the company's innovative approach to delivering IT services and solutions to global 2000 enterprises.

A 39-year IT industry veteran, Krishnakumar held several key positions at Wipro before co-founding Mindtree. In 2013, Krishnakumar served as Chairman of the National Association of Software and Services Companies (NASSCOM), where he worked to strengthen the Indian IT industry to build a globally competitive ecosystem. He currently serves as the Chairman of NASSCOM Foundation.

Krishnakumar is an active partner of Social Venture Partners – an organisation involved in impactful philanthropy and co-runs the Mela Foundation.

Krishnakumar is also an active member of the Confederation of Indian Industry. He has a bachelor's degree in mechanical engineering from the College of Engineering, Chennai, India, and a Master's degree in Business Administration from the Xavier Institute, Jamshedpur, India.

Laurie Spengler
Non-executive Director
People Development and Remuneration Chair

Appointed in July 2016.

Laurie 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, mergers and acquisitions 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.

Laurie is CEO of Courageous Capital Advisors, LLC, an impact investing advisory firm dedicated to generating outsized positive impact by providing targeted strategy, transaction and governance services. From 2006 to 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.

Among her current board engagements, Laurie serves as a non-executive director of Lendable Inc, the UK Impact Investing Institute and Bridges Insights. Laurie serves as Global Ambassador to the Global Steering Group on Impact Investing and is Senior Fellow and Advisory Council member at Casei3 at the Fuqua Business School. She is a member of the Council on Foreign Relations. Laurie has a Juris Doctor degree from Harvard University and an undergraduate degree from Stanford University.

The terms and conditions of appointment of non-executive directors are available for review on *CDC's website*.

Keki Mistry resigned from the Board on 17 July 2020 and Wim Borgdorff resigned on 31 December 2020.

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 in the Company for other specific matters.

Board size and composition

The Board has ten members: the Chairman, two executive directors 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 our directors and their biographies are set out on pages 35 to 38.

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.

The Chairman is Sir Graham Wrigley. Sir Graham held two directorships and two trusteeships during 2020 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 day-to-day management of the Company. Sir 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. Nick 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.

They 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 Michele Giddens.

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, the shareholder may discuss any issues or concerns they have with the Senior Independent Director.

Appointment and removal of directors

CDC'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.

FCDO has appointed the Chairman and two of the Company's non-executive directors who are deemed to be independent.

How the Board operates continued

Governance framework

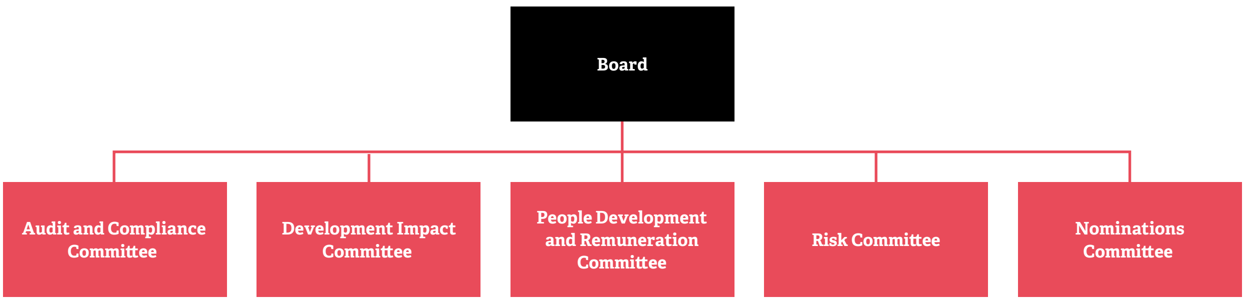
CDC's shareholder

Following the merger of DFID and the Foreign and Commonwealth Office in September 2020, the ultimate parent of the Company became the Secretary of State for Foreign, Commonwealth and Development Affairs with effect on 30 September 2020.

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 include further detail on each committee's role and responsibilities, and the activities undertaken during the year.



Investment Committee

The Board has delegated certain 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 particular 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, Tim Krause, Stewart Hicks, John Kelting, Sriram Balasubramanyam, Cathy Echeozo, Paul Fitzsimons, Mark Gidney, James Heath, Richard Munn, Rod Evison, Anne-Marie Harris, Anne Glover and Nikunj Jinsi.

Meetings of the Board

At each scheduled meeting the Board receives a report from the Chief Executive on the performance of the Company (the number of meetings held can be found in the table on page 42). 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 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 2020

During 2020 the Board particularly spent time monitoring and reviewing the following:

- The continued progress of CDC to invest and deliver commitments to enable us to meet our objectives as set out in the 2017–2021 strategic framework.
- Work on reviewing the progress made during the 2017 – 2021 strategy period and the framing of our new five-year strategy for the 2022–2026 period which we hope to publish in autumn 2021.
- Investment performance, including approving enhancements to the Investment Committee process including in-depth reviews of investments which had not performed as had been expected. A significant focus in 2020 was our COVID-19 response as set out in the Chief Executive's statement on pages 5 and 6 and ensuring that we supported our investees and markets during this difficult time.
- The people agenda, covering the pace and level of resourcing, actions to support diversity and inclusion, and duty of care. This has been a particular area of focus given the COVID pandemic.
- Work on the new Remuneration Framework.
- Company culture: in December 2020 we undertook a review of culture based on the metrics we agreed in 2019. We hope to build on this work in 2021 and have performance dashboards so we can monitor our progress over time.
- Our financial performance with a key focus on liquidity and budgets.
- Our Climate Change Strategy, recognising the importance of the Government's Green Strategy and compliance with the TCFD, which we signed up to in 2019 (disclosures under TCFD can be found on pages 22 to 31). The Board recognises that the climate emergency is the biggest global development challenge facing the world today and know that it will affect people living in the countries where we invest the most.
- Our continued engagement with our shareholder, including the impact of the merger of DFID and the Foreign and Commonwealth Office, and the external review of CDC commissioned by the shareholder; engagement with the Independent Commission for Aid Impact; as well as our ongoing engagement with UK Parliamentarians, NGOs and other UK stakeholders.

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 can take independent professional advice at CDC's expense, if needed.

Indemnities

CDC'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 CDC 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 and 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 member of the Board and Executive Committee, and the results were shared with the shareholder, FCDO.

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

- the role and composition of the Board and Board committees;
- the performance of Board directors;
- oversight on key areas of responsibility;
- meeting effectiveness including agendas and papers; and
- people and culture.

The report was presented to the Nominations Committee in February 2021. The evaluation concluded that the Board continued to work effectively but improvements were identified and will be adopted during the year. Further information can be found in the Nominations Committee report on page 46.

How the Board operates continued

Attendance at Board and committee meetings in 2020
The Board had scheduled to meet five times during 2020. Additional meetings were held, some at short notice, to discuss CDC's response to the COVID pandemic and other matters. 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 meetings during the year	11	5	4	6	4	3
Sir Graham Wrigley (Chair)	11	5	4	6	4	3
Nick O'Donohoe (Chief Executive)	11	5	4	6	4	3
Carolyn Sims (Chief Financial Officer and COO)[1]	4	2	–	1	2	1
Andrew Alli	11	5	–	–	4	3
Dolika Banda	11	–	4	6	–	3
Wim Borgdorff[2]	7	–	1	3	2	1
Sam Fankhauser	11	–	4	–	4	3
Michele Giddens	11	–	4	–	4	3
Keki Mistry[2]	6	4	–	4	–	2
Krishnakumar Natarajan[1]	6	2	–	2	–	1
Laurie Spengler	10	5	–	6	–	2

1. Joined during the year.
2. Resigned during the year.

Nick O'Donohoe and Carolyn Sims are not members of any of the committees but attend by invitation. Kathryn Matthews joined the Board on 1 January 2021. She has been appointed as Chair of the Risk Committee and joined both the Audit and Compliance Committee and the Nominations Committee.

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. It also forms the directors' statement required under section 414CZA of the Companies Act.

Our commitment

The UN's SDG 17 highlights the importance of global partnerships for achieving sustainable development. As the UK's development finance institution investing on behalf of the UK taxpayer across Africa and South Asia, stakeholder engagement is a key part of how we operate – with our own people, our partners, our suppliers, governments and civil society.

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 its stakeholders and its responsibility for stewardship and good governance at all levels.

Our Global Affairs and Communications function, working with the Chairman and Chief Executive, puts together a comprehensive stakeholder engagement plan. This plan is discussed by the Board and management and sets out our approach to engaging with our stakeholder groups. A regular stakeholder engagement survey (including UK Parliamentarians, UK Government, the third sector, businesses and investors) is conducted to ensure that we are responding to and learning from external views.

The directors have direct input into CDC's long-term success through their leadership on our strategic direction and in 2020, the Board began discussing the framework for the new strategy period from 2022 to 2026. We will be consulting all our stakeholders during the development and implementation period of the new corporate strategy in 2021.

Working with our people

Our approach

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 Committee report on pages 51 to 63, 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 21, 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 training in unconscious bias, inclusive behaviour and safeguarding.

As part of our annual monitoring of CDC's cultural health we measure the extent of interactions between our Board and staff. In early 2021 the Board and Executive Committee launched an Employee Forum, led by a designed non-executive director for Employee Engagement, aimed at continuous improvement of our working culture and strengthening engagement between the Board and our staff. See page 52 for further information.

How we engage with our stakeholders continued

Working with our partners: businesses and investees

Our approach

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 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. In 2020, the Board took part in a 'virtual Board trip' to Nigeria and Ghana, learning from partners about the important role CDC has to play in ongoing development in those countries.

Working with governments

Our approach

Our aim is to maintain a trusted relationship with our shareholder, wider government and political stakeholders, ensuring CDC's licence to operate and raising visibility/accountability of the work we do.

We do this both through our formal relationship with the UK Government as a shareholder – including through agreement of the five-year strategy and investment policies, annual shareholder meetings (attended by the FCDO Permanent Secretary and including an update on key performance indicators and the strategy), quarterly shareholder meetings (attended by the relevant FCDO Director General and including general information sharing) and weekly discussions with the FCDO. In addition, we work across government as a partner, sharing learning and expertise and contributing to UK government objectives both at country level and international level, such as COP26 and G7 processes.

As well as maintaining strong relationships with the UK Government and FCDO, we run a proactive engagement programme across a broad range of political stakeholders. This includes regular events, roundtables, meetings and briefings on CDC activities as well as engagement in formal accountability mechanisms, through parliamentary committees and oversight bodies.

Working with civil society

Our approach

CDC works and engages with a wide range of civil society organisations – from business and industry associations to think tanks and charities – recognising the role that all of these play in delivering economic development and achieving the UN SDGs. CDC runs a proactive engagement programme with these organisations including hosting an annual stakeholder day which provides the opportunity to understand our progress during the year and to raise questions. In addition, we hold regular dialogue events on key global development challenges where participants exchange learning and best practice. As well as hosting our own programme of activities, we regularly engage in roundtables, public forums and information exchanges hosted by civil society organisations.

Working with our suppliers

Our approach

The Board is aware of the importance of carefully considering business relationships with our suppliers, and we have updated our Procurement and Payment Policy practice and processes to ensure the continued strength of our supplier relationship management. We aim for propriety, fairness, consistency, good practice and value for money in all contracts for services, supplies and works entered into or on behalf of CDC. Work with staff networks across CDC, such as 'Green works' and 'Umoja works' (which brings together employees associated with the African continent), emphasise our continued commitment when purchasing goods, services or work, to select those which have the least negative impact on the environment, and address diversity and equality in our supply base. We work to pay our suppliers promptly by embedding a robust finance structure and providing clear and consistent guidance to all third parties.

Nominations Committee report

Committee information

Committee membership

Sir Graham Wrigley *(Committee Chair)*, Andrew Alli, Dolika Banda, Sam Fankhauser, Michele Giddens, Kathryn Matthews, Krishnakumar Natarajan, Laurie Spengler

Number of committee meetings: 3

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 and reviewing the Board's independence, structure, size and composition as well as the composition of our Board committees. The Nominations Committee also considers succession planning and makes recommendations to the Secretary of State for Foreign, Commonwealth and Development Affairs as a holder of a special share in CDC Group plc, as appropriate. All directors are required to stand for re-election by the shareholder at the Annual General Meeting in accordance with the provisions of the Articles of Association.

During 2020 the Nominations Committee considered three appointments to the Board notwithstanding the impact of the COVID-19 pandemic: Krishnakumar Natarajan as a successor for Keki Mistry, Kathryn Matthews as successor to Wim Borgdorff as our new Risk Committee Chair and Carolyn Sims as our Chief Financial Officer.

In each recruitment, diversity was a key issue and the search consultants were asked to provide a range of suitable candidates for consideration and to focus on gender diversity. For each appointment a CDC panel was established to identify a shortlist for recommendation to the Nominations Committee. Where possible, the candidates also met with representatives of our shareholder as well as members of the Executive Committee. I am delighted that our Board is now gender balanced with an equal number of men and women. In addition, three out of ten of our Board members are African or Asian and live in those countries, bringing both diversity and knowledge of our markets to the board table.

FCDO is now undertaking a search for a successor for Sam Fankhauser. We are working closely with the shareholder on this appointment and will report more on this process in next year's annual report as well as the process for the appointment of my successor as Chair.

In all our recruitment we aim to reach as wide a candidate pool as we can. We advertise publicly in The Economist as well as on our own website and that of the external search provider. We also draw on our own networks and those of our shareholder as we seek to be as open and transparent as possible in our search to find the best candidate. None of the consultants engaged in the above searches have any other connection with CDC other than providing recruitment services.

As mentioned earlier in this section, the Company Secretary and I undertook an internal Board evaluation process which included interviews with members of the Board, the Executive Committee and the shareholder. This built on the external review previously conducted. We are pleased to report that the Board continues to perform effectively but we, as is often the case in evaluations, have identified areas where we believe we can improve. I reported last year that one area where we felt we could 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. We are making good progress while accepting there is still more than can be done and we will follow up on the areas agreed after this year's review.

As I have written in previous years, 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.

Sir Graham Wrigley
Chairman

Development Impact Committee report

Committee information

Committee membership

Sam Fankhauser (Committee Chair), Dolika Banda, Michele Giddens, Sir Graham Wrigley

Number of committee meetings: 4

Letter from the Chair of the Development Impact Committee

As I write my last report as Chair of the Development Impact Committee, I cannot help but look back with a sense of pride on the strides CDC has made in this area in recent years. 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. In 2020 the Committee comprised five non-executive directors and was supported by CDC's Impact Group in all that it does led by Liz Lloyd, CDC's first Chief Impact Officer. While not a member of the Committee, Liz 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 FCDO, our shareholder. In 2020 this assurance was again provided by PwC. I am pleased that CDC's development impact scores continue to be higher than the target agreed with FCDO.

During the year we also received progress updates on the work being done to monitor development impact in portfolio management. Portfolio-level assessments have been developed for most products and this has enabled the team to draw out portfolio insights into what is and what isn't working. In addition, the Research and Policy team have been working on a number of initiatives including the design of the new development impact scoring system for the new strategy period. We regularly monitored our work around E&S outcomes. Our team has worked closely with our investee companies during the COVID-19 pandemic as we were particularly keen to ensure that we were supporting safe workplaces, making sure that all employees are kept safe and treated with respect.

During 2020 and into 2021, the Committee has supported the shaping of the Impact Group's COVID response – defining success parameters and endorsing the team's approach. As a Committee, we have been impressed at how rapidly the team responded while at the same time responding to real-time portfolio needs and a very different working environment. CDC Plus supported 65 projects through its COVID facilities.

We heard from the Value Creation Services team about the continued work in the area of gender equity in development finance as well as in skills and job quality. Climate is of course an increasingly important focus of our agenda. The implementation of the Climate Change Strategy, focusing on net zero by 2050, just transition, and adaptation and resilience workstreams has progressed and we have supported the team as it built partnerships across all three pillars, gathering momentum towards COP26 in 2021.

As always, 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 again personally like to thank all CDC employees who have contributed to the work of the committee during 2020.

Sam Fankhauser
Chair

Audit and Compliance Committee report

Committee information

Committee membership

Andrew Alli (Committee Chair), Krishnakumar Natarajan, Kathryn Matthews, Laurie Spengler, Sir Graham Wrigley

Number of committee meetings: 5

Letter from the Chair of the Audit and Compliance Committee

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

- Review the financial statements.
- 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 35 to 38. 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 in.

Financial reporting

CDC's accounts are prepared in accordance with International Financial Reporting Standards (IFRS). The Committee reviewed the Annual Report and Accounts for 2020, which included supporting information from our Finance team that the going concern basis of accounting was appropriate. This information 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 82 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 auditor. 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 2020 Annual Report is fair, balanced and understandable and that 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 2020 Annual Report and Accounts, managed closely by the Chief Financial Officer;
- cross-functional support in drafting the 2020 Annual Report and Accounts which included input from Finance, Risk, Corporate Secretariat, HR and wider business leaders;
- a formal review by the Committee of the draft 2020 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 2020 Annual Report and Accounts are fair, balanced and understandable and has confirmed that to the CDC Board.

