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Consideration of accreditation proposals and activities – Addendum IX

Accreditation assessment of APL190

Summary

This document contains the recommendation by the Accreditation Panel for accreditation of applicant 190 (APL190), XSML Capital Ltd (XSML), based in Mauritius, in accordance with the revised accreditation framework adopted in paragraph (a) of decision B.42/13, and includes the screening report confirming the applicant meets the screening requirements contained in part 1 of annex II to document GCF/B.42/04/Add.01.

I. Introduction

1. XSML Capital Ltd (XSML) is a direct access entity (DAE) based and incorporated in Mauritius. The applicant is a private-sector entity operating across Central, East, and Southern Africa. Its primary mission is to provide growth capital, combining debt, equity, and mezzanine financing with operational support to small and medium-sized enterprises (SMEs) in frontier markets. Its mandate focuses on nurturing local talent, fostering sustainable economic development, and channeling targeted climate finance for adaptation and mitigation.
2. The applicant applied and was assessed in accordance with the revised accreditation framework (adopted in decision B.42/13, para. (a)). The applicant was assessed against the screening requirements contained in part 1 of annex II to document GCF/B.42/04/Add.01.¹ As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application. The AP's assessment was concluded with the issuance of a screening report to the applicant, as contained in Section III below.
3. The applicant has applied to be accredited for the following parameters under the GCF fit-for-purpose approach:²
 - (a) **Access modality:** direct access, regional. As an entity that is not government-controlled, the applicant self-nominated for accreditation. The applicant provided evidence of informing the national designated authorities of Angola, Democratic Republic of the Congo, Kenya, Uganda, and Zambia;
 - (b) **Track:** normal track; and
 - (c) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (B/I-2)).³

II. Contribution to GCF mandate and strategic goals

4. The applicant is found to have the potential to support GCF in implementing the updated Strategic Plan for the GCF 2024–2027 with respect to:
 - (a) Increasing the portfolio of direct access entities to GCF, particularly as the applicant is the first private-sector DAE based in Mauritius to be recommended for accreditation;
 - (b) The indicative projects/programmes that the applicant intends to submit to GCF;
 - (c) Alignment of the indicative pipeline with country programming priorities;
 - (d) Potential contribution to the adaptation and mitigation balance in the GCF portfolio since the applicant focuses on cross-cutting activities and supporting diversity in GCF results areas, including energy generation and access; transport; buildings, cities, industries and appliances; and health, food and water security; and
 - (e) Enhancing private-sector participation and mobilization by addressing financing gaps faced by SMEs in frontier markets, including through blended finance structures and

¹ See <https://www.greenclimate.fund/board-document/gcf-b42-04-add01>

² Refer to section IV below for the recommendations of the Accreditation Panel.

³ As per the revised Environmental and Social Policy adopted in decision B.BM-2021/18, category B is defined as "Activities with potential limited adverse environmental and/or social risks and impacts that individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures," and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and includes no activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented."

flexible debt, equity and mezzanine instruments, while combining financing with technical assistance to support the adoption and scaling of climate solutions.

5. XSML maintains a strong institutional presence across Central, East, and Southern Africa. Headquartered in Mauritius, the applicant operates permanent local offices and teams in Kinshasa (Democratic Republic of the Congo), Kampala (Uganda), Luanda (Angola), Lusaka (Zambia), and Nairobi (Kenya, serving as its climate hub), alongside an office in Amsterdam. XSML leverages extensive networks with leading development finance institutions, including the International Finance Corporation (IFC), Dutch Entrepreneurial Development Bank (FMO), Société de Promotion et de Participation pour la Coopération Economique, SA (Proparco), and specialized technical partners to channel private credit and de-risk climate investments for SMEs in frontier markets.

6. The applicant intends to propose programmes and projects focused on renewable energy, water and waste management, food security, and sustainable mobility across its target operating countries, including Angola, the Democratic Republic of the Congo, Kenya, Uganda, and Zambia. During concept note preparation and project design, the applicant consults with relevant stakeholders, including country governments and national designated authorities, to ensure that its intended investments align directly with national development priorities, nationally determined contributions, and national adaptation plans.

7. The mandate of XSML as an impact investor in sub-Saharan Africa focuses on deploying growth capital, technical assistance, and environmental, social and governance (ESG) standards to nurture SMEs in underserved frontier markets. Through its board-approved climate policy and social and environmental management system, XSML integrates climate mitigation, adaptation, and decarbonization across its operations. Strategic initiatives like the USD 75 million Climate Resilience Fund channel targeted financing to SMEs transitioning to climate resilience or offering climate solutions across four priority sectors: energy systems, water and waste, food security, and mobility. With over 80 per cent of investments targeted at the least developed countries, XSML operationalizes a paradigm shift by de-risking SME climate investments, reducing emissions, and enhancing local economic resilience. This directly supports GCF strategic results areas, including climate-resilient infrastructure, clean energy, and capital provision to micro, small and medium-sized enterprises for climate solutions.

8. The accreditation of XSML would provide GCF with a specialized private-sector delivery partner for smaller-ticket climate investments in African frontier and least developed country markets, where access to climate finance remains constrained. The applicant's local origination platform and experience providing debt, equity and mezzanine financing to SMEs would complement the existing GCF accredited entity network by enabling GCF to reach climate-focused SMEs and transactions that may be below the typical investment size of larger international financial institutions. This is particularly relevant to the programming priorities of GCF around adaptation and resilience, distributed renewable energy, climate-smart food systems, water and waste management, and low-carbon mobility.

