2026

ENVIRONMENTAL & SOCIAL MANAGEMENT SYSTEM

VISION

To be the most preferred provider of broad-based innovative development finance services.

MISSION

To provide access to development finance to the nation, thus fostering job creation and improving quality of life for all.

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ACRONYMNS

Abbreviation	Definition
AfDB	African Development Bank
AIS	Alien Invasive Species
BDSU	Business Development Support Unit
BM	Branch Manager
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CMP	Comprehensive Mitigation Plan
CRC	Convention on the Rights of the Child
CSR	Corporate Social Responsibility
DFI	Development Finance Institution
E&S	Environmental and Social
EEA	Eswatini Environment Authority
EHS	Environment, Health, and Safety
EIB	European Investment Bank
EMP	Environmental Management Plan
ENL	Eswatini Nation Land
ESA	Environmental & Social Assessment
ESAP	Environmental & Social Action Plan
ESCO	Environmental & Social Compliance Officer
ESDD	Environmental & Social Due Diligence
ESIA	Environmental & Social Impact Assessment

Abbreviation	Definition
ESMP	Environmental & Social Management Plan
ESMS	Environmental & Social Management System
FI	Financial Intermediary
FINCORP	Eswatini Development Finance Corporation
GBV	Gender Based Violence
GHG	Greenhouse Gases
GRM	Grievance Redress Mechanism
IEE	Initial Environmental Evaluation
IFC	International Finance Corporation
ISS	Integrated Safeguards Systems
KPI	Key Performance Indicator
LDC	Least Developed Countries
NDC	Nationally Determined Contributions
OS	Operational Safeguard
OSH	Occupational Safety and Health
POP	Persistent Organic Pollutants
PPE	Personal Protective Equipment
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SEA	Sexual Exploitation and Abuse
SEP	Stakeholder Engagement Plan
SH	Sexual Harassment
SMEs	Small and Medium-sized Enterprises
TDL	Title Deed Land
UNFCCC	United Nations Framework Convention on Climate Change

DEFINITIONS

TERM	MEANING
African Development Bank ISS	This framework is designed to support the Bank's strategy, aims, and goals in a sustainable and integrated manner. It addresses new challenges, particularly in fragile and conflict-affected states and small countries, by providing pragmatic, risk-based approaches to manage environmental and social (E&S) risks and impacts (African Development Bank, 2023).
Operational Safeguard (OS)	This is a set of specific environmental and social requirements designed to be applied in a project, from assessment to implementation.
Client's SHE Officer	This is an appointed representative responsible for managing E&S issues in the project.
EHS Guidelines	These are World Bank Environmental, Health, and Safety guidelines that provide instructions for managing environmental, health, and safety issues in a project. Sector-specific guidelines are also provided.
Environmental & Social Management System	This is a framework that integrates environmental and social aspects into the organisation's operations to ensure compliance with national legislation and international best practices.
Environmental & Social Gap Analysis	An environmental and social gap analysis is a report on identified gaps or non-conformances in the organisation.
Financial Intermediary	This is an entity acting as a middleman between the financial lender and an end user (i.e., sub-project or borrower).
Waste Management Plan	This procedure outlines how waste generated during a project will be addressed, including storage, handling, and disposal.
Labour Management Plan	This procedure outlines how labour will be managed, including the process for employees to report grievances within the project or organisation.

TERM	MEANING
Development Finance Institution	This is an institution that provides loans to small and medium-sized enterprises for development purposes.
Environmental & Social Due Diligence (ESDD)	This is a record containing the environmental and social details of a prospective client's project.
Investment Client or Borrower	This is a person or association that has borrowed money from FINCORP for business purposes.
Stakeholder Engagement	This is continuous engagement with stakeholders to foster a positive relationship between the client and its stakeholders.
Grievance	This is an issue or concern that stakeholders have regarding an organization or a development project, with the expectation that the complaint will be adequately addressed.
Grievance Mechanism	This is a procedure in which grievances raised by stakeholders or project-affected persons are addressed. This procedure outlines the steps in which the concerns are addressed, including the persons who will receive the concerns.

FINCORP

EXECUTIVE SUMMARY

Background

Eswatini Development Finance Corporation (FINCORP) is a development finance institution, established in 1995 with a mandate to promote the economic development of emaSwati through accessible financial services that contribute to job creation and poverty alleviation. FINCORP's lending portfolio covers agribusiness (predominantly in rural areas), trucking and haulage, forestry, commerce, retail, manufacturing, construction, and services.

FINCORP's 2025 Environmental and Social Gap Analysis Report revealed critical deficiencies in the institution's approach to Environmental and Social (E&S) risk management. These gaps expose FINCORP to significant environmental, social, safety, and reputational risks, and limit the institution's ability to comply with national legislation and international financing agreements with development partners including the African Development Bank (AfDB) and European Investment Bank (EIB).

Objectives of the Environmental & Social Management System

The revised ESMS framework aims to:

1. Identify, assess, and monitor E&S risks and impacts with structured tools, clear roles and responsibilities.
2. Ensure compliance with Eswatini's regulations and international best practices (IFC Performance Standards, AfDB Operational Safeguards, EIB Environmental and Social Standards) to improve project performance.
3. Conduct stakeholder engagements, information disclosure, capacity building, and maintain a grievance redress mechanism.
4. Establish continuous review and improvement of the ESMS to reflect evolving standards and lessons learned.

Environmental & Social Policy commitments

1. Align all operations with Eswatini's E&S regulations, international lender standards, and Sustainable Development Goals.
2. Conduct E&S screening and Environmental and Social Due Diligence (ESDD) for loan applications; exclude financing of projects on the exclusion list.
3. Ensure transparent stakeholder engagements and effective grievance redress mechanisms.
4. Promote gender equality, human rights, and climate-responsible investments.

ESMS Implementation Process

The ESMS integrates E&S considerations at every stage of the lending cycle: E&S Screening and categorisation (Low, Moderate, High Risk); full Environmental and Social Due Diligence; Development of Environmental and Social Action Plans, compliance verification of compliance with national environmental assessment requirements; integration of E&S covenants into loan agreements and risk-based monitoring with incident reporting (48 hours to the Branch, 72 hours to Lenders); quarterly clients reports and regular site inspections.

Governance

Outlined clear roles and responsibilities for the effective implementation and monitoring of ESMS.

Expected Benefits

1. Reduced E&S non-compliance costs, proper identification of project E&S risks, and reduced legal and financial obligations
2. Improved operational efficiency and resource management.
3. Alignment with international standards and lender requirements, fostering access to strategic partnerships and green financing opportunities.
4. Enhanced stakeholder engagement, effective grievance redress, and reinforced corporate social responsibility.
5. Regulatory compliance with national and international requirements.

Conclusion

The Environmental and Social Management System represents a strategic investment in FINCORP's institutional resilience, regulatory compliance, and competitive positioning. By systematically integrating environmental and social considerations into lending operations, FINCORP will be better positioned to manage risks, access international development finance, support sustainable enterprise development, and fulfill its mandate to economically develop emaSwati while safeguarding the environment and communities.

The successful implementation of this ESMS requires sustained commitment from FINCORP's Board, senior management, and operational staff, supported by adequate resourcing and regular monitoring of progress. The ESMS is not a static compliance requirement but a dynamic management tool that will evolve with FINCORP's portfolio and stakeholder expectations.

1 BACKGROUND

Eswatini Development Finance Corporation (FINCORP) was launched by His Majesty King Mswati III in November 1995, with the main objective of economically developing emaSwati through the provision of accessible financial services, including access to credit, thereby contributing to job creation and poverty alleviation. According to FINCORP's Establishment Act, Legal Notice No. 16 of 1996, the corporation has two shareholders. The Government of Eswatini holds an 80% shareholding of the entity while Tibiyo TakaNgwane holds the remaining 20%.

2 ESWATINI DEVELOPMENT FINANCE CORPORATION DESCRIPTION

FINCORP's mandate encompasses providing meaningful access to credit for small and medium-sized enterprises and individuals across all economic sectors, contributing significantly to national economic growth. The corporation has expanded its operations through two subsidiary businesses: FIRST FINANCE COMPANY, which serves selected salaried segments and has become the country's second-largest microlender, and FINSURE ASSURANCE LIMITED, an independent captive insurance company that broadens the financial services ecosystem. The organisation operates across multiple sectors including agribusiness in rural areas, trucking and haulage, forestry, commerce, retail, manufacturing, construction, and services, with a particular focus on supporting entrepreneurs in both Eswatini Nation Land (ENL) and Title Deed Land (TDL).

Currently, a large portion of FINCORP loans is allocated to agribusiness activities, which are mainly in rural areas. Financial services offered by the corporation include loans for start-ups, working capital, microloans, agribusiness finance, asset lease finance, property loans, order finance, lines of credit, and business acquisition finance on title deed land, MSME Housing loans, Empowerment loans, etc.

The corporation's strategic direction is anchored on its **VISION**

"To be the most preferred provider of broad-based innovative development finance services"

and its **MISSION**

"To provide access to development finance to the nation, thus fostering job creation and improving quality of life for all"

This direction is guided by five core values: accessibility, confidentiality, reliability, integrity, and accountability, which collectively underpin the organization's commitment to serving its diverse stakeholder base. FINCORP's tagline *"Helping You To Help Yourself"* encapsulates its empowerment philosophy and approach to sustainable development finance.

The figure below illustrates FINCORP's loan distribution in the different sectors.

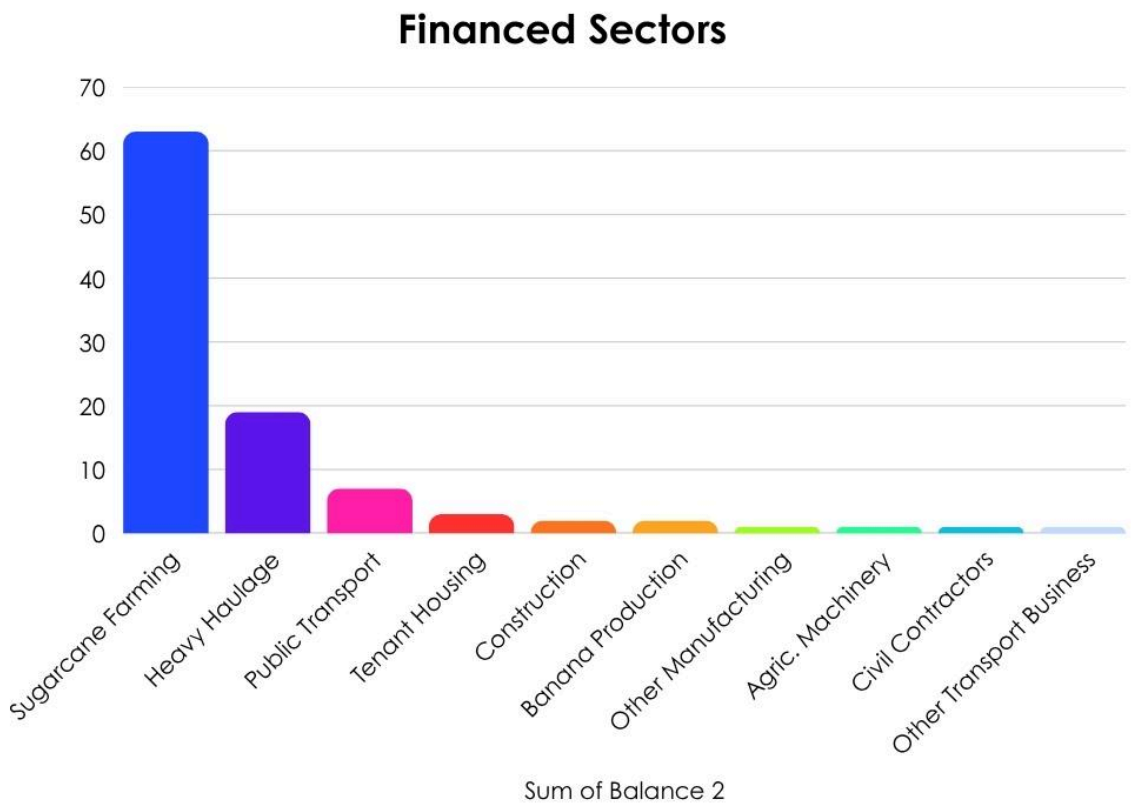


Figure 1: Sectoral Distribution

2.1 Rationale

FINCORP's 2025 Environmental and Social Gap Analysis Report findings clearly demonstrate the imperative need to review, enhance, and implement a comprehensive Environmental and Social Management System (ESMS). The gap analysis identified multiple critical deficiencies across the institution's policies, procedures, and operational practices that expose FINCORP to significant environmental, social, safety, and reputational risks. These include the absence of an updated Environmental and Social Policy Statement, inadequate waste management procedures, lack of occupational health and safety policies, and an outdated Environmental and Social Management System, which is inadequately implemented and lacks essential tools for integration into credit operations.

