

MYBUCKS BANKING CORPORATION LIMITED



ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

18TH NOVEMBER 2022

Approval and Commitment of Environmental and Social Management System

MyBucks Banking Corporation Limited Board and Management hereby approve and commit to the Bank's full implementation of this Environmental and Social Management System, in order to enhance our management of Environmental and Social Risks and to conduct ourselves as a responsible corporate citizen.

APPROVED BY	NAME	SIGNATURE
Board Chairperson	Francis Z Pelekamoyo	
Managing Director	Zandile M Shaba	

Effective Date: 18TH NOVEMBER, 2022

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Section 1: Introduction

1.1 MyBucks Profile

MyBucks Banking Corporation Limited is licensed and regulated by the Reserve Bank of Malawi under the Financial Services Act of Malawi.

MyBucks is a fully-fledged commercial bank with focus on both the retail and corporate segments of the Malawian market. The ultimate goal is to be the best bank in Malawi in providing excellent Customer Experience, Return on Equity and also making a greater Social Impact in the society in which it operates.

The bank has 14 Branches, three sales offices, 177 agents and 28 ATMs across Malawi. It also operates three foreign exchange bureaux.

The Board of Directors is comprised of high calibre professionals from diverse backgrounds with expertise in key areas of Finance, Economics, Strategic Management, Banking and Law.

MyBucks has a well-experienced and qualified management team. It has 350 staff members.

The products and services offered by MyBucks Banking Corporation are Investment Products, Transactional Products, Personal Loans, Business Loans, Treasury Facilities, Digital Banking, International Banking, Microfinance Products and Bancassurance.

MyBucks aims to expand its footprint to provide inclusive financial products and services to customers through simple, affordable and accessible digital/virtual/efinancial services and products.

1.2 Purpose of the Environmental and Social Management System

The overall purpose of the Environmental and Social Management System is to understand and manage risks that arise from environmental and social concerns. The focus is on managing risks and not on avoiding risks and it is intended for encouraging responsible financing practices and not for reducing or restricting financing. However, if there are business activities that are inherently irresponsible and managing these risks is not feasible, MyBucks should avoid financing those activities.

MyBucks also recognizes the importance of addressing both causes and the consequences of climate change for projects it finances. In this context MyBucks will take appropriate

initiative to support such projects with no or low carbon emission, climate change mitigation projects and other climate resilient projects. The specific purposes are to:

- Examine the environmental and social issues and concerns associated with potential business activities proposed for financing or being financed; and
- Identify, evaluate and manage the environmental and social risks and the associated financial implications arising from these issues and concerns.

Some of the sources of environmental risks are air emissions, inefficient use of energy, excessive use of water, un-controlled generation and disposal of wastes, illegal discharge of untreated hazardous substances, land contamination, sound pollution, etc. Some of the sources of social risks include unhealthy and unsafe working conditions, inadequate measures for community health, safety and security, exploitation of indigenous people and cultural heritage, violation of human rights, etc.

1.3 Application of Environmental and Social Management System

The environmental and social management system (ESMS) shall be applicable when assessing environmental and social (E&S) risks on all loans granted by MyBucks as part of any projects the Bank undertakes in partnership with The World Bank Group, such as the Financial Inclusion and Entrepreneurship Scaling Project. The Environment Management Act (2017) provides a list of project types requiring and not requiring an Environmental and Social Impact Assessment (ESIA) and the ESMS procedure shall incorporate guidance from the Act in its assessment of the relative E&S risk represented by customer credit applications qualifying for ESMS review.

1.4 Internal Communication and Training

Lending officers (LO) appraising qualifying loan applications, whether the borrowers are Corporates or SMEs, shall understand the E&S Risk Identification and Assessment Procedure, which provides a flow chart of processes to be followed when identifying, assessing and monitoring environmental & social risk aspects integrated into the credit approval process. The lending officers shall then complete an E&S impact assessment checklist available in annex 2. The Procedure is self-explanatory and can serve as training material to all lending officers. Annual trainings for all lending, Compliance and Credit officers on E&S issues will be periodically arranged by MyBucks.