Key accounting judgements

Management presented a paper on the key accounting judgements which the Committee reviewed and challenged ahead of the year end. Key judgements and estimates deliberated by the Committee relating to the Annual Report and Accounts for 2020 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. For this reason, the Committee has assessed the accuracy and reliability of valuations by appointing PwC as an independent subject matter expert for selected investments. During the year, PwC advised on a fair valuation approach for CDC to adopt for our debt investments. As set out below, additional comfort will be provided by a new independent CDC valuations team introduced by management in the year.

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 CDC valuations team.

Controls over financial reporting
It is important to demonstrate that appropriate controls are in place in respect of financial reporting and to ensure findings from the internal and external audits are sufficiently addressed in a timely fashion. Therefore, the Committee has reviewed the internal financial controls and governance framework that underpins our financial reporting to provide reasonable assurance on 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 Director, Siobhan Foley. The Internal Audit Director has a direct reporting line to the Chair of the Committee and they meet regularly throughout the year.

External audit and auditor independence
The Committee has satisfied itself as to the independence of the external auditor, Deloitte. In doing so, it looked at the following factors, considering 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 UK.
+ The external auditor's policies for rotating the lead partner and key audit personnel.
+ Adherence by management and the external auditor during the year to CDC Group plc and its subsidiaries' (together 'the Group') policies for procuring non-audit services and employing 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. 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 10 of the financial statements on page 94. In addition, a review of the effectiveness of Deloitte as auditor was carried out and concluded in early 2021. The Committee agreed that the services provided by Deloitte continued to be effective and identified some minor areas for development.

Deloitte LLP was appointed as the external auditor for the year ending 2019. Consequently, this is Deloitte's second year in office as auditor, as well as the relevant audit partner.

Modern Slavery Statement
During 2020 the Committee reviewed CDC's *Modern Slavery Act statement*, which is published on our website. See the Responsible investing section on pages 20 and 21 for further information.

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 given in the Risk management section on page 14 to 19.

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

Regulatory and compliance matters
As a financial services organisation, CDC is governed by a number of regulations and received reports on ongoing compliance matters at each meeting from the Head of Compliance, which included the implementation of the Senior Managers and Certification Regime.

The Committee covered a significant amount of work in 2020 and many of these areas of focus will continue into 2021. In addition, during 2020 the Chairman and I met senior representatives of FCDO as part of maintaining ongoing dialogue with the sole shareholder.

Andrew Alli
Chair

Risk Committee report

Committee information

Committee membership

Kathryn Matthews (Committee Chair), Andrew Alli, Michele Giddens, Sam Fankhauser, Sir Graham Wrigley

Number of committee meetings: 4

Letter from the Chair of the Risk Committee

As the Chairman mentioned in his statement on page 3, unfortunately the previous Chairman of the Risk Committee, Wim Borgdorff, was in ill health in 2020. I would like to pay tribute to Andrew Alli who assumed the chairmanship of the Risk Committee during 2020 on a temporary basis. Wim stepped down both as a member of the Board and formally as Chairman of the Risk Committee at the end of 2020 and I would like to join the Chairman in expressing my thanks and best wishes to Wim.

The Committee's main duties are to oversee the implementation of the Risk Management Policy and the risks facing CDC. I am glad to report that as part of improving and developing this oversight, CDC appointed a Chief Risk Officer in 2020, who attends every meeting and provides close support to the Committee, together with the Operational Risk Director.

At each meeting the Committee receives a report on the principal risks facing CDC, together with an update on any risks that have moved outside appetite. During the year, new risks considered by the Committee included procurement processes, information security and potential risks in relation to the change in CDC's stakeholder (which subsequently moved back within appetite). As reported last year, we devoted time to discussing the impact of COVID-19 as well as re-reviewing travel security and our duty of care to our employees in light of the pandemic. See pages 15 to 19 of the Strategic and Directors' Report for further information on the key risks facing CDC and how these are mitigated.

The Committee also receives reports on counterparty and foreign exchange risks from the Group Treasurer as well as reports from the Exceptional Risk Committee. The latter was repositioned and renamed as the Reputational Risk Committee to reflect its activities more appropriately, that is, to consider specific investment proposals that present particular reputational risks to CDC, as part of our ongoing monitoring of investment risk.

In addition to these regular items, the Committee considered various policies to ensure that these remain fit for purpose in respect of CDC's risk management framework. This included considering and approving CDC's Risk Appetite Statement, which will be subject to a more detailed review in 2021. The Committee also reviewed CDC's Risk Management Policy, which sets out the principal risk types that may face CDC, CDC's appetite for these risks and how CDC will manage these risks.

The Chief Risk Officer provided the Committee with regular updates on the roadmap underway to improve the management of risk at CDC. The Committee also reviewed the existing investment-related risk limits and the current liquidity policy.

In addition, the Committee reviewed the requirements for TCFD-aligned disclosures and details of work done to date on its implementation, ahead of the review of the 2020 disclosures.

I would like to express my gratitude to my CDC colleagues for the work they have done in 2020 to ensure that we have a robust risk management framework in place. I look forward to providing a detailed overview of the Committee's activities in the 2021 Annual Accounts.

Kathryn Matthews
Chair

People Development and Remuneration Committee report

Committee information

Committee membership

Laurie Spengler (Committee Chair), Dolika Banda, Krishnakumar Natarajan, Sir Graham Wrigley

Number of committee meetings: 6

Letter from the Chair of the People Development and Remuneration Committee

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

2020 was an extraordinary year for the workforce of CDC by any measure, as the COVID-19 crisis led to homeworking in all our offices for the bulk of the year, and curtailed travel in our markets, normally a significant part of CDC's working practice. Our external response to the pandemic is described elsewhere in this report. PremCo has been closely involved with the implications of COVID for the CDC workforce, where our duty of care and cultural values guided our responsive actions. Against this unprecedented backdrop, the Committee maintained its focus on the human capital building blocks of recruitment, retention and professional development in 2020. In addition, long-standing social issues brought forward by the Black Lives Matter movement on race and ethnicity led to important discussions across the organisation, management and Board-level commitments, and concrete actions directed to improve inclusion and diversity at CDC.

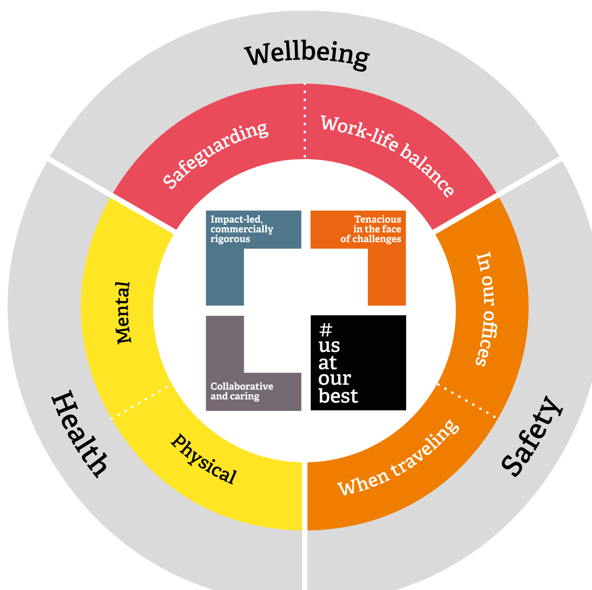
Response to COVID-19

PremCo is a vital governance forum to focus on CDC culture and values, as well as the reward, recruitment and development of employees, and that culture was evident in the response to the COVID outbreak. Shaping our response was our duty of care, which is grounded in CDC's values with commitments around wellbeing (work-life balance and safeguarding), safety (in our offices and when travelling) and health (physical and mental). Our COVID response also included elements that can be categorised under reward terms. PremCo provided oversight and support of management's thorough response to the needs of the workforce during extraordinary circumstances in 2020. Throughout the pandemic PremCo started every meeting talking about our COVID response through the lens of our duty of care.

PremCo has worked with management to make sure that safety and wellbeing of CDC staff has remained the top priority, alongside ensuring that all CDC employees are able to remain productive and connected with their teams and colleagues.

The success of this approach has been recognised, as responses to employee surveys have been overwhelmingly positive. Also, our communication strategy during COVID was recognised with a Bronze award in the 2020 Engage Awards (for Best Internal Communications Strategy), with the citation stating the strategy was "measurable, and made a positive contribution to the overall employee experience".

Further information on our response to COVID can be found below this letter.



People Development and Remuneration Committee report continued

Culture and values

The Committee remains deeply focused on the culture and values of CDC, and the markers and metrics which enable management and the Board to monitor CDC's cultural health. PremCo seeks through its meetings and regular informal discussions held by PremCo members to ensure that the working environment reflects the CDC values which have been clearly articulated since they were created in 2018.

PremCo has remained a proactive champion of these values and has worked with management to improve measurement of CDC's corporate culture. In 2020, the Board was able to review a set of indicators agreed in 2019 and informed by the Financial Reporting Council's Guidance on Board Effectiveness, to measure and analyse CDC's cultural health and this will be an annual exercise for the Board.

PremCo has also focused this year on using the behavioural and technical competencies which were defined in a substantial exercise in 2019. Ensuring that the behavioural competencies are applied across the organisation, members of the Board applied CDC competencies in assessing their 2020 performance.

Looking ahead, the Board has established an Employee Forum as an additional channel of communication between the Board and the workforce. This will be comprised of 15 members of staff from across the organisation, representing a variety of attitudes, perspectives, functions and levels of seniority to further strengthen our commitment to building an inclusive culture. I am delighted to have been appointed the Designated Non-executive Director for Employee Engagement and in this capacity will serve as Chair of the Employee Forum.

Duty of care – safeguarding

As noted above, CDC's duty of care plays a central role in PremCo's oversight responsibilities. In addition to the focus on caring and wellbeing which characterised the response to the COVID crisis, our commitment to the duty of care was also evident in continued focus in 2020 on safeguarding. PremCo supported the creation of a range of new informal channels to improve the experience of employees who have concerns, grievances or complaints. These are now communicated in a clear navigation map and were presented to all employees in a video, highlighting the creation of new internal support partners, as well as routes for informally raising concerns.

Strengthening an inclusive workforce

My letter in the 2019 Annual Report was written just as the murder of George Floyd gave global focus to issues of racism and bias. CDC's mission and the values of our workforce challenge us to confront racism, and the focus of the Black Lives Matter movement provided a catalyst which redoubled our resolve and increased our – already considerable – activity in all areas of diversity and inclusion. Earlier in 2020 our Umoja network – which brings together employees associated with the African continent – had commissioned PwC to report to us on inclusion. Its findings combined with our management and HR-led inclusion and diversity initiatives enabled us to translate stated commitments into an action plan, including target setting, training and awareness throughout the organisation, including at Board level. This action plan is described in more detail in the report below under 'Workforce Policies and Engagement'. Deepening and strengthening inclusivity represents an ongoing commitment of CDC and will be an area of continued energy and attention in 2021.

PremCo thematic focus

Our thematic approach to PremCo meetings continued, with meetings structured under five headings:

+ reward;
+ hiring and attrition;
+ gender and diversity;
+ culture and leadership; and
+ governance.

The pandemic and response to Black Lives Matter sharpened our focus on the latter three of these. However, we maintained attention across the agenda.

PremCo remained closely involved in the career development of employees, overseeing development of new online performance management capabilities, and the annual promotion and progression process, as well as new talent management and succession planning initiatives.

The Committee continues to focus on the size and shape of the organisation. In 2020, 106 new employees joined CDC, and attrition fell during the year leading to a 14 per cent increase in our headcount. This net increase in staff size represents a slower pace of growth than in recent years. Looking ahead, the Board and management will engage periodically in discussion about the overall shape of the organisation, considering opportunities for internal talent cultivation and career trajectory across teams, budget parameters and overall needs of the organisation to deliver on its strategy.

We also continued to focus on remuneration and reward. CDC's approach to reward and overarching governance is codified in the CDC Remuneration Framework, which is publicly available. In 2020 our focus was on the future of reward at CDC, through our triennial review, a process that continued throughout the year. This review has involved interactions with our shareholder and discussions of potential adjustments to our compensation structure to ensure alignment with our goals as we enter a new strategy period from 2022. The work will be completed in 2021 and the outcomes disclosed in next year's report. At this stage of the process, we can share that adjustments are likely to be made to several elements of our Remuneration Framework to be sure they are fit for purpose for the coming strategy period. Such adjustments are expected to include changes to the long-term incentive plan, which is currently awarded on the basis of contractual commitments, to better align with the long-term development and financial performance objectives of the organisation. It should be noted that this year we simplified and shortened the policy section of the Directors' Remuneration Report by removing sections which remain unchanged from those disclosed in the previous year's annual report.

Conclusion

Last year presented unprecedented challenges for CDC, and PremCo took an active role supporting our management and upholding the interests of our shareholder. Throughout the year, we endeavoured to carefully consider the implications of COVID on our workforce for 2020 and the year ahead. Despite difficult personal and professional circumstances, CDC employees delivered on our mission, reflecting in their work a consideration of the implications of COVID in the markets where we invest. PremCo continues to see its remit as stretching to all areas of the employee value proposition at CDC, recognising the importance of culture and values, our duty of care, building an inclusive workplace and employee wellbeing. This remit is embraced by PremCo so that CDC is able to attract, retain and develop the people needed to deliver on our mission.

In closing, I would like to acknowledge the contributions of all PremCo members, who have provided essential input and support. I would also like to acknowledge each one of CDC's staff for their extraordinary commitment during a year of unexpected difficulties that affected CDC and the markets we serve.

Laurie Spengler
Chair

People Development and Remuneration Committee report continued

Response to COVID-19

Support and wellbeing
In the early days of the pandemic (before the first lockdown) an Incident Management Team was created. This met daily to ensure clear communication to employees, regularly surveyed staff to understand concerns, and provided a thoughtful approach to both practical and psychological challenges of lockdown and homeworking.

CDC moved to full homeworking from the start of the pandemic in March. To make this successful, both advice and equipment necessary to enable employees to work productively from home were provided in the UK and each country in which we have an office.

Early recognition of the challenges of homeworking led to CDC providing regular contact and wellbeing support to anyone who was sick or suffering from loneliness (as many staff were living away from family support) or struggling to balance childcare with their work.

Learning and development focused on remote working, providing training opportunities delivered remotely, as well as creating remote new joiner inductions, and specialist training for directors and managing directors to enable them to manage teams remotely.

The Ways of Working group has been created as a successor to the Incident Management Team, acting as a cultural catalyst, focused on the practicalities of working from home, and developing a future 'blended working' approach.

Reward response to COVID-19
Business continued (with focus on the three pillars of CDC's investment response – preserve, strengthen and rebuild), with the result that redundancies or use of the Coronavirus Job Retention Scheme was avoided. CDC took an early view that use of the Furlough scheme would be inappropriate given our public funding, and roles were instead repurposed where necessary.

CDC reward includes incentive compensation that is contractually determined without discretionary flexibility. In the context of COVID, PremCo decided to delay Long-term Development Performance Plan (LTDPP) payment from May until October. Provision was made for employees for whom this created hardship due to individual financial circumstances.

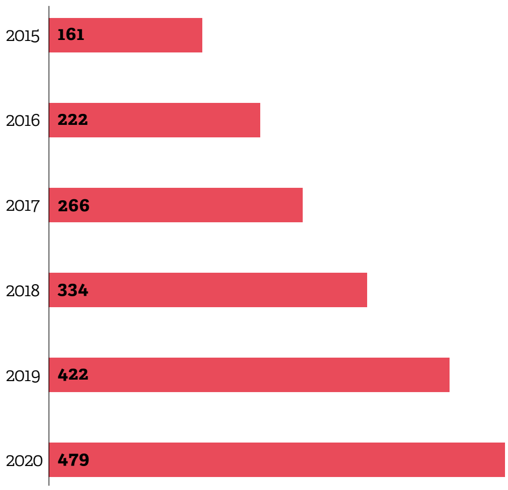
Non-executive directors and Investment Committee members volunteered a 25 per cent fee reduction from May until year end.

The annual Consumer Prices Index salary increase for 2021 was set aside, with no increases except for junior employees outside London.

CDC provided £6 per week for employees to cover additional costs associated with homeworking. HMRC tax relief was available for these payments. This approach was more efficient and consistent than asking employees to expense such costs. An equivalent benefit was provided overseas.

CDC workforce growth and distribution

CDC year-end headcount



Despite the difficulties created by COVID, CDC has grown over the last year to build necessary infrastructure for our organisation, and keep track with our investment pace and the need to put our money to work where it can have most impact. Headcount had reached 479 by the end of 2020. We added three more country locations to our existing ten global locations, with offices in Myanmar and Nepal, and in Egypt, to supplement our South Asia and Africa coverage respectively. This is in addition to our presence in Bangladesh, India (Bengaluru and Mumbai), Pakistan, Ethiopia, Kenya, Nigeria, South Africa and Zimbabwe as well as our London Head Office.