Moreover, there is a notable lack of systematic environmental and social risk screening of investment clients, coupled with the absence of a formal stakeholder engagement plan and a specific grievance redress mechanism. These gaps significantly restrict the institution's ability to manage and mitigate environmental and social impacts in alignment with national legislation (such as the Environmental Management Act 2002 and Environmental Assessment Regulations 2022) and international financing agreements with development partners such as the African Development Bank (AfDB) and European Investment Bank (EIB), among others.

Without standardised procedures for screening, assessing, and monitoring environmental and social risks, FINCORP risks facilitating investments that may cause adverse environmental impacts or social conflicts, undermining sustainable development goals and stakeholder trust. The absence of a functional ESMS heightens the risk of regulatory non-compliance, environmental harm, and unresolved social grievances, which can lead to financial penalties and loss of stakeholder confidence.

Furthermore, the E&S gap analysis report revealed that within the projects financed by FINCORP, there are significant environmental, social, occupational health and safety risks that require urgent attention and mitigation. In addition, there are critical compliance and operational

management gaps that are exposing the projects to legal and financial liabilities, and these include the absence of a formal waste management plan aligned with national environmental regulations and the lack of a labour management plan detailing worker rights and grievance mechanisms.

In some of the projects, the absence of an Environmental and Social Impact Assessment (ESIA) and related approvals was observed, which further exposes the project to regulatory non-compliance risks under Eswatini's Environmental Assessment Regulations. These risks collectively underscore the necessity for a comprehensive Environmental and Social Management System (ESMS) that will ensure that every loan application is adequately screened for environmental and social risks and that the applicant is compliant with regulatory requirements.

ENVIRONMENTAL & SOCIAL POLICY STATEMENT

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

FINCORP
Eswatini Development Finance Corporation

ESWATINI DEVELOPMENT FINANCE CORPORATION – ENVIRONMENTAL AND SOCIAL POLICY STATEMENT

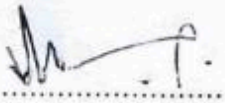
As a Development Finance Institution aspiring to be the most preferred provider of broad-based innovative development finance services, Fincorp in line with its developmental mandate is committed to the economic development of Emaswati by providing sustainable access to finance to the nation. Through accessible financial services, FINCORP fosters job creation and improves the quality of life for all. We are dedicated to promoting sustainable development through responsible financing that integrates environmental and social management practices. FINCORP recognizes and acknowledges its internal environmental and social impacts, as well as the impacts it's investments may have on the environment, communities, and occupational health and safety. Therefore, we pledge to address gaps, minimize negative effects and enhance positive outcomes in alignment with relevant national legislation, international conventions and best practices.

FINCORP commits to;

- Comply with all relevant Eswatini Environmental and Social Legislations, regulations and international conventions to which Eswatini is a party to.
- Ensuring that all loan applications undergo Environmental and Social Due Diligence (ESDD).
- Exclude financing of projects that are listed on FINCORP's exclusion list.
- Ensuring that all projects that have potential significant environmental and social impacts, as reviewed by the Eswatini Environment Authority (EEA) undergo assessments before implementation and monitoring during operation, as per the Environmental Assessment Regulations 2022 and FINCORP's Environmental and Social Management System Framework (ESMS).
- Ensuring transparent communication, safe and open consultations, information disclosure and effective grievance redress mechanisms for stakeholders.
- Promoting gender equality, non-discrimination and respect human rights in all our operations.
- Promoting investments that support climate change adaptation, mitigation, and the change to low-carbon emissions.
- Building organizational capacity and allocate adequate resources to effectively implement our ESMS with clearly defined procedures.
- Ensuring that the senior management endorses this policy and integrates environmental and social considerations into decision-making.

Through the above commitments, FINCORP aims for sustainable economic growth that conserves the environment, safeguards public and occupational health, and enhances community well-being for current and future generations.

Signed



Date

15/09/26

Board Chairperson

STAKEHOLDER ENGAGEMENT AND TRANSPARENCY

4 ENVIRONMENTAL & SOCIAL MANAGEMENT SYSTEM

4.1 Introduction

The Environmental and Social Management System (ESMS) is designed to outline the requirements of FINCORP and obligations of institutional operations and financed projects. It provides a structured, risk-based approach to identify, mitigate, and monitor potential environmental and social impacts associated with both the institution's internal lending process and its financed projects. The ESMS contains an E&S policy, procedures, checklists, and detailed workflow (Central Bank of Iraq, 2025).

The ESMS serves as the foundation for embedding environmental and social accountability within FINCORP's corporate culture and operational framework by guiding E&S requirements during the investment decision-making process and ongoing management of clients throughout the financed period.

The ESMS will enable FINCORP, as a Development Finance Institution, to sustainably fulfil its mandate, while safeguarding both the environment and social wellbeing in the communities it serves, and strengthening institutional performance and accountability.

FINCORP will derive the following benefits from the development and implementation of an ESMS:

i. Strengthened responsible lending practices.
ii. Alignment with international standards and lenders' requirements, enhancing access to funding.
iii. Establishment of and maintenance of up-to-date E&S policies and procedures.
iv. Improved monitoring and management of financed projects.
v. Early identification, assessment, and mitigation of E&S risks associated with projects, reducing potential liabilities and reputational risks.
vi. Strengthened institutional commitment to corporate social responsibility and sustainable development outcomes.
vii. Enhanced stakeholder trust, transparency, and accountability through structured engagement and grievance management mechanisms.

4.2 Objectives

The main objective of the Environmental and Social Management System is to develop a functional and comprehensive system to manage investment environmental and social risks by ensuring the following;

i. Identify, assess, and monitor E&S risks and impacts with structured tools, reporting, clear roles/responsibilities, and continuous updates for emerging risks.
ii. Compliance with Eswatini regulations and international best practices to improve project performance and promote green financing.
iii. Conduct adequate engagements, information disclosure, capacity building/training for staff and stakeholders, and maintain a grievance redress mechanism throughout project lifecycles.
iv. Continuous review and updating of the ESMS.

4.3 Scope

This ESMS Framework applies to FINCORP and all projects and clients it finances, regardless of the nature or size of the business. The Framework is also applicable at the Group level, providing overarching guidance to subsidiaries, with the understanding that ESMS requirements will be tailored to reflect the specific risk profiles and operational contexts of each subsidiary.

The implementation of the ESMS will be managed and administered by the Environmental and Social Compliance Officer under the Business Development Support Unit (BDSU), ensuring that ESMS objectives are effectively integrated into FINCORP's overall operations and lending activities.

LEGAL FRAMEWORK & STANDARDS

5 LEGAL FRAMEWORK & STANDARDS

5.1 National Requirements

This ESMS is guided by Eswatini's Environmental and Social legislation, policies, and international treaties and conventions in which Eswatini is a party. FINCORP is committed to complying with E&S regulatory requirements and ensuring that all financed projects are also compliant and reviewed against these requirements.

The tables below outline legislation, policies, and conventions that have been identified as relevant to FINCORP's ESMS to ensure compliance with national legislation and international practices.

Table 1: Relevant Legislation

Legislations	Summary	Responsible Institution	Relevance to FINCORP
Environment Management Act, 2002	The Act requires a project to conduct environmental impact assessments and develop a mitigation plan. The Act sets up the Eswatini Environment Authority (EEA) to oversee environmental protection and monitor pollutant disposal in water sources, as part of natural resource management.	Eswatini Environment Authority (EEA)	FINCORP needs to ensure that all financed projects comply with this act to ensure that the investment projects protect the environment.
Environmental Assessment Regulations, 2022	This act requires any development project in Eswatini to undergo an environmental assessment process before implementation. This is to	EEA	FINCORP will ensure that the client's projects conduct mandatory environmental assessments before

Legislations	Summary	Responsible Institution	Relevance to FINCORP
	ensure identification of environmental impacts and development of mitigation measures. Projects are screened and categorised to determine the level of assessment.		project approval for financing to manage environmental risks and ensure that the client has an adequate budget for E&S compliance. This act outlines the structure of E&S assessments.
Factories, Machinery & Construction Works Act, 1972	This act regulates factory registration, workers' working conditions, and health and safety standards. It aims to protect workers' health and safety by enforcing compliance with regulations and enabling inspections and penalties for violations.	Ministry of Public Works and Transport	FINCORP will ensure that the working conditions and environments offered to its employees promote workers' health and safety. Therefore, all requirements of this act will be adhered to. In addition, FINCORP will also ensure that investment projects are compliant with this act. For all project activities.
Flora Protection Act, 2001	This act seeks to protect indigenous and endemic plant species in Eswatini. It regulates the disturbance, destruction, and trade of protected flora, especially in reserves and botanic gardens. The Act includes provisions for permits, environmental assessments, and penalties for offenses.	Ministry of Tourism and Environmental Affairs	Clients with projects that have extensive land clearing activities will be required by FINCORP to protect indigenous plants and ensure that necessary flora removal permits are

Legislations	Summary	Responsible Institution	Relevance to FINCORP
	Permits for plant collection or removal must be procured from the relevant authority.		in place before project implementation.
Industrial Relations Act, 2000	This act provides a legal framework for collective bargaining (terms and conditions of employment), dispute resolution, and regulation of labour relations in Eswatini.	Ministry of Labour and Social Security	This act governs labour relations in projects financed by FINCORP. FINCORP must ensure its operations and investment projects uphold fair labour practices and dispute resolution.
National Trust Commission Act, 1972	This act establishes the Swaziland National Trust Commission, a corporate body responsible for conserving the country's natural and cultural heritage. It facilitates the management of national parks, monuments, and historical sites, promoting ecological protection, scientific research, and public education on heritage preservation.	Eswatini National Trust Commission.	This act is relevant for projects near heritage or conservation areas financed by FINCORP, requiring safeguards against adverse impacts on protected sites.
Natural Resources Act, 1951	This act provides for the conservation and improvement of Eswatini's natural resources, including soil, water, minerals, and wildlife.	Ministry of Natural Resources and Energy	FINCORP will consider conservation of natural resources and soil/water protection in environmental and social due diligence for financed projects.

