



CDC BEST PRACTICE INVESTMENT POLICY

CDC has five guiding principles:

- To be open and honest in all its dealings, while respecting commercial and personal confidentiality.
- To be objective, consistent and fair with all its stakeholders.
- To be a good corporate citizen, demonstrating integrity in each business and community in which it operates.
- To respect the dignity and well-being of all its people and those with whom it is involved.
- To operate professionally in a performance-orientated culture and be committed to continuous improvement.

BUSINESS INTEGRITY

Objectives

- To exhibit honesty, integrity, fairness and respect in all its business dealings.
- To enhance the good reputation of CDC.
- To manage its affairs prudently and with due skill, care and diligence.

Policy

CDC's policy is to:

- comply with all applicable laws;
- deal with regulators in an open and co-operative manner;
- prohibit all employees from making or receiving gifts of substance in the course of business;

- prohibit the making of payments as improper inducement to confer preferential treatment on CDC, its agents or advisers;
- properly record, report and review financial and tax information;
- clearly define responsibilities, procedures and controls;
- only use information received from its partners in the best interests of the business relationship and not for personal financial gain by any employee; and
- prohibit contributions to political parties or political candidates.

CDC seeks to invest in businesses which uphold high standards of business integrity and honesty and operate in accordance with local and international laws and good practice, including those intended to prevent extortion, bribery and financial crime.

SOCIAL ISSUES

Objectives

- To treat all its employees fairly and to respect their dignity, well-being and diversity.
- To require the businesses in which CDC invests to treat fairly all their employees and contractors and to respect their dignity, well-being and diversity.
- To be objective, consistent and fair with all CDC's stakeholders.
- To work over time towards full compliance of CDC's investments with the International Labour Organisation Fundamental Conventions and with the United Nations Declaration of Human Rights.

Policy

In order to achieve CDC's objectives, CDC follows principles of good practice in all aspects of its own employee relations and only invests in businesses which:

- comply with local law (as a minimum);
- take account of their impact on employees, contractors, the local community and all others affected by their operations (through appropriate consultation, and through a formal Social Impact Assessment in cases involving resettlement, cultural property, indigenous peoples, non-local labour or other issues where the negative impact could be significant) and take steps to mitigate any risks;

- do not employ forced labour of any kind;
- do not employ harmful child labour;
- pay wages which meet or exceed industry or legal national minima and are sufficient to meet basic needs;
- treat their employees fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of gender, race, colour, disability, political opinion, sexual orientation, age, religion, or social or ethnic origin; and
- allow consultative work-place structures and associations which provide employees with an opportunity to present their views to management.

ENVIRONMENTAL

Objectives

- To protect the environment.
- To encourage the efficient use of natural resources.
- To promote the improvement of the environment wherever possible.

Policy

In order to achieve CDC's objectives, CDC seeks to assess and minimise the environmental impact of its own operations and only invests in businesses which:

- take account of the environmental impact of their operations (through a formal Environmental Impact Assessment in cases involving loss of biodiversity or habitat, climate change, water or air quality, substantial solid waste and other issues where the negative impact could be significant) and take steps to mitigate any risks;
- are designed and operated in compliance with local law (as a minimum); or
- are designed and operated according to World Bank standards for the activity concerned (where relevant) if these are more stringent than local legislation, unless there is a clear reason for accepting a different standard in which case this will be formally recorded; and
- take account of relevant international environmental agreements.

HEALTH AND SAFETY

Objectives

- To attain safe and healthy working conditions for employees and contractors of all businesses in which CDC invests.
- To provide safe and healthy working conditions for CDC's employees.
- To safeguard the health and safety of all those affected by the companies in which CDC invests.

Policy

In order to achieve CDC's objectives, CDC requires its employees to follow best health and safety practice and only invests in businesses which:

- comply with local law (as a minimum);
- in the absence of a local legal framework, take account of the recommendations of the following World Bank documents (where relevant):
 - Occupational Health and Safety Guidelines for specific industries (issued September 1998)
 - Health and Safety Guidelines - General (issued September 1995);
- assess the specific risks arising from work activities and introduce measures to eliminate or reduce those risks.

