

# Modern Slavery Act statement

22 April 2022

British International Investment plc (formerly CDC Group plc) (**BI**), 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 Asia. Our purpose is to help solve the biggest global development challenges by investing patient, flexible capital to support private sector growth and innovation. We are part of HM Government's offer to help developing countries meet their significant financing needs for infrastructure and enterprise. We aim to support the growth and jobs that lift people out of poverty and, at the same time, make a financial return, which we reinvest in more businesses.

Our portfolio has investments in over 1300 businesses in developing countries with total net assets of £7.7bn and a portfolio of £6bn. This year we aim to invest over \$2bn in companies in Africa, Asia, and the Caribbean with a focus on fighting climate change, empowering women and creating new jobs and opportunities for millions of people. Under our current strategy, we will only invest in businesses in Africa, Asia, and the Caribbean although we do have a small portfolio of legacy investments in China and Latin America.

We invest in businesses directly using equity, debt, and other financial instruments. We also invest 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 our [Policy on Responsible Investing \(PRI\)](#), which stipulates environmental, social, labour and business integrity standards that often exceed those required by local law. The PRI references the UK's Modern Slavery Act 2015 (**MSA**).

## Assessing risks of Modern Slavery

We recognise that there are linkage risks to modern slavery in our investments and our operations. 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 countries where there is evidence of elevated modern slavery risks. We are particularly sensitive to the fact that COVID 19 may have exacerbated safeguarding risks, including modern slavery and gender-based violence, which we may become aware of as the pandemic passes.

## Our investments

### Policies relating to Modern Slavery in our investments

The PRI applies to every new investment we make. It sets out the labour practices we require our investees to follow. These include commitments to comply with the International Labour Organization's (**ILO**) Core Labour Conventions 29 (Forced Labour), 105 (Abolition of Forced Labour) and 190 (Violence and Harassment) 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 PRI as our reference framework.

When we invest directly in sectors or countries 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 investees although we may instruct consultants to do so on our behalf when it is difficult for us to travel. 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](#) and [ESG Toolkit for Financial Institutions](#) provide guidance on assessing and managing modern slavery. The Toolkits include practical tools to address modern slavery risks, which can be found on our modern slavery page and in labour standards and human rights briefing notes within the relevant ESG Toolkit linked above.

To provide further guidance to companies and investors operating in emerging markets, BII has worked with [Foreign, Commonwealth and Development Office](#), [International Finance Corporation](#) and [European Bank of Reconstruction and Development](#) to develop a [Good Practice Note for the Private Sector on Managing Risks Associated with Modern Slavery](#) which is also available here on our [ESG Toolkit for Fund Managers](#) and [ESG Toolkit for Financial Institutions](#).

We have enhanced our internal processes and procedures in relation to numerous 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. Our safeguarding statement can be found [online here](#).

We have also amended our template legal documentation so that they include representations, warranties and undertakings relating to modern slavery.

## 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, construction work etc.) 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 (**ESGI**) 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 investment (through routine E&S monitoring), we address these through corrective action plans (**CAPs**) and active engagement with our investees.

In 2021, concerns about the scale of alleged forced labour in certain sectors became increasingly apparent (see [FCDO guidance](#) issued in January 2021). As a result, BII reviewed its ESDD procedures to increase the levels of confidence and insight it has in supply chains that source materials from certain countries. BII also worked with its DFI peers to raise awareness of the issue.

### **Broader engagement on Modern Slavery**

BII continues to engage broadly on modern slavery. It has attended numerous national and international meetings on the topic. It continues to support the work of the UN Commission on finance and modern slavery (the [FAST Initiative](#)), and other related initiatives. BII 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 2021 commitments

In our 2021 MSA Statement we made the following commitments:

Commitment	Progress
<p>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.</p>	<p>We have taken a view on our service providers, contractors, and suppliers to assess the likelihood of modern slavery-related risks arising and to determine which (if any) should be subject to increased modern slavery-related diligence based on our assessment. We have received compliance confirmations from every contractor and supplier whom we view as posing a potential risk, including those providing services to BII outside the UK.</p>
<p>Implement and continue to raise awareness of CDCs policies, processes, and approaches to address modern slavery throughout the investment process.</p>	<p>We consider modern slavery risks in the investments we make as part of our ESDD process. We have also enhanced our safeguarding escalation process with the introduction of board oversight and the appointment of a third-party safeguarding expert, who provides technical support in relation to process implementation.</p> <p>We highlighted BII's approach to safeguarding risk management at a meeting of European development finance institutions (<b>EDFIs</b>) in Q3 2021</p> <p>We have ensured that BII's Policy on Responsible Investing (<b>PRI</b>), which replaced CDC's Code of Responsible Investing in April 2022, includes safeguarding as a core requirement. We expect every investee to assess and manage safeguarding risks, as defined in Annex A of the PRI, in the ordinary course of their business.</p> <p>Section 1.5 of Chapter 1 sets out how BII is committed to handling grievances and complaints in relation to investees failing to meet the requirements of the PRI.</p> <p>Chapter 2 of the PRI clarifies that we expect our investees to comply with ILO core labour and working conditions and national law and to have appropriate grievance recourse mechanisms in place to flag and address safeguarding violations.</p> <p>Chapter 3 details recommended practices and covers new areas of data privacy-related human rights risks including the use of technology, cyber security, and artificial intelligence.</p> <p>The PRI specifically refers to the MSA when outlining risk-specific E&amp;S requirements in relation to supply chain and systemic risks. It also requires investees to recognise systemic risks such as modern slavery as they relate to business activity and requires our investees to manage risks proportionately via environmental and social management systems.</p>
<p>Continue to raise awareness of the importance of managing modern slavery risks and provide practical guidance to investees and fund managers to support</p>	<p>In October 2021 and January 2022, we delivered external workshops to investees during which modern slavery-related risks and our expectations were highlighted. We have also provided practical guidance to investees to support their implementation of our requirements.</p>

Commitment	Progress
implementation.	
<p>Continue to assess and respond to allegations of modern slavery in the polysilicate and photovoltaic panel sectors in the event there is a supply chain connection with CDC arising from its solar power investments</p>	<p>In October 2021, we revised our internal due diligence process on systemic forced labour related risks in solar photovoltaic supply. This approach helps us to identify where modern slavery risks are considered possible/ likely within supply chains and guides investment teams in their decision making. It also identifies appropriate and feasible risk mitigants.</p> <p>We engaged on this issue with other financial institutions, including EDFIs and international financial institutions (IFIs), widely throughout 2021 in various fora. We engaged a consultancy firm to deliver two DFI workshops and commissioned, alongside others, consultants to develop due diligence and risk mitigation approaches. We also contributed to the efforts of IFIs to develop a joint approach to risk assessment and mitigation.</p> <p>More specifically, we contracted a consultancy to complete a benchmarking exercise of 16 solar module manufacturers. The benchmarking will consider the module manufacturers' ability and willingness to provide traceability of their products, a key risk mitigant for the short-term. As a result of this exercise, we expect to learn more about good practice approaches to traceability, enabling us to seek improvement in module manufacturers who are less able/willing to provide such traceability.</p> <p>We anticipate updates to our internal due diligence process in 2022 following the consultancy engagements referred to above. We also intend to publish a good practice guide on labour, working conditions and human rights supply chain risk management, co-authored with FMO, the Dutch DFI.</p> <p>The guide will focus on recommended approaches for investors/operators to adopt to assess and mitigate risks and improve outcomes.</p>

## 2022 Commitments

Over the next 12 months, we will:

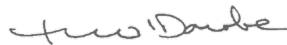
- continue to assess whether any service providers, contractors and/or suppliers, existing or potential, pose modern slavery-related risks and take appropriate steps to mitigate those risks, where applicable;
- review BII's investment portfolio for modern-slavery related risks and undertake enhanced monitoring and diligence on selected transactions as appropriate;

- revise our safeguarding escalation procedures to reflect lessons learned from 2021, provide tools to support our investees' escalation processes in the next iteration of BII's Toolkit for Fund Managers to be published in Q4 2022/Q1 2023 and deliver training to our investees with a heightened focus on modern slavery and safeguarding during H2 2022;
- continue to champion best practices via workshops, good/best practice guidance, a quarterly ESG newsletter, the ESG community network and social media; and
- provide training on BII's policy requirements in relation to modern slavery and human rights within BII.

### **Approval and disclosure**

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

It is publicly available on our website at <http://www.bii.co.uk>.



Nick O'Donohoe  
**Chief Executive**