



ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) and IMPACT POLICY

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Table of Contents

1.	Executive Summary	3
2.	Purpose, Scope & Applicability.....	4
3.	Core Commitments	4
4.	Guiding Principles.....	5
5.	ES&I Standards and Requirements.....	7
6.	Systems Approach to ES&I Management.....	8
7.	Impact Considerations.....	11
8.	Gender Equality Considerations.....	1
9.	Participation and Contribution to Best Practice.....	1
10.	Gender Equality Considerations.....	2
11.	Participation and Contribution to Best Practice.....	2
12.	Execution & Implementation	3
13.	Policy Review.....	3
	Annex 1: FSD Africa Exclusion List	3

Table of abbreviations

Acronym	Abbreviation of
FSD Africa	Financial Sector Deepening Africa
HR	Human Resource
FARC	Finance Audit and Risk Committee
CEO	Chief Executive Officer
FCDO	Foreign, Commonwealth & Development Office
ESPM	Environmental and Social Performance Management
ESG	Environmental, Social & Governance
SSA	Sub-Saharan Africa

1. Executive Summary

Financial Sector Deepening Africa (FSD Africa)¹ is a specialist development agency working to build and strengthen financial markets in Africa by improving the way in which they are regulated, how they manage risk, and how they extend financial services to underserved segments of the market. FSD Africa is based in Nairobi and is registered as a non-profit company limited by guarantee in Kenya. FSD Africa is solely funded by UK Aid through the Foreign, Commonwealth and Development Office (FCDO).

FSD Africa seeks to ensure that aid funding² is channelled to partners (grantees and investees) through the development of discrete programmes that promote the development of the financial sector within sub-Saharan Africa (SSA), whilst adhering to, or working towards, sound sustainable and responsible business practices.

Through this [Policy](#), FSD Africa expresses its commitment to maximising long-term value for its funder and stakeholders, from a financial, environmental, and social returns perspective, and enhancing the long-term sustainability of its partners. As a result, FSD Africa commits to adopt a robust and tailored integrated

¹ For the purposes of this Policy, FSD Africa refers to the entire organisation including the following business divisions (referred to as “Pillars” within FSD Africa), namely: Capital Markets, Risk and Resilience, Digital Economy, FSD Africa Investments, as well as operational business divisions including Strategic Communications and Engagement, Development Impact, Corporate Services, Human Resources and Talent Management, Finance, and the FSD Africa Board.

² Aid funding received is channelled via either grant funding or investments (or a blend) for the development of programmes as follows:

- Non-returnable Grants: These funds are used principally for research that constitutes a public good, public sector capacity building, and knowledge transfer - e.g., facilitating FSD Africa network-wide activities, conferences, communications etc.;
- Returnable Grants: These funds are provided to profit-making institutions and are returnable (to be recycled) if the purpose for which the grant was made (e.g., product innovation to reach new segments) is successful; and
- Risk Capital: These funds are provided to profit-making institutions structured as loans, guarantees, equity or quasi-equity which will be returned to FCDO. FSD Africa Investments Pillar is the sole investment division in FSD Africa tasked with the disbursement of Risk Capital. As such, Risk Capital refers to funds that are invested assuming financial risk and generating a financial return.

Environmental, Social (and Governance³) and Impact⁴ (ES&I) management approach, to ensure that donor funding is allocated responsibly. FSD Africa works in close collaboration with its partners to manage and continuously improve their ES&I performance and that of their downstream partners.

2. Purpose, Scope & Applicability

Purpose

This [Policy](#) outlines FSD Africa's commitments and requirements in relation to ES&I considerations in its programme activities. This includes the principles and standards that it adopts as an organisation, how ES&I considerations are governed, and how they are incorporated into day-to-day business activities, particularly in relation to its grant funding and investment processes and decision making.

Scope & Applicability

This [Policy](#) extends to the full range of programme activities carried out by FSD Africa, including any new and existing programmes. The intention of this [Policy](#) is to support FSD Africa in avoiding harm, protecting value, and creating impact through its grant funding and investment activities. This includes the adoption of applicable ES&I policies, principles, and standards to manage any negative risks and impacts associated with FSD Africa's grant funding and investment activities as well as the implementation of systems to effectively manage and enhance ES&I performance.