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
Egypt, Cairo
Ethiopia, Addis Ababa
India, Mumbai
Kenya, Nairobi
Myanmar, Yangon
Nepal, Kathmandu
Nigeria, Lagos
Pakistan, Karachi

People Development and Remuneration Committee report continued

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 have been thoroughly tested during the exceptional circumstances of the COVID pandemic. Over the year we have considerably increased our support to our staff who, at a stroke, became remote workers. We have particularly focused help on working parents (many of whom are juggling home schooling), carers and those who are alone or isolated. We have offered flexible working patterns, promoted the use of dependent care leave and expanded wellbeing virtual services as well as running a raft of informal virtual social events. In addition to a generous leave allowance, 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 all of which have changed to a virtual format this year.

Duty of care

CDC recognises a duty of care towards our employees. Our duty of care is grounded in our values of collaboration and caring and means taking all reasonable steps to ensure employees' 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 through GP and psychological services. In addition, we aim to ensure the safety of employees both in our offices and especially while travelling in our markets where security can be compromised. We have strengthened our safeguarding measures this year by introducing new confidential channels through which employees can speak up about their concerns, and get help to address them whether through HR, line managers, employees trained as independent listeners or through an anonymous reports register.

Gender and ethnicity pay reporting

Each year since 2018 we have published our Gender Pay Gap Report on CDC's website. *The data for 2020* shows median and mean gender pay gaps of 31 per cent and 30 per cent respectively in favour of men. The number for CDC has not reduced in the three years of our reporting and the Board remains focused on this issue. This year, for the first time, alongside our gender pay gap the report includes our ethnicity pay gap, ahead of any mandatory reporting requirement. With a mean of 11 per cent, the ethnicity pay gap is smaller than our gender pay gap, the result of greater ethnic diversity through all levels of CDC. However, the gap for women of colour is more pronounced reflecting the intersectional impact of race and gender. Our reports set out the commitments we are making to close these pay gaps and to improve both gender and ethnic diversity at CDC. These include strong leadership, advocacy, increased governance, nurturing of thriving employee networks, actor-led training on inclusive behaviours and promoting an open, 'speak-up' culture. Diversity and inclusion remain key focus areas for PremCo and continue to form an integral part of its standing agenda as we strive to build a more inclusive and dynamic organisation.

Women make up 55 per cent of CDC's workforce, and occupy 32 per cent of the roles at director level and above. This means we are well on our way to achieving our gender diversity target of 34–36 per cent at senior levels by 2023, in line with the requirements of the Women in Finance Charter. In 2021 we have also set ethnicity targets for our UK director population, in line with Office for National Statistics projected data for the London population, and we aim to increase our Black leadership population from 7 to 11 per cent by the end of 2023.

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 & Inclusion. We are proud to have been awarded a Silver Award in 2020 by the network (an improvement on our Bronze Award in 2019) for our action towards creating a more inclusive workplace.

Values and culture

CDC is guided by three core values which underpin all aspects of our culture and the standards of behaviour we expect across the organisation, from Board to new hires:

- impact-led, commercially rigorous;
- tenacious in the face of challenges; and
- collaborative and caring

These are embedded into our performance assessment and promotion processes and measured in our annual employee engagement survey and in exit interviews. Each autumn we collate data on key metrics, set against relevant benchmarks and targets, by which the Board can assess the health of our corporate culture. We look to hone these metrics each year, to measure ourselves against relevant benchmarks and to set targets that make sure we both sustain and improve our vibrant, collaborative and caring culture at CDC.

People Development and Remuneration Committee report continued

Remuneration Policy

The Remuneration Policy is unchanged from 2019 – see pages 45 to 49 of the 2019 Annual Report for details.

An updated Remuneration Framework is anticipated to be agreed with FCDO during 2021 to take effect as of 1 January 2022. This would be reflected in a revised remuneration policy in the People Development and Remuneration Committee report of the 2021 Annual Report.

Annual Report on remuneration

Service agreements

The Chief Executive has an employment contract which is terminable on either side by 12 months' notice. The Chief Financial Officer has a statement of written particulars of employment which is terminable on either side by 6 months' notice.

The non-executive directors have letters of appointment including the terms disclosed in the table below. Non-executive directors are re-elected at our AGM as per 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
Carolyn Sims	23 September 2020[1]	6
Non-executive directors		
Andrew Alli	24 September 2018	3
Dolika Banda	24 September 2018	3
Wim Borgdorff (until 31 December 2020)	1 September 2014	3
Sam Fankhauser	13 April 2015	3
Michele Giddens	1 December 2014	3
Keki Mistry (until 17 July 2020)	1 September 2014	3
Krishnakumar Natarajan	15 July 2020	3
Laurie Spengler	28 July 2016	3
Graham Wrigley	4 December 2013	3

1. Nick O'Donohoe and Carolyn Sims have employment contracts with the Company dated 24 April 2017 and 15 June 2020 respectively.

Non-executive director remuneration

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

	2020 fee[2,3] £	2019 fee £
Graham Wrigley	**29,409**	35,000
Andrew Alli[1]	**28,575**	28,000
Dolika Banda	**18,575**	22,000
Wim Borgdorff (until 31 December 2020)	**18,200**	28,000
Valentine Chitalu (retired 28 February 2019)	**–**	4,667
Sam Fankhauser	**23,575**	28,000
Michele Giddens	**18,575**	22,000
Keki Mistry (until 17 July 2020)	**11,570**	22,000
Krishnakumar Natarajan (from 15 July 2020)	**8,406**	–
Laurie Spengler	**23,575**	28,000

1. Andrew Alli, Chairman of the Audit Committee, was also the acting Chairman of the Risk Committee during the year, and so received two Committee chair fees.
2. All Board members accepted a 25 per cent reduction in their base fees, and where applicable Committee Chair fees, from May to December 2020 inclusive.
3. The fees include an HMRC-approved tax-free allowance of £6 per week available for employees forced to work from home, which became a necessity due to COVID from the start of the first lockdown in March 2020.

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

2020 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:

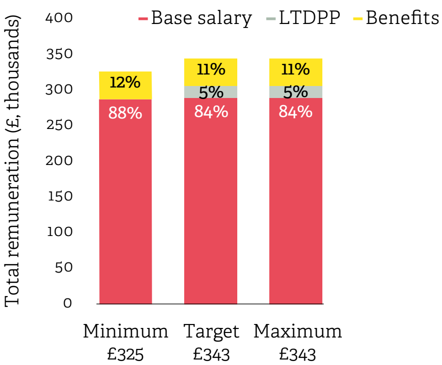
	Actual remuneration				
	Base salary £	Non-pension benefits £	LTDPP £	Pension £	Total[1] £
Executive directors					
Nick O'Donohoe[2]					
2020	287,130	242	17,869	37,847[3]	343,088
2019	283,165	–	21,834	37,324[3]	342,323
Carolyn Sims (from 23 September 2020)					
2020	60,277	1,454	6,322	7,721[3]	75,774
2019	–	–	–	–	–
Clive MacTavish (to 1 October 2019)					
2020	–	–	–	–	–
2019[4]	163,409	3,175	69,465	22,587[5]	258,636

1. Excluding the LTDPP there are no other variable elements to total actual remuneration.
2. The CEO is subject to a pay cap of £305,000, which restricts any LTDPP payment such that base salary and LTDPP together do not exceed the cap.
3. Represents a cash allowance in lieu of contributions to a pension scheme, net of employer National Insurance contributions.
4. 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 Chief Financial Officer. The amounts in the table reflect the period up to and including 1 October 2019.
5. 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 National Insurance contributions.

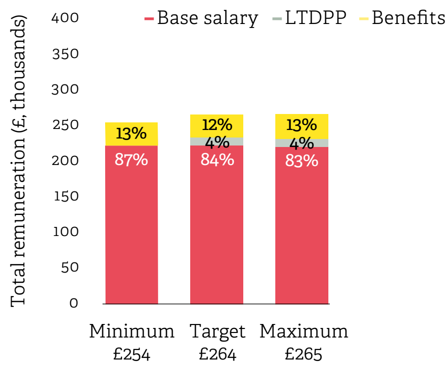
People Development and Remuneration Committee report continued

Executive director scenario charts for total remuneration, 2021

Chief Executive



Chief Financial Officer



The charts above provide an indication of the level of remuneration that would be received by executive directors in the 2021 year, assuming they remain in office for a full year, under the current Remuneration Policy in three different scenarios. The CEO numbers in the chart reflect the CEO cap, which means the amount paid to the CEO in respect of base salary and the LTDPP is less than £305,000.

The following assumptions were made in preparing these charts:

+ Minimum – this includes only the fixed elements of pay: 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.

Changes to the Board
Following the departure of the previous Chief Financial Officer in 2019, and before the appointment of a successor, an interim appointment was made to fill the role of acting Chief Financial Officer but not the role of Executive Director. The current Chief Financial Officer joined CDC on 15 June 2020 and was appointed to the Board on 23 September 2020.

Payments to past directors
As disclosed in the 2019 report, in 2020 Clive MacTavish, the former Chief Financial Officer, was paid £90,700 which included his contractual entitlement for payments in lieu of notice and £92,536 in respect of the 2019 LTDPP.

External appointments
The Company believes 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. The Board approves these appointments. Our Chief Executive Nick O'Donohoe is a Non-executive Director on the boards of the Global Steering Group for Impact Investment and Mustard Seed Trust Limited, while in 2020 he joined the Board of the European Development Finance Institution. Carolyn Sims as Chief Financial Officer held no non-executive appointments from 23 September 2020 when she joined the CDC Board.

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
2020	Pay ratio – total compensation (Option A)	4:1	3:1	2:1
	Representative employee total compensation	£77,981	£114,055	£186,192
	Representative employee salary	£71,785	£93,935	£128,075

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 is determined as at 31 December 2020 for UK employees employed throughout 2020, consists of base salary, allowances, benefits and payments relating to the 2020 Long-term Development Performance Plan.

The 2020 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 depends on length of time in the LTDPP and CDC's performance assessed with respect to two key measures linked to our mission (development impact and financial performance). CDC's Remuneration Framework (including the LTDPP) is being reviewed and CDC expects that the terms of the LTDPP will be amended to reflect changes to the market environment, CDC's organisational structure and CDC's new five-year strategy due to commence in 2022. CDC expects some changes to the LTDPP will be enacted for the 2021 financial year.

Calculation of the maximum amount

The maximum amount that can be awarded to the Chief Executive is capped so that pay (i.e. base salary and LTDPP payment) 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:

Number of years' participation 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 is determined from 1 January of the following year. The maximum award directors joining before 1 October are entitled to is determined from the start of the same year but the amount is reduced by 0.833 per cent for each full month between 1 January and the date of joining.

The maximum amounts for directors in 2020 were therefore calculated as:

	Nick O'Donohoe	Carolyn Sims
Employment start date	24 April 2017	15 June 2020
Percentage of base salary	40.00%	10.00%
Adjustment for number of full months not employed in first year of LTDPP participation	(2.50%)	(4.17%)
Maximum amount	37.50%	5.83%

People Development and Remuneration Committee report continued

Calculation of the 2020 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 average development impact score calculated by development grid based on: + the difficulty of making an investment in a particular geography; and + the investment's propensity to create employment in the applicable industry sector. If the 90 per cent target is met, then the Board will determine the allocation of the remaining 10 per cent of the development potential percentage (DPP) based on the performance of the innovative higher-impact, higher-risk investments under qualifying strategies, now referred to as the Catalyst Strategies, as judged by PremCo and the Development Committee.	Cumulative average investment return since 2012.
Assessment	See 2017 *Remuneration Framework*, available on CDC's website, for assessment methodology.	
Outcome	Aggregate DI score 2018-2020 = 2.88 The DI score exceeded 2.5, triggering a decision on the allocation of the remaining 10 per cent of the DPP. The Board allocated 6.4 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 96.4 per cent.	Cumulative Investment Return 2012-2020 = 6.0 per cent.

2020 summary

Weighting	50.0%	50.0%
Achievement	96.4%	100.0%
Outcome	48.2%	50.0%
Total	**98.2%**	

As such, Executive Director awards were calculated as:

	Nick O'Donohoe	Carolyn Sims
Base salary at 31 December 2020	£287,130	£220,730
Maximum amount	37.5%	5.83%
Development performance percentage	98.2%	98.2%
LTDPP award	£105,736	£6,322[1]
Reduction for Chief Executive capped remuneration	£(87,867)	–
Net LTDPP award	£17,869	£6,322

1. Represents LTDPP earned from appointment as an Executive Director on 23 September 2020.

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. Without change to the LTDPP, CDC would expect the count of people in the top bands of the table to grow as CDC's staff increases in number and matures in tenure in the plan. However, CDC expects that changes to the LTDPP described above will operate to reduce the count of people in the top bands. CDC cannot yet specify the net effect of these changes on the count of people in the top bands. 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:

	Number of employees Base salary		Number of employees Total compensation	
Compensation	**2020**	**2019**	**2020**	**2019**
£450,001–£500,000	**–**	–	**1**	–
£400,001–£450,000	**–**	–	**5**	6
£350,001–£400,000	**–**	–	**5**	3
£300,001–£350,000	**–**	–	**9**	9
£250,001–£300,000	**2**	2	**30**	16
£200,001–£250,000	**11**	9	**34**	25
£150,001–£200,000	**42**	28	**57**	37
£100,001–£150,000	**102**	73	**63**	62
£50,001–£100,000	**155**	124	**134**	104
£0–£50,000	**69**	58	**43**	32
Total	**381**	294	**381**	294

People Development and Remuneration Committee

CDC's PremCo during 2020 comprised Laurie Spengler (Chair), Wim Borgdorff (until 31 December 2020), Keki Mistry (until 17 July 2020), Dolika Banda, Krishnakumar Natarajan (from 15 July 2020) and Graham Wrigley. Further details can be found on page 42 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 Group's Code of Conduct; this gives the Committee additional confidence that the advice received is objective and independent of conflicts of interest. During 2020, PwC also advised the Committee on the triennial review and provided services to the rest of the Group on tax compliance, and assurances on the development impact 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 that invests its capital in private sector businesses in developing countries. Our principal activity is risk capital investment. We invest directly in companies through debt and equity instruments. We also invest 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 on pages 2 to 31. Further information on CDC's investments, development impact and case studies can be found in our *Annual Review*.

Information on future developments and investment strategies can be found in the Chairman's statement on page 3.

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 UK 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 to operate for the foreseeable future.

As set out elsewhere in this report, since March 2020, the COVID-19 pandemic has severely impacted the global economy, including those regions in which CDC operates. Therefore, the Board made enquiries about the effect of COVID on a wide range of issues, such as CDC's portfolio and funding commitments, its liquidity, strategy and the safety of its staff. Following 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 see note 1 of the financial statements.

Dividend recommendation
The directors do not recommend payment of a dividend for the year (2019: 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 they have taken all the steps that they ought to have taken as a Director to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor
Deloitte LLP is the auditor of the Company. A resolution to reappoint Deloitte was passed at the AGM of the Company held on 25 June 2020.

Ownership and shareholder governance
At the beginning of the year, the Secretary of State for International Development held 3,586 million ordinary shares of £1 each and one special rights redeemable preference share of £1 in the capital of the Company. As set out on page 40, on 30 September 2020, CDC's shareholder changed to the Secretary of State for Foreign, Commonwealth and Development Affairs.

On 14 October 2020, a further 650 million ordinary shares were issued to the Secretary of State for Foreign, Commonwealth and Development Affairs. As at 31 December 2020, the Secretary of State held 4,236 million ordinary shares of £1 each (2019: 3,586 million ordinary shares) and one special rights redeemable preference share of £1 each.

CDC is answerable to our shareholder in line with normal corporate governance. The Secretary of State for Foreign, Commonwealth and Development Affairs 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 BI. FCDO, as sole shareholder, exercises oversight and monitors CDC's performance through the Board, open communication and a combination of formal reporting and frequent formal and informal interactions with CDC management and staff. FCDO 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 on page 20.

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.

Jane Earl FCS
Company Secretary
CDC Group plc
On behalf of the Board of Directors
22 April 2021
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 (IFRS) 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 (as defined on page 49) and Parent company (being CDC Group plc) 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 UK 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 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- 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 Statements of Comprehensive Income;
- the Consolidated and Company Statements of Financial Position;
- the Consolidated and Company Statements of Changes in Equity;
- the Consolidated and Company Cash Flow Statements; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements 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: + valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs; and + valuation of debt investments. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £136m which was determined on the basis of 2 per cent of net assets.
Scoping	Our group audit scope included the audit of the parent company, 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
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included our assessment of:

+ adequacy of liquidity position through our audit procedures performed on the balance sheet, including agreeing cash to confirmations from banks, agreeing promissory notes receivable to the signed promissory notes and the Bank of England confirmations, and reviewing post year end bank statements;
+ headroom available between their liquidity position and their commitments in a downside scenario.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 2020, the Group held investments totalling £3,516.3m (2019: £3,434.1m) in unquoted companies which are classified at fair value through profit and loss. Within that balance we identified a key audit matter relating to unquoted direct equity investments which are valued using the discounted cash flow (DCF) method totalling £558.9m. 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 an inherent risk of potential management bias associated with significant judgements. Key assumptions relating to these investments have been summarised as: + the appropriateness of the discount rate applied to the DCF model including the determination of the risk premium for cash flows; + the probability assumptions and valuations assigned to pipeline projects and intangible assets such as platform value; + the appropriateness of the inputs into the DCF model including the timing and size of cash flows (especially the collection of arrears) and growth rates; and + the appropriateness of the DCF methodology. The sensitivity analysis of key inputs on the group's valuation methodologies are described in note 3 to the Annual Accounts.

