



Modern Slavery Act CDC Statement

24 May 2016

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 £ 3.0bn¹ and includes 1,293 investee businesses. 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 legacy investments in China, South East Asia and Latin America.

We invest directly - through equity, debt, mezzanine finance and guarantees - 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 and governance standards that often exceed those required by local law.

Policies relating to Modern Slavery in our Investments and Operations

The Code applies to every investment we make whether we invest directly or indirectly. It sets out our labour practice requirements for the businesses we support. These requirements include commitments to comply with the International Labor 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. In our own operations, we require our contractors to comply with UK legislation, including labour laws.

Assessing Risks of Modern Slavery

We recognise that there are risks of linkage to modern slavery in our own operations in the UK and elsewhere (specifically through the use of contractors and service providers) and in the countries where we invest.

Own Operations

Although we do not have a specific policy relating to modern slavery, we do require our contractors to comply with UK legislation, including labour laws, and will ensure that our expectations regarding compliance with the Modern Slavery Act 2015 (Act) are explicit in future.

Prior to the date of this Statement, we contacted our contractorsⁱⁱ and asked them to confirm that they comply with UK legislation, including labour laws and the Act. We have received confirmation from 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.

Investments

We undertake environmental and social due diligence (ESDD) on all our investments using the Code as our reference framework. When we invest 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. We also work with our fund managers to enhance their ability to understand and identify modern slavery risk in their investments and to manage such risk. For example, in 2015 we launched an updated ESG Toolkit for Fund Managers and provided training on labour standards and practices at three fund manager workshops attended by over 100 investment and environmental and social professionals, which included specific guidance on identifying and managing the risk of modern slavery at investee businesses.

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 during ESDD 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 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), we 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. There is currently one instance where we are 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.

Further Action and Key Performance Indicators

Over the next twelve months, we will:

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

- require companies that directly contract with CDC to confirm annually that they are not involved in such practices;
- ensure that CDCs operations staff are appropriately trained to manage modern slavery risks;
- assess the degree to which the scope of this Statement should be broadened or adjusted over time; and
- 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.

Approval and disclosure

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

It is publicly available on our website at www.cdcgroup.com/corporate-information



Colin Buckley
Chief Operating Officer

ⁱ As at 31 December 2015

ⁱⁱ 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 2016. 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.