Section 2: Environmental and Social Policy Statement

2.1 Overall Policy Statement

MyBucks is committed to promote environmentally sound and sustainable development in its credit products. MyBucks believes that environmental and social sustainability is a key aspect of achieving outcomes consistent with its Credit Policy and recognizes that projects that foster environmental and social sustainability rank among the highest priorities of its activities. In view of this, MyBucks partnership projects with the World Bank group shall only finance projects and businesses that strictly comply with the requirements of the Malawian

Environment Management Act of 2017 and are also in line with the World Bank's Environmental and Social Policy.

2.2 Environmental and Social Categorization

2.2.1 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.

2.2.2 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 sitespecific, largely reversible, and readily addressed through mitigation measures.

2.2.3 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.

2.3 Social aspects

From a social aspects point of view, MyBucks shall observe the following for all ESMS-qualifying businesses it finances:

- Provide equal opportunity to all social or gender groups in terms of employment and business relations;
- Have social acceptance from the surrounding community;
- Observe labour standards and working conditions, including occupational health and safety;
- Abstain from financing businesses that use child and forced labour;
- Observe and eliminate negative impact of business on cultural heritage and involuntary resettlement;
- Abstain from financing projects and businesses that are in the Exclusion List as per Annex 1.

2.4 Environmental aspects

From the environment aspects point of view, MyBucks shall observe the following for all ESMS-qualifying businesses it finances:

- Ensure that businesses financed observe environmental safety standards and regulatory requirements in line with country laws and international best practices;

- Observe and eliminate negative impact of business on Biodiversity Conservation and Natural Resources;
- Observe and eliminate negative impact of business on cultural heritage objects, sites and structures (e.g. Artefacts, archaeological sites, graves, and other sacred areas);
- Abstain from financing projects and businesses that are in the Exclusion List as per Annex 1.

Section 3: Governance Structure

Primary responsibility for implementing this Environmental and Social Management System has been assigned to the Compliance, Credit and Retail departments which are found in the overall organization chart of MyBucks. The Compliance team will provide an oversight role and report to the Board Risk Committee on compliance with the System and the Procedures, Retail will engage customers and conduct initial assessment, while Credit will provide further screening of loan applications, managing, monitoring and reporting on the approved loans. In addition to the respective Heads of Compliance, Credit and Retail, Managers, Supervisors and Officers from these departments will receive periodic training to ensure they are fully aware of the Procedures and their individual and functional responsibilities. The management of E&S risks will not only be the role of Compliance, Credit and Retail, but will involve the whole governance structure. The governance practices, processes and responsibilities by which Environmental and Social Risk are managed and controlled in MyBucks are shown in Table 1.

Table 1: Governance structure and Roles for Implementation of ESMS

Level	Function / Committee	Role and Responsibility
Board	Board of Directors	<ul style="list-style-type: none"> • Recognise all material risks to which the Bank is exposed and ensure that the requisite risk management culture, practices, policies, resources and systems are in place and are functioning effectively. • Is ultimately responsible for ensuring that an appropriate structure and processes are in place to manage environmental and social risk effectively. • Review and monitor progress in terms of the implementation of a framework of Integrated Sustainability Best practice, including sector policies for environmental and social risk management.
Executive	Executive Committee	<ul style="list-style-type: none"> • Ensure the Bank complies with the law, sound risk management and appropriate corporate governance. • Monitor and oversee risk management processes of all

		material risks of the bank, including environmental and social risks.
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		<ul style="list-style-type: none"> • Address escalations from Business Units. • Ensure that risks impacting the achievement of the business’s strategic objectives are identified, assessed/measured, managed, monitored and reported effectively within defined risk appetites and risk strategies in accordance with the relevant Credit Policy, the Environmental and Social Risk Policy and the Environmental and Social Management System (ESMS). • Align departmental activities to the Environmental and Social Risk Policy and ESMS and provide resources for the implementation of the ESMS.
	Management Risk Committee	<ul style="list-style-type: none"> • Monitor the risks to which Business is exposed in accordance with the relevant Credit policy, the Environmental and Social Risk Policy and the Environmental and Social Management System. • Consider information relating to reputation risk in the risk profile of the Bank. • Determine the extent of risk and any management actions, as well as work underway.