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

How the scope of our audit responded to the key audit matter	We performed the following procedure on a selection of samples: + Obtained an understanding of the relevant controls and tested the operating effectiveness of controls around valuation of equity investment and relied on them; + Considered the appropriateness of the valuation methodology selected; + Engaged our valuation specialists to perform an assessment and challenge management on the appropriateness of the discount rate, the growth rate and terminal value on investments where necessary; + Assessed other key judgements such as the probability assumptions and valuations assigned to pipeline projects and intangible assets such as the platform value; + Tested the accuracy and completeness of the inputs into the DCF model, including the timing and size of cash flows, including agreeing factual inputs to third party support where possible; + Performed sensitivity analysis on key inputs and compared our own expectation to management's to understand the susceptibility of the valuations to changes in key assumptions; + Tested the macroeconomic assumptions included in the forecasts with reference to observable market data and external forecasts where possible; + Compared the historical accuracy of the cash flow forecasts against actual results in order to assess the reliability of the forecasts; + Employed audit analytic tools on the valuation models to assess complex investments for model integrity; + Evaluated the adequacy of the valuation disclosures to assess whether they are compliant with IFRS 13 *Fair Value Measurement* and IFRS 9 *Financial Instruments*.
Key observations	Although we note significant judgements in these valuations that could change the valuations by more than materiality, we consider the judgements and assumptions utilised in determining the fair value of the Group's investments, when considered in aggregate, to be within an acceptable range.

5.2 Fair value of debt investments

Key audit matter description	For the year ended 31 December 2020, investment in debt was £1,175.5m (2019: £755.2m). The fair values are based on a discounted cash flows method. The maturing processes for debt investment valuations, combined with the number of significant judgements involved with determining the discount rate means there is a risk that the fair value is materially misstated. The size of the debt portfolio has also increased in the year, leading to increased risk in comparison to the previous year. In addition, there is an inherent risk of potential management bias associated with significant judgements. 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. 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: + Obtained an understanding of the relevant controls around valuation of debt instruments but did not plan to take a controls reliance approach; + Considered the appropriateness of the valuation methodology selected; + Tested the accuracy and completeness of factual inputs into the financial model by agreeing to underlying contracts; + Tested the macroeconomic assumptions included in the forecasts with references to observable market data and external forecasts where possible; + Tested cash collections that support default assumptions; + Engaged our valuation specialists to assist in assessing the appropriateness of the discount rates and default used. We challenged the reasonableness of the rates based on macroeconomic factors, country specific factors and business specific factors; and + Evaluated the adequacy of the valuation disclosures to assess whether they are compliant with IFRS 13 *Fair Value Measurement* and IFRS 9 *Financial Instruments*.
Key observations	Although we note significant judgements in the discount rates applied that could change the valuations by more than materiality, 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 an acceptable range.

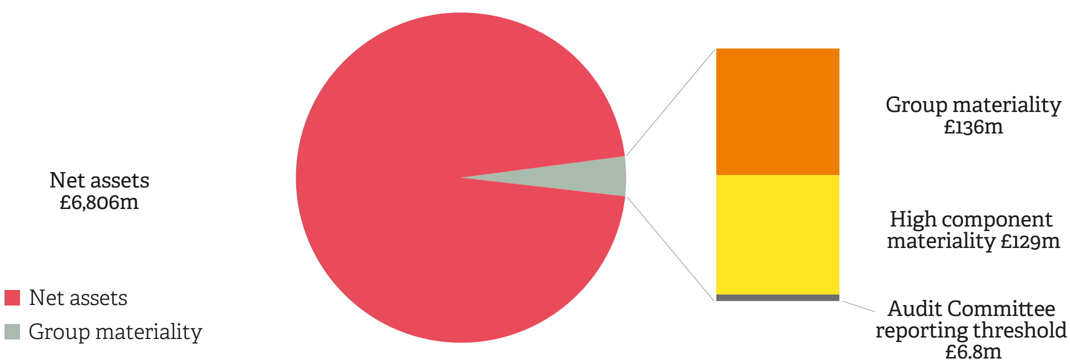
6. Our application of materiality

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	£136m (2019: £127m)	£129m (2019: £114m)
Basis for determining materiality	2 per cent (2019: 2 per cent) of net assets	2 per cent (2019: 2 per cent) of net assets Parent company materiality equates to 1.9 per cent of net assets, which is capped at 95 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 financial statements	**Parent company financial statements**
Performance materiality	70 per cent (2019: 70 per cent) of group materiality	70 per cent (2019: 70 per cent) of parent company materiality
Basis and rationale for determining performance materiality	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 second 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 £6.8m (2019: £6.3m), 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.

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

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 company. Our group audit scope included the full scope audit of parent company which accounted for more than 99 per cent of net asset 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 £0.01m to £129m (2019: £0.16m to £114m). The approach is in line with the prior year.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of Management, Internal Audit, Compliance, the Chairman and the Audit & Compliance Committee about their own identification and assessment of the risks of irregularities;

- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team (including significant component audit teams) and relevant internal specialists, including tax, valuations, pensions, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- Valuation of investments with significant unobservable inputs (direct equity and debt) – this involves the selection and application of an appropriate valuation methodology and the use of assumptions which require significant management judgement and therefore there is potential for management bias.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Financial Conduct Authority Regulations and Disclosure Requirements and CDC Act 1999.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the Anti-Bribery and Corruption Act, the Equality Act, Senior Manager Certification Regime and IR 35.

Audit response to risks identified

As a result of performing the above, we identified valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs and valuation of debt investments as a key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Report on other legal and regulatory requirements

12. 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.

13. Matters on which we are required to report by exception

13.1. 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.

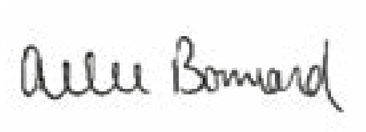
13.2. Directors' remuneration

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.

14. 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
Senior Statutory Auditor
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

22 April 2021

Consolidated Statement of Financial Position
As at 31 December

Assets	Notes	2020 £m	2019 £m
Non-current assets			
Plant and equipment	13	**18.1**	19.7
Intangible asset	14	**0.2**	0.4
Equity investments at FVTPL	3	**3,873.3**	3,936.4
Loan investments at FVTPL	4	**941.3**	677.1
Guarantees	5	**139.0**	3.8
Other receivables		**0.2**	0.2
Deferred tax asset	12	**0.2**	0.1
		4,972.3	4,637.7
Current assets			
Trade and other receivables	15	**283.9**	133.1
Note receivable	23	**1,105.0**	1,341.0
Forward foreign exchange contracts	8	**55.1**	29.1
Cash and cash equivalents	6	**456.3**	349.2
		1,900.3	1,852.4
Total assets		**6,872.6**	6,490.1
Equity and liabilities			
Attributable to the equity holders of the Company			
Issued capital	7	**4,236.0**	3,586.0
Foreign currency translation reserves		**(0.4)**	(0.2)
Retained earnings		**2,570.1**	2,852.1
Total equity		**6,805.7**	6,437.9
Non-current liabilities			
Expected credit loss provision on unfunded loan commitments	4	**1.2**	–
Long-term lease liability	21	**12.4**	14.0
		13.6	14.0
Current liabilities			
Trade and other payables	16	**46.4**	35.5
Forward foreign exchange contracts	8	**0.2**	0.1
Expected credit loss provision on unfunded loan commitments	4	**3.0**	–
Short-term lease liability	21	**3.7**	2.6
		53.3	38.2
Total liabilities		**66.9**	52.2
Total equity and liabilities		**6,872.6**	6,490.1

Notes 1 to 26 form part of the financial statements.
The accounts were approved by the members of the Board on 22 April 2021 and were signed on their behalf by:

Sir Graham Wrigley
Chairman

Nick O'Donohoe
Chief Executive

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

	Notes	2020 Total £m	2019 Total £m
Investment income	9	**98.1**	90.9
Fair value losses on equity investments	3	**(144.2)**	(196.6)
Fair value (losses)/gains on loan investments	4	**(20.2)**	15.5
Fair value and expected credit losses on guarantees	5	**(3.4)**	–
Expected credit loss on unfunded loan commitments	4	**(4.2)**	–
Foreign exchange losses on equity investments	3, 11	**(103.7)**	(179.8)
Foreign exchange losses on loan investments	4, 11	**(46.9)**	(31.4)
Foreign exchange losses on guarantees	5, 11	**(12.6)**	(0.1)
Other income	9	**14.2**	13.3
Foreign exchange differences (FFECs)	11	**40.3**	19.4
Administrative and other expenses	10	**(110.7)**	(98.5)
Loss from operations before tax and finance costs		**(293.3)**	(367.3)
Finance costs		**(0.3)**	(0.5)
Finance income		**1.3**	5.5
Foreign exchange differences (cash and cash equivalents)	11	**9.5**	(7.5)
Loss from operations before tax		**(282.8)**	(369.8)
Income tax expense	12	**(1.3)**	(1.1)
Loss for the year		**(284.1)**	(370.9)
Items that will not be reclassified to profit and loss (net of tax):			
Recognised actuarial gain/(loss) on pensions	17	**2.1**	(0.5)
Items that will be reclassified to profit and loss (net of tax):			
Foreign currency translation reserves		**(0.2)**	(0.2)
Other comprehensive income		**1.9**	(0.7)
Total comprehensive loss for the year		**(282.2)**	(371.6)

Notes 1 to 26 form part of the financial statements.

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

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Loss from operations before tax		**(282.8)**	(369.8)
Adjustments for:			
Depreciation of plant and equipment	13	**4.4**	3.8
Amortisation of intangible asset	14	**0.2**	0.1
Finance income		**(1.3)**	(5.5)
Dividend income		**(8.9)**	(16.4)
Finance costs		**0.3**	0.5
Change in fair value of equity investments	3	**144.2**	196.6
Change in fair value of loan investments	4	**20.2**	(15.5)
Fair value and expected credit losses on guarantees	5	**3.4**	–
Defined benefit pension costs	10	**2.1**	0.5
Expected credit loss on unfunded loan commitments	4	**4.2**	–
Effect of exchange rate fluctuations		**153.7**	218.6
Cash flows from operations before changes in working capital		**39.7**	12.9
Decrease/(increase) in trade and other receivables		**5.3**	(17.3)
Increase in derivative financial instruments		**(25.9)**	(41.6)
Increase/(decrease) in trade and other payables		**10.9**	(3.8)
Cash flows from operations		**30.0**	(49.8)
Finance costs		**(0.3)**	(0.5)
Taxes paid		**(1.2)**	(1.1)
Cash flows from operating activities		**28.5**	(51.4)
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**278.3**	251.8
Acquisition of equity investments	3	**(455.2)**	(815.0)
Acquisition of plant and equipment		**–**	(0.5)
Acquisition of intangible asset	14	**–**	(0.1)
Finance income		**1.3**	5.5
Dividend income		**8.9**	16.4
Loan advances	4	**(567.8)**	(215.3)
Loan repayments	4	**72.5**	77.5
Guarantee advances	5	**(208.4)**	(3.9)
Guarantee repayments	5	**57.2**	–
Cash flows from investing activities		**(813.2)**	(683.6)
Cash flows from financing activities			
Proceeds from promissory notes		**886.0**	745.0
Lease payments	21	**(3.7)**	(3.1)
Cash flows from financing activities		**882.3**	741.9
Net increase in cash and cash equivalents		**97.6**	6.9
Effect of foreign exchange rate changes		**9.5**	(7.5)
Cash and cash equivalents at 1 January		**349.2**	349.8
Cash and cash equivalents at 31 December	6	**456.3**	349.2

Notes 1 to 26 form part of the financial statements.

Consolidated Statement of Changes in Equity

	Notes	Share capital £m	Recognised actuarial (loss)/gain on pensions £m	Foreign currency translation reserves £m	Retained earnings £m	Total £m
At 1 January 2019		2,578.0	(0.9)	–	3,224.4	5,801.5
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	7	1,008.0	–	–	–	1,008.0
At 31 December 2019		3,586.0	(1.4)	(0.2)	2,853.5	6,437.9
Changes in equity for 2020						
Loss for the year		**–**	**–**	**–**	**(284.1)**	**(284.1)**
Other comprehensive income for the year		**–**	**2.1**	**(0.2)**	**–**	**1.9**
Total comprehensive loss for the year		**–**	**2.1**	**(0.2)**	**(284.1)**	**(282.2)**
Issue of ordinary shares	7	**650.0**	**–**	**–**	**–**	**650.0**
At 31 December 2020		**4,236.0**	**0.7**	**(0.4)**	**2,569.4**	**6,805.7**

Company Statement of Changes in Equity

	Notes	Share capital £m	Recognised actuarial (loss)/gain on pensions £m	Retained earnings £m	Total £m
At 1 January 2019		2,578.0	(0.9)	3,224.4	5,801.5
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	7	1,008.0	–	–	1,008.0
At 31 December 2019		3,586.0	(1.4)	2,853.3	6,437.9
Changes in equity for 2020					
Loss for the year		**–**	**–**	**(284.3)**	**(284.3)**
Other comprehensive income for the year		**–**	**2.1**	**–**	**2.1**
Total comprehensive loss for the year		**–**	**2.1**	**(284.3)**	**(282.2)**
Issue of ordinary shares	7	**650.0**	**–**	**–**	**650.0**
At 31 December 2020		**4,236.0**	**0.7**	**2,569.0**	**6,805.7**

Notes 1 to 26 form part of the financial statements.

Company Statement of Financial Position
As at 31 December

Assets	Notes	2020 £m	2019 £m
Non-current assets			
Plant and equipment	13	**16.2**	18.3
Intangible asset	14	**0.2**	0.3
Equity investments at FVTPL	3	**3,878.2**	3,939.7
Loan investments at FVTPL	4	**941.3**	677.1
Guarantees	5	**139.0**	3.8
		4,974.9	4,639.2
Current assets			
Trade and other receivables	15	**284.1**	132.4
Note receivable	23	**1,105.0**	1,341.0
Forward foreign exchange contracts	8	**55.1**	29.1
Cash and cash equivalents	6	**452.0**	346.5
		1,896.2	1,849.0
Total assets		**6,871.1**	6,488.2
Equity and liabilities			
Issued capital	7	**4,236.0**	3,586.0
Retained earnings		**2,569.7**	2,851.9
Total equity		**6,805.7**	6,437.9
Non-current liabilities			
Expected credit loss provision on unfunded loan commitments	4	**1.2**	–
Long-term lease liability	21	**11.2**	13.6
		12.4	13.6
Current liabilities			
Trade and other payables	16	**46.4**	34.3
Forward foreign exchange contracts	8	**0.2**	0.1
Expected credit loss provision on unfunded loan commitments	4	**3.0**	–
Short-term lease liability	21	**3.4**	2.3
		53.0	36.7
Total liabilities		**65.4**	50.3
Total equity and liabilities		**6,871.1**	6,488.2

Notes 1 to 26 form part of the financial statements.
The accounts were approved by the members of the Board on 22 April 2021 and were signed on their behalf by:

Sir Graham Wrigley
Chairman

Nick O'Donohoe
Chief Executive

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

	Notes	2020 Total £m	2019 Total £m
Investment income	9	**98.1**	90.9
Fair value losses on equity investments	3	**(142.4)**	(195.5)
Fair value (losses)/gains on loan investments	4	**(20.2)**	15.5
Fair value and expected credit losses on guarantees	5	**(3.4)**	–
Expected credit loss on unfunded loan commitments	4	**(4.2)**	–
Foreign exchange losses on equity investments	3, 11	**(103.9)**	(179.9)
Foreign exchange losses on loan investments	4, 11	**(46.9)**	(31.4)
Foreign exchange losses on guarantees	5, 11	**(12.6)**	(0.1)
Other income	9	**13.6**	12.9
Foreign exchange differences (FFECs)	11	**40.3**	19.4
Administrative and other expenses	10	**(112.8)**	(99.7)
Loss from operations before tax and finance costs		**(294.4)**	(367.9)
Finance costs		**(0.3)**	(0.5)
Finance income		**1.2**	5.5
Foreign exchange differences (cash and cash equivalents)	11	**9.8**	(7.4)
Loss from operations before tax		**(283.7)**	(370.3)
Income tax expense	12	**(0.6)**	(0.8)
Loss for the year		**(284.3)**	(371.1)
Items that will not be reclassified to profit and loss:			
Other comprehensive income (net of tax)			
Recognised actuarial gain/(loss) on pensions	17	**2.1**	(0.5)
Total comprehensive loss for the year		**(282.2)**	(371.6)

Notes 1 to 26 form part of the financial statements.

