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TITLE: ENVIRONMENTAL AND SOCIAL PERFORMANCE MANAGEMENT SYSTEMS MANUAL

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Title	ENVIRONMENTAL AND SOCIAL PERFORMANCE MANAGEMENT SYSTEMS MANUAL (ESPM)	
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Confidentiality	Public	
Owner		
Review date	May 2023	
Frequency of review	After two years of operation, every two years subsequently	
Background	This manual provides a procedure of implementation of the FSD Africa Environmental, Social & Governance and Impact Policy for Grants and Risk Capital	
Related policies	<ul style="list-style-type: none"> • Articles of Association for FSD Africa; • Shareholders Agreement signed among FSD Africa, FSDAi and FCDO; • FSD Africa Financial Management Manual; • FSD Africa Investment Policy; • FSD Africa Equality, Diversity, and Inclusion (ED&I) Policy; • FSD Africa Procurement Policy; • FSD Africa Investment Policy and Guidelines; • FSD Africa Investment Committee Terms of Reference; • FSD Africa Enterprise Risk Management Framework; and • FSD Africa Development Impact Guidelines 	
Reviewers	CIO, COO	
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Approvers	CIO, COO	
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Responsibilities and authorisations	<ul style="list-style-type: none"> • Board of Directors • CEO • CIO, COO • Managers and Supervisors 	



	<ul style="list-style-type: none">• FSD Africa Employees
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LIST OF ABBREVIATIONS, ACRONYMS AND DEFINITIONS

CPs	Conditions Precedents
CPs	Conditions Subsequent
DD	Due Diligence
DDF	Due Diligence Facility
ED&I	Equality, Diversity, and Inclusion
ES	Environment & Social
ESG	Environmental, Social & Governance
ES&I	Environmental, Social (and Governance) and Impact
ESAP	Environmental and Social Action Plan
ESPM	Environmental and Social Performance Management System
FCDO	Foreign, Commonwealth and Development Office
FI	financial institution/intermediary
FSD Africa	Financial Sector Deepening Africa
FSDAi	FSD Africa Investments
FSD Africa Pillars	Divisions of FSD Africa (referred to as “Pillars”), namely: Capital Markets, Risk and Resilience, Digital Economy, Development Impact and FSDAi.
GLI	Gender Lens Investing
Grantees	Where grant funding is disbursed, the receiving institutions/organisations are referred to as grantees.
IC	Investment Committee
Impact	Impact refers to a strategic and intentional focus on driving change for beneficiaries (people, planet and markets) through core interventions that helps to solve societal challenges as set out in the FSD Africa Development Impact Guidelines and Theory of Change.
Intervention	An intervention is realized in the form of a “programme or a group of projects” implemented via grants, technical assistance, capacity building or an “investment” funded via risk capital.
Investees	The recipients of risk capital (investments) are referred to as investees.
LPs	Limited Partners
SSA	Sub-Saharan Africa
ToR	Terms of Reference
VfM	Value for Money



1. Introduction

Overview

Financial Sector Deepening Africa (FSD Africa) 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 mainly funded by UK Aid through the Foreign, Commonwealth and Development Office (FCDO).

FSD Africa seeks to ensure that aid funding is disbursed through the development of discrete interventions that promote the development of the financial sector within sub-Saharan Africa (SSA), whilst adhering to sound sustainable and responsible business practices.

Purpose, Scope and Applicability

This manual details the Environmental, Social (and Governance¹) and Impact² (ES&I) risk management approach that make up FSD Africa's Environmental and Social Performance Management System (ESPM), including the ES&I requirements and standards that FSD Africa and its grantees, investees and delivery partners are expected to adhere to. In addition, this manual guides the effective operationalization of FSD Africa's ESPM by setting out intentional measures for each stage of an intervention lifecycle, as follows:

- ES&I aspects to be addressed at each stage of intervention development and roll-out;
- ES&I roles and responsibilities that are key to driving the effective implementation of defined ES&I procedures and their desired outputs; and
- Key approvals, oversight, and performance management measures for FSD Africa, including necessary 'checks and balances' to ensure that a consistent approach is applied across the intervention lifecycle.

The ESPM applies to the entire FSD Africa which includes the following Pillars: Capital Markets, Risk and Resilience, Digital Economy, FSD Africa Investments (FSDAi), as well as operational support divisions including Strategic Communications and Engagement, Development Impact, Corporate Services, Human Resources and Talent Management, Finance, and the FSD Africa Board.

FSD Africa aid funding is disbursed via the following mechanisms as set out below:

- Non-returnable grants: These funds are channelled towards a public good, public sector capacity building, and knowledge transfer – e.g., facilitating FSD Africa network-wide activities, conferences, communications etc. Across all the pillars, non-returnable grants can be deployed as technical assistance aimed at improving the impact outcomes;

¹ 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 ESPM Manual does not include Corporate Governance (business integrity) considerations.

² "Impact" refers to a strategic and intentional focus on driving impact for stakeholders through core interventions that helps to solve societal challenges.

- 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. FSDAi 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 generation of a financial return.

Where grant funding is disbursed, the receiving institutions/organisations are referred to as “grantees”. For the purposes of the ESPM, the terms “risk capital” and “investments” are interchangeable, and the recipients of risk capital (investments) are referred to as “investees”.

As such, the ESPM Manual applies to all of FSD Africa’s grant funding and investment (risk capital) activities, including all existing and future intervention development, and seeks to prioritize simplicity and practicality in its execution. The level of application will be determined through a risk-based approach.

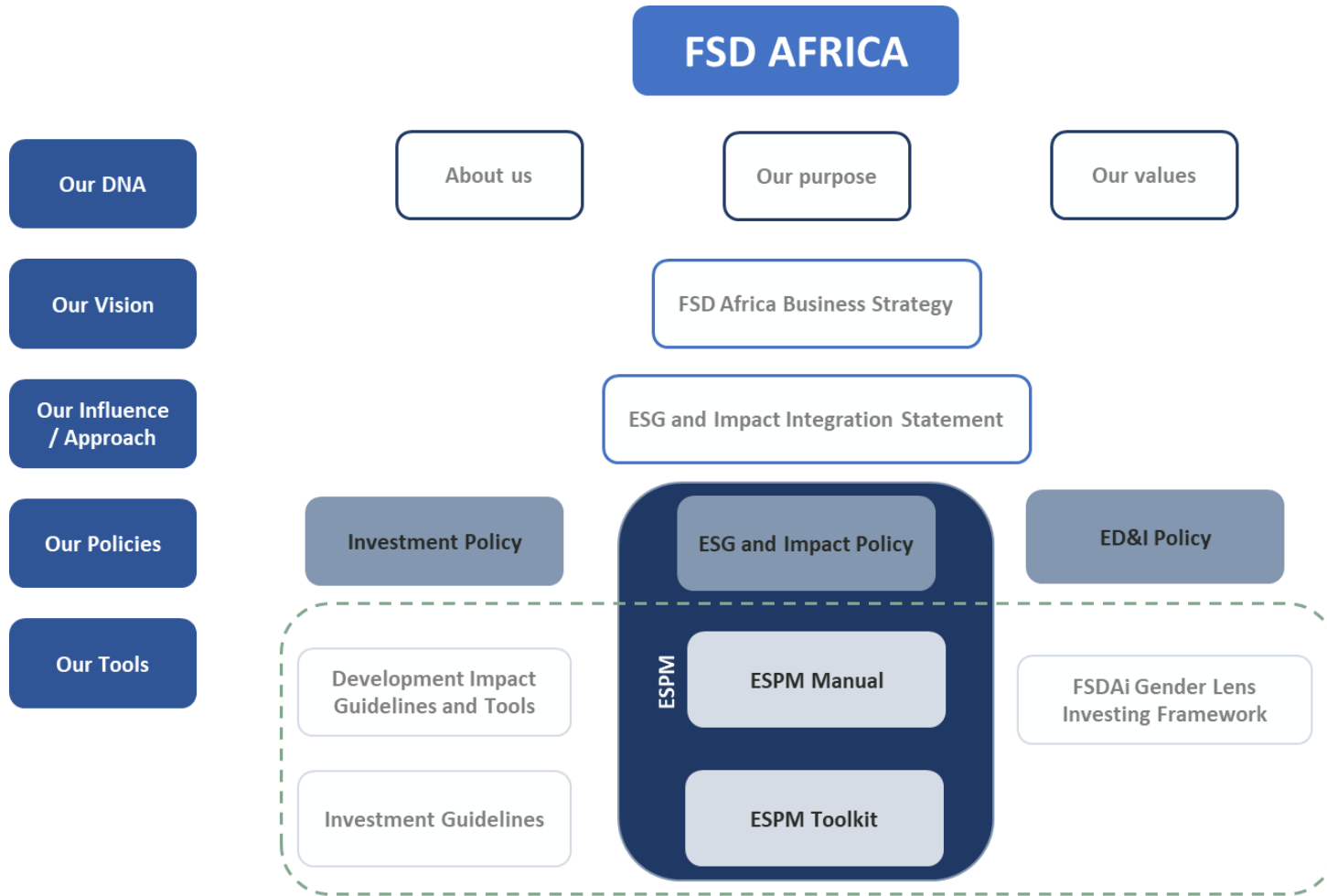
Structure of the ESPM

The ESPM is designed in alignment with the FSD Africa stated Purpose and Values as set out in the FSD Africa ESG and Impact Integration Statement, FSD Africa ESG and Impact Policy and overarching business strategy, as well as other existing FSD Africa policies, procedures and guidelines as listed below (non-exhaustive listing):

- Articles of Association for FSD Africa;
- Shareholders Agreement signed among FSD Africa, FSDAi and FCDO;
- FSD Africa Financial Management Manual;
- FSD Africa Investment Policy;
- FSD Africa Equality, Diversity, and Inclusion (ED&I) Policy;
- FSD Africa Procurement Policy;
- FSD Africa Investment Policy and Guidelines;
- FSD Africa Investment Committee Terms of Reference;
- FSD Africa Enterprise Risk Management Framework; and
- FSD Africa Development Impact Guidelines.

The integrated ESPM is comprised of the following key elements (see **Figure 1**):

- FSD Africa ESG and Impact Integration Statement;
- Policies which include the FSD Africa Investment Policy, FSD Africa ED&I Policy and the FSD Africa ESG and Impact Policy;
- An ESPM Manual;
- An ESPM Toolkit which provides additional support procedures and tools to the ESPM Manual;
- Development Impact Guidance and Tools, and Investment Guidelines; and
- A Gender Lens Investing (GLI) Framework (only applicable to the FSDAi Pillar).



----- Indicates integration of ES, Impact and Gender considerations



Figure 1: Overarching Structure of the ESPM

ESPM Manual

The ESPM Manual details the ES&I policies, procedures and tools that make up the integrated FSD Africa ESPM, to guide and govern the effective incorporation and management of ES&I considerations throughout FSD Africa’s intervention lifecycle and decision-making processes.

The system focuses on environment and social (ES) risk management as well as areas in which FSD Africa will look to intentionally drive, measure and report on positive impacts generated through its grant funding and investments (collectively referred to as “Impact”). FSD Africa’s ESPM Manual is comprised of the following components, which are described further below in the manual (see **Figure 2**).

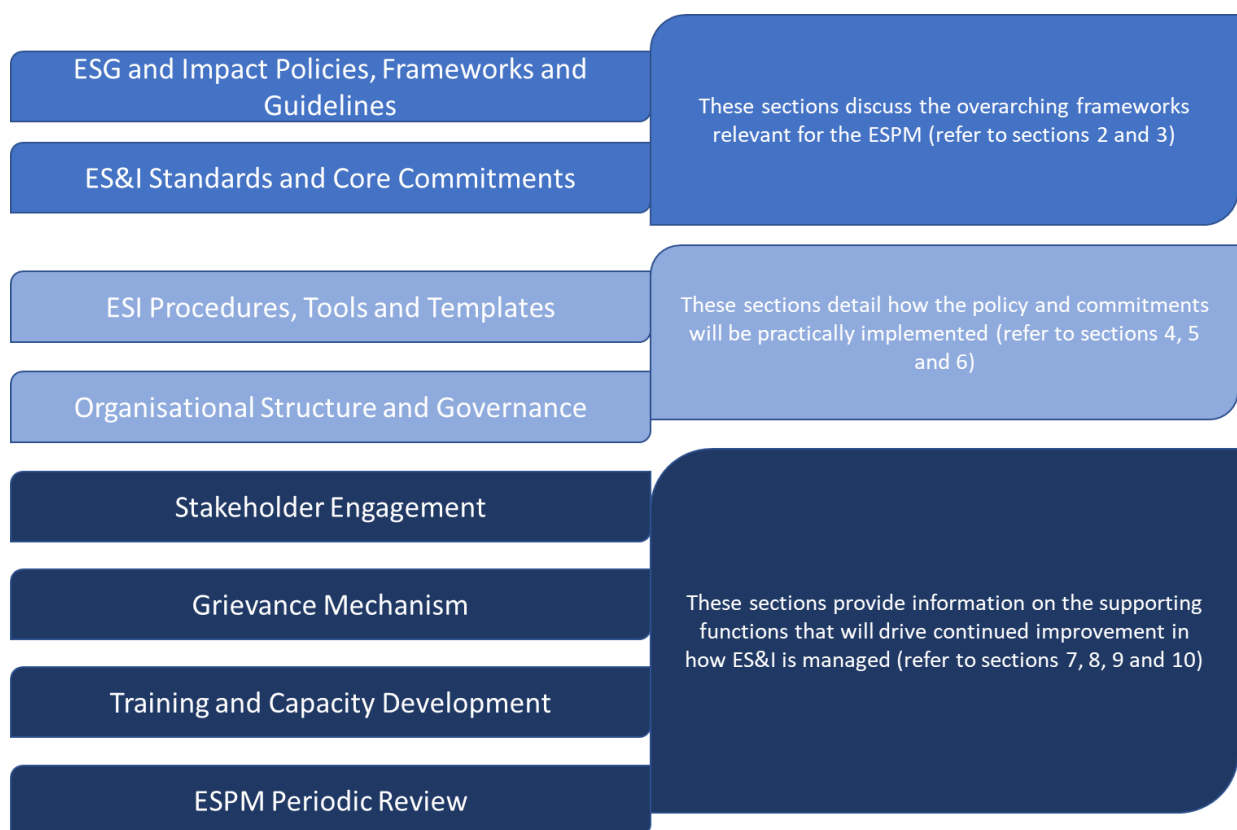


Figure 2: *Key Components of the ESPM Manual*



2. ESG and Impact Policies, Frameworks and Guidelines

FSD Africa Environmental, Social & Governance and Impact Policy

The [FSD Africa ESG and Impact Policy](#) details FSD Africa's core commitments and guiding principles with respect to ES&I considerations including 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 FSDAI's investment activities as well as the implementation of systems to effectively manage and enhance ES&I performance.

