

Modern Slavery Act statement

2 April 2020

CDC Group plc, is funded by the UK Government and is the UK's Development Finance Institution (DFI) with over 70 years of experience of successfully supporting 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, support the 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 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 has investments in over 1,200 businesses in emerging economies with total net assets of £5.8bn and a portfolio of £4.3bn. This year CDC will aim to invest over \$1.5bn 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. Our current strategy means that we will invest only in Africa and South Asia, although we also 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 [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 includes requirements on working conditions, labour rights and access to remedy, and was updated in 2017 to include specific 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 the 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 in a range of industry sectors and geographies where there is evidence of elevated risks from Modern Slavery.

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 countries 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 (i.e. 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. The depth and focus of ESDD efforts (including specifically what focus will be given to assess the risk of Modern Slavery) as well as need to visit a prospective investee is decided at an early stage of our investment process (screening). For indirect investments (i.e. via funds), our ongoing programme of ESG Workshops for Fund Managers, which targets both fund managers and their investees operations, continues to focus on labour and employment practices (including Modern Slavery risks) and CDC's [ESG Toolkit for Fund Managers](#) also provides online advice and guidance on Modern Slavery risks and management (particularly through the [labour standards](#) and [human rights](#) briefing notes). To provide further guidance to companies and investors operating in emerging markets CDC worked with [DFID](#), [IFC](#) and [EBRD](#) to develop a [Good Practice Note for the Private Sector on Managing Risks Associated with Modern Slavery](#) which is also available on CDC's [ESG Toolkit for Fund Managers](#). In Q4 2019, CDC began to enhance existing internal processes and procedures so that a range of "safeguarding" issues (including modern slavery, gender-based violence and the harassment and abuse or exploitation of children) are more fully assessed, reviewed and escalated (as needed) to

increase our ability to track and learn from incidents, and ensure the appropriate mitigation and management of incidents we become aware of.

Actively managing risks of Modern Slavery in our 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 Social and Governance Impact (ESG I) 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. In the event of Modern Slavery risks or deficiencies identified after the investment is made (as part of Environmental and Social monitoring), we address these through Corrective Action Plans (CAP) and active engagement with investees.

To enhance implementation practice, in February 2020, the CDC ESG I team initiated a piloting phase for the implementation of new tools and guidance on managing risks associated with modern slavery. The piloting phase will conclude in December 2020 when tools and practices will be finalised that define CDC's standard approach for managing risk of modern slavery throughout due diligence and monitoring.

Broader engagement on Modern Slavery

CDC has presented and talked about its approach to Modern Slavery at a range of national and international meetings including modern slavery roundtables hosted by ICAI (Independent Commission for Aid Impact), UNEP FI (United Nations Environment Program Finance Initiative) and PRI (Principles for Responsible Investment) and CDC was a member of the UN Commission on finance and modern slavery – formerly known as the Lichtenstein Initiative and now is the [FASTInitiative](#).

Own operations

Our contract administration policy sets out our approach to managing Modern Slavery risks in our supply chain. Where deemed necessary on a risk-based approach, we require our contractors to comply with applicable employment laws and regulations, 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.

Every year we contact suppliers assessed as posing a potential Modern Slavery risk and require 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. For the current reporting period, we received confirmation from all the suppliers 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. Since 2018, for new contracts, or when an existing contract renews, CDC's legal team ensures that, where there is the potential for a material risk of Modern Slavery, our standard Modern Slavery compliance provisions are included in the new contracts.

During the reporting year CDC provided refresher training to its internal legal team in assessing when to incorporate CDC's standard modern slavery compliance provisions in its supplier contracts in cases where modern slavery risk may be foreseeable.

In 2019 CDC reviewed the definition of "contractor" in our contract administration policy to ensure it continues to fully address our risk-based approach to managing risks associated with modern slavery in our operations. We determined that our current definition captures our relevant suppliers and service providers across our business and across our locations.

Review of 2019 commitments

In our 2019 MSA Statement we made commitments to evolve our approaches and ability to manage Modern Slavery risks as follows:

Commitment	Progress
<p>Continue to assess whether any existing or new service providers and suppliers to our offices pose any additional risks related to modern slavery (through due diligence questionnaire, appropriate contracting terms, and direct engagement where needed) and take appropriate steps to mitigate those risks, where applicable.</p>	<p>During this period, new contracts where we considered there was a potential Modern Slavery risks, included the new standard Modern Slavery compliance provisions. All relevant suppliers across CDC offices were mapped and contacted to confirm their Modern Slavery declaration, and declarations were received for all contracts over this period. As we continue to expand our offices internationally, a greater emphasis has been placed on implementation of CDC's MSA commitments, and CDC's facilities manager engages across offices around MSA commitments and monitors implementation.</p>
<p>Internal dissemination of CDC's policies, processes and approaches to modern slavery to support consistent implementation and awareness.</p>	<p>CDC's intranet policy page was updated and now has a section for Modern Slavery Risk where relevant policies and documents are linked and accessible to all CDC employees. These include the latest MSA statement, Modern Slavery compliance provisions, and CDC's Good Practice Guide on Managing Risks Associated with Modern Slavery.</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>CDC ESG I Director acted as commissioner for the Finance Against Slavery and Trafficking (FAST) Initiative. CDC also attended several roundtables and events on Modern Slavery to disseminate CDC practices among industry peers and to discuss trends and approaches to assessing and managing MS risks. To support internal and external dissemination, several materials were produced including a YouTube video, and a brochure. CDC also participated in a UN Principles for Responsible Investment (PRI) podcast this year where CDC's approach to manage risks of modern slavery was discussed.</p> <p>During ESDD on an investment in 2019, the ESG I team identified indicators of modern slavery in the workforce (retention of passports) and CDC worked with the sponsor and an international labour and human rights NGO to restore passports'</p>
<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>The following training initiatives were undertaken in the reporting period:</p> <ul style="list-style-type: none"> Internal training was provided to the ESG I team on the contents of the Modern Slavery practice guidance note in February 2020.

Commitment	Progress
	<ul style="list-style-type: none"> • The Human Resources induction package (for all new CDC staff) was updated to include details of CDC’s approach and commitment to managing modern slavery. • A leading labour advisory firm (ERGON Associates) was engaged by CDC on retainer basis to provide advice on labour specific challenges and to provide labour training on demand. The first 2020 training workshop is already planned, where the ESG I team will receive training on working hours, overtime and wages. • Refresher training to legal teams will be provided in Q2 2020, covering CDC’s approach to ensure MSA compliance through the addition of such provisions into new and renewed supplier contracts.

2020 commitments

Over the next twelve months, we will:

- 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.
- Continue to raise awareness on the importance of managing Modern Slavery risks and provide practical guidance to investees and fund managers to support implementation.
- Provide internal training to operations and investment teams on CDC’s approach to addressing the risk of Modern Slavery throughout the investment process.

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.cdccgroup.com.

Nick O’Donohoe

Chief Executive

Tim Dudge