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

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Loss from operations before tax		**(283.7)**	(370.3)
Adjustments for:			
Depreciation of plant and equipment	13	**3.9**	3.5
Amortisation of intangible asset	14	**0.1**	0.1
Finance income		**(1.3)**	(5.5)
Dividend income		**(8.9)**	(16.4)
Finance costs		**0.3**	0.5
Change in value of equity investments	3	**142.4**	195.5
Change in value of loan investments	4	**20.2**	(15.5)
Fair value and expected credit losses on guarantees	5	**3.4**	–
Defined benefit pension costs	10	**2.1**	0.5
Expected credit loss on unfunded loan commitments	4	**4.2**	–
Effect of exchange rate fluctuations		**153.9**	218.5
Cash flows from operations before changes in working capital		**36.6**	10.9
Decrease/(increase) in trade and other receivables		**4.4**	(15.8)
Increase in derivative financial instruments		**(25.9)**	(41.6)
Increase/(decrease) in trade and other payables		**12.0**	(4.5)
Cash flows from operations		**27.1**	(51.0)
Finance cost		**(0.3)**	(0.5)
Taxes paid		**(0.6)**	(0.8)
Cash flows from operating activities		**26.2**	(52.3)
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**278.3**	251.8
Acquisition of equity investments	3	**(455.2)**	(815.0)
Acquisition of intangible asset	14	**–**	(0.1)
Finance income		**1.3**	5.5
Dividend income		**8.9**	16.4
Loan advances	4	**(567.8)**	(215.3)
Loan repayments	4	**72.5**	77.5
Guarantee advances	5	**(208.4)**	(3.9)
Guarantee repayments	5	**57.2**	–
Cash flows from investing activities		**(813.2)**	(683.1)
Cash flows from financing activities			
Lease payments	21	**(3.3)**	(2.8)
Proceeds from promissory notes		**886.0**	745.0
Cash flows from financing activities		**882.7**	742.2
Net increase in cash and cash equivalents		**95.7**	6.8
Unrealised gains/(losses) from foreign cash		**9.8**	(7.5)
Cash and cash equivalents at 1 January		**346.5**	347.2
Cash and cash equivalents at 31 December	6	**452.0**	346.5

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 2020 were authorised for issue in accordance with a resolution of the Directors on 22 April 2021. 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. More details on CDC's primary activities can be found on pages 7 and 8 of the Strategic and Directors' Report and page 64 of the Governance Reports. 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.

Going concern

CDC's business activities are set out in the Strategic and Directors' Report on pages 7 and 8 and these financial statements include information on CDC's approach to managing its financial risk and its exposures to liquidity, credit and market risk.

CDC is well capitalised with equity share capital of £4,236.0 million and retained earnings of £2,570.1 million. At 31 December 2020, net assets were £6,805.7 million including cash and short-term deposits of £469.0 million (including non-consolidated subsidiaries), and promissory notes receivable of £1,105.0m. Additionally, CDC has access to a £439.0 million ($600.0 million) revolving credit facility (RCF) via a wholly owned non-consolidated subsidiary. Long-term liabilities mostly comprise outstanding investment commitments of £1,860.8 million and investment pace in 2021 is expected to be in the region of £1.5 billion ($2.1 billion).

Regular cash flow forecasts are prepared by management and considered by the Directors. As a result of greater uncertainty due to the COVID-19 pandemic, the frequency of cash flow forecasts submitted to Directors was increased during 2020. Current forecasts demonstrate there are sufficient liquid resources to maintain planned investment pace until the end of 2023 without needing to call on the RCF. Liquidity risk ratios to monitor the commitment cover ratio and cash/NAV ratio are regularly reviewed and both ratios are currently being satisfied.

Having performed the assessment on going concern, the Directors consider it appropriate to prepare the financial statements of the Group and Company on a going concern basis. The Group has adequate financial resources and liquidity, and is well placed to manage business risks in the current economic environment to continue operations for a period of at least 12 months from the date of issue of the financial statements.

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

Key sources of estimation uncertainty and critical accounting judgements

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 debt investments. The Group's fair value methodologies for equity investments are disclosed in note 25.

Key sources of estimation uncertainty

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.

There is heightened uncertainty around valuations given the impact of COVID and its impact on global economies. As a result the Valuations Steering Committee specifically considered the impact of COVID on the valuations as at year end for each investment.

For more information refer to note 3, note 4 and note 5.

Critical accounting judgements

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

The key area involving a higher degree of judgement or complexity, where assumptions are significant to the consolidated and individual financial statements, is meeting the definition of an investment entity.

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, conditions and prospects of CDC.

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, FCDO (previously DFID). Its funds are provided by FCDO 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 300 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.

Notes to the accounts continued

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 2020. 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. Full details of the principal subsidiaries are given in note 26.

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 Group's functional and presentational currency is 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.

Following an organisational restructure during 2020, CDC is now operating in one segment rather than the four operating segments as reported in prior years of debt, equity, funds and forward foreign exchange contracts. The Group's Chief Executive, who is the chief operating decision maker, monitors the overall operating results of the business for the purpose of making decisions and assessing performance. The business targets an annual commitment level across all product types with no capital or funding allocation given for different product types. CDC's operating segment is internally reported to the Group's Chief Executive and reviewed at least quarterly.

Information related to the operating segment is set out below. Portfolio return is used to measure performance because management believes that this information is the most relevant in evaluating the results of the operating segment.

	2020 £m	2019 £m
Portfolio return	**(173.9)**	(268.6)
Assets – Portfolio value	**5,222.5**	4,736.5

Reconciliation to Financial Performance Report

Within the management reports, the results of which are shown in the Financial Performance Report on pages 9 to 13, 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.

Statement of comprehensive income

			Reconciling items		
	Notes	Primary statements 2020 £m	Reclassify portfolio items 2020 £m	Other items and reclassifications 2020 £m	Management reports 2020 £m
Portfolio return	3,4,5&9*	**(232.9)**	**59.0**	**–**	**(173.9)**
Administrative expenses/operating costs	10	**(109.7)**	**–**	**2.4**	**(107.3)**
Other net income/(expense)		**59.4**	**(59.0)**	**(1.4)**	**(1.0)**
Finance costs		**(0.3)**	**–**	**0.3**	**–**
Finance income		**1.3**	**–**	**(1.3)**	**–**
Total comprehensive loss/total return after tax		**(282.2)**	**–**	**–**	**(282.2)**

		2019 £m	2019 £m	2019 £m	2019 £m
Portfolio return	3,4,5&9*	(301.5)	32.9	–	(268.6)
Administrative expenses/operating costs	10	(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 loss/total return after tax		(371.6)	–	–	(371.6)

* Portfolio return per the primary statements is the aggregate of the increase/(decrease) in fair value and foreign exchange of equity and debt investments in note 3 and 4, fair value and expected credit losses and foreign exchange of guarantees in note 5 and total investment income in note 9.

Notes to the accounts continued

2. Operating segments analysis continued

Statement of financial position

	Notes	Primary statements 2020 £m	Reconciling items: Reclassify portfolio items 2020 £m	Reconciling items: Other items and reclassifications 2020 £m	Management reports 2020 £m
Portfolio value	3,4&5*	**5,192.1**	**58.4**	**(28.0)**	**5,222.5**
Net cash and short-term deposits	6	**456.3**	**–**	**12.7**	**469.0**
Other net assets/(liabilities)		**1,157.3**	**(58.4)**	**15.3**	**1,114.2**
Total net assets attributable to equity holders of the Company		**6,805.7**	**–**	**–**	**6,805.7**

	Notes	2019 £m	2019 £m	2019 £m	2019 £m
Portfolio value	3,4&5*	4,698.1	34.3	4.1	4,736.5
Net cash and short-term deposits	6	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

* 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 5.

Statement of cash flows

	Primary statements 2020 £m	Reconciling items: Reclassify portfolio items 2020 £m	Reconciling items: Other items and reclassifications 2020 £m	Management reports 2020 £m
Portfolio drawdowns	**(1,231.4)**	**–**	**(7.4)**	**(1,238.8)**
Portfolio receipts	**408.0**	**97.5**	**37.9**	**543.4**
Net investment flows	**(823.4)**	**97.5**	**30.5**	**(695.4)**
Other cash flows	**930.5**	**(97.5)**	**(17.6)**	**815.4**
Net increase in cash and cash equivalents	**107.1**	**–**	**12.9**	**120.0**

	2019 £m	2019 £m	2019 £m	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)

Geographic information

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

	Notes	Africa 2020 £m	South Asia 2020 £m	Rest of World 2020 £m	Multi-region† 2020 £m	Total 2020 £m
Portfolio return	3,4,5&9*	**(184.3)**	**(42.3)**	**15.3**	**(21.6)**	**(232.9)**

	Notes	2019 £m	2019 £m	2019 £m	2019 £m	2019 £m
Portfolio return	3,4,5&9*	(118.6)	(114.9)	(47.0)	(21.0)	(301.5)

* Portfolio return is the aggregate of the increase/(decrease) in fair value and foreign exchange of equity and debt investments in note 3 and 4, fair value and expected credit losses and foreign exchange of guarantees in note 5 and total investment income in note 9.

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

3. Equity investments

	Group					
	Listed shares 2020 £m	Unlisted shares 2020 £m	Total 2020 £m	Listed shares 2019 £m	Unlisted shares 2019 £m	Total 2019 £m
At 1 January, at fair value	**502.3**	**3,434.1**	**3,936.4**	315.7	3,427.3	3,743.0
Additions	**12.7**	**442.5**	**455.2**	164.6	650.4	815.0
Disposals	**(63.2)**	**(215.1)**	**(278.3)**	(10.0)	(241.8)	(251.8)
Transfers	**7.6**	**0.3**	**7.9**	205.0	(198.4)	6.6
Fair value losses	**(100.5)**	**(43.7)**	**(144.2)**	(145.2)	(51.4)	(196.6)
Foreign exchange losses	**(1.9)**	**(101.8)**	**(103.7)**	(27.8)	(152.0)	(179.8)
At 31 December, at fair value	**357.0**	**3,516.3**	**3,873.3**	502.3	3,434.1	3,936.4

	Company							
	Listed shares 2020 £m	Unlisted shares 2020 £m	Shares held in Group companies 2020 £m	Total 2020 £m	Listed shares 2019 £m	Unlisted shares 2019 £m	Shares held in Group companies 2019 £m	Total 2019 £m
At 1 January, at fair value	**502.3**	**3,434.1**	**3.3**	**3,939.7**	315.7	3,427.3	2.3	3,745.3
Additions	**12.7**	**442.5**	**–**	**455.2**	164.6	650.4	–	815.0
Disposals	**(63.2)**	**(215.1)**	**–**	**(278.3)**	(10.0)	(241.8)	–	(251.8)
Transfers	**7.6**	**0.3**	**–**	**7.9**	205.0	(198.4)	–	6.6
Fair value (losses)/gains	**(100.5)**	**(43.7)**	**1.8**	**(142.4)**	(145.2)	(51.4)	1.1	(195.5)
Foreign exchange losses	**(1.9)**	**(101.8)**	**(0.2)**	**(103.9)**	(27.8)	(152.0)	(0.1)	(179.9)
At 31 December, at fair value	**357.0**	**3,516.3**	**4.9**	**3,878.2**	502.3	3,434.1	3.3	3,939.7

Notes to the accounts continued

3. Equity investments continued

Fair value (losses)/gains on equity instruments comprises:

	Group					
	Listed shares 2020 £m	Unlisted shares 2020 £m	Total 2020 £m	Listed shares 2019 £m	Unlisted shares 2019 £m	Total 2019 £m
Realised fair value (losses)/gains	**(41.9)**	**45.2**	**3.3**	2.3	78.6	80.9
Unrealised fair value losses	**(58.6)**	**(88.9)**	**(147.5)**	(147.5)	(130.0)	(277.5)
Fair value losses on equity instruments	**(100.5)**	**(43.7)**	**(144.2)**	(145.2)	(51.4)	(196.6)

	Company							
	Listed shares 2020 £m	Unlisted shares 2020 £m	Shares held in Group companies 2020 £m	Total 2020 £m	Listed shares 2019 £m	Unlisted shares 2019 £m	Shares held in Group companies 2019 £m	Total 2019 £m
Realised fair value (losses)/gains	**(41.9)**	**45.2**	**–**	**3.3**	2.3	78.6	–	80.9
Unrealised fair value (losses)/gains	**(58.6)**	**(88.9)**	**1.8**	**(145.7)**	(147.5)	(130.0)	1.1	(276.4)
Fair value (losses)/gains on equity instruments	**(100.5)**	**(43.7)**	**1.8**	**(142.4)**	(145.2)	(51.4)	1.1	(195.5)

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 £42.1 million (2019: £47.7 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. There has been one transfer from Level 3 (unlisted shares) to Level 1 (listed shares) during the year. In addition, 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 Steering Committee. 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 £3,516.3 million (2019: £3,434.1 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 £1,808.6 million (2019: £1,875.0 million).

Valuation uncertainty

Valuation uncertainty arises in CDC's direct equity investments because they are valued based on unobservable inputs. The valuation techniques that require significant unobservable inputs are the net present value of estimated future cash flows and comparable trading multiples.

Discounted cash flows

£558.9 million (2019: £600.0 million) of CDC's equity investments are valued using the net present value of estimated future cash flows. The discount rates adopted by CDC are supported by the Capital Asset Pricing Model framework adjusted for differences in country, sector, size and project-specific risk, such as collection of arrears in certain power assets. The significant unobservable inputs include cost of equity and weighted average cost of capital.

Trading multiples

£471.5 million (2019: £216.5 million) of CDC's equity investments are valued using market-based multiples, reflected in market valuations of quoted companies or similar transactions. Management determines the set of comparable companies based on various factors, such as industry, size, country of operations, developmental stage and strategy. Management adjusts the multiple of each comparable company for differences in risk and growth prospects, liquidity, and control.

The significant unobservable inputs used in the market approach are EBITDA multiples, price/book multiples and revenue multiples.

Valuation inputs and sensitivity analysis to significant changes in the unobservable inputs

Description	Fair value at 31 December 2020 £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	**471.5**	Comparable trading multiples	EBITDA multiple	10.5	18.5%	+73.7 -74.8	+100.8 -102.3
			Price/book multiple	1.8	18.5%	+25.4 -25.4	+34.7 -34.7
			Revenue multiple	5.5	18.5%	+4.9 -4.9	+6.8 -6.8
Global equity securities	**558.9**	Discounted cash flows	Discount rate	12.4%	0.6%	+17.7 -22.0	+24.2 -30.0

The fair value hierarchy also applies to forward foreign exchange contracts; see note 8 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 £1,190.1 million (2019: £1,412.5 million). The Group earned investment income of £1.1 million (2019: £8.2 million) and generated fair value losses of £47.0 million (2019: losses of £41.3 million) from these entities during the year.

Notes to the accounts continued

4. Loan investments

	Group and Company 2020 £m	2019 £m
At 1 January	**755.2**	639.9
Loan advances	**567.8**	215.3
Loan repayments	**(72.5)**	(77.5)
Transfers	**(7.9)**	(6.6)
Fair value (losses)/gains	**(20.2)**	15.5
Foreign exchange losses	**(46.9)**	(31.4)
At 31 December	**1,175.5**	755.2
Less: Loan investments due within one year (note 15)	**(234.2)**	(78.1)
At 31 December	**941.3**	677.1

Loan investments are held at fair value through profit and loss when they are managed, and their performance evaluated, on a fair value basis.

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

Valuation uncertainty
Valuation uncertainty arises in CDC's loan investments because they are valued based on unobservable inputs. 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
£1,175.5 million (2019: £755.2 million) of CDC's loan investments are valued using the net present value of estimated future cash flows. At initial investment, the discount rate for a given loan investment is calibrated based on observable risk-free rate and spreads for issuances with similar duration and credit quality. At subsequent reporting periods, the inputs are adjusted based on market conditions and the spread adjusted based on changes in credit quality and market conditions. Management takes into account the risk, coupon, time to expected repayment, call risk, and exit potential in estimating the fair value.

Valuation inputs and sensitivity analysis to significant changes in the unobservable inputs

Description	Fair value at 31 December 2020 £m	Valuation technique	Unobservable inputs	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	**1,175.5**	Discounted cash flows	Discount rate	6.1%	+1.0%	-37.8	-51.7
					-1.0%	+40.8	+55.8

Unfunded loan commitments

Expected credit losses are calculated for unfunded loan commitments in accordance with IFRS 9. Further details on the Group's methodology is disclosed in note 25.

