

Guidance document

Sierra Leone voluntary sustainable finance principles

Sector-level guidance for financial institutions

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Contents

Introduction	2
Implementation guidance.....	3
The portfolio mapping template.....	4
How to use the portfolio mapping template.....	5
Agriculture, fisheries and forestry	6
Agriculture, fisheries and forestry (AFF) smallholders	6
Commercial AFF operators	8
Intensive AFF operators	10
Construction.....	12
Small-scale builders and renovators.....	12
Mid-scale developers.....	14
Energy and energy efficiency.....	16
Micro-renewables operators	16
Commercial renewable producers:	18
Value chains	20
Micro-enterprises and small businesses.....	20
Medium-sized and mid-cap enterprises	23
Annex 1: Cross-cutting legislation and regulation	27
Environmental law and regulations	27
Social rights and gender equality laws and regulations	28
Governance and transparency laws and regulations	28



Introduction

In Sierra Leone, the banking and microfinance sectors have a critical role to play in directing capital towards activities that are ethical, socially responsible and environmentally sustainable. Recognising this responsibility, the Sierra Leone Association of Commercial Banks (SLACB) and the Sierra Leone Association of Microfinance Institutions (SLAMFI) have worked together to develop the voluntary sustainable finance principles (“the Principles”) for Sierra Leone.

To support financial institutions with the implementation of the Principles, this sector-level guidance (the “Guidance”) has been developed. It is tailored for a diverse range of financial institutions – from microfinance lenders to larger commercial banks – and focuses on the “everyday” business of banking with micro, small and medium-sized enterprises (MSMEs) in Sierra Leone (including agriculture). **Major corporate sectors such as mining, utilities and telecoms are excluded at this stage, as these typically have established environmental, social and governance (ESG) frameworks.**

The Guidance is designed to be inclusive, recognising that many borrowers, particularly MSMEs, are at the early stages of their sustainability journeys. It aims to translate the high-level Principles into actionable steps that help lenders identify, assess and manage ESG risks in their day-to-day engagements with clients.

It attempts to define sectors and business models to reflect varying levels of sophistication and materiality of ESG risks, ensuring that expectations are proportionate and practical. However, it must be accepted that MSMEs can be a nebulous cohort so there will inevitably be overlap and “edge cases”. We trust users to exercise their judgement and use their knowledge to incrementally enhance the guidelines over time. This is a working document and ownership by SLACB and SLAMFI will entail a systematic review and update process.

Importantly, this Guidance is not a prescriptive checklist. Instead, it provides practical examples and ideas to inspire financial institutions to adapt their business and operating models in ways that promote sustainable finance and robust ESG risk management. By thinking proactively about sustainability, institutions can not only manage risks more effectively; they can also develop new products, reach new markets, improve operational efficiency and strengthen client relationships. ESG risk management should not be seen as a defensive or compliance-driven exercise that creates friction between lenders and clients. Rather, it is an opportunity to innovate, support clients on their sustainability journey and demonstrate leadership to regulators, peers and the wider community. It also recognises that, while the financial sector is positioned as a key enabler of sustainable development, it is by no means the sole actor. Effective ESG outcomes require collaboration – with clients as well as public and private stakeholders and development partners. We should have high expectations of each other.

Implementation guidance

This section explains how the Principles can be put into practice by financial institutions, focusing on the relationship between lender and borrower. Importantly, it emphasises a proportionate approach: the intensity of ESG due diligence and credit assessment should be tailored to the size, complexity and risk profile of each client. In no way should implementation create further barriers between credit institutions and the under-banked. Rather, it should be approached as an opportunity to embrace change and use new knowledge and emerging technologies to revamp the way the finance community addresses its clients.

For each sector, the Guidance provides practical tools and examples to help institutions, including:

- Segmenting clients by business model and sophistication
- Identifying and assessing material ESG risks relevant to each segment
- Adapting credit strategies, policies and procedures to integrate ESG considerations
- Encouraging and supporting clients in adopting sustainable practices, through both financial and non-financial services.

Where clients operate across multiple parts of the value chain (e.g. both primary production and processing), institutions should refer to the relevant sector and value chain guidance.

The ESG risk management and mitigation sections are designed to give credit institutions practical ideas for adapting their business and operating models. These examples are not exhaustive or prescriptive; rather, they are intended to spark creative thinking about how sustainability can be embedded in day-to-day operations. By embracing change and proactively supporting clients, institutions can unlock new opportunities, improve efficiency and lower risk.





Ultimately, effective ESG risk management is not just about avoiding pitfalls – it is about grasping the potential for positive change. By showcasing these adaptations to regulators, peers and communities, credit institutions can play a leading role in advancing sustainable finance in Sierra Leone.

The portfolio mapping template

The portfolio mapping template shown in Table 1 is designed to help financial institutions quickly and visually identify which clients in their lending portfolio correspond to the sectors and segments described in the Guidance (e.g. smallholders, mid-scale developers, commercial renewable producers).

By using the portfolio mapping template, institutions avoid a “one-size-fits-all” approach and instead apply ESG guidance that is proportionate, practical and tailored to the real risks and opportunities in their client base. This makes ESG integration more effective and supports better outcomes for both the institution and its clients.