Other Relevant Documents

This [Policy](#) should be read *inter alia* with the following documents:

- [Articles of Association for FSD Africa](#);
- [Shareholders Agreement signed among FSD Africa, FSDAi and FCDO](#);
- [FSD Africa Financial Management Manual](#);
- [FSD Africa Investment Policy, especially the ESG Section](#);
- [FSD Africa Investment Guidelines](#);
- [FSD Africa Investment Committee Terms of Reference](#);
- [FSD Africa Enterprise Risk Management Framework](#);
- [FSD Africa ESG and Impact Integration Statement](#);
- [FSD Africa Environmental and Social Performance Management System \(ESPM\) including the FSD Africa ESG and Impact Framework](#);
- [FSD Africa Development Impact Guidelines](#);
- [FSD Africa Equality, Diversity, and Inclusion \(ED&I\) Policy](#); and
- [FSD Africa Gender Intentional Strategy](#).

3. Core Commitments

To ensure that ES&I management forms an integral part of the programme development and decision-making processes across the organisation, FSD Africa is dedicated to the following core commitments:

³ The "G" refers to: (i) Corporate Governance and is operationalised through the adoption of business integrity policies and procedures; and (ii) internal capacity, resources, and systems for the governance (management) of environmental and social matters. This Policy does not include Corporate Governance considerations.

⁴ Impact refers to a strategic and intentional focus on driving impact for stakeholders through core interventions that helps to solve societal challenges.

- Embed ES&I considerations as a core component of its grant funding and investment processes and decision making;
- Ensure that prohibited or excluded activities are not financed by FSD Africa or its partners, as stipulated in the [FSD Africa Exclusion List \(see Annex 1\)](#);
- Develop and implement a [FSD Africa E&S Performance Management System \(ESPM\)](#), in accordance with this Policy and any FSD Africa specific ES&I requirements, to ensure the consistent and robust application of ES&I across all grant funding and investment activities;
- Apply a gender intentional lens throughout the grant funding and investment process as a gender intentional objective to creating impact that enables the economic advancement and prosperity of women. Specifically, FSD Africa is committed to:
 - Promoting gender-diverse leadership, investment portfolios, and team divisions within the organisation;
 - Applying a [Gender Lens Investing Framework](#) that embeds gender considerations in the decision-making of FSD Africa Investments Pillar, the Investment Committee (IC) and Development Impact Committee, to build a gender-diverse pipeline of women-led investments;
 - Applying a [Gender Inclusive Framework](#) to programmes to ensure that FSD Africa consider projects that encourage the enabling of economic advancement and prosperity of women; and
 - Ensure FSD Africa’s operations as well as the operations of their partners and investees do no harm to women in the community;
- Assign sufficient organisational capacity, capabilities, and competencies to ES&I across the organisation to support the implementation of this [Policy](#) and associated [ESPM](#);
- Ensure that robust mechanisms are in place to address any breaches of the ES&I requirements between FSD Africa and its partners;
- Establish a strong and transparent ES&I culture across the organisation driven by senior management buy-in, accountability, formal and informal engagement and reporting on ES&I practices and performance;
- Be active participants in all grant funding and investment activity from inception phases to exit, including but not limited to, engaging with Management and Directors of partners and associated stakeholders on ES&I issues;
- Gather appropriate disclosures and data relating to ES&I performance from partners;
- Drive continual ES&I improvements and progress at the organisational level, through on-going monitoring, evaluation, and reporting on progress against set ES&I objectives established for recipients of grant funding and investments;
- Provide regular and transparent disclosures on FSD Africa’s ES&I performance, activities, interventions and progress to investors and other relevant stakeholders;
- Contribute to industry best-practice and thought leadership on ES&I within financial markets, including remaining abreast of emerging trends in the field and possible implications for FSD Africa’s approach;
- Periodically review this [Policy](#) and associated [ESPM](#) to ensure relevance, adequacy, applicability, and alignment with best practice; and
- Comply with all applicable laws and regulations of the host country in which the partner organisations are located and operate within.