The Group and Company's expected credit losses on unfunded loan commitments comprise:

	Group and Company	
	2020 £m	**2019 £m**
Current liabilities	**3.0**	–
Non-current liabilities	**1.2**	–
Total	**4.2**	–

5. Guarantees

	Group and Company					
	Funded 2020 £m	**Unfunded 2020 £m**	**Total 2020 £m**	**Funded 2019 £m**	**Unfunded 2019 £m**	**Total 2019 £m**
At 1 January	**3.8**	**2.7**	**6.5**	–	2.3	2.3
Guarantee advances	**208.4**	**–**	**208.4**	3.9	–	3.9
Guarantee repayments	**(57.2)**	**–**	**(57.2)**	–	–	–
Movement in deferred income	**1.7**	**(0.1)**	**1.6**	–	0.4	0.4
Fair value and expected credit losses	**(1.3)**	**(2.1)**	**(3.4)**	–	–	–
Foreign exchange losses	**(12.6)**	**–**	**(12.6)**	(0.1)	–	(0.1)
At 31 December	**142.8**	**0.5**	**143.3**	3.8	2.7	6.5
Less: deferred income due within one year (note 15)	**(1.7)**	**(2.6)**	**(4.3)**	–	(2.7)	(2.7)
At 31 December	**141.1**	**(2.1)**	**139.0**	3.8	–	3.8

Guarantees comprise funded and unfunded trade and supply chain finance risk participation agreements.

Funded guarantees are held at fair value through profit and loss and unfunded guarantees are measured using the expected credit loss model. The Group classifies guarantees under the Level 3 hierarchy: inputs that are not based on observable market data. Further details on the Group's methodology for accounting for guarantees is disclosed in note 25.

The Group and the Company had contingent liabilities in respect of unfunded risk participation agreements with a value of £230.9 million (2019: £354.3 million).

6. Cash and cash equivalents

	Group		Company	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
Cash at bank and in hand	**51.7**	46.7	**47.9**	44.3
Short-term deposits receivable	**404.6**	302.5	**404.1**	302.2
Total cash and cash equivalents	**456.3**	349.2	**452.0**	346.5

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 £456.3 million (2019: £349.2 million).

Notes to the accounts continued

7. Issued capital

	2020 Number	2020 £m	2019 Number	2019 £m
Authorised, allotted, called up and fully paid				
At 1 January, ordinary shares of £1 each	**3,586,000,000**	**3,586.0**	2,578,000,000	2,578.0
Issued, ordinary shares of £1 each	**650,000,000**	**650.0**	1,008,000,000	1,008.0
At 31 December, ordinary shares of £1 each	**4,236,000,000**	**4,236.0**	3,586,000,000	3,586.0

Ordinary shares
During the year ended 31 December 2020, the Company issued 650,000,000 ordinary shares (2019: 1,008,000,000 ordinary shares) to a related party; see note 23 for further details.

The number of ordinary shares reserved for issue under a subscription agreement is nil shares (2019: 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 Foreign, Commonwealth and Development Affairs (previously the Secretary of State for International Development).

8. Forward foreign exchange contracts

Forward foreign exchange contracts (FFECs) comprise:

	Group and Company	
	2020 £m	2019 £m
Gross FFECs in profit	**55.1**	29.1
Gross FFECs in loss	**(0.2)**	(0.1)
Net total	**54.9**	29.0

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

	Group and Company	
	2020 £m	2019 £m
Current assets	**55.1**	29.1
Current liabilities	**(0.2)**	(0.1)
Total	**54.9**	29.0

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 statement of financial position date. CDC uses Thomson Reuters to obtain the forward rate at the statement of financial position date. 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 2020, the Group held 59 FFECs (2019: 56 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 tables below have been updated in the current year to present a truer reflection by using the weighted average spot price instead of the average spot price.

The Group's Sterling denominated contracts comprise:

Foreign currency	Foreign currency in millions 2020	Weighted average spot price 2020	2020 £m	Foreign currency in millions 2019	Weighted average spot price 2019	2019 £m
US dollar	**1,690.7**	**1.3184**	**1,282.4**	1,135.0	1.2886	880.8
Euro	**81.0**	**1.1008**	**73.6**	64.0	1.1642	55.0
Indian rupee	**28,574.6**	**97.4538**	**293.2**	19,986.7	91.1371	218.3

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

Foreign currency	Foreign currency in millions 2020	Weighted average spot price 2020	2020 US$m	Foreign currency in millions 2019	Weighted average spot price 2019	2019 US$m
Indian rupee	**16,754.1**	**73.7140**	**227.3**	18,965.0	71.1170	266.7

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 9 to 13.

9. Income

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Investment income				
Interest income	**79.9**	70.3	**79.9**	70.3
Loan and guarantee fee income	**9.3**	4.2	**9.3**	4.2
Dividend income	**8.9**	16.4	**8.9**	16.4
Total investment income	**98.1**	90.9	**98.1**	90.9
Other income				
Management fee income	**13.0**	12.7	**12.5**	12.3
Other operating income	**1.2**	0.6	**1.1**	0.6
Total other income	**14.2**	13.3	**13.6**	12.9

Notes to the accounts continued

10. Administrative and other expenses

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Wages and salaries	**(44.6)**	(37.6)	**(39.8)**	(33.8)
Social security costs	**(6.7)**	(5.6)	**(6.6)**	(5.5)
Pension costs – defined benefit	**(2.1)**	0.5	**(2.1)**	0.5
Pension costs – defined contribution	**(4.6)**	(3.7)	**(4.2)**	(3.4)
Long-term Development Performance Plan (LTDPP) accrual	**(10.4)**	(8.4)	**(9.0)**	(7.2)
Total employee benefits expense	**(68.4)**	(54.8)	**(61.7)**	(49.4)
Professional services	**(4.7)**	(5.4)	**(4.3)**	(5.2)
Auditor remuneration (see below)	**(0.8)**	(0.6)	**(0.7)**	(0.5)
Operating leases expense	**(0.6)**	(0.5)	**(0.5)**	(0.2)
Other administrative expenses	**(31.3)**	(31.8)	**(41.2)**	(39.4)
Total administrative expenses	**(105.8)**	(93.1)	**(108.4)**	(94.7)
Depreciation of plant and equipment	**(4.4)**	(3.8)	**(3.9)**	(3.5)
Amortisation of intangible asset	**(0.2)**	(0.1)	**(0.1)**	(0.1)
Other expenses	**(0.3)**	(1.5)	**(0.4)**	(1.4)
Total administrative and other expenses	**(110.7)**	(98.5)	**(112.8)**	(99.7)

The average monthly number of Group employees during the year was 460 (2019: 385). The average monthly number of Company employees during the year was 408 (2019: 350).

The aggregate of Directors' remuneration in 2020 was £0.6 million (2019: £0.8 million). Refer to pages 58 to 63 for the Annual Report on Remuneration which gives more details on remuneration and the LTDPP.

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Audit of the group financial statements	**(0.5)**	(0.4)	**(0.5)**	(0.4)
Audit of the consolidated subsidiaries	**(0.1)**	(0.1)	**–**	–
Audit related assurance services	**(0.1)**	–	**(0.1)**	–
Other services	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Total auditor remuneration	**(0.8)**	(0.6)	**(0.7)**	(0.5)

11. Net foreign exchange differences

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Exchange losses arising on equity investments	**(103.7)**	(179.8)	**(103.9)**	(179.9)
Exchange losses arising on loan investments	**(46.9)**	(31.4)	**(46.9)**	(31.4)
Exchange losses arising on guarantees	**(12.6)**	(0.1)	**(12.6)**	(0.1)
Exchange gains arising on FFECs	**40.3**	19.4	**40.3**	19.4
Exchange gains/(losses) arising on cash and cash equivalents	**9.5**	(7.5)	**9.8**	(7.4)
Total foreign exchange differences	**(113.4)**	(199.4)	**(113.3)**	(199.4)

12. Income tax

	Group		Company	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
Current tax				
Withholding tax expense	**0.6**	0.8	**0.6**	0.8
Current UK tax charge	**–**	–	**–**	–
Current overseas tax charge	**0.8**	0.3	**–**	–
Total current tax	**1.4**	1.1	**0.6**	0.8
Foreign deferred tax				
Attributable to timing difference arising in the current year	**(0.1)**	–	**–**	–
Total income tax expense	**1.3**	1.1	**0.6**	0.8

Reconciliation of deferred tax asset				
As of 1 January	**0.1**	0.1	**–**	–
Tax expenses during the year	**0.1**	–	**–**	–
As at 31 December	**0.2**	0.1	**–**	–

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

	Group		Company	
	2020 %	**2019 %**	**2020 %**	**2019 %**
UK corporation tax rate	**19.0**	19.0	**19.0**	19.0
Effect of overseas taxation	**–**	–	**–**	–
Effect of UK tax exemption	**(19.5)**	(19.3)	**(19.2)**	(19.2)
Effective tax rate for the year	**(0.5)**	(0.3)	**(0.2)**	(0.2)

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 2020 (2019: £nil million). 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.

13. Plant and equipment

	Group					
	Furniture and equipment 2020 £m	**Right of use asset 2020 £m**	**Total 2020 £m**	**Furniture and equipment 2019 £m**	**Right of use asset 2019 £m**	**Total 2019 £m**
At 1 January	**2.9**	**16.8**	**19.7**	3.7	–	3.7
Additions	**0.2**	**2.6**	**2.8**	–	19.8	19.8
Disposals	**–**	**–**	**–**	–	–	–
Depreciation charge for the year	**(0.9)**	**(3.5)**	**(4.4)**	(0.8)	(3.0)	(3.8)
At 31 December	**2.2**	**15.9**	**18.1**	2.9	16.8	19.7

Notes to the accounts continued

13. Plant and equipment continued

	Company					
	Furniture and equipment 2020 £m	Right of use asset 2020 £m	Total 2020 £m	Furniture and equipment 2019 £m	Right of use asset 2019 £m	Total 2019 £m
At 1 January	**2.7**	**15.6**	**18.3**	3.5	–	3.5
Additions	**–**	**1.8**	**1.8**	–	18.3	18.3
Disposals	**–**	**–**	**–**	–	–	–
Depreciation charge for the year	**(0.9)**	**(3.0)**	**(3.9)**	(0.8)	(2.7)	(3.5)
At 31 December	**1.8**	**14.4**	**16.2**	2.7	15.6	18.3

The additions in the prior 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.

14. Intangible asset

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
At 1 January	**0.4**	0.4	**0.3**	0.4
Additions	**–**	0.1	**–**	–
Amortisation charge for the year	**(0.2)**	(0.1)	**(0.1)**	(0.1)
At 31 December	**0.2**	0.4	**0.2**	0.3

The intangible asset comprises the purchase and development of a new investment software system.

15. Trade and other receivables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Loan investments due from third parties (note 4)	**234.2**	78.1	**234.2**	78.1
Guarantees	**4.3**	2.7	**4.3**	2.7
Amounts owed by investment entities	**11.1**	16.1	**11.1**	16.1
Amounts owed by non-investment subsidiaries	**–**	–	**0.6**	0.7
Prepayments	**2.1**	1.4	**2.1**	1.3
VAT recoverable	**1.0**	1.6	**0.9**	1.6
Tax recoverable	**–**	0.1	**–**	–
Other receivables	**31.2**	33.1	**30.9**	31.9
Total trade and other receivables	**283.9**	133.1	**284.1**	132.4

The amounts relating to other receivables and amounts owed by investment entities are repayable within 30 days, the rest are repayable on demand.

16. Trade and other payables

	Group		Company	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
Trade payables*	**0.8**	1.6	**0.8**	1.6
Amounts owed to investment entities	**19.5**	19.5	**19.5**	19.5
Amounts owed to non-investment subsidiaries	**–**	–	**1.9**	1.1
Other taxes and social security	**–**	0.1	**–**	–
Tax payable	**0.1**	–	**–**	
LTDPP accrual	**11.7**	8.9	**10.3**	8.0
Other accruals and deferred income	**14.3**	5.4	**13.9**	4.1
Total trade and other payables	**46.4**	35.5	**46.4**	34.3

* The average credit for trade payable is 29 days.

The amount owed to investment entities in 2020 for Group and Company is £19.5 million (2019: £19.5 million) of which £16.1 million is interest bearing at an effective interest rate of 0.24 per cent.

17. Pension commitments

The Company and Group operate one funded pension scheme in the UK called the CDC Pensions Scheme ('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 3.7 per cent but this would be largely offset by an increase in scheme assets of 3.6 per cent. Similarly, if life expectancy at age 60 was to increase by one year, scheme liabilities would increase by 2.1 per cent but assets would increase by 2.0 per cent.

Description of funding arrangements and policies

The results of the 31 March 2018 actuarial valuation showed that after the buy-in, Technical Provisions were £9.7 million and the scheme assets were £14.8 million, giving a funding surplus of £5.1 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 2020 for CDC is £nil million and for the scheme participants 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 15 years.

The discount rate has been derived after consideration of the changes in several market indicators of AA rated corporate bonds over the year at a term consistent with the Scheme's liabilities.

Notes to the accounts continued

17. Pension commitments continued

Main assumptions:	2020 %	2019 %
Discount rate	**1.3**	1.9
Inflation assumption	**3.1**	3.4
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	**3.1**	3.4
Rate of increase for deferred pensions	**3.1**	3.4

Life expectancy of a pensioner reaching age 60	Male	Female
In 2020	**28.5**	**30.5**
In 2019	29.5	30.9
In 2030	**29.3**	**31.4**
In 2029	30.9	32.0

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-20 Quoted	Allocation percentage 31 Dec-20 Unquoted	Allocation percentage 31 Dec-20 Total
Buy-in contract with Rothesay Life	**0.0%**	**97.4%**	**97.4%**
In 2019	0.0%	96.8%	96.8%
Cash/net current assets/other	**2.6%**	**0.0%**	**2.6%**
In 2019	3.2%	0.0%	3.2%
Fair value of scheme assets at 31 December 2020	**£12.7m**	**£469.8m**	**£482.5m**
Fair value of scheme assets at 31 December 2019	£14.7m	£444.5m	£459.2m

Assets and liabilities of the scheme at 31 December	2020 £m	2019 £m
Buy-in contract with Rothesay Life	**469.8**	444.5
Net current assets	**12.7**	14.7
Fair value of assets	**482.5**	459.2
Defined benefit obligation	**(473.3)**	(447.0)
Surplus	**9.2**	12.2
Restriction due to asset ceiling	**(9.2)**	(12.2)
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 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	17.6	(17.6)	–	–
At 31 December 2019	(447.0)	459.2	(12.2)	–

Reconciliation of the (liability)/asset:	Defined benefit obligation £m	Fair value of assets £m	Asset ceiling £m	(Liability)/ asset £m
At 31 December 2019	(447.0)	459.2	(12.2)	–
Administration costs incurred during the year	**–**	**(1.1)**	**–**	**(1.1)**
Interest cost	**(8.3)**	**8.5**	**(0.2)**	**–**
Past service cost – plan amendments	**–**	**–**	**–**	**–**
Cost recognised in administrative expenses	**(8.3)**	**7.4**	**(0.2)**	**(1.1)**
Actuarial gain due to liability experience	**(10.4)**	**–**	**–**	**(10.4)**
Actuarial gain due to liability assumptions	**(24.6)**	**–**	**–**	**(24.6)**
Actuarial gain on assets	**–**	**32.9**	**–**	**32.9**
Change in effect of asset ceiling	**–**	**–**	**3.2**	**3.2**
Remeasurement effects recognised in the Group's statement of comprehensive income	**(35.0)**	**32.9**	**3.2**	**1.1**
Employer contributions to the CDC Pensions Scheme	**–**	**–**	**–**	**–**
Benefits paid (including administration costs)	**17.0**	**(17.0)**	**–**	**–**
Cash flows	**17.0**	**(17.0)**	**–**	**–**
At 31 December 2020	**(473.3)**	**482.5**	**(9.2)**	**–**

Maturity profile of defined benefit obligations at 31 December	2020 £m	2019 £m
Expected benefit payments due within 1 year	**17.1**	23.0
Expected benefit payments due within 1-2 years	**17.6**	23.7
Expected benefit payments due within 2-3 years	**18.2**	24.5
Expected benefit payments due within 3-4 years	**18.7**	25.4
Expected benefit payments due within 4-5 years	**19.3**	26.2
Expected benefit payments due within 5-10 years	**105.9**	145.0
Expected benefit payments due after 10 years	**276.5**	179.2
Net pension liability	**473.3**	447.0

Notes to the accounts continued

18. Financial instruments

The Group's principal financial assets (as defined in IFRS 7) comprise cash, short-term deposits, 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							
2020	**–**	**40.9**	**10.8**	**51.7**	**–**	**–**	*****
2019	–	40.0	6.7	46.7	–	–	*
Financial assets: short-term deposits receivable within 90 days							
2020	**404.6**	**–**	**–**	**404.6**	**0.04%**	**1.0**	**–**
2019	302.5	–	–	302.5	1.30%	1.0	–
Financial assets: loan investments							
2020	**407.3**	**767.9**	**0.3**	**1,175.5**	**8.78%**	**6.7**	**1.0**
2019	348.8	406.4	3.8	759.0	7.86%	7.5	3.0