Table 1: Portfolio mapping template showing key sectors (as column headings) and the sub-segments within them (increasing in size, formality and sophistication going down the columns)

 <u>Agriculture, fisheries and forestry (AFF)</u>	 <u>Construction</u>	 <u>Energy and energy efficiency</u>	 <u>Value chains (e.g. manufacturing and wholesale/retail trade*)</u>
AFF smallholders <input type="checkbox"/>	Small-scale builders and renovators <input type="checkbox"/>	Micro-renewables operators <input type="checkbox"/>	Micro-enterprises or small business <input type="checkbox"/>
Commercial AFF operators <input type="checkbox"/>	Mid-scale developers <input type="checkbox"/>	Commercial renewable energy producers <input type="checkbox"/>	Medium-sized and “mid-cap” enterprises <input type="checkbox"/>
Intensive AFF operators <input type="checkbox"/>			

*Also includes agribusiness, resource extraction (not primary extraction).

How to use the portfolio mapping template

1. Review your portfolio

Begin by listing or categorising your current clients according to their main business activities and scale. For example, are most of your agriculture clients smallholder farmers, or do you also serve larger commercial or intensive operations? Do your construction clients tend to be informal builders, or are they registered mid-scale developers?

2. Match segments

Use the template's columns and rows to find the segment definitions that best fit your clients. Each segment in the template is described by typical characteristics (e.g. size, formality, business model, sector focus).

3. Focus your attention

Once you have identified which segments are most prevalent in your portfolio, you can focus on the guidance, risk exposures and mitigation strategies that are most relevant to those segments. For example, if your portfolio is mostly smallholder farmers, prioritise the ESG risks and management practices tailored for that group.

4. Apply relevant guidance

Use the sector-specific ESG risk and mitigation guidance to adapt your credit policies, due diligence and client engagement strategies. The template helps ensure you are not applying generic standards but rather focusing on what is practical and material for your actual clients.

5. Update regularly

As your portfolio evolves, revisit the template to ensure you are always focusing on the most relevant segments and updating your ESG practices accordingly.



Agriculture, fisheries and forestry

Agriculture, fisheries and forestry (AFF) smallholders

- Typically operate on less than five hectares of farmland or equivalent in aquatic or forest environments
- Use manual or low-tech methods with limited access to formal inputs or markets
- Often rely on subsistence or local sales for income
- May be part of informal cooperatives or community-based groups
- Have limited financial literacy and minimal exposure to ESG concepts.

Typical ESG risk exposures

Consider how you are adapting your credit strategies, credit risk policies and procedures, and credit assessment tools and models to account for:

<p>E</p> <p>Environmental risks</p>	<ul style="list-style-type: none">■ Deforestation through incremental land clearing for subsistence farming, often without formal oversight or replanting programmes■ Overfishing typically driven by local consumption and lack of access to sustainable practices or alternative livelihoods■ Soil degradation often a result of traditional farming methods, limited access to inputs and lack of training in conservation techniques■ Water pollution from informal waste disposal and lack of infrastructure for safe chemical use■ Climate change impacts, such as increased frequency of extreme weather events and lack of resilience to inability to finance adaptation.
<p>S</p> <p>Social risks</p>	<ul style="list-style-type: none">■ Child labour and poor working conditions more likely due to family labour reliance and informal employment■ Land tenure conflicts arising from informal land use and lack of documentation■ Limited access to education and healthcare for rural populations■ Gender inequality and lack of opportunities for women in agriculture and forestry■ Community resistance to new agricultural, forestry or aquaculture projects.



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Governance risks

- Lack of formal documentation and business registration among AFF smallholders
- Limited capacity to comply with regulations due to low financial literacy and informal operations
- Weak enforcement of environmental and social regulations
- Corruption and mismanagement of funds in AFF projects
- Inadequate financial literacy and business management skills.
- Limited access to formal financial services and credit.

ESG risk management and mitigation

Business model features

- Offer micro-loans with flexible repayment tied to seasonal income
- Bundle financial products with training on sustainable practices
- Provide mobile banking access for remote communities
- Include crop/livestock/fish insurance to mitigate climate and market risks
- Prioritise lending for organic or low-impact farming/fishing
- Promote group lending models to reduce risk and build community
- Offer incentives for adopting climate-resilient techniques
- Support cooperatives or producer groups with tailored products
- Provide financial literacy programmes focused on ESG awareness
- Encourage savings products linked to sustainability goals.

Operating model features

- Develop simplified ESG screening tools for micro-loans
- Train loan officers on local environmental and social risks
- Establish grievance mechanisms accessible to rural clients
- Use mobile platforms for ESG data collection and monitoring
- Create exclusion lists for harmful practices (e.g. illegal logging)
- Partner with non-governmental organisations (NGOs) for community outreach and capacity building
- Track gender and inclusion metrics in lending portfolios
- Implement basic environmental risk flags in credit scoring
- Use geotagging to monitor financed activities
- Report ESG performance in community-friendly formats.