FSD Africa Investment Policy and Guidelines

The FSD Africa Investment Policy sets out instructions on the type of financial support that FSD Africa may apply to its interventions. The FSD Africa Investment Policy is complimented by the FSD Africa Investment Guidelines that set out the process to be followed when disbursing aid funding to grantees/investees through the development of discrete interventions that promote the development of the financial sector within SSA, whilst adhering to, or working towards, sound sustainable and responsible business practices. The FSD Africa Investment Guidelines main objective is to provide guidance on the overall process to be followed when identifying and evaluating intervention opportunities, managing drawdowns/disbursements, and monitoring intervention performance.

The FSD Africa Investment Guidelines set out the overall intervention approval process applicable to both grant-funded mechanisms and investments. The FSD Africa ESG and Impact Policy and associated ESPM complement the FSD Africa Investment Policy and Guidelines as they are designed to embed ES&I management considerations into each of the presented approval stages.

FSD Africa Equity, Diversity and Inclusion Policy

The FSD Africa Equity, Diversity and Inclusion (EDI) Policy sets out FSD Africa's commitment and approach to fostering, cultivating, and preserving a culture of EDI across the organisation. This includes embedding EDI initiatives and practices to the organisation's practices and policies on recruitment and selection, compensation and benefits, professional development and training, promotions, transfers, social and recreation programs, layoffs, terminations, and the ongoing development of a work environment built on the premise of gender diversity and equity. Of direct relevance to this policy is FSDAI's approach to Gender Lens Investment Framework (see Section 6 below).

FSD Africa Enterprise Risk Management Framework

The FSD Africa Enterprise Risk Management Framework sets out FSD Africa's approach to enterprise risk management (ERM) which is aligned to ISO 31000 principles and guidelines. ERM is defined as a structured and disciplined approach to the management of risk that considers the strategy, assets, liabilities, process, people, technology, and resources within the organisation with the purpose of continually evaluating and managing risks to strategies and objectives on an enterprise-wide basis. FSD Africa and its subsidiary FSDAI integrates ERM into all investment and grant funding processes and decision making through the application of fiduciary and governance (including business integrity) due diligence process.



FSD Africa Development Impact Guidelines

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 its interventions. These are articulated in the form of the FSD Africa Theory of Change. FSD Africa's approach to enhancing value and maximising impact in these strategic focus areas are outlined in the FSD Africa Development Impact Guidelines. Existing and potential achievement of FSD Africa's objectives within these areas form part of the decision-making criteria for new investments and grant funded projects. To facilitate this process FSD Africa has a standalone Development Impact Pillar comprising Impact specialists and support staff.

FSDAi Gender Lens Investing Framework

Gender Lens Investing (GLI) is an investment strategy that seeks to intentionally and measurably use investment capital to address gender disparities between women and men and to better inform investment decisions. It is the understanding of gender roles as a material factor of analysis that strengthens investment decision making. It is an approach that helps an investor highlight opportunities and illuminate risks to achieve better financial and social outcomes for all.

FSDAi has adopted a [GLI Framework](#) that applies a gender lens to the entire investment process (i.e., pre-screening, screening, due-diligence, post-approval), mitigating the risks of inadvertent biases and facilitating gender-smart investments, with disproportionate impacts on women founders, leaders, and consumers of high-impact products and services.

The objective of the GLI Framework is to provide a guidance to FSDAi by pinpointing specific gender lens targets, concrete activities and process adjustments across the investment process, to realize FSDAi's gender equality and women's economic empowerment goals, and specifically to accomplish three goals as listed below:

- To find and finance **women-owned investments**.
- To find and finance **women-led investments** by supporting gender diversity at the senior management and Board levels of our investees.
- To find and indirectly support businesses which are owned, led or founded by women, or that provide **decent work to women** and **expand opportunities for women entrepreneurs** by providing access to finance.

The GLI Framework builds on FSDAi's commitment to gender equality and women's economic empowerment, as a core business value linked to Sustainable Development Goal (SDG) 5, and the Pillar's internal gender inclusive culture.

With respect to gender diversity across the organisation, FSD Africa has implemented policies and practices that support equality and inclusion, including:

- An Equity, Diversity and Inclusion (EDI) Policy.
- Gender inclusive recruitment policies to ensure non-discrimination and equal opportunity in recruitment processes.
- Offering and supporting paid maternity leave which is in line with national regulations.
- Offering and supporting paid paternity leave which is above the minimum statutory regulations.



- An approach to fairly accommodate the work/life balance of both male and female employees through offering flexible working hours and remote working, and
- An approach to ensure an environment free of gender-based violence, harassment, and sexual exploitation through confidential grievance, resolution, and non-retaliation mechanisms as provided for in the Safeguarding Policy, Anti-Harassment and Violence Policy, Code of Conduct, Alternative Work Arrangements.



3. ES&I Standards and Core Commitments

FSD Africa's commitment to ES&I is guided by a host of applicable internationally and nationally accepted ES&I standards (referred to as the "Reference Framework"). All interventions are reviewed and evaluated against the Reference Framework prior to the allocation of either grant funding or risk capital and are expected to comply with these requirements over the intervention lifecycle. This ensures that ES&I considerations are integrated and managed in a consistent and robust manner across FSD Africa's intervention portfolio.

The Reference Framework can be found in the FSD Africa ESG and Impact Policy (refer to [The Policy](#)). FSD Africa will not enter into an intervention with a delivery partner, grantee or investee that, in its reasonable opinion, will not meet the minimum applicable ES&I requirements set out in the FSD Africa ESG and Impact Policy over the lifespan of the intervention. FSD Africa reserves the right to invoke other national laws and regulations as well as international standards, principles and/or guidelines as deemed appropriate.

To ensure that ES&I management forms an integral part of intervention development and decision-making processes across the organisation, FSD Africa is dedicated to the following core commitments as summarised from the FSD Africa ESG and Impact Policy:

- 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;
- Apply a gender intentional lens throughout the investment process as a gender intentional objective to creating Impact that enables the economic advancement and prosperity of women. Specifically, FSDAi is committed to:
 - Promoting gender-diverse leadership, investment portfolios, and team divisions within the FSDAi Pillar;
 - Applying a GLI Framework that embeds gender considerations in the decision-making of FSDAi Pillar, the Investment Committee (IC) and Development Impact Committee, to build a gender-diverse pipeline of women-led investments; and
 - Ensure FSDAi's operations as well as the operations of their delivery partners and investees do no harm to women in the community;
- Assign sufficient organizational capacity, capabilities, and competencies to ES&I across the organisation where applicable;
- Ensure that robust mechanisms are in place to address any breaches of the ES&I requirements between FSD Africa and its delivery partners, grantees and investees;
- 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 delivery partners, grantees, investees and associated stakeholders on ES&I issues;
- Gather appropriate disclosures and data relating to ES&I performance from delivery partners, grantees and investees;



- Drive continual ES&I improvements and progress at the organizational 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 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 the FSD Africa ESG and Impact 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 delivery partner, grantee and investee organizations are located and operate within.

To give effect to the above listed core commitments, FSD Africa has developed and implements an ESPM to ensure the consistent and robust application of ES&I across all grant funding and investment interventions. This ESPM Manual represents the framework document of the ESPM.



4. ES&I Integration into Grant Funding

Overview

FSD Africa integrates ES&I considerations throughout its grant funding lifecycle and decision-making processes through various ES&I activities, processes, tools and templates which help to identify and manage any ES&I-related risks and Impact associated with grant funded interventions.

The outputs of these ES&I activities feed into and inform the different outputs and decision gates as stipulated in the FSD Africa Investment Policy and associated Guidelines (i.e., Conceptualisation, Project Summary, Project Proposal, Post-disbursement etc.).

Grant funding capital is ringfenced within FSD Africa as a pool available to all FSD Africa Pillars for programme development (with the exception of the FSD Africa Investments Pillar). Grant funding may be disbursed by the Pillars mainly in milestone-based tranches depending on the needs of the programme and in exceptional cases as an upfront lump sum. All Grant funding capital must be issued in accordance with FCDO R-DEL requirements. All interventions need to be executed through the applicable Pillar working together with the FSD Africa Operations and Grants Manager and the FSD Africa Finance Department (who disburses the funds) amongst other support divisions within FSD Africa.

The FSD Africa Pillars predominately make use of non-financial tools in their grant funding programme and project design, i.e., such as technical assistance, market insight and advocacy. If a specific investment tool is required as part of a grant funded programme, the relevant FSD Africa Pillar works together with the FSD Africa Investments Pillar to unlock and disburse any risk capital funds required (refer to [Section 5](#) - ES&I Integration into Investment Process).

FSD Africa aid funding received from UK Aid through the FCDO is disbursed either as:

- Non-returnable grants: These funds are channelled towards a public good, public sector capacity building, and knowledge transfer – e.g., facilitating FSD Africa network-wide activities, conferences, communications etc; or
- 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. They must be repaid with a nominal interest rate.

FSD Africa Pillars are granted a large degree of flexibility in the manner in which they design their interventions; however, typically the following two approaches are used:

- Grant funds are issued to a partner (grantee) to execute discrete projects. The partner then in turn either conducts the agreed scope of work themselves or subcontracts their own set of external suppliers to do the work (referred to as delivery partners). The relevant FSD Africa Pillar in this scenario does not manage the day-to-day aspects of the project but does monitor the overall effectiveness and progress of the project and overall programme; or
- Grant Funds are used by the relevant FSD Africa Pillar to directly contract with an external supplier(s) (delivery partners) who execute the project on behalf of the programme). The project is conducted in collaboration with a partner (grantee). In this scenario the relevant FSD Africa Pillar



sources, engages, and manages the external supplier. In this type of project the relevant FSD Africa Pillar is the project manager and must manage the day-to-day aspects of the project.

For the purposes of this ESPM, where grant funding is disbursed by FSD Africa, the receiving institutions/organisations may be referred to as either “grantees” or “programme partners” interchangeably.

Figure 3 presents an overview of ES&I management activities that the FSD Africa Pillars undertake at the different stages of a grant funded project lifecycle. Each of the ES&I management activities are further explained in the following sections.

Development Impact Considerations

Central to FSD Africa’s strategy is the creation of positive Impact through its grant funded programmes. Impact investing is an approach that aims to contribute to the achievement of measured positive social and environmental impacts. In this regard, 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 grantees and delivery partners through its interventions. These are articulated in the form of the FSD Africa Theory of Change.

Further details relating to FSD Africa’s approach to enhancing value and maximising Impact in these areas through its grant funding activities are outlined in the FSD Africa Development Impact Guidelines. The existing and potential achievement of FSD Africa’s objectives within these areas forms part of the decision-making criteria for new grant funded programmes and projects. To facilitate this process FSD Africa has a standalone Development Impact Pillar as a cross-cutting function comprising Impact specialists that drive and support Impact integration across all the FSD Africa Pillars.

Grant Funding Tools

The following ES&I tools are applicable to the Grant Funding Process and are included as annexures to the ESPM Manual:

- FSD Africa Grant Funding ES Due Diligence Questionnaire (refer to [Annex A.1](#));
- FSD Africa Sample of Guiding ES&I Clauses for Grant Funding (refer to [Annex A.2](#));
- FSD Africa Impact Key Performance Indicator Library (refer to [Annex C.1](#));
- FSD Africa Impact Post Implementation Survey and Monitoring Tool (refer to [Annex C.2](#));
- FSD Africa Major Incident Reporting Template (refer to [Annex D.1](#)); and
- FSD Africa Grievance Mechanism (refer to [Annex D.2](#)).

Guidance Documents and Other Relevant Tools

The ES&I considerations embedded throughout the grant funding lifecycle and associated decision-making processes make reference to complimentary FSD Africa processes, procedures and guidance documentation where applicable as listed below:

- FSD Africa ESG and Impact Policy;
- FSD Africa Exclusion List (included as an annexure to the FSD Africa ESG and Impact Policy);
- FSD Africa Investment Policy and Guidelines;
- FSD Africa Development Impact Guidelines;



- FSD Africa Theory of Change; and
- FSD Africa Enterprise Risk Management Framework.

Tools and templates associated with the above guidelines and frameworks are cross-referenced where applicable within the ESPM Manual and include the following:

- FSD Africa Development Impact Screening Tool;
- FSD Africa Development Impact Measurement Plan Template;
- FSD Africa Risk Matrix Tool;
- FSD Africa Grant Funding Project Summary / Project Concept Template;
- FSD Africa Grant Funding Proposal Template;
- FSD Africa Grant Funding Agreement Template; and
- FSD Africa Quarterly Report Template (see Annex A of the Grant Agreement Template).

