



**FSD AFRICA**

## **Anti-Corruption and Integrity Policy and Procedures**

Final Form: 3 December 2015

## ANTI-CORRUPTION AND INTEGRITY POLICY AND PROCEDURES

### 1. Background and Introduction

- 1.1 FSD Africa observes the highest standards of financial and ethical conduct and has a “zero tolerance” policy towards fraud and corruption.
- 1.2 All FSD Africa directors, committee members, employees, consultants and other staff (each such individual being an **FSDA Person**) must comply with these Anticorruption and Integrity Policy and Procedures (the **Procedures**). However, as the Procedures are administrative in nature, they are subordinate to, and do not remove or change the rights and obligations of each FSDA Person under any applicable national or international laws or under contract.
- 1.3 The Procedures are designed to prevent and combat misconduct in particular fraud and corruption that may occur in connection with the activities of FSD Africa. Prevention is the most important element of the strategy. Fraud and corruption practices need to be difficult to undertake without a high likelihood of detection, thereby acting as a deterrent. The Procedures set out the general principles and requirements applicable to FSD Africa, to FSDA Persons and to persons and entities which receive funding either directly or indirectly from FSD Africa. They also set out the framework for the process of handling investigations into alleged corruption or possible integrity violations. They define how such investigations are to be handled, set out the persons responsible for such investigations and define sanctions and consequences of material breach of this policy and procedures.
- 1.4 All FSDA Persons and such persons and entities which receive funding either directly or indirectly from FSD Africa must take all appropriate measures to prevent and combat fraud and corruption, money-laundering and the financing of terrorism.
- 1.5 Each FSDA Person and each person and entity who receives funding either directly or indirectly from FSD Africa has a duty to make arrangements to ensure that funding provided by FSD Africa is used for the purposes for which it was deployed, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations. The Procedures constitute an important element of those arrangements.
- 1.6 The Procedures cover fraud and corruption through the diversion of FSD Africa funding for ineligible expenditures, as well as fraud and corruption engaged in for the purpose of influencing any decision as to the use of FSD Africa funding.
- 1.7 The Procedures apply to FSD Africa, all FSD Persons and all other persons or entities which either receive (either directly or indirectly) FSD Africa funding for their own use, are responsible for the deposit or transfer of FSD Africa funding (whether or not they are beneficiaries of such proceeds), or take or influence decisions regarding the use of FSD Africa funding.
- 1.8 FSD Africa shall ensure that:
  - the Procedures are maintained, so far as applicable, in line with the principles and guidelines of relevant international financial institutions; and

- all FSDA Persons and all other persons or entities which receive funding (either directly or indirectly) from FSD Africa are aware of the Procedures and have adopted similar or identical procedures to prevent and combat fraud and corruption that may occur in connection with their activities.

## 2. Procedures for Preventing and Combating Fraud and Corruption in FSD Africa Financed Activities

2.1 The following provisions of the Procedures cover fraud and corruption that may occur during the preparation, negotiation and implementation of activities financed, either directly or indirectly, in whole or in part, using funding from FSD Africa.

### *Definitions of Practices Constituting Fraud and Corruption*

2.2 The Procedures address the following defined practices:

- a. a “corrupt practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;
- b. a “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
- c. a “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;
- d. a “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any part of the property of the party to influence improperly the actions of a party;
- e. an “obstructive practice” is:
  - i. deliberately destroying, falsifying, altering or concealing evidence material to the investigation or making a false statement to investigators in order to materially impede an investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or
  - ii. an act intended to materially impede the exercise of a person’s contractual rights of audit or access to information.

2.3 The above practices are referred to collectively in the Procedures either as “fraud and corruption” or as “Sanctionable Practices”.

### *Actions to be taken to Prevent and Combat Fraud and Corruption by FSDA Persons and recipients of funding from FSD Africa whether directly or indirectly (“Recipients”)*