Commercial AFF operators

- Registered small or medium-sized enterprises (SMEs) with formal business structures
- Employ mechanised or semi-mechanised production methods
- Sell to domestic or regional markets, sometimes through formal contracts
- May have basic ESG awareness or certification aspirations
- Employ a small workforce and maintain basic financial records.

Typical ESG risk exposures

Consider how you are adapting your credit strategies, credit risk policies and procedures and credit assessment tools and models to account for:





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Governance risks

- SMEs may have basic ESG awareness but lack resources for full compliance or certification
- Lack of formal documentation and business registration among some SMEs
- Weak enforcement of environmental and social regulations
- Risks of corruption or mismanagement increase with scale and complexity
- Inadequate financial literacy and business management skills
- Limited access to formal financial services and credit.

ESG risk management and mitigation

Business model features

- Provide ESG-linked credit lines (e.g. lower rates for certified practices)
- Offer financing for equipment that improves resource efficiency
- Support value chain integration with ESG-compliant buyers
- Include advisory services on ESG compliance and certification
- Promote loans for agroforestry or integrated farming systems
- Enable access to carbon markets or sustainability-linked incentives
- Offer working capital for ESG-compliant inputs
- Provide ESG scoring as part of client onboarding
- Facilitate partnerships with ESG-focused agribusinesses
- Develop products for water and soil conservation investments.

Operating model features

- Integrate ESG risk assessments into credit appraisal workflows
- Establish sector-specific ESG policies and lending guidelines
- Train staff on ESG standards and sector-specific risks
- Use satellite or drone data for environmental monitoring
- Create ESG dashboards for portfolio tracking
- Conduct periodic ESG audits of financed SMEs
- Develop partnerships with certification bodies
- Include ESG clauses in loan agreements
- Build internal ESG expertise through sectoral training
- Align internal key performance indicators (KPIs) with ESG performance targets.