GRANT FUNDING ES&I RISK MANAGEMENT PROCESS

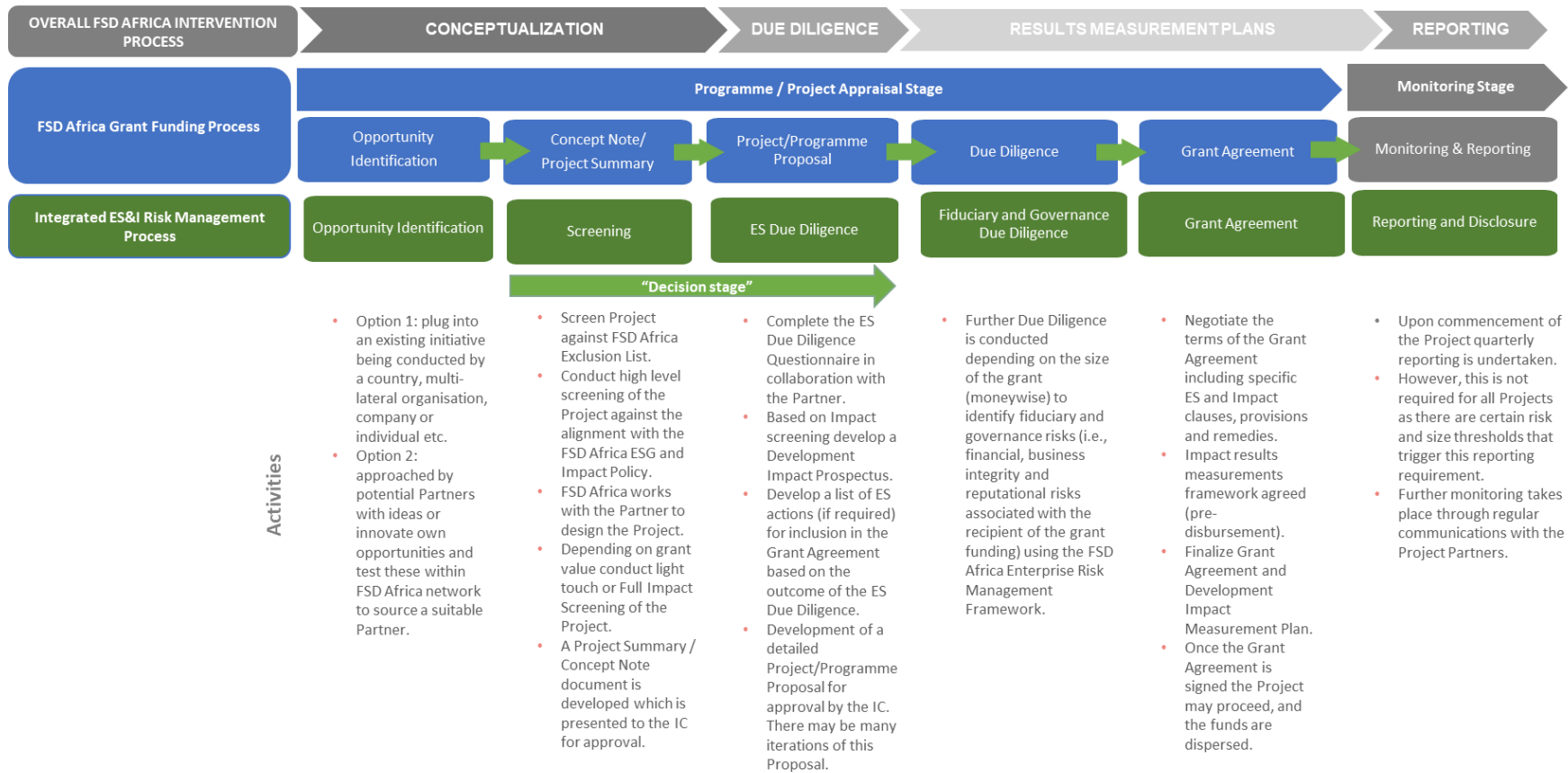


Figure 3: Integration of ES&I Management Activities at the Different Stages of the Grant Funding Lifecycle



Screening

Overview

At this early stage, the relevant FSD Africa Pillar initiates a rapid screening of any grant funded project activities to assess and verify that no prohibited/excluded activities are triggered, as stipulated in the FSD Africa Exclusion List and that there are no clear misalignments with the project with FSD Africa's guiding principles as set out in Section 4 of the FSD Africa ESG and Impact Policy.

The findings of the screening process are to be included in the Project Summary / Project Concept documentation developed by the relevant FSD Africa Pillar in the form of a summary paragraph which provides a definitive statement that no exclusionary criteria has been identified and that broad alignment with the guiding principles in the FSD Africa ESG and Impact Policy is in place.

In instances where a listed exclusionary criteria is triggered the proposed project may not proceed. Furthermore, if non-alignments with the guiding principles as set out in the FSD Africa ESG and Impact Policy are identified these should be noted down and should be further investigated as part of the ES Due Diligence phase of the grant funding lifecycle.

Impact Screening Considerations

During the screening phase (referred to as the conceptualization phase in the FSD Africa Development Impact Guidelines), the FSD Africa Development Impact Team will review potential grant funded projects to investigate at a high level the extent to which the intervention aligns with or is expected to contribute to FSD Africa's Theory of Change.

Grant funding interventions above £250,000 running for more than 18 months that are not due diligence or research initiatives threshold are subject to a "Full Impact Screening" to assess the expected impact of the intervention and determine the likelihood of the programme/project generating sufficient Impact. Where it is deemed necessary, interventions between £150,000 and £250,000 may also undergo Full Impact Screening. Interventions of less than £150,000 are defined as "small" initiatives and are assessed for Impact potential using a lighter-touch approach. The Impact screening activities are conducted by the FSD Africa Development Impact Pillar according to the methodology as set out in the FSD Africa Development Impact Guidelines. The screening is conducted using the FSD Africa Development Impact Screening Tool.

SCREENING OUTPUT

The outputs of the FSD Africa ESG and Impact Policy and Exclusionary List screening activities are summarised in the Project Summary / Project Concept documentation developed by the relevant FSD Africa Pillar.

The outcome of the Impact screening process is communicated to the relevant FSD Africa Pillar for inclusion into the Project Summary / Project Concept documentation.

The Project Summary / Project Concept document is presented to the IC for approval.



Responsible Person(s)	<ul style="list-style-type: none">• FSD Africa Pillar Professional(s)• Development Impact Manager(s)
ESPM Tools & Templates	<ul style="list-style-type: none">• FSD Africa Development Impact Screening Tool• FSD Africa Grant Funding Project Summary / Project Concept Template



ES Due Diligence

Overview

The ES due diligence of a prospective grant funded project is to be performed internally by the relevant FSD Africa Pillar lead in collaboration with the project partner using the Grant Funding ES Due Diligence Questionnaire (refer to [Annex A.1](#)). The objective of the ES due diligence phase is to interrogate the following:

- Re-confirm that the project does not trigger any exclusionary activities as listed in the FSD Africa Exclusion List;
- Assess the extent to which ES risk and opportunity criteria has been considered in the project design;
- Assess the ES risk management systems associated with the grantee (project partner); and
- Develop recommended avoidance or mitigation measures for any ES risks and opportunities to be included as actions for inclusion into the grant agreement to be addressed throughout the lifespan of the grant funding lifecycle.

Impact Due Diligence Considerations

For investments that triggered a full impact screening process, a Development Impact Prospectus is prepared by the FSD Africa Development Impact Team.

DUE DILIGENCE OUTPUT

The completed ES due diligence questionnaire is included in the Project Proposal documentation as an annexure. A summary of the ES due diligence findings are to be included in the main body of the Project Proposal in the ESG risks section.

The Project Proposal including the Development Impact Prospectus is assessed by the IC who either rejects or approves the proposed grant funded project.

Responsible Person(s)	<ul style="list-style-type: none"> • FSD Africa Pillar Project Lead(s) • Development Impact Manager(s)
ESPM Tools & Templates	<ul style="list-style-type: none"> • FSD Africa Grant Funding ES Due Diligence Questionnaire (refer to Annex A.1) • FSD Africa Grant Funding Proposal Template

Fiduciary and Governance Due Diligence

Overview

Upon completion and approval of the Project Proposal further due diligence is conducted to identify fiduciary, operational and governance (business integrity) risks associated with the grantee according to the process as set out in the FSD Africa Enterprise Risk Management Framework using the FSD Africa Risk Matrix Tool. The due diligence is divided into four main areas in line with FCDO criteria, namely:

- **Government and Internal Control:**
 - Governance;
 - Fraud, bribery, corruption and money laundering;
 - Internal controls;
 - Risk management; and
 - Ethics.
- **Ability to Deliver:**
 - Past performance;
 - Staff capacity;
 - Staff capability; and
 - Programme management.
- **Financial Stability:**
 - Financial viability;
 - Financial management;
 - External and internal audits;
 - Value for money; and
 - Policies, procedures & systems.
- **Downstream Delivery:**
 - Due diligence: governance, ability to deliver & financial stability;
 - Delivery chain management;
 - Management framework / contracts;
 - Monitoring and management; and
 - Fraud, bribery, corruption and money-laundering.

The due diligence process is conducted either internally or externally based on the monetary value of the grant funding provided:

- **Small grant (up to £100,000):** the FSD Africa Risk Management team conducts the due diligence internally;
- **Medium grant (£100,001- £199,999)** – the FSD Africa Risk Management Team conducts the due diligence, but may be outsourced, if necessary, e.g., where internal capacity is not available; and
- **Large grant (£200,000 and above)** – due diligence is conducted externally.

DUE DILIGENCE OUTPUT

The completed FSD Africa Risk Matrix is included in the Project Proposal documentation as an annexure. A summary of the risk findings are to be included in the main body of the Project Proposal.

Responsible Person(s)	<ul style="list-style-type: none"> • FSD Africa Pillar Project Lead(s) • FSD Africa Risk Management Team • External Consultant(s)
ESPM Tools & Templates	<ul style="list-style-type: none"> • FSD Africa Risk Matrix Tool • FSD Africa Grant Funding Proposal Template



Grant Agreement

Overview

During the contractual structuring and approval stage, FSD Africa will define the ES&I conditions to be included in the grant agreement. This entails incorporating ES&I requirements (including conditions to disbursement, undertakings, and remedies), to assure that its grantees comply with the FSD Africa ESG and Impact Policy, requirements, and expectations. The intention is to:

- Ensure agreement, alignment and understanding between all parties on the FSD Africa ES&I requirements, including any specific ES actions stemming from the ES due diligence process conducted (if any);
- Mitigate the risk of conflict between FSD Africa and the grantees around expectations of ES&I management and performance and reporting post-disbursement(s) of funding;
- Ensure that grantees have adequate, or will look to allocate, financial and technical resources to comply with the terms in the grant agreement.
- Enhance FSD Africa's leverage and oversight of the grantees, post-disbursement(s).

These provisions may include the following:

- Conditions Prescient (CPs): Conditions which, in the opinion of FSD Africa, need to be completed prior to any disbursements occurring. These recommendations would typically relate to significant misalignment of the project against the guiding principles as set out in Section 4 of the FSD Africa ESG and Impact Policy; and
- Management Actions (or Conditions Subsequent): Conditions that need to be completed in agreed timeframes throughout the grant funding lifecycle. These would typically include general ES&I provisions aligned with FSD Africa ESG and Impact Policy and mitigation actions for any ES non-alignments and/or risks identified during the ES Due diligence process, but which are not material flaws or CPs. In addition, these conditions will include those actions related to Impact aspects and monitoring and reporting requirements.

FSD Africa's grant agreements will be guided and include any relevant clauses deemed appropriate from the FSD Africa Guiding ES&I Clauses for Grant Funding (refer to [Annex A.2](#)).

Impact Considerations

FSD Africa will work together with grantee management to identify and obtain alignment on any specific Impact creation requirements including specific activities that need to be carried out (both in terms of business activities, as well as monitoring and reporting) in order to drive the intended Impact more effectively. The chosen requirements will draw from any Development Impact Prospectus documents developed (where applicable) and the suite of Impact indicators/metrics embedded in the FSD Africa Impact Key Performance Indicator Library (refer to [Annex C.1](#)).

Once the Impact indicators have been chosen, targets will be developed which are set out in the form of a Development Impact Measurement Plan. These shall be informed by determining what is feasible for the specific grant funded project, given its size, contextual factors etc.



Once agreed upon, Impact reporting requirements / additional action items will be set and incorporated into the grant agreement to set upfront expectations and provide FSD Africa with remedies, should the grantee not adhere to set expectations.

GRANT AGREEMENT OUTPUT	
<p>The output of the structuring and approval phase is the completion and finalization of the grant agreement, which is inclusive of the Development Impact Measurement Plan and all ES&I related clauses.</p>	
<p>Responsible Person(s)</p>	<ul style="list-style-type: none"> FSD Africa Pillar Project Lead(s) Development Impact Manager(s) Investment Committee
<p>ESPM Tools & Templates</p>	<ul style="list-style-type: none"> FSD Africa Sample of Guiding ES&I Clauses for Grant Funding (refer to Annex A.2) FSD Africa Impact Key Performance Indicator Library (refer to Annex C.1) FSD Africa Development Impact Measurement Plan Template FSD Africa Grant Funding Agreement Template

Reporting and Disclosure

Overview

The reporting and disclosure requirements are stipulated in the Grant Agreement Template (refer to the “Reporting and Disclosure” clause). Upon commencement of the project quarterly reporting is required on behalf of the grantee; however, impact reporting is not required for all projects as there are certain risk and size thresholds that trigger this reporting requirement as follows:

- Interventions that are below £150,000 and run for less than 18 months are required to report on impact upon completion.

The quarterly grant report is required to follow the stipulated reporting structure as outlined in Annex A of the Grant Agreement Template. The relevant FSD Africa Pillar in charge of the project is required to input specific ES risk monitoring questions into the reporting template under the “Project Risk Monitoring” section. These will include any specific ES actions stemming from the ES due diligence process conducted (if any) over and above the already stipulated safeguarding clauses in the Grant Agreement Template.

Further reporting requirements applicable to a grantee include:

- **Exception Reporting:** Should challenges develop that threaten successful implementation of the project, the grantee is obligated to report challenges and provide timely updates to FSD Africa on progress to resolve those issues. Included under this reporting category is incident reporting in respect of grantee and project delivery partner personal (see below for further details);
- **Project Milestones:** The Grantee will develop and report on achieved milestones quarterly against the Results Framework; and
- **Financial Report:** The Grantee will provide quarterly project expenditure reports for the immediate preceding quarter, using the Grantee Financial Reporting Template contained in the Grant Agreement.

Further monitoring of the project may take place on an ad hoc fashion by the relevant FSD Africa Pillar through regular communications with the grantees.

Incident Reporting

All grantees are required to report any major/significant unplanned ES or risk-related events or incidents that could materially impact on their operations and/or ability to deliver on the objectives of the grant funded project. For example, fatalities, serious injuries, fires, incidents of bribery or money laundering, labour strikes, financial irregularities etc.

In the event of a major incident/accident/event occurring, grantee management must use the FSD Africa Major Incident Reporting Template (refer to [Annex D.1](#)) to report incidents, as soon as possible but no later than two (2) days after its occurrence, detailing what happened, what investigation has taken place and what actions have been taken to remedy the situation. This ensures that the relevant FSD Africa Pillar is informed in a consistent manner of any incidents occurring within its grant funded portfolio. FSD Africa will review the information provided and confirm whether the incident has been dealt with in accordance with FSD Africa’s ES standards, framework, and policies.



