

Modern Slavery Act CDC Statement

24 May 2018

CDC Group plc, the UK's development finance institution, is wholly owned by the UK Government. Our mission is to support the building of businesses throughout Africa and South Asia, to create jobs and to make a lasting difference to people's lives in some of the world's poorest places.

We aim to invest where our job creation focus can have the greatest impact: in countries where the private sector is weak and jobs are scarce, and in sectors where growth leads to jobs – directly and indirectly – such as infrastructure, food and agriculture, construction, education, health, financial institutions and manufacturing.

Our portfolio of investments is valued at £3.9bn¹ and includes 1277 investee companies. Our current strategy means that we will only invest in Africa and South Asia (where over 70% of the world's poor live) though we have a declining portfolio of legacy investments in China, South East Asia and Latin America.

We invest directly (through equity, debt and other instruments) and indirectly through fund managers who are aligned with us and invest our capital in businesses for us. Central to our ethos is a firm commitment to responsible investment. The businesses we support are required to adhere to our [Code of Responsible Investing \(Code\)](#), which stipulates environmental, social, labour and governance standards that often exceed those required by local law. This Code has been updated over the last year and now includes reference to the Modern Slavery Act 2015 (the **MSA**).

Assessing risks of modern slavery

We recognise that there are risks of linkage to modern slavery in our own operations and via investments we make. Evidence from our markets suggests that we need to pay particular attention to these risks where our investees rely on third party contractors and supply chains.

Our Investments

Policies relating to Modern Slavery in our Investments

The Code applies to every investment we make and it sets out our labour practice requirements for the businesses we support. These requirements include commitments to comply with the International Labour Organization's Core Labour Conventions 29 (Forced Labour) and 105 (Abolition of Forced Labour) as well as applicable labour laws and regulations in the country where we invest.

Assessing Risks of Modern Slavery in our Investments

We undertake environmental and social due diligence (**ESDD**) on all our investments using the Code as our reference framework. When we invest directly (ie through debt or equity) in industry sectors or geographies where there are elevated risks of forced labour or other forms of modern slavery we focus specifically on these issues during ESDD. We often visit prospective investee businesses during our ESDD and conduct interviews with management and employees to understand the working practices of the businesses. For indirect investments (ie via Funds), our ongoing program of E&S Workshops for Fund Managers continues to focus on labour and employment practices (including modern slavery risks) and CDCs [ESG Toolkit for Fund Managers](#) also provides online advice and guidance on modern

¹ As at 31 December 2017

slavery risks and management (particularly through the [labour standards](#) and [human rights briefing](#) notes).

Actively Managing Risks of Modern Slavery in CDC's Investments

Because of the nature of CDC's investments and the geographies where our capital is deployed, we may identify circumstances that indicate the occurrence of modern slavery (e.g. the retention of travel and identification documents). In some sectors (e.g. textiles, agribusiness and construction work) where investee businesses rely on complex supply chains, there are elevated risks of modern slavery (including indentured labour). If we identify or become aware of these risks, we require investee businesses to develop legally binding environmental and social action plans (**ESAP**) with specific commitments to address deficiencies over an agreed period, or where this cannot be assured (e.g. supply chains with limited leverage) work with the investee business to identify alternative sources of products. Our approach in such situations is to seek improvement.

If concerns arise during ESDD, CDC's Environmental and Social team assesses and monitors them via site visits, engagement with the management of prospective investee businesses and the review of ESDD documents, ESAPs and annual reports provided to CDC.

Own Operations

Our Contract Administration Policy sets out our approach to managing modern slavery risks in our supply chain. We require our contractors² to comply with UK legislation, including labour laws, and specifically the MSA. Where suppliers provide services outside of the UK they are required to agree to our standard modern slavery compliance provisions or where appropriate, standards equivalent under international or relevant local law.

Prior to the date of this Statement, we contacted our contractors and asked them to confirm that they comply with UK legislation, including labour laws and the MSA, and for suppliers providing services outside of the UK, equivalent international and local laws. We have received confirmation from the majority of our contractors that they are aware of the requirements of the MSA and that their labour practices conform with ILO Core Labour Conventions 29 and 105, as well as relevant UK legislation, including the MSA. We are following up with providers who have not responded yet.

During the reporting year CDC has trained its internal legal team in assessing when to make specific reference to the MSA in its supplier contracts in cases where modern slavery risk may be foreseeable by using the standard MSA compliance provisions which have been developed. When an existing contract renews, the legal team ensures that, where modern slavery risk may be foreseeable, our standard MSA compliance provisions are included in the new contracts.

We have reviewed the definition of "contractor" in our contract administration policy and consider that the manner in which it is currently defined captures our relevant suppliers and service providers across our business and across our locations.

² For the purposes of this Statement, the term "our contractors" means companies that have been commissioned to support office facilities, operations and maintenance in financial year 2017 and where as a consequence of the services provided, frequency of provision and influence we have over contracting, we have deemed that the service is material in terms of this statement. This Statement does not include companies that provided goods (such as stationery, electricity etc.) or cover circumstances where we might commission consultants or other services on short-term discrete contracts or on a one-off/infrequent basis. We will review this definition annually to ensure that it covers all relationships where there is a risk modern slavery.

Review of 2017 Commitments

In our 2017 MSA Statement we made commitments to evolve our approaches and ability to manage modern slavery risks as follows:

Commitment	Progress
Assess whether further expansion of our offices and facilities in new countries poses any additional risks related to modern slavery and take appropriate steps to mitigate those risks, following a risk-based approach	We have worked closely with office managers to assess whether any service providers and suppliers pose any risk of linkage with modern slavery. Our legal team has ensured that the relevant suppliers and service providers are under obligations to comply with local law and international conventions in relation to labour practices.
Update our Code of Responsible Investing to reflect (amongst other things) changes in international E&S standards and guidance including the UK Modern Slavery Act	CDC's updated Code of Responsible Investing was approved by CDC's Board and DFID and published in August 2017.
Explore ways in which CDC can work with our shareholder (DFID) and others to promote greater awareness of, and action on modern slavery in the countries in which we invest	We are working with DFID and the International Finance Corporation (IFC) to develop good practice guidance on assessing and managing risks of modern slavery (to be published Q2 2018).
Train our internal legal team (who review and approve contracts) on CDC's approach to addressing the risk of modern slavery in its supply chain, and the changing approach with respect to requirements for ensuring compliance in our contracting process	Internal guidance was developed for, and training delivered to the internal legal team. New lawyers have also received training upon joining.

2018 Commitments

Over the next twelve months, we will:

- continue to assess whether any existing or potential service providers and suppliers to our new offices in Africa and South Asia pose any additional risks related to modern slavery and, through a due diligence questionnaire and appropriate contracting terms, take appropriate steps to mitigate those risks, where applicable;
- update the information we make available to our staff on our whistleblowing policies so it is clear how this relates to reporting suspicions of modern slavery;
- publish a good practice guide on assessing and managing risks of modern slavery with DFID and IFC; and
- Provide refresher training to our internal legal team on CDC's approach to addressing the risk of modern slavery in its supply chain through incorporating our standard MSA compliance provisions into our supplier contracts.

Approval and disclosure

This Statement has been discussed and agreed by our Audit and Compliance Committee and approved by our Chief Operating Officer.

It is publicly available on our website at www.cdcgroup.com.