



LEA 02	Disclosures Monetary	Reason for interaction	Principle PRI 1,2,3
Individual/ internal staff engagements	<p><input checked="" type="checkbox"/> To support investment decisionmaking in & company's material ESG issues</p> <p><input checked="" type="checkbox"/> To enhance corporate transparency for identifying the need to allocate capital</p> <p><input type="checkbox"/> To engage internal staff</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in internal staff</p>	<p><input checked="" type="checkbox"/> To support investment decisionmaking in & company's material ESG issues</p> <p><input checked="" type="checkbox"/> To enhance corporate transparency for identifying the need to allocate capital</p> <p><input type="checkbox"/> To support investment decisionmaking in & company's material ESG issues</p> <p><input type="checkbox"/> To engage internal staff</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in internal staff</p>	
Collaborative engagements	<p><input type="checkbox"/> To support investment decisionmaking in & company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate transparency for identifying the need to allocate capital</p> <p><input type="checkbox"/> To support investment decisionmaking in & company's material ESG issues</p> <p><input type="checkbox"/> To engage internal staff</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in internal staff</p>		
Service provider engagements	<p><input type="checkbox"/> To support investment decisionmaking in & company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate transparency for identifying the need to allocate capital</p> <p><input type="checkbox"/> To support investment decisionmaking in & company's material ESG issues</p> <p><input type="checkbox"/> To engage internal staff</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in internal staff</p>		

RI TRANSPARENCY REPORT

2013/14

CDC Group plc

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
⚠	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI disclaimer

This document is based on information reported by signatories and responses have not been independently audited by the PRI Secretariat, PRI working groups, or any other third party. While this information is believed to be reliable, no representations or warranties are made as to its accuracy and no responsibility or liability can be accepted for any error or omission.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	✓	Public							✓
OA 16	ESG issues for externally managed assets not reported in framework	✓	Public							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Public	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	✓	Public							✓
SAM 05	ESG incorporation strategies	🔒	n/a	✓	✓					
SAM 06	Selection processes (listed assets)	🔒	n/a	✓						✓
SAM 07	Appointment considerations (listed assets)	🔒	n/a				✓			
SAM 08	Monitoring processes (listed assets)	🔒	n/a	✓						
SAM 09	Percentage of (proxy) votes cast	🔒	n/a		✓					
SAM 10	Selection processes (non-listed assets)	✓	Public	✓						✓
SAM 11	Appointment considerations (non-listed assets)	✓	Public				✓			
SAM 12	Monitoring processes (non-listed assets)	✓	Public	✓						✓
SAM 13	Description of RI considerations in 'other' asset classes	🔒	n/a	✓						✓
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓						✓
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public		✓					
SAM 16	Disclosure of RI considerations	✓	Public							✓

CDC Group plc

Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the category which best represents your primary activity.

- Non-corporate pension or superannuation or retirement or provident fund or plan
- Corporate pension or superannuation or retirement or provident fund or plan
- Insurance company
- Foundation or endowment
- Development bank
- Reserve - sovereign or government controlled fund
- Other, specify

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

United Kingdom

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

102

OO 03	Mandatory	Descriptive	General
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OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

OO 04	Mandatory	Gateway/Peering	General
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OO 04.1 Indicate the year end date for your reporting year.

31/12/2013

OO 04.2 Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		6	895	229	719
Currency	USD				
Assets in USD		6	895	229	719

OO 04.3 Indicate the level of detail you would like to provide about your asset class mix.

- Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06

Mandatory

Descriptive

General

OO 06.1 To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as percentage breakdown
- Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	<10%	<10%
Fixed income – corporate	0	0
Fixed income – government	0	0
Fixed income – other	0	0
Private debt	0	0
Private equity	<10%	>50%
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0

Inclusive finance	<10%	<10%
Cash	10-50%	0
Other (1), specify	0	0
Other (2), specify	0	0

Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png,.bmp and .gif)

OO 07	Mandatory to Report Voluntary to Disclose	Peering	General
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OO 07.1	Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.
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	% of externally managed assets
Segregated mandate(s)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
Pooled fund(s)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
<i>Total externally managed assets</i>	<i>100%</i>

OO 07.2	Indicate the proportion of your externally managed assets in fund-of-funds.
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	% of externally managed assets
Fund-of-funds	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General
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OO 08.1	Indicate the breakdown of your organisation's AUM by market.
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Market breakdown	% of AUM
Developed Markets	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %

OO 09	Voluntary	Descriptive	General
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OO 09.1	Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.
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Founded in 1948, CDC is the UK's Development Finance Institution (DFI) wholly owned by the UK Government's Department for International Development (DFID). CDC supports the building of businesses throughout Africa and South Asia to create jobs and make a lasting difference to people's lives in some of the world's poorest places.

The company is the world's oldest DFI with a history of making successful investments in businesses which have become industry leaders thereby having enormous impact on the private sector in their country and region as well as improving the lives of many, many individuals. CDC provides capital in all its forms - equity, debt, mezzanine, guarantees - and we invest directly as well as through fund managers we believe are aligned with our aims.

CDC's strategy, set in conjunction with DFID, means we will now only make investments in Africa and South Asia where 70% of the world's poorest people live. DFID has no involvement in CDC's day-to-day decision making which is carried out by the CDC Board of executive and non-executive directors based in London. All profits are re-invested in businesses throughout our target emerging markets. CDC has received no new government capital for over 15 years.

Central to CDC's ethos is a firm commitment to responsible investment. The businesses that receive CDC's capital must also adhere to its Code of Responsible Investment, which stipulates environmental, social and governance standards that are often above those required by local law. Investing in difficult geographies means that standards sometimes fall short, but in these cases a plan must be put in place to make the necessary improvements.

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
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OO 10.1	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.
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- We incorporate ESG issues into investment decisions on our internally managed assets
- We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- We engage with companies on ESG issues via our staff, collaborations or service providers
- We cast our (proxy) votes directly or via service providers
- None of the above

OO 10.2	Indicate if your combined internally and externally managed listed equities are 10% or more of your total AUM.
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- Yes, our total listed equities are 10% or more of our total AUM
- No, our total listed equities are less than 10% of our total AUM

OO 11	Mandatory	Gateway	General
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OO 11.1	Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.
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- Private equity
- Inclusive finance
- Cash
- None of the above

OO 11.2	Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.
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- Private equity
- Inclusive finance
- None of the above

OO 12	Mandatory	Gateway	General
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OO 12.1	The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.
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Core modules

- Organisational Overview
- Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Listed Equity incorporation

- Listed Equity incorporation

Direct - Listed Equity active ownership

- Engagements

Direct - Other asset classes with dedicated modules

- Private Equity
- Inclusive Finance

RI implementation via external managers

Indirect - Selection, Appointment and Monitoring of External Managers

- Listed Equities
- Private Equity
- Inclusive Finance

Closing module

- Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

CDC Group plc

Reported Information

Public version

Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1 Indicate if you have a responsible investment policy.