Only for incidents that expose FSD Africa and its investor to significant risk exposures (i.e., substantial financial or reputational risks), FSD Africa will undertake its own incident investigation (either internally or through appointment of an external specialist) to determine the extent of the impact to FSD Africa, the grantee, and FSD Africa's investor(s) and to determine the best course of action to adopt in order to avoid or minimise such risks.

Impact Monitoring and Reporting

From an Impact perspective, established Impact indicators/metrics will be monitored on a quarterly basis using the FSD Africa Development Impact Platform (DIMIS). Grantees will be required to provide qualitative and quantitative data against the agreed Impact ES indicators/metrics periodically to measure progress made. The frequency of the Impact monitoring and reporting is dependent on the type of data being collected from the grantee and the level to which the types of metrics change over time (i.e., quarterly versus annually). Commonly, performance against these indicators will be reported quarterly to FSD Africa. The FSD Africa Development Impact Pillar will produce quarterly progress reports and value for money (VfM) which rates progress against key results milestones (RAG rating).

The monitoring of specific Impact interventions may be supplemented by surveys (where possible) submitted to grantees for completion at strategic intervals, as well as deep-dive periodic evaluations and at project termination. The FSD Africa Impact Post Implementation Survey and Monitoring Tool (refer to [Annex C.2](#)) will be used to measure the impact indicators/metrics that have been achieved at the end of the intervention..

Impact monitoring is the responsibility of the FSD Africa Development Impact Pillar and will be conducted using the guidance set out in the FSD Africa Development Impact Guidelines. Following monitoring of select qualitative and quantitative Impact indicators/metrics that pertain to the material focus areas, FSD Africa will assess, interrogate and report on Impacts achieved and opportunities yielded across all of its grantees. The report will shed light on the Impact profiles of the grantees and will help to inform FSD Africa on how to better assess and drive ongoing Impact performance of the grantee portfolio overall managed by the FSD Africa Pillars. Impact reporting is conducted by the Development Impact Pillar in the form of an annually released FSD Africa Impact Report.

Exercise of Remedies

Instances whereby FSD Africa identifies that a grantee fails to comply with set ES&I requirements, FSD Africa (and where applicable FSD Africa Development Impact Pillar) will work with the grantee to bring it back to compliance; provided, that (i) the non-compliance is capable of cure, (ii) the grantee continues diligently to pursue such cure, and (iii) there are no material adverse effects on FSD Africa or its investor(s).

Otherwise, FSD Africa will (i) assert and enforce such available remedies as it reasonably determines to be appropriate in the circumstances, in order to ensure compliance; or (ii) use all reasonable efforts to exit the investment or terminate its financing, in each case, consistent with its fiduciary obligation to FSD Africa and its investor.

MONITORING AND REPORTING OUTPUT

The outputs of the ES and Impact monitoring and reporting activities as described above will be saved for each grant funded project and may be used to inform the update of the FSD Africa Risk Matrix Template, the Standard Project Review Document. In addition, the monitoring and reporting findings may be used to feed into the Mid-term and Annual Project Reviews and overall Results Management Framework.

Responsible Person(s)	<ul style="list-style-type: none"> • FSD Africa Pillar Project Lead(s) • Development Impact Manager(s) • External Consultants (incident reporting investigations only)
ESPM Tools & Templates	<ul style="list-style-type: none"> • FSD Africa Impact Post Implementation Survey and Monitoring Tool (refer to Annex C.2) • FSD Africa Major Incident Reporting Template (refer to Annex D.1) • FSD Africa Quarterly Report Template (see Annex A of the Grant Agreement Template)

5. ES&I Integration into Investment Process

Overview

The FSDAi Pillar integrates ES&I considerations throughout its investment lifecycle and decision-making processes through various ES&I activities, processes, tools and templates which help to identify and manage any ES&I-related risks and Impact associated with prospective investments. The outputs of these ES&I activities feed into and inform the different outputs as stipulated in the FSD Africa Investment Policy and associated guidelines (i.e., Pre-screening Paper, Screening Paper, Investment Proposal etc.).

FSDAi invests both directly and indirectly (i.e., directly to an operating entity versus indirectly to a financial intermediary). As such, the ES risks associated with these two lending approaches differ and therefore, require distinct methodologies to be followed to adequately mitigate the inherent and emerging ES risk profiles associated with the different investment strategies.

Figure 4 presents an overview of ES&I management activities that FSDAi undertakes at the different stages of an investment lifecycle. Each of the ES&I management activities are further explained in the following sections.

Development Impact Considerations

Central to FSDAi's strategy is the creation of positive Impact through its investments. Impact investing is an approach that aims to contribute to the achievement of measured positive social and environmental impacts. FSDAi is committed to mobilizing capital into investments that target measurable positive social, economic, or environmental impact alongside financial returns. In this regard, 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 delivery partners and investees through its interventions. These are articulated in the form of the FSD Africa Theory of Change.

Further details relating to FSD Africa's approach to enhancing value and maximising Impact in these areas through FSDAi investment activities are outlined in the FSD Africa Development Impact Guidelines. The existing and potential achievement of FSD Africa's objectives within these areas forms part of the decision-making criteria for new investments. To facilitate this process FSD Africa has a standalone Development Impact Pillar as a cross-cutting function comprising Impact specialists that drive and support Impact integration at the FSDAi Pillar.

Gender Lens Investing Considerations

As part of the GLI Framework, a key primary focus is to apply a gender lens throughout the investment process and to catalyze economic gains and empowerment for women and girls. Specifically, the framework demonstrates FSDAi's commitment to:

- Promoting gender-diverse leadership, investment and portfolio management teams internally within the investment firm and within the portfolio companies.
- Channelling more capital to women-led investments.
- Promoting gender-smart deals in origination or embedding gender-smart considerations in FSDAi's decision-making, in order to build a gender-diverse pipeline of women-led direct and

indirect investment into institutions providing financial support to companies that offer products and services that disproportionately impact women and girls.

- Refining our investment process to be gender smart.
- Strengthening our commitment to 2X Global by adopting the 2X Challenge Criteria (refer to **Figure 5**) in the development and implementation of this GLI Framework. To this end, FSDAi will analyse investment opportunities that address women as:
 - **Entrepreneurs** - In order to expand opportunities for women entrepreneurs/founder teams and partners, by providing access to finance and promote women entrepreneurs/founder teams and partners as role models
 - **Leaders** - In order to promote the benefits of corporate diversity and promote women business leaders as role models.
 - **Employees** - In order to improve women’s access to quality work opportunities and support women’s career advancement and development.
 - **Consumers** - In order to provide women access to products and services that address critical barriers to their economic participation and success.
 - **Via Financial Intermediaries** - In order to expand opportunities for women entrepreneurs by providing access to finance and indirectly supporting businesses which are owned, led or founded by women, or that provide decent work to women.

Recognizing that “gender lens investing” has various definitions, FSDAi defines “gender lens investing” to mean “*deliberately promoting gender equality through our investments*”. Specifically, FSDAi is committed to supporting 2X Challenge-aligned businesses (defined below), as a core, though not exclusive, focus of funding for high-impact investments.

Investment Tools

The following ES&I tools are applicable to the Investment Process and are included as annexures to the ESPM Manual:

- FSDAi GLI Pre-Screening Tool (refer to [Annex B.1](#));
- FSDAi ES&I Screening Tool (refer to [Annex B.2](#));
- FSDAi GLI Screening Tool with Investment memo instructions (refer to [Annex B.3](#));
- FSDAi Final ES Investment Proposal Summary Template (refer to [Annex B.4](#));
- FSDAi Self-Assessment ES Due Diligence and Safeguarding Questionnaire (refer to [Annex B.5.1 and B.5.2](#));
- FSDAi ES Due Diligence Terms of Reference (refer to [Annex B.6](#));
- FSDAi ES Action Plan Template and Guidance (refer to [Annex B.7](#));
- FSDAi 2X-Aligned Baseline Self-Assessment Survey (refer to [Annex B.8.1](#));
- FSDAi Identifying Gender Based Risks During Due Diligence (refer to [Annex B.8.2](#));
- FSDAi Sample of Guiding ES&I Clauses (refer to [Annex B.9](#));
- FSDAi GLI Commitment Letter (refer to [Annex B.10.1](#));
- Gender Action Plan Template (refer to [Annex B.10.2](#));
- FSDAi ES Monitoring Questionnaire (refer to [Annex B.11.1 & 11.2](#));
- FSDAi Investment Portfolio ESAP Tracker (refer to [Annex B.12](#));
- FSDAi Annual ESG and Safeguarding Report Template (refer to [Annex B.13](#));
- FSDAi ES&I Exit Due Diligence Toolkit (refer to [Annex B.14](#));



- FSDAi Gender Smart Exit Assessment Report Tool (refer to [Annex B.15](#));
- FSD Africa Impact Key Performance Indicator Library (refer to [Annex C.1](#));
- FSD Africa Impact Post Implementation Survey and Monitoring Tool (refer to [Annex C.2](#));
- FSD Africa Major Incident Reporting Template (refer to [Annex D.1](#)); and
- FSD Africa Grievance Mechanism (refer to [Annex D.2](#)).

Guidance Documents and Other Relevant Tools

The ES&I considerations embedded throughout the investment lifecycle and associated decision-making processes make reference to complimentary FSD Africa processes, procedures and guidance documentation where applicable as listed below:

- [FSD Africa ESG and Impact Policy](#);
- FSD Africa Exclusion List (included as an annexure to the FSD Africa ESG and Impact Policy);
- FSD Africa Investment Policy and Guidelines;
- FSD Africa Development Impact Guidelines;
- FSD Africa Theory of Change;
- FSD Africa Results Management Framework;
- FSD Africa Enterprise Risk Management Framework; and
- [FSDAi Africa Gender Lens Investing \(GLI\) Framework](#).

Tools and templates associated with the above guidelines and frameworks are cross-referenced where applicable within the ESPM Manual and include the following:

- FSDAi Pre-Screening Paper Template;
- FSDAi Screening Paper Template;
- FSD Africa Development Impact Screening Tool;
- FSDAi Investment Proposal Template;
- FSD Africa Risk Matrix Tool;
- FSD Africa Development Impact Measurement Plan Template;
- FSDAi Standard Project Review Template;
- FSDAi Investment Portfolio Quarterly Reporting Template; and
- FSDAi Project Completion Report Template.

RISK CAPITAL (INVESTMENT) ES&I RISK MANAGEMENT PROCESS

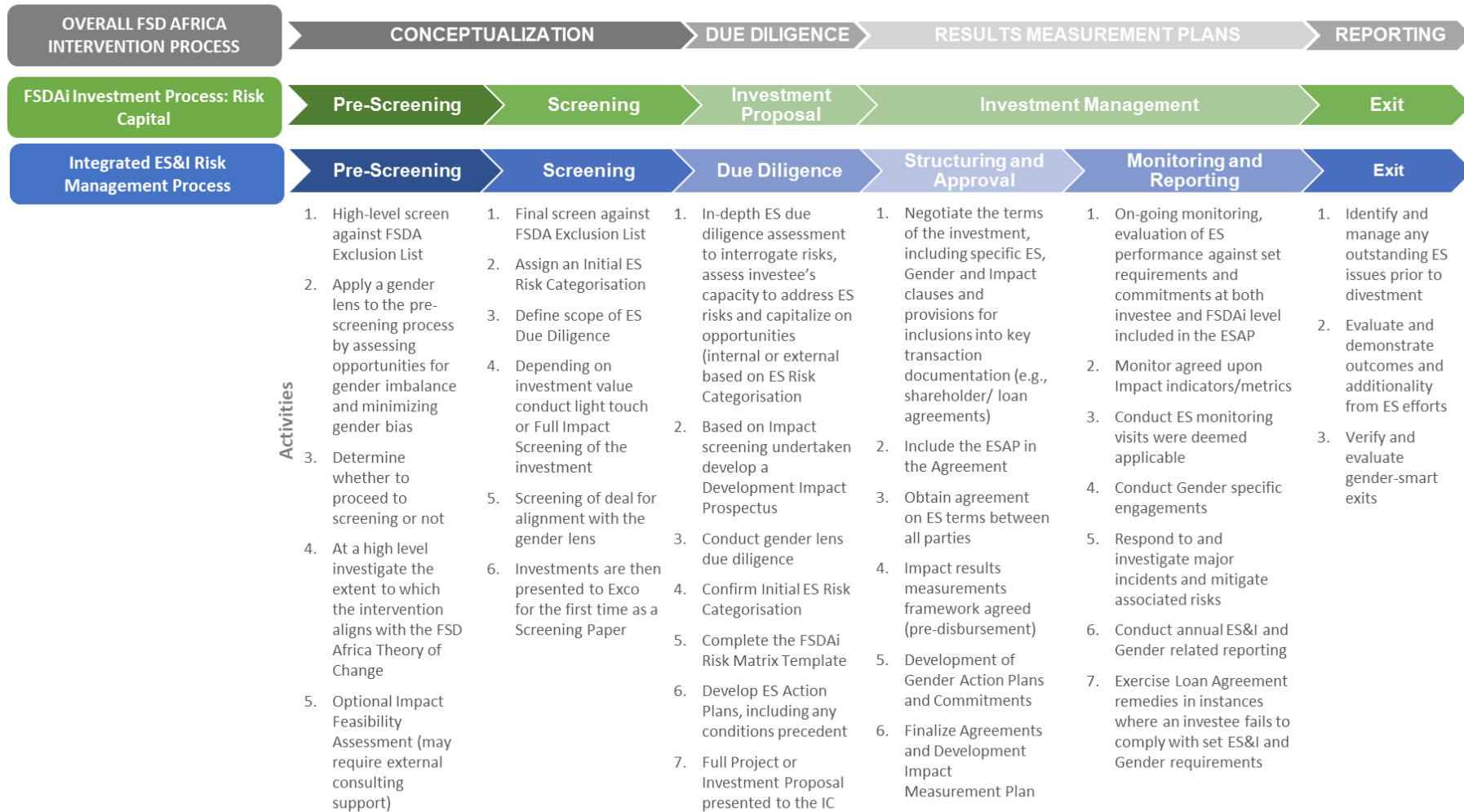




Figure 4: *Integration of ES&I and GLI Management Activities at the Different Stages of the Investment Lifecycle*

			Threshold
Direct Criteria	1	Entrepreneurship	1A. Share of women ownership 51%
			OR
			1B. Business founded by a woman Y/N
	2	Leadership	2A. Share of women in senior management 30%
OR			
		2B. Share of women on the Board or IC 30%	
Indirect	3	Employment	3A. Share of women in the workforce 30 - 50%*
			AND
			3B. One “quality” indicator beyond compliance Y/N
	4	Consumption	4. Product or service specifically or disproportionately benefits women Y/N
AND			
5	Investments through Financial Intermediaries (FIs)	5A. <i>On-Lending facilities</i> : Percent of the Investor/FI loan proceeds or percent of FI’s portfolio supporting businesses that meet direct criteria 30%	
		OR	
		5B. <i>Funds</i> : Percent of portfolio companies that meet the direct criteria 30%	

*sector-specific thresholds



Figure 5: 2X Challenge Criteria



Pre-Screening

Overview

At this early stage, FSDAi initiates rapid pre-screening of any prospective investment against the list of prohibited/excluded activities as stipulated in the FSD Africa Exclusion List. The output of the pre-screening exercise is a binary “yes” or “no” answer to be included in the Pre-Screening Paper.