Legislations	Summary	Responsible Institution	Relevance to FINCORP
Occupational Health & Safety Act, 2001	This act provides requirements for the safety and health of workers and others affected by workplace activities. It outlines employer responsibilities for hazard prevention and protection to reduce workplace injuries and illnesses, although it has some limitations in addressing gender-specific occupational health issues. Requirements: Employer duties for workplace safety; hazard prevention	Ministry of Labour and Social Security	FINCORP will ensure that workplace safety standards are met in its operations, including financed projects, with emphasis on hazard prevention and workers' health.
Public Health Act, 1969	This act aims to protect public health by preventing and controlling communicable diseases and nuisances, as well as food safety issues. It sets out the duties of different stakeholders in the notification and management of communicable diseases.	Ministry of Health	FINCORP will ensure that operations, as well as investment projects, comply with sanitation and disease control regulations.
Workmen's Compensation Act, 1983	This act mandates employers to compensate employees for occupational injuries or diseases incurred during employment. The Act defines benefits, reporting requirements, and exclusions while providing a no-fault compensation system to protect both employers and employees financially.	Ministry of Labour and Social Security	FINCORP operations and investment projects will comply with compensation and insurance requirements for employee injuries or illnesses.

Legislations	Summary	Responsible Institution	Relevance to FINCORP
Waste Regulations, 2000	This act regulates waste disposal in Eswatini, requiring that commercial, industrial, and urban household waste be disposed of only at approved sites. The regulations set penalties for illegal dumping and emphasise waste minimisation, recycling, and proper management to protect health and the environment. Requirement: Approved waste disposal sites.	EEA	FINCORP will ensure that its operations have waste management plans complying with regulations to minimise environmental and health risks. In addition, ensure that environmental documents are procured from hired waste disposal service providers.
Water Pollution Control Regulations, 2010	This act complements the Environmental Management Act by setting effluent discharge standards and requiring operators to mitigate any harmful discharges into water bodies promptly. They impose penalties for non-compliance and outline responsibilities to prevent water pollution. Requirements: Effluent discharge standards; pollution control measures.	EEA	FINCORP will verify the investment client's compliance with the water protection standards.
The Water Act, 2003	This act governs integrated water resource management in Eswatini. It controls water pollution, regulates water use permits, and consolidates surface and groundwater management. The Act includes enforcement	Ministry of Natural Resources and Energy	It is essential that projects financed by FINCORP, especially in the sugarcane industry, comply with this act by obtaining water use permits and ensuring

Legislations	Summary	Responsible Institution	Relevance to FINCORP
	provisions for water conservation and pollution prevention.		integrated water resource management.
The Eswatini Administration Order No. 6/1998	This Order governs the appointment, roles, and functions of local chiefs and administrators, regulating governance in Swazi areas. It includes provisions for law enforcement, public order, and the exercise of traditional authority within the administrative framework.	King's Office	Projects operating in traditional areas need to ensure that local authority engagement is done and complies with their protocols. FINCORP will ensure that, where required, traditional authorities are adequately engaged.
The Kingdom of Eswatini Constitution Act No. 1/2005	This is the supreme law in the Kingdom. It sets out the foundational legal framework for the state structure, governance, and citizen rights. It establishes human rights protections, rational use of land, minerals, and water resources to conserve and improve the environment for the present and future generations.	Eswatini Government	Provides legal context for all operations; FINCORP's governance will align with constitutional rights and national administration principles.
Litter Regulations, 2011	These regulations regulate the disposal of litter to prevent environmental pollution, thus ensuring public cleanliness. They empower authorities to enforce proper waste disposal. Requirements: Proper waste disposal and maintenance of sanitation standards in public spaces.	EEA	Relevant for ensuring proper waste disposal in project sites to avoid environmental pollution risks in FINCORP-supported projects.

Legislations	Summary	Responsible Institution	Relevance to FINCORP
Sexual Offences & Domestic Violence Act, No. 15 of 2018	This act addresses gender-based violence comprehensively, including sexual crimes and domestic violence. It aims to enhance victim protection, increase reporting, improve prosecution, and unify sexual offense laws. Requirements: Victim protection protocols and mandatory reporting	Deputy Prime Minister's Office	FINCORP will ensure that its gender-based violence policy is aligned with this act and that workers are adequately educated on it.
Eswatini National Fire & Emergency Service Water Supply & Fire Hydrant Regulations, 1982	These regulations are designed to ensure the adequate provision, maintenance, and accessibility of water supplies and fire hydrants for effective firefighting operations. They establish standards and protocols for the installation, upkeep, and usage of fire hydrants and water supply systems within Eswatini to support the firefighting duties of the National Fire and Emergency Service.	Ministry of Housing and Urban Development	These regulations are relevant for risk management and emergency preparedness in facilities owned by FINCORP.
Employment Act, 2007	This Act governs employment relations in Eswatini, setting out the minimum terms and conditions of employment to protect workers' rights, while prohibiting forced labour and discrimination in the workplace, and ensuring fair treatment, including proper notice and remedies for wrongful dismissal.	Ministry of Labour and Social Security	Governs employment conditions in financed projects and operations of FINCORP. FINCORP will ensure that fair labour practices, contracts, and occupational safety are maintained for

Legislations	Summary	Responsible Institution	Relevance to FINCORP
	Requirements: Observation of employment requirements by the employer, Employment requirements such as contracts, and ensuring workplace safety and health.		all financed projects during the financing period.
Conveyance & Burial of Dead Bodies Act, 1970	This act states that no person shall exhume a body or remain without a permit. Establishing guidelines for burial permits, disposal of bodies, and arrangements for funerals, often addressing sanitary, administrative, and legal concerns relating to dead bodies to prevent health hazards and respect cultural practices.	Ministry of Health	All projects that encounter graves in their development areas will ensure that this act is complied with. Limited direct relevance except where projects implicate public health or sanitation requirements.
Acquisition of Property Act, 1961	This act provides the legal mechanisms by which the state or authorised entities may acquire private property for public purposes, including stipulations for compensation and procedural safeguards for property owners.	Ministry of Natural Resources and Energy	FINCORP investment projects involving land acquisition will ensure compliance with the compensation and legal processes of this act.
The Swazi Land Settlement Act, 1988	This Act governs the settlement and allocation of the Swazi nation's land. It regulates how land is distributed and used, primarily in communal or traditional tenure systems under Swazi customary law.	Ministry of Agriculture	This act is relevant when projects affect Swazi land settlements; compliance with land rights and dispute resolution is important for project approval.

Legislations	Summary	Responsible Institution	Relevance to FINCORP
The Building & Housing Act, 1988	This act sets out regulations for permits, inspections, and compliance of buildings to ensure safety.	Ministry of Housing and Urban Development	FINCORP-financed construction projects will comply with building permits and safety standards as mandated in this act.
The Mines & Quarries Act 1969	This act regulates the mining sector, including the exploration, extraction, and processing of mineral resources. It governs licensing and environmental protections related to mining activities. Requirements: Mining license application; safety and environmental standards in mining.	Ministry of Natural Resources and Energy	If FINCORP finances a project that will source material from a borrow pit, it is essential that mining or quarrying projects apply for a mining license, and environmental protection measures are in place.

Table 2: Relevant National Policies

Policy	Summary of Provisions	Relevance to FINCORP
National Water Policy, 2011	This policy promotes efficient and sustainable management of water resources in Eswatini. It introduces reforms to support integrated planning, development, and management of water, emphasising the role of stakeholders and equitable access to clean water. The policy is aiming for universal access to potable water and better governance mechanisms, such as basin-level	The policy emphasises integrated water resources management, equitable access to safe and sufficient water, environmental sustainability, and stakeholder participation. Projects must align with the requirements of the policy.

Policy	Summary of Provisions	Relevance to FINCORP
	institutions and updated water legislation. Requirements: ▪ Promotes integrated water resource management. ▪ Increasing access to water for previously deprived sectors of society without prejudicing existing water users. ▪ Ensuring the provision of adequate and good-quality water for all ▪ Emphasises stakeholder participation and climate change responsiveness. ▪ Supports the establishment of basin institutions for water governance.	
National Climate Change Policy, 2016	This policy focuses on strengthening climate change adaptation and mitigation efforts across sectors. It aligns with commitments made in the Nationally Determined Contributions (NDCs) submitted under international climate agreements, addressing vulnerabilities in water, agriculture, health, and energy sectors. The policy supports the development of resilient infrastructure and adaptive strategies to reduce climate-related risks.	FINCORP will consider green financing to contribute to this policy. In addition, FINCORP will encourage climate adaptation and mitigation measures for all its financed projects.
Nationally Determined Contributions	Eswatini's NDCs outline commitments made under the Paris Agreement to reduce greenhouse gas emissions and adapt to climate impacts. They include actions in	FINCORP will consider green financing and ensure that the financed project's environmental efforts strengthen Eswatini's overall climate resilience and align with

Policy	Summary of Provisions	Relevance to FINCORP
	water resource management, energy efficiency, and promoting sustainable agriculture, reflecting the country's priorities to balance development with environmental sustainability. Requirement: Commit to reducing greenhouse gas emissions.	national targets for sustainable development and environmental protection, hence the need for compliance with this policy.
National Gender Policy 2019 – 2030	This policy aims to achieve gender equality and empower all women and men across social, economic, and political spheres in Eswatini over the 2019–2030 period. It addresses inequalities, promotes women's rights, and aligns with international gender equality frameworks.	FINCORP is required to mainstream gender equality and women's empowerment in its policies. The policy further guides strategies to prevent and eliminate all forms of Gender -based Violence (GBV) in public and private spheres.
National Climate Strategy & Action Plan	This plan seeks to support greater integration of climate change and its associated impacts into Eswatini's development. The objective of the plan is to provide a systematic approach to deal with climate change through adaptation and mitigation in a manner that contributes to achieving sustainable development and the eradication of poverty.	FINCORP financed projects aligned with national climate priorities in infrastructure, agriculture, and energy sectors. These projects will incorporate climate resilience actions to align with national climate adaptation and mitigation goals.
National Strategy for the Control & Management of Invasive Plant Species, 2020	This strategic plan aims to provide a coordinated, cooperative, and integrated approach to managing alien invasive plant species (IAPs) to reduce their ecological, economic, and social impacts. The strategy focuses on prioritising invasive species based on their potential to spread and cause biodiversity loss	FINCORP-financed projects will manage the spread of invasive species, which can affect crop production. The project will employ actions such as rehabilitation and revegetation with indigenous plants as required by the plan.