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

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							
2020	**–**	**40.8**	**7.0**	**47.8**	**–**	**–**	**–**
2019	–	40.0	4.3	44.3	–	–	*
Financial assets: short-term deposits receivable within 90 days							
2020	**404.1**	**–**	**–**	**404.1**	**0.04%**	**1.0**	**–**
2019	302.2	–	–	302.2	1.90%	1.0	–
Financial assets: loan investments							
2020	**407.3**	**767.9**	**0.3**	**1,175.5**	**8.78%**	**6.7**	**1.0**
2019	348.8	406.4	3.8	759.0	7.90%	7.5	3.0

* 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 2020 £m	Other 2020 £m	Total 2020 £m	US dollars 2019 £m	Other 2019 £m	Total 2019 £m
Pound sterling	**216.0**	**3.2**	**219.2**	154.9	2.6	157.5
Total	**216.0**	**3.2**	**219.2**	154.9	2.6	157.5

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

Functional currency	Listed equity at valuation 2020 £m	Unlisted equity at valuation 2020 £m	Total 2020 £m	Listed equity at valuation 2019 £m	Unlisted equity at valuation 2019 £m	Total 2019 £m
US dollar	**9.4**	**3,074.9**	**3,084.3**	–	3,031.5	3,031.5
Indian rupee	**161.7**	**211.8**	**373.5**	259.0	187.6	446.6
Euro	**–**	**202.7**	**202.7**	17.5	189.8	207.3
Moroccan dirham	**141.6**	**–**	**141.6**	162.7	–	162.7
Pakistani rupee	**44.3**	**–**	**44.3**	56.2	–	56.2
Pound sterling	**–**	**20.3**	**20.3**	–	20.2	20.2
Chinese yuan	**–**	**2.3**	**2.3**	–	3.3	3.3
South African rand	**–**	**–**	**–**	1.9	0.6	2.5
Tanzanian shilling	**–**	**–**	**–**	2.1	–	2.1
Other	**–**	**4.3**	**4.3**	–	4.0	4.0
Total	**357.0**	**3,516.3**	**3,873.3**	499.4	3,437.0	3,936.4

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 2020 £m	Other 2020 £m	Total 2020 £m	US dollars 2019 £m	Other 2019 £m	Total 2019 £m
Pound sterling	**214.4**	**1.2**	**215.6**	153.9	1.6	155.5
Total	**214.4**	**1.2**	**215.6**	153.9	1.6	155.5

Notes to the accounts continued

18. Financial instruments continued

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

Functional currency	Listed equity at valuation 2020 £m	Unlisted equity at valuation 2020 £m	Total 2020 £m	Listed equity at valuation 2019 £m	Unlisted equity at valuation 2019 £m	Total 2019 £m
US dollar	**9.4**	**3,076.0**	**3,085.4**	–	3,032.8	3,032.8
Indian rupee	**161.7**	**214.2**	**375.9**	259.0	188.6	447.6
Euro	**–**	**202.7**	**202.7**	17.5	189.8	207.3
Moroccan dirham	**141.6**	**–**	**141.6**	162.7	–	162.7
Pakistani rupee	**44.3**	**–**	**44.3**	56.2	–	56.2
Pound sterling	**–**	**21.7**	**21.7**	–	21.2	21.2
Chinese yuan	**–**	**2.3**	**2.3**	–	3.3	3.3
South African rand	**–**	**–**	**–**	1.9	0.6	2.5
Tanzanian shilling	**–**	**–**	**–**	2.1	–	2.1
Other	**–**	**4.3**	**4.3**	–	4.0	4.0
Total	**357.0**	**3,521.2**	**3,878.2**	499.4	3,440.3	3,939.7

Liquidity risk – Group

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

2020 Financial assets: Maturity profile	Short-term deposits £m	Other receivables £m	Loan investments £m	FFECs £m
Due within one year, but not on demand	**404.6**	**283.9**	**234.2**	**55.1**
Due within one to two years	**–**	**–**	**159.4**	**–**
Due within two to three years	**–**	**–**	**112.4**	**–**
Due within three to four years	**–**	**–**	**94.7**	**–**
Due within four to five years	**–**	**–**	**95.6**	**–**
Due after five years	**–**	**0.2**	**479.2**	**–**
Total	**404.6**	**284.1**	**1,175.5**	**55.1**

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

2020 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	3.7	46.3	0.2
Due within one to two years	3.6	–	–
Due within two to three years	2.4	–	–
Due within three to four years	1.9	–	–
Due within four to five years	1.8	–	–
Due after five years	2.7	–	–
Total	16.1	46.3	0.2

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

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, equity investments and guarantees:

2020 Financial assets: Maturity profile	Short-term deposits £m	Other receivables £m	Loan investments £m	FFECs £m
Due within one year, but not on demand	404.1	284.1	234.2	55.1
Due within one to two years	–	–	159.4	–
Due within two to three years	–	–	112.4	–
Due within three to four years	–	–	94.7	–
Due within four to five years	–	–	95.6	–
Due after five years	–	–	479.2	–
Total	404.1	284.1	1,175.5	55.1

Notes to the accounts continued

18. Financial instruments continued

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

2020 Financial liabilities: Maturity profile	**Lease liabilities £m**	**Trade and other payables £m**	**FFECs £m**
Due within one year, but not on demand	**3.4**	**46.3**	**0.2**
Due within one to two years	**3.3**	**–**	**–**
Due within two to three years	**2.2**	**–**	**–**
Due within three to four years	**1.6**	**–**	**–**
Due within four to five years	**1.6**	**–**	**–**
Due after five years	**2.5**	**–**	**–**
Total	**14.6**	**46.3**	**0.2**

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

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, loan investments and funded guarantees 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, 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.

Reconciliation of Level 3 fair value measurement of financial assets

The following table details the movements in non-current financial assets valued using the Level 3 basis of measurement in aggregate.

	Group		Company	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
Opening value	**4,193.1**	4,067.2	**4,196.4**	4,069.5
Additions	**1,218.7**	869.6	**1,218.7**	869.6
Disposals and repayments	**(344.8)**	(319.3)	**(344.8)**	(319.3)
Transfers	**(7.6)**	(205.0)	**(7.6)**	(205.0)
Deferred income movement	**1.7**	–	**1.7**	–
Fair value movement	**(65.2)**	(35.9)	**(63.4)**	(34.8)
Foreign exchange movement	**(161.3)**	(183.5)	**(161.5)**	(183.6)
Closing value	**4,834.6**	4,193.1	**4,839.5**	4,196.4

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.

19. 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 2020 was £456.3 million (2019: £349.2 million) and its capital commitments including long-term commitments were £1,860.8 million (2019: £2,133.7 million).

	Group		Company	
Analysis of total cash balance	**2020 £m**	**2019 £m**	**2020 £m**	**2019 £m**
Cash at bank and in hand	**51.7**	46.7	**47.9**	44.3
Short-term deposits receivable	**404.6**	302.5	**404.1**	302.2
Total	**456.3**	349.2	**452.0**	346.5

The short-term deposits receivable can easily be converted into cash. The Company has promissory notes of £1,105.0 million from its parent entity which can be drawn down on demand.

The Group's and Company's contractual maturities of derivatives and non-derivative financial liabilities are disclosed in note 18.

Notes to the accounts continued

19. Financial risk management continued

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.

	2020 £m	2019 £m
2011 and prior	**243.2**	262.9
2012	**75.4**	67.4
2013	**51.6**	79.7
2014	**43.6**	51.0
2015	**221.6**	207.8
2016	**114.2**	205.8
2017	**234.7**	338.7
2018	**260.4**	346.9
2019	**357.0**	573.5
2020	**259.1**	–
Total	**1,860.8**	2,133.7

Credit risk

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

		Group		Company	
	Notes	2020 £m	2019 £m	2020 £m	2019 £m
Loan investments	4	**1,175.5**	755.2	**1,175.5**	755.2
Guarantees	5	**139.0**	3.8	**139.0**	3.8
FFECs in profit	8	**55.1**	29.1	**55.1**	29.1
Trade and other receivables (excluding loans)	15	**49.7**	54.9	**49.9**	54.3
Notes receivable	23	**1,105.0**	1,341.0	**1,105.0**	1,341.0
Short-term deposits	6	**404.6**	302.5	**404.1**	302.2
Cash and cash equivalents	6	**51.7**	46.7	**47.9**	44.3
Total		**2,980.6**	2,533.2	**2,976.5**	2,529.9

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. As of 31 December 2020, all deposits were held with such financial institutions.

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). The Group currently review interest rate risk on a periodic basis. During 2021, the Group will be defining its policies and procedures for interest rate risk management in relation to its loan investment portfolio.

CDC Group Plc has a portfolio of loans valued at £1,175.5 million, of which £407.3 million are charged interest at a fixed rate, exposing the Group to interest rate risk. Most of these loans have prepayment options for the borrower and a fall in interest rates will have a very limited impact on the fair value. However, if interest rates were to increase, the fair value of these loans will decrease. A 1.0% increase in interest rates would cause a fair value loss of £16.4 million.

As at 31 December 2020 the weighted average interest rate earned on the Group's and Company's bank deposit was 0.03 per cent (2019: 1.03 per cent). In preparing the sensitivity analysis, a reasonable approximation of possible change is considered to be a 1.0 per cent increase and 0.5 per cent decrease (2019: 1.0 per cent increase and 0.5 per cent decrease) change in all interest rates. With all other variables held constant, a 1.0 per cent increase would have a £0.24 million positive impact on the Group's profit before tax (2019: 1.0 per cent, £0.06 million positive impact on the Group's profit before tax). A 0.5 per cent decrease would have a £0.1 million negative impact on the Group's profit before tax (2019: 0.5 per cent, £0.1 million negative 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 exposures are to the US dollar, Indian rupee and Euro. 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 from the loan and guarantee portfolio and non-Sterling cash balances.

The table below shows the impact on profit of a 10% increase or decrease of the December month-end deal rate based on the weighted average of each of the outstanding hedge positions would have with all other variables held constant.

Reasonable possible shift +/- (absolute value)	US dollar		Indian rupee		Euro	
	Impact on profit 2020 £m	**Impact on profit 2019 £m**	**Impact on profit 2020 £m**	**Impact on profit 2019 £m**	**Impact on profit 2020 £m**	**Impact on profit 2019 £m**
+10.0%	**(84.3)**	(60.2)	**(26.0)**	(19.2)	**(5.9)**	(4.2)
-10.0%	**97.6**	70.0	**31.8**	23.5	**7.1**	5.0

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. The Group manages this risk by maintaining a diversified portfolio of assets and by using a framework of country, sector and single party limits to avoid excessive concentrations within the portfolio.

As at 31 December 2020, the Group had equity investments of £3,873.3 million (2019: £3,936.4 million). Included in this balance is an investment in a wholly-owned investment entity with a value of £1,122.5 million which represented 29.0 per cent of the Group's equity investments (2019: £1,204.0 million, 30.6 per cent).

A 10 per cent change in the fair value of the Group's equity investments would impact the Group's profit by £387.3 million (2019: 10 per cent change, impact £392.9 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 approved by the Valuation Steering Committee. For more details on the valuation methodology refer to note 25.

Notes to the accounts continued

19. Financial risk management continued

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 FCDO 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.

20. Capital commitments

Amounts contracted for but not provided for in the accounts amounted to £1,860.8 million (2019: £2,133.7 million) for investment commitments (see note 19 for further details).

21. Leases

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

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	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
Right of use assets	**22.4**	19.8	**20.1**	18.3
Total	**22.4**	19.8	**20.1**	18.3

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

Right of use assets – accumulated depreciation

	Group		Company	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
Balance at 1 January	**3.0**	–	**2.7**	–
Depreciation charged for the year	**3.5**	3.0	**3.0**	2.7
Balance at 31 December	**6.5**	3.0	**5.7**	2.7

Lease liabilities

	Group		Company	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
Current liabilities	**3.7**	2.6	**3.4**	2.3
Non-current liabilities	**12.4**	14.0	**11.2**	13.6
Total lease liabilities	**16.1**	16.6	**14.6**	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	
	2020 £m	**2019 £m**	**2020 £m**	**2019 £m**
Interest on lease liabilities/finance costs	**0.2**	0.2	**0.2**	0.1
Depreciation	**3.5**	3.0	**3.0**	2.7
	3.7	3.2	**3.2**	2.8

22. Contingent liabilities

The Group and the Company had the following contingent liabilities as at 31 December 2020:

- In respect of unfunded risk participation agreements with a value of £230.9 million (2019: £354.3 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 £nil million (2019: £3.8 million).

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

23. Related party transactions

Parent entity

During 2019 and 2020, 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 £650.0 million in 2020 (2019: £1,008.0 million).

During the year the Company received £886.0 million (2019: £745.0 million) from its parent entity in settlement of a portion of the promissory notes receivable.

As at 31 December 2020, the Company had promissory notes of £1,105.0 million (2019: £1,341.0 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 51 to 63. 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:

	2020 £m	**2019 £m**
Statement of comprehensive income		
Interest income	**11.4**	13.3
Management fee income	**12.5**	12.3
Management fee expense	**(11.2)**	(9.3)
Interest payable	**–**	(0.1)
Statement of financial position		
Equity investments	**1,341.5**	1,415.7
Equity investments – non-holding companies	**229.6**	193.6
Trade and other receivables	**11.7**	16.8
Trade and other payables	**(21.4)**	(20.6)

Notes to the accounts continued

23. Related party transactions continued

Outstanding balances at the year-end are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

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 2020. Events after the reporting period that are indicative of conditions that arose after the reporting date do not lead to adjustment of the financial statements, but are disclosed in the event that they are material.

In February 2021, a military coup took place in Myanmar which has impacted the region's economy. As at 31 December 2020, CDC had investments valued at £71.3 million in Myanmar which represented 1.45 per cent of total investments at fair value. 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. Any losses associated with this development will be recognised in the 2021 financial statements. At present the extent of these potential losses cannot be reliably estimated but is not considered to be material given CDC's small exposure to Myanmar across its portfolio.

25. Summary of significant accounting policies

The accounting policies for plant and equipment and intangible asset are not specified as both are not material to the Group or Company.

Non-current assets

Investments

The Group and Company classify their loan investments and equity investments, including investments in investment entities, 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.

Equity 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 in an active market. However, in certain circumstances when the quoted price may be considered to not represent fair value, 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 considered 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 carrying value less any impairment is used as the best estimate of fair value.

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

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.

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. Guarantees comprise funded and unfunded risk participation agreements. Funded guarantees are held at fair value through profit and loss and unfunded guarantees are measured using the expected credit loss model.

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 cost 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 some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss and unfunded loan commitments.

Notes to the accounts continued

25. Summary of significant accounting policies continued

Measurement and recognition of expected credit losses

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.

To meet the financial needs of CDC's borrowers, CDC enters into loan commitments and guarantee contracts (funded and unfunded).

Whilst funded guarantees are recognised on balance sheet, CDC's unfunded obligations are not. CDC consider the unfunded obligations to share a credit risk similar to loans to the private sector. Therefore, Expected Credit Losses (ECLs) are calculated for financial guarantees and unfunded loan commitments in accordance with IFRS 9.

ECLs reflect the probability-weighted estimate based on loss expectations resulting from default events over either a 12-month period from the reporting date or the remaining life of the financial instrument. The method used to calculate the ECLs are based on the following inputs:

Guarantee Contracts

PD: The Probability of Default is an estimate of the likelihood of default over a given time. The CDC portfolio team use two credit models (Moody's and S&P) and apply these models against the underlying obligors most recent financial statements. An average PD is then generated and applied against a credit conversion factor in line with Basel IV.

LGD: The Loss Given Default is an estimate of CDC's loss arising in the case of a default at a given time. The LGDs are in line with Basel IV LGDs for unsecured debt instruments.

Exposure: The exposure for the guarantees are the total of the funded and unfunded underlying outstanding obligor contracts.

Unfunded Loan Commitments

PD: The Probability of Default is an estimate of the likelihood of default over a given time. The CDC portfolio teams use a series of scorecard models which are based on quantitative and qualitative indicators to formulate a credit rating. The credit rating is then mapped to a Moody's equivalent which is then mapped to PD tables which are structured by country and sector.

LGD: The Loss Given Default is an estimate of CDC's loss arising in the case of a default at a given time. It is based on the difference between the contractual cash flows due and any future cashflows.

Exposure: The exposure for unfunded loan commitments is the available remaining commitment that is expected to be drawn within the availability period.

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.

Capital commitments
Commitments represent amounts the Group has contractually committed to pay third parties but do not yet represent a liability or impact the Group's financial results for the year. These commitments do not include potential future commitments approved by the Group that are not yet legally binding.

Investment 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, classified within investment 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 when due on the loan with investment income. 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.

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.

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.

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.

Notes to the accounts continued

25. Summary of significant accounting policies continued

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 21 for more details.

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.

