

EXCLUSION LIST AFD GROUPE

Revision, 2022

I PREAMBLE

Context and objectives

The Agence française de développement (AFD) Group is supporting and accelerating the transitions towards a more just and resilient world. It contributes to France's commitment to the global commons – the planet, social link, peace, partnerships and economic prosperity – and the Sustainable Development Goals. The Group has established high standards for social responsibility in order to ensure that its mission and its commitments are in coherence with the quality of its interventions and their sustainable development impacts. The present exclusion list is one of the tools used to implement these standards.

The objective of the exclusion list is to clearly indicate the activities that the Group refuses to finance due to ethical, regulatory, environmental or social criteria, and arising from the application of normative requirements as well as its strategic choices. Available for public consultation by AFD Group's external stakeholders (partners, clients, civil society...), the exclusion list is published on the websites of the Group's entities.

The exclusion list is part of a system aimed at ensuring that the Group's operations effectively contribute to the core aims of sustainable development:

- › The exclusion list identifies the activities that the Group *a priori* refuses to finance, which shapes upstream the actual composition of the activities portfolio.
- › The Group has set up other tools to select its financing. Additional exclusions stem from the strategic frameworks (for example, climate selectivity) and the sectoral intervention frameworks, available on the Group's website. These selectivity doctrines, regularly updated, are intended to be used within the project appraisal framework.

› While the exclusion list precedes the appraisal and evaluation process of the operations considered, it remains a useful reference throughout the entire cycle of funded projects. As such, it can lead the Group to withdraw from the operation in the event of manifest non-compliance noted during a project's appraisal or execution.

› The Group's activity is also framed by a General Policy to prevent and combat prohibited practices, including corruption¹, fraud, anti-competitive practices, money laundering and terrorist financing, since such practices constitute major impediments to development.

› Lastly, AFD Group has formulated a policy on non-cooperative jurisdictions for tax purposes and the fight against money laundering and terrorist financing, aimed in particular at preventing and managing any risk of fraud and tax evasion.²

Scope of application

› The present list updates the previous exclusion list (2011). The present exclusion list is a result of cross-cutting work by the Group and is applied by its member entities: AFD and its subsidiaries Proparco and Expertise France³ (together referred to hereinbefore and hereinafter as "AFD Group" or the "Group").

› The list concerns all of the new financing granted in foreign States and in Overseas France.

› The Group's exclusion list will be reviewed about every five years.

¹ <https://www.afd.fr/en/combating-corruption>

² <https://www.afd.fr/fr/media/download/4064> (in French)

³ Following the integration of Expertise France into AFD Group.

2 AFD GROUP'S EXCLUSION LIST

A. Illegal activities

AFD Group excludes financing for activities involving the production or trade in illicit products, as well as any activity that is illegal under the laws of the destination countries or of France, under national or international regulations applicable in the destination countries or in France, as well as under international conventions or agreements creating commitments for the destination countries or for France. It involves in particular:

1. Any equipment, sector or service subject to economic sanctions issued by the United Nations, the European Union or France, without absolute or relative restriction regarding the amount;
2. Production or activity involving forced labour⁴, child labour⁵ or trafficking in human beings⁶;
3. Illicit activities involving organs, tissues and products of the human body, or genetic engineering activities banned by the national bioethical standards of France⁷ or of the host country, and by relevant applicable European or international standards;⁸
4. Trade, production, breeding or possession of animals, plants or any natural products in breach of the provisions of CITES;⁹

5. Fishing activity using a driftnet in excess of 2.5 km in length;

6. Research, purchase, promotion or multiplication of genetically modified seeds;¹⁰

7. Production, use or trade of hazardous materials (such as asbestos fibres) and all products (including chemical products, pharmaceuticals, pesticides/herbicides, ozone-depleting substances¹¹ or any other hazardous product) the production or use of which is banned or which will be phased out in the regulations of destination countries or internationally;

8. Transboundary trade of wastes, except those consistent with the Basel Convention¹² and its underlying regulations;

9. Exploitation of diamond mines and marketing of diamonds in countries that have not adhered to the Kimberley Process;

10. Illicit trade or activities that facilitate the illicit traffic of cultural property.¹³

⁴ "Forced labour" refers to any work or service performed involuntarily and exacted from an individual by threat of force or punishment as defined in the conventions of the International Labour Organization (ILO).