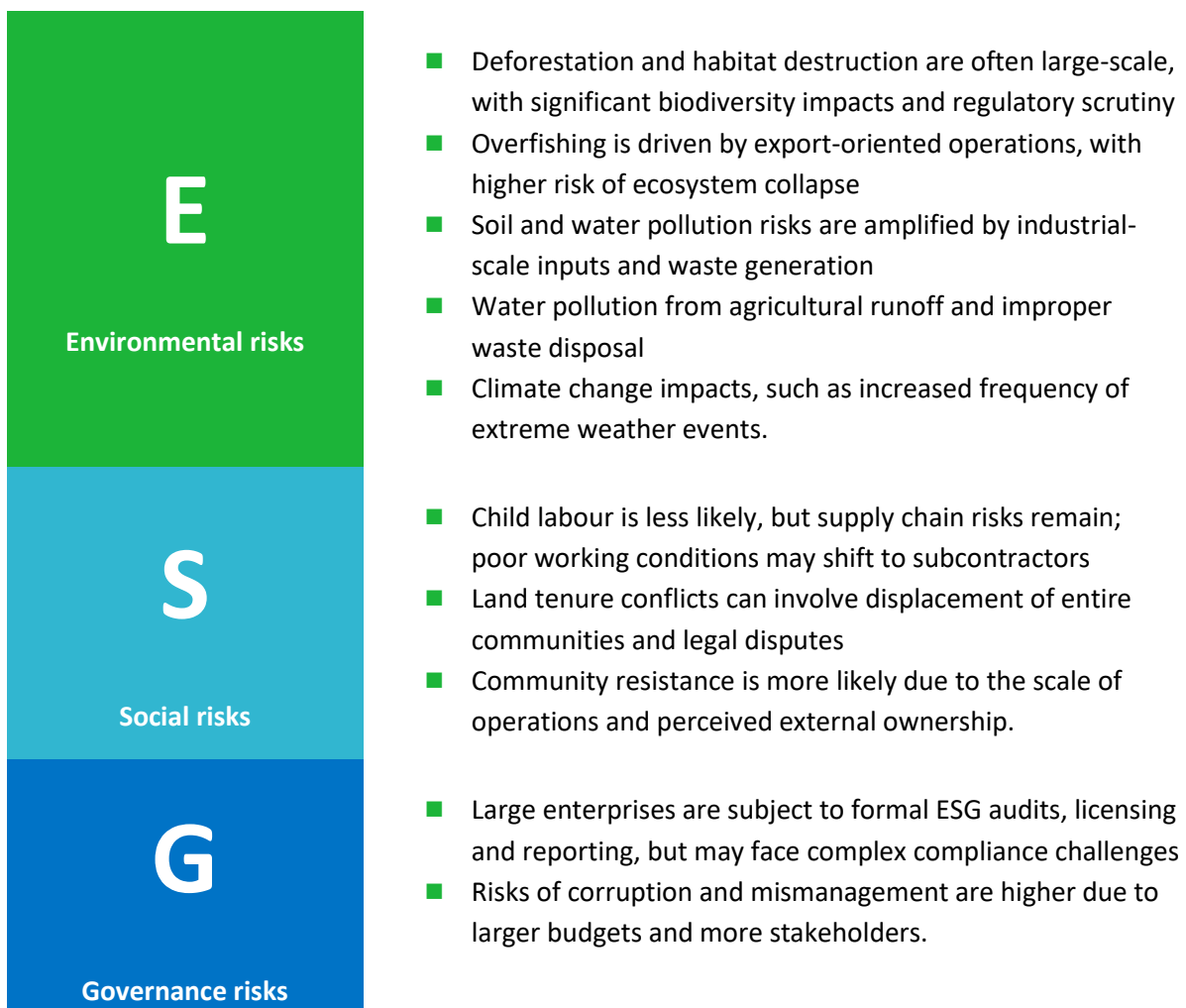


Intensive AFF operators

- Large-scale operations with significant capital investment and infrastructure
- Use advanced technologies and inputs for high-yield production
- Supply national or export markets, often under formal ESG standards
- Maintain structured governance and risk management systems
- Likely to be subject to regulatory oversight and environmental licensing.

Typical ESG risk exposures

Consider how you are adapting your credit strategies, credit risk policies and procedures and credit assessment tools and models to account for:





ESG risk management and mitigation

Business model features

- ❑ Offer sustainability-linked loans with performance-based pricing
- ❑ Finance transition plans to reduce environmental footprint
- ❑ Support ESG certification and traceability systems
- ❑ Provide structured finance for large-scale ESG investments
- ❑ Promote biodiversity-friendly production models
- ❑ Enable access to green bonds or blended finance
- ❑ Offer ESG advisory and technical assistance
- ❑ Finance circular economy initiatives (e.g. waste reuse)
- ❑ Support ESG-aligned export readiness programmes
- ❑ Develop ESG-linked insurance and risk transfer products.

Operating model features

- ❑ Require full ESG due diligence for large exposures
- ❑ Establish ESG committees or governance structures
- ❑ Implement advanced ESG data analytics and reporting
- ❑ Use third-party verification for ESG compliance
- ❑ Align risk models with climate and biodiversity risks
- ❑ Integrate ESG into enterprise-wide risk management
- ❑ Conduct scenario analysis for climate-related risks
- ❑ Publish ESG impact reports for stakeholders
- ❑ Embed ESG KPIs into staff performance reviews
- ❑ Participate in national or regional ESG finance initiatives.



Construction

Small-scale builders and renovators

- Individual contractors or small firms with fewer than ten employees
- Focus on residential homes, small shops or office renovations
- Operate informally or with basic registration and licensing
- Limited access to formal financing or ESG training
- Often rely on local labour and materials with minimal documentation.

Typical ESG risk exposures

Consider how you are adapting your credit strategies, credit risk policies and procedures and credit assessment tools and models to account for:



- Use of locally sourced but potentially unsustainable materials (e.g. timber from unregulated sources)
 - Limited awareness or capacity to manage construction waste, leading to informal dumping and pollution
 - High energy consumption and carbon emissions from construction activities
 - Water usage and potential contamination from construction processes
 - Lack of adherence to environmental regulations and standards
 - Minimal consideration of energy efficiency or climate resilience in design and materials.
-
- Poor working conditions and lack of safety measures for local labour
 - Risk of child labour due to informal hiring practices
 - Limited access to training and education for workers on sustainable practices
 - Gender inequality and lack of opportunities for women in construction
 - Reliance on informal labour with limited safety training and protective equipment.



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Governance risks

- Informal operations with minimal documentation and business registration
- Weak enforcement of labour and safety regulations
- Minimal compliance with building codes or environmental regulations
- Inadequate financial literacy and business management skills among small-scale developers
- Limited financial literacy and record-keeping, affecting transparency and accountability.

ESG risk management and mitigation

Business model features

- Offer micro-loans for sustainable building materials
- Provide bundled financing with ESG training modules
- Promote loans for energy-efficient retrofits
- Support group lending for contractor cooperatives
- Incentivise use of recycled or locally sourced materials
- Offer insurance products for climate-related risks
- Provide mobile banking for informal contractors
- Include ESG awareness in financial literacy programmes
- Enable access to tools for basic environmental impact tracking
- Encourage partnerships with local green suppliers.

Operating model features

- Develop simplified ESG screening for small construction loans
- Train staff on basic environmental and labour risks
- Create exclusion lists for hazardous materials or unsafe practices
- Use mobile apps for site-level ESG monitoring
- Establish grievance mechanisms for affected communities
- Track gender and inclusion metrics in contractor financing
- Partner with vocational schools for ESG capacity building
- Include ESG clauses in loan terms (e.g. waste disposal)
- Monitor compliance with local safety and labour standards
- Report ESG outcomes in community-accessible formats.



Mid-scale developers

- Registered SMEs undertaking larger residential or commercial projects
- Projects may include apartment blocks, hotels or small factories
- Maintain formal business structures and basic compliance systems
- Employ skilled labour and subcontractors
- May be subject to local building codes and environmental permits.