2.4 FSD Africa, FSDA Persons and Recipients (either directly or indirectly) will:

- a. take all appropriate measures to prevent fraud and corruption in connection with the use of funding from FSD Africa, including (but not limited to):
  - i. adopting appropriate fiduciary and administrative practices and institutional arrangements to ensure that the funding from FSD Africa is used only for the purposes for which it was given and so that any fraud and corruption can be easily detected, such as establishing an overall framework for controls (such as the Board of Directors and Finance, Audit and Risk Committee); ensuring a separation of duties; monitoring systems and controls through internal and external audit; complying with the FSD Africa Operating Policies and Procedures and where applicable any professional obligations; discouraging conflicts of interest and maintaining interest registers; ensuring procedures for selection and training of directors and employees to support the selection of honest and competent individuals; having a clear corporate policy in line with the Procedures to act as a deterrent to potential wrong doers and that encourages others to pass on concerns over possible fraud or corruption; and
  - ii. ensuring that all Recipients receive a copy of these Procedures and are made aware of and adhere to their contents;
- b. immediately report any allegations of fraud and corruption in connection with the use of funding from FSD Africa to the FSDA Director (or, in circumstances where any such allegations may relate in whole or in part to the FSDA Director, to the DFID fraud team using the email address [fraud@dfid.gov.uk](mailto:fraud@dfid.gov.uk)). As soon as practicable and in any event no later than five days following receipt of an allegation, the FSDA Director (or the DFID fraud team as the case may be) shall inform the Chair that an allegation has been made and the Chair will ensure that the Board and the members of FSD Africa (and any other current or previous funder of FSD Africa whose funds may have been used in relation to the allegation) are also informed of the allegation;
- c. if it is determined (after having followed the investigation procedure set out in these Procedures) that an FSDA Person or a Recipient has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of FSD Africa funding, take timely and appropriate action in accordance with Section 5 of these Procedures;
- d. include such provisions in any agreements with Recipients as may be required to give full effect to these Procedures, including (but not limited to) provisions (i) requiring such Recipient to abide by the Procedures, (ii) requiring such Recipient to permit FSD Africa's advisers and/or representatives to inspect all of their accounts and records and other documents relating to the relevant project required to be maintained pursuant to the relevant funding agreement and to have them audited by, or on behalf of, FSD Africa, and (iii) requiring restitution by such Recipient of any amount of the funding from FSD Africa with respect to which fraud and corruption has occurred; and
- e. cooperate fully in any investigation into allegations of fraud and corruption in connection with the use of funding from FSD Africa.

### 3. **Anti-Money Laundering and Combating the Financing of Terrorism**

- 3.1 FSD Africa is committed to the international fight against terrorism, and in particular, against the financing of terrorism. It is the policy of FSD Africa to seek to ensure that none of its funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism. To those ends, FSD Africa is committed to taking appropriate steps to ensure that its funding is not used to provide assistance to, or otherwise support, terrorists or terrorist organizations, and FSDA Persons will inform the FSDA Director immediately if it determines that any such funds have been so used, who will in turn update the Chair, as appropriate. Within five days of receipt of such information, the Chair will ensure that the Board and the members of FSD Africa (and any other current or previous funder of FSD Africa whose funds may have been used) are also informed.
- 3.2 FSD Africa shall institute, maintain and comply with, and shall use commercially reasonable efforts to cause each Recipient to institute, maintain and comply with, appropriate policies, procedures and controls that are in compliance with applicable national laws and regulations for anti-money laundering and combating the financing of terrorism (“AML/CFT”). In the case of FSD Africa, such procedures and controls (the **AML/CFT/Integrity Procedures and Controls**) shall include but shall not be limited to:
- a. a written policy on AML/CFT;
  - b. the appointment of a person to act as AML/CFT Officer;
  - c. due diligence requirements in respect of each funder of FSD Africa and each Recipient;
  - d. record keeping;
  - e. reporting of suspicious transactions to authorities where required; and
  - f. AML/CFT training for staff.
- 3.3 The key principles underpinning FSD Africa’s AML/CFT/Integrity Procedures and Controls are set out in the Annex hereto and shall be adhered to by FSD Africa at all times.

### 4. **Reporting Requirements**

- 4.1 In addition to such other reporting requirements as may be required under the FSD Africa Operating Policies and Procedures, FSD Africa shall confirm in writing to its members by 31 January in each year that to the best of its knowledge and belief:
- a. neither it nor any of its affiliates acting on its behalf, nor any other person acting on its behalf, has engaged in any activity, nor entered into any transaction, prohibited by any resolution issued by the United Nations Security Council under Chapter VII of the UN Charter;
  - b. after due inquiry, it is not involved with any party that is an entity or person (i) sanctioned pursuant to any United Nations Security Council resolution issued under Chapter VII of the UN Charter, (ii) on the World Bank Listing of Ineligible Firms from time to time ([www.worldbank.org/debarr](http://www.worldbank.org/debarr) or any successor website or location) or (iii) convicted, indicted, or subjected to any similar sanction, by any court or governmental body of competent jurisdiction, for engaging in money laundering or financing of terrorism or any Sanctionable Practice or (iv) otherwise included upon any sanction or watch lists issued by any government (including, without limitation, the

governments of the United Kingdom and the United States of America and the European Union), financial market regulator or law enforcement body throughout the world from time to time;