Policy	Summary of Provisions	Relevance to FINCORP
	and crop production. Priority species *include Lantana camara, Chromolaena odorata, Parthenium hysterophorus*, etc.	
Forestry Policy, 2002	This policy governs sustainable management and conservation of forest resources, enhancing biodiversity, reducing deforestation, and supporting community participation in forest stewardship to conserve Eswatini's forest ecosystem.	It is essential that FINCORP finances projects that will require extensive land clearing activities, ensure that protected plant species are preserved, and that clear land is rehabilitated and revegetated.
The National Strategy to End Violence Action Plan 2017 – 2022	This action plan seeks to reduce all forms of violence in Eswatini, including domestic violence and gender-based violence, through coordinated prevention, protection, and response strategies implemented by various government sectors and civil society.	FINCORP will integrate the requirements of this plan in the development of its GBV policy to reduce violence, and ensure that this requirement is upheld on financed projects.
The 2016 Consolidated Text of the Protocol on Gender & Development	This document is part of the Southern African Development Community (SADC) framework, to which Eswatini is a party. It fosters regional cooperation to promote gender equality and women's empowerment through comprehensive policies, legal reforms, and institutional measures.	For gender equality and regional cooperation through policy alignment in development finance practices, can be supported by this policy.

Table 3: Relevant Conventions

Conventions	Requirements
Stockholm Convention on Persistent Organic Pollutants (POPs)	The Stockholm Convention is an international environmental treaty that seeks to protect human health and the environment from Persistent Organic Pollutants (POPs), harmful chemical substances that persist in the environment and can cause serious health effects, including cancer and reproductive disorders. The requirements are as follows: o The treaty requires parties to reduce or eliminate the release of POPs, including from stockpiles and waste. o The treaty requires parties to take measures to reduce or eliminate the release of POPs into the environment. o Parties must comply with the specific list of chemicals regulated under the Convention. o It also establishes controls on the production, use, import, export, and disposal of these chemicals, with specific provisions for exemptions under certain conditions.
Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW)	The Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) is a treaty aiming to eliminate discrimination against women and ensure women's equal access to opportunities, such as employment. The treaty guides the development of gender transformative policies and programs, including: o Recruitment policies to ensure equal representation of women and men at all levels o Policies and measures to safeguard vulnerable groups from Gender Based Violence (GBV), Sexual Exploitation and Abuse (SEA), and Sexual Harassment (SH).
United Nations Framework Convention on Climate Change (UNFCCC)	The main objective of this treaty is to stabilise greenhouse gases (GHG) atmospheric concentration so that they do not reach a point where they cause harmful or irreversible damage to

Conventions	Requirements
	the global climate. It promotes precautionary measures to anticipate and minimize climate change causes, even in the absence of full scientific certainty. The UNFCCC sets out several key requirements and commitments for Eswatini as a party: o Development and implementation of an NDC Implementation Plan for 2021-2030. o Economy-wide greenhouse gas (GHG) emissions reduction target of 5% by 2030. o Integration of climate change action into national policies and adaptation measures in health and community systems
The Basel Convention	Eswatini is a party to this convention, which aims to protect human health and the environment from the adverse effects of hazardous waste and prevent the transfer of hazardous waste from developed to Less Developed Countries (LDCs). The Convention seeks to minimise the generation of hazardous waste and sure sound management and disposal of hazardous waste. Eswatini's commitments to the convention: o Controlling hazardous waste generation and ensuring safe disposal methods of hazardous waste o Enforcing regulations governing waste handlers (storage, transportation, and disposal). o Basel requirements are integrated into environmental assessments and policies to comply with international standards.
Paris Agreement, 2016	Eswatini is a party to the Paris Agreement, and this treaty is aimed at limiting global warming to well below 2°C, preferably to 1.5°C above pre-industrial levels by reducing emissions of GHGs. The requirements are as follows: o The country is required to update its Nationally Determined Contribution (NDC) to reduce greenhouse gas emissions.

Conventions	Requirements
	o Priority sectors for mitigation and adaptation measures include energy, transport, waste, industrial processes, and agriculture.
Kyoto Protocol	The Kyoto Protocol treaty is a binding agreement that commits industrialised parties to reducing greenhouse gas emissions to prevent dangerous anthropogenic interference with the climate system. o The treaty covers greenhouse gases, including carbon dioxide, methane, and nitrous oxide, among others. o The Protocol includes legally binding emission reduction targets for Annex I parties. o Parties are required to develop and implement national policies and measures to reduce GHG emissions.
Convention on the Rights of the Child	The Convention on the Rights of the Child (CRC) treaty outlines legal standards for the protection of persons under 18years of age. It also highlights the responsibilities of parents, families, and governments to safeguard and promote children's rights. The CRC emphasises principles: non-discrimination, the best interests of the child, the right to survival and development, and respect for the views of the child. i. This treaty requires parties to protect children from exploitation, abuse, and forms of harm.
Beijing Declaration & Platform for Action, 1995	The Beijing Platform for Action is aimed at advancing women's rights and achieving gender equality. The Platform for Action advocates for the integration of gender perspectives into national and international policies and programs and the promotion of women's human rights. It identifies 12 critical areas of concern, such as poverty, education and training, health, violence against women, and the girl child, among others.

5.2 Applicable Environmental & Social Standards & Guidelines

FINCORP has international financing agreements with development partners such as the African Development Bank (AfDB), European Investment Bank (EIB), and others. To meet international requirements, the ESMS follows the following international standards and guidelines:

5.2.1 IFC Performance Standards

This Environmental and Social Management System development is guided by the World Bank's IFC ESMS Implementation Handbook and ESMS outline. FINCORP is committed to adhering to IFC performance standards (PS 1 – 8)[1]. FINCORP finances projects across different sectors, as illustrated in **Figure 1**. To ensure environmental and social compliance in these sectors, projects will follow the World Bank's IFC Environment, Health and Safety (EHS) Guidelines, which provide industry- or sector-specific EHS standards[2].

5.2.2 United Nations' Sustainable Development Goals (SDGs)

Loans offered by FINCORP support MSME development, and in turn, this ESMS ensures that these enterprises protect the environment, provide proper labour and working conditions, and ensure adequate engagement and

[1] IFC Performance Standards;
https://documents1.worldbank.org/curated/en/586771490864739740/pdf/113849-WP-ENGLISH-IFC-Performance-Standards-PUBLIC.pdf

[2] EHS guidelines link;
https://www.ifc.org/en/insights-reports/general-environmental-health-and-safety-guidelines

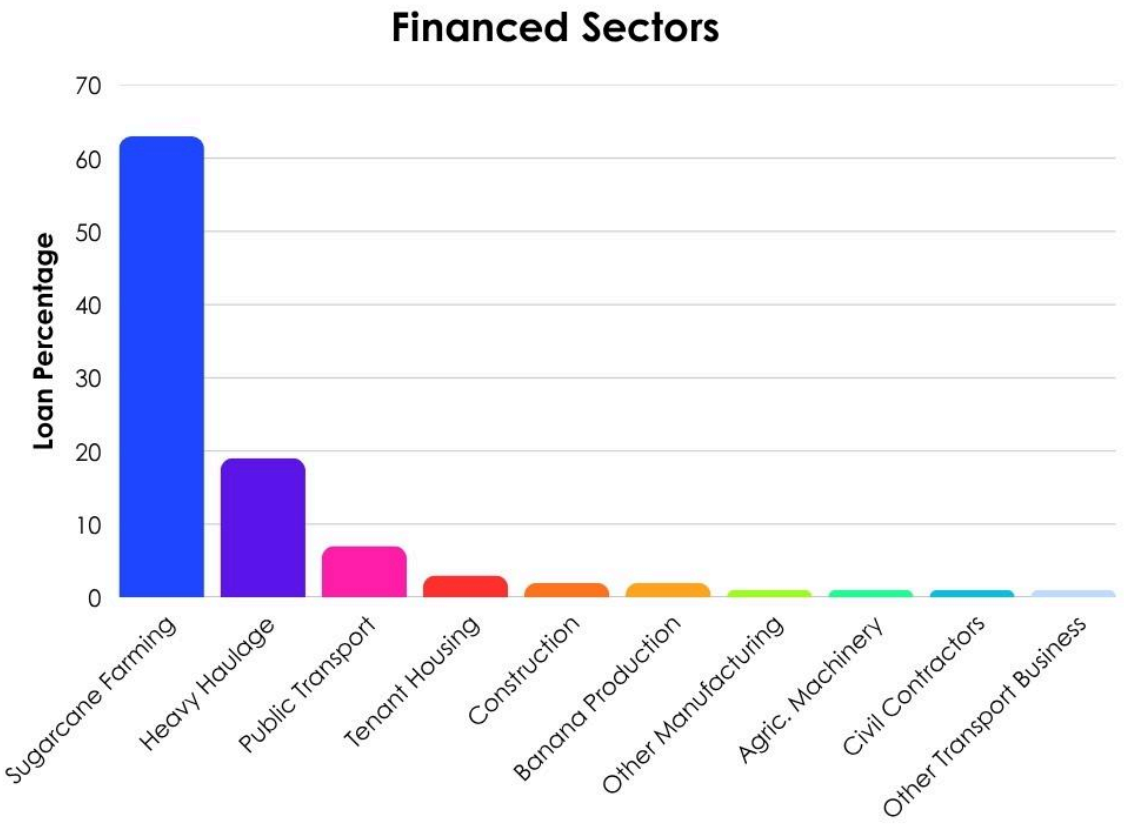


Figure 2: Financed Sectors

management of grievances. The ESMS aligns with Sustainable Development Goals 2 (Zero Hunger), 6 (Clean Water and Sanitation), 8 (Decent Work and Economic Growth), 12 (Responsible Consumption and Production), 13 (Climate Action), and 17 (Partnerships).

5.2.3 European Investment Bank Environmental & Social Standards

The ESMS complies with EIB's Environmental and Social Standards. Only ten (10) standards are relevant to FINCORP clients or projects. The standards are listed and explained in **Table 4**.

5.2.4 African Development Bank Operational Safeguards

The ESMS is also committed to complying with AfDB's operational safeguards (OS). Operational Safeguard 9 is only applicable to FINCORP, and out of ten

standards, only nine (9) OSs apply to FINCORP clients or projects. The standards are listed and explained in **Table 4**.

