

Modern Slavery Act statement

April 2023

British International Investment plc (**BII**), funded by HM Government, is the UK's development finance institution (**DFI**).

For over 75 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 facilitate private sector growth and innovation. We are part of HM Government's offer to help developing countries meet their significant infrastructure and enterprise financing needs.

Our portfolio has investments in over 1300 businesses in developing countries with total net assets of £7.7bn. This year we will invest 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 those regions although we still 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 fund managers and financial institutions, who 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](#) (the **PRI**), which stipulates environmental, social, labour and business integrity standards that frequently exceed those required by local law. The PRI references the UK's Modern Slavery Act 2015 (the **MSA**).

We recognise that there may be linkage risks to modern slavery in our investments and operations. Modern slavery lies at one extreme of a continuum of exploitation and there is often no clear boundary between modern slavery and other serious labour abuses.¹ We take a holistic approach when working with our investees, focused on developing their human resources management systems and promoting greater engagement with their direct workforce, as well as improving their oversight of third-party contractors and suppliers. This work is conducted by an internal team of environmental and social (**E&S**) specialists, which also includes labour experts. We use external consultants when necessary.

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

¹ See our [Good Practice Note for the Private Sector on Managing Risks Associated with Modern Slavery](#).

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 they operate.

Assessing Modern Slavery risks in our investments

We undertake environmental and social due diligence (ESDD) prior to investing using the PRI as a reference framework.

When we invest directly in countries or sectors where there are, in our opinion, elevated risks of forced labour or other forms of modern slavery, we focus on those risks during our ESDD. We usually visit prospective investees although we may instruct consultants to do so 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 aimed at fund managers, financial institutions, 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 how to assess and manage modern slavery risks. They include practical tools to address modern slavery concerns, which can be found on our modern slavery page and in labour standards and human rights briefing notes within the relevant toolkit.

BII has also 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 available [here](#) in our [ESG Toolkit for Fund Managers](#) and [ESG Toolkit for Financial Institutions](#).

Managing Modern Slavery risks in our investments

We may identify circumstances that indicate a higher risk of modern slavery, such as prevailing employment practices in a particular country or sector (e.g., the retention of travel and identification documents). The risk also increases where investees rely on complex supply chains (e.g., textiles, agribusiness, construction work etc.).

When we identify or become aware of these risks, we require our investees 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), we work with them to identify alternative sources of products. We always seek improvement.

If concerns arise during our ESDD, BII's environmental and social governance impact 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 seek to address these through corrective action plans (CAPs) and active engagement with our investees.

Broader engagement on Modern Slavery

BII engages with other stakeholders on modern slavery and human rights issues. We have been a member of the European Development Finance Institutions (**EDFI**) working group on human rights since inception. We also collaborate with other development finance institutions (**DFIs**) and multi-donor organisations to address specific risks when they arise in our portfolio. For instance, we have developed a common approach to enhanced due diligence in the solar photovoltaic (**PV**) supply chain, which presents elevated risks of forced labour. We engage with industry organisations, investors, academic researchers, human rights advisers, and other relevant institutions to improve our understanding of emerging and existing risks in the solar PV supply chain, identify potential avenues to mitigate BII's exposure to these risks and influence responsible procurement practices.

Own operations

Our contract administration policy sets out our approach to managing modern slavery risks in BII's own supply chains. If we consider 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 operating outside the UK, we require them to accept our standard MSA compliance provisions.

We have established a monitoring mechanism to ensure compliance with modern slavery policies and contractual agreements. This has involved site visits, worker interviews, and data verification to assess supplier performance on modern slavery risks. 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.

We also include a *prohibited actions* clause in our contracts with suppliers. This requires them to take steps to prevent modern slavery in their operations, such as monitoring their supply chains and ensuring that workers are paid fairly.

Reporting and complaints mechanism

BII's reporting and complaints mechanism allows anyone outside BII to report alleged or anticipated breaches of the PRI whether by us, a direct investee, or an investee of a fund in which we have invested.

The reporting and complaints mechanism rules are available [here](#). Any external party including individuals, community groups, non-governmental organisations, or other persons or entities may make a report under the mechanism.