PROCEDURES TO DELIVER THE POLICIES

In order to implement the policies effectively, CDC will and will require its fund managers to:

- assess the impact of all new investments in each of the above four areas as an integral part of the investment appraisal process;
- give new investments a risk rating in environmental, health and safety and social issues to determine the appropriate level of management and monitoring;
- procure that the management of each investee company signs a best practice investment undertaking confirming that it will operate in line with the fund

manager's best practice investment policy (which shall be in similar form and substance to CDC's best practice investment policy);

- assist investee companies to develop action plans to address areas of non-compliance with the fund manager's best practice investment policy, if the potential investment is still considered attractive despite the existing shortfall;
- monitor progress against any such action plans on an annual basis through reports prepared by investee companies;
- encourage the managers of investee companies to adopt and implement policies relating to the environmental, health and safety, and social issues, particularly where the business entails specific risks;
- encourage the managers of investee companies to work towards continuous improvement in these areas; and
- audit the implementation of the policies and procedures on an ongoing basis, using both internal and external sources.

CDC will require its fund managers to enter into a side letter agreement by which each fund manager commits to a best practice investment policy similar in form and substance to the CDC Best Practice Investment Policy. An example of the standard CDC side letter agreement is available for review on the CDC website.

To demonstrate the implementation of the policies, CDC will and will require its fund managers to:

- report annually on the implementation of its procedures;
- report annually on the performance of its portfolio against its policies; and
- set targets for improvement.

Best Practice Investment Undertaking

CDC will require its fund managers to procure that each potential investee company represents and covenants that the business of the company will be undertaken in a manner that:

1. provides safe and healthy working conditions for its employees and contractors;
2. encourages the efficient use of natural resources and promotes the protection of the environment;

3. treats all employees fairly in terms of recruitment, progression, remuneration and conditions of work, irrespective of gender, race, colour, language, disability, political opinion, age, religion or national/social origin;
4. allows consultative work-place structures and associations which provides employees with an opportunity to present their views to the management;
5. takes account of the impact of its operations on the local community and seeks to ensure that potentially harmful occupational health and safety, environmental and social effects are properly assessed, addressed and monitored;
6. upholds high standards of business integrity and honesty, and operates in accordance with local laws and international good practice (including those intended to fight extortion, bribery and financial crime);
7. promotes the use of quantified targets for Occupational Health and Safety, Environment and Social Issues and continuous improvement in relation to the same;
8. operates in accordance with local regulations or the appropriate World Bank/International Finance Corporation guidelines whichever is more stringent;
9. adopts the following minimum employment standards in accordance with internationally accepted good practice:
 - not to employ forced labour of any kind;
 - not to employ children under 14;
 - to provide wages which meet or exceed industry or legal national minima and are sufficient to meet basic needs;
10. properly records, reports and reviews financial and tax information relating to the business of the company;
11. ensures that no payment of value is made or received (in the form of compensation, gift, contribution or otherwise) in the course of business in order improperly to induce preferential treatment for the fund manager and its affiliates; and
12. reviews this Policy periodically to ensure its ongoing suitability and effectiveness.

For investments including industrial operations:

CDC will require its fund managers to procure that each potential investee company represents and covenants that the business of the company will be undertaken in a manner that:

- complies with local regulations on occupational health and safety as an absolute minimum. Where there is no local legal framework regarding occupational health and safety the investee company will take account of the recommendations of the following two World Bank documents as amended or supplemented from time to time:
 - Occupational Health and Safety Guidelines for specific industries (issued September 1988);
 - Health and Safety Guidelines - General (issued September 1995).

For investments including remote operations:

CDC will require its fund managers to procure that each potential investee company represents and covenants that the business of the company will be undertaken in a manner that:

- ensures that employees have access to the basic services of water, health care and education wherever possible and, where no other facilities are available, adequate housing. Provision may be by local or regional government or by the private sector.