- Yes
- No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

- Yes
- No

OA 01.3

Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

As a development finance institution, CDC has a public commitment to responsible investment as it seeks to support the building of businesses throughout Africa and South Asia, to create jobs and make a lasting difference to people's lives in some of the world's poorest places. CDC believes that operating to high environmental, social and governance (ESG) standards is a key part of long-term business success. After all, companies that degrade the environment, treat their employees unfairly or engage in corrupt practices are not sustainable in the long term.

Between 2004 and 2012 CDC focused on providing capital to private equity funds and developed a strong reputation for helping fund managers and their underlying investee companies improve their environmental, social and governance performance. Since 2012, CDC has provided capital in all its forms - equity, debt, mezzanine, guarantees - and we invest directly as well as through fund managers we believe are aligned with our aims.

All businesses that receive CDC's capital must adhere to its Code of Responsible Investment ("Code"), which stipulates CDC's environmental, social and governance requirements which are often above those required by local law. CDC's Code was most recently updated in 2012 to reflect latest good industry practice and clarify CDC's expectations for its new investments in direct equity and debt, which started that year.

The Code is publically available on CDC's website ([http://www.cdcgroup.com/Documents/ESG%20Publications/Code%20of%20Responsible%20Investing%20\(Final%20Annotated\).pdf](http://www.cdcgroup.com/Documents/ESG%20Publications/Code%20of%20Responsible%20Investing%20(Final%20Annotated).pdf)) and is structured to reflect CDC's ESG requirements, recommended good practices and components of management systems that CDC expects in all its investments. The Code sets out a hierarchy of ESG requirements, including excluded industry sectors where CDC's capital cannot be invested, specifying minimum ESG requirements of all businesses and additional requirements for industries where the levels of ESG risk requires it. Based on its Code, CDC works with intermediaries and companies in an approach that builds from compliance with certain basic standards and works towards the adoption of internationally recognised standards of good industry practice and areas of ESG value add to the business.

The Code is structured by six schedules. Schedule 1 outlines the responsible investment management system that CDC will itself maintain whilst Schedule 2 specifies the management systems required of Financial Institutions and Fund Managers where their portfolio will contain a significant number of higher risk assets. Schedule 3 of the Code sets out minimum ESG requirements for all businesses where CDC's capital is deployed whilst Schedule 4 outlines additional requirements triggered by specific activities of the business. Schedule 5 lists the recommended ESG practices endorsed and promoted by CDC. Schedule 6 lists all industry sectors and activities where CDC's capital may not to be deployed (the 'exclusion list').

CDC recognises that many businesses in Africa and Asia will not be in full compliance with its Code at the date of investment. In such cases, CDC, or those managing its capital, will work with the business during due diligence to develop an action plan that seeks to achieve compliance within a reasonable timeframe, with clear deliverables and responsibilities. An action plan will take into consideration the risks and opportunities specific to the business and its current size and resources.

An additional part of CDC's role as a DFI is to support companies as they develop policies and systems and actively engage with them to manage the ESG risks associated with their operations. In this way CDC looks to add value to the business while benefiting the workers, wider community and the environment at the local, regional, and national levels.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1 | Indicate if your responsible investment policy is publicly available.

Yes

OA 02.2 | Provide a URL to your responsible investment policy.

URL

[http://www.cdccgroup.com/Documents/ESG%20Publications/Code%20of%20Responsible%20Investing%20\(Final%20Annotated\).pdf](http://www.cdccgroup.com/Documents/ESG%20Publications/Code%20of%20Responsible%20Investing%20(Final%20Annotated).pdf)

No

OA 02.3 | Indicate if your other policies or guidance documents related to responsible investment are publicly available.

Yes

Yes, all

Yes, some

OA 02.4 | List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
ESG Toolkit	http://www.cdcgroup.com/Documents/ESG%20Publications/esgtoolkittools.pdf
Land in Investment	http://www.cdcgroup.com/Documents/ESG%20Publications/Land_Investment_Briefing_Note.pdf
Palm Oil Guidance	http://www.cdcgroup.com/Documents/ESG%20Publications/profitabilityandsustainabilityinpalmoilproduction.pdf
Business Integrity Policies	http://www.cdcgroup.com/PageFiles/149/cdcsummaryofbusinessintegrity29may2012.pdf
Coal policy	http://www.cdcgroup.com/Documents/ESG%20Publications/cdccoalpolicy.pdf
Anti-corruption Statement	http://www.cdcgroup.com/PageFiles/149/110627cdcanticorruptionstatement.pdf

No

OA 02.5 Additional information. [Optional]

Other documents (e.g. on climate change, whistleblowing etc) as well as a list of CDC's underlying portfolio companies are available in the disclosure section of CDC's website.

See the following URL: <http://www.cdcgroup.com/Corporate-information/Document-Library>

OA 03 **Mandatory** **Core Assessed** **PRI 1,2**

OA 03.1 Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 04	Mandatory	Core Assessed	General
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OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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Yes

OA 04.2

Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

CDC has a system to counter potential conflicts of interest in the investment process which is available at the following URL:

www.cdcgroup.com/PageFiles/149/cdcsummaryofbusinessintegrity29may2012.pdf

CDC's system to minimise potential conflicts of interest includes the following:

- Giving and receiving of gifts and entertainment/ political contributions

Our employees are prohibited from giving or receiving gifts (including entertainment) which might conflict with their duties to CDC. Gifts in excess of £50 (or its local equivalent) must be disclosed to the Compliance Officer. Contributions to political parties and candidates are prohibited.

- Personal account trading

Our employees are subject to detailed personal account dealing rules requiring prior approval from the Compliance Officer before conducting personal trades in certain investment products.

- Use of confidential information

CDC operates strict controls over confidential information. Any such information received by a CDC employee can only be used for the intended purpose and not for the personal benefit of the employee.

- Disclosure of outside directorships and investments

On recruitment all senior managers are required to disclose any existing directorships and investments. Any subsequent appointments or outside business interests are subject to approval.

No

Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
OA 05.1	Indicate if your organisation sets objectives for its responsible investment activities.		
<input checked="" type="radio"/> Yes			
OA 05.2	Indicate how frequently your organisation sets or revises objectives for responsible investment.		
<input checked="" type="radio"/> At least once per year <input type="radio"/> Less than once per year			

OA 05.3

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- Quarterly
- Biannually
- Annually
- Every two years or less
- It is not reviewed
- No

OA 05.4

Additional information. [Optional]

CDC seeks to ensure that the applicable requirements in respect of its current *Code of Responsible Investment* are implemented for every investment. This is ensured through appropriate due diligence on potential investments, legal documentation and monitoring activities of its portfolio. CDC currently has an internal audit department and one function of this unit is to audit CDC's ESG performance in ensuring its requirements are upheld in its investment processes.