		<ul style="list-style-type: none"> In accordance with the Environmental and Social Risk Policy, the Credit Policies and the ESMS, the Heads of Risk and Compliance provide advice on environmental and social risk to Credit. The ESMS to be integrated into the Credit policies.
	Risk Management	<ul style="list-style-type: none"> Risk monitoring, independent from risk-taking business activities, in accordance with the relevant Credit Policy, the Environmental and Social Risk Policy and the Environmental and Social Management System.

		<ul style="list-style-type: none"> Provide information to central management structures, as required for reporting and assessment purposes. Make use of appropriate methodologies and tools in order to identify, measure/assess, manage, monitor and report on Environmental and Social Risk. Ensure implementation of the Enterprise-wide Risk Management Framework (ERMF) within the Bank. Reporting on Reputational Risk in the Residual Risk Profile. Monitors and oversees consistent and transparent risk reporting and escalation in support of the management of Environmental and Social Risk to meet the needs of all relevant stakeholders.
	Compliance	<ul style="list-style-type: none"> Compliance monitoring, independent from risk-taking business activities, in accordance with the relevant Credit Policy, the Environmental and Social Risk Policy and the Environmental and Social Management System.

		<ul style="list-style-type: none"> • Ensure implementation of the Reputational Risk Policy by Business Units (BUs). • Ensure implementation of the Environmental Risk Management Framework in the BUs, • Monitor the Environmental and Social Survey (ESS) performed on credit applications, immovable property valuations and other information provided by the relationship manager and screened by the Credit department for procedural compliance. • Complying with applicable legislation on departmental activities which impact upon the environment.
		<ul style="list-style-type: none"> • Coordinating reporting of environmental performance information, • Providing support to the BUs regarding decisions involving potential environmental/social risk. • Ensuring the continued existence of an annual review of the Environmental and Social Risk Policy. • Monitoring legislative changes and developments and ensuring these are integrated into the Policy. • Monitoring compliance with the Policy and reviewing the performance of the Bank against set targets; and • Ensuring employees are made aware of their roles and responsibilities in environmental matters through business communications and appropriate training.

<p>Audit</p>		<ul style="list-style-type: none"> • Provide independent objective assurance on the effectiveness of the management of risk across the Bank, including ESMS audit. • Internal Audit is responsible for conducting periodic reviews to provide independent assurance to the Board Finance and Audit Committee and Executive Management that the Environmental and Social Risk Policy principles are being followed and that environmental and social risk management is being appropriately undertaken and assessed across the Bank.
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Section 4: Environmental and Social Risks Identification and Assessment

4.1 Objective of Environmental and Social risk identification and assessment Procedures

The objective of E &S risk identification and assessment procedures section is to provide step-by-step guidance on screening, assessment, decision, control and monitoring of E&S risks with respect to transactions financed by MyBucks.

The Head of Compliance, under the Compliance department shall be responsible for final determination of the project E&S categorization for medium and high-risk applicants, based on categorization done in the Environmental and Social Survey or appraisal filled by institution officers during site visit or desktop review. For low risk applicants, this responsibility will sit with the Head of Credit. Where a need arises, E&S analyst from MyBucks shall -review or re-visit the project site accompanied by the respective officer processing the loan. Final E&S categorization of the project will mainly base on facts collected from the submitted loan application documents and observation made during the site visit.