Impact Pre-Screening Considerations

During the pre-screening phase (referred to as the conceptualization phase in the FSD Africa Development Impact Guidelines), the FSD Africa Development Impact Team will review potential investments to investigate at a high level the extent to which the intervention aligns with or is expected to contribute to FSD Africa’s Theory of Change.

At the pre-screening phase, the Development Impact Team will determine the extent of Impact screening required as stipulated in the FSD Africa Development Impact Guidelines read in conjunction with the FSD Africa Investment Guidelines which sets out the requirements for any pre-feasibility studies executed through the DDF.

GLI Pre-Screening Considerations

FSDAi recognizes and is committed to seeking alignment with the investment criteria³ during pre-screening. Applying a gender lens to the pre-screening process will include conducting a high-level screen against 2X-challenge criteria to assess whether there are any indications of promoting gender equality and women economic empowerment (refer to [Annex B.1](#)).

Additionally, FSDAi has access to the following resources contained in the GLI Framework that are helpful in minimising gender biases from pre-screening stage:

- A list of Accelerators and other Organisations that support women entrepreneurs (refer to GLI Framework Annex); and
- Gender Lens Network Assessment Tool to Assess Gender Biases in their Networks (refer to GLI Framework Annex).

PRE-SCREENING OUTPUT

The findings of the pre-screening phase feed into the Pre-screening Paper (which sets out the investment size, financial instrument type, ES&I and business integrity risk profile, and strategic fit) and are designed to complement the intervention suitability assessment against the Investment Criteria as required by the FSD Africa Investment Policy and Guidelines.

Responsible Person(s)	<ul style="list-style-type: none"> • Investment Professional(s)
ESPM Tools & Templates	<ul style="list-style-type: none"> • FSDAi Pre-Screening Paper Template

³ Investor criteria include innovation, scale, sustainability, need and capacity to deliver. Investor criteria includes evaluating potential investment financial performance and strategic risk.

Screening

Overview

At the screening stage, FSDAi will determine, at a high level, the ES risk and Impact profile of the prospective investment. This involves reviewing available prospective investment and ES information, in conjunction with the FSDAi ES Screening Tool (refer to [Annex B.2](#)), to:

- Identify high-level sector-specific and/or investment-specific ES risks and impacts which will require further interrogation during the due diligence phase;
- Identify high-level ES Impact and gender opportunities aligned with FSDAi's ambitions and investment mandate (which will require further interrogation during the due diligence phase);
- Assign an initial ES Risk Classification (e.g., Category A, B, C or Category FI-1, FI-2 or FI-3) in accordance with the FSDAi's risk categorization system (see the section below); and
- Define the scope of the ES due diligence (DD) including the necessary allocation of resources (monetary and personnel) using the Due Diligence Facility (DDF) as described in the FSD Africa Investment Guidelines.

The key outputs of the screening phase are captured in the Output tab of the FSDAi ES Screening Tool (refer to [Annex B.2](#)). This outlines the key ES&I findings obtained during screening (e.g., material ES risks identified, potential Impact creation and gender opportunities, etc.) to supplement financial information.

FSDAi ES Risk Categorisation System

Key contributing factors considered when assigning an ES risk categorisation includes the type of investments ('direct' to an operating asset/project/business vs 'indirect' to a financial institution/intermediary (FI)), size and duration of the investment, sectorial and geographical exposure, and sensitivity and the magnitude of potential E&S risks and impacts, including direct, indirect, induced, and cumulative impacts.

Prospective direct investments will be categorized as either high, medium, or low respectively (as defined in the IFC's Policy on Environmental and Social Sustainability), according to the level of exposure to potentially adverse ES risks and impacts, as follows:

- **High (Category A):** Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.
- **Medium (Category B):** Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.
- **Low (Category C):** Business activities with minimal or no adverse environmental or social risks and/or impacts.

When providing financing to financial intermediaries/institutions, the FI's existing systems and ability to manage risks and impacts through these systems and resources is a key contributing factor to the

level of risk exposure associated with the financing. This includes ES risk management policies, procedures, tools and reporting mechanisms.

Based on the IFC Interpretation Note guidelines applicable to FIs, each prospective investment will be categorized by FSDAi at screening according to the following definitions:

<p>Category FI-1 – Financial Institution: When an FI’s existing or proposed portfolio includes or is expected to include substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented. “Substantial financial exposure” could be triggered if:</p>	<ul style="list-style-type: none"> • The FI has a defined investment mandate to pursue risk Category A and/or FI-1 investments; or • The FI has a defined investment mandate but lacks specific reference to ES risk categories, but with existing Category A and/or FI-1 investment(s) or a high likelihood to undertake such investments during their lifetimes; and a minimum of two (2) Category A or FI-1 investments during their lifetimes; or • The FI has the mandate to pursue up to risk Category B or FI-2 investments that are subject to high contextual risks. This can be based on a judgement by the FSDAi specialist(s).
<p>Category FI-2– Financial Institution: When an FI’s existing or proposed portfolio is comprised of or is expected to be comprised of, business activities that have potentially limited adverse environmental or social risks/impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes very limited number of business activities with potential significant adverse environmental or social risks/impacts that are diverse, irreversible, or unprecedented. A Category FI-2 could be triggered if:</p>	<ul style="list-style-type: none"> • The FI has a defined investment mandate to pursue up to risk Category B and/or FI-2 Investments; or • The FI has a defined investment mandate that lacks specific reference to ES risk categories, but with existing risk Category B and/or FI-2 investment(s) or a high likelihood to undertake such investments during their lifetimes; or • The FI has a mandate to pursue up to risk Category B and/or FI-2 Investments that are subject to medium or high contextual risks. This can be based on a judgement by the FSDAi specialist(s).
<p>Category FI-3 – Financial Institution: When an FI’s existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts. A Category FI-3 could be triggered if:</p>	<ul style="list-style-type: none"> • The FI has a defined investment mandate to pursue only risk category C and/or FI-3 investments; or • The FI has a defined investment mandate that lacks specific reference to ES risk categories, but with solely existing and/or planned risk Category C and/or FI-3 investment(s), and a high likelihood that no Category A, B, FI-1 or FI-2 will be undertaken

	<p>during their lifetimes, and no or a maximum two (2) Category B or FI-2 investments; and</p> <ul style="list-style-type: none"> • The FI has existing and/or potential investment(s) subject to low or absent contextual risks. This can be based on a judgement by the FSDAi specialist(s).
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The ES risk categorisation will be used to further determine the scope of due diligence necessary for the investment as follows:

- **Category A/FI-1 Investment:** ES due diligence performed by an externally appointed specialist ('external').
- **Category B/FI-2 Investment:** ES due diligence performed by the competent and qualified internal resources unless in instances of limited in-house capacity, expertise and/or specialist areas requiring further interrogation through the appointment of an externally appointed specialist.
- **Category C/FI-3:** Desktop ES due diligence performed by competent and qualified internal resource.

Note: An initial ES risk categorisation assigned during screening may be revised later in the investment process as more information becomes available. Therefore, a cautious approach should be taken so as not to underestimate the time and resources that may be needed for the ES due diligence process.

Impact Screening Considerations

Investments above £250,000 running for more than 18 months that are not due diligence or research initiatives threshold are subject to a "Full Impact Screening" to assess the expected impact of the intervention and determine the likelihood of the investment generating sufficient Impact. Where it is deemed necessary, interventions between £150,000 and £250,000 may also undergo Full Impact Screening. Investments of less than £150,000 are defined as "small" initiatives and are assessed for Impact potential using a lighter-touch approach. The Impact screening activities are conducted by the FSD Africa Development Impact Pillar according to the methodology as set out in the FSD Africa Development Impact Guidelines. The screening is conducted using the Development Impact Screening Tool.

GLI Screening Considerations

Applying a gender lens to the screening process will include the screening of deals to see if there is a negative or positive alignment with the 2X-Challenge Criteria.

FSDAi will screen investment opportunities using the FSDAi GLI Framework Screening Tool (refer to [Annex B.3](#)) looking for alignment with the 2X Challenge criteria as well as gender intentionality. Gender intentionality shall be measured through the gender commitment, strategy, policy, community engagement and collection of gender disaggregated data.

SCREENING OUTPUT

The output from the FSDAi ES&I Screening Tool, Gender Lens Screening Tool and Impact Screening activities inform the development of the Screening Paper for submission to the Executive Committee (EXCO) for their review and approval. The EXCO will deliberate on these findings as summarised in the Screening Paper to support their decision as to whether to proceed to the next stage of the investment process (i.e., due diligence) and / or the necessary resources to be allocated.

All approved screening papers will proceed to due-diligence covered by a DDF which will include funds to conduct the suite of necessary due diligence assessments which include overall investment risks (ES, financial, legal, business integrity and Know Your Customer).

Responsible Person(s)	<ul style="list-style-type: none"> • Investment Professionals • ES Resources • Development Impact Managers • Executive Committee
ESPM Tools & Templates	<ul style="list-style-type: none"> • FSDAi ES&I Screening Tool (refer to Annex B.2) • FSD Africa Development Impact Screening Tool • FSDAi Screening Paper Template
Gender Lens Investing Framework Tools & Checklists	<ul style="list-style-type: none"> • FSDAi GLI Screening Tool (refer to Annex B.3)

Due Diligence

Overview

The ES due diligence of prospective investments shall either be performed internally by FSDAi or by an external provider, depending on the level of ES risks and opportunities associated with the prospective investment (linked to the risk categorisation). Irrespective of whether internal or external ES due diligence is performed, the following will be interrogated:

- Material ES risks associated with the prospective investment;
- Compliance and performance against FSDAi's ES&I standards and requirements (as stipulated in the FSD Africa ESG and Impact Policy);
- Confirm and / or amend the initial ES risk categorisation that was assigned during screening; and
- Develop an ES Action Plan (ESAP) comprising of recommended avoidance or mitigation measures for any ES risks and opportunities identified, with associated corrective actions to address these, including any Conditions Precedents (CPs)⁴ and Conditions Subsequent (CS) to be addressed throughout the lifespan of the investment.

ES due diligence findings will be summarised into the Final ES Investment Proposal Summary (refer to [Annex B.4](#)) as part of the broader investment documents. This will provide decision-makers with key ES information, including the ESAP and associated costings, to facilitate improved decision making and planning for the next stage of the investment process.

Considerations for Direct Investments

Due diligence assessment will be commensurate to inherent risks associated with the sector and geography of the target investment business as identified during the Pre-Screening and Screening processes conducted (see above). The due diligence will focus on the management systems in place designed to manage ES risk as well as the ES technical capacity present. Furthermore, the due diligence should focus on compliance against the local regulations as well as the applicable international standards that FSDAi has committed to as stipulated in the FSD Africa ESG and Impact Policy. This includes identifying potential ES related reputational risks as well as assessing the target investments social licence to operate.

Considerations for Indirect Investments

Key considerations during the due diligence of FIs is the ES risk profile associated with the FI's existing portfolio, the implementation capacity (i.e., resources) and status of ES policies, systems, and procedures (e.g., ESMS) in place, as required by IFC PS 1⁵ and IFC PS Interpretation Note of Financial Intermediaries⁶.

This seeks to identify where the FI and FSDAi could be exposed to risks and define requirements for managing these risks. Key ES requirements to assess for FIs (indirect investments) include the following:

- FIs are required to develop and operate an ESMS that is commensurate with the level of E&S risks in its portfolio, and prospective business activities. The ESMS should incorporate relevant principles as stipulated in the IFC Interpretation Note on Financial Intermediaries.

⁴ Pre-investment conditions which, in the opinion of FSDAi, and following discussion with the IC, need to be completed prior to any investment becoming effective. These recommendations would typically relate to significant contraventions of the FSD Africa ESG and Impact Policy or ESPM.

⁵ [IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts \(2012\)](#)

⁶ [IFC Interpretation Note on Financial Intermediaries](#)

- FIs are required to apply relevant aspects of IFC PS 2 to their work force.
- FIs will apply the FSD Africa Exclusion List and follow relevant national laws.
- FIs with portfolio and/or prospective business activities that present moderate ES risks (FI-2) will require the higher risk business activities they support to apply relevant requirements of the IFC Performance Standards 3 to 8.
- FIs will implement risk-based ES performance monitoring processes, including major incident reporting.
- FIs will assign ES responsibilities to a representative of senior management and/or board member to take accountability for the FI's overall ES management as well as allocate appropriate resources for the implementation of the ESMS (human and financial resources).
- FIs will develop and maintain a grievance redress mechanism that allows affected and concerned stakeholders to raise complaints or grievances related to investments of FI.

Internal E&S Due Diligence

For lower-risk investments (i.e., Category C or FI-3) or in certain medium risk cases (Category B or FI-2), the investment team will use the FSDAi Self-Assessment ES Due Diligence and Safeguarding Questionnaires (refer to [Annex B.5.1](#) & [Annex B.5.2](#)) to facilitate a desktop review of all the prospective investment information. This comprises ES self-assessment questionnaires to be completed by the investee, relevant to either a direct investment or an indirect investment, to guide the assessment of the prospective investment's performance against FSDAi ES requirements. The questionnaire supports the development of the ESAP (including any CPs if necessary) and guides the type of information to be presented at the Final IC. In addition, the output of the due diligence will confirm the initial ES risk categorisation assigned during Screening.

