

# Modern Slavery Act statement

*April 2021*

CDC Group plc (**CDC**), funded by HM Government, is the UK's development finance institution (**DFI**). For over 70 years, we have supported the sustainable, long-term growth of businesses in Africa and South Asia. Our purpose is to help solve the biggest global development challenges by investing patient, flexible capital to support private sector growth and innovation, encourage economic stability and enable countries to leave poverty behind.

We aim to invest where our job creation focus can have the greatest impact: in countries where the private sector is weak 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 has investments in over 1,195 businesses in emerging economies with total net assets of £6.8bn and a portfolio of £5.2bn. This year we aim to invest over \$1.7bn in companies in Africa and Asia with a focus on fighting climate change, empowering women and creating new jobs and opportunities for millions of people. Under our current strategy, we only invest in businesses in Africa and South Asia, although we do have a small portfolio of legacy investments in China, Latin America and South East Asia.

We invest in businesses directly using equity, debt and other financial instruments. We also invest in businesses indirectly through investment funds and financial institutions, which invest our capital for us. A firm commitment to responsible investment is central to our ethos. When we invest in businesses today, we require them to adhere to [The CDC Code of Responsible Investing](#) (the **Code**), which stipulates environmental, social, labour and business integrity standards that often exceed those required by local law. The Code references the UK's Modern Slavery Act 2015 (the **MSA**).

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## Assessing risks of Modern Slavery

We recognise that there are linkage risks to modern slavery in our operations and our investments. Evidence suggests that we need to pay particular attention to these risks when our investees rely on third party contractors and supply chains in industry sectors and geographies where there is evidence of elevated modern slavery risks.

### Our investments

#### Policies relating to Modern Slavery in our investments

The Code applies to every investment we make today. It sets out the labour practices we require our investees to follow. These 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 countries where we invest.

#### Assessing risks of Modern Slavery in our investments

We undertake environmental and social due diligence (**ESDD**) on every prospective investment using the Code as our reference framework.

When we invest directly in sectors or geographies where there are, in our opinion, elevated risks of forced labour or other forms of modern slavery, we focus on these risks during our ESDD. We usually visit prospective investee businesses although we may instruct consultants to do so on our behalf when it is difficult for us to travel (e.g. because of Covid 19 restrictions). Interviews are conducted with management and employees to understand the working practices of their businesses.

When we invest indirectly, our programme of Environmental Social and Governance (**ESG**) Workshops for Fund Managers, aimed at fund managers and their investees, focuses in part on labour and employment practices (including modern slavery risks). Our [ESG Toolkit for Fund Managers](#) provides guidance on assessing and managing modern slavery. The Toolkit includes practical tools to address modern slavery risks, which can be found in a recently launched [modern slavery page](#) and in [labour standards](#) and [human rights](#) briefing notes.

To provide further guidance to companies and investors operating in emerging markets, CDC worked with [FCDO](#), [IFC](#) and [EBRD](#) to develop a [Good Practice Note for the Private Sector on](#)

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[Managing Risks Associated with Modern Slavery](#) which is also available here: [ESG Toolkit for Fund Managers](#).

Over the past year we have enhanced our internal processes and procedures in relation to various safeguarding issues (including modern slavery, gender-based violence and the harassment and abuse or exploitation of children) to ensure that such issues are appropriately assessed, reviewed and escalated within the organisation and that we learn from them should they occur, managing and mitigating them prudently.

### **Actively managing risks of Modern Slavery in our investments**

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). When we identify or become aware of these risks, we require our investee businesses to develop legally binding environmental and social action plans (**ESAPs**) 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 businesses to identify alternative sources of products. Our approach is always to seek improvement.

If concerns arise during our ESDD, CDC's Environmental Social and Governance Impact (**ESG I**) team engages with prospective investees and agrees how best to address the issues (including using ESAPs). If modern slavery risks or deficiencies are identified after an investment is made (through routine E&S monitoring), we address these through corrective action plans (**CAPs**) and active engagement with our investees.

In 2020, CDC further developed its internal approach to managing modern slavery risk, which is being integrated in the company's approach to managing E&S risk throughout due diligence and monitoring. The approach includes a new internal safeguarding procedure, a new annual monitoring report template (with specific requests for modern slavery-related information) and a new way of assessing contextual risks at an early stage of its investment process.

In 2021, concerns about the scale of alleged forced labour in Xinjiang Uygur Autonomous Region, China have become more apparent (including [FCDO guidance](#) on the matter issued in January 2021). CDC is reviewing its ESDD procedures to increase the levels of confidence and insight it has in supply chains that source materials (particularly polysilicate and photovoltaic panel sectors) from Xinjiang. CDC is also working with DFI peers to increase awareness of this issue.