- c. all FSD Africa supported projects are in compliance with their obligations under these Procedures; and
  - d. neither FSD Africa nor any of its affiliates acting on its behalf nor any other person acting on its behalf is in breach of FSD Africa's written policy in respect of AML/CFT.
- 4.2 If any FSDA Person becomes aware of the initiation of any administrative, supervisory or criminal investigation or proceeding involving itself or any other FSDA Person or any Recipient, with regard to money laundering, financing of terrorism or any Sanctionable Practices, it shall report such investigation or proceeding in accordance with Section 5 of these Procedures.

## **5. Investigations into Allegations of Misconduct and Integrity Violations by an FSDA Person or Recipient**

### **Introduction**

- 5.1 The policy and the procedures set out in this section of these Procedures are intended to be used as guidance in the conduct of investigations into integrity violations involving an FSDA Person or a Recipient. FSD Africa requires that all instances of suspected fraud be investigated thoroughly and where appropriate referred to the relevant authorities.

### **General**

- 5.2 FSD Africa shall nominate an investigative officer of appropriate standing and authority within FSD Africa (the "Investigative Officer") for the purposes of investigations into integrity violations and misconduct by FSDA Persons or by Recipients, who shall report to the Chair (for the avoidance of doubt, save in circumstances where any allegation of any integrity violation or misconduct relates to him/her, the Investigative Officer shall be the Chief Operating Officer for the time being of FSD Africa).
- 5.3 Any investigation into integrity violations and misconduct by a third-party service provider to FSD Africa shall be carried out by FSD Africa in accordance with these Procedures.
- 5.4 The Investigative Officer shall be the initial point of contact for allegations of integrity violations and misconduct, reporting to the Chair.
- 5.5 Integrity violation is any act which violates FSD Africa's zero tolerance policy on fraud and corruption, money laundering and the financing of terrorism, including any Sanctionable Practice.
- 5.6 The purpose of an investigation by the Investigative Officer is to examine and determine the veracity of allegations of integrity violations and misconduct for submission to the Chair.

- 5.7 The Investigative Officer shall maintain objectivity, impartiality and fairness throughout the investigative process and conduct its activities competently and with the highest levels of integrity. In particular, the Investigative Officer shall perform his/her duties independently from the day to day operations of FSD Africa and shall be free from improper influence and fear of retaliation. The Investigative Officer may use such internal or external resources as they consider necessary to carry out the investigation.
- 5.8 If the Investigative Officer has a real perceived or apparent conflict of interest in an investigation, he or she shall declare such actual or potential conflict to the Chair, who shall nominate an alternative, unconflicted person of sufficient expertise to carry out the investigation of the relevant matter.
- 5.9 Disclosure of conflicts of interest of the Investigative Officer in relation to an investigation shall be made promptly upon discovery and before any investigative action is taken. Any action to manage the conflict of interest shall be in writing. Actions to address conflicts of interest may include, but are not limited to, exclusion from an investigation and limits on access to case records and information.
- 5.10 If the subject of any investigation perceives that the Investigative Officer has not declared a conflict of interest in the investigation, or that a conflict of interest has not been managed appropriately, the subject of the investigation may request a review of the matter by the Chair.
- 5.11 The Investigative Officer shall assess allegations and conduct investigations under these procedures promptly and thoroughly and recommend to the Chair the administrative action to be taken.
- 5.12 The principal responsibilities of the Investigative Officer are:
- to serve as the initial point of contact for all alleged incidents of Sanctionable Practices, money-laundering and financing of terrorism;
  - to conduct independent and objective investigations (using such internal or external resources as they may determine appropriate) of Sanctionable Practices, money-laundering and financing of terrorism;
  - to provide investigative findings, which shall be dealt with as stipulated in these procedures;
  - to report the findings of any such investigation;
  - in the conduct of investigations, to coordinate with the Board as appropriate;
  - to investigate allegations of misconduct by an FSDA Person involving Sanctionable Practices or abuse (theft, waste, or improper use of FSD Africa's assets, either committed intentionally or through reckless disregard), in accordance with these Procedures;
  - to prepare and submit an annual report to the Board for submission to the members summarising its activities.
- 5.13 The Investigative Officer shall ensure that all information and records associated with an investigation, including the identity of parties that are the subject of the investigation and of parties providing testimony or evidence, are kept confidential and under adequate physical, electronic and procedural controls. The Investigative Officer shall ensure that the circulation of information regarding an investigation is only to those with a need-to-know. Depending on the nature of the case, the Investigative Officer may disclose certain evidence to the subject of an investigation in a manner that considers the need to protect whistleblowers and witnesses.

