

Modern Slavery Act

CDC Statement

4 May 2017

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 agribusiness, construction, education, health, financial institutions and manufacturing.

Our portfolio of investments is valued at £3.8bn¹ and includes 1245 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 small number 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.

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 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.

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

¹ As at 31 December 2016

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).

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.

In our 2016 statement we highlighted one instance where we were supporting a Fund Manager in designing and implementing an audit to understand whether modern slavery is present in the supply chain of an investee company. We have concluded the audit and no forms of Slavery were encountered, but a range of other labour practice improvements (including to occupational health and safety) were identified and are now being acted upon via an ESAP.

During the reporting year CDC has also reviewed the adequacy and scope of its Code of Responsible Investing and updated it to reflect evolving ES requirements and made specific reference to the MSA.

Own Operations

We require our contractors to comply with UK legislation, including labour laws, and, since the date of our last MSA statement have amended our standard contracting terms to ensure that, in relevant cases, our contracts with suppliers reflect our expectations regarding compliance with the Modern Slavery Act 2015 (Act). These changes have also been incorporated into our internal Contract Administration Policy and in how we engage third party suppliers.

Prior to the date of this Statement, we contacted our contractors² and asked them to confirm that they comply with UK legislation, including labour laws and the Act. We have received confirmation from the majority all our contractors that they are aware of the requirements of the Act and that their labour practices conform with ILO Core Labour Conventions 29 and 10, as well as relevant UK legislation, including the Act. We are following up with providers who have not responded yet.

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 2016 Commitments

In our 2016 MSA Statement we made commitments to evolve our approaches and ability to manage modern slavery risks as follows:

Commitment

Progress

Ensure that staff involved in ESDD are aware of, and actively assess, modern slavery risks as part of their regular work

Internal guidance was developed for, and shared with E&S staff and has also been made more widely available to all CDC staff via its intranet

Develop a specific policy for our own operations, which will apply the same compliance principles for legislation on labour matters as those already set out in the Code

Our internal Contract Administration policy has been updated to reflect the confirmations we expect in respect of modern slavery

Require companies that directly contract with CDC to confirm annually that they are not involved in such practices

All services companies were approached and requested to submit a declaration of conformity to the MSA. A high level of compliance was achieved and a database of service providers and responses has been established. Non-respondents are being followed up.

Ensure that CDC's operations staff are appropriately trained to manage modern slavery risks

Operations staff were closely involved in the formulation of the Contract Administration Policy and review all relevant contracts

Assess the degree to which the scope of this Statement should be broadened or adjusted over time

The expansion of CDCs offices internationally (including S Africa and India) has resulted in a renewed focus on how we can best assess and manage operational risks that we may encounter modern slavery.

Similarly, the expansion in the range of investment vehicles that CDC deploys has meant that we have looked at ways in which we can assess and manage modern slavery risk in these vehicles as well.

Provide guidance and training to our fund managers on modern slavery (and other labour practice issues) as part of our outreach and capacity building work

As part of a broader review of the support we provide to Fund Managers, CDC has re-organised its E&S capacity building program (which now includes more detailed and substantive guidance on labour practices (including modern slavery) and occupational health and safety)

2017 Commitments

Over the next twelve months, we will:

- ✦ 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
- ✦ 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
- ✦ 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
- ✦ 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

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.



Colin Buckley
Chief Operating Officer