CDC has internal objectives in relation to portfolio engagement and in relation to working with fund managers and with portfolio companies. CDC also keeps its own policies and procedures under review in order to remain at the forefront of good industry practice and in line with our peers. Each year CDC will look to produce good practice guidance on topical ESG-related issues.

A report on how CDC implemented and prioritised targets in relation to its former Investment Code in 2012 (prior to the revised Code released at the start of 2013) can be seen in CDC's Investment Code Implementation Report on its website (www.cdcgroup.com/Documents/Transparency%20and%20reporting/CDC%20Audit%20Disclosure.pdf). In 2013, KPMG audited and provided positive assurance on this report and its contents.

CDC continues to prioritise training, site visits and monitoring trips to its investments and sets department and personal objectives for the Responsible Investing team in respect of this.

OA 06

Voluntary

Descriptive

General

OA 06.1

List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

- Add responsible investment objective 1

Objective 1	Survey fund managers to revisit CDC's ESG funds' training. Perform a combination of further ESG workshops and one-on-one training in 2013.
Key performance indicators	Steward Redqueen survey, revised ESG workshop material and London workshop, ESG training for all CDC deal team.
Describe the progress achieved	Survey received responses from over 50 fund managers. London workshop consequently focussed on more technical ESG material. All CDC deal teams trained in late 2013.

Add responsible investment objective 2

Objective 2	Develop a coal policy to prohibit investment in coal except for in least developed countries and even then, with high environmental hurdle.
Key performance indicators	Policy developed and made public in line with latest UK government position on coal-fired power.
Describe the progress achieved	Policy developed and signed off. CDC will not invest directly in coal unless in line with UK government position (least developed countries, environmentally-friendly technology)

Add responsible investment objective 3

Objective 3	Development impact evaluations of 23 fund investments, 13 by external evaluators (Steward Redqueen and Dalberg)
Key performance indicators	23 evaluations initially scheduled, 13 externally conducted. 18 midpoint (end of a fund's investment period) and 5 final (end of fund's life).
Describe the progress achieved	20 development impact evaluations completed in 2013 of which 17 were midpoint and 3 were final. 13 funds were evaluated by a third party.

OA 06.2	List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.
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Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Conduct funds training and capacity-building programmes.
Key performance indicators	Deliver GP training in three different locations. Revised training materials that reflect advances in E&S issues and trends.

Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Continue to define a more comprehensive position on climate change.
Key performance indicators	Prepare guidance for CDC on how to integrate climate change impacts into investment decisions and monitoring .

Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Update CDCs ESG Toolkit for Fund Managers and begin to develop a suite of tools to identify E&S value add across CDC's portfolio.
Key performance indicators	Toolkit launched (web and hard copy) and value add frameworks for initial industry sectors developed.

OA 06.3	Additional information.
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The 2013 objectives and responses used here are some of those used in CDC's Investment Code Implementation report as part of KPMG's audit of CDC's ESG processes in 2013:
www.cdcgroup.com/Documents/Transparency%20and%20reporting/CDC%20Audit%20Disclosure.pdf

Governance and human resources

OA 07	Voluntary	Descriptive	General
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CDC operates as a public limited company (PLC) with its own board whilst its shareholder DFID agrees CDC's strategic framework and development targets, including its Code of Responsible Investment. DFID is not involved day-to day with CDC's investment decision taking.

At board level a sub-committee of the board (the "Development Committee" or "DC") is tasked with ultimate oversight of CDC's development impact related objectives. The committee comprises of five non-executive directors from CDC's board (as well as the chief executive) and met six times in the course of 2013. Papers presented in 2013 included nearly 25 evaluations of the development impact of some of CDC's private equity funds, oversight of KPMG's audit of CDC's process to deliver its previous Investment Code and a review of CDC's coal policy that aligns with the policy of UK government. The committee also reviews the E&S risk management framework. Terms of reference for the committee are set out by the following link: www.cdcgroup.com/Who-we-are/Corporate-structure/Board-Committees/

CDC's executive management has day-to-day oversight of the delivery of the ESG requirements contained within the Code of Responsible Investment and the organisation's development impact objectives. As a consequence, a member of every Investment Committee (IC) is tasked with reviewing the adequacy of CDC's ESG due diligence and proposed ESG engagement post-investment. As a DFI, maximising our development impact is also central to our investment process and internal decision making (see www.cdcgroup.com/How-we-do-it/Investment_strategy/Investment-selection). CDC has decided to focus the impact we wish to achieve on the growth of businesses and the creation of jobs, especially in places where the private sector is weak and jobs are scarce. As a consequence, each investment paper is also assessed by management against its potential for job creation. In all these tasks, senior management are supported in this task by the directors of CDC's Responsible Investing team (comprising Environmental and Social (E&S), Business Integrity and Development Impact teams).

Day-to-day responsibility for delivering CDC's ESG and development impact requirements is shared between CDC's investment teams and Responsible Investing team. CDC is a hands-on investor and we believe that good management of ESG issues and good investment performance go hand-in-hand. To deliver this, CDC performs due diligence and formally comments in investment papers upon the extent to which a prospective fund manager and/or portfolio companies have developed appropriate ESG management systems and can manage ESG risks and capitalise on opportunities associated with an investment.

The Code of Responsible Investing underlies all the investments made by the CDC's investment teams. All of CDC's investment staff have responsibilities relating to the implementation of the Code of Responsible Investing through their job descriptions, internal discussions and training.

To support them CDC has specialist internal teams responsible for delivering its Code of Responsible Investing. The Environmental and Social (E&S) team comprises seven people dedicated to assessing environmental and social performance (2 directors, 1 manager, 3 executives and 1 analyst). Their role includes working with fund managers, investee (portfolio) companies and our investment teams to implement the Investment Code. Working alongside this team are two further specialist teams with responsibility for corporate governance/business integrity and a further team responsible for assessing CDC's development impact in line with CDC's mission. These three teams make up the broader Responsible Investing team and report to CDC's COO as set out in the CDC organisation chart attached to this survey.

Day-to-day tasks for CDC's Responsible Investing teams include investment due diligence and monitoring, contributing to internal investment monitoring, site visits to portfolio companies,

reviewing external ESG reporting from managers, serious incident reporting and detailed development impact evaluations. These are discussed in more detail elsewhere in this document.

ESG is integrated into CDC's investment process with the E&S, business integrity and development impact teams providing specialist input into all stages of CDC's investment process (from screening, due diligence, legals and monitoring). CDC's commitment to ESG is formally documented in the legal agreements through which CDC's capital is committed.

I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)



To upload the image click the Save button below

OA 08	Mandatory	Gateway/Core Assessed	General
OA 08.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.		