4.2 Flow chart for E&S Risk Assessment and Monitoring Procedure

The following is a flow of activities during the project appraisal and loan categorization process which includes responsible personnel/business unit and activities involved:

Step 1: E & S Screening	
Activity	Responsible Officer
Receive Loan Application from customer	Relationship Officer



Activity	Responsible Officer
Check if application falls within E&S Exclusion List (Annex 1)	Relationship Officer



Step 2: E & S Due Diligence	
Activity	Responsible Officer
Conduct a site visit (<i>Where necessary – Use Site assessment form in Annex 3</i>)	Relationship Officer
During site visit or based on information provided by applicant complete E&S Risk Assessment Form (Annex 2)	Relationship Officer

Step 3: Approval Process	
Activity	Responsible Officer
Review the E&S category in the Risk Assessment Form	Credit Officer Head of Credit
For Projects with E&S Category A (High Risk) and Category B (Medium Risk): <ul style="list-style-type: none"> Assess adequacy of any ESIA/ESMP which the client may have commissioned Assess if ESIA/ESMP has been approved by the Malawi Environment Protection Authority (MEPA) 	Head of Compliance
For applications with E&S Category A (and Category B) forward E&S documentation (e.g. ESIA) to FInES with recommendation for approval/rejection	Head of Compliance
Approve or Reject Loan Application	Management Credit Committee Managing Director



Step 4: Condition of Approval	
Activity	Responsible Officer
Upon approval on E & S perspective:	
<ul style="list-style-type: none"> Ensure legal E&S covenants are included in the legal documentation 	Legal Services Manager
<ul style="list-style-type: none"> Provide affected parties with a grievance redress mechanism by putting a contact number / complaint uptake methods on the MyBucks website, along with the Environmental and Social Management System. 	Customer Experience Manager

Figure 1:Flow chart for E&S Risk Assessment Procedure

Section 5. Environmental and Social Risks Monitoring and Review

The Heads of Credit and Retail shall ensure that all ESMS-qualifying projects financed by MyBucks are kept under constant monitoring throughout the loan tenure. The main objective is to ensure that projects are implemented and operated in compliance with prevailing regulatory requirements. Projects shall be monitored through all stages of construction, operation and decommissioning. The monitoring shall aim at enhancing positive impacts and eliminating or minimising negative impacts of the projects as outlined by any existing Environmental and Social Impact Assessments and Environmental and Social Management Plans.

Monitoring will ensure that loan covenants set in facility agreements are adhered to and any failure is recognized early, hence MyBucks may agree with the client on remedial measures to be taken by the client to achieve the desired level of compliance. In case the client fails to comply with the agreed remedial measures, MyBucks may take such action and/or exercise such remedies contained in the loan facility agreements that are deemed appropriate. In case of any grievances related to E&S risk that come through the Loan Officer, they shall contact the Heads of Compliance and Retail for guidance on the necessary course of action. Other project-affected communities and stakeholders will report grievances as per procedure stipulated in customer complaints registers available at all MyBucks branches and social media channels. Furthermore, complaints can be raised at all grievance uptake locations as stipulated in the Grievance Redress Mechanism.

Monitoring process/activities will involve:

- i. Periodic site visits by Relationship Officers. During a site visit, a form available in annex 4 'Post-loan Disbursement E&S Risk Monitoring checklist' shall be used while focusing on implementation of the ESMP, as analysed in the ESIA report.
- ii. For all high risks E&S projects and medium risks that need close follow up, conducting site visits and reviewing the 'Environmental and Social Survey (ESS)' to confirm/recategorize the project proposal received from business unit.
- iii. Review and ensure compliance with grievance mechanism during site visit.
- iv. Maintain a database of approved loans from an E&S perspective—using the template for monitoring in annex 4.
- v. Periodic preparation of reports to the management detailing environmental and social risk status of various projects.
- vi. Annual preparation of E&S compliance reports including mandatory Annual Environmental Performance reports.

Section 6: Grievance Redress Mechanism (GRM)

6.1 Introduction

MyBucks operates in an open environment and has an open-door policy that enhances support, friendship and professional collaboration. MyBucks is committed to adhering to standards and procedures of accountability and transparency in all its business operations including lending as set out in its governance policies. MyBucks will continue addressing the

environmental impact of its business activities, directly or indirectly with those doing business with MyBucks.

6.2 Purpose of the GRM

The Grievance Redress Mechanism (GRM) aims at providing guidelines on managing and responding to various project related complaints as received from project affected individual, organization or community. The procedure will apply during all main stages of project cycle, initiation, construction, operation and closure. MyBucks will require its clients to have in place a grievance mechanism to be able to receive and 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 grievance directly to MyBucks as per the procedures outlined in section 6.5 of this Procedure.