Typical ESG risk exposures

Consider how you are adapting your credit strategies, credit risk policies and procedures and credit assessment tools and models to account for:





ESG risk management and mitigation

Business model features

- ❑ Provide ESG-linked loans for certified green buildings
- ❑ Finance energy-efficient systems (e.g. heating, ventilation air conditioning, lighting)
- ❑ Support ESG-compliant supply chain financing
- ❑ Offer structured finance for sustainable construction projects
- ❑ Promote biodiversity-friendly site planning
- ❑ Enable access to sustainability-linked incentives
- ❑ Provide ESG advisory services for project design
- ❑ Support financing for water conservation technologies
- ❑ Include ESG scoring in client onboarding
- ❑ Facilitate partnerships with ESG-certified contractors.

Operating model features

- ❑ Integrate ESG risk assessments into project appraisal
- ❑ Establish ESG policies for construction lending
- ❑ Train staff on sector-specific ESG risks and standards
- ❑ Use digital tools for environmental and social monitoring
- ❑ Conduct periodic ESG audits of financed projects
- ❑ Include ESG performance in loan covenants
- ❑ Develop internal ESG expertise through training
- ❑ Align internal KPIs with ESG targets
- ❑ Publish ESG impact reports for stakeholders
- ❑ Participate in national ESG construction initiatives.



Energy and energy efficiency

Micro-renewables operators

- Individual households, farms or community groups implementing small-scale solar, biogas or energy-saving technologies
- Projects typically under 10 kW capacity or equivalent
- May operate informally or through community-based organisations
- Limited access to technical expertise or formal financing
- Focused on reducing energy costs or improving reliability.

Typical ESG risk exposures

Consider how you are adapting your credit strategies, credit risk policies and procedures and credit assessment tools and models to account for:





ESG risk management and mitigation

Business model features

- ❑ Offer micro-loans for solar panels, biogas units or efficient appliances
- ❑ Bundle financing with technical support and ESG education
- ❑ Promote pay-as-you-go models for energy access
- ❑ Provide insurance for equipment and climate-related risks
- ❑ Support group lending for community energy projects
- ❑ Incentivise adoption of certified energy-saving technologies
- ❑ Enable mobile banking for remote energy clients
- ❑ Include ESG awareness in financial literacy programmes
- ❑ Offer savings products linked to energy efficiency goals
- ❑ Facilitate partnerships with local clean energy providers.

Operating model features

- ❑ Develop simplified ESG screening for small energy loans
- ❑ Train staff on basic environmental and social risks in energy access
- ❑ Use mobile platforms for ESG data collection and monitoring
- ❑ Create exclusion lists for unsafe or polluting technologies
- ❑ Track gender and inclusion metrics in energy lending
- ❑ Partner with NGOs for outreach and capacity building
- ❑ Monitor energy savings and environmental impact
- ❑ Include ESG clauses in loan agreements (e.g. safe disposal)
- ❑ Report ESG outcomes in community-friendly formats
- ❑ Align internal KPIs with energy access and sustainability goals.



Commercial renewable producers:

- Registered SMEs or companies developing renewable energy projects such as solar farms, wind farms, biomass or gas plants
- Projects typically above 10 kW and up to several MW
- Maintain formal governance and technical teams
- May seek regulatory approvals and grid integration
- Often eligible for national or international sustainability programmes.

Typical ESG risk exposures

Consider how you are adapting your credit strategies, credit risk policies and procedures and credit assessment tools and models to account for:





ESG risk management and mitigation

Business model features

- ❑ Provide ESG-linked loans for certified renewable projects
- ❑ Finance grid integration and storage solutions
- ❑ Support ESG-compliant supply chain financing
- ❑ Offer structured finance for large-scale clean energy investments
- ❑ Promote biodiversity-friendly site selection and design
- ❑ Enable access to carbon markets and green bonds
- ❑ Provide ESG advisory services for project development
- ❑ Support financing for energy efficiency retrofits
- ❑ Include ESG scoring in client onboarding
- ❑ Facilitate partnerships with ESG-certified contractors and suppliers.

Operating model features

- ❑ Integrate ESG risk assessments into project appraisal workflows
- ❑ Establish ESG policies for renewable energy lending
- ❑ Train staff on sector-specific ESG risks and standards
- ❑ Use digital tools for environmental and social monitoring
- ❑ Conduct periodic ESG audits of financed projects
- ❑ Include ESG performance in loan covenants
- ❑ Develop internal ESG expertise through training
- ❑ Align internal KPIs with clean energy and ESG targets
- ❑ Publish ESG impact reports for stakeholders
- ❑ Participate in national and international ESG energy initiatives.



Value chains

Micro-enterprises and small businesses

- Typically fewer than five employees, often family-run or sole proprietorships
- Operate informally or with basic registration, often in local markets
- Engage in small-scale agri-processing, resource support or retail
- Limited access to formal financing or ESG knowledge
- May rely on manual labour and basic tools or equipment.