Roles present in your organisation

- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
- Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- External managers or service providers
- Other role, specify
- Other role, specify

OA 08.2

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

Number

7

OA 08.3

Additional information. [Optional]

CDC ensures that responsibilities in relation to ESG are specified in recruitment adverts for investment roles so that new employees are aware of their role in relation to the Code of Responsible Investment from the very beginning.

CDC has a Responsible Investing team comprising of environmental and social, business integrity/ corporate governance and development impact. CDC's Environmental and Social (E&S) team currently comprises seven employees (two directors, one manager, three executives and one analyst). Closely linked to this team is a team of two responsible for corporate governance and business integrity considerations at CDC investments, and a further team of two responsible for assessing CDC's development impact against its organisational objectives.

OA 09

Voluntary

Additional Assessed

General

OA 09.1

Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.

Board members/Board of trustees

- Responsible investment included in personal development and/or training plan
- None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

Portfolio managers

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

Investment analysts

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

Dedicated responsible investment staff

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

OA 09.3	Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.
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Assessing ESG performance in CDC's investments is shared between CDC's ESG team and its investment team.

The investment team is responsible for all aspects of a transaction and so CDC expectations with respect to responsible investment are an important part of each officer's performance management objectives. To facilitate this, the investment team will also be expected to attend regular training on responsible investment related themes throughout the year.

CDC's E&S, Business Integrity and Development Impact teams provide specialist and technical support to the investment team and are included in discussions of investments at all stages in the process (screening, due diligence, legals and monitoring).

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
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OA 10.1	Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.
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Yes

OA 10.2	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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Select all that apply

- Asian Corporate Governance Association
- Association for Sustainable & Responsible Investment in Asia
- Australian Council of Superannuation Investors
- CDP Climate Change
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period
(see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

CDC is an active member of the private equity and palm oil working groups.

CDC also assisted PRI in relation to revisions to the reporting framework in 2012-13 and to a more limited extent in 2014.

- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify
EDFI Environmental and Social Working Group

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

CDC is an active part of the working group seeking to align environmental and social activities of European Development Finance Institutions (EDFIs).

Work focussed upon in 2013 has included:

- work on a public version of common, harmonised standards to clarify and publicise our broad expectations on ESG for investee companies/ funds;
- closer collaboration on both due diligence (where two or more EDFI partners are co-investing) and on joint monitoring of our shared investment portfolios;

- Other collaborative organisation/initiative, specify
IFC Jobs Working Group

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

CDC is an active participant in and steering group member of Let's Work: the new global partnership to create more and better jobs coordinated by the IFC and launched in October 2013. Let's Work is pulling together the best methodologies for counting good quality direct, indirect and induced jobs and designing effective job-creation initiatives in pilot countries.

- Other collaborative organisation/initiative, specify

DFI Corporate Governance Initiative & Working Group

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

CDC is a signatory to the DFI Corporate Governance Initiative and a member of the DFI Corporate Governance Initiative.

- Other collaborative organisation/initiative, specify

No

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1 Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

OA 11.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Other, specify

No

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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OA 12.1

Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.

Yes

- Yes, individually
- Yes, in collaboration with others

OA 12.2

Select the methods you have used.

- Endorsed written submissions to governments, regulators or standard-setters developed by others
- Drafted your own written submissions to governments, regulators or standard-setters
- Participated in face-to-face meetings with government members or officials to discuss policy
- Other, specify

OA 12.3

Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.

- Yes, publicly available
- No

No

OA 12.4	Additional information.
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CDC invests in private sector businesses but is closely engaged with its shareholder, DFID, in relation to the latest developments in UK government policy. One example of close collaboration in 2013 was in relation to the UK government position on investing in coal-fired power. CDC took UK government Technical Principles and worked with DFID to make these applicable to CDC's investment model.

CDC continues to look to strengthen its collaborations with DFID further.

ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
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OA 13.1	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
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- Yes
- No

OA 13.3

Additional information.

CDC's new strategy, announced in 2012, focuses exclusively on Africa and South Asia, including the more challenging places. The global poverty landscape is changing. South Asia and Sub-Saharan Africa are already home to 74% of the world's poorest people and CDC is the only development finance institution to focus new investment exclusively on these regions, which by 2015 will likely contain 80% of the world's extreme poor.

Africa and South Asia also need jobs desperately. In 2012, South Asia had 25 million unemployed and Sub-Saharan Africa 26 million - together this is a quarter of the world's unemployed. These are young, fast growing, rapidly urbanising populations.

As a consequence of its focus on Africa and Asia and its focus on job creation, CDC does not tend to focus on ESG issues at regional or national level as the exclusive determinant of where to deploy its resources. That said, themes including climate change, energy efficiency, human rights, risk of corruption and poor legal frameworks to manage issues including resettlement and land tenure will be considered very closely by CDC where the risks are apparent in an investment. CDC's strategy (sectors, countries, regions) is also carefully considered by the E&S team.

Africa and South Asia are capital-starved. The private equity capital pools in these regions are tiny in comparison to developed Western markets or the BRICS. For every US\$1 of private equity capital raised for investment in China, 17 cents was raised for India and just 8 cents for Africa. Through its support for the private equity industry, provision of scarce debt finance and capital for financial services businesses including microfinance, CDC is strengthening the investment community in Africa and South Asia, making the sector better able to meet the needs of local entrepreneurs and larger businesses. CDC is also providing patient capital and works with businesses for the longer term.

In order to make a lasting difference even in some of the most difficult geographies, CDC also set up a team last April to explore new approaches for making investments in long-term sustainable businesses that create jobs in places where foreign investment is at its scarcest. In its initial phase, this team will focus on a small number of geographies such as Northern Nigeria, South Sudan, Nepal and Myanmar.

OA 14	Voluntary	Descriptive	PRI 1
OA 14.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.		

- Yes
- No

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

In all cases therefore, CDC will consider propensity for employment creation (direct, indirect and induced) as a core component of the development case for the investments it makes. Alongside employment creation, CDC will also consider the financial and economic sustainability of the investments, alongside likely ESG impacts and what the investment would contribute to the development of the broader private sector.

CDC believes that operating to high ESG standards is a fundamental component of long-term sustainability. As a consequence, ESG risks are carefully considered and integrated into all stages of our investment process for every single investment we make. Where an ESG issue presents a particular risk and/ or opportunity in relation to an investment, CDC will do additional due diligence or work in this area.