9. The applicant has experience in financing and implementing individual SME projects in the range of USD 0.3 million to USD 10 million, having deployed over USD 250 million across more than 100 businesses in Central, East, and Southern Africa. This track record is illustrated by recent climate-related investments, including:

- (a) USD 2.0 million (loans) to a solar commercial & industrial company for working capital and support in implementing solar in the Democratic Republic of the Congo;
- (b) USD 2.0 million (loans) to a food recycling company in Angola to support capital expenditure for a plant converting organic waste into pet food, achieving a 20 per cent reduction in organic waste; and

- (c) USD 0.5 million (loans) to an energy management as a service provider (Alcove Ltd) operating across Kenya and Uganda, to finance working capital for energy efficiency and power optimization solutions.

III. Screening report

3.1 Screening requirements assessed by the Secretariat

3.1.1 Legal status

10. The applicant, XSM Capital Ltd, is a private company limited by shares incorporated and registered in Mauritius with registration number C108850 and Global Business Licence (Category 1) number C115015292. The applicant is licensed as a Collective Investment Scheme (CIS) Manager by the Financial Services Commission (FSC) of Mauritius.
11. The applicant has provided evidence that it has legal personality, the legal capacity and authority to enter into contracts, and can bear financial and legal responsibility for performing those obligations. Based on the evidence submitted, the Secretariat finds that the applicant meets the “legal status” screening requirement.

3.2 Screening requirements assessed by the Accreditation Panel

3.2.1 Corporate governance and internal control

12. XSM is a private limited liability company incorporated in Mauritius in 2012. It holds a Global Business Licence under the Financial Services Act 2007 and a CIS Manager Licence under the Securities Act 2005, and is regulated by the FSC of Mauritius. It specializes in investing in frontier markets in Central and East Africa, with the goal of helping small businesses grow into medium and large enterprises. It has raised four funds and currently manages three (3) funds, the Central Africa Small and Medium-sized Enterprise Fund (CASF – fully exited in 2022), the African Rivers Fund (ARF), and ARF III and ARF IV.
13. XSM is governed by a six-member unitary Board, comprising three Executive Directors, who are the founding Managing Partners, and three Non-Executive Directors nominated by Apex Financial Services (Mauritius) Ltd. (Apex). Apex also provides company secretarial and administrative services under a formal administration agreement. Apex and XSM have both put in place measures to safeguard the independence of its Directors. The full board collectively exercises oversight of audit, risk, compliance, ethics and the environmental and social management system (ESMS). It meets at least quarterly, with minutes reviewed by the AP evidencing active oversight of strategic, regulatory, contractual, risk, and control matters.
14. XSM corporate governance is distinct from that of the investment funds it manages. For example, ARF IV, its fourth fund under management with commitments of approximately USD 142 million, illustrates this structure. This fund was established to provide financing to underserved SMEs in selected countries. Its limited partnership agreement as reviewed, establishes distinct responsibilities for the General Partner (XSM Capital IV which is an affiliate), Fund Manager (XSM Capital Ltd), Investment Committee, Advisory Committee and Fund Administrator. As Fund Manager, XSM is responsible for investment sourcing and due diligence, investment recommendations, portfolio management, valuation oversight, reporting, and financial and operational controls, subject to oversight by the General Partner. The Advisory Committee, which oversees the General Partner, comprises seven members representing limited partners, and its Investment Committee comprises key personnel from the Fund Manager. The Investment Committee comprises three representatives from the Fund Manager, three independent persons and another member.

15. XSML maintains a documented organizational structure defining responsibilities, delegated authorities, and reporting lines across its operations. The Mauritius entity (XSML Mauritius) controls advisory subsidiaries in Kenya, Uganda and Zambia, which provide investment advisory and portfolio support, and maintains representative arrangements in Angola and the Democratic Republic of the Congo. Staff operate under group policies and delegated authorities, with reporting through country managers and senior investment personnel to the Managing Partners.
16. XSML operates a structured objective-setting and performance management framework, translating its long-term strategy into annual and quarterly objectives and key results. These are cascaded from firm level to individual funds, teams and personnel and cover capital deployment, portfolio performance, ESG and impact outcomes, fundraising and operational priorities. Performance is reviewed quarterly and reported externally through investor updates. Evidence reviewed by the AP demonstrated consistent target-setting and performance reporting between 2022 and 2025, including investment deployment, returns and distributions, ESG, gender-lens investing, and portfolio performance.
17. XSML has recently strengthened its assurance framework through the establishment of a dedicated Internal Audit Function as an independent third line of assurance. The function reports functionally to the board and operates under a board-approved internal audit charter (August 2026), with a mandate covering governance, enterprise risk management, internal controls and investment processes. The Non-Executive Chairperson, a Fellow Chartered Certified Accountant, serves as the lead board director to oversee audit and risk oversight. The charter commits the function to operating in alignment with the Institute of Internal Auditors Global Internal Audit Standards. This means its ethical principles and a clause committing to conducting quality assurance every five years.
18. XSML has adopted a proportionate, dual approach to resourcing the function. An Internal Auditor with prior audit experience has been appointed to provide core in-house capacity. This is supported by a documented professional development plan covering the Institute of Internal Auditors Global Internal Audit Standards, risk-based internal audit methodology and continuing professional development. Where an audit requires additional technical expertise or capacity, the function may draw on specialist resources from outside the organization, providing flexibility while preserving functional independence and direct accountability to the board.
19. Prior to establishing the Internal Audit Function, XSML relied principally on compliance and control assurance provided through Apex, whose control environment is independently assessed under International Standard on Assurance Engagements 3402 Type II, providing independent assurance over the design and operating effectiveness of controls within the scope of the outsourced services. Reports covering the audits of Apex's systems and operations were reviewed by the AP. While this provided assurance over outsourced administrative and control processes, XSML established its own Internal Audit Function to broaden assurance beyond the Apex control environment and provide independent, entity-wide third-line coverage over XSML governance, risk management, investment and internal control arrangements.
20. XSML appoints an independent firm of chartered certified accountants in Mauritius to conduct annual audits of its financial statements in accordance with International Standards on Auditing. Unqualified audit opinions were issued for 2023, 2024, and 2025. Auditor independence is maintained in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants, while appointment, continuation and reappointment of the External Auditor are overseen by the board and subject to shareholder approval in accordance with the board charter. Audited financial statements are not currently publicly disclosed; however, XSML has committed to publicly disclose audit reports relating to GCF-funded investments.