⁵ Employees must be at least 14 years of age as defined in the ILO's Declaration on the Fundamental Principles and Rights at Work (C138 – Minimum Age Convention, Article 2), unless local laws require compulsory schooling or a minimum age for admission to employment or work. In such circumstances, the highest age requirement must be used.

⁶ Council of Europe Convention on Action against Trafficking in Human Beings (2005); Directive 2011/36/EU.

⁷ V. AR. 16 à 16-14 of the French Civil Code (mainly as set out in Law No. 94-653 of 29 July 1994 on the respect for the human body and Law No. 2004-800 of 6 August 2004 on bioethics).

⁸ The Convention for the Protection of Human Rights and Dignity of the Human Being with regard to the Application of Biology and Medicine: Convention on Human Rights and Biomedicine (Oviedo, 04/04/1997); Council of Europe Convention against Trafficking in Human Organs (Saint-Jacques-de-Compostelle, 25/03/2015).

⁹ CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington, 1973).

¹⁰ Programming Act No. 2021-1031 of 4 August 2021 on inclusive development and combating global inequalities prohibits financing by AFD of activities involving the purchase, promotion or multiplication of genetically modified seeds (LPDSL – Cadre de partenariat global [Global Partnership Framework] Part II – B – b / - 3 - paragraph 6). AFD adds research activities to this (Territorial and Ecological Transition Strategy 2020-2024).

¹¹ Any chemical component which reacts with, and destroys, the stratospheric ozone layer leading to the formation of "holes" in this layer. The Montreal Protocol lists ozone depleting substances (ODS), their reduction targets and the deadlines for phasing them out.

¹² The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal is available at: www.basel.int

¹³ Trade in cultural property is regulated by the Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property (1970).

B. Activities not aligned with AFD Group's commitments to sustainable development

The strategic orientations of AFD Group reflect the mandate conferred on it by the French State, within the framework of the 2030 Agenda of the Sustainable Development Goals and the Paris Agreement. In this capacity, it promotes social and environmental sustainability through its activities and excludes financing for the following activities whose demonstrable or potential detrimental impacts on human rights, inequalities, the climate or biodiversity are deemed incompatible with this objective:

11. Production or trade:

- (i) relating to pornography or prostitution;
Production or trade in;¹⁴
- (ii) weapons and/or munitions;
- (iii) tobacco;
- (iv) alcoholic beverages (excluding beer and wine);
- (v) gambling establishments, casinos or equivalent enterprises;¹⁵

12. Production and distribution or participation in media that is racist or anti-democratic or which promotes discrimination against part of the population;

13. Operations resulting in an irreversible alteration or a significant displacement of a critical element of cultural heritage;¹⁶

14. Projects to construct, extend or refurbish fossil fuel-fired power plants;¹⁷

15. Infrastructure associated¹⁸ to a facility for producing, storing or processing fossil energy resources (mines, processing facilities, storage, etc.) or for generating electricity from fossil energy sources, referred to in point 14 of this list;

16. Projects for the exploration, production or processing or dedicated exclusively to the transport of coal, gas and oil (conventional or non-conventional);

17. Biodiversity:

(i) Any financing in the (a) sites of the Alliance for Zero Extinction (AZE)^{19/20}, (b) natural and mixed sites on the Unesco World Heritage List²⁰ and (c) legally protected areas (IUCN categories)²¹ and,

(ii) Any operation leading to an adverse and irreversible²² residual²³ impact on a critical habitat;^{24/25}

(iii) Any forest project or agricultural project with broad coverage (>100 ha) that does not implement a methodology²⁶ ensuring zero-deforestation;

18. Projects whose purpose and/or approach are inconsistent with human rights, and in the case of private sector financing, projects underpinned by rationales that clearly contradict the United Nations Guiding Principles on Business and Human Rights;²⁷

19. Projects where it is known that a forced eviction within the meaning of the United Nations²⁸ was carried out on the impact site of the proposed project, and which eviction can be causally linked to the purpose of this project and which is materially impossible to compensate.²⁹

¹⁴ If these activities represent more than 10% of the turnover of the counterparty financed or, if the client is a financial intermediary, more than 10% of the outstandings of its portfolio.

¹⁵ Any direct financing of these projects or activities including them (for example, a hotel incorporating a casino). It does not concern urban development plans that could subsequently integrate such projects.