4. [Guiding Principles](#)

The following list of ES&I principles form the foundation of our approach to environmental and social (E&S) management and should be viewed as a guideline for the selection and management of all interventions in receipt of grant funding and/or investment. It is recognized that not all grant funding

and/or investments will achieve the criteria below. However, these should be viewed as principles to which FSD Africa, and its partners should strive to achieve.

Labour and Working Conditions, Human Rights, and Safeguarding

- Support, encourage and respect responsible and fair labour, working conditions and practices, including protecting the health, safety and wellness of our workforce and surrounding communities;
- Support the elimination of all forms of forced and compulsory labour, child labour, modern slavery practices, and any form of gender-based violence or discrimination in relation to employment, occupation, and other business practices;
- Ensure all employees are treated equally, irrespective of race, gender, religion/or none, sexual orientation, political affiliation, or disability;
- Support, respect and encourage the protection of internationally proclaimed human rights;
- Adopt a “no tolerance policy” regarding cases of complicity in human rights abuses; and
- Prevent and respond to harm caused by sexual exploitation, abuse, discrimination, harassment, or bullying.

Environment and Climate Change

- Encourage and support a precautionary approach to environmental and climate challenges;
- Support initiatives to promote greater environmental responsibility and accountability;
- Encourage the development and diffusion of environmentally-sound technologies;
- Adopt climate action, where relevant, through addressing physical and transition risk management approaches to help reduce FSD Africa’s contribution and its partners contribution to and impacts from the effects of climate change; and
- Contribute to achieving a Just Transition.

Impact

- Contribute to solving pressing environmental and social issues;
- Increase access and affordability of financial services to underserved communities;
- Being intentional about ensuring that all our programmes and activities align with FSD Africa’s Impact objectives;
- Consider Impact alongside E&S risks in decision-making and programme management and delivery; and
- Align with local development priorities and global Impact best-practice to the extent that it is relevant and practical within the context of FSD Africa activities.

Gender Equality

- Ensuring that everyone in our organisation and within our partners and stakeholders, regardless of their gender identity, has access to equal power, resources, and opportunities, and is treated with dignity, respect, and fairness; and
- Being intentional about how gender is considered in our grant funding and investment activities that will help reduce risk and magnify positive outcomes applicable to employees, clients, suppliers, and the local communities impacted by our work.

Client Protection

- Ensure equitable and fair treatment of partners (customers/clients);
- Provide clear, sufficient, and timely information on grant funding and investment products and services in a manner and language clients can understand so that clients can make informed decisions. This

includes transparent information on pricing and terms and conditions of all financial products prior to entering agreements;

- Take adequate care to design products and delivery channels in such a way that they do not cause client's harm;
- Set pricing, terms and conditions in a way that is affordable to clients while allowing for financial institutions to be sustainable;
- Respect the privacy of individual client data in accordance with the laws and regulations of individual jurisdictions; and
- Ensure providers have put in place timely and responsive mechanisms for complaints and problem resolution for their clients and use these mechanisms both to resolve individual problems and to improve their products and services.

Corporate Governance and Business Integrity⁵

- Adopt high standards of professional conduct and excellence;
- Exhibit honesty, integrity, fairness, and respect in all business activities; and
- Work against corruption in all its forms, including extortion and bribery, combated with robust corporate governance policies and practices.

5. ES&I Standards and Requirements

FSD Africa's ES&I approach is guided by a host of applicable national and international guidelines and good practice standards.

In terms of E&S risk and opportunity management processes:

- Applicable national and local E&S laws and regulations;
- FCDO Safeguarding Standards (aligned with the UN Convention on the Rights of the Child (UNCRC));
- OECD Guidelines on Multinational Enterprises (2011);
- International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (2012);
- IFC Interpretation Note on Financial Intermediaries (FIs) (2018);
- International Labour Organisation (ILO) Labour Conventions;
- UN Guiding Principles on Business and Human Rights (UNGPs) (2011);
- Centre of Financial Inclusion - Client Protection Principles, where applicable; and
- Task Force on Climate-related Financial Disclosures (TCFD) (2015), where applicable.