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. 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 Reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use.
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract.
- 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.
- Annual Improvements to IFRS Standards 2018-2020 Cycle.

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^ Prestige Blue Chip, Block 2, No9, Hosur Road, Koramangala, Bengalaru, Karnataka – 560029, India	Ordinary	100.0	Investment advisory
CDC Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment advisory
CDC East Africa Advisers Limited Twentieth Floor, Lonrho House, Plot LR/No. 209/7155, Standard Street, Nairobi, Kenya	Ordinary	100.0	Investment advisory
CDC West Africa Investments Limited KPMG Towers, Bishop Aboyade Cole Street, Victoria Island, Lagos, Nigeria	Ordinary	100.0	Investment advisory
Dayton Advisers Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment advisory
Development Corporation Pakistan Advisers (Private) Limited 1st Floor, Modern Motors House, Beaumont Road, Karachi 75530, South Sindh, Pakistan	Ordinary	100.0	Investment advisory
CDC Bangladesh Advisers (Private) Ltd CDC C/o Locus, Tower-52, Level-4, Road-11, Block-C, Banani, Bangladesh	Ordinary	100.0	Investment advisory

^ Directly held by the Company.

Subsidiaries not consolidated

Company 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 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	(33.5)	153.6
Africa Power XF Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	–	–
CDC Africa Cement Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	–	(143.2)
CDC Africa Power Limited c/o IQ EQ Corporate Services (Mauritius) Ltd, Cascades Building, Edith Cavell Street, Port Louis, Republic of Mauritius	Ordinary	100.0	Investment holding	USD	5.7	92.8
CDC Asset Management Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
CDC Capital for Development Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
CDC Emerging Markets Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	(3.7)	23.5
CDC Financial Services (Mauritius) Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	GBP	0.1	13.5
CDC Holdings Guernsey Limited^ x 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	(126.4)	258.1
CDC India Investments Private Limited^ Unit 804, 8th Floor, B Wing, The Capital, G Block, Bandra Kurla, Complex, Bandra, Mumbai, Maharashtra, India, 400051	Ordinary	100.0	Investment holding	INR	0.4	10.1

Notes to the accounts continued

26. Related undertakings continued

Company 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 India Opportunities Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	(14.6)	(17.9)
CDC Investment Holdings Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	GBP	–	3.6
CDC Nepal Opportunities Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	5.5	5.4
CDC North Africa Healthcare Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	98.0	Investment holding	USD	–	–
CDC Overseas Holdings Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	GBP	–	–
CDC Pakistan Power Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	In liquidation	USD	–	–
CDC Pakistan Power Projects Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	(1.3)	2.9
CDC PTL Holdings Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	62.0	In liquidation	USD	–	–
CDC Scots GP Limited^ 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	Ordinary	100.0	Investment holding	USD	–	–
CDC Scots LP^ 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	Partnership interest	100.0	Investment holding	USD	12.0	27.3
CDC South Asia Limited^ 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^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	5.8	7.8
The Africa List Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
Dayton Investments Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	51.0	Investment holding	USD	(2.8)	110.6
Globeleq Limited Second Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WW	Ordinary	70.0	Operating holding company	USD	(22.0)	413.7
Gridworks Development Partners LLP^ 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	(2.7)	11.0
MedAccess Guarantee Limited (Previously CFAM Limited)^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Operating company	USD	3.4	206.5
Middle East Foods and Trade Company SAE 6 of October City, Cairo, Egypt	Ordinary	65.0	In liquidation	USD	–	–
North African Foods Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	USD	–	–

Company 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
Pan African Holdings Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	GBP	–	3.2
Sinndar Holdings Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	4.2	31.2

* 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.
× 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 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 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	0.2	29.7
Actis Africa Real Estate Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	(3.7)	2.2
Actis Energy 3C Sub-Feeder LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	6.4	48.5
Actis India Real Estate Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	–	–
Advent Latin America Private Equity Fund IV LP 75 State Street, Boston, MA 02109, USA	Partnership interest	100.0	USD	(0.4)	2.9
Pragati India Fund Limited 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	99.0	USD	(4.4)	6.2
Qiming Venture Partners II LP PO Box 309GT, Ugland House, George Town, Grand Cayman, Cayman Islands	Partnership interest	98.9	USD	64.6	120.4
Happy Travel Rolling Investors LP 2 More London Riverside, London, SE1 2JT	Partnership interest	92.1	USD	–	0.3
Kotak India Affordable Housing Fund 27 BKC, 7th Floor, Plot No C-27, Bandra Kurla Complex, Bandra, Mumbai – 400051, India	Units	90.9	INR	(7.8)	86.3
Actis South Asia Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	90.7	USD	–	0.2

Notes to the accounts continued

26. Related undertakings continued

Company Registered address	Class of share	Percentage held by CDC	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Actis Infrastructure 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	83.8	USD	(0.1)	0.2
Momentum Africa Real Estate Parallel Company Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary shares	83.3	USD	–	–
Actis Latin America 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	75.5	USD	(6.6)	19.5
Kotak India Private Equity Fund III 10th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	75.0	USD	17.2	42.8
Actis ASEAN Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	69.2	USD	–	0.3
Aureos China Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	54.8	USD	–	–
Altra Private Equity Fund I LP PO Box 1040, 2nd Floor, Harbour Centre, North Church Street, Grand Cayman, KY1-1102, Cayman Islands	Partnership interest	53.9	USD	(2.0)	6.2
Actis China 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	51.0	USD	(0.9)	–
Aavishkaar Goodwell India Microfinance Development Company II Limited Level 6, One Cathedral Square, Jules Koenig Street, Port Louis, Mauritius	Ordinary shares	49.7	USD	^	^
InFrontier AF LP 695 High Road, Galla House, London, N12 0BT	Partnership interest	49.5	USD	^	^
Takura II African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe	Partnership interest	49.5	USD	^	^
Kendall Court Mezzanine (Asia) Bristol Merit Fund LP PO Box 709GT, 122 Mary Street, Grand Cayman, Cayman Islands	Partnership interest	49.2	USD	^	^
14 Trees Limited c/o Holcim Group Services Ltd, im Schachen, 5113 Holderbank, AG, Switzerland	Ordinary shares	49.0	CHF	^	^
Kamponji Enterprises Limited Proto Feeds Building, Robert Mugabe Highway, Limbe, Blantyre, Malawi	Ordinary shares	49.0	USD	^	^
Pan African Housing Fund LLC Suite 510, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	47.7	USD	^	^
Kotak India Private Equity Fund Limited Suite 2005, Level 2, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary shares	47.3	USD	^	^
Zephyr Power (PVT.) Limited 68-B, Sindhi Muslim Housing Society, Karachi 74400, Pakistan	Ordinary shares	46.7	USD	^	^
Actis Africa Real Estate Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	46.6	USD	^	^
APF-II India Holdings Private Limited Unit 2, 4B, 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	45.8	USD	^	^
Insitor Impact Asia Fund Private Limited 6 Temasek Boulevard, #09-05, Suntec Tower Four, Singapore 038986	Partnership interest	45.2	USD	^	^

Company Registered address	Class of share	Percentage held by CDC	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Aavishkaar Emerging India Fund GFin Corporate Services Ltd, Level 6, GFin Tower, 42 Hotel Street, Cybercity, Ebène 72201, Mauritius	Ordinary shares	44.6	USD	^	^
Dynamic India Fund S4 I IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	44.4	USD	^	^
APF-I (Mauritius) Limited 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	43.7	USD	^	^
Helios Investors IV Helios Investors IV, L.P. P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands	Ordinary shares	42.1	USD	^	^
Africa Logistics Properties 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 181 Bay Street, Suite 1800, Toronto, Ontario, Canada, M5J 2T9	Ordinary shares	41.9	USD	^	^
ARM Cement Limited L.R. No. 209/7417/2 Chiromo Road, Westlands, Nairobi, Kenya	Ordinary shares	41.7	USD	^	^
Aureos South Asia Fund (Holdings) LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	41.2	USD	^	^
Ankur Capital II N5, Jetha Compund, Dr B Ambedkar Road, Byculla (east, Mumbai 400 027	Partnership Interest	40.5	INR	^	^
Actis China Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	40.0	USD	^	^
Aureos Malaysia Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	40.0	USD	^	^
Bujagali Holding Power Company Limited Plot No. 108/112, 5th Street, Industrial Are, Kampala, Uganda	Ordinary shares and redeemable preference shares	37.4	USD	^	^
ShoreCap III c/o SGG Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	37.0	USD	^	^
Ascent India Fund IV IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	36.8	USD	^	^
DI Frontier Market Energy & Carbon Fund c/o Bech-Brunn Law Firm, Langelinie Alle 35, 2100 Copenhagen, Denmark	Partnership interest	36.4	EUR	^	^
Actis Sunrise Development Limited c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	36.0	USD	^	^
Adlevo Capital Africa LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	35.4	USD	^	^
Actis Africa 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	35.3	USD	^	^
Faering Capital Fund III 95, Maker Chambers III, Nariman Point, Mumbai 400 021, India	Ordinary shares	35.2	USD	^	^

Notes to the accounts continued

26. Related undertakings continued

Company Registered address	Class of share	Percentage held by CDC	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Saratoga Asia II LP c/o Walkers SPV Limited, Walkers House, 87 Mary Street, Grand Cayman KY 1-9002, Cayman Islands	Partnership interest	35.2	USD	^	^
Manipal c/o CIM Corporate Services Ltd, Les Cascades Building, 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares & preference shares	35.0	USD	^	^
Adiwale Fund I c/o Ocorian Corporate Services, Tower A, 1 CyberCity Ebene Mauritius	Partnership interest	34.6	EUR	^	^
Healthcare Global (Africa) HCG Tower, No 8 P. Kalinga Rao Road, Sampangi Rama Nagar, Bangalore, India	Preference shares	34.1	USD	^	^
GEMS Africa Limited 1st Floor, Jeep Showroom Building, Sheikh Zayed Road, Dubai, UAE	Ordinary shares and shareholder loan	33.4	USD	^	^
Amicus Capital Partners Private Equity I Villa 188, Adarsh Palm Retreat, Outer Ring Road, Devarabisanahalli, Bangalore 560103, India	Ordinary shares	32.5	USD	^	^
Rainbow Healthcare 22, Road No 4, Banjara Hills, Hyderabad 500 034, India	Ordinary shares and compulsory convertible preference shares	31.7	INR	^	^
Solon Capital Holdings c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	31.4	USD	^	^
Garden City c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	31.3	USD	^	^
GEF Africa-LC Sustainable Forestry Fund LP 5471 Wisconsin Avenue, Suite 300, Chevy Chase, MD, 20815	Partnership interest	31.2	USD	^	^
Pembani Remgro Infrastructure Mauritius Fund I LP c/o Augentius Fund Administration (Mauritius) Limited, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	Partnership interest	31.1	USD	^	^
JS Private Equity Fund I LLC Level 6, One Cathedral Square, Jules Koenig Street, Port Louis, Mauritius	Partnership interest	30.8	USD	^	^
Actis India Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	30.7	USD	^	^
Injaro Agricultural Capital Holdings Limited c/o CKLB International Management Ltd, 1st Floor, 24 Dr Joseph Rivière Street, Port Louis, Mauritius	Ordinary shares	30.5	USD	^	^
Regional Education Finance Fund for Africa 2, rue d'Alsace, L-1122 Luxembourg	Ordinary shares	30.2	USD	^	^
Fibonacci India Fund Co Limited IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	29.9	USD	^	^
Kendall Court Mezzanine (Asia) Fund 1 LP PO Box 709 GT, 122 Mary Street, Zephyr House, Grand Cayman, Cayman Islands	Partnership interest	29.7	USD	^	^
Sawari Ventures Fund I Jan van Goyenkade 8, 1075 HP Amsterdam, Netherlands	Ordinary shares	29.4	USD	^	^
Anthem Asia SME Venture Fund 1 Raffles Place, 13-01 One Raffles Place, Tower 1, Singapore	Partnership interest	29.0	USD	^	^

Company 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 5th Floor, Barkly Wharf, La Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	28.9	USD	^	^
Aureos South East Asia Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	28.6	USD	^	^
Energy Access Ventures Fund 7 Boulevard Malesherbes, 75008 Paris, France	Units	28.6	EUR	^	^
Aureos Central Asia Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	28.5	USD	^	^
Aureos Latin America Fund I LP 100 King Street West 1600, Toronto, Ontario, Canada M5X 1G5	Ordinary shares	28.3	USD	^	^
HR Food Processing Private Limited Osam Dairy, House No 448/A, Ground Floor, Near Argora Chowk, Road No. 04, Ashok Nagar Ranchi Ranchi Jh 834002 India	Ordinary shares & Compulsory convertible preference shares	28.0	INR	^	^
CardinalStone Capital Advisers Growth Fund 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Partnership interest	27.6	USD	^	^
Abraaj Pakistan Fund I LP Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	Partnership interest	27.5	USD	^	^
VenturEast Proactive Fund II LLC St Louis Business Centre, Cnr Desroches & St. Louis Streets, Port Louis, Republic of Mauritius	Ordinary shares	27.5	INR	^	^
Atlantic Coast Regional Fund LLC 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 4th Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	27.2	USD	^	^
International Finance Participation Trust (Cayman 2004) PO Box 32322SM, Century Yard, Cricket Square, Grand Cayman, Cayman Islands	Units	27.0	USD	^	^
Growth Catalyst Partners LLC 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	26.9	USD	^	^
Aavishkaar India II Company Limited 608 St James Court, St Denis Street, Port Louis, Mauritius	Ordinary shares	26.6	USD	^	^
Ethos Private Equity Fund V 26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands	Partnership interest	26.6	USD	^	^
Capital Alliance Property Investment Company LP 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 2 More London Riverside, London, SE1 2JT	Partnership interest	26.1	USD	^	^
Aureos West Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	26.0	USD	^	^
Africa Forestry Fund II IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	26.0	USD	^	^
Jacoma Estates Limited Hyde Park House, 5 Manfred Road, London, SW15 2RS	Preference shares	25.5	USD	^	^
Aureos Southern Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	25.1	USD	^	^

Notes to the accounts continued

26. Related undertakings continued

Company Registered address	Class of share	Percentage held by CDC	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Progression Eastern African Microfinance Equity Fund c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	24.9	USD	^	^
India Infrastructure Fund II (Singapore) Private Limited #04-02 112 Robinson Road, Singapore, 068902	Ordinary shares	24.8	USD	^	^
Takura III African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe	Partnership interest	24.8	USD	^	^
Frontier Bangladesh II LP PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	Partnership interest	24.5	USD	^	^
VenturEast Life Fund III IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Preference shares	24.5	INR	^	^
Ethos Mezzanine Partners III 26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands	Partnership interest	24.3	USD	^	^
Seedfund2 International IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	24.2	USD	^	^
GEF South Asia Fund II # 1118, One BKC, C Wing, G Block, Bandra Kurla Complex, Mumbai – 400051	Partnership Interest	24.1	USD	^	^
Emerge Central America Growth Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	23.8	USD	^	^
Kula Fund II Limited c/o Ridgeway Blake Lawyers, First Rank Building, Rue Emile Mercet, Port Vila, Vanuatu	Ordinary shares	23.8	USD	^	^
AfricInvest Fund IV 1101, 11th floor, The Core, No 62, ICT Avenue, Cybercity, Ebene, Mauritius.	Ordinary shares	23.4	USD	^	^
Africa Capitalworks Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary shares	23.3	USD	^	^
CX Partners Fund II 22 Saint Georges Street, Port Louis, Mauritius	Ordinary shares	23.2	USD	^	^
Myanmar Opportunities Fund II c/o PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands	Partnership interest	22.8	USD	^	^
Sahel Capital – FAFIN 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 Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	22.7	USD	^	^
Central Africa Growth Sicar SA 16 Boulevard Royal, L-2449 Luxembourg	Ordinary shares	22.5	EUR	^	^
India Financial Inclusion Fund Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	22.5	USD	^	^
Ventureast Proactive Fund LLC IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	22.2	USD	^	^

Company Registered address	Class of share	Percentage held by CDC	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Chemistry Holdings Limited 1/A, Sarguna Salai, Nagalkeni, Chromepet, Chennai 600044	Ordinary shares & Compulsory convertible preference shares	21.7	USD	^	^
TLCom TIDE Africa Fund 85 Great Portland Street W1W 7LT London United Kingdom	Partnership Interest	21.3	USD	^	^
Blue Sapphire Healthcares Private Limited 152, Mandakini Enclave, Alaknanda, Dehli – 110019, India	Ordinary shares	21.0	USD	^	^
Actis India 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	20.0	USD	^	^
African Rivers Fund c/o Abax Corporate Services Ltd, 6th Floor, Tower A1, Cybercity, Ebene, Mauritius	Ordinary shares	20.0	USD	^	^
Aureos East Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	20.0	USD	^	^
India Agribusiness Fund II Limited 5th Floor, Ebene Esplanade 24 Cybercity Ebene, Mauritius	Ordinary shares	20.0	USD	^	^
UNIC Online Limited 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.

Notes

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CDC is wholly owned by the UK Government.

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