Environmental and social themes in investing will therefore be one factor but will rarely be the sole reason for CDC's direct and indirect investments. CDC's approach is more global: the social and environmental factors are integrated in all our actions (this same logic is also applied in our response to OA 13). In its portfolio, CDC has also allocated investments to specific environmental and social themed areas. Here are some examples of 2012 and 2013 investments made by CDC :

- **Cleantech:** In the clean technology area, CDC invested in November 2013 in one of India's largest independent renewable power producers: Green Infra Ltd. Thanks to the capital provided, the company will expand its wind and solar power generation capacity through a combination of organic growth and selective acquisitions. Over a quarter of the population - more than 300 million people - lack access to electricity. CDC investment, part of a US\$125m overall financing round, aims to reach almost 1,000,000 people across four Indian states and, as clean energy should save close to 18 million tonnes of CO2 emissions over the life of the assets.
- **Microfinance:** In December 2013, a US\$16 million direct investment was made in Equitas, an Indian microfinance company in order to support its growth and allow it to reach more poor and unbanked customers with a broader range of financial services. Equitas is widely acknowledged for following best practices in responsible financing and corporate governance. The company was an early endorser of the Smart Campaign on client protection in microfinance and has integrated robust systems to this end. Equitas also provides a variety of corporate social responsibility benefits to its customers, such as vocational training as well as quality, affordable education for their children.
- **Healthcare:** In August 2013 as part of its new strategy, CDC made its first direct equity investment in India. The US\$17.5m equity investment is designed to support the expansion of Rainbow Hospitals - India's largest specialized paediatric and maternity care company. The capital provided will support the expansion of the business, the creation of new hospitals in southern Indian cities, and help the business develop its plan to become a national centre of excellence for the teaching of paediatric medicine.
- **Affordable Housing:** Among the many examples of investment made towards specific environmental and social areas, another one is CDC's commitment (US\$20m) to Phatisa's Pan African Housing Fund ('PAHF') with the aim of catalysing finance for the construction of up to 7,500 new homes over ten years. This will create an estimated 22,500 jobs. This fund will provide risk capital on a joint venture basis with selected local developers to build middle and lower-middle income residential housing in Kenya, Zambia, Tanzania, Uganda, Mozambique and Rwanda. By investing in the PAHF, CDC aims to increase the provision of housing, a basic human need, as well helping to raise environmental, social and governance (ESG) standards in the sector.

Asset class implementation not reported in other modules

OA 15	Voluntary	Descriptive	General
OA 15.1	Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.		

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Listed equities - ESG incorporation	<p>ESG factors are incorporated in CDC's investment processes for listed equities in much the same way as for unlisted private equity or indeed CDC's capital that is managed by externally managed assets. The overarching standards that CDC requires adherence to are set out in CDC's Code of Responsible Investing as set out in Section OA 1.</p> <p>To all internally-managed listed equity investments CDC would verify that the investment did not trigger CDC's exclusion list (Schedule 6 of the Code), that the company was in line with the applicable requirements as set out in Schedules 3 and 4 (or that an action plan had been put in place to bring the investment into compliance over a reasonable period of time) and that the company's management systems were appropriate to manage the scale and nature of the risk.</p> <p>CDC would also seek to add value on ESG grounds where it identifies opportunities that might result in the opening of new markets for the business, cost efficiencies, improved community relations, greener production and better supply chain management amongst others.</p>
Listed equities - engagement	<p>CDC engages post investment with its directly managed listed equity in a similar way to its internally managed private equity investments below. In general higher risk investments from the ESG perspective will receive a higher level of support in the first 12-18 months to ensure that action plan commitments are in order and to assist the client in understanding and implementing CDC's ESG requirements as set out in CDC's <i>Code of Responsible Investing</i>.</p> <p>CDC's engagement will be tailored and prioritised by the level of ESG risk and opportunities for value add. Engagement options will include the following:</p> <ul style="list-style-type: none"> • Review of annual monitoring report (AMR) and review of risk prioritisation to ensure the nature of the investment has not changed; • Regular calls, update and informal engagement at board and operational level; • Site visit to transactions especially those of a higher level of ESG risk; • Monitor deliverables under CDC's action plan (where applicable) and report upon major delays and/ or incidents; • Management and oversight of third party consultants as needed; • Annual review (or more frequently as needed) of "E&S value add" expectations; • Respond as appropriate to non-routine events (serious incidents, fatalities, grievances); and • Collate information requests from CDC's stakeholders and work with others in CDC on responses as necessary.
Private equity	<p>In terms of strategy, making direct equity investments is central to CDC's strategy. Such investments allow CDC to target its capital at businesses that provide significant employment opportunities and which have the potential for strong growth and the creation of even more jobs.</p> <p>Sectors in which CDC invests include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Infrastructure including power; • Financial institutions; • Health and education; • Food production and processing; • Manufacturing; and • Construction (including real estate). <p>In terms of its ESG process for private equity investments, CDC would follow processes as set out in OA 1. This would include verifying that the business did not trigger CDC's</p>

	<p>exclusion list (Schedule 6 of the <i>Code of Responsible Investing</i>), that the company was in line with the applicable requirements as set out in Schedules 3 and 4 (or that an action plan had been put in place to bring the investment into compliance over a reasonable period of time) and that the company's management systems were appropriate to manage the scale and nature of the risk. CDC would also seek to add value on ESG grounds where it identifies opportunities that might result in the opening of new markets for the business, cost efficiencies, improved community relations, greener production and better supply chain management amongst others.</p> <p>CDC engages post investment with its private equity portfolio in a similar way to its listed equity or debt portfolio of investments (though there are differences depending on degree of influence and points of leverage). In general higher risk investments from the ESG perspective will receive a greater level of support in the first 12-18 months to ensure that action plan commitments are in order and to assist the client in understanding and implementing CDC's ESG requirements as set out in CDC's <i>Code of Responsible Investing</i>.</p> <p>CDC's engagement with the requirement will be tailored and prioritised by level of ESG risk and opportunities for value add. Engagement options will include the following:</p> <ul style="list-style-type: none"> • Review of annual monitoring report (AMR) and review of risk prioritisation to ensure the nature of the investment has not changed; • Regular calls, update and informal engagement at board and operational level; • Site visit to transactions especially those of a higher level of ESG risk; • Monitor deliverables under CDC's action plan (where applicable) and report upon major delays and/ or incidents; • Management and oversight of third party consultants as needed; • Annual review (or more frequently as needed) of "E&S value add" expectations; • Respond as appropriate to non-routine events (serious incidents, fatalities, grievances); <p>and</p> <ul style="list-style-type: none"> • Collate information requests from CDC's stakeholders and work with others in CDC on responses as necessary.
Inclusive finance	<p>CDC has a team dedicated to microfinance investments in the inclusive finance space. This is to provide equity or debt to microfinance institutions (MFIs) to improve access to financial services for people excluded from the traditional banking system.</p> <p>CDC approaches inclusive finance due diligence and monitoring through a similar investment process to its private and listed equity internal investments. CDC will assess ESG footprint of the client whilst recognising the inherent risks in the sector are likely to be lower than for some other investments that CDC makes. For microfinance investments, CDC specifically requires application of Smart Campaign's Client Protection Principles (CPPs) to underlying clients of the institution, focussing on the need to protect vulnerable borrowers.</p> <p>CDC requests a different set of data to be reported from its microfinance portfolio to the standardised data set in its template ESG and development impact report. This additional data includes number of borrowers, number of women and number of rural borrowers and portfolio at risk.</p>

OA 15.2	Additional information.
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CDC's shareholder, the UK's Department for International Development (DFID), has established a new £75m impact investment fund that is managed by CDC. Launched in December 2012, the DFID Impact Fund invests in impact investment intermediaries that provide capital to businesses and projects improving the lives of poor people in Sub-Saharan Africa and South Asia.