NB: *EIB Standard 11 and AfDB Operational Safeguard 9 require FINCORP, as a financial intermediary, to establish and maintain an Environmental and Social Management System, which includes environmental and social policies and procedures to identify, assess, manage, and monitor environmental and social risks associated with the financed projects. The ESMS helps financial institutions manage risks and ensure compliance throughout their lending portfolio.*

Table 4: EIB and AfDB Environmental and Social Standards

EIB Standards	Requirements of Standard	AfDB Operational Safeguard	Requirement(s) of OS
S1 – Environmental & Social Impacts and Risks	This standard outlines the importance of ensuring environmental, climate, social, and human rights considerations in impact assessment and risk management. In addition, it outlines the implementation of E&S corrective measures is proportional to identified impacts and risks.	**OS 1: Assessment and Management of Environmental & Social Risks and Impacts**	This standard outlines the importance of E&S risks identification, stakeholder engagement, and adoption of a mitigation hierarchy approach. The OS requires: an ESA of the proposed project, including stakeholder engagement and information disclosure; an Environmental and Social Plan (ESMP) and E&S performance monitoring and reporting of the project.
S2 - Stakeholder Engagement	This standard outlines the importance of stakeholder engagement to ensure effective assessment, management, and monitoring of environmental, social,	**OS 2: Labour & Working Conditions**	It outlines the responsibilities of the project proponent to provide safe and healthy work environments, observe and protect workers' rights, and ensure fair treatment. The OS requires sound working conditions and

EIB Standards	Requirements of Standard	AfDB Operational Safeguard	Requirement(s) of OS
	and climate impacts and risks, for better project implementation and operation.		management of worker relationships; prevention of child labour and forced labour; and workplace occupational Health and Safety.
S3 – Resource Efficiency & Pollution Prevention	This standard outlines the importance of integrating resource efficiency and pollution prevention into project implementation and operations to relieve pressure on the environment and climate change, as well as to improve the project's costs and better manage resources throughout its operations.	**OS 3: Resource Efficiency & Pollution Prevention & Management**	This OS recognises that development projects pollute the environment and consume natural resources that may threaten people, ecosystem services, and the environment at the local, regional, and global levels. The OS requires resource efficiency, pollution prevention and management, and sound pest and vector management.
S4 – Biodiversity & Ecosystems	This standard outlines the importance of protecting and conserving biodiversity and ecosystems, as well as the sustainable use of natural resources. It requires the identification, management, and monitoring of impacts and risks affecting biodiversity from projects.	**OS 4: Community Health, Safety, & Security**	This OS addresses health, safety, and security risks and impacts on project-affected communities. Responsibilities of the project proponent are outlined to avoid or minimise such risks and impacts on the affected communities, including vulnerable individuals and groups.
S5 – Climate Change	This standard outlines the importance of combating climate change because of the	**OS 5: Land Acquisition, Restrictions on Access to Land**	This OS seeks to ensure that a project does not cause or result in the involuntary resettlement of

EIB Standards	Requirements of Standard	AfDB Operational Safeguard	Requirement(s) of OS
	threats and risks it poses to people, economic activities, and ecosystems. It encourages the financing of low-carbon and climate-resilient development projects. In addition, it promotes alignment with the Paris Agreement and the Sustainable Finance Action Plan.	**& Land Use, & Involuntary Resettlement**	communities, and where it is not avoidable, corrective action is in place or minimised by exploring alternative project designs. The OS requires defined eligibility criteria, compensation procedures, community engagements, and a grievance redress mechanism.
S6 – Involuntary Resettlement	This standard seeks to ensure that involuntary resettlement is avoided or minimised, forced evictions are avoided, and the livelihood and living conditions of displaced people are improved.	**OS 6: Habitat & Biodiversity Conservation & Sustainable Management of Living Natural Resources**	This OS seeks to ensure the protection and conservation of biodiversity and the promotion of sustainable management and use of natural resources. This standard aligns with international conventions such as the Ramsar Convention on Wetlands, among others.
S7 – Vulnerable Groups, Indigenous Peoples & Gender	This standard seeks to ensure that projects observe and protect human rights regardless of gender, age, ethnicity, disability, religion, nationality, among others. It requires identification, management, and monitoring of risks and impacts related to vulnerable groups,	**OS 7: Vulnerable Groups**	This OS outlines the importance of identifying vulnerable individuals and groups from project preparation to implementation, because they are more sensitive to project impacts and risks due to numerous factors, which can then result in them being unable to cope or recover from project-related impacts.

EIB Standards	Requirements of Standard	AfDB Operational Safeguard	Requirement(s) of OS
	indigenous people, and gender.		
S8 – Labour Rights	This standard seeks to ensure that labour-related impacts and risks are adequately identified, managed, and monitored. Alignment with the International Labour Organization (ILO) is required.	**OS 8: Cultural Heritage**	This OS outlines the importance of observing and recognising cultural heritage. Identification and management of legally protected cultural heritage areas are required.
S9 – Health, Safety & Security	Project activities expose workers and communities to numerous risks and hazards; hence, this standard stipulates that these hazards and risks are adequately identified and mitigated accordingly to avoid health and safety impacts.	**OS 10: Stakeholder Engagement & Information Disclosure**	This OS outlines the requirements and principles of stakeholder engagement and information disclosure, from project preparation to implementation. Stakeholder engagement aims at improving the environmental and social sustainability of projects, enhancing project acceptance, and ensuring successful project design and implementation.
S10 – Cultural Heritage	Cultural heritage protection and conservation are very important, as they are an integral part of people's or communities' practices, beliefs, and traditions. This standard requires adequate identification and mitigation of cultural		

EIB Standards	Requirements of Standard	AfDB Operational Safeguard	Requirement(s) of OS
	heritage impacts and risks.		

ENVIRONMENTAL & SOCIAL RISKS

6 ENVIRONMENTAL & SOCIAL RISKS

According to AfDB ISS (2023), "Financial Intermediaries (FIs) are required to identify, assess, monitor, and manage the E&S risks and impacts associated with their overall portfolios and individual subprojects." FINCORP, as an FI, is exposed to numerous E&S risks through financed projects, which necessitate E&S risk identification, which will inform relevant procedures or management plans that will be part of the ESMS.

Table 5 below illustrates E&S risks associated with FINCORP operations and financed sectors, along with their consequences.

Table 5: E&S risks associated with FINCORP operations

FINANCIAL INSTITUTION RISKS		
Risk Category	**Activity/Process**	**Consequence**
Environmental Risks	Loan appraisal and due diligence	Environmental non-compliance (missing environmental assessment, water pollution, soil degradation) of financed projects may result in reputational damage or penalties.
	Investment client risk screening	Lack of systematic E&S screening can result in financing projects with adverse impacts. Due diligence exercise should encompass the E & S aspect, to ensure that E&S risks are budgeted for.
	Policy Development and Review	Outdated E&S policy leading to regulatory non-compliance and possible reputational damage.
	Waste management and asset disposal	Lack of formal Waste Management Procedure, including electronic waste, may lead to improper waste handling, storage, and disposal.
	Procurement	Lack of E&S clauses in contracts can lead to contractor non-compliance and poor contractor performance.
	Operations, lending, CSR	Exposure to climate-related financial and reputational risk, lack of climate change risk integration in lending decisions.

FINANCIAL INSTITUTION RISKS		
Risk Category	**Activity/Process**	**Consequence**
Social Risks	Stakeholder Engagement and Grievance Mechanisms	Poor stakeholder consultations can lead to project delays, mistrust, unacceptance of the project, miscommunication, unresolved complaints, and conflicts.
	Policy Development and Review	This can lead to the absence of social policies such as Gender-Based Violence/ Sexual Harassment Policy, which can lead to legal liabilities or uninformed workers.
Occupational Health & Safety Risks	Workplace safety and emergency preparedness	This can lead to health impacts, worker injury, or fatalities during emergencies due to overlooked OSH aspects, such as emergency preparedness, a lack of certified OSH representatives
Governance Risk	FINCORP Operations	Non-compliance with E&S national and international regulatory standards, poor commitment to corporate social responsibility
Environmental and Social Risk	Project Monitoring	Inadequate monitoring leading to overlooked E&S impacts and reputational risks.

Table 6: Client or Investment E&S risk

Sectors	**Risks**	**Consequence**
Agriculture, Construction, Public transport, Heavy Haulage, agricultural machinery	***Environmental Risks***	
	o Missing environmental assessment or environmental evaluation of the project. o Project expansion without an environmental assessment.	Project penalties or fines
	Poor waste management and a missing waste management plan.	Land pollution, possible surface water pollution, generation of large volumes of waste

Sectors	Risks	Consequence
	Emission of air pollutants and noise	Air pollution resulting in reduced air quality, noise pollution, and noise complaints
	Poor management of wastewater and chemical spillages	Ground pollution, surface and ground water pollution, and regulatory penalties
	Uncontrolled land clearing	Loss of biodiversity (flora and fauna), Alien invasive species encroachment, soil erosion due to the lack of rehabilitation, destructions of sensitive areas such as wetlands
	Land degradation	Reduced soil fertility, soil erosion
	Unsustainable use of resources such as water	Resource depletion, conflicts with affected communities
	Labour Risks	
	Lack of workmen's compensation	Increased worker vulnerability, financial liabilities
	Workers are not given an employment contract.s	Exploitation practices, increased grievances, reputational damage, labour violations
	Workers exploitation	Increased grievances, strikes, and reputational damage
	Employment of underage children	Child labour, regulatory penalties
	Wages lower than the minimum wage requirements	Increased grievances, strikes, and reputational damage
	Poor labour management and a lack of workers' grievances mechanism	Increased grievances, strikes, and reputational damage
	Workplace harassment (sexual, verbal)	Legal penalties, potential lawsuits, and reputational damage
	Workplace discrimination (gender, religion) during hiring	Potential lawsuits, reputational damage
	Community Health & Safety	
	Poor traffic management and signage	Community injuries or fatalities

Sectors	Risks	Consequence
	Fire risks and hazards	Community injuries or fatalities, property damage
	Dust emissions or air pollutants	Pollution of water harvesting structures affected health
	Introduction of new people into the community	Spread of communicable diseases, increased risks of GBV/SH cases
	Reduce water supply and water pollution.	Affected community health
	Untrained security personnel	Violence, community injuries, or fatalities
	Poor stakeholder engagement and a lack of a grievance redress mechanism	Loss of trust and credibility between stakeholders and the project, heightened social conflicts and grievances, potentially escalating to protests
	Occupational Health and Safety	
	Missing OSH Policy, Emergency Preparedness and Response Plan	Poor identification and management of workplace hazards, non-compliance with OSH regulations, and increased risk of accidents, injuries, or fatalities
	Missing safety representatives personal such as certified or trained first aiders, fire marshals, and safety representatives	Inadequate response to workplace injuries or emergencies, regulatory penalties
	Lack of safety equipment such as fire extinguishers, fire aid box, spillage kit	Increased risk of injuries, property damage, and ground pollution
	Lack of appointment letters for appointed safety representatives	Reluctance of safety representatives to perform their duties in an emergency, inadequate response to workplace injuries or emergencies, and regulatory penalties

Sectors	Risks	Consequence
	Lack of welfare or site amenities such as adequate gender specific ablution facilities, handwashing basin, eating area, or change rooms	Poor hygiene and sanitation, regulatory penalties, potential grievances, and complaints from workers
	No incident reporting or reports	Labour laws violations, exploitation of workers
	Chemical hazards o Workers' exposure to chemicals such as pesticides, herbicides o Workers are not provided with adequate personal protective equipment o Improper storage of chemicals	Workers' illness or poisoning, injuries such as burns, irritations, loss of life, ground contamination
	Physical hazards o Slips, trips, and falls o Falls from working at heights o Exposure to high noise levels and extreme temperatures o Collision with machinery (trackers, vehicles, trucks)	Injuries such as cuts, paralysis, hearing loss, loss of life, sprains, fractures
	Ergonomic hazards o Standing or sitting for long periods of time o Repetitive motions such as lifting heavy items	Injuries such as sprains to muscles, low productivity,

From projects, FINCORP is likely to face the following risks;

i. **Financial risks**: FINCORP is exposed to credit risks when a client is unable to fulfil their contractual obligations, such as loan repayments, due to environmental and social issues arising from the project. These