Review of 2022 commitments

In our 2022 MSA Statement we made the following commitments:

Commitment	Progress
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	<ul style="list-style-type: none"> • Obtained confirmation from service providers, suppliers, and contractors that they are acting in accordance with the MSA. • Improved our risk assessment processes so we are more able to identify risks of modern slavery in our supplier base and mitigate those risks.
Review BII's investment portfolio for modern slavery related risks and undertake enhanced monitoring and diligence on selected transactions as appropriate	<ul style="list-style-type: none"> • Licenced an ESG contextual risk assessment tool to help us identify modern slavery risks by country and sector during the investment screening phase. The tool allows us to tailor our ESDD approach and identify where enhanced due diligence is necessary. • Engaged with investees to raise awareness of modern slavery in the solar PV supply chain and supported them to strengthen their supply chain risk management approaches. This involved providing guidance on supply chain mapping, due diligence, and monitoring, integrating requirements around the prohibition of forced/child labour within supplier contracts and securing the right to audit where possible. • Where material risks were identified in relation to new investments, integrated human rights considerations into due diligence and monitoring processes and worked with internal specialists and external consultants to conduct in-depth labour assessments and/or human rights impact assessments. • Undertook worker interviews during ESDD and monitoring and worked with investees to design and implement supplier and worker surveys for certain high-risk transactions.
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	<ul style="list-style-type: none"> • Revised our safeguarding escalation procedure. Changes included defining a severe incident of modern slavery, refining roles and responsibilities, and adding more detail to the escalation process, building on lessons learned from 2020-2022. • Provided support to investees in high-risk countries. • Increased the knowledge of our investees to manage social and human rights risks in regions with heightened

Commitment	Progress
2023 and deliver training to our investees with a heightened focus on modern slavery and safeguarding during H2 2022	contextual challenges through the delivery of social risk workshops. These included modules on investor standards, social risk assessment and response, human rights and labour issues, collaboration, and stakeholder engagement.
Continue to champion best practices via workshops, good/best practice guidance, a quarterly ESG newsletter, the ESG community network and social media	<ul style="list-style-type: none"> Delivered external ESG workshops to investees during which labour rights-related risks and BII's expectations were highlighted. Modules focused on labour and human resources management, including a case study on the ethical employment of migrant workers. Piloted a new workshop programme specifically focused on financial institutions. The training included modules on E&S management systems, safeguarding, and human resources management. Published a Good practice note on Managing labour risks and opportunities of platform work. This provides an overview of labour risks and options for investors in platform companies to build into their decision-making processes. It includes a range of case studies and a toolkit. Commissioned human rights consultants to help us develop a consistent and enhanced due diligence methodology for the solar PV supply chain in collaboration with other responsible investors.
Provide training on BII's policy requirements in relation to modern slavery and human rights within BII	<ul style="list-style-type: none"> Delivered a company-wide internal capacity building programme during the launch of the new Policy on Responsible Investing.

2023 Commitments

Over the next 12 months, BII will undertake the following activities:

Own operations

- develop and implement a modern slavery risk assessment process at the point of sourcing. We will increase our knowledge of high-risk countries and sectors, which will help us identify, classify, and categorise areas of elevated risk for further investigation.

Our investments

- review and strengthen our ESDD and monitoring processes to ensure we have a systematic and

consistent approach to managing modern slavery risks. This will involve developing internal tools and guidance on human rights and/or labour due diligence, providing transaction support and conducting internal training.

- build investee capacity to identify and mitigate modern slavery risks within their own operations, contractor base and supply chains. This will be achieved by delivering training on labour and social risk management, producing a public guidance note on managing human rights risks in supply chains and providing tailored advice where needed.
- contribute to the development of modern slavery knowledge more broadly via workshops, best practice guidance, our quarterly ESG newsletter and other channels.
- foster opportunities for stakeholder engagement and dialogue on modern slavery, including engagement with DFIs and multilateral development banks on due diligence and monitoring of modern slavery risks in supply chains beyond solar PV, including wind power and electronic vehicle batteries.

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