6.3 Objectives of the GRM

The following are major objectives of Grievance Redress Mechanism

- Ensure better safeguards mechanisms for implementation of projects.
- Resolve environmental and social grievances in the Project areas in a systematic and timely manner to safeguard interests of MyBucks and community as a whole.
- Build up a relationship of trust amongst MyBucks, project staff, affected parties and other project stakeholders.
- Ensure transparency in dealings amongst stakeholders including affected parties through a proper communication system.

6.4 Scope of the GRM

The GRM applies to:

- All project related complaints in connection with projects financed by the Financial Inclusion and Entrepreneurship Scaling (FInES) Project.
- The GRM will be applied to FInES funded projects regardless of the proportion of participation in the total loan agreement.

6.5 Procedures for channelling the project related grievances

6.5.1 Receiving:

Any project affected party with reasonable belief that a project being funded as per details in section 6.4 may result in social, health or environmental risk will raise a concern and report the same for necessary remedial action. To enable a thorough evaluation and investigation process, complainant should provide sufficient information so that a timely solution for the complaint is obtained.

MyBucks will receive complaints from project-affected parties through the following touch points:

6.5.1.1 Call Centre

Project affected parties can make a direct call to the MyBucks Call Centre for reporting any project related complaints and/or queries via the toll free number: **358**. The complaint received through Call Centre will be directed to the Customer Experience department.

6.5.1.2 Branch

A project-affected party can walk into any MyBucks branch nearby a project locality for reporting a complaint. Branches have customer complaint forms which will be used to officially receive and record complaints. The complaint received through the branch will be directed to the Customer Experience department.

6.5.1.3 Email

A project-affected party can send an e-mail directly to the Customer Experience department for further action: info@mybucksbanking.mw . All incoming emails will be assigned a reference number and acknowledgement containing the reference number will be sent to complainants.

6.5.1.4 Letter

A project-affected party can raise complaints by sending a letter to MyBucks Customer Experience department, care of: "PO Box 31567, Lilongwe 3".

6.5.1.5 Website and Social Media

MyBucks's website and social media pages provide a host of services for customers. A project-affected party can also report complaints through these channels:

www.mybucksbanking.mw/contacts

<https://facebook.com/mybucksbankingcorporationmw>

<https://twitter.com/mybucksmalawi>

MyBucks will acknowledge receipt by sending back a reference number to the complainant.

6.5.2 Coordination

The Relationship Officers working with the borrowers shall be designated as key officers in addressing grievances received through the established complaints receiving touch points. At the Head Office, the Customer Experience Manager shall coordinate the institutions GRM and will be the institution's focal person, tasked with engaging the Bank's project partner, the Financial Inclusion Entrepreneurship Scaling Project (FInES) and, where appropriate, (when Malawi Environmental Protection Agency (MEPA) approval and monitoring is in place for the borrower's project) MEPA to advise them of the grievance for their further action. The FInES/MEPA communication must be made within 14 days of receipt of the complaint, with the complainant advised of the FInES/MEPA contacts to follow up within the same 14-day period.

6.5.3 Escalation

In case the complainant has not received a response from Customer Experience within the 14 days, the complainant may escalate further to the Chief Commercial Officer of MyBucks or directly to FInES.

6.5.4 Closure

Upon acknowledgement of the MyBucks communication of the complaint by FInES and sharing of FInES contacts with the complainant, MyBucks's responsibility in facilitating grievance redress will be complete. However, MyBucks will continue to assist FInES where additional information about the complaint is required and can be readily provided.

6.6 Recording and Tracking

All MyBucks branches shall maintain completed Customer Complaint forms. Keeping records of complaints collected from relevant branches will be the responsibility of the Customer Experience Manager who will be responsible to submit the complaints to the Customer Experience Committee and the Reserve Bank of Malawi. All complaints will be centrally recorded for enabling continuous tracking of implementation of resolutions.