OA 16	Voluntary	Descriptive	General
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OA 16.1	Describe how you address ESG issues for externally managed assets for which you are not required to report because your assets are below the minimum threshold.
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Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Listed equities - ESG incorporation	<p>CDC performs due diligence on the E&S capacity and management systems of those who manage its capital externally to ensure that ESG factors are incorporated into the managers investment decision making in a way comparable to CDC itself. Correspondingly, CDC would expect its external managers to approach listed equity in a way broadly comparable to CDC's own approach.</p> <p>CDC would therefore expect diligence to be performed on listed equities by the fund manager to verify adherence to the ESG requirements of CDC's Code of Responsible Investing as set out in Section OA 1. Where gaps are identified, CDC would expect the manager to put in place an action plan to bring the investment into compliance over a reasonable period of time.</p> <p>CDC would also seek to see the manager add value on ESG grounds where it identifies opportunities that might result in the opening of new markets for the business, cost efficiencies, improved community relations, greener production and better supply chain management amongst others.</p>
Listed equities - engagement	<p>CDC would expect those who manage its capital externally to be an active owner and to engage with listed assets post investment through a variety of channels including the following:</p> <ul style="list-style-type: none"> • Review of annual monitoring report (AMR) and review of risk prioritisation to ensure the nature of the investment has not changed; • Regular calls, update and informal engagement at board and operational level; • Site visit to transactions especially those of a higher level of ESG risk; • Monitor deliverables under the manager's action plan (where applicable) and report upon major delays and/ or incidents; • Management and oversight of third party consultants as needed; • Annual review (or more frequently as needed) of "E&S value add" expectations; • Respond as appropriate to non-routine events (serious incidents, fatalities, grievances); and • Collate information requests from stakeholders and work with other investors and CDC on responses as necessary.
Listed equities - (proxy) voting	<p>CDC expects the fund managers through which it invests to exercise an equity style degree of influence over investments to address the ESG requirements placed upon the fund. Hence CDC would expect the manager to exercise its voting options where applicable in addition to verify that the investment is operating in line with CDC's Code of Responsible Investing.</p>
Inclusive finance	<p>CDC has an internal team dedicated to microfinance investments in the inclusive finance space and an existing portfolio of microfinance funds that back microfinance institutions (MFIs) in order to improve access to financial services for people excluded from the traditional banking system in CDC's markets.</p> <p>CDC expects its microfinance fund managers to be at the forefront of client protection initiatives. This includes membership of organisations including Principles for Investors in Inclusive Finance (PIIF) and application of Smart Campaign's Client Protection Principles (CPPs) to due diligence and monitoring of portfolio companies. CDC has also confirmed that all its microfinance fund managers have now endorsed the CPPs.</p> <p>CDC requests a different set of data to be reported from its microfinance portfolio to the standardised data set in its template ESG report. This additional data includes number of borrowers, number of women and number of rural borrowers.</p>

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Innovation

OA 18	Voluntary	Descriptive	General
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OA 18.1	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.
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Helping businesses improve and raise ESG standards in investments is at the core of CDC's mission as a development finance institution. CDC takes an active approach to its responsible investment mission. This includes helping companies achieve good standards of governance and strong environmental and social policies to manage risks and impacts by detailed on-the-ground due diligence and monitoring, regular training for fund managers and site visits to portfolio companies.

A survey conducted on CDC's behalf by the consultancy Steward Redqueen highlighted how CDC is innovative in terms of the practical advice and knowledgeable support provided to its private equity fund managers. The survey demonstrated the high regard that fund managers have for CDC's Toolkit (free-to use and publically available) as practical and value additive guidance on ESG matters. On this basis, CDC can claim to be a leading source of ESG insight and guidance to private equity funds in emerging markets.

Another area where CDC is different from its peers in the role we play in delivering an integrated E&S risk/compliance and value add proposition in our investments. CDC attempts to tailor the ESG value add proposition to each business or fund and find practical opportunities that stretch the business to innovate beyond CDC's core compliance requirements as set out in CDC's Code of Responsible Investing. Areas that CDC and its managers has worked on from the value add perspective include effective supply chain management, energy efficiency improvements and green real estate building standards.

CDC also aims to be a thought leader in responsible investment by disseminating responsible business practices and keeping up with the challenges faced by investments in our geographies. For instance, in 2012, a report on profitability and sustainability was produced to address the environmental and social risks in the palm oil industry. In 2013 CDC also produced guidance for investors who need to manage risks associated with land acquisition in investment.

Assurance of responses

OA 19	Voluntary	Additional Assessed	General
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OA 19.1	Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.
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Yes

OA 19.2

Indicate who has reviewed, validated and/or assured your reported information.

- Reviewed by Board, CEO, CIO or Investment Committee
- Validated by internal audit or compliance function
- Assured by an external independent provider, specify name

No

CDC Group plc

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

SAM 01	Voluntary	Descriptive	PRI 1-6
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Between 2004 and 2012, CDC operated primarily as a fund of funds and as a consequence, became a specialist in incorporating sound environmental, social and governance (ESG) management systems and appropriate internal specialist capacity within the private equity funds in which it invests. CDC believes that operating to high ESG standards is a fundamental part of business success and long-term sustainability. Thus, in addition to considerations of a fund manager's track record and ability to deliver appropriate financial returns, CDC also analyses and formally comments upon the extent to which a prospective fund manager has developed appropriate ESG management systems as part of CDC's due diligence process (see overarching approach section).

All fund managers and investee businesses receiving CDC capital must agree to comply with CDC's Code of Responsible Investing. The Code requires companies to assess, monitor and improve ESG standards at their portfolio companies whilst developing management systems within the fund that meets Schedule 2 of CDC's Code. Where CDC assesses the management systems of a fund to be insufficient to meet all the requirements in CDC's Code, CDC will negotiate an action plan with the fund to meet CDC's requirements within a reasonable timeframe. This timeframe will be pragmatic but also consider the likely inherent ESG risk of the portfolio companies where the fund will deploy its capital.

CDC recognises that the ESG requirements it places on funds may be unfamiliar to some managers. As a consequence, CDC's Environmental & Social (E&S) team engages closely with the manager throughout CDC's due diligence, assisting the manager in developing its management systems. CDC has developed a publicly-available ESG Toolkit for Fund Managers which sets out good practice in managing ESG issues at all stages of the investment process. This includes guidance on the technical requirements to which CDC expects a manager to adhere. CDC has also produced standalone, publically-available guidance on climate change, HIV Aids, palm oil and land acquisition to aid those managing its capital and to presenting the business case for sound ESG management.