Typical ESG risk exposures for sub-sectors

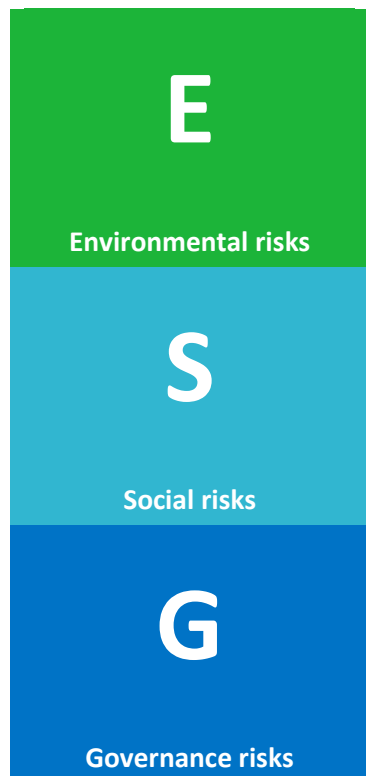
Consider how you are adapting your credit strategies, credit risk policies and procedures and credit assessment tools and models to account for the ESG risks for each sub-sector.

Agribusiness

E Environmental risks	<ul style="list-style-type: none">■ Improper disposal of organic waste leading to local pollution■ Use of outdated or inefficient processing methods increasing energy/water use■ Limited awareness of safe chemical use (e.g. pesticides, preservatives).
S Social risks	<ul style="list-style-type: none">■ Informal labour arrangements, risk of child labour or unsafe working conditions■ Limited access to health/safety training for workers■ Gender inequality in hiring and pay.
G Governance risks	<ul style="list-style-type: none">■ Lack of formal registration and business documentation■ Weak compliance with food safety standards■ Poor record-keeping and financial management.

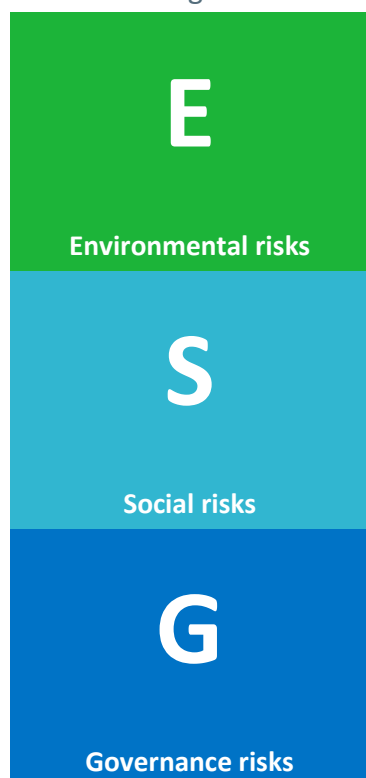


Resource extraction-related (not primary extraction)



- Improper handling/disposal of by-products or waste materials
 - Use of non-certified or hazardous inputs
 - Localised pollution from informal operations.
- Informal labour, risk of exploitation or unsafe conditions
 - Limited community engagement or benefit-sharing
 - Lack of grievance mechanisms for affected groups.
- Absence of formal licences or permits
 - Weak enforcement of environmental and labour standards
 - Poor transparency in sourcing and sales.

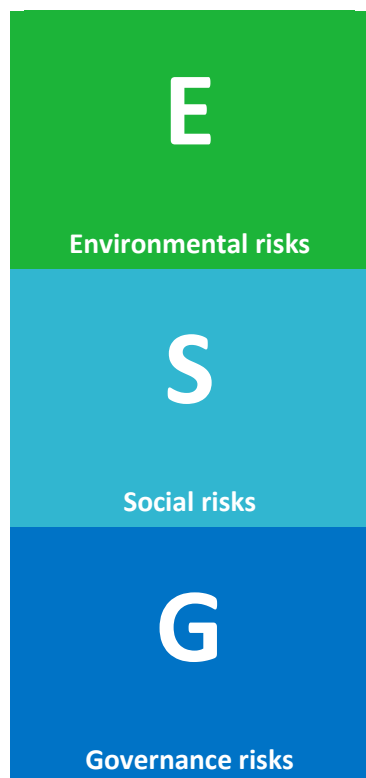
Manufacturing



- Use of outdated machinery leading to inefficiency and pollution
 - Improper disposal of solid and liquid waste
 - Limited awareness of hazardous material handling.
- Informal employment, risk of child labour or unsafe conditions
 - Lack of training on occupational health and safety
 - Gender inequality in hiring and advancement.
- Lack of formal registration and compliance with standards
 - Poor financial and operational record-keeping
 - Weak enforcement of labour and safety regulations.



Wholesale-retail trade



- Improper disposal of packaging and unsold goods
- Use of non-sustainable packaging materials
- Limited awareness of energy efficiency in operations.

- Informal labour, risk of exploitation or poor working conditions
- Limited access to training and development for staff
- Gender inequality in hiring and pay.

- Lack of formal business registration and tax compliance
- Weak consumer protection practices
- Poor record-keeping and financial management
- Gaps in ESG reporting and supply chain oversight.