21. XSML maintains a board-approved internal control framework designed to support effective operations, reliable financial reporting and compliance with applicable legal and regulatory requirements. The framework is operationalized through the internal control manual, accounting policy and procedure manual, cash management policy and related procedures, which establish approval authorities, segregation of duties, documentation requirements, reporting lines and monitoring responsibilities.
22. The control environment extends to outsourced and delegated arrangements such as fiscal agents, with oversight mechanisms covering fund administration (by Apex) such as cash management, disbursements, capital calls, distributions, reconciliations, and regulatory support. XSML retains accountability for these functions notwithstanding their delegation, with additional assurance obtained through contractual oversight and independent assurance over relevant outsourced control environments.
23. Risk assessment is embedded within the internal control and enterprise risk management framework. This includes annual business risk assessments, client and transaction-level risk reviews, institutional risk registers, deviation reporting, integrity due diligence and defined escalation of high and material risks to management and the Board. These arrangements enable risks to be identified, assessed, mitigated, monitored and escalated across both corporate and investment activities. Sample risk and compliance reports produced by Apex were reviewed by the AP.
24. Control effectiveness is further supported through Board oversight, statutory and regulatory reporting, annual compliance reviews, external audit and periodic review of policies and procedures. This will further be complemented with the recently established audit function. Collectively, the framework addresses the principal components of the COSO Internal Control Framework, including the control environment, risk assessment, control activities, information and communication, and monitoring.
25. The AP finds that the applicant meets the screening requirements for corporate governance and internal control.

3.2.2 Financial management

26. XSML prepares annual financial statements in accordance with International Financial Reporting Standards, which it has applied consistently since inception. The finance function comprises the Associate Partner for Finance and Control, Financial Controllers and supporting finance personnel with professional accounting qualifications and relevant experience. The function is responsible for accounting, financial reporting, reconciliations, financial controls, and implementation and oversight of financial management procedures. As noted earlier, administration, company secretarial and compliance functions are provided by Apex under contractual and regulatory arrangements.
27. XSML uses Tally as its core accounting and financial reporting system. The system supports accrual-based accounting and the recording and classification of financial transactions, including income, expenditure, assets and liabilities. It maintains the general ledger and supports the preparation of trial balances, reconciliations, and statutory and management financial reports. Transactions can also be recorded and tracked across relevant funds and entities, supporting fund- and entity-level financial reporting and oversight. Access and transaction controls are supported through defined user permissions, review and approval procedures, and segregation of responsibilities within the finance function.
28. The AP finds that the applicant meets the screening requirements for financial management.

3.2.3 Procurement

29. XSMC procurement activities are governed by a formal procurement policy, which establishes procedures for the procurement of goods and services, consultants and contractors, specialized or technical requirements, urgent procurements and ongoing service-provider arrangements.
30. The framework applies differentiated requirements according to the nature, value, urgency and complexity of the procurement. Depending on these factors, procedures may require competitive proposals or multiple quotations, joint evaluation, documented approvals and dual signatures for higher-value contractual commitments. Exceptions to competitive procedures are permitted only in defined circumstances and require documented justification and approval.
31. The procurement policy is supported by a procurement authority and accountability matrix, which establishes decision-making responsibilities and approval thresholds. The framework incorporates principles of economy, efficiency, accountability, transparency, fairness, appropriate segregation of responsibilities and adequate documentation. It also addresses contract management and requires procurement activities to be undertaken consistently with the broader ethical, financial and internal control requirements of XSMC.
32. For its track record, XSMC provided sample procurement records for the procurement of a portfolio management system that demonstrated a competitive process.
33. The AP finds that the applicant meets the screening requirements for procurement.