¹⁶ "Critical cultural heritage" is considered to be any part of the heritage that is internationally or nationally recognised as being of historical, social or/and cultural interest.

¹⁷ Except for projects involving mini-grids served by hybrid power plants (combining renewable energies and fossil fuels).

¹⁸ The term "associated infrastructure" is used when the infrastructure is associated with a production facility using fossil fuel if the two following conditions are fulfilled: i) the infrastructure would not have been built in the absence of this fossil fuel facility, and ii) the fossil fuel facility would not be economically viable without the infrastructure.

¹⁹ Unless the area of influence of the funded activities and their associated facilities does not encroach on zones that effectively meet the criteria for being designated as an AZE site – <https://zeroextinction.org/site-identification/aze-site-criteria/>

²⁰ Unless the financing aims to conserve or restore these areas.

²¹ Unless the financing aims to conserve or restore these areas or complies with the management and spatial planning plans for the latter, such as those formalised in plans with international standards relating to the activities being financed – categories I-VI in World Database on Protected Areas | IUCN.

²² Irreversible impact: permanent conversion or degradation of biodiversity or of the ecological functions or characteristics that warranted the critical habitat designation.

²³ Residual impact: a project's measurable impact on a biodiversity value, after implementation of avoidance and mitigation measures, but before implementation of restoration and compensation measures.

²⁴ Critical habitat: within the meaning of the World Bank's Environmental and Social Standard 6 – 2018 or IFC-GN PS6 2019.

²⁵ Unless the said project is of overriding general interest for the destination country, in which case a derogation can be presented to the Group's governance for a decision.

²⁶ Methodology including (i) a reference tool equivalent to the HCS approach, allowing for forest classification, (ii) a guarantee that no high carbon stock forest will be converted under the project and (iii) monitoring of forest cover (field or satellite monitoring).

²⁷ https://www.ohchr.org/documents/publications/guidingprinciplesbusinessshr_en.pdf

²⁸ United Nations Sub-Commission on Human Rights Resolution 1993/41: "Forced Eviction". "The term 'forced evictions' [...] is defined as the permanent or temporary removal against their will of people, families and/or communities from the homes and/or land which they occupy, without the provision of, and access to, appropriate forms of legal or other protection (Committee on Economic, Social and Cultural Rights, General Comment No. 7).

²⁹ Due to the project sponsor's refusal or its inability to identify the populations that are victims of forced evictions. Projects for which an effective remedy can be provided for violated rights will not be excluded.

C. Application to financial institutions

AFD Group requires the financial institutions with which it collaborates to apply exclusions to their financial activities, applicable to all their financing. These excluded activities include at least the items listed below, which are from AFD Group's own exclusion list:

1. Production or trade in illicit products, as well as any illegal activity under national or international laws applicable in the destination countries;

2. Production activities or other activities involving the use of forced labour³⁰ and/or child labour;³¹

3. Trade, production, breeding or possession of animals, plants or any natural products in breach of the provisions of CITES;³²

4. Transboundary trade of wastes, except those consistent with the Basel Convention³³ and its underlying regulations.



³⁰ "Forced labour" refers to any work or service performed involuntarily and exacted from an individual by threat of force or punishment as defined in the conventions of the ILO.

³¹ Employees must be at least 14 years of age as defined in the ILO's Declaration on the Fundamental Principles and Rights at Work (C138 – Minimum Age Convention, Article 2), unless local laws require compulsory schooling or a minimum age for admission to employment or work. In such circumstances, the highest age requirement must be used

³² CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington, 1973).

³³ The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal is available at: www.basel.int

Towards a world in common

AFD Group contributes to implement France's policy in the areas of development and international solidarity. The Group includes Agence française de développement (AFD), which finances the public sector and NGOs, as well as research and education in sustainable development; its subsidiary Proparco, which is dedicated to private sector financing; and Expertise France, a technical cooperation agency. The Group finances, supports and accelerates transitions towards a fairer, more resilient world.

With our partners, we are building shared solutions with and for the people of the Global South. Our teams are at work on more than 4,000 projects in the field, in the French Overseas Departments and Territories, in 115 countries and in regions in crisis. We strive to protect global public goods – promoting a stable climate, biodiversity and peace, as well as gender equality, education and healthcare. In this way, we contribute to the commitment of France and the French people to achieve the Sustainable Development Goals (SDGs). Towards a world in common.



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