

microloan
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MICROLOAN FOUNDATION LIMITED (MALAWI)

SUMMARY OF ENVIRONMENTAL SAFEGUARDS MANAGEMENT STRATEGY

PART I: THE ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)	
1. Name of PFI	Microloan Foundation Limited (Malawi)
2. Name of EMS policy document as titled the PFI Document date	Environmental and Social Management Policy (November, 2022)
3. Date ESMS policy was approved and signed by the Board	14 th March,2022
4. List of institutions/Subsidiary companies that use the same Policy document.	Microloan Foundation Limited (Malawi) only.
5. The ESMS policy set procedures and workflows.	Yes, these are outlined in Section 4.1 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 Malawian Environmental Management Act (2017) and also in line with 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"> • MLF Credit Policy • Customer acceptance policy • Microloan Foundation Malawi employee handbook • Finance Policy section 13.6 loan restructuring • Microloan Foundation Risk Management policy • Microloan Foundation Malawi exclusion list
2. Describe the main objective of the ESMS Policy document.	<p>The objectives of this policy are;</p> <ul style="list-style-type: none"> • Examine the environmental and social issues and concerns associated with potential business activities proposed for financing or being financed; and

	<ul style="list-style-type: none"> Identify, evaluate and manage the environmental and social risks and the associated financial implications arising from these issues and concerns.
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<p>3. Describe the responsible officers and departments that carry out environmental and social risk assessment.</p>	<p>The Chief Operations 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 client officers during site visits or desktop review by BMs.</p>
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<p>4. Describe the process of assessment criteria of environmental and social risks</p>	<p>Please refer to page 9 of the E & S Policy manual (attached), under section 4.2</p>
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<p>5. Describe the risk report and how it influences the selection of participants</p>	<p>The following is the risk report;</p> <p>Category A (High risk): 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): 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): 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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<p>6. Describe links with E & S authorities where medium and High risks are identified.</p>	<p>Category A (High risk): 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): 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>
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<p>7. Describe a summary of clauses that will entail need for compliance with explicit penalties if any.</p>	<p>There are no such clauses in the policy.</p>
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<p>8. Describe mitigation measure requirements for low and medium-risk rating.</p>	<p>Low and medium-risk rating projects activities are those businesses/activities with minimal or no adverse or 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>
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<p>9. Describe internal and external reporting on E & S.</p>	<p>Environmental and Social Impact Assessment reports will be publicized for both category 'A' and 'B' project where timelines for disclosure will be as follows:</p> <p>(a)Category A projects Microloan 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 Microloan's decision.</p> <p>(b)Category B projects MicroLoan will disclose the ESIA and ESMP at least 10 days before MicroLoan's decision.</p> <p>(c)Category C projects MicroLoan will disclose the identified E&S risks and their proposed mitigation measures, where applicable, at least 5 days before MicroLoan's decision.</p>
<p>10. Display the ESMS policy exclusion list.</p>	<p><u>Microloan Foundation's ESMS Policy Exclusion List.</u></p> <ul style="list-style-type: none"> a) Production or trade in any product or activity deemed illegal under Malawian laws or regulations or international conventions and agreements. b) Production or trade in weapons or ammunitions. c) Gambling, casinos and equivalent enterprises. d) Production or trade in alcoholic beverages (excluding beer and wine). e) Activities targeting tobacco manufacturing, processing, or specialist tobacco distribution, and activities facilitating the use of tobacco. f) Trade in wildlife or wildlife products regulated under Convention on International Trade in Endangered Species (CITES).

- g) Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where MicroLoan considers the radioactive source to be trivial and/or adequately shielded.
- h) Production or trade in or use of unbounded asbestos fibres.
- i) Any activities involving significant degradation or conversion of natural and/or critical habitats and/or any activities in legally protected areas.
- j) Activities damaging to national monuments and other cultural heritage.
- k) Unsustainable fishing practices such as drift net fishing in the marine environment using nets in excess of 2.5 km in length, electric shocks, or explosive materials.
- l) Production or trade in wood or other forestry products other than from sustainably managed forests.
- m) Production or trade in pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls (PCBs) subject to international phase outs or bans.
- n) Production or activities involving harmful or exploitative forms of forced labour or hazardous child work.
- o) Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals (gasoline, kerosene, other petroleum products, textile dyes etc.).
- p) Production or activities that have adverse impacts, including relocation, on the lands, natural resources, or critical cultural heritage subject to traditional ownership or under customary use by historically underserved traditional local communities.
- q) Activities involving land acquisition and/or restrictions on land use resulting in involuntary resettlement or economic displacement.

	<p>r) Military or police equipment or infrastructures, and equipment or infrastructure which result in limiting people's individual rights and freedom (i.e. prisons, detention centres of any form) or in violation of human rights.</p> <p>s) Activities involving live animals for experimental and scientific purposes.</p>
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<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;</p> <p>The environmental and social management system (ESMS) shall be applicable when assessing environmental and social (E&S) risks on all loans granted by Microloan Foundation (Malawi).</p> <p>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. • Induction training for new joiners during or immediately after onboarding. • 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> <ul style="list-style-type: none"> • Periodic site visits by the environmental and social risk analysts. During site visits a form available in Annex 4 'Post-loan Disbursement E&S Risk Monitoring checklist' shall be used while focusing on implementation of EMP/ESMP section as analysed in the ESIA report; • For all high risks E&S projects and medium risks that need close follow up, conducting site visit and review the 'E&S Risk Assessment Form' to confirm/re-categorize the project proposal received from business unit; • Reviewing and ensuring compliance with grievance mechanism during site visit; • Maintaining a database of approved loans from an E&S perspective—using the template for monitoring in Annex 4; • Periodic preparation of reports to Management detailing environmental and social risk status of various projects; • Annual preparation of E&S compliance reports including mandatory Annual Environmental Performance reports.
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PART III: (COMPLIANCE CRITERIA AND LEGALITY)

<p>1. Describe the PFI's legal linkages that protect the PFI and clients.</p>	<p>Internal Controls and Social Performance 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 purpose of a Grievance Redress Mechanism (GRM) is to provide guidelines on managing and responding to various project related complaints received from project affected individuals, organizations or communities. The GRM procedure will apply during all main stages of project cycle - initiation, construction, operation and closure. In this regard, Microloan will develop, publicize, and implement a GRM that outlines specific procedures on how project affected communities and persons can raise grievances regarding a project's activities. The GRM addresses verbal or written grievances, which must include sufficient information about the complaint or claim so that a proper and informed evaluation of the grievance can be made. Our grievance procedure also ensures that women and other vulnerable groups are consulted, and their grievances captured. When a grievance is filed, it will be logged and evaluated using the process outlined in the Section 6.5. All grievances will be tracked for</p>
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	<p>monitoring and reporting purposes and to ensure timely and proper resolution.</p>
<p>2. Provide any toll-free numbers if available.</p>	<p>Hotline number: 0992969310.</p>
<p>3. Describe escalation methodologies where the PFI has failed to resolve the grievances.</p>	<p>Where an agreement has not been reached at branch level, the complainant will be offered an opportunity to escalate the complaint to MicroLoan's Head Office. The complaint should be directed to the Social Performance Management unit for further action. In case the complaint has not been closed at this level, the complainant may escalate further to the Chief Executive Officer of MicroLoan, or for remedial measures of the complaint through judicial proceeding or other non-judicial but official government avenues for redressal of the complaint.</p>
<p>4. Provide frequency of reporting and presenting the status of grievances to PIU.</p>	<p>The reporting and presentation of the status of grievances to PIU is done quarterly.</p>