The complaint tracking system will among other information contain the following key information:

- Number of complaints/ grievances registered;
- Percentage of grievances communicated to FInES within stipulated time period; • Percentage of complainants that use each complaints channel; and
- Percentage of complaints that have been forwarded to MEPA.

Section 7: Information Disclosure to The Public

All lending approvals for FInES-funded borrowers which involve both category 'A' and 'B' environmental and social risks and Malawi Environmental Protection Agency approved Environmental and Social Impact Assessments and/or Environmental and Social Management Plans as described in item (ii) below will be publicized to the general public. MyBucks, through its website, will disclose the following key information:

(i) Project information

Project information shall include: borrower name, purpose of borrowing and location.

(ii) Publication of the Project's Environmental and Social Impacts Assessment Report

Environmental and Social Impact Assessment reports will be publicized for both category 'A' and 'B' projects where the timeline for disclosure will be as follows:

(a) Category A projects

MyBucks 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 10 days before loan disbursement.

(b) Category B projects

MyBucks will disclose the ESIA and ESMP at least 7 days before loan disbursement.

Annex 1: List of Businesses Excluded from Accessing Loans

Exclusion List outlines various businesses and purposes which cannot qualify for Credit facilities in accordance with MyBucks credit policy and requirement of International treaties and standards. Once an application is received, and the proposed project falls in the category of prohibited transactions, the application should be summarily rejected.

- 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 MyBucks 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.
- 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.
- s) Activities involving live animals for experimental and scientific purposes.

Annex 2: Environmental and Social Survey

Part I: GENERAL INFORMATION		
Client/Customer Name:	Client/Customer Number:	Sector:
Project name (if different from Customer Name):	Size of Investment / Project Total:	If group, Total Group Exposure:
Location of the Project:	Contacts:	
Branch: Customer segment:	Responsible:	
Prepared/Updated by:		
Date:		
Brief Project Description:		
	Yes/No/NA	Additional information
Exclusion List Is the activity on the Exclusion List? <i>Refer annex 1 of ESMS</i> If Yes, reject the application		

Part II: E&S Categorization based on Activities involved

Section 1: Category A

A proposed project is classified as Category A if is likely to have significant adverse environmental impacts that are sensitive, irreversible, diverse or unprecedented.

Below provides an indicative list of types of projects typically classified as Category A. Decision on categorization however must be made on a case by case basis reflecting the specific local context of the projects.

<i>Type of Project Activity</i>	<i>Tick</i>	<i>Type of Project Activity</i>	<i>Tick</i>
Large-scale conversion or degradation of natural habitats;		Large-scale forestry projects including reforestation and afforestation;	
Extraction, consumption, or conversion of substantial amounts of forest;		Large-scale agricultural projects including plantations, irrigation, aquaculture, and agro-industries;	
Mineral and Other natural resources, mining (opencast and pit);		Projects that, regardless of scale or type, would have severe adverse impacts on critical or otherwise valuable natural or cultural resources;	
Direct discharge of pollutants resulting in degrading of air, water or soil;		Projects with severe adverse impacts on indigenous peoples;	
Production, storage, use or disposal of hazardous materials and wastes; Hazardous chemicals: manufacture, storage or transportation above a threshold volume;		Large-scale infrastructure such as ports and harbour development, transport (rail, road and waterways), largescale water resources management (river) basin development, water transfer); large reservoirs, hydropower and thermal power, extractive industries;	
Measurable changes in hydrologic cycle;		Projects with large resettlement components;	
Risks associated with the proposed use of pesticides and herbicides: production of commercial use;		Major urban projects involving housing development, including development of ports and harbours, airports road, rail and mass transit systems, water treatment wastewater treatment plants, solid waste collection and disposal;	
Projects with serious occupational or health risks;		Projects which pose serious socioeconomic concerns.	

Oil and Gas developments, including pipelines constructions;		Construction of dams and reservoirs	
Others (please specify)			
<p>(a) If you have checked any activities herein above then, any amount, any tenure any segment, the project is considered high Risk 'Category A;</p> <p>(b) Complete Part III</p> <p>(c) Otherwise, proceed to activities in Category B below</p>			

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Section 2: Category B

A proposed project is classified as Category B if the potential impacts on the environmental are typically site-specific, reversible in nature; less adverse than those of Category A projects and for which mitigation measures can be designed more readily.