In terms of Impact management processes, although not formally aligned, FSD Africa is guided by the following international standards:

- Operating Principles for Impact Management;
- UN Principles for Responsible Investing (PRI);
- The 2X Challenge;
- Impact Management Project;

⁵ Corporate governance and business integrity requirements and commitments are stipulated in the following FSD Africa policies:

- FSD Africa Anti-Bribery, Fraud and Corruption Policy;
- FSD Africa Safeguarding Policy;
- FSD Africa Whistleblowing Policy; and
- FSD Africa Procurement Policy.

- IRIS+; and
- Sustainable Development Goals.

In terms of Gender management processes:

- GIIN IRIS Navigating Impact: Gender Lens Platform⁶;
- UN Women’s Empowerment Principles Gender Gap Analysis Tool⁷; and
- The 2X Challenge Indicators⁸.

FSD Africa has designed its own set of ES&I requirements in alignment with the above listed standards which the organisation will follow and to which its partners will be held. These have been carefully crafted based on their relevance to the organisation’s grant funding and investment strategy and mandate, taking account of specific investor ES&I requirements, its sectoral and geographical focus, different types of partners and financial instruments provided, and extent of leverage to influence performance, etc.

These requirements guide the sound management of ES&I matters in a consistent, systematic, and robust manner. FSD Africa will ensure that its partners comply with these requirements over the course and duration of its grant funding and investment lifecycles and will work together with partners to achieve alignment with the ES&I requirements where gaps or areas for improvement are identified.

FSD Africa shall not provide grant funding or investment that, in its reasonable opinion, will not meet its minimum applicable ES&I requirements over the duration of the applicable programme.

FSD Africa reserves the right to invoke other national laws and regulations as well as international standards, principles and / or guidelines as deemed appropriate.

6. Systems Approach to ES&I Management

To give effect to this Policy, FSD Africa has in place an [FSD Africa ESG and Impact Framework](#), which outlines an approach to incorporating ES&I considerations throughout grant funding and investment processes and decision making. The [FSD Africa ESG and Impact Framework](#) is focused on the following aspects:

- Funding Purpose: Recognized as an industry leader on green and sustainable finance solutions and transformative financial sector development;
- E&S Risk and Opportunity Management: Demonstrate effective management of E&S risks and opportunities through robust systems embedded within the investment processes and decision making;
- E&S Impact: Addressing real E&S challenges by considering how capital is allocated towards grant funding and investments that drive positive impact in the FSD Africa focus areas; and

⁶ <https://navigatingimpact.thegiin.org/gender-lens/>

⁷ <https://weps-gapanalysis.org/>

⁸ <https://www.2xchallenge.org/criteria>

- Gender⁹: Applying an intentional gender lens to promote gender diversity¹⁰, equality¹¹ and equity¹² to address the financial inequalities inhibiting women economic empowerment in SSA.

The [FSD Africa ESG and Impact Framework](#) is implemented through the [ESPM](#). The [ESPM](#) is applicable to all grant funding and investment activities setting out ES&I criteria for the development and roll-out of programmes. From a risk and opportunity management perspective, the [ESPM](#) sets out discrete procedures and guidance notes and includes components such as exclusion and ES&I screening criteria, ES&I risk assessment and due diligence processes, development of E&S action plans, inclusion of ESG terms and clauses in legal contracting, and ES&I monitoring and reporting templates and methodologies. Implementation of the [ESPM](#) is integrated into the different stages of FSD Africa's grant funding and investment programme development processes which is supported by senior management and dedicated internal resources who are accountable for implementing/actioning the [ESPM](#).

FSD Africa's approach to supporting the practical and effective implementation of this [Policy](#) and the commitments contained therein are based on four key components outlined in *Figure 1*, which will be instituted across the organisation.