External E&S Due Diligence

For higher risk investments (Category A and FI-1), FSDAi will commission an independent party through the DDF to conduct the assessment and prepare an ES due diligence report and ESAP, through an FSDAi ES Due Diligence Terms of Reference (ToR) (refer to [Annex B.6](#)).

The ToR is populated on a case-by-case basis by FSDAi and invites relevant consultancy firms to tender for the engagement. The ToR specifies the scope of the ES due diligence, including specific requirements for assessing an operating asset (i.e., Category B) versus a financial institution (i.e., Category FI-2) prospective investment and provides a prescribed reporting template to be used. FSDAi will review the proposals received and choose a knowledgeable ES specialist with experience working in the target sector / sub-sector and applicable ES and industry-specific regulations and standards.

ES Action Plan

When the ES due diligence identifies gaps or areas of non-conformance, an ESAP will be developed by the assessors (i.e., internal FSDAi personnel and / or external specialist) in the format stipulated in the FSDAi ES Action Plan Template and Guidance (refer to [Annex B.7](#)). The ESAP contains recommended corrective actions and associated costs and timings and responsible parties for each gap / risk item identified. The ESAP is inputted into the Final ES Investment Proposal Summary Template (refer to [Annex B.4](#)).

The ESAP forms an important part of the ES management process, as it provides a breakdown of the actions that an investee is expected to address to comply with FSDAi's ES requirements and should be agreed upon by all parties during pre-investment approvals and incorporated into legal agreements.



It is also an important tool for tracking on-going ES compliance and performance of the investment, post-investment.

The ESAP is considered a live document that evolves throughout the investment lifecycle in response to any new or existing ES risk exposures and thereby requires continual FSDAi oversight and updates from the investee.

Impact Due Diligence Considerations

For investments that triggered a full impact screening process, a Development Impact Prospectus is prepared by the FSD Africa Development Impact Team.

GLI Due Diligence Considerations

Conducting due diligence with a gender lens will involve gathering gender-related data and information from the prospective investment opportunity using a self assessment questionnaire and survey embedded within the FSDAi GLI Framework Gender Due Diligence Toolkit (refer to [Annex B.8](#)) which includes the following tools:

- 2X-Aligned Baseline Self Assessment Questionnaire (refer to [Annex B.8.1](#)).
- Identifying Gender Based Risks During Due Diligence Survey (refer to [Annex B.8.2](#)) – so as to mitigate the risks of inadvertent bias in the prospective investment

Similar to the ES DD findings, the Gender DD findings will also be summarised into the Final ES Investment Proposal Summary, as part of the broader investment documents, building on the Investment Memo instructions developed during the screening stage.

The data from the self-assessment is further analysed to determine whether the prospective investment opportunity is 2X-Aligned and if there are business performance opportunities or risks that can be addressed through the Suggested Actions available to FSDAi and captured in the Questionnaire

DUE DILIGENCE OUTPUT

Depending on the type of due diligence conducted (i.e., internal versus external), the findings from either the externally prepared ES due diligence report or the completed self-assessment ES due diligence and safeguarding questionnaire are consolidated into the Final ES Investment Proposal Summary Template which in turn informs the development of the FSDAi Investment Proposal. Additionally, the findings of the ES due diligence assessment will be used to inform the baseline FSDAi Risk Matrix Template. Likewise, the Development Impact Prospectus developed by the FSD Africa Development Impact Pillar is included in the Investment Proposal as well as the output of the GLI due diligence process.

The Investment Proposal including the Development Impact Prospectus is assessed by the IC who either rejects the proposed investment or recommends the investment for approval by the FSDAi Board.

Responsible Person(s)

- Investment Professionals
- ES Resources
- Development Impact Analysts

	<ul style="list-style-type: none"> • External Specialists/Consultants (where applicable)
<p>ESPM Tools & Templates</p>	<ul style="list-style-type: none"> • FSDAi Final ES Investment Proposal Summary Template (refer to Annex B.4) • FSDAi Self-Assessment ES Due Diligence and Safeguarding Questionnaire (refer to Annex B.5.1 and B.5.2) • FSDAi ES Due Diligence Terms of Reference (refer to Annex B.6) • FSDAi ES Action Plan Template and Guidance (refer to Annex B.7) • FSDAi Investment Proposal Template
<p>Gender Lens Investing Framework Tools and Checklists</p>	<ul style="list-style-type: none"> • FSDAi 2X-Aligned Baseline Self Assessment Questionnaire and Suggested Actions (refer to Annex B.8.1). • FSDAi Identifying Gender Based Risks During Due Diligence Survey (refer to Annex B.8.2)



Fiduciary and Governance Due Diligence

Upon completion and approval of the Investment Proposal further due diligence is conducted to identify fiduciary, operational and governance (business integrity) risks associated with the investee according to the process as set out in the FSD Africa Enterprise Risk Management Framework using the FSD Africa Risk Matrix Tool. The due diligence is divided into four main areas in line with FCDO criteria, namely:

- Government and Internal Control:
 - Governance;
 - Fraud, bribery, corruption and money laundering;
 - Internal controls;
 - Risk management; and
 - Ethics.
- Ability to Deliver:
 - Past performance;
 - Staff capacity;
 - Staff capability; and
 - Programme management.
- Financial Stability:
 - Financial viability;
 - Financial management;
 - External and internal audits;
 - Value for money; and
 - Policies, procedures & systems.
- Downstream Delivery:
 - Due diligence: governance, ability to deliver & financial stability;
 - Delivery chain management;
 - Management framework / contracts;
 - Monitoring and management; and
 - Fraud, bribery, corruption and money-laundering.

DUE DILIGENCE OUTPUT

The completed FSD Africa Risk Matrix is included in the Investment Proposal documentation as an annexure. A summary of the risk findings are to be included in the main body of the Investment Proposal.

Responsible Person(s)	<ul style="list-style-type: none"> • Investment Professionals • ES Resources • FSD Africa Risk Management Team • External Consultant(s)
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- FSDAi Investment Proposal Template
- FSD Africa Risk Matrix Tool



Structuring and Approval

Overview

During the deal structuring and approval stage, FSDAi will define the ES&I conditions for the investment. This entails incorporating into its legal / investment agreements customary rights, ES&I requirements, and remedies (including conditions to disbursement, undertakings, and remedies), to assure that its investees comply with the FSD Africa ESG and Impact Policy, requirements, and expectations. The intention is to:

- Ensure agreement, alignment and understanding between all parties on the FSDAi ES&I requirements, including any ESAPs developed, etc.
- Mitigate the risk of conflict between FSDAi and the investees around expectations of ES&I management and performance and reporting post-investment.
- Ensure that investees have adequate, or will look to allocate, financial and technical resources to comply with the terms in the legal agreements.
- Enhance FSDAi's influence, leverage and oversight of the investees, post-investment.

These provisions may include the following:

- CPs: Pre-investment conditions which, in the opinion of FSDAi, need to be completed prior to any investment occurring. These recommendations would typically relate to significant non-compliances against FSDAi's ES&I requirements, national legislation and/or the policies of our investors; and
- Management Actions (or CSs): Conditions that need to be completed in agreed timeframes post-investment. These would typically include general ES&I provisions aligned with FSD Africa ESG and Impact Policy and mitigation actions for any ES risks identified during the ES Due diligence process, but which are not material flaws or CPs. In addition, the conditions will include those actions related to Impact aspects. The timeframes, budgets, resources and actions required must be agreed to between FSDAi and investee management as part of the legal agreements, prior to any investment occurring.

All of FSDAi's legal agreements with investments will be guided and include the relevant clauses from the FSDAi Sample of Guiding ES&I Clauses (refer to [Annex B.9](#)).

Impact Considerations

FSDAi will work together with investee management to identify and obtain alignment on investment specific Impact creation requirements including specific activities that need to be carried out (both in terms of business activities, as well as monitoring and reporting) in order to drive the intended Impact more effectively. The chosen requirements will draw from any Development Impact Prospectus documents developed (where applicable) and the suite of Impact indicators/metrics embedded in the FSDAi Impact Key Performance Indicator Library (refer to [Annex C.1](#)).

Once the Impact indicators have been chosen, targets will be developed which are set out in the form of a Development Impact Measurement Plan. These shall be informed by determining what is feasible for the specific investment, given its size, direct versus indirect, growth prospects, contextual factors, etc. Baseline results obtained during the development of the Development Impact Prospectus will be used to inform the targets that are set.



Once agreed upon, Impact reporting requirements / additional action items will be set and incorporated into the investment legal agreement to set upfront expectations and provide FSDAi with remedies, should the investee not adhere to set expectations.

Gender Considerations

The deal structure of a gender-smart investment is first and foremost influenced by the capital requirements of the pipeline investment. FSDAi has a range of financing options available, including debt, equity and quasi-equity financial instruments to accommodate the capital needs of the pipeline investment. The type of investment instrument, and the way it is structured, can influence the types of gender outcomes that FSDAi and the potential portfolio company would like to see achieved over the investment period.

During deal structuring and approval, the investment terms are negotiated, including gender commitments by the pipeline investment. To effectively structure and approve deals with a gender lens, FSDAi will utilise the following tools that shall be included as a clause in legal documents where applicable: GLI Framework Structuring and Approval Tools - Commitment letter which can also be reflected in the legal agreements as clauses or CSs (refer to [Annex B.10.1](#)) and Gender Action Plan Template (refer to [Annex B.10.2](#)).

STRUCTURING & APPROVAL OUTPUT

The output of the structuring and approval phase is the completion and finalization of the transaction agreements, which is inclusive of the Development Impact Measurement Plan, all ES&I related clauses and GLI investment requirements.

Responsible Person(s)	<ul style="list-style-type: none"> • Investment Professionals • ES Resources • Development Impact Analysts • Investment Committee
ESPM Tools & Templates	<ul style="list-style-type: none"> • FSDAi ES Action Plan Template and Guidance (refer to Annex B.7) • FSDAi Sample of Guiding ES&I Clauses (refer to Annex B.9) • FSD Africa Impact Key Performance Indicator Library (refer to Annex C.1) • FSD Africa Development Impact Measurement Plan Template
Gender Lens Investing Framework Tools	<ul style="list-style-type: none"> • FSDAi GLI Commitment Letter (refer to Annex B.10.1) • FSDAi Gender Action Plan Template (refer to Annex B.10.2)

Monitoring and Reporting

Overview

During the post-investment approval stage, FSDAi will implement various monitoring, management, and reporting mechanisms to assess, measure and evaluate the on-going ES&I performance pertaining to any investment activity and in turn, determine the FSDAi's ES&I performance levels (see **Figure 6**). The level and nature of ES&I monitoring, and reporting applied to each investment is determined on a case-by-case basis and is proportionate to the associated ES risk exposure and their Impact potential and is set out in the investment agreement.

Some of the key activities that have been identified for FSDAi to engage in as part of the monitoring and reporting stage include:

- Ongoing monitoring, evaluation, and reporting of ES&I performance against set requirements and commitments at both investee and FSDAi levels;
- Driving ES&I performance and improvements through selected interventions and engagements; and
- Responding to and investigating major incidents and mitigate against the associated risks.

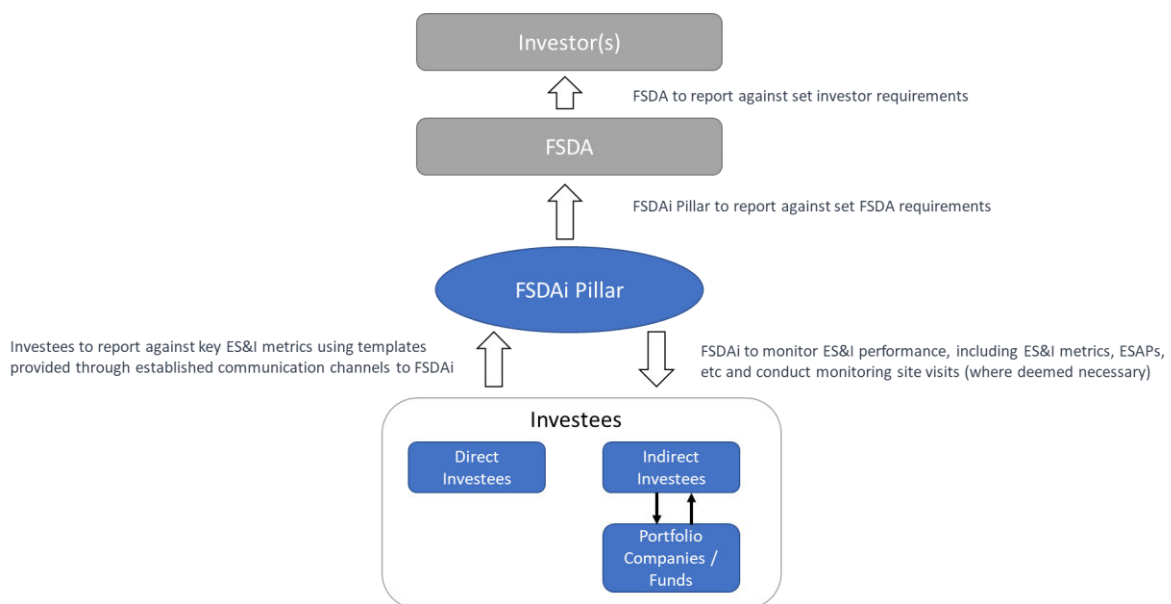


Figure 6: FSDAi Multi-layer ES&I Monitoring and Reporting

Under certain circumstances, FSDAi may seek to further increase its monitoring and reporting requirements applicable to its investees in the event that any new ES risk exposures surface during the investment lifecycle period. In such cases, FSDAi will proactively adapt the different types of ES and risk management monitoring and reporting processes and tools it currently applies to suit the emergent ES needs of its investees.



The different types of ES and risk management monitoring and reporting processes and tools used by FSDAi are outlined below:

ES Performance Monitoring

FSDAi will conduct ES performance monitoring and reporting activities as part of its broader risk management requirements through the use of an FSDAi ES Monitoring Questionnaire (refer to [Annex B.11.1 & B11.2](#)). The suite of ES performance indicators will be selected according to investment specific ES objectives and associated interventions established during the due diligence and structuring and approval stages. The frequency of monitoring will be set out in the investment agreement (i.e., annual, bi-annual, quarterly as the case may be).

ESAP Monitoring

To ensure that investees are maintaining ongoing compliance with its ES requirements, FSDAi will monitor the implementation of the ESAP.