ESG risk management and mitigation

Business model features	Operating model features
<ul style="list-style-type: none">❑ Offer micro-loans for clean technologies or sustainable inputs❑ Provide bundled financing with ESG training and literacy❑ Promote group lending for informal business clusters❑ Support access to local green supply chains❑ Incentivise adoption of low-impact production methods❑ Enable mobile banking and digital payments❑ Include ESG awareness in onboarding and product design❑ Offer savings products linked to sustainability goals❑ Provide insurance for climate and operational risks❑ Facilitate partnerships with local cooperatives or NGOs.	<ul style="list-style-type: none">❑ Develop simplified ESG screening for micro-enterprise loans❑ Train staff on informal sector ESG risks and inclusion❑ Use mobile platforms for ESG data collection and monitoring❑ Create exclusion lists for harmful practices or materials❑ Track gender and inclusion metrics in micro-enterprise lending❑ Partner with community groups for outreach and capacity building❑ Monitor basic ESG indicators (e.g. waste, labour conditions)❑ Include ESG clauses in loan agreements (e.g. safe disposal)❑ Report ESG outcomes in community-friendly formats❑ Align internal KPIs with inclusion and sustainability goals.

Medium-sized and mid-cap enterprises

- Registered businesses with 10–100 employees and formal governance
- Operate in domestic manufacturing, agri-processing or wholesale
- Maintain structured supply chains and basic ESG awareness
- May seek ESG certifications or participate in formal value chains
- Often eligible for SME support programmes and formal credit products.



Typical ESG risk exposures for sub-sectors

Consider how you are adapting your credit strategies, credit risk policies and procedures and credit assessment tools and models to account for the ESG risks for each sub-sector.

Agribusiness

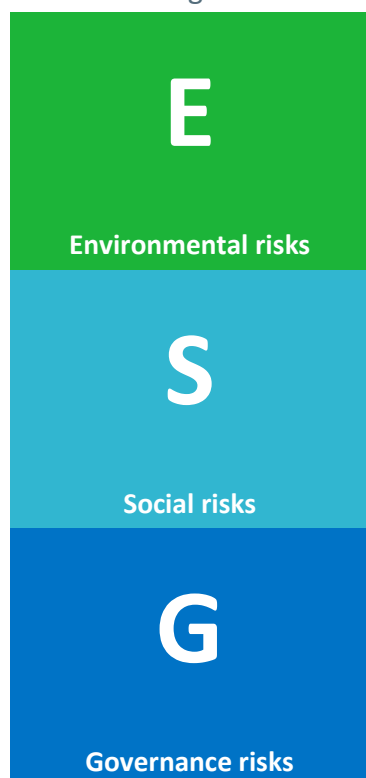
E Environmental risks	<ul style="list-style-type: none">■ Larger-scale waste generation and risk of improper disposal■ Higher energy and water consumption, potential for resource depletion■ Pollution from chemical use and effluent discharge■ Gaps in ESG reporting and certification.
S Social risks	<ul style="list-style-type: none">■ Workforce safety risks, need for formal health and safety protocols■ Potential for labour disputes or community impacts from expansion■ Gender and diversity gaps in management and workforce.
G Governance risks	<ul style="list-style-type: none">■ Compliance risks with food safety, environmental and labour regulations■ Risk of corruption or mismanagement in procurement and supply chains■ Gaps in ESG reporting and certification.

Resource extraction-related (not primary extraction)

E Environmental risks	<ul style="list-style-type: none">■ Larger-scale waste and by-product management challenges■ Potential for air, water or soil pollution from processing■ Resource inefficiency and lack of circular economy practices.
S Social risks	<ul style="list-style-type: none">■ Worker health and safety risks, need for formal protocols■ Community impacts from facility siting or expansion■ Risks of social conflict over resource use.
G Governance risks	<ul style="list-style-type: none">■ Regulatory compliance risks (environmental, labour, safety)■ Corruption or mismanagement in procurement and sales■ ESG gaps in supply chain oversight and reporting.

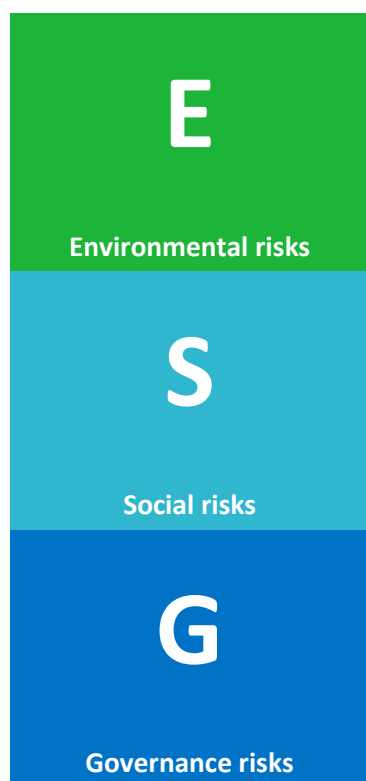


Manufacturing



- Higher volumes of waste and emissions
 - Risks of industrial pollution (air, water, soil)
 - Resource inefficiency and lack of sustainable sourcing.
-
- Worker safety and health risks, need for formal protocols
 - Labour disputes, risk of strikes or unrest
 - Community impacts from expansion or relocation.
-
- Compliance risks with environmental, labour and safety laws
 - Corruption or mismanagement in procurement and production
 - Gaps in ESG reporting and certification.