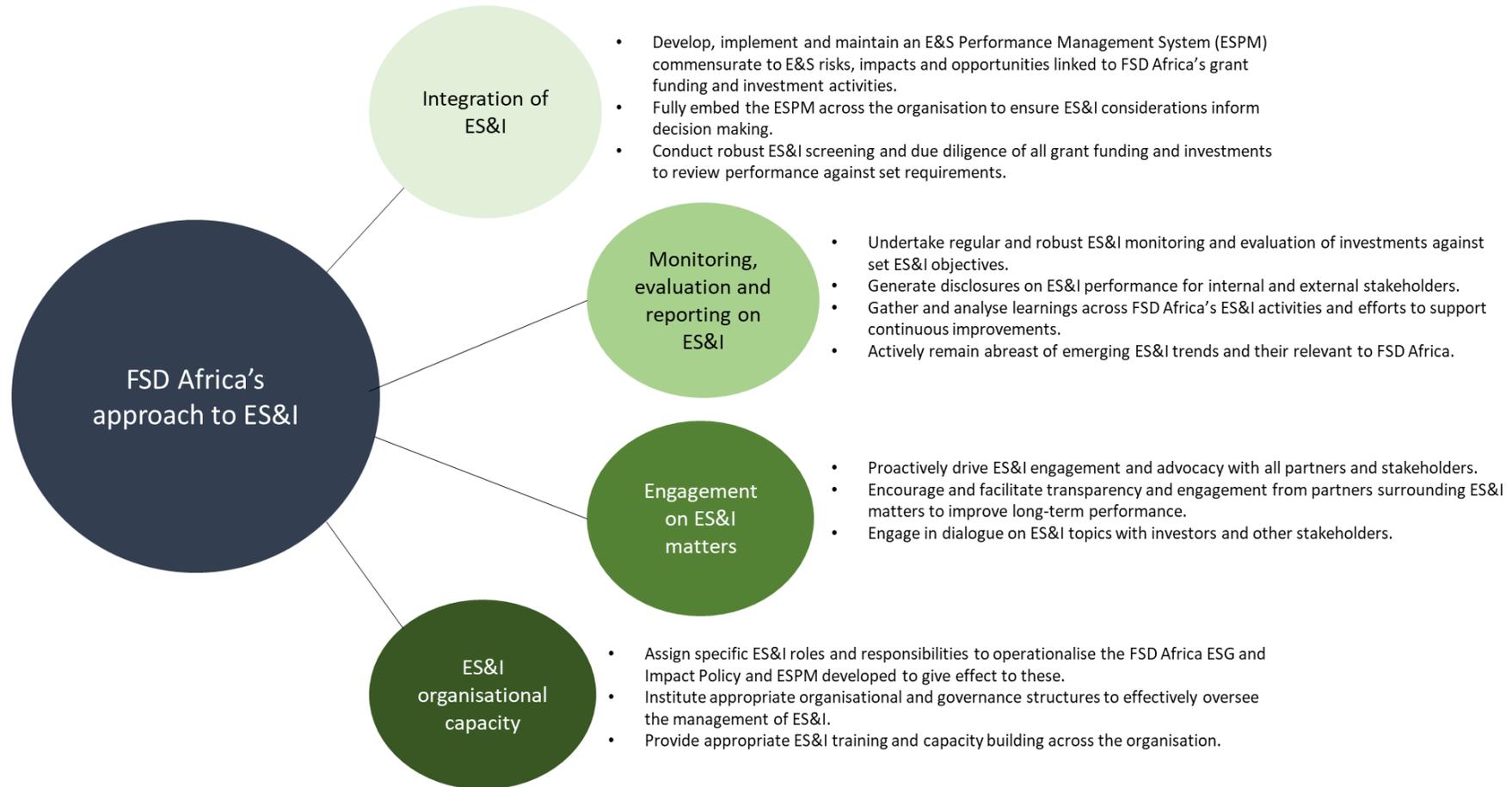
⁹ Gender refers to socially determined roles and responsibilities that are attributed to women and men in a given social and cultural context, by virtue of their biological characteristics. These roles are influenced by culture, education, class, economic and political environments, the media, crisis, and conflicts. These roles are learned and can change over time.

¹⁰ Gender Diversity refers to the extent to which a person's gender identity, role, or expression differs from the cultural norms prescribed for people of a particular sex. This term is becoming more popular to describe people without reference to a particular cultural norm, in a manner that is more affirming and potentially less stigmatizing than gender nonconformity.