(Projects in category B often differ only in scale from category A projects of the same type. Projects that finance rehabilitating or maintaining an existing infrastructure (e.g. Roads, power, transmission and irrigation networks) may have adverse impacts, but are likely to be less significant compared to a Category A project, and would be typically categorized as B.)

Below is indicative list of projects typically classified as Category B:

Type of Project Activity	Tick	Type of Project Activity	Tick
Small-scale infrastructure projects: power transmission and distribution networks, rural electrification, mini (run-of-the-river with no major water impoundments) or micro - hydropower projects, small-scale clean fuel fired thermal power plants, renewable energy (other than hydropower)		Small-scale irrigation, drainage, agricultural and rural development projects, rural water supply and sanitation, watershed management and rehabilitation, and small-scale agro-industries, tourism (smallscale developments);	
Health care and educational service and educational delivery, repair/rehabilitation of buildings when hazardous materials might be encountered (e.g. Asbestos, stored pesticides);		Adaptation of crop farming systems to climate change including soil and water conservation techniques;	
Rural water supply and sanitation;		Forest management activities and agroforestry	
Road and small bridges rehabilitation, maintenance and upgrading, telecommunication etc.;		Small and medium-scale low emission power generation	
Energy efficiency and energy conservation;		Small-scale agriculture and tourism initiatives	
Dairy operations		Food processing	
Textile Plants		Modernization of existing plants	
Others (please specify)		Cement manufacture	
(a) If you have checked any activities herein above then, any amount, any tenure any segment, the project is considered high Risk 'Category B;			
(b) Complete Part III			
(c) Otherwise, proceed to activities in Category C below			

Section 3: Category C

Category C project is likely to have minimal or no adverse environmental impacts. No further environmental assessment is required.

Category C includes technical assistance projects on institutional development, computerization, and trainings, among others. List below provides an indicative list of category C projects.

<i>Type of Project Activity</i>	<i>Tick</i>	<i>Type of Project Activity</i>	<i>Tick</i>
Software developments		Advisory services;	
Consulting firms		Small-scale reforestation;	
Service industries		Plans and studies;	
Planning support to integrate climate change into land use plans and development plans;		Rehabilitation of existing public facilities where disposal of waste will not be an issue;	
Public broadcasting (TV, radio, satellite), awareness raising programs;		Education, training, institutional development, capacity building;	
Monitoring programs;		Small-scale agriculture / irrigation projects	
Establishment of household and rural facility-level rainwater harvesting;		Others (please specify	

(a) If you have checked any activities herein above then, the Project is Category C.; (b) Complete Part III

Part III: Conclusion of the Environmental & Social Risk Categorization.

3.1 E&S Risk category

The Project is Category _____

3.2 Reason(s) for Categorization:

3.3 Is the Project prescribed by the Environment Management Act (2017) as requiring to undergo an ESIA (Refer to Annex 5 of ESMS)

3.4 Complete the following:

	Yes/No/NA	Additional Information/Status/Remarks
ESIA certificate/ESMP approval from Malawi Environment Protection Authority available?		
<i>(Attach a copy-with its general and specific conditions.)</i>		
OSHA certificate available? (Attach with conditions if any).		
ESIA reports available? (attach with EMP/ESMP Section)		
If NO ESIA/ESMP Conducted does the project have formal dispensation from MEPA? If Yes add a copy of the letter to the file.		
Other Permits (if any, please specify)		

Annex 3: Environmental and Social Impact Assessment form

(To be filled by lending officer during project site visit and/or meeting with company key persons and the same should be attached with KYC and/or customer application pack.)