- 5.14 Only the Investigative Officer, and members of the Board (if not the subject of the case and having not declared an actual or potential conflict of interest) may have access to information and records in relation to each case and may determine whether such information and records may be shared unedited or redacted with other parties. Information and records may only be shared unedited or redacted with other parties if the Board is satisfied that their document management systems are adequate to protect such information.
- 5.15 Investigative findings shall be based on facts and related analysis, which may include reasonable inferences.
- 5.16 All investigations conducted by an Investigative Officer are administrative in nature and subordinate to, and do not remove or change the rights and obligations of each FSDA Person, under any applicable national or international laws or under contract.

### **Rights and Obligations**

- 5.17 All FSDA Persons are obliged to report any suspected integrity violation or other suspected misconduct to the relevant Investigative Officer. Any allegation of integrity violation or other suspected misconduct must be passed by the recipient of the allegation to the relevant Investigative Officer.
- 5.18 “Whistleblowers” shall not be subject to retaliation. Any retaliation will be treated as a separate act of misconduct.
- 5.19 FSDA Persons have a duty to cooperate fully in any screening or investigation when requested by an Investigative Officer to do so. Such cooperation includes, but is not limited to:
- being available to be interviewed and replying fully and truthfully to all questions asked;
  - providing the Investigative Officer or such advisors as the Investigative Officer may have appointed to assist with any investigation with any items requested that are within the FSDA Person’s control, including, but not limited to, electronic documents and data;
  - cooperating in any testing required by the Investigative Officer;
  - preserving and protecting confidentiality of all information discussed and/or secured during the investigation; and
  - an FSDA Person who is the subject of an investigation must allow his or her financial information to be provided directly to the Investigative Officer. Upon the Investigative Officer’s request, the subject must provide written authorisation addressed to his or her bank to this effect, waiving any privacy or confidentiality rights the subject may otherwise have related to the information to be disclosed.
- 5.20 An FSDA Person who is subject to an investigation may request to be accompanied by a third party (including legal counsel) at their own cost during interviews conducted as part of an investigation so long as such request does not delay or impede the investigation. Both subjects and witnesses may consult, at their own expense, with legal counsel so long as such consultation does not delay the conduct of the interview or compliance of any other FSDA Person with any obligations under this policy, unless permitted by the Investigative Officer.

- 5.21 If an FSDA Person does not comply with any obligation to cooperate, the Investigative Officer may draw an adverse inference from such refusal. In such cases, the Investigative Officer may refer the matter to the Chair for appropriate disciplinary action. Failure to cooperate shall include not responding in a timely and complete manner to enquiries, failure to provide relevant documents or other relevant evidence that the Investigative Officer may request unless any of the exceptions set out in Section 5.31 below apply, destroying or concealing evidence or misrepresenting facts during, or otherwise inhibiting, an investigation.
- 5.22 All FSDA Persons shall use their commercially best endeavours to include in contracts with third parties that are financed using FSD Africa funds, provisions stipulating that parties involved in the investigative process shall cooperate with an investigation.
- 5.23 As part of the investigative process, the subject of an investigation shall be given an opportunity to explain his or her conduct and present information on his or her behalf.