CDC provides free ESG workshops for its fund managers (in addition to one-on-one interaction) which allow CDC to explore how to integrate ESG considerations into the investment process, present case studies of best practice and discuss technical components of ESG good practice. CDC ran one workshop in London in 2013 and will run at least three more in 2014. To date, over 180 professionals have received training from CDC at more than 15 workshops spanning venues across Africa, Asia, Latin America and London.

The portfolio companies or projects of funds whose activities involve potentially significant environmental and social risks must work towards compliance with the IFC Performance Standards. CDC's Code of Responsible Investing outlines that where portfolio companies do not meet all the requirements of CDC's Code at the time of investment, the manager will agree an action plan with the portfolio company to bring the company into compliance within a reasonable timeframe. The Code also contains an exclusion list of businesses and activities to which CDC's capital will not be committed through the investments of the fund manager. CDC believes that good ESG performance by fund managers and their portfolio companies should be more than a matter of straightforward compliance with CDC's Code of Responsible Investing. For that reason, the aspirational objectives of the Code stress continuous ESG improvements over the time period within which a fund manager is invested in a portfolio company. In this way, CDC encourages the manager to add value to investee companies during the time an investment is held. Through its monitoring activities, CDC keeps track of the progress of its managers with respect to the above requirements.

CDC monitors its fund managers throughout a fund's life and prioritises its engagement based on the quality of a fund's ESG management systems, the inherent ESG risk of underlying

portfolio companies and the performance of the portfolio to date. CDC monitors its external managers closely. CDC's monitoring includes the following:

- Encouraging managers to attend CDC's training workshops (as above);
- Reviewing and commenting upon the managers ESG due diligence of portfolio companies as well as their annual ESG reporting on investments to CDC. CDC also comments on changes to a fund manager's formal environmental and social management systems;
- Following up on less regular incidents that can occur at portfolio companies including fatalities, material environmental incident, strike or workplace labour issues and material business integrity incident;
- Site visits to a selection of portfolio companies to assess ESG performance and also assess the management systems of the fund manager. CDC's ESG team has visited over 75 portfolio companies on ESG monitoring visits since 2010;
- Engaging formally (at advisory committee and via quarterly financial reporting) as well as informally (via catch up phone calls led by the investment and ESG teams) and
- Coordinating E&S requirements with other DFI investors to align requirements and reporting expectations.

SAM 02	Mandatory	Core Assessed	PRI 4
SAM 02.1	Indicate if your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers.		
	<input type="radio"/> Yes <input checked="" type="radio"/> No		
SAM 02.4	Additional information. [Optional]		

CDC itself selects and performs due diligence on the ESG capacity of those managing its capital, their management systems and commitment using internal ESG and investment team capacity. CDC also monitors the ESG performance of the portfolio using its own internal ESG and investment team resources. The use of CDC internal capacity is important to CDC in order to maintain a positive ongoing relationship with those managing its capital.

In addition to annual monitoring reports received from all its fund managers, CDC conducts more detailed qualitative and quantitative development impact evaluations of each of its funds. These occur at the mid-point (roughly five years post CDC's commitment) and end of a fund's life. Over half of these evaluations are completed for CDC by external consultants and the work fulfils several purposes, including:

- assessing progress and performance against expectations;
- identifying areas for potential improvements to be discussed with the fund manager;
- distilling best practice for sharing with other fund managers to improve overall portfolio performance; and
- gathering insights to inform and improve CDC's future screening, due diligence and investment practices.

SAM 03	Mandatory	Gateway	General
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SAM 03.1 Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring

Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Private equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

SAM 03.2 Additional information. [Optional]

See answer in SAM 1.1

Listed equity (LE), fixed income corporate (FIC) and fixed income government (FIG)

Overview

SAM 04	Mandatory to Report	Voluntary to Disclose	Gateway/Peering	General
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SAM 04.1 Provide a breakdown of your externally managed listed equities, corporate fixed income and government fixed income by passive, active quant, active fundamental and other active strategies.

Listed equity (LE)

Type of strategy	As % of externally managed listed equity
Passive	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

SAM 04.2	Additional information. [Optional]
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Private equity (PE), property (PR) and infrastructure (INF) - non-listed assets

Selection

SAM 10	Mandatory	Core Assessed	PRI 1-6
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SAM 10.1	Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:
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	General
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	PE		
Review the manager's/general partner's responsible investment policy	<input checked="" type="checkbox"/>		
Discuss the manager's governance and management of responsible investment	<input checked="" type="checkbox"/>		
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>		
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>		
Discuss the role managers have played in collaborative initiatives	<input type="checkbox"/>		
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>		
Assess the external manager's reporting and how it will help you to monitor that it is acting consistent with the agreed-upon ESG-related policies and practices during the life of the fund	<input checked="" type="checkbox"/>		
Review the manager's responsible investment disclosure, including PRI reporting	<input checked="" type="checkbox"/>		
Assign specific weighting to ESG factors in your manager evaluation	<input checked="" type="checkbox"/>		
Other general aspects in your selection process, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment selection (pre-investment) of underlying holding

	PE		
Assess the manager's policies, processes and systems for identifying ESG-related value drivers and managing material ESG-related risks pre-investment	<input checked="" type="checkbox"/>		
Other pre-investment aspects reviewed in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment monitoring (post-investment) of underlying holding

	PE		
Understand if and how the manager influences and supports its portfolio companies'/assets' management of ESG-related risks and pursuit of ESG-related opportunities	<input checked="" type="checkbox"/>		
Discuss examples of how managers have previously identified and addressed ESG issues in their portfolios on an ongoing basis	<input checked="" type="checkbox"/>		
Assess the manager's/general partner's approach to managing and disclosing material incidents at the manager / General Partner and underlying holdings	<input checked="" type="checkbox"/>		
Other post-investment aspects reviewed in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify

Other pre-selection due diligence that CDC will perform on external managers includes:

- Visiting a selection of portfolio companies in which the fund manager has invested to test the application of the manager's investment process on the ground;
- Assessing whether the fund manager has appropriate internal specialist expertise to manage ESG risks and opportunities appropriately and
- Reviewing past due diligence (including that performed by specialist technical experts) and portfolio monitoring conducted by the manager to assess manager's environmental and social performance.

