



FINCA LIMITED (MALAWI)

SUMMARY OF ENVIRONMENTAL SAFEGUARDS MANAGEMENT STRATEGY

PART I: THE ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)	
1. Name of PFI	FINCA Limited (Malawi)
2. Name of EMS policy document as titled the PFI Document date	Environmental and Social Management Policy (17 th December 2021)
3. Date ESMS policy was approved and signed by the Board	January 2021
4. List of institutions/Subsidiary companies that use the same Policy document.	FINCA Limited (Malawi) only.
5. The ESMS policy set procedures and workflows.	Yes these are outlined in Section 4 of the Policy
6. Major features that ensure compliance with applicable environmental and social legislation	The policy statement in Section 2.1 clearly states that the policy is in compliance with the Environmental Management Act (2017) and the World Bank's environmental and Social policy.
PART II: (TRANSACTION OF ENVIRONMENTAL AND SOCIAL SCREENING AND RATING)	
1. List down other documents in the PFI that will complement the ESMS policy and must be read together	<ul style="list-style-type: none"> • BL Credit Policy • Customer acceptance policy • FINCA Malawi employee handbook • FINCA Malawi loan restructuring policy • FINCA Malawi Risk Management policy • FINCA Malawi exclusion list
2. Describe the main objective of the ESMS Policy document.	The objective of this policy is to introduce environmental and social standards with which FM has to comply when formulating business decisions and implementing its business strategies while operating from various facilities.

	In doing so FM will be able to protect its assets, shareholders, stakeholders, and clients and support and promote sustainable development
3. Describe the responsible officers and departments that carry out environmental and social risk assessment.	The Chief Commercial Officer, shall be responsible for the final determination of the project E&S categorization based on categorization done in the E&S risk assessment form or appraisal filled by institution CRO officers during site visits or desktop review.
4. Describe the process of assessment criteria of environmental and social risks	Please refer to page 16 and 17 of the E & S Policy manual (attached), under section 4.2
5. Describe the risk report and how it influences the selection of participants	<p>The following is the risk report;</p> <p>Category A (High risk) activities are those businesses/activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.</p> <p>Category B (Medium Risk): activities are those businesses/activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.</p> <p>Category C (Low risk): activities are those businesses/activities with minimal or no adverse environmental or social risks and/or impacts.</p>
6. Describe links with E & S authorities where medium and High risks are identified.	<p>Category A (High risk) activities are those businesses/activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.</p> <p>Category B (Medium Risk): activities are those businesses/activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures</p>

7. Describe a summary of clauses that will entail need for compliance with explicit penalties if any.	There are no such clauses in the policy
8. Describe mitigation measure requirements for low and medium-risk rating	Low and medium-risk rating projects are those whose potential impact on the environment are generally site-specific, reversible in nature, and less adverse than those of category A projects and for which mitigation measures can be designed more readily.
9. Describe internal and external reporting on E & S.	<p>Environmental and Social Impact Assessment reports will be publicized for both category 'A' and 'B' projects where timelines for disclosure will be as follows;</p> <p>(a) Category A projects [FINCA Limited (Malawi)] will disclose the Environmental and Social Impact Assessment (ESIA) and/or Environmental and Social Management Plan (ESMP) approved by the Malawi Environmental Protection Authority at least 20 days before [FINCA Limited (Malawi)] decision.</p> <p>(b) Category B projects [FINCA Limited (Malawi)] will disclose the ESIA and ESMP at least 10 days before [FINCA Limited (Malawi)]'s decision.</p> <p>(d) Category C projects [FINCA Limited (Malawi)] will disclose the identified E&S risks and their proposed mitigation measures, where applicable, at least 5 days before [FINCA Limited (Malawi)] decision</p>
10. Display the ESMS policy exclusion list	<p><u>FM's ESMS Policy Exclusion List</u></p> <ul style="list-style-type: none"> • Production or trade in any product or activity deemed illegal under Malawian laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as illegal pharmaceuticals, pesticides/herbicides, ozone-depleting substances, PCBs, wildlife or products regulated under the Committee on

the International Trade in Endangered Species (CITES).