3.2.4 Integrity

34. XSMC maintains an integrity and ethics framework comprising its code of conduct, anti-financial crime policy and anti-bribery and corruption policy, anti-money-laundering and countering the financing of terrorism (AML/CFT) framework, and whistleblowing and complaints policy, complemented by relevant fund-level requirements. The code of conduct applies across XSMC and its affiliates, including its board of directors, employees, temporary staff, consultants and advisers, and is extended contractually, where applicable, to contractors and portfolio companies. It addresses ethical conduct, conflicts of interest, confidentiality, gifts and hospitality, accountability, non-retaliation and prohibited practices, with compliance reinforced through written attestations, samples of which were reviewed by the AP.
35. The board exercises oversight of ethics and conduct as part of its broader governance, risk, and compliance responsibilities. This includes approval of the code of conduct, monitoring compliance, receiving reports of breaches, and reviewing investigation outcomes and remedial actions. The board meets at least quarterly and receives reports on ethics compliance from the Compliance Officer and Money Laundering Reporting Officer (MLRO), appointed under the Apex arrangement.
36. The XSMC anti-financial crime policy and anti-bribery and corruption policy together with the whistleblowing and complaints policy, prohibit practices broadly consistent with the GCF Policy on Prohibited Practices. The XSMC zero-tolerance statement to prohibited practices has also been made public on its website.⁴
37. The XSMC whistleblowing and complaints policy provides for anonymous reporting, confidentiality, and protection against retaliation. XSMC has several reporting channels with its electronic intake form accommodating anonymity.⁵ Complaints and investigations are managed by the Whistleblower and Complaints Committee comprised of the heads of departments (i.e.

⁴ See www.xsmccapital.com/complaints-policy/

⁵ See www.xsmccapital.com/complaints-form/

Human Resources, the head of Finance, Administration and Compliance, and the managing partner), whose members have completed GCF online training covering prohibited practices, whistle-blowing and investigations. This team also receives the concerns that come through the reporting channels. Investigation procedures are incorporated within the policy, with relevant elements of the guidelines publicly disclosed.⁶

38. The Compliance team maintains the complaints register, monitors the effectiveness of the mechanism, and is required to report at least annually on complaints, case status and emerging trends in line with the documented approach for reporting. Significant matters presenting financial or reputational exposure are subject to escalation. While a sample grievance case reviewed by the AP demonstrated escalation, investigation findings, and follow-up actions, consolidated case-trend reporting had not yet been undertaken.

39. XSMML has established a group-wide AML/CFT framework aligned with the GCF AML/CFT Policy, Financial Action Task Force recommendations, and applicable Mauritius Financial Intelligence Anti-Money Laundering Act requirements. The framework applies across XSMML, its managed funds, subsidiaries and affiliates, and addresses money-laundering, the financing of terrorism, and proliferation financing risks.

40. Risk-based due diligence is undertaken on relevant counterparties and includes identity and beneficial ownership verification, source-of-funds and source-of-wealth checks, risk classification, sanctions screening, adverse-media searches and enhanced due diligence for higher-risk relationships, including politically exposed persons. Screening is undertaken at onboarding and periodically thereafter using World-Check against United Nations, European Union, Office of Foreign Assets Control, World Bank and applicable national sanctions lists.

41. Governance oversight rests with the board, supported operationally by the MLRO, Deputy MLRO, and Compliance Officer (currently outsourced to Apex). Potentially suspicious activity is escalated to the MLRO for assessment and, where warranted, reporting to the Financial Intelligence Unit. Supporting documentation, including decisions not to submit a suspicious transaction report, is retained for at least seven years. Business and client risk assessments are undertaken periodically, while AML/CFT controls are subject to annual independent testing. Findings and corrective actions are reported to the board. Mandatory risk-based AML/CFT training is provided annually to directors, officers, and relevant personnel, supplemented by continuing professional development requirements for the MLRO and Compliance Officer.

42. The AP finds that the applicant meets the screening requirements for integrity.

3.2.5 Project management

43. XSMML has an established track record in identifying, designing, appraising, and overseeing investments and company development programmes in frontier and emerging markets. Over 15 years of SME fund management in Africa, XSMML has raised four funds with approximately USD 255.8 million in assets under management and invested in more than 100 locally led SMEs through tailored debt, mezzanine and equity instruments. Its investment process is governed by formal procedures, defined responsibilities and a multi-stage workflow encompassing deal origination and screening, appraisal and due diligence, investment approval, portfolio monitoring, technical assistance and exit planning. In-country teams support origination and preliminary assessment under delegated authority, while investment decisions are subject to applicant-level management and Investment Committee approval and, where applicable, Advisory Committee oversight. These arrangements provide for segregation of responsibilities and consistent application of investment standards across operating jurisdictions. In the example provided (i.e. ARF IV), the investment committee is at fund level

⁶ See www.xsmmlcapital.com/complaints-policy/

with three representatives from the Fund Manager (i.e. XSML), three independent members appointed by the Advisory Committee and one other independent member.

44. XSML applies a structured appraisal process designed to establish clear investment objectives, expected outcomes, performance indicators, baselines and targets. Standardized pre-approval and final investment proposals consolidate the investment rationale, business and financial analysis, projected performance, key risks, due-diligence findings, proposed financing structure and expected development impact. Appraisal incorporates financial, economic, technical, legal, tax, know-your-customer/AML, ESG, environmental and social and climate-related considerations, with the depth of assessment tailored to the nature and risk profile of the proposed investment. Identified risks, mitigation measures, conditions precedent and other approval conditions are formally documented before the proposal progresses through the relevant decision-making bodies.