### **The Investigative Process**

- 5.24 All investigations should be conducted expeditiously within the constraints of available resources.
- 5.25 The Investigative Officer should examine both inculpatory and exculpatory information.
- 5.26 The Investigative Officer shall maintain and keep secure an adequate record of the information and the information collected for a minimum of 5 years from receiving the complaint.
- 5.27 The Investigative Officer shall take appropriate measures to prevent the unauthorised disclosure of investigative information.
- 5.28 The Investigative Officer shall document its investigative findings and conclusions.
- 5.29 The Investigative Officer shall have full and unrestricted access to information and records (including e-mails) relating to the relevant FSD Africa-related activities. The Investigative Officer may examine any and all files, records, books, data, papers and any other materials related to the relevant FSD Africa-related activities, as and when deemed necessary; and take temporary possession of any material; and make copies.
- 5.30 If the Investigative Officer is required to disclose any information relating to an investigation to the Board, it shall require such recipients to protect the confidentiality of such information and use it only for the purpose for which the Investigative Officer has disclosed the information before disclosing such information.
- 5.31 Notwithstanding any obligation set out in these Procedures, an FSDA Person shall not be required to disclose or provide access to any information or records (including e-mail) to an Investigative Officer if such the material falls within any of the following exceptions:
  - a. personal information that cannot be disclosed by FSD Africa under applicable data protection or equivalent legislation;

- b. any information subject to legal privilege;  
or
- c. any information where the disclosure of such information would violate applicable law or regulations.

### **Procedural Guidelines**

- 5.32 An Investigative Officer shall accept all complaints, irrespective of their source, including complaints from anonymous or confidential sources. The Investigative Officer will promptly acknowledge receipt of all complaints.
- 5.33 All complaints shall be reviewed to determine whether they fall within the authority of the Investigative Officer that receives the complaint.
- 5.34 Each complaint will be evaluated by the Investigative Officer to determine its credibility, materiality and verifiability and whether there is a legitimate basis to warrant an investigation. The following criteria shall be used to determine whether a complaint warrants further investigation:
  - relates to FSD Africa activities;
  - credible - there is a reasonable possibility that a violation occurred;
  - verifiable - practicable options exist to obtain sufficient evidence to determine the truth of the allegations on the balance of probabilities;
  - material - the matter is of sufficient importance to justify the projected requirements of investigation and any remedial action; and
  - other relevant considerations, e.g. whether the matter may be effectively addressed through the administrative sanctions available to FSD Africa.
- 5.35 At the conclusion of the initial evaluation, the Investigative Officer shall recommend closure of the complaint or further investigation to the Chair. Decisions to close a case at the conclusion of the initial evaluation shall be documented, setting out the reasons for this decision. Recommendations for further investigation will be set out in an investigative plan submitted to the Chair, which shall set out the investigative activities to be carried out. Investigative activities may, without limitation, include the collection and analysis of documentary, video, audio, photographic and electronic information or other material, interviews of witnesses and such other investigative techniques as are required to conduct the investigation.
- 5.36 The planning and conduct of an investigation and the resources allocated to it should take into account the gravity of the allegation and the possible outcome(s).
- 5.37 The Investigative Officer shall, wherever possible, seek corroboration of the information in its possession.
- 5.38 Investigative activities and critical decisions should be documented in writing and reviewed by the Chair.
- 5.39 If at any time during an investigation, the Investigative Officer considers that it is appropriate and would be prudent, as a precautionary measure or to safeguard information, to procure the temporary exclusion of an FSDA Person that is the subject of an investigation from access to his or her files or office, or to recommend that he or she be suspended, with or without pay or benefits, or to recommend placement of such other limits on his or her official activities, the Investigative Officer shall refer the matter to the Chair.

- 5.40 Interviews shall be conducted by the Investigative Officer plus one other person.
- 5.41 Interviews may be conducted in the language of the person being interviewed, where appropriate, using interpreters.
- 5.42 Under no circumstances shall a witness or a subject be paid for any information, except that reasonable expenses incurred by witnesses or other sources of information may be reimbursed.
- 5.43 The Investigative Officer may engage external parties to assist it in its investigations.
- 5.44 If the Investigative Officer does not find sufficient information during the investigation to substantiate the complaint, it will document such findings and notify the Chair. The Chair must approve the closing of any investigation. The standard of proof that shall be determined whether a complaint is substantiated is a preponderance of evidence sufficient to support a reasonable belief, taking into consideration all relevant factors and circumstances, that on the balance of probabilities a given party has committed a violation.
- 5.45 If the Investigative Officer finds sufficient information to substantiate the complaint, it will document its investigative findings and refer the findings to the Chair with a recommendation as to how to proceed.
- 5.46 Where the Investigative Officer's findings indicate that a complaint by an FSDA Person was knowingly false, the complaint will be treated as a separate act of misconduct.
- 5.47 Where the Investigative Officer's findings indicate that there was a failure to comply with an obligation under these Procedures, the Investigative Officer may refer the matter to the Chair.
- 5.48 Where legally there is a choice, the Investigative Officer may consider whether it is appropriate to refer the complaint to the appropriate national authorities (after taking appropriate legal advice), and the Investigative Officer shall seek the approval of the Board for such a referral. Where there legally is not a choice, the Investigative Officer shall refer the complaint to the appropriate authorities having informed the Board of such intention prior to such referral being made to the extent that it is possible to do so. To the extent that it is not possible to so pre-inform the Board then the Investigative Officer shall inform the Board that the relevant referral has been made as soon as practicable thereafter.