- Production or trade in weapons and munitions as a primary business activity.
- Production or trade in alcoholic beverages (excluding beer and wine) as a primary business activity.
- Gambling, casinos and equivalent enterprises as a primary business activity.
- Any business relating to pornography or prostitution.
- Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Shipment of oil or other hazardous substances in tankers which do not comply with requirements of the International Maritime Organization (IMO).
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment the radioactive source is considered to be trivial and/or adequately shielded.
- Production or trade in unbounded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
 - k. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor/harmful child labor, discriminatory practices, or practices which prevent employees from

	<p>lawfully exercising their rights of association and collective bargaining.</p> <ul style="list-style-type: none"> • Activities prohibited by Malawian legislation or international conventions relating to the protection of biodiversity resources or cultural heritage. • Significant conversion or degradation of critical habitat. • Relocation of indigenous peoples from traditional or customary land. Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples. • Transporting, trading and distribution of imported abusive drugs, growing, transporting and trading in locally produced drugs.
<p>11. Describe measures that suggest compliance with local legislature</p>	<p>Application of the policy as outlined in section 1.2 which states as follows; The environmental and social management system (ESMS) shall be applicable when assessing environmental and social (E&S) risks on all loans granted by FINCA Limited (Malawi). As much as the Environment Management Act (2017) provides a list of projects requiring and not requiring an Environmental and Social Impact Assessment (ESIA), the ESMS procedure shall apply to all projects regardless of whether or not mentioned in this law and its associated regulations.</p>
<p>12. Describe PFI's training and awareness strategy to ensure implementation of the ESMS policy</p>	<ul style="list-style-type: none"> • Annual training for the entire Institution including specific training to all lending officers on E&S issues is periodically arranged. • Online training (annually) and for new joiners during or immediately after orientation • Training and awareness whenever there is a significant change in legislation/economic landscape

<p>13. Indicate the PFI's monitoring and reporting system on E & S to PIU</p>	<p><u>Monitoring process/activities will involve:</u></p> <p>Periodic site visits by environmental and social risk analysts. During the site visits 'Post-loan Disbursement E&S Risk Monitoring checklist' shall be used while focusing on the implementation of the EMP/ESMP section as analyzed in the ESIA report. For all high risks E&S projects and medium risks that need close follow-up, FM shall conduct site visits and review the 'E&S Risk Assessment Form' to confirm/re-categorize the project proposal received from the business unit. Review and ensure compliance with the grievance mechanism during the site visit. Management shall maintain a database of approved loans from an E&S perspective—using the template for monitoring.</p> <p>Periodic preparation of reports to the management detailing the environmental and social risk status of various projects.</p> <p>Annual preparation of E&S compliance reports including mandatory Annual Environmental Performance reports.</p>
<p>PART III: (COMPLIANCE CRITERIA AND LEGALITY)</p>	
<p>1. Describe the PFI's legal linkages that protect the PFI and clients</p>	<p>The legal department and the business shall ensure that appropriate environmental representations, warranties, and covenants are incorporated in the lending agreements and other commitment letters issued to clients</p>
<p>2. Describe other related laws referred to in the ESMS policy.</p>	<p>The main related law described in the policy is the Environmental Management Act (2017) which provides general guidance on environmental management including lists of projects that require and do not require environmental and social impact assessment (ESIA).</p>

<p>3. Describe the PFI's Risk classification</p>	<p>The following is the risk classification;</p> <p>Category A (High risk) activities are those businesses/activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.</p> <p>Category B (Medium Risk): activities are those businesses/activities with potentially limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.</p> <p>Category C (Low risk): activities are those businesses/activities with minimal or no adverse environmental or social risks and/or impacts.</p>
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PART IV: (GRIEVANCE REDRESS MECHANISM)

<p>1. Describe the PFI's available grievance redress management systems and channels of grievance reporting.</p>	<p>The grievance Redress Mechanism (GRM) aims at providing guidelines on managing and responding to various project-related complaints as received from project-affected individuals, organizations, or communities. The procedure will apply during all main stages of the project cycle, initiation, construction, operation, and closure.</p> <p>[FINCA Limited (Malawi)] will require its clients to have in place a grievance mechanism to be able to receive and assist resolve project-affected parties' concerns and grievances arising from the project. The grievance mechanism should be appropriate for anticipated project risks and impacts. However, the interested and affected parties can resort to channel their project-related grievances directly to [FINCA Limited (Malawi)] as per the procedures outlined in section 6.5 of the policy. Grievances can be reported through the following channels; call center, Branches, emails, letters, and the website.</p>
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2. Provide any toll-free numbers if available.	312
3. Describe escalation methodologies where the PFI has failed to resolve the grievances.	Where an agreement has not been reached at the Branch level, the complainant will be offered an opportunity to escalate the complaint to [FINCA Limited (Malawi)] Head Office Operations Department for further action. In case the complaint has not been closed at this level, the complainant may escalate further to the Managing Director/Chief Executive Officer of [FINCA Limited (Malawi)] or for remedial measures of the complaint through judicial proceedings or other non-judicial but official government avenues for redress of the complaint.
4. Provide frequency of reporting and presenting the status of grievances to PIU	The reporting and presentation of the status of grievances to PIU is done quarterly.