¹¹ Gender Equality refers to the equal rights, responsibilities and opportunities of women, men, girls, and boys. It means recognizing that men and women often have different needs and priorities, face different constraints, have different aspirations, and contribute to development in different ways.

¹² Gender Equity refers to the process to achieve gender equality. This may include equal treatment or treatment that is different, but which is considered equivalent in terms of rights, benefits, obligations, and opportunities, differential treatment of women and men (or specific measures) to compensate for the historical and social disadvantages that prevent women and men from sharing a level playing field.

Figure 1: Key components of FSD Africa's ES&I approach



7. Impact Considerations

Over and above E&S risk management, FSD Africa intends to drive large-scale change and unlock impact opportunities, which are aligned with FSD Africa's objectives of strengthening financial markets and supporting sustainable economic development. This is achieved through the integration and embedding of impact value-add¹³ considerations into each stage of the grant funding and investment lifecycles. By incorporating various impactful value-add considerations into the procedures, tools, and templates that make up the [ESPM](#), potential initiatives are identified, designed, and delivered in the form of practical and effective solutions. This assists FSD Africa's partners in achieving meaningful results and long-term benefits from impact interventions and enables ongoing monitoring, measurement, and reporting of such initiatives.

Over and above the mitigation of risk for E&S considerations, FSD Africa has identified strategic focus areas to which it is positioned to make a meaningful contribution through its own work and that of its partners through programme interventions. These are articulated in the form of the [FSD Africa Theory of Change](#)¹⁴ (see *Figure 2*). Further details relating to FSD Africa's approach to enhancing value and maximising impact in these areas are outlined in the [FSD Africa Development Impact Guidelines](#). Existing and potential achievement of FSD Africa's objectives within these areas will form part of the decision-making criteria for new investments, and ongoing measurement and reporting against aspirations in these areas will be central to FSD Africa's ES&I requirements.

¹³ For the purposes of this Policy, value is considered in two ways, as follows:

- Value protection: This relates to opportunities that enable FSD Africa partners to preserve existing value and minimize exposure to issues that could create financial, operational, or reputational liability for FSD Africa, thereby preventing the risk of value being destroyed. Value protection generally considers the risk elements of an investment and managing these risks to minimise or avoid value destruction, through fines/or penalties, business interruptions, reputational damage, high staff turnover/and recruitment costs, etc.
- Value creation: This relates to opportunities that enable FSD Africa and its partners to generate further/additional value beyond that which would normally be achieved. From an impact perspective, value creation generally relates to opportunities that will lead to increased investment returns (both financial and impact) through cost-saving mechanisms, improved efficiencies and/or increased productivity, brand value enhancement, new market access and increased positive development impact on partners and the environment.

¹⁴ A theory of change is a comprehensive description and illustration of how a desired change is expected to be achieved in a given context.

Figure 2: FSD Africa Theory of Change



8. Gender Equality Considerations

Gender equality is a human right and a fundamental driver for sustainable development. Although there has been much progress in improving the circumstances of women and girls in some parts of the world, there remain significant challenges to achieving this goal in Africa where women and girls have limited access to essential services, continue to experience the ongoing threat of sexual and gender-based violence, have limited control over their own bodies and reproductive health choices, have limited access to decision-making and leadership roles, earn less income and participate in labour and financial markets on an unequal basis compared to men.

The FSD Africa commitment to gender equality is founded on the Human Rights Framework and globally agreed principles including equality, non-discrimination, and participation. The approach to gender equality is also part of our broader intersectional approach to diversity and inclusion. It is based on international and regional standards, in particular the Convention on the Elimination of all forms of Discrimination against Women and global targets outlined in the 2X Challenge Collaborative and the Sustainable Development Goals.

FSD Africa's commitment to enhancing gender equality is clearly articulated within the [FSD Africa Equality, Diversity, and Inclusion \(ED&I\) Policy](#), [FSD Africa Gender Intentional Strategy](#) and [FSD Africa Theory of Change](#).