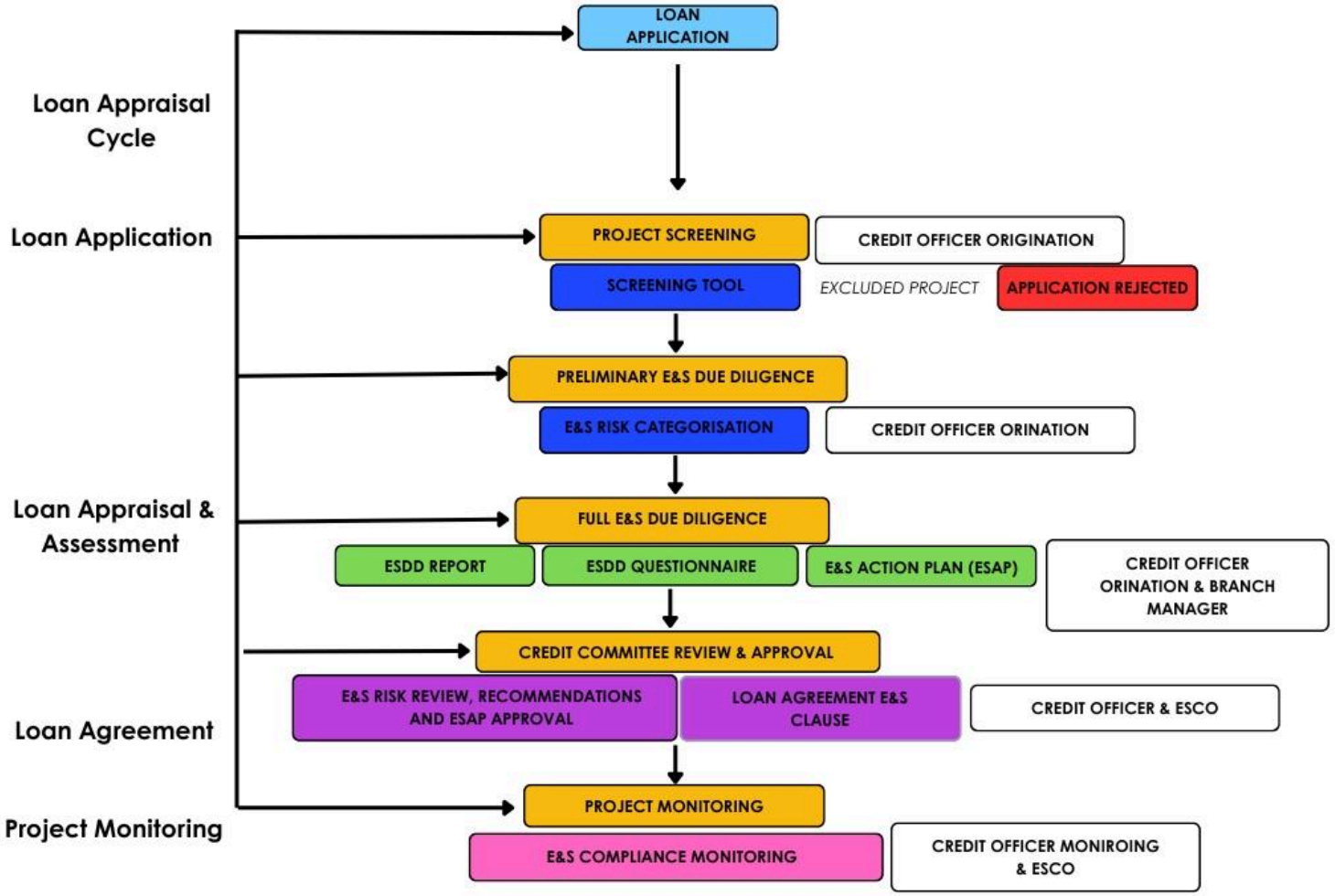
issues may cause project delays or increased costs, which can impact the client's financial capacity.

ii. **Legal and Regulatory Risks**: FINCORP is exposed to legal risks if a client fails to comply with relevant E&S regulations and DFI policies. Non-compliance can lead to legal actions against both the client and FINCORP, including fines. This can also result in increased costs to address violations.

iii. **Reputational Risks**: FINCORP is exposed to reputational risks from negative public perception or media attention when financed projects inadequately manage environmental and social issues. Poor handling of such risks can lead to loss of stakeholder trust and challenges in attracting future clients or partners.

ESMS PROCESS FLOW CHART

7 ESMS PROCESS FLOW CHART



Process flow influenced by Botswana Development Corporation limited (20240.

ORGANIZATION AND RESPONSIBILITIES

8 ORGANIZATION & RESPONSIBILITIES

The implementation of the ESMS shall be achieved by deploying the following resources:

Table 7: ESMS Roles and Responsibilities

Title	Responsibility
Group Managing Director	• ESMS reporting to FINCORP Board of Directors. • Commit to E&S policy and ESMS.
Senior Management	• Commit to E&S policy and ESMS. • Ensure consideration of E&S aspects in FINCORP operations and investment processes. • Ensure adequate personnel and financial resources for the implementation and maintenance of the ESMS. • Support capacity building, training, and resource needs for staff involved in ESMS.
Manager Business Development Support	• Liaise with FINCORP Management to ensure adequate resources have been committed to allow effective implementation of policies and procedures. • Ensure compliance with FINCORP E&S policy and implementation of the ESMS at FINCORP and clients. • Oversee E&S issues and ensure that resources are made available for environmental management. • Supervising and approving of E&S reports, including quarterly and annual E&S reports, to international lenders. • Ensure that the E&S training needs of staff members are met. • Ensure periodic review of ESMS and stakeholder engagement program.
Environmental and Social Compliance Officer	• Coordinate the implementation of ESMS as an integral part of FINCORP's loan appraisal process. • Schedule periodic E&S training of FINCORP staff and clients. • Ensure that all investment decisions are supported by the appropriate E&S due diligence documentation. • Review E&S assessment documents. • Maintain on-going liaison and correspondence with the Client.

Title	Responsibility
	• Ensure periodic review of ESMS, E&S policy and procedures, and stakeholder engagement program. • Develop an E&S stakeholder engagement program. • Develop E&S reports, i.e., for senior management and international lenders. • Coordination of technical meetings with international lenders. • Report project incidents to international lenders.
Legal Officer	• Ensure E&S clauses and action plans are included in loan agreements signed with FINCORP clients. • Review any adjustments to the loan agreements. • Provide legal guidance.
Credit Officer	• Integrate E&S risk screening into client onboarding and ensure communication of E&S requirements to clients. • Ensure all new clients undertake initial screening, using the screening tool. • ESMS E&S risk categorisation of each project appropriately. • Inform the prospective client that FINCORP will undertake an Environmental and Social Due Diligence (ESDD) as part of the appraisal process. • Obtain additional information from the client/loan applicant on E&S risk evaluation. • Filling in the monitoring checklist. • Reporting on E&S issues identified during monitoring. • Disclose project E&S documents, such as screening, categorization, and ESAP, to the internal database.
Client (Borrower)	• Comply with FINCORP's ESMS requirements. • Provide project information as requested by FINCORP. • Implement Environmental and Social Action Plan (ESAP) and/ E&S management plan. • Securing appropriate E&S permits from the relevant authorities. • Submit regular E&S monitoring reports to FINCORP. • Report all incidents to FINCORP (i.e., Branch manager & Credit Officer) within 48hours.
Client's SHE Officer/ Representative	• Implementation of ESAP and/ ESMP and use IFC EHS guidelines. • Training workers on an ongoing basis on E&S and OSH issues and impacts related to their project activities.

Title	Responsibility
	• Documenting and reporting E&S and OSH performance to FINCORP's Compliance Officer. • Implementation of remedial actions on serious incidents and appropriately addressing risks. • Report and investigate accidents.
Brand Development and Communication Officer	• Uploading of updated ESMS and E&S policy on FINCORP's website • Uploading of the subproject ESA (Environmental and Social Assessment) on FINCORP's website.
Credit Committee	• Ensure that environmental and social risk assessment is performed in accordance with the ESMS. • Make final decisions on E&S requirements of the project.
Environmental and Social Compliance Committee	• Review and approve ESMS updates and improvements. • Review Quarterly E&S Performance reports. • Establish ESMS KPIs. • Review and address E&S Risks performance and issues of the loan portfolio. • Ensure that DFI is implementing and adhering to environmental and social practices.

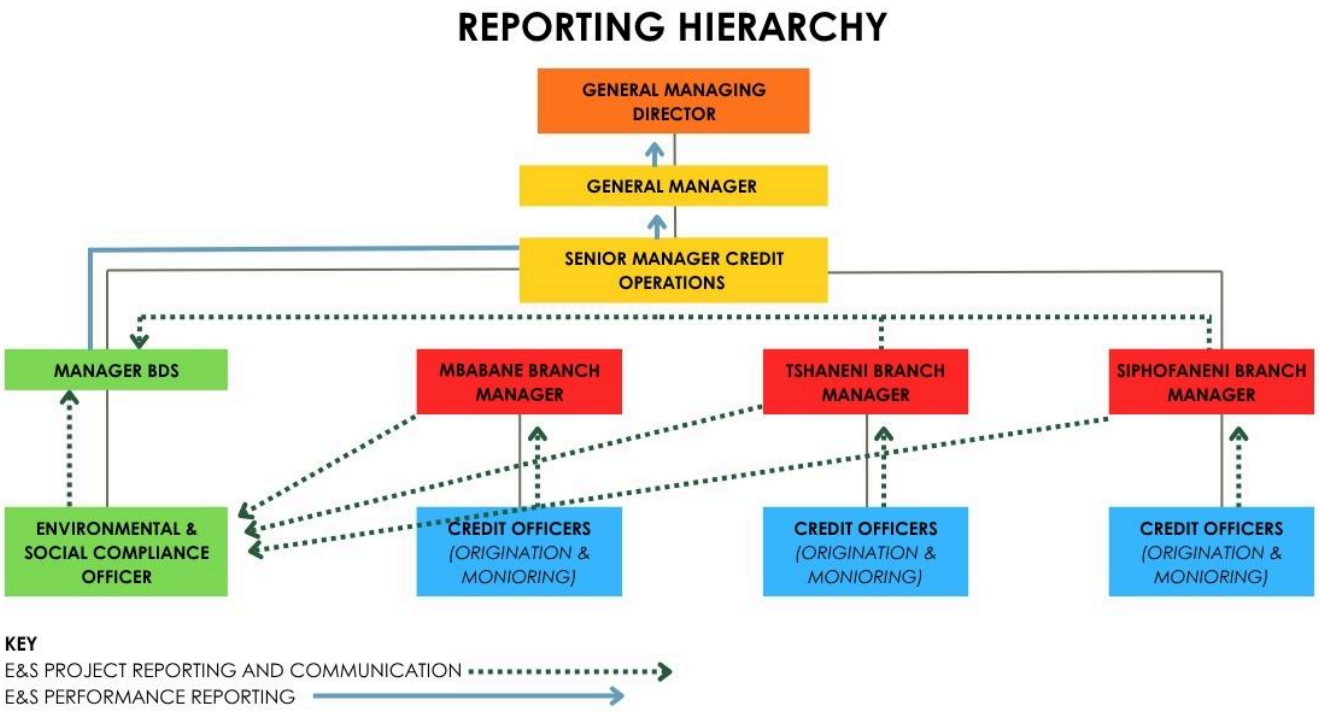
The E&S compliance committee falls under the responsibility of the chairperson, and it comprises:

i. Chairperson
ii. Chief Finance Officer
iii. Senior Manager Credit Operations
iv. Senior Manager Risk & Compliance
v. Senior Manager Legal
vi. Senior Manager Human Resources
vii. Business Development and Support Manager
viii. Branch Managers
ix. Environmental and Social Compliance Officer

8.1 Reporting Hierarchy

The ESCO operates within the Business Development Support under the following structure:

Reporting Hierarchy



Key;

E&S project reporting and communication

E&S performance reporting

8.2 Resources & Capabilities

The MBDS and compliance officer will work closely with the E&S Committee and senior management to ensure adequate resources are committed for the implementation of the ESMS, E&S policy and associated procedures. The E&S Compliance Officer will keep a file of qualified environmental consultants who can be called to aid prospective clients that need environmental assessments for their projects.

8.3 Records

i. Screening and Categorization form
ii. Environmental and Social Due Diligence Report
iii. Environmental and Social Action Plan
iv. E&S Performance Records for projects being supervised
v. Reports to FINCORP management and international lenders.

ESMS PROCEDURES

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

9 ESMS PROCEDURES

The following steps outline how the E&S shall be carried out in line with FINCORP's loan process flow. This is to ensure that all stakeholders understand how the process integrates into the loan process flow.

9.1 Project Origination or Identification

9.1.1 E&S Screening

At an initial stage of a loan inquiry, the project activities shall be reviewed with the client, and it shall be screened using the Initial Screening Tool, attached as *Annex 2*. The tool is aligned with FINCORP's exclusion list, attached as *Annex 1*. The exclusion list outlines activities or projects that are not financed by FINCORP, and project applications that involve an excluded activity will not be approved. The prospective client shall be informed about the unsuccessful application.

Responsibility: Credit Officer Origination

Output: Project E&S screening sheet

9.1.2 E&S Categorization

This categorization is internal to FINCORP and shall be used to manage FINCORP's own institutional risk exposure. The E&S Risk categorisation tool is designed to:

i. Assess the environmental and social risk profile of loan applicants and their proposed use of funds.
ii. Determine the appropriate level of due diligence required by FINCORP.
iii. Identify clients/sub-projects requiring enhanced monitoring or specific loan covenants.
iv. Track E&S risk trends in the loan portfolio.
v. Make informed lending decisions that balance business objectives with E&S accountability.

The prospective client's project shall be categorized using the categorisation tool, attached as *Annex 3*. E&S risks are categorised into three (3) groups, outlined in **Table 8** below.

Table 8: E&S Risk Categories

CATEGORY	DEFINITION
Category 1: Low Risk	Low-risk projects are unlikely to cause any adverse environmental and social impacts.
Category 2: Moderate Risk	Moderate risk projects are likely to cause Environmental and Social Impacts. Environmental and Social impacts related to these projects are easily predictable, and corrective action can be implemented to reduce the impacts.
Category 3: High Risk	High-risk projects definitely cause significant environmental and social impacts. An in-depth environmental assessment is required to identify impacts associated with the project.

Responsibility: Credit Officer Origination

Output: Project categorization

9.2 Loan Appraisal or Project Evaluation

9.2.1 Full ESDD

While the prospective client or project undergoes financial, credit, and technical due diligence, the project will also undergo a full ESDD. The ESDD is an internal assessment dependent on the E&S risk category, aimed at verifying the category the project was assigned, identifying E&S gaps associated with the client's operations, and assessing compliance of the client's operations with national regulations and FINCORP's E&S requirements. The ESDD Questionnaire and Checklist attached as *Annex 4* will be used as a guide to identify and narrow down E&S risks or gaps. A comprehensive ESDD report for the project will be compiled after the assessment (ESDD report template is attached as *Annex 5*).

The ESDD assessment shall result in the development of an Environmental and Social Action Plan (ESAP), which the client will implement within their operations. In addition, the action plan will form part of the client's loan

agreement to ensure compliance with FINCORP's E&S Requirements. The ESAP is a clear outline of identified E&S issues, with corrective measures, responsibilities, and implementation timelines (ESAP Template is attached as *Annex 6*).

Responsibility: Credit Officer

Output: Filled ESDD Questionnaire and Checklist, Comprehensive ESDD Report, Project ESAP

The table below outlines E&S requirements for each E&S risk category;

Table 9: E&S Requirement - E&S Risk Categories

CATEGORY	E&S DOCUMENTS REQUIRED	ESMS REQUIREMENTS
Category 1	• An Environmental Management Plan (EMP) may be requested, if applicable • Eswatini Environment Authority Approval letter, if applicable • E&S Permit	• Compliance with relevant national regulations and labour conditions • Environmental and Social Action Plan or E&S recommendations
Category 2	• Initial Environmental Evaluation (IEE) and Comprehensive Mitigation Plan (CMP) or an Environmental Audit (EA) may be required • Eswatini Environment Authority Approval Letter • Project-specific management plans	• Compliance with relevant national regulations and labour conditions • Compliance with lender standards (AfDB Operational Safeguards, IFC Performance Standards, EIB Standards) • Grievance mechanism • Environmental and Social Action Plan
Category 3	• Environmental and Social Impact Assessment (ESIA) and Environmental and Social Management Plan (ESMP) or an Environmental Audit (EA) may be requested. • Eswatini Environment Authority Approval Letter • Project-specific management plans	• Compliance with relevant national regulations and labour conditions • Compliance with lender standards (AfDB Operational Safeguards, IFC Performance Standards, EIB Standards) • Environmental and Social Action Plan • Stakeholder Engagement plan and Grievance mechanism • Environmental and Social Action Plan

Environmental Assessments

Some of the E&S Risk categories require an Environmental Assessment Report. The prospective client is responsible for ensuring that all legislative requirements are met within the stipulated timelines stated in the ESAP. In Eswatini, the Environmental Assessment Regulations of 2022 govern environmental assessments for projects in different risk categories.

FINCORP requirements

i. A prospective client should share its Environmental and Social Assessment report with FINCORP if it has already been prepared.
ii. Prospective clients that need to prepare environmental and social studies must:
    - Use qualified E&S consultants[3].
    - The environmental assessment report must be sent to FINCORP for review before submission to the Eswatini Environment Authority.
    - After approval, the final document and the EEA approval letter must be shared with FINCORP's E&S Manager, ESCO, and the credit officer.

Environmental and Social Assessment Process

The following steps outline how a client can apply to the EEA;

i. The client must submit a Project Brief to the EEA along with a declaration form[4].
ii. EEA will determine the required ESA for the project based several factors.

Some projects may be deemed to have low environmental and social risks (category 1) and will be provided with an authorization letter, approval letter, and terms and conditions to comply with. In addition, projects with medium and high environmental and social risks are categorised as either category 2 or 3, with specific requirements outlined in the regulations (Eswatini Environment Authority, 2022).

Output: Project Brief, Project Categorization letter, Environmental Assessment report, Project approval letter.

9.3 Legal Documents or Project Financing

9.3.1 E&S Summary

i. The project ESAP and recommendations from the credit committees will be included as a clause in the loan agreement. The Environmental

[3] The Eswatini Environmental Authority (EEA) can provide a list of qualified E&S consultants.
[4] Declaration form link; https://eea.org.sz/environmental-assessment-project-declaration-form/

and Social Management Plan will also be included in the clause if the client has produced the ESA before the loan agreement development.

ii. All loan agreements will contain appropriate environmental representations, warranties and covenants requiring that projects are complying in material respects with Eswatini's national legislation on environmental and social requirements, as well as FINCORP requirements.

Responsibility: ESCO, Credit Committee and Legal Officer

9.4 Loan Disbursement & Monitoring

9.4.1 Project Monitoring

Compliance monitoring is essential to ensure that the client is compliant with all stipulated conditions in the loan agreement (E&S recommendations and implementation of the ESAP within stipulated timelines). In addition, monitoring will enable identification of emerging E&S risks within the operations of the project. Monitoring of projects will be carried out using an E&S monitoring tool, attached as *Annex 7*.

The graph below summarizes the ESMS process with time frames.

Escalation Procedure

i. If deadlines or E&S documents are not met, the matter should be escalated to the Branch Manager.

ii. Critical E&S risks or incidents will be escalated immediately to ESCO, E&S Manager, and Credit Committee.

MONITORING, REPORTING AND CONTINUOUS IMPROVEMENT

10 MONITORING, REPORTING & CONTINUOUS IMPROVEMENT

10. 1 Project Compliance Monitoring & Reporting

10.1.1 Reporting of Incidents

The client is required to report every incident that occurs in the project at the FINCORP Branch within 48 hours to accommodate further reporting to lenders on significant incidents that could have an impact on employees' health and safety or the environment. These issues are not limited to the following:

i. Employees' strike or unrest
ii. Major work-related fatalities
iii. Environmental pollution (discharge into the environment)
iv. Significant fuel or chemical spillage
v. Fire outbreak or explosion
vi. Regular enforcement notices
vii. Notice for regulatory authorities

Annex 9 is the incident reporting template that shall be used by the client to report on incidents and provide adequate details on actions taken to remedy the situation.

Figure 3: Incident Escalation and Reporting Process

The credit officer must report the incident to the Branch Manager and ESCO upon receiving the report. The ESCO will report the incident to the Lender within 72 hours.

10.1.2 E&S Monitoring & Reporting

The client shall provide quarterly progress reports that encompass E&S performance of the project (*Annex 10* is the Monitoring Report Template). Reports are to be sent to the Credit Officer, Monitoring Officer, ESCO and Branch Manager. An E&S checklist attached as *Annex 11* can be utilised as a guide and can be amended to suit the conditions of the project.

Project inspections shall be done frequently, depending on the E&S risk category of the project, by the Credit Officer and/or ESCO, with participation from the Branch Manager. Inspection reports will be prepared and shared with the E&S Manager, the Branch Manager, and the Credit Officer Monitoring.

Frequency of monitoring and reporting

- High Risk Projects: Monthly site visits and quarterly progress reports
- Medium Risk Projects: Quarterly site visits and quarterly/bi-annual progress reports
- Low Risk Projects: One annual site visit (if necessary) and annual E&S performance report

Responsibility: Credit Officer, ESCO, Branch Manager

Output: Site Inspection Report, Progress Report (inclusive of E&S performance)

10. 2 Reports to Lenders

FINCORP's ESCO shall prepare E&S quarterly and annual reports on client performance and share them with AfDB (lender). The reports provide information on the following: E&S performance of the clients and status of clients' respective E&S action plan for identified E&S issues from the last investor or lender mission. Reports to the lender must be submitted between the 1st and 15th day after the quarter period.

Responsibility: ESCO, BDS Manager

Output: E&S quarterly and annual reports

10.2.1 Reporting to Authority

For applications and reports that FINCORP must submit to the Eswatini Environment Authority, the ESCO will lead the preparation and submission of the documents.

Responsibility: ESCO

10.3 ESMS Monitoring, Review & Continuous Improvement

The Environmental and Social Management System requires regular monitoring, evaluation, and improvement to remain effective, adapt to regulatory and standards changes, and respond to stakeholder needs. This section outlines the process for ensuring that the ESMS aligns with FINCORP's commitment to responsible lending and environmental and social accountability.

10.3.1 Monitoring

Monitoring of the loan Portfolio and ESMS implementation is an essential part of the ESMS cycle. FINCORP will be able to track E&S performance against performance indicators, identify emerging E&S Risks, and ensure compliance.

Monitoring shall be at three levels:

i. ***Portfolio-level Monitoring***: At this level, aspects such as E&S screening coverage, E&S risk categorisation distribution, Grievance Redress performance, and sub-project or client compliance shall be monitored.
ii. ***Institutional-level Monitoring***: At this level, aspects such as Occupational Health and Safety, Gender-Based Violence Prevention, Waste Management, and Energy and Resource Efficiency shall be monitored.
iii. ***Borrower-level Monitoring:*** At this level, aspects such as compliance with loan terms and national regulations shall be monitored.

Responsibility: ESCO and E&S Committee

Output: Quarterly E&S Performance Report

The E & S Committee shall establish key performance indicators for the implementation of the ESMS and have access to basic portfolio information.

E&S performance reports from the ESCO will be reviewed by the committee quarterly.

10.3.2 Monitoring & Reporting Cycle

Quarterly monitoring reports detailing Institutional and Sub-projects' E&S Performance, grievance performance statistics, along with recommendations for corrective action shall be prepared using E&S performance reports from sub-projects and site visit/inspection reports. An annual report shall also be prepared.

Responsibility: ESCO

Quarterly E&S performance reports shall be reviewed, new loans assessed for compliance with ESMS procedures, approval of corrective actions, and escalation of critical E&S issues to Management.

Responsibility: E&S Committee

10.3.2 Review & Continuous Improvement

ESMS shall be reviewed and updated to ensure that it remains effective, demonstrates FINCORP's commitment to continuous improvement, meets the requirements of evolving national and international standards, and adequately addresses E&S risks identified in the loan portfolio.

Review Frequency

The ESMS shall be reviewed a year after its introduction, and afterwards internal reviews shall be conducted every 2 or 3 years, or whenever the E&S committee deems it necessary.

The E&S Committee may initiate an ESMS review at any time if:

- Significant changes occur in national E&S regulations
- New international standards adopted by FINCORP's development finance partners
- Significant E&S incidents or non-compliance issues are identified
- Feedback from external audits recommends ESMS revision

Responsibility: E&S Committee

Output: Improved ESMS

Annual ESMS Review Process

The annual review process shall follow a structured approach to ensure comprehensive evaluation and stakeholder participation.

i. Internal Assessment

The E&S Committee and ESCO evaluate ESMS effectiveness through:

- Performance analysis against KPIs.
- Stakeholder feedback - Solicit feedback from credit officers, branch managers, and sub-projects
- Gap analysis for improvement in the ESMS
- Lessons learned documentation

ii. Internal Audit

FINCORP Group internal audit shall periodically assess ESMS compliance and effectiveness, including:

- Compliance assessment (national regulations and international standards)
- ESMS Process Audit
- Recommendations for strengthening

iii. Policy & Procedure Updates

Based on the findings of the internal assessment and audit, the ESCO shall lead the development of ESMS updates.

- Update ESMS procedures based on lessons learned
- Revise risk screening tools if new risks are identified
- Enhance training programs based on staff feedback
- GRM improvements based on grievance analysis
- Regulatory alignment

iv. **Board Approval**

The General Manager shall;

- Present annual/ regular ESMS review to FINCORP Management & Board
- Seek approval for any policy or procedure changes from FINCORP Management & Board
- Secure budget for ESMS improvements

E&S AWARENESS AND TRAINING

11 E&S AWARENESS & TRAINING

FINCORP staff members will be trained on E&S requirements, and the table below summarises the training requirements. Upon approval of the ESMS and annual updates, key persons of the ESMS will be trained.

Table 10: E&S Training Requirements

Persons	Training Item	Outcomes
FINCORP staff members	▪ E&S Policy ▪ GBV/SEA/SH Policy ▪ OSH policy ▪ GRM	▪ E&S awareness within FINCORP ▪ E&S awareness as part of the induction programme
Branch Managers & Credit Officers	▪ FINCORP's ESMS ▪ AfDB E&S requirements ▪ Eswatini E&S legislations	▪ Awareness of their roles in the implementation of ESMS. ▪ Basic requirements of E&S identification.
Sub-projects	▪ Labour management ▪ E&S Legislations	▪ Awareness and compliance with E&S legislation.

A detailed training program will be developed annually to ensure E&S training is adequate to facilitate implementation and improvement of the ESMS, culture in the DFI, and E&S needs for sub-projects.

1.1 ESMS Budget

Implementation of the ESMS will require the following budget:

Table 11: ESMS Implementation Budget

Budget Item	Description	Frequency	Estimated Cost
ESMS Training	Workshops for credit officers, managers	2 times a year	~ E70 000
Capacity Building (Internal)	FINCORP staff, external courses for ESCO	As required	~ E250 000

Budget Item	Description	Frequency	Estimated Cost
Capacity Building (External)	FINCORP Projects on E&S	Quarterly	~ E300 000
Site visits and audits	Field monitoring visits	As required	~ E150 000
Visitors Site inspection	E&S implementation supervision mission	2 times a year	~ E30 000

STAKEHOLDER ENGAGEMENT & INFORMATION DISCLOSURE

12 STAKEHOLDER ENGAGEMENT & INFORMATION DISCLOSURE

Stakeholder engagement is a continuous engagement with stakeholders (i.e., FINCORP/project affected parties and FINCORP/project interested parties) to foster a positive relationship between the client and the stakeholders, regarding FINCORP-financed projects.

At the project level, clients must develop and implement a stakeholder engagement plan throughout the life cycle of the project. Stakeholder engagement aims to ensure that stakeholders' inputs are taken into consideration (acknowledged and incorporated into project planning and implementation); Culturally appropriate consultation methods are utilized; information disclosure regarding project operations is provided; and Stakeholders are provided with a platform to report concerns and grievances seamlessly. *Annex 11* is a stakeholder engagement plan (SEP) template adopted from the World Bank, which clients can use to develop their own.

Information disclosure is essential so that affected parties and interested stakeholders understand the risks and impacts associated with the project. Information disclosed must entail the following: project purpose, size and location; implementation period and grievance redress mechanism.

FINCORP will ensure that the project's documents are disclosed to relevant stakeholders internally and externally. For instance, a project's environmental assessment report and the ESMS will be uploaded on FINCORP's website.

13 GRIEVANCE REDRESS MECHANISM

It is essential to identify and address Environmental and Social (E&S) issues before they turn into grievances effectively and proactively. A grievance is an issue or concern that stakeholders have regarding an organization or a development project, with the expectation that the complaint will be adequately addressed.

At the project level, clients will develop and implement a project-level grievance redress mechanism (GRM). A grievance redress mechanism is a formal and well-outlined process of receiving and addressing concerns raised regarding the operations of the project. The GRM will be accessible to all project stakeholders, transparent, fair, and effective, including a predictable timeframe in which stakeholders receive a response or resolution to the reported grievance. For projects in rural areas, inclusion of Traditional Dispute Resolution Mechanisms can also be considered.

Refer to Annex 12 for a grievance procedure which is a guide for developing a project level GRM.

CONCLUSION

CONCLUSION

Eswatini Development Finance Corporation (FINCORP) recognises the importance of considering environmental and social (E&S) issues before investment. The procedures outlined in the Environmental and Social Management System (ESMS) will help reduce E&S risks by ensuring that:

i. The prospective client's project will undergo screening and environmental and social due diligence, as part of the loan appraisal process.
ii. E&S monitoring of the project to ensure compliance with Eswatini Environment and Social National Legislation and FINCORP's E&S requirements.

Implementation of FINCORP's ESMS will ensure that E&S performance is effective, safeguarded, in line with international best practice and adherent to lenders' requirements.

CAUTION
CANE HAULAGE
OPERATION
CAPHELA
CAUTION
CANE HAULAGE
OPERATION

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ANNEXURE

ANNEX 1 – EXCLUSION LIST

The following list is a list of activities that are not funded by the Eswatini Development Finance Corporation (FINCORP)[5];

1. **Hazardous Substances & Banned Products**
    - Production or trade of products containing unbonded asbestos fibres.
    - Production or trade of ozone-depleting substances (ODS) as per the Environment Management Act and Montreal Protocol.
    - Production or trade of polychlorinated biphenyls (PCBs).
    - Production, use, or trade of hazardous pharmaceuticals, pesticides, herbicides, and chemicals subject to international or local bans.
    - Trade in mercury and mercury compounds, including mercury-added products.
    - Production or trade of persistent organic pollutants (POPs).
    - Trade in wildlife or products regulated under CITES.
    - Diamond mining and marketing where the Kimberley Process is not adhered to.

2. **Human Rights & Labour Violations**
    - Projects that limit individual rights and freedoms or violate human rights.
    - Construction or financing of prisons, detention centres, or correctional institutions.

[5] This list is an integrated list adopted from African Development Bank (AfDB) and European Investment Bank, and it has been refined to align with a DFI in Eswatini.

- Activities involving harmful or exploitative forced labour or harmful child labour, as defined by ILO Fundamental Labour Conventions.

3. Environmental & Climate-Related Restrictions

- Projects not aligned with the Paris Agreement goals, Eswatini's Nationally Determined Contributions (NDCs) or the EIB Group Climate Bank Roadmap.
- Activities causing significant degradation, conversion, or destruction of critical habitats, including primary forests and High Conservation Value Forests (HCVF).
- Conversion of natural forests into plantations.
- Unsustainable fishing methods (e.g. use of explosives or chemicals, kraals or traps made from sacking, canvas, wicker, cane).
- Extraction or mining of conflict minerals and metals as per Eswatini regulations.
- Projects causing a very high residual risk related to climate change adaptation.

4. Prohibited & Controversial Activities

- Deliberate release of genetically modified organisms (GMOs) not compliant with Eswatini legislation, i.e., the Biosafety Act 2012.
- Animal and human reproductive cloning.
- Activities involving live animals for scientific/experimental purposes without compliance with animal protection regulations.
- Projects related to the sex trade and related infrastructure, services, or media.
- Production, manufacturing, processing, or distribution of tobacco products.
- Gambling activities, casinos, and related equipment (projects mainly generating over 10% revenue from gambling).
- Projects with explicit political or religious purposes.

- Ammunition, explosives, sporting weapons, and equipment/premises dedicated to military or police use.

5. **Financial & Sector-Specific Exclusions**
   - General-purpose real estate financing.
   - Pure financial transactions not linked to capital expenditure (e.g., mergers and acquisitions).
   - Multi-beneficiary intermediated loan exclusions:
     - Mining sector projects.
     - Manufacturing of explosives and nitrogen compounds.
     - Nuclear energy-related manufacturing and processing.
     - Hydropower projects.
     - Treatment, collection, and incineration of hazardous waste.
     - Thermal power stations and high CO2 emission industrial manufacturing covered by EU Taxonomy.
     - Air transport infrastructure, aircraft manufacturing/acquisition.
     - Desalination projects.
     - For-profit education projects outside Eswatini from kindergarten to secondary level.
   - Projects involved in corruption, fraud, money laundering, or other financial crimes.

6. **Waste & Pollution-Related Restrictions**
   - Transboundary movement of waste prohibited under international law and the Basel Convention.
   - Activities violating Eswatini biodiversity protection legislation.
   - Any activities contributing to degradation of biodiversity or cultural heritage

7. **Health Sector**
   - Health sector sub-projects requiring secure or forensic units are excluded.

Governance & List Management

This exclusion list will be reviewed and updated to meet requirements from FINCORP funding partners, international conventions, and Eswatini National Legislation.

Provisions

- Sector-specific exclusions should align with the Climate Bank Roadmap and relevant national regulations in Eswatini.

Final beneficiaries heavily involved in any excluded activity will not be eligible for funding.

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