## **Sanctions**

- 5.49 Where fraud and corruption or other misconduct have been found, FSD Africa will seek prosecution of offenders wherever possible and appropriate and seek the recovery of misappropriated funds or assets and the application of appropriate penalties wherever possible, including not using or engaging the offender again.

## Annex

### *Key principles underpinning FSD Africa's AML/CTF/Integrity Procedures and Controls*

1. **FSD Africa shall not accept funding from any funder nor proceed with any investment without knowing who the beneficial owners and prospective co-owners of a funder or investee entity (as the case may be) would be**

KYC (Know-Your-Client) is a fundamental principle which must be applied in all operations of FSD Africa.

In so doing, FSD Africa will comply with all applicable anti-money laundering and KYC legislation (and to the extent that this is less rigorous than the UK anti-money laundering and KYC legislation for the time being in force (the **UK Regime**) will meet the standards set by the UK Regime to the greatest extent possible) with respect to (i) each funder of FSD Africa and (ii) each investment made by FSD Africa.

Before examining any possible investment or accepting funding from any funder, FSD Africa should be satisfied that it has gathered sufficient information to gain a view as to the identity, character, reputation and background of the ultimate beneficial owners, the controllers, the source of existing funding and the ownership structure. Enhanced due diligence will be undertaken by FSD Africa to verify the sources of wealth and funds where any due diligence subject is a Politically Exposed Person (**PEP**<sup>1</sup>).

To protect FSD Africa, it may be necessary to identify the beneficial owners of other counterparties in any investment (if any) including, without limitation, sponsors, co-investors, lenders, shareholders, suppliers or other service providers.

FSD Africa should perform background searches on both potential investments and investors to identify relevant information regarding the reputation and character of entities and individuals with whom FSD Africa is contemplating doing business. Relevant information may include information on criminal activities (e.g. money-laundering, terrorism financing and corruption) or non-criminal matters (e.g. bankruptcy, civil litigation, regulatory investigations, PEPs, employment and credit history). Such searches can be undertaken using the products referred to in section 3 below.

If concerns arise as a result of the above checks then FSD Africa should consider whether additional due diligence should be performed on a specific entity or individual. Additional due diligence may include the use of third parties (such as local legal counsel or an independent due diligence/business intelligence contractor to perform a more in-depth background search or an independent integrity check using a variety of methods including reference checks, discreet personal enquiries, interviews and research using local databases that are not accessible on the internet).

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<sup>1</sup> **A PEP is broadly defined as:** any individual (or a family member or close associate of such individual) who is or has been entrusted with a prominent public function by a state or an international body including: heads of state, heads of government, ministers and deputy or assistant ministers; members of parliament; members of supreme courts, of constitutional courts or of other high-level judicial bodies; members of courts or auditors of the boards of central banks; ambassadors, chargé d'affaires and high-ranking officers in the armed forces; and members of the administrative, management or supervisory bodies of state-owned enterprises.

These principles also apply when FSD Africa disposes of any investment.

Where FSD Africa's reputational risk is linked to individuals involved in an investment, it may be necessary to understand the full extent of the individual's business dealings to determine if there are any potential areas of risk beyond those associated with the particular investment under consideration.

FSD Africa should not enter into any investment or accept funding from any funder wherever it is suspected, or where there are substantiated allegations, that opaque corporate structures or corporate vehicles are being used. Reliance on legal documents, such as letters by private lawyers or copies of shareholder registers in jurisdictions that permit nominee shareholders, may not always protect FSD Africa from potential damage (either material or reputational) particularly where there are credible doubts about ownership.

The FSD Africa management team is responsible for disclosing to the Board of Directors and to the Investment Committee any doubts about identity/ownership. All such potential issues should be recorded and should form part of the investment assessment.