As part of this process, FSDAi will input each investee ESAP into the FSDAi Investment Portfolio ESAP Tracker (refer to [Annex B.12](#)) to support the ongoing portfolio-wide monitoring of investees' progress against set ESAP action items. FSDAi will use the data provided by each investee using the FSDAi ES Monitoring Questionnaire (refer to [Annex B.11.1 & B11.2](#)) to update the ESAP tracker. The ESAP tracker will allow for flagging overdue action items, challenges faced, etc. and providing feedback to the FSDAi management team and other stakeholders.

Note: an ESAP is a live document that evolves throughout the investment lifecycle in response to any new or existing ES risk exposures, and therefore requires continual FSDAi oversight and updates.

ES Monitoring Site Visits

Where deemed necessary or applicable, FSDAi may conduct periodic ES monitoring site visits to select investees to review their ES performance. Site visits should be undertaken to a selection of high and medium-risk investments (Categories A, B, FI-1, or FI-2) on an annual basis at a minimum, and occasional visits to lower-risk investments (Category C or FI-3).

Over and above any specific areas of concern for FSDAi, the general purpose of the monitoring site visit is to:

- Verify the investee ES practices, systems and resourcing and identify any areas of strength and weaknesses, etc.;
- Evaluate progress against outstanding ESAP items and possible barriers to completion;
- Assess progress on existing ES related interventions, including areas for additional support and / or additional interventions;
- Define recommendations for improving ES performance, focusing on adherence to key ES commitments and set focus areas; and
- Raise awareness around ES aspects, why it is important and emphasis on FSDAi's expectations.

Joint site visits between the FSDAi and FSD Africa Development Impact teams may be organized to investees to increase organizational efficiencies and lessen the monitoring burden on the individual investees.



FSDAi will record any material findings, including any new ES risk exposures or opportunities identified, and recommended actions that are agreed in the existing investees ESAPs. In addition, all relevant FSDAi personnel will be informed of the findings upon their return to the office.

Impact Monitoring

From an Impact perspective, established Impact indicators/metrics will be monitored on a quarterly basis using the FSD Africa Impact Post Implementation Survey and Monitoring Tool (refer to [Annex C.2](#)). Investees will be required to provide qualitative and quantitative data against the agreed Impact ES indicators/metrics periodically to measure progress made. The frequency of the Impact monitoring and reporting is dependent on the type of data being collected from the investee and the level to which the types of metrics change over time (i.e., monthly versus quarterly versus annually). Commonly, performance against these indicators will be reported quarterly to FSDAi. The FSD Africa Development Impact Pillar will produce quarterly progress reports and value for money (VfM) which rates progress against key results milestones (RAG rating).

Data collected by FSDAi, including targets, will be aggregated for all core metrics, while investee-level metrics can be aggregated in cases where these are consistent across different investees.

The monitoring of specific Impact interventions may be supplemented by surveys submitted to investees for completion at strategic intervals, as well as deep-dive periodic evaluations and at the exit.

Impact monitoring is the responsibility of the FSD Africa Development Impact Pillar and will be conducted using the guidance set out in the FSD Africa Development Impact Guidelines.

GLI Specific Monitoring and Engagement Activities

During the post-investment stage, FSDAi shall support their portfolio companies' leadership in monitoring of the gender indicators agreed upon during the structuring and approval stages. The portfolio company shall have provided baseline data using the 2X Aligned Self-Assessment Survey during due diligence (See [Annex B.8.1](#)). FSDAi will compile this information into developing a Gender Action Plan (GAP), comprising: proposed actions, associated activities, owners, prioritization, resources requirements, targets, monitoring system, timeframes, impact and commercial indicators. To ensure that investees are maintaining ongoing compliance with the Suggested Gender Actions, FSDAi will monitor the implementation of the GAP as frequently as required.

FSDAi will leverage their resources, including the accelerators and networks of mentors as included in the FSDAi Organisations and Accelerators that Promote Women Entrepreneurs in Africa (refer to the standalone FSDAi GLI Framework) and match investees with available support services when funding allows.

On an annual basis all eligible investees will be required to update the 2X-Aligned Baseline Self-Assessment Survey (see [Annex B.8.1](#)), the outcomes of which will feed into the ongoing Gender Action Plans for follow-up by FSDAi. FSDAi will evaluate the responses and conduct follow up activities such as phone calls or via email to further understand any responses provided or clarify the information provided.



ES&I Reporting

ES&I data collected from the above mentioned monitoring processes enable FSDAi to drive and support ES&I performance of its investees through results-based management. In addition, it allows FSDAi to disseminate ES&I performance information to internal and external stakeholders, thereby demonstrating FSDAi's activities and efforts.

There are three ES&I reporting activities, namely:

- Impact Indicators/Metrics Quarterly Reporting (conducted by the FSD Africa Development Impact Pillar) using the Development Impact Results Measurement Framework;
- Annual ES Reporting; and
- Incident Reporting.

Information gathered from the abovementioned reporting activities will be shared with investment teams and other stakeholders (e.g., IC, FSD Africa Board, investor(s,) etc.) and will be used to alert FSD Africa/FSDAi management of key ES&I issues across its investees that may require attention or further interrogation; as well as those areas where positive outcomes are being achieved - which could also warrant further resources or focus.

Impact Indicator/Metrics Reporting

Following monitoring of select qualitative and quantitative Impact indicators/metrics that pertain to the material focus areas, FSD Africa will assess, interrogate and report on Impacts achieved and opportunities yielded across all of FSDAi's investees. The report will shed light on the Impact profiles of the investees and will help to inform FSD Africa on how to better assess and drive ongoing Impact performance of the investment portfolio overall managed by the FSDAi Pillar. Impact reporting is conducted by the Development Impact Pillar in the form of an annually released FSD Africa Impact Report.

Annual ES Reporting

FSDAi seeks to keep its investors and other relevant stakeholders informed on the ES performance of its investees and overall investment portfolio. In order to do so, FSDAi will produce an Annual ESG and Safeguarding Report Template (refer to [Annex B.13](#)) for distribution to relevant parties. This report aims to showcase the work that has been done on ESG related aspects as well as how the entire FSDAi investment portfolio is performing from an ES perspective. Notably, the report content and structure will evolve year-on-year and at this current stage, it will primarily focus on how the FSD Africa ESG and Impact Policy and ESPM has been implemented, how FSDAi has managed their own ES performance aspects against priority areas, and it will highlight both the positive and negative impacts and outcomes across FSDAi's lifetime and investment lifecycle.

Incident Reporting

All investees are required to report any major/significant unplanned ES or risk-related events or incidents that could materially impact on their operations and/or performance to FSDAi. For example, fatalities, serious injuries, fires, incidents of bribery or money laundering, labour strikes, financial irregularities etc. This requirement is applicable to both direct and indirect investments. In the case of indirect investments FSDAi should be provided with the FI's incident log to be reviewed as part of the investment monitoring process.



In the event of a major incident/accident/event occurring, investee management or responsible person in respect of a direct investment must use the FSD Africa Major Incident Reporting Template (refer to [Annex D.1](#)) to report incidents, as soon as possible but no later than two (2) days after its occurrence, detailing what happened, what investigation has taken place and what actions have been taken to remedy the situation. This ensures that FSDAi is informed in a consistent manner of any incidents occurring within its investment portfolio. FSDAi will review the information provided and confirm whether the incident has been dealt with in accordance with FSDAi’s ES standards, framework, and policies.

Only for incidents that expose FSDAi and its investor(s) to significant risk exposures (i.e., substantial financial or reputational risks), FSDAi will undertake its own incident investigation (either internally or through appointment of an external specialist) to determine the extent of the impact to FSDAi, FSD Africa, the investee, and FSD Africa’s investor(s) and to determine the best course of action to adopt in order to avoid or minimise such risks.

Grievance Reporting

All investees are required to report any complaints/grievances received from internal or external stakeholders as part of the annual ES performance monitoring and reporting activities through the use of the FSDAi ES Monitoring Questionnaire (refer to [Annex B.11.1](#) & [B.11.2](#)). This requirement is applicable to both direct and indirect investments.

Exercise of Remedies

Instances whereby FSDAi identifies that an investee fails to comply with set ES&I requirements, FSDAi (and where applicable FSD Africa Development Impact Pillar) will work with the investee to bring it back to compliance; provided, that (i) the non-compliance is capable of cure, (ii) the investee continues diligently to pursue such cure, and (iii) there are no material adverse effects on FSD Africa or its investor(s).

Otherwise, FSDAi will (i) assert and enforce such available remedies as it reasonably determines to be appropriate in the circumstances, in order to ensure compliance; or (ii) use all reasonable efforts to exit the investment or terminate its financing, in each case, consistent with its fiduciary obligation to FSD Africa and its investor.

MONITORING AND REPORTING OUTPUT

The outputs of the Impact, ES and GLI monitoring and reporting activities as described above will be saved for each investment and may be used to inform the update of the FSDAi Risk Matrix Template, the Standard Project Review Document as well as the Investment Portfolio Quarterly Reporting required by FSDAi. In addition, the monitoring and reporting findings may be used to feed into the Mid-term and Annual Project Reviews and overall Results Management Framework.

Responsible Person(s)	<ul style="list-style-type: none"> ES Resources Development Impact Analysts External Specialists/Consultants (where applicable)
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<p>ESPM Tools & Templates</p>	<ul style="list-style-type: none"> • FSDAi ES Monitoring Questionnaire (refer to Annex B.11.1 & B11.2) • FSDAi Investment Portfolio ESAP Tracker (refer to Annex B.12) • FSDAi Annual ESG and Safeguarding Report Template (refer to Annex B.13) • FSD Africa Impact Post Implementation Survey and Monitoring Tool (refer to Annex C.2) • FSD Africa Major Incident Reporting Template (refer to Annex D.1) • FSD Africa Risk Matrix Template • FSD Africa Standard Project Review Template • FSDAi Investment Portfolio Quarterly Reporting Template
<p>Gender Lens Investing Framework Tools</p>	<ul style="list-style-type: none"> • FSDAi GLI Framework 2X-Aligned Baseline Self Assessment Survey (refer to Annex B.8.1) • FSDAi Gender Action Plan Template (refer to Annex B.10.2)



Exit

Overview

FSDAi is intentional in its approach to creating a lasting impact at each stage of the investment process from pre-screening, screening, due diligence, structuring and approval, monitoring and reporting and lastly, through to exit. At this stage of the investment lifecycle, FSDAi will be guided by its ES&I Exit Due Diligence Toolkit (refer to [Annex B.14](#)) and shall prioritize the identification and management of any outstanding ES&I and risk-related issues prior to divestment and evaluate and demonstrate the outcomes and additionality from dedicated ES&I efforts.

Upon divestment, FSDAi will consider the ability of a maturing investment to feasibly and sustainably maintain the commitment to ES-risk management and opportunities throughout and beyond the investment journey. At investment maturity stage, FSDAi will identify and assess any ES and risk-related aspects that could potentially influence the investment value, interrupt the timing of a potential divestment, or affect its ability to implement the necessary checks and balances for a clean liability break.

In addition, FSDAi seeks to showcase the positive contributions, additionality and Impact achieved against key ES&I factors attributable to each investment. FSDAi will endeavor to assess the investees' ability to ensure sustained commitment to ES risk management post-divestment. Under this endeavor, FSDAi may commission an independent ES&I assessment to determine the overall investee performance against initially established requirements as well as to highlight any supporting areas of interest for downstream investors. This process may also yield further insight for FSDAi on any ES&I related issues that may need to be addressed by FSDAi prior to exit.

The outcomes of an external / internal assessment are expected to be a clearly written exit ES&I Due Diligence Exit Assessment Report, which will form part of the overall ES&I exit package to potential bidders.

Gender-Smart Exits

FSDAi aims to generate positive gender outcomes with their investments throughout their investment lifecycle period and will ensure that positive gender outcomes are sustained beyond exit.⁷ FSDAi's objectives when exiting a 2X Challenge aligned portfolio companies are to conduct a Gender-Smart Exit Assessment (refer to [Annex B.15](#)) that will:

1. Assess how an exit from the portfolio company may impact its gender lens strategy;
2. Help the company answer questions from prospective gender lens investors. For example, collate relevant gender-related data which shows the extent to which gender interventions have led to business improvements.

⁷ Karolina Adamkiewicz, 2X Collaborative launches guidelines for responsible exits in gender lens investing, (02 Dec 2022), Available at: 2X Collaborative launches guidelines for responsible exits in gender lens investing | Impact Investor (impact-investor.com)

3. Calculate any returns on investments on the support provided to achieve gender outcomes, including the influence that gender outcomes have had on the commercial KPIs of the portfolio company; and
4. Maintain the momentum of gender outcomes achieved thus far, so that they are not potentially lost under post-exit.

EXIT OUTPUT

The findings of the ES&I Due Diligence Exit Assessment Report and Gender-Smart Exit Assessment Report should be considered and included into the overall Project Completion Report.

Responsible Person(s)	<ul style="list-style-type: none"> • ES Resources • Development Impact Analysts • External Specialists/Consultants (where applicable)
ESPM Tools & Templates	<ul style="list-style-type: none"> • FSDAi ES&I Exit Due Diligence Toolkit (refer to Annex B.14) • FSD Africa Project Completion Report Template
Gender Lens Investing Framework Tool	<ul style="list-style-type: none"> • FSDAi Gender Smart Exit Assessment Report Tool (refer to Annex B.15)



6. Organizational Structure and Governance

The effective implementation of the FSD Africa ESG and Impact Policy and ESPM necessitates that certain ES&I-specific competencies, resources and functions capable of initiating and undertaking ES risk management and Impact efforts as part of programme development at both the FSD Africa and FSDAi level exist. The competencies, resources and functions are best materialized through strategic appointments whose roles and responsibilities are outlined below across the FSD Africa, FSDAi, partner/investee, and external service provider-levels as set out below.

FSD Africa Level

FSD Africa Board

The FSD Africa Board has overall oversight of the ESG and Impact Policy and ESMS with delegation to the Investment Committee to evaluate and recommend prospective investments and grant funding interventions from an ES&I and financial perspective, as well as review and discuss on-going ES&I performance of investees and grantees across FSD Africa's intervention portfolio.