Furthermore, FSD Africa has developed a [FSD Africa Gender Lens Investing Framework \(GLI Framework\)](#)¹⁵ and [Gender Inclusive Frameworks](#)¹⁶ which embeds gender considerations into our investment and grant funding strategies respectively and is integrated into our [ESPM](#). The [GLI Framework](#) and [Gender Inclusive Frameworks](#) guide FSD Africa's commitment to building knowledge and capacity on our approach to gender equality among employees, programme delivery, partners, and national and international stakeholders, by actively pursuing positive gender equality outcomes across all FSD Africa activities to meet our gender equality standards and integrate gender equality across FSD Africa's work.

9. Participation and Contribution to Best Practice

FSD Africa seeks to position itself in the market as a key participant in ESG stakeholder discussions, initiatives, and developments in the field. As part of this, FSD Africa Investments is a signatory of the Principles for Responsible Investment (PRI) under the Asset Owner category and is committed to working with other stakeholders to promote and improve responsible investment practices, both nationally and internationally.

FSD Africa places significant importance in programmes to build awareness and institutional capacity on nature-related financial risk management within African countries. This includes contributing towards the transition towards a nature-positive economy and sustainable livelihoods, building on the growing evidence and calls for action such as that articulated in the Economics of Biodiversity: The Dasgupta Review.

Over time, FSD Africa will review and consider involvement in other ESG industry initiatives and/or organisations as appropriate for the development, refinement, and application of international ESG standards to the African context.

¹⁵ Gender lens investing refers to the actions and processes that investors develop to intentionally invest in businesses and/or solutions that focus on women-led businesses, provide inclusive products or services, promote gender diversity in the workforce and/or provide support and opportunities for women and women-led businesses in their value chain. FSD Africa believes that gender lens investing is value added and improves performance through more diverse leadership, increase productivity and team results through more inclusive workplaces, and uncover overlooked opportunities both in terms of our portfolio of investments.

¹⁶ The Gender Inclusive Frameworks embeds a gender lens across our non-financial interventions.

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12. Execution & Implementation

Overall accountability for the execution of the [Policy](#) lies with the FSD Africa Board and Development Impact Pillar responsible for ensuring that the [Policy](#) always reflects the organisation's values and is implemented in accordance with UK Aid requirements. Furthermore, the **[Development Impact Pillar]** shall ensure that adequate resources are provided across the organisation, whether budgetary or allocation of staff time, to ensure that the necessary capacity (internal staff or external expertise) is available to effectively oversee and implement the requirements of the [Policy](#). This includes the appointment of an ES&I Manager to oversee the day-to-day implementation of the [Policy](#) and associated [ESPM](#).

All FSD Africa professionals are responsible for ensuring that grant funding and investment processes and their duties are executed in a manner that is socially and environmentally sustainable and responsible, and aligned with the [Policy](#).

As and when required, FSD Africa shall harness third party expertise and support from competent and qualified service providers.

13. Policy Review

In line with developments in local and international E&S regulation and good practice as well as organisational advancements, FSD Africa will review and update this [Policy](#) annually, or as necessary. This includes reviewing progress against set ES&I objectives to identify areas where improvements in strategy, policies, principles, practices, and activities are necessary.

Annex 1: FSD Africa Exclusion List

The FSD Africa Exclusion List defines the types of programmatic interventions that FSD Africa will not participate in. This list has been developed in compliance with the [International Finance Corporation \(IFC\) Exclusion List](#), [Harmonised European Development Finance Institution \(EDFI\) Exclusion List \(2011\)](#) and the [Harmonised EDFI Fossil Fuel Exclusion list](#).

FSD Africa will **not** provide grant funding or financing (either directly or via financial intermediaries), for any of the following activities (including production, use, distribution, business or trade):

- (i) Production of, or trade in, any product or activity deemed illegal under applicable local or national laws or regulations, or subject to internationally agreed phase-outs or bans as defined in international conventions and agreements such as certain:
 - Hazardous chemicals, pharmaceuticals, Polychlorinated Biphenyls (PCB's), pesticides/herbicides and wastes¹⁹;
 - Ozone depleting substances²⁰; and

¹⁹ As specified in the 2004 Stockholm Convention on Persistent Organic Pollutants ("POPs"), see www.pops.int; the 2004 Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, see www.pic.int; and the 1992 Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, see www.basel.int; as may be amended from time to time.