SN	Check availability of the following Requirement(s)	Yes/ No/	Attach document and/or provide Status	Agreed implementation timeline
1	<p>Are the Environmental and Social Impact Assessment (ESIA) and/or Environmental Audit (EA) certificate from NEMC available?</p> <p><i>(Attach a copy-with general and specific conditions.</i></p>			
2	<p>Are the OSHA certificates available?</p> <p><i>(Attach OSHA registration of factory/workplace and OSHA compliance certificates with their conditions if any).</i></p>			
3	<p>Are the booklets for ESIA and/or EA reports available?</p> <p><i>(Attach copies or capture the Environmental and Social Management Plan 'ESMP' section pages).</i></p>			
4	<p>Does a project/company have all other relevant permits/license as required by its sector/activity it operate?</p> <p><i>(Name and attach them).</i></p>			

SN	Check availability of the following Requirement(s)	Yes/ No/	Attach document and/or provide Status	Agreed implementation timeline
5	<p>Does the company/project owner have a good relationship and engage/consult surrounding community to address their project related complaints/grievance?</p> <p><i>(Provide status as per information you have and attach stakeholders meeting minutes and/or any free prior informed consent- if any).</i></p>			
6	<p>Are the Environmental, Gender, Social, Health, Safety and Complaints /Grievance handling policies available?</p> <p><i>(Name and attach them).</i></p>			
7	<p>Are the Environmental, Social, Health and Safety officer and representatives in respective units/sections available?</p> <p><i>(Name them and explain their responsibilities).</i></p>			

8	How many employees does the company/project have in total? how many are women? and how many are men?			
9	Does the company provide its workers with recommended safe and healthy work environment including			

SN	Check availability of the following Requirement(s)	Yes/ No/	Attach document and/or provide Status	Agreed implementation timeline
	mandating the use of safety gear/Personal Protective Equipment (PPE)? <i>(Mention them and explain).</i>			
10	Does the company/project generate any air, liquid or solid waste emissions, including hazardous waste if any, during construction and /or operational activities? <i>(Explain the process to manage and monitor the emissions. Please also provide a copy of any effluent discharge permit issued by Basin Authority or any relevant authorities).</i>			

11	Does the company have procedure/design to address community health, safety and security issues in the context of its operations to the communities in close proximity to project/company's facilities?			
12	Are safety procedures in place to deal with hazardous material release, transport and disposal in order to avoid or to minimize exposure of local communities to those materials?			

SN	Check availability of the following Requirement(s)	Yes/ No/	Attach document and/or provide Status	Agreed implementation timeline
13	Is there any involuntary land acquisition planned/happened including physical and /or economic displacement for current or proposed project investments?			

Annex 4: Post-loan Disbursement E&S Risks Monitoring Checklist
(To be completed during site/project visit)

Date of visit: _____

PART I: GENERAL INFORMATION	
Client name	
Client number	
Loan amount approved	
For group-Total group exposure	
Loan amount disbursed (if any)	
Type of project/Client business activity	
Location of project	
Type of raw materials used and respective quantity, including fuel, water and power	
Brief description of the type of sources of air pollution and adopted mitigation measures	
Brief description of the type of sources of noise pollution and adopted mitigation measures	
Brief description of the type of sources of water pollution and adopted mitigation measures	
Brief description of the type of sources of hazardous and other solid waste and adopted mitigation measures	

Brief description of the type of safety concerns and adopted measures	
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PART II: LEGAL STATUS		
Issue	Yes/No/NA	Remarks
Does the project fall under prohibited transactions/Exclusion list? <i>(Refer annex 1 of ESMS)</i>		
Does the project have the required clearance certificates?		
<ul style="list-style-type: none"> • Environment clearance (ESIA Certificate / ESMP Approval) 		
<ul style="list-style-type: none"> • Workplace Registration Certificate 		
<ul style="list-style-type: none"> • Local Council Business Licenses (if any) 		
<ul style="list-style-type: none"> • Others, please specify 		
Is the project compliant to E&S conditions or covenants (if any), or agreed action plan raised by the bank?		
Are there any changes in the client's business activities which may have an impact on the environment and social safeguards?		
Are there a regulatory investigations, fines or penalties imposed on the client's project?		

Have there been any accidents or incidents that have caused significant damage to the environment or human health and