Appointment

SAM 11	Voluntary	Additional Assessed	PRI 4
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SAM 11.1	When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in agreements/fund formation contracts for your non-listed assets:
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General

	PE		
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>		
Other general RI considerations in your agreements, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment selection (pre-investment) of underlying holding

	PE		
Specific requirements relating to how ESG issues are identified and managed in investment decision-making	<input checked="" type="checkbox"/>		
Other RI considerations relating to investment selection in your agreements, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment monitoring (post-investment) of underlying holding

	PE		
Specific requirements relating to the manager supporting or influencing the underlying holdings' management of ESG factors	<input checked="" type="checkbox"/>		
Other RI considerations relating to investment monitoring in your agreements, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Reporting

	PE		
Reporting on the agreed ESG implementation activities	<input checked="" type="checkbox"/>		
Reporting on the ESG characteristics of the portfolio	<input checked="" type="checkbox"/>		
Reporting on company incidents relating to ESG issues	<input checked="" type="checkbox"/>		
Reporting on the impact of ESG issues on financial performance	<input checked="" type="checkbox"/>		
Other RI considerations relating to reporting in your agreements, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify

- Other ESG-related aspects that CDC includes in agreements/fund formation contracts include:
- Requirement that the fund manager obtain from investments an undertaking to operate in line with CDC's Code of Responsible Investing;
 - Right to visit portfolio companies in which the manager invests at reasonable notice to assess ESG performance;
 - Penalties if there is repeated failure on the part of the manager to implement CDC's Code of Responsible Investing (e.g. engaging auditors at the fund managers expense of right to refuse future draw down notices); and
 - Fatalities and serious incident reports.

SAM 11.2 Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for non-listed assets.

Monitoring

SAM 12	Mandatory	Core Assessed	PRI 1-6
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SAM 12.1 Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager, typically do any of the following:

General

	PE		
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>		
Highlight examples of good responsible investment practice by other managers	<input checked="" type="checkbox"/>		
Review manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>		
Encourage your managers to consider joining responsible investment initiatives or organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>		
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>		
Other general aspects of your monitoring, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment selection (pre-investment) of underlying holding

	PE		
Discuss how the analysis of ESG issues affected investment decisions during the reporting period	<input checked="" type="checkbox"/>		
Other ways ESG issues are incorporated in the pre-investment process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment monitoring (post-investment) of underlying holding

	PE		
Request reports on the ESG characteristics of the manager's underlying holdings and discuss related developments that may impact holdings in the fund	<input checked="" type="checkbox"/>		
Request examples of ESG issues identified within the portfolio and action taken in response	<input checked="" type="checkbox"/>		
Request details of how ESG factors were considered when preparing to exit from investments	<input type="checkbox"/>		
Other ways ESG issues are monitored in the post-investment process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify

Other ESG-related activities typically conducted by CDC in relation to dialogue and monitoring includes:

- Visiting a selection of portfolio companies in which the fund manager has invested to test the application of the manager's investment process on the ground;
- Requesting undertakings from fund managers confirming that investments operate in line with CDC's Code of Responsible Investing;
- Raising material ESG related issues at advisory committees; and
- Encouraging managers to attend CDC's ESG workshops and to contribute their experience on how to manage ESG issues effectively.

Outputs and outcomes

SAM 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1-6
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SAM 14.1	Indicate approximately what percentage (+/- 10%) of your externally managed assets are managed by PRI signatories.
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	%
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46

SAM 15	Voluntary	Descriptive	PRI 2
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**SAM
15.1**

Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.

Add Example 1

Topic or issue	Building capacity at a PE fund
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Private equity
Scope and process	In selecting a pan-African fund, CDC's due diligence focussed on environmental and social management capacity and the ability of the fund manager to perform due diligence and monitor on the ground.
Outcomes	An action plan was agreed with the fund manager ensuring that the fund's internal environmental and social team visit portfolio companies for all high risk assets that go to final investment committee with on-the-ground monitoring at least annually.

Add Example 2

Topic or issue	ESG survey of CDC fund managers
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Private equity
Scope and process	CDC asked the consultancy Steward Redqueen to conduct a survey on its behalf to assess the current ESG support provided by CDC and where demand lay for ESG support in the future.
Outcomes	According to the findings, almost all emerging market fund managers where CDC invests have now developed more sophisticated ESG systems and processes than in the past. Consequently, the survey identified demand for specialist ESG support tailored to investment model and specific sectors, rather than generic, entry-level ESG materials that had previously been required.

Add Example 3

Topic or issue	ESG monitoring of infrastructure investments in India
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Private equity
Scope and process	CDC reviewed in detail the ESG performance of investments made in the infrastructure sector in India, focussing particularly on management of resettlement, labour and working conditions and occupational and community health and safety.
Outcomes	Detailed recommendations were made to the fund manager concerned and an action plan developed to improve the fund manager's management systems in running a successor fund.

Add Example 4

Topic or issue	London Environmental and Social (E&S) Workshop
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Private equity
Scope and process	Based on feedback from the ESG survey of fund managers, CDC ran an in-depth ESG workshop in London focussing on a peer-to-peer discussion of what a best in class management system and monitoring process looks like as well as illustrating how ESG issues relate to the investment process with an in-depth series of case studies.
Outcomes	Training was provided to 25 investment and ESG professionals from over 15 funds. Attendees included a mix of professionals from funds where CDC has been invested for several years to first time teams in the process of developing their capacity and processes for the first time. Feedback from the day suggested that fund managers appreciated the support provided by CDC.

Add Example 5

Topic or issue	Land in Investment Guidance Note
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Private equity
Scope and process	Recognising the pressure investors, fund managers and companies face in managing land issues, CDC produced guidance on how to navigate risks and opportunities in the area. The work was conducted by the Earth Security Initiative with support from CDC's internal team.
Outcomes	Guidance note produced and publically available on CDC's website. This has also been shared with fund managers to assist with their due diligence and monitoring. Link as follows: http://www.cdcgroup.com/Documents/ESG%20Publications/Land_Investment_Briefing_Note.pdf

Communication

SAM 16	Mandatory	Core Assessed	PRI 6
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SAM 16.1 Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.

Yes, we disclose information publicly

provide URL

[http://www.cdcgroup.com/Documents/ESG%20Publications/Code%20of%20Responsible%20Investing%20\(Final%20Annotated\).pdf](http://www.cdcgroup.com/Documents/ESG%20Publications/Code%20of%20Responsible%20Investing%20(Final%20Annotated).pdf)

provide URL

<http://www.cdcgroup.com/How-we-do-it/Responsible-Investing/ESG/>

SAM 16.2 Indicate if the level of information you disclose to the public is the same as that disclosed to clients and/or beneficiaries.

Yes

**SAM
16.3**

Indicate what type of information your organisation proactively discloses to the public and clients and/or beneficiaries about your indirect investments.

- How responsible investment considerations are included in manager selection, appointment and monitoring processes
- Details of the responsible investment activities carried out by managers on your behalf
- E, S and/or G impacts and outcomes that have resulted from your managers' investments and active ownership
- Other, specify

Best practice and best practice on current 'hot topics' in ESG-related matters

- No
- Yes, we disclose information to clients/beneficiaries only
- We do not proactively disclose information to the public and/or clients/beneficiaries