45. The appraisal process draws on multidisciplinary expertise across the organization. Investment Analysts and Senior Investment Associates undertake financial and commercial analysis and coordinate due diligence, supported by Managing Partners, the ESG Manager, legal expertise and other specialist resources as required. This enables financial viability, legal and regulatory considerations, integrity risks, environmental and social impacts, climate considerations, and expected development outcomes to be considered within the investment decision. The resulting recommendations are reviewed through established approval structures to ensure consistency with the applicant's strategy, investment policies, risk appetite and investor requirements.

46. Fiduciary oversight continues throughout the investment life cycle. Prior to approval, transactions are subject to staged review, committee approval, policy compliance checks, and completion of relevant financial, legal, ESG and know-your-customer/AML due diligence. Conditions and outstanding actions arising from appraisal are formally recorded and subsequently monitored.

47. Following investment, XSML uses post-due-diligence action lists, company growth plans, periodic key performance indicator reviews and portfolio monitoring meetings to track financial and operational performance, ESG and impact indicators, outstanding due-diligence actions and agreed risk mitigation measures. Investment and ESG personnel collect and analyse portfolio information, with material performance concerns or emerging risks escalated through established management and governance channels. These arrangements link the assumptions and conditions established during appraisal to subsequent portfolio supervision, enabling XSML to monitor whether investments remain aligned with their approved objectives and to take corrective action where performance or risk profiles change.

48. The AP finds that the applicant meets the screening requirements for project management.

3.2.6 On-lending/blending

49. XSML is a regulated fund manager licensed and supervised by the Mauritius FSC. It holds a Global Business Licence and a CIS Manager Licence, both issued on 23 December 2015, authorizing it to manage collective investment schemes and alternative investment funds subject to ongoing FSC regulatory, governance and compliance requirements.

50. XSML has an established track record in fund management, SME financing, and blended finance across African frontier and least developed markets. Since 2010, it has raised and managed four SME-focused investment funds, including the African Rivers Fund series, and deployed capital to more than 100 locally led SMEs across Central, East, and Southern Africa. Its most recent fund, ARF IV, reached final close at approximately USD 142 million, exceeding its

hard cap, and is expected to build a portfolio of more than 50 companies. Other funds previously managed include:

- (a) Central Africa SME Fund (vintage 2010) – The XSMF journey began with CASF, with a total commitment of USD 19.2 million. With a team of five, USD 16.7 million was invested in 32 companies, achieving a gross internal rate of return of 10 per cent and returning over 100 per cent of drawn-down capital. The fund reached breakeven after two and a half years and began distributing cash to investors in year three. CASF investors were IFC, FMO and the Lundin Foundation;
- (b) African Rivers Fund (vintage 2016) –ARF followed, with USD 50 million in total commitments, of which USD 55 million (110 per cent) was invested in 26 companies, with commitments from IFC, FMO, Lundin, the Belgian Investment Company for Developing Countries (BIO), Commonwealth Development Corporation now British International Investment (BII), Dutch Good Growth Fund and Proparco. ARF was breakeven after 15 months and started distributing in year two. ARF has distributed 83 per cent of drawn-down capital, with a gross expected multiple on investment capital of 1.64 ; and
- (c) African Rivers Fund III (vintage 2020) – Raised USD 85 million of which USD 93 million (109 per cent) was invested in 36 companies, targeting a gross multiple on investment capital of 1.54 and distributions to date of 31 per cent of drawn-down capital. All but two investors (Lundin and BII) from previous funds participated, along with new investors DALHAP, Norfund, the SDG Frontier Fund (private capital managed by BIO) and Swedfund.

51. Through its managed funds, XSMF has deployed a range of financing instruments, including senior secured debt, subordinated and mezzanine finance, revenue-sharing instruments, minority equity, quasi-equity, guarantees and collateral-backed financing. This demonstrates experience in structuring financing according to the financial position, cash-flow profile, risk characteristics and growth requirements of individual investees.

52. XSMF has also demonstrated experience in blending commercial and risk-tolerant capital. Under ARF IV, the financing structure includes a USD 15 million revenue-enhancer tranche provided by the World Bank, alongside capital from bilateral development finance institutions including FMO, Norfund, Swedfund and private commercial investors such as responsAbility. This structure provides additional risk-bearing capacity and supports financing of SMEs that may otherwise have limited access to conventional sources of capital, while maintaining defined repayment, risk management and portfolio oversight arrangements. In this fund, XSMF provided a senior unsecured loan of USD 500,000 to Alcove Ltd, a Kenyan energy management as a service provider, USD 2 million senior secured loan to a solar C&I Company in Democratic Republic of the Congo, and a USD 2 million senior secured loan food recycling company in Angola.

53. Collectively, the applicant's track record demonstrates institutional capacity to mobilize and manage pooled investor capital, undertake investment appraisal and due diligence, structure and deploy multiple financing instruments, monitor investee performance and manage financial and fiduciary risks across a diversified SME portfolio. Its experience also demonstrates the ability to combine commercial and concessional or risk-tolerant capital to extend financing to underserved SMEs while supporting climate and broader development objectives.