FSD Africa Pillar Heads

The overall responsibility and accountability for the successful execution of the FSD Africa ESG and Impact Policy and ESPM as they apply to each Pillar falls within the FSD Africa Executive Management level. At any given time, one or more members of FSD Africa Executive Management will be appointed to account for the strategic and effective implementation of the FSD Africa ESG and Impact Policy and ESPM as they apply to their pillar against key designated responsibilities. These will include:

- Ensuring that the ESPM is implemented with adherence to FSD Africa's mandate and that of its investor's requirements;
- Mobilize a purposeful and authentic ES&I culture throughout FSD Africa in effort to minimize obstacles that may encroach onto the ESPM with a bottom-up approach for consistent alignment with established ES&I objectives;
- Ensuring that ES&I-related issues received and obtain the appropriate form of support and attention and that overall objectives are consistently being met with;
- Overseeing the activities of the designated pillar resources and providing the necessary support, guidance and intervention to mitigate against any surfacing ES risks (such as budgetary information or staff time allocation resources); and
- Ensuring the availability and ongoing review of sufficient internal and external staff and resource capacity and their relevant expertise for effective oversight and implementation of the ESPM requirements.

Dedicated/Assigned ES Resources within FSD Africa Pillars and FSDAi

FSD Africa will appoint an ES resource within a senior capacity in each Pillar who will bear significant responsibilities to championing various functions linked to the implementation and management of the ESPM. Key individual duties are as follows:

- Overseeing the implementation of the FSD Africa ESG and Impact Policy and ESPM and actively supporting programme/project leads to execute their relevant ES duties;

- Championing ES across the organization, including on committees, and acting as a key appointed member of the ESG Committee;
- Actively engaging with Pillar teams along the grant funding and investment lifecycle to ensure that ES and risk factors are being considered in accordance with the ESPM, including the use of procedures, checklists and templates;
- Supporting monitoring, engagement and disclosures on Impact matters with grant funded programmes and risk capital investments, in collaboration with the FSD Africa Development Impact Pillar;
- As and when required, ensuring the appointment of qualified ES specialists for the projects/programmes;
- Act as a key stakeholder for fielding all queries regarding ES&I management performance and plans;
- Ensuring that all grant funding and risk capital decision-making is underpinned and supported by appropriate ES&I-specific documentation;
- Actively identify and support key initiatives that address FSD Africa's key ES and risk management commitments;
- Timeously collect robust ES and risk management data from grantees and investees to assess ongoing performance through undertaking appropriate reviews, collations and aggregations of data;
- Producing ES&I management reports on an annual basis for both internal and external use and distribution to grantees;
- Appropriately manage and address any significant ES risk-related incidents arising at the grantee and investee level; and
- Support FSD Africa leadership in their on-going engagements with existing and prospective grantees.

FSD Africa Staff

Pillar professionals are primarily responsible for:

- Ensuring adherence to the FSD Africa's ES&I requirements across all business and grant funding activities;
- Implementing the ESPM at relevant stages of the grant and investment funding lifecycle, including screening, due diligence and ensuring appropriate emphasis on ES&I issues at a partner level;
- Reviewing all ES&I deliverables and outputs applicable to grant and risk capital funding;
- Ensuring consideration for ES&I factors in all grant and risk capital funding decisions supported by appropriate documentation;
- Ensuring the incorporation of relevant ES&I requirements and provisions in legal and grant funding documentation; and
- Monitoring and remaining up to date on ES&I performance at a partner-level including any ES issues and infringements, new risk exposures, ES value-add and Impact interventions, etc.

Development Impact Pillar



The Development Impact Pillar will provide support to the FSD Africa Pillars (including the FSDAi Pillar) in ensuring the effective implementation of and adherence to the FSD Africa ESG and Impact Policy and ESPM in respect of Impact related criteria. Thus, the FSD Africa Development Impact Pillar provides a cross-cutting support service to all the other FSD Africa Pillars (i.e., Capital Markets, Risk and Resilience, Digital Economy and FSDAi). The Development Impact Pillar member assigned to a programme will implement the FSD Africa Development Impact Guidelines and work together with the respective Pillar representatives to conduct Impact Screening and the development of programme specific Development Impact Prospectus (where applicable). The role shall entail:

- Effective facilitation and implementation of the FSD Africa ESG and Impact Policy and ESPM as they apply to Impact;
- Requesting, collecting, understanding, and monitoring relevant Impact information from grantees/investees;
- Work in close collaboration with the FSD Africa Capital Markets, Risk and Resilience, Digital Economy and FSDAi Pillars on Impact-related activities and duties during pre- and post-investment and grant funding stages;
- Ensure adequate provision of resources and their availability for Impact management of grantees/investees;
- Collaboration with other Pillar appointed resources in compiling and collating Impact performance data periodically preparing and communicating Impact disclosures to key internal and external stakeholders;
- Where relevant, represent FSD Africa and FSDAi's Impact management position to both internal and external stakeholders;
- Regularly communicate and share any Impact-relevant information internally within the FSD Africa Pillars and other identified key personnel; and
- Participate in any ES&I management committee meetings and/or other relevant FSD Africa/FSDAi ES&I related meetings.

Partner / Investee-Level

ESG Point of Contact/Resource

The appointed ESG Point of Contact/Resource shall be responsible for the following:

- Development and implementation of adequate ES&I policies and ESPM systems;
- Acting as point of contact for FSD Africa/FSDAi on ES&I-relevant and related matters;
- Ensuring that the business/FI remains in compliance with applicable national legislation and prescribed FSD Africa ES&I requirements;
- Ensuring that ES&I issues, risks and areas of non-compliance are identified, suitably addressed, managed, monitored and resolved timeously;
- Implementing ES Action Plans, set as part of FSD Africa's ESDD process and activities;
- Documenting and reporting in serious incidents, issues and/or infringements to the appointed ES&I contact within FSD Africa or FSDAi;
- Ensuring the effective implementation of any appointed remedial actions to address identified ES risks;



- Collecting and collating the requisite ES&I data, compiling into regular ES&I and risk management reports, and ensuring their submission to FSD Africa/FSDAi on a periodic basis as per the FSD Africa's/FSDAi prescribed formats;
- Regular and ongoing training of staff on ES&I and risk management issues relevant to the business activities and ESPM implementation; and
- Recording, management and the immediate notification of relevant FSD Africa/FSDAi personnel of any occurring ES-related grievances.

External Service Providers

ESG Specialists / Consultants

FSD Africa will appoint qualified ESG Specialists/Consultants (as deemed necessary) whose roles will entail the following:

- Provision of ad hoc support on ESDD assessments;
- Reviewing, updating and maintenance of the ESPM;
- Lending assistance with investigations into significant incidents that may occur at a partner/investee level;
- Where in-house capacity and competency is not available, support with any ongoing ES and risk monitoring of high- to medium-risk categorized investments and grants;
- Supporting with training efforts and capacity building initiatives on ES&I and risk management at a partner/investee-level; and
- Supervision and support with on-going ES&I and risk monitoring and reporting activities applicable to investments/grant funded programmes.

7. Stakeholder Engagement

FSD Africa prioritizes the need for multistakeholder engagement along the investment and grant funding lifecycle with effective channels established for both internal and external communication of ES&I management factors. Multistakeholder engagement refers to the process of proactive communications via dialogues, information sharing and interactions between FSD Africa and its stakeholders (whether it be investors, delivery partners, or investees). Regular stakeholder engagement is key to enabling the successful integration of ES&I factors at the delivery partner, grantee and investee level. Prioritizing effective stakeholder engagements and approaches further accelerate rates of optimal ES&I performance. The underlying objectives behind appropriate and practical stakeholder engagement processes and practices seek to:

- Build mutually supportive and beneficial relationships between investors, delivery partners, investees and other key stakeholders;
- Facilitate learnings, transparency and accountability amongst and/or between all stakeholders including investors, co-investors, delivery partners, and investees;
- Staying abreast of interests, needs and ES&I perspectives of all stakeholders;
- Establish buy-in to the FSD Africa ESG and Impact Policy, ESPM etc.;
- Help pre-empt internal or external risks or challenges facing its delivery partners, grantees and investees based on past experience and lessons learnt;
- Drive continual improvement;
- Reduce any opposition to change and solicit advocates for ES&I management at both a partner and investee-level;
- Drive robust, consistent and appropriate ES&I disclosures;
- Enhance FSD Africa's ability to make sound and informed decisions; and
- Enable the identification of new ES risks and opportunities for superior returns, growth and innovation applicable to investments.

The levels, frequencies, and processes of engagement with stakeholders varies depending on the ES and risk factors, opportunities and Impact as well as the interests and level of influence associated with a particular investment, grant funded programme and/or stakeholder in question. FSD Africa identifies with two types of engagement methods applicable to its stakeholders, namely via internal and external communication channels. The engagement mechanisms differ between each channel and will be implemented by FSD Africa via the following outlets:

Internal Communication

- Regular cross-Pillar and function meetings;
- Internal Meetings and Committees (i.e., screening committee, investment committee);
- Direct communication through e-mails across teams/Pillars;
- Office notice and posters and newsletters;
- Memorandums;
- Intranet and website; and
- Staff training and awareness campaigns and induction.



External Communication

- General investor/shareholders/board meetings;
- Annual, bi-annual and / or quarterly reports to investor/external stakeholders;
- Direct correspondence (i.e., phone calls, emails on specific topics of concern or interest);
- Website and media releases; and
- Conferences or events.

Apart from the communication outlets, FSD Africa also subscribes to best practice measures for key stakeholder engagement. These include:

- Implementing regular cross-team/Pillar and function meetings and presentations;
- Sharing engagement data via platforms that are accessible to Pillar teams;
- Encouraging Pillar teams to join engagement meetings;
- Delegating responsibility to FSD Africa/FSDAi resources to undertake and report on external ES&I related engagements;
- Involve FSD Africa/FSDAi resources when defining an engagement strategy and developing engagement targets and objectives;
- Establish feedback mechanisms to ensure that outcomes / findings from engagement activities inform future investment strategies and decision making (as relevant), and;
- Considering use of active ownership as a mechanism to engage directly with delivery partners, grantees and investees to understand the extent to which engagement activities are meeting the intended outcomes.

FSD Africa's multistakeholder engagement approach also incorporates the provisions of appropriate channels and mechanisms to address any grievances raised from any individual or group of individuals. The grievance mechanism (explained below) exists as a formal submission and platform to raise any concerns, complaints and other general feedback regarding FSD Africa and the programmes under its management. The mechanism seeks to resolve issues brought to its attention in an effective, transparent and fair manner and as quickly as reasonably possible.



8. Grievance Mechanism

A key component of our stakeholder engagement approach is a mechanism to identify, evaluate and address any complaints or feedback received from internal or external stakeholders. This includes ensuring that formal records are kept, appropriate response and reporting of grievances to relevant FSD Africa staff members and stakeholders, if required using the process as set out in the FSD Africa Grievance Mechanism (refer to [Annex D.2](#)).



9. Training and Capacity Development

Building and maintaining improved ES&I awareness and competencies within FSD Africa is key to ensure the effective implementation and maximized output value of the FSD Africa ESG and Impact Policy and ESPM. FSD Africa will prioritize training and capacity building efforts to ensure that all employees including management and dedicated ES&I resources are equipped with the necessary competencies and expertise to effectively implement the ESPM along the investment and grant funding lifecycles.

In practical terms, this means covering topics to improve ES&I awareness, buy in and competencies, such as:

- Objectives, roles & responsibilities;
- Procedures to integrate ES&I considerations along the investment and grant funding lifecycles;
- General ES&I training, ES&I business case and emerging trends; and
- Practical guidance on monitoring, evaluation and reporting of ES&I performance.

FSD Africa will gradually determine the areas of further ES&I awareness and training needs through conducting an annual inhouse assessment which will uncover the current level of skills and competencies and identify any gaps within the organization that need to be addressed. The assessment insights will be used by FSD Africa to develop an annual training plan which will define the ES&I training and capacity building requirements and associated timelines for FSD Africa and its staff members and other resources.

10. ESPM Periodic Review

FSD Africa recognizes the need to ensure that ESPM remains up to date with emerging ES&I trends and best practice and that its ES&I management areas as embedded in the ESPM are continuously assessed in terms of their adequacy, effectiveness and overall performance. In this regard, FSD Africa will undertake a performance review assessment on a two-yearly basis, focusing on various key elements, but is not limited to:

- Evaluating ES&I related policies and principles against any changes in its investment/grant funding strategy;
- Ensuring that the ESPM remains up to date with emerging ES&I trends, best practice and any organizational changes (e.g., resources, mandate, investors, etc.);
- Evaluating the internal ES&I capacity and competencies and internal team's performance against set objectives in alignment with their defined roles and responsibilities;
- Reviewing the internal needs for additional training and awareness raising on ES&I matters;
- Sourcing and reviewing any feedback from various internal teams/Pillars including successes, challenges faced, and lessons learnt as part of constructive iterative process driving ESPM effectiveness;
- Assessing the degree to which ES&I management expectations, requirements and commitments are being met with and the impact of such efforts towards operational and investment/grant funding performance;
- Addressing any gaps, limitations and improvement areas within the ESPM and defining appropriate, corrective measures against them. These may include:
 - Additional ES&I training and awareness raising;
 - Improving the oversight of the FSD Africa ESG and Impact Policy components and ESPM procedures;
 - Inclusion of ES&I performance into staff members personal objectives;
 - Improved ES&I procedures, tools, and templates;
 - Use of external ES specialists to advise the Pillars and supporting teams;
 - Peer-to-peer learning within and across teams/Pillars, and;
 - Investigate and remain up to date with global ES&I trends and competitors' approaches to ESG.

Performance reviews may also be conducted by FSD Africa on an ad hoc basis if triggered by any factors that might deem such a review necessary, such as any: modifications to shareholder and/or investment agreements; FSD Africa ESG and Impact Policy and/or ESPM framework-related changes, or; apparent failures to manage any surfacing ES-related risks adequately and appropriately.

In order to ensure and maintain their success, performance reviews are supported through robust procedures that govern aspects of their implementation such as recording, documenting, storing and filing of ES&I related activities and initiatives which also include capturing key information on the investment/grant funding processes, outputs and challenges encountered.

In addition, FSD Africa will consistently and timeously inform its investors, delivery partners, grantees and investees of any updates or modifications made either of FSD Africa ESG and Impact Policy or



ESPM so as to ensure accountability and that each stakeholder is always up to date with any progress or improvements made.