Wholesale-retail trade



- Larger-scale waste generation and management challenges
 - Energy inefficiency in logistics and retail operations
 - Risks from unsustainable sourcing of products.
-
- Workforce safety and health risks, need for formal protocols
 - Labour disputes or community impacts from expansion
 - Risks of discrimination or lack of diversity in hiring.
-
- Compliance risks with consumer protection, labour and tax laws
 - Corruption or mismanagement in procurement and supply chains.



ESG risk management and mitigation

Business model features

- ❑ Provide ESG-linked loans for certified production processes
- ❑ Finance resource-efficient equipment and technologies
- ❑ Support ESG-compliant supply chain financing
- ❑ Offer structured finance for sustainable expansion
- ❑ Promote circular economy initiatives (e.g. recycling, reuse)
- ❑ Enable access to carbon markets and sustainability incentives
- ❑ Provide ESG advisory services for operations and sourcing
- ❑ Support financing for energy and water conservation
- ❑ Include ESG scoring in client onboarding
- ❑ Facilitate partnerships with ESG-certified suppliers and buyers.

Operating model features

- ❑ Integrate ESG risk assessments into credit appraisal workflows
- ❑ Establish ESG policies for value chain lending
- ❑ Train staff on sector-specific ESG risks and standards
- ❑ Use digital tools for environmental and social monitoring
- ❑ Conduct periodic ESG audits of financed enterprises
- ❑ Include ESG performance in loan covenants
- ❑ Develop internal ESG expertise through training
- ❑ Align internal KPIs with ESG targets and certifications
- ❑ Publish ESG impact reports for stakeholders
- ❑ Participate in national ESG manufacturing and agri-processing initiatives.

Annex 1: Cross-cutting legislation and regulation

While it is not the purpose of this Guidance to provide legal advice or to serve as a comprehensive manual for legal compliance, it is important to recognise that much of the legislation and regulation relevant to financial institutions in Sierra Leone has a significant ESG dimension. For this reason, we provide a summary of the most pertinent laws and regulations that credit institutions must ensure that they comply with. Some of these legal requirements may directly influence the modalities of the credit process and the nature of the relationship between lenders and borrowers. Institutions are encouraged to seek independent legal counsel as needed to ensure full compliance with all applicable laws and to understand how evolving regulations may impact their operations and client engagements.

Environmental law and regulations

- **Environmental Protection Agency Act (2022)**. Gives the Sierra Leone Environmental Protection Agency stronger authority to regulate, manage and protect the environment – including climate-related oversight and enforcement of impact assessments
- **Mines and Minerals Development Act (2022)**. Embeds environmental safeguards in mining, including mandatory environmental and social impact assessments, transparent sector management, improved employment practices, community welfare and mitigation of environmental damages
- **Customary Land Rights Act and National Land Commission Act (2022)**. Grants local communities free, prior and informed consent over projects affecting their land, banning industrial activities (like mining, timber, agribusiness) in ecologically sensitive or old-growth forest areas
- **National Protected Areas Authority Act (2012)**. Establishes an authority and conservation trust fund to govern protected areas, safeguard biodiversity, manage national parks and reserves and regulate human interaction with these environments
- **National Water Resources Management Agency Act (2017)**. Sets up an agency tasked with protecting water resources, issuing extraction permits, managing catchment areas and enforcing penalties for misuse
- **Sierra Leone Water Company Act (2017)** (and other Water Companies Acts). Governs urban and rural water supply operations.

Public investment, disaster and climate governance

- **Public Financial Management Act (2016)** (and 2018 Regulations). Governs transparent and prudent use of public funds
- **Public Procurement Act (2016)**. Standardises procurement processes across public services, promotes value-for-money and supports public participation
- **Public–Private Partnership Act (2014)**. Enables public–private partnership projects with defined procedures and creation of relevant institutional capacity

- **National Disaster Management Agency Act (2020).** Creates the disaster management agency, fund and structures for disaster preparedness, response and climate-related emergencies
- **Sierra Leone Meteorological Agency Act (2017).** Establishes national meteorological and climatological services, essential for climate data and planning
- **National Protected Area Authority Act (2022).** A newer reinforcement for biodiversity and ecosystem governance, adding to existing environmental protection.

Social rights and gender equality laws and regulations

- **Gender Equality and Women’s Empowerment Act (2023).** Requires at least 30% representation of women in public and private positions (including parliament), 14-week maternity leave, equal pay, prevention of discrimination in accessing financial services and annual reviews of its implementation
- **Prohibition of Child Marriage Act (2024).** Bans the marriage of anyone under 18. Both the person marrying a minor and ceremonial participants face at least 15 years imprisonment and fines. Also allows annulment of underage marriages.

Governance and transparency laws and regulations

- **Right to Access Information Act (2013).** Promotes transparency by granting the public the right to request and access government-held information
- **Anti-Corruption Act (2000, amended 2008).** Establishes the Anti-Corruption Commission, with authority to investigate and prosecute corruption across sectors, including facilitation payments
- **Public Financial Management Act (2016).** Enhances transparency in state funds (e.g. Single Treasury Account)
- **Extractive Industries Transparency Initiative.** Sierra Leone publishes mining licences and payments; the government participates in the, with a secretariat under the President’s Office.

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