²⁰ As specified in the 1999 Montreal Protocol on Substances that Deplete the Ozone Layer, see www.ozone.unep.org, as may be amended from time to time.

- Endangered or protected wildlife or wildlife or products regulated under Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES)²¹.
- (ii) Production or activities involving harmful or exploitative forms of forced labour²²/harmful child labour²³
- (iii) Production of, or trade in, weapons and munitions
- (iv) Production of, use of, or trade in, unbonded asbestos fibres²⁴;
- (v) Production of, or trade in, radioactive materials²⁵;
- (vi) Racist and/or anti-democratic media;
- (vii) Prostitution;
- (viii) Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations;
- (ix) Destruction²⁶ of High Conservation Value areas²⁷;
- (x) Drift net fishing in the marine environment using nets in excess of 2.5 kilometres in length;
- (xi) Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals²⁸;
- (xii) Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples (as defined in Performance Standard 7 of the Performance Standards), without full documented consent of such peoples.
- (xiii) In the event that any of the of the following activities/products form a substantial portion²⁹ of the investments primary financed business activities:
 - Production or trade in alcoholic beverages (excluding beer and wine).

²¹ As specified in the 1975 Convention on International Trade in Endangered Species or Wild Flora and Fauna (“CITES”), see www.cites.org, as may be amended from time to time.

²² Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

²³ Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child’s education, or to be harmful to the child’s health, or physical, mental, spiritual, moral, or social development.

²⁴ This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

²⁵ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment in which the radioactive source could reasonably be considered to be trivial or adequately shielded.

²⁶ Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area’s ability to maintain its role is lost

²⁷ High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <http://www.hcvnetwork.org>).

²⁸ Hazardous chemicals include gasoline, kerosene, and other petroleum products.

²⁹ “Substantial portion” is defined as (i) for companies, more than 10% of its consolidated balance sheet or earnings and (ii) for financial institutions, more than 10% of its portfolio volumes.

- Gambling, gaming casinos and equivalent enterprises;
- Tobacco or tobacco related products³⁰; or
- Pornography.

With regards to fossil fuels, FSD Africa will not provide grant funding or invest into any of the following:

- (xiv) Coal prospection, exploration, mining or processing;
- (xv) Oil exploration or production;
- (xvi) Standalone fossil gas exploration and/or production³¹;
- (xvii) Transport and related infrastructure primarily³² used for coal for power generation;
- (xviii) Crude oil pipelines;
- (xix) Oil refineries;
- (xx) Construction of new or refurbishment of any existing coal-fired power plant (including dual);
- (xxi) Construction of new or refurbishment of any existing HFO-only or diesel-only power plant³³ producing energy for the public grid and leading to an increase of absolute CO₂ emissions³⁴; or
- (xxii) Any business with planned expansion of captive coal used for power and/or heat generation³⁵.

Where FSD Africa provides financing to Financial Intermediaries (FI) (i.e., an institution or individual that serves as a middleman among diverse parties to facilitate financial transactions), the FIs will apply the above listed FSD Africa exclusions in addition to the following exclusions:

- (xxiii) Production or activities involving harmful or exploitative forms of forced labour⁴/harmful child labour⁵;
- (xxiv) Commercial logging operations for use in primary tropical moist forest; and

³⁰ Except, in the case of tobacco production only, with an appropriate timeframe for phase out.

³¹ Gas extraction from limnically active lakes is excepted from this exclusion

³² “Primarily” means more than 50% of the infrastructure’s handled tonnage.

³³ For indirect equity through investment funds, investments (up to a maximum of 20% of the fund) in new or existing HFO-only or diesel-only power plants are allowed in countries that face challenges in terms of access to energy and under the condition that there is no economically and technically viable gas or renewable energy alternative

³⁴ I.e., where energy efficiency measures do not compensate any capacity or load factor increase.

³⁵ This does not apply to coal used to initiate chemical reactions (e.g., metallurgical coal mixed with iron ore to produce iron and steel) or as an ingredient mixed with other materials, given the lack of feasible and commercially viable alternatives.

(xxv) Production or trade in wood or other forestry products other than from sustainably managed forests.