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## **Broader engagement on Modern Slavery**

CDC continues to engage broadly on modern slavery. It has attended numerous national and international meetings on the topic, including modern slavery roundtables hosted by the Modern Slavery and Human Rights Policy and Evidence Centre, the UK Independent Anti-Slavery Commissioner and Themis and Tribe Freedom Foundation. It continues to support the work of the UN Commission on finance and modern slavery (the [FAST Initiative](#)), and other initiatives. CDC continues to collaborate with other DFIs in relation to modern slavery and is working to identify local partners in the countries where we operate and/or invest, who can support the implementation of modern slavery initiatives, including potential partners who can implement labour initiatives in the construction sector in Asia and gig-economy and domestic work in Africa.

## **Own operations**

Our contract administration policy sets out our approach to managing modern slavery risks in our supply chains. If we think it necessary from a risk perspective, we require our contractors to comply with the MSA and applicable employment laws and regulations. Where our contractors are non-UK companies operating outside the UK, we require them to accept our standard MSA compliance provisions or if appropriate, equivalent standards under international or relevant local law.

Every year we contact contractors, who have been assessed as posing a potential modern slavery risk and require them to confirm that they comply with UK legislation, including the MSA and labour laws, and for contractors outside the UK, the MSA or equivalent international and local laws.

For the current reporting period, we have received confirmation from all those contacted 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 applicable legislation, including the MSA. Our legal team ensures that, where there is the potential for a material risk of modern slavery, our standard MSA compliance provisions are included in the contract.

## **Review of 2020 commitments**

In our 2020 MSA Statement we made the following commitments:

<b>Commitment</b>	<b>Progress</b>
<p>Continue to assess whether any existing or potential service providers and suppliers to our offices pose any additional risks related to Modern Slavery (through enhancing our procurement processes, due diligence questionnaire, appropriate contracting terms, and direct engagement where needed) and take appropriate steps to mitigate those risks, where applicable.</p>	<p>We have received compliance confirmations from all our contractors and suppliers including, for the first time, those supplying services to our offices outside the UK.</p> <p>The compliance confirmations in Egypt, India and Pakistan refer to compliance with applicable local legislation</p> <p>We have delivered training to the managers of our offices, so they are fully aware of our modern slavery requirements and are able to explain them to our contractors and suppliers.</p>
<p>Continue to raise awareness on the importance of managing Modern Slavery risks and provide practical guidance to investees and fund managers to support implementation.</p>	<p>In 2020, CDC continued to develop guidance and materials to support investees and fund managers in managing the risk of modern slavery and broader labour risks.</p> <p>This included the inclusion of a modern slavery page in CDC's ESG Toolkit for Fund Managers, which sets out CDC guidance and expectations on investees in managing modern slavery risks throughout the investment process. It also provides practical tools to support implementation and refers to further guidance.</p> <p>Other initiatives carried out this year aimed at raising awareness of the importance of modern slavery and good labour practices included (1) the ESG Workshops for Fund Managers, which have a labour component and specifically cover modern slavery.</p> <p>This year we reached over 700 participants through 3 virtual events and 4 Covid-19 social risk workshops hosted by the ESG I Team and an external consultant. The webinars reached 130 participants from 30 portfolio companies and 14 fund managers, from across 17 countries and multiple sectors.</p> <p>CDC also attended several round tables and events on modern slavery to disseminate CDC practices among industry peers and to discuss trends and approaches to assessing and managing MS risks. This included contributing to a third-party research study on addressing modern slavery in the financial sector.</p>

Commitment	Progress
<p>Provide internal training to operations and investment teams on CDC's approach to addressing the risk of Modern Slavery throughout the investment process.</p>	<p>In 2020 training was provided to ESGI team and wider CDC to support the implementation of new safeguarding procedure. It covered how to identify, report, and respond to modern slavery events.</p> <p>Safeguarding procedure training was delivered to the ESGI team in November 2020 with the support of an external consultant followed by an online lecture delivered to all CDC employees as compulsory training.</p> <p>The Contextual Risk Assessment (CRA) tool was presented to the ESGI team followed by a piloting phase currently undergo. The tool provides guidance on how to identify modern slavery contextual risk in new investments and how to approach such risks during the due diligence.</p>

2021 Commitments:

Over the next 12 months, we will:

- continue to assess whether any service providers, contractors and/or suppliers, existing or potential, pose modern slavery-related risks and take appropriate steps to mitigate those risks, where applicable.
- implement and continue to raise awareness of CDCs policies, processes and approaches to address modern slavery throughout the investment process.
- continue to raise awareness of the importance of managing modern slavery risks and provide practical guidance to investees and fund managers to support implementation.
- assess and respond to allegations of modern slavery in the polysilicate and photovoltaic panel sectors in Xinjiang Province China, in the event there is a supply chain connection with CDC arising from its solar power investments.

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## Approval and disclosure

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

It is publicly available on our website at [www.cdgroup.com](http://www.cdgroup.com).

Nick O'Donohoe  
**Chief Executive**



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