54. The AP finds that the applicant meets the screening requirements for on-lending/blending.

3.2.7 Revised Environmental and Social Policy and ESS standards

A. Revised Environmental and Social Policy

55. XSM has an ESG policy (2024), which establishes its overarching approach to environmental and social risk management across its investment activities. The policy establishes the applicant's overarching commitments to environmental and social risk management and requires its activities and investments to comply with applicable national environmental and social legislation and relevant international standards used by its investors, including the IFC Performance Standards (PS) on Environmental and Social Sustainability. It further provides for the implementation of a social and environmental management system (SEMS), ongoing compliance of investments with applicable environmental and social (E&S) requirements and transparency in the applicant's activities.

56. The applicant has established arrangements for preventing and responding to gender-based violence and harassment (GBVH) and sexual exploitation, abuse and harassment (SEAH) through its GBVH policy, complemented by the SEMS, gender policy and whistleblowing and complaints policy. The framework addresses prevention, identification and management of GBVH/SEAH risks in the applicant's operations and investments, including through due diligence, portfolio-company requirements, grievance arrangements and corrective actions, as well as support to victims and survivor-centred approaches. Evidence of implementation was provided for different projects in which XSM assessed GBVH risks and the adequacy of grievance arrangements. Where the absence of a formal GBVH policy and gender-responsive grievance redress mechanism were identified as gaps, findings were incorporated into the environmental and social action plan (ESAP) through requirements to establish a GBVH policy, strengthen grievance handling and provide GBVH-related staff training.

B. Environmental and social management system

57. Environmental and social risk assessment is integrated into the applicant's investment process. Prospective investments are screened against applicable exclusion requirements and categorized according to the nature, scale and significance of potential E&S risks and impacts. E&S due diligence is then undertaken according to the assigned risk category and relevant IFC Performance Standards. The assessment considers, as applicable, PS 1–8, gender, GBVH and other contextual risks relevant to the proposed investment.

58. The environmental and social due diligence (ESDD) process is intended to determine whether identified risks are acceptable, whether additional assessment or specialist expertise is required, and which measures must be implemented by the portfolio company. Where gaps are identified, corrective and risk-management measures are incorporated into an ESAP, and, as applicable, into the investment documentation. E&S findings therefore form part of the investment appraisal and approval process rather than constituting a parallel assessment undertaken after the investment decision. The SEMS also provides a risk-based response where security, travel or physical-access constraints affect due diligence or monitoring. XSM stated that such constraints are considered in determining the E&S risk profile and may result in a higher E&S categorization and enhanced due diligence or monitoring.

59. The applicant provided completed ESDD/social and environmental due diligence assessments demonstrating application of the SEMS in investment operations. The assessments evidence screening and categorization, identification of applicable E&S risks, review of portfolio-company policies and practices, and identification of corrective actions. More recent evidence, including the 2026 ESDD for Geek SARL, also demonstrates integration of gender considerations and 2X7 global standard's criteria for gender finance into due diligence,

⁷ See <https://www.2xchallenge.org/2xcriteria>

including assessment of workforce composition, equal pay, non-discrimination, GBVH risks and grievance arrangements. Gender-related gaps identified through due diligence were subsequently incorporated into the investment's ESAP.

60. Monitoring continues throughout the investment period. Portfolio companies are required to implement agreed ESAP actions and to provide information on environmental and social performance. XSML provided an annual E&S monitoring report demonstrating portfolio-level monitoring of E&S risks and actions. The applicant also requires portfolio companies to notify it of material E&S incidents, grievances and non-compliances. Contractual requirements provide for initial notification of material incidents within three business days, followed within 15 business days by an incident report, including root-cause analysis and remediation measures, with continuing reporting on implementation.

61. XSML consolidates portfolio information through its E&S reporting arrangements. Within 90 days of the end of each reporting period, the applicant submits an annual environmental and social report to its investors covering, among other matters, the portfolio E&S risk profile and categorization, ESDD activities, ESAP implementation, portfolio-level E&S indicators and trends, material incidents and grievances, compliance and material non-compliances, implementation and effectiveness of the SEMS, capacity-building activities, monitoring and site visits. Investor E&S Specialists also provide feedback through reporting and ESG Committee engagement, which XSML stated is used to inform subsequent SEMS improvements. Where site visits, stakeholder consultation or direct verification cannot be undertaken, the applicant may use qualified local consultants, remote assessments, independent third-party verification and additional documentary evidence. Where these measures do not provide sufficient information to assess E&S risks or reasonable assurance that SEMS requirements can be met, the investment may be deferred until access improves, or declined.

62. The applicant's SEMS has also been subject to review and enhancement in connection with investments by development finance institutions. In its 2023 disclosure for ARF IV, IFC noted that XSML was an existing client performing in line with IFC requirements for financial intermediaries, while requiring the applicant to enhance its ESMS, provide E&S training to staff, submit its first three E&S due diligence reports for IFC review, and report annually on E&S performance. The corresponding IFC ESAP finalized in January 2024 as the anticipated completion date for the ESMS enhancement and staff training. The SEMS was subsequently updated in 2024. Publicly available information on BIO indicates that the updated system incorporated strengthened E&S capacity and specific procedures addressing GBVH, human rights and climate change, among other E&S matters.

63. The applicant has established arrangements for external communication on E&S matters. Portfolio companies and third parties may communicate E&S questions and concerns through XSML country offices, Investment Officers during portfolio monitoring, ESG consultants working with portfolio companies, and channels available through the applicant's website. Portfolio companies are also contractually required to notify XSML of E&S-related complaints and of relevant third-party claims, proceedings or investigations.

64. Regarding information disclosure, XSML provided an information disclosure procedure for GCF-financed activities, approved by senior management in 2026. The procedure defines disclosure requirements and timelines according to E&S risk category and addresses confidential and commercially sensitive information. The applicant's SEMS also contains transparency, stakeholder engagement and disclosure requirements and requires portfolio companies whose activities may affect communities to disclose relevant E&S information, including applicable ESAP information, and engage affected stakeholders. XSML further provided evidence that its ESG policy is publicly available.

65. The applicant provided an environmental and social impact assessment for an example of stakeholder engagement and information disclosure at portfolio-company level. The assessment includes a dedicated stakeholder engagement section and supporting consultation records.
66. The organizational arrangements of XSMF combine internal E&S capacity with specialist external support. The applicant reported that it currently manages 96 active portfolio companies and has an internal ESG and Impact team equivalent to approximately three E&S full-time equivalents (FTEs), supplemented by external specialist consultants. This corresponds to approximately 1 E&S FTE for 32 active portfolio companies overall. Of the 96 portfolio companies, 30 are currently implementing ESAPs, for which the applicant reports an effective ratio of approximately 1 E&S FTE per 10 companies. E&S resources are allocated on a risk basis, with greater attention paid to companies with outstanding ESAP requirements or higher residual E&S risks.
67. The applicant provided a job description for the ESG Manager, who is dedicated full-time to ESG functions, together with an organization chart and an overview of E&S roles. Other personnel undertake E&S responsibilities on a part-time basis in accordance with the responsibilities established in the SEMS. The submitted curricula vitae demonstrate relevant environmental and social expertise among internal personnel and external specialists. XSMF also confirmed that French- and Portuguese-speaking E&S capacity is available through both internal ESG staff and external specialist consultants, supporting operations in its French- and Portuguese-speaking markets.

C. Grievance redress mechanism

68. The applicant's institutional grievance mechanism is governed by its board-approved whistleblowing and complaints policy, version 3.0 (2024). The policy applies to complaints and whistle-blowing concerns associated with XSMF operations and investments and establishes arrangements for receiving, assessing, investigating and resolving complaints. Complaints may be submitted confidentially or anonymously through the applicant's public whistle-blowing webpage or dedicated complaints email address and may be made in any official language of the jurisdictions in which XSMF operates.
69. The policy establishes a three-person Whistleblower and Complaints Committee (WCC), comprising the Managing Partner responsible for compliance, the Human Resources Manager and the Head of Compliance. The latter two positions are independent from the investment team. The Head of Compliance monitors the complaints-handling process and maintains the applicant's centralized complaints register. Complaints received through the institutional channels are circulated to the WCC, which determines admissibility, investigates the matter and determines the proposed resolution. Conflict-of-interest provisions require a WCC member who is the subject of a complaint to be excluded from the investigation, deliberation and decision. For external complaints, the policy requires engagement of the Compliance Officer appointed by the Fund Administrator, providing an additional compliance function outside the investment team. The WCC may also seek external legal or technical advice where specialist expertise or additional independence is required.
70. Complaints submitted by email are acknowledged within 5 working days, admissibility is determined within 25 working days, preliminary review is targeted within 30 working days subject to complexity, and complainants receive at least monthly updates while investigations remain ongoing. Complainants are informed when an investigation is closed. When dissatisfied with the determination, a complainant may resubmit the complaint in writing identifying the grounds for dissatisfaction and will retain access to external regulators.
71. XSMF demonstrated the implementation of the mechanism through its centralized complaints register and documentation concerning Case 2024/001, the only external grievance

recorded to date. The case concerned a former employee of a portfolio company, and the records document the complaint, investigation, findings, remediation agreed with the portfolio company and closure. This demonstrates that the mechanism extends to grievances associated with portfolio-company activities rather than being limited to XSML employees or corporate operations.

72. The AP finds that XSML has an operational grievance mechanism with documented intake and investigation arrangements, confidentiality and anonymous reporting, conflict-of-interest safeguards, a centralized complaints register, defined processing timelines and demonstrated implementation.

73. The AP finds that the applicant meets the screening requirements for the revised environmental and social policy and the screening requirements for ESS standards for activities of up to medium environmental and social risk (category B/I-2), as applied for.

3.2.8 Indigenous Peoples Policy

74. During E&S screening, XSML assesses whether Indigenous Peoples are present in or use the area of influence of a prospective investment, considering characteristics including self-identification as a distinct Indigenous group, collective attachment to ancestral territories or natural resources, distinct customary institutions and distinct languages or dialects. Where these indicators are identified, the transaction is escalated for enhanced E&S assessment and specialist review.

75. Where Indigenous Peoples may be affected, the SEMS requires enhanced due diligence, including a social assessment and preparation of an Indigenous Peoples plan by an appropriately qualified expert. The assessment considers potential impacts on lands, livelihoods, natural resources, cultural heritage and traditional practices, and evaluates the adequacy of stakeholder engagement and proposed mitigation measures. Free, prior and informed consent is required where applicable under IFC PS7. XSML has not financed investments involving Indigenous Peoples to date.

76. The applicant demonstrates awareness of and commitment to addressing Indigenous Peoples issues.

77. The AP finds that the applicant meets the screening requirements for the GCF Indigenous Peoples Policy.

3.2.9 Updated Gender Policy

78. The applicant's approach to gender equality and gender-lens investing is established through its gender policy (2026), gender lens investing (GLI) action plan (2026) and SEMS, complemented by its personnel policies, GBVH-related requirements, grievance arrangements and investment due diligence procedures. The gender policy establishes the commitment of XSML to gender equality, non-discrimination and equal treatment and applies these principles both within the institution and across its investment activities. The GLI action plan translates the policy into practical forward-looking measures at institutional and portfolio levels, including measures related to women's participation and leadership, gender-responsive employment practices, GLI, capacity development and monitoring of gender performance. This combination of policy commitments and practical measures is consistent with the screening requirement that a private-sector applicant must demonstrate gender commitments at institutional, fund and investee levels.

79. Gender considerations are operationalized through the applicant's SEMS and investment processes rather than being treated solely as an institutional human-resources matter. The E&S due diligence process provides for the identification and assessment of gender-

related risks and opportunities at prospective investees, including, as applicable, workforce composition and women's participation, representation of women in management and ownership, equal pay and employment practices, non-discrimination, GBVH, accessibility and effectiveness of grievance mechanisms, and other gender-related risks identified in the investment context. Where gaps are identified, appropriate measures can be incorporated into the ESAP and monitored during the investment period.

80. The applicant's gender approach is also linked to its gender-lens investing practice. XSML applies the 2X criteria as part of its assessment and monitoring of portfolio companies and collects gender-disaggregated information relating to employment, leadership, ownership and entrepreneurship. The applicant's 2026 GLI action plan provides the framework for further strengthening this approach and is supported by portfolio-level assessment against the updated 2X criteria.

81. Regarding a track record, the applicant demonstrated the implementation of these arrangements through its 2026 ESDD for Geek SARL in the Democratic Republic of the Congo. The due diligence included a dedicated gender and 2X assessment, and collected gender-disaggregated information on workforce composition, management and employment practices. The findings of this project's assessment were translated into concrete measures through the ESAP, including establishing a GBVH policy, improving grievance-handling arrangements and providing GBVH-related staff training. A second example, Alcove/Best Energy Kenya (2025), provides further evidence of gender integration in investment due diligence. The assessment considered equal-pay practices, parental-support policies, gender-balanced recruitment, women's representation in leadership and GBVH safeguards, as well as the adequacy of gender-related policies and grievance arrangements.

82. Organizational responsibilities for gender are integrated into the XSML investment, ESG and impact functions. The gender policy (2026) assigns strategic oversight of gender integration to the partners and senior management, responsibility for applying the policy throughout the investment life cycle to the investment teams, and technical guidance, investment review, data collection, monitoring and investor reporting to the impact and ESG functions. The applicant established a GLI team in 2022. Its March 2026 GLI organization chart identifies the Managing Partner responsible for portfolio management, ESG and impact, the ESG Manager and Impact Manager, supported by three ESG Coordinators embedded within country investment teams, in Angola, the Democratic Republic of the Congo and Uganda, respectively. External Gender Specialists are engaged where additional expertise or portfolio-company implementation support is required.

83. Gender-related responsibilities form part of the applicant's E&S due diligence and portfolio-management functions, and XSML has provided curricula vitae and organizational information demonstrating relevant gender and E&S capacity. The applicant has demonstrated access to specialist gender expertise through external experts with approximately 20 years of experience and postgraduate qualifications in gender studies, covering gender analysis, GBV, disability inclusion, gender mainstreaming, training, monitoring and evaluation, social inclusion, women's rights and climate-related gender programming. XSML has also provided evidence of organizational capacity development through the Swedfund Gender Lens Investing Immersion Programme and practical use of external gender expertise to support portfolio companies in conducting gender audits, implementing gender action plans, strengthening human resource policies, delivering gender training, and developing gender key performance indicators and monitoring tools. The applicant has also participated in dedicated GLI capacity-building, including the Swedfund GLI Immersion Programme, and provided supporting training materials.

84. At the institutional level, the applicant provided gender-disaggregated workforce information showing 12 women and 11 men among its 23 non-partner staff, equivalent to approximately 52 per cent women, 48 per cent men. Women are represented across several

middle and junior job levels and across the Angola, Democratic Republic of the Congo, Kenya, Netherlands and Uganda offices.

85. The AP finds that the applicant meets the screening requirements for the updated gender policy.

3.3 Observations for the applicant

86. The applicant is encouraged to strengthen its newly formed internal audit function.

87. The applicant is also encouraged to strengthen the independence of its board through the appointment of one or more directors who are independent of both management and material service providers.

3.4 Recommendations

88. Based on the assessment, the applicant is found to have met all applicable screening requirements.

89. Therefore, the AP recommends APL190 for accreditation and that it be accredited for **maximum environmental and social risk category: medium risk (category B/I-2)**.