- 2. FSD Africa should not engage in a relationship with anyone convicted of, or under investigation for, a serious criminal offence nor should they undertake any investment where there is credible evidence of existing links to organised crime and criminal activities.**

FSD Africa shall comply with all applicable combatting-the-financing-of terrorism (CFT) legislation (and to the extent that that this is less rigorous than the UK CFT legislation for the time being in force (the **UK CFT Regime**) will meet the standards set by the UK CFT Regime to the greatest extent possible).

Conviction of a serious crime should, in almost every case, be a reason to decline to participate in any investment. As a general principle, in the case of an ongoing criminal investigation, or where an individual has been indicted, FSD Africa should avoid entering into the relationship until such time as the investigation is either dropped or a decision is made whether or not to prosecute. This also applies to individuals who may be the subject of international arrest warrants or who may have been charged with, or found to have violated, UN or other sanctions. The opening of a criminal proceeding should also result in postponing consideration of any possible engagement.

Aside from criminal convictions, conclusive evidence of criminal activities or associations is frequently not available. In any such case, an independent integrity report might be commissioned from a reputable risk advisory firm. These reports should assess the level of certainty or reliability of any allegations raised. FSD Africa may consider evidence that any such allegations are false, unfounded or politically or commercially motivated in making its decision whether or not to proceed with an investment.

In the context of an existing relationship, FSD Africa should inform the Board of Directors and the Investment Committee immediately if a criminal investigation is opened, a criminal prosecution is initiated or a criminal conviction is handed down.

Investigations or sanctions by governments or regulatory bodies (such as securities and exchange commissions or financial oversight authorities) are strong warning signs which need to be carefully evaluated before proceeding. Disclosure of actions by any governments or regulatory bodies (such as regulatory fines or sanctions) against existing counterparties, must be brought to the attention of the Board of Directors and of the Investment Committee by the FSD Africa management team.

- 3. FSD Africa should not engage with any person or with any entity listed on an internationally recognised “black list” (whether relating to financial sanctions or otherwise).**

Once beneficial ownership has been determined, FSD Africa should assess the risk profile of the potential investment counterparty, its relevant shareholders and its management team. Widely accepted and internationally recognised “black lists” (e.g. UN Security Council, US Department of Treasury, HM Treasury, EU, FBI, financial market regulators such as the SEC, FCA OFAC, central banks, EU Travel Plan, World Bank, Interpol etc) should be consulted to verify whether the proposed persons, entities or their management or shareholders, appear on any such lists.

If there is information that someone was on a black list but was later removed, the period of time on the list as well as the reason for deletion or removal from the list should be ascertained if possible. Where such lists are not accessible or available, the FSD Africa management team should seek guidance from the Board of Directors and the Investment Committee.

Searches of such lists (and broader integrity due diligence) can most easily be done using products from commercial database search companies (e.g. Complanet, Lexis-Nexis, West Law, Regulatory Data Corporation, World-Check, World Compliance, ISI Emerging Markets, Dow Jones Factiva, Owens Online etc). Entities such as this offer products which include coverage of international news and media, government and regulatory body lists and records, legal and regulatory authority actions on politically exposed persons (PEPs) etc.

- 4. Integrity and reputational risks (or a reasonable suspicion of any such risks) should be fully disclosed to the Board of Directors and to the Investment Committee**

Awareness of matters that may (or where there is a reasonable suspicion that any matters may) give rise to integrity or reputational risks should be brought immediately to the attention of the Board of Directors and the Investment Committee which will then decide upon further steps to be taken which may include obtaining external opinions. Any reputational or integrity risks with regard to FSD Africa’s existing investments or new investment proposals shall be given objective consideration taking into account any mitigating factors. Where concerns are identified, FSD Africa’s management team should draw these to the attention of the Board of Directors and the Investment Committee.

- 5. All investments should be monitored for integrity risks throughout the duration of FSD Africa’s participation**

Integrity and reputations risks may arise at any time during the duration of an investment. Monitoring the implementation of governance-related obligations is particularly important to identify early warning signs and to develop appropriate responses. During investment monitoring, FSD Africa should verify that

implementation of any applicable obligation agreed in respect of an investment is proceeding according to schedule.

In addition, FSD Africa should update the due diligence on the investors in, and managers of, any investment during the course of the investment and should ensure that the appropriate due diligence is performed on any new investors in, or managers of, any investment that emerge after the initial investment has been concluded.

The FSD Africa management team should carefully consider any exception, or any new potentially adverse information, and, where appropriate, bring it to the attention of the Board of Directors and the Investment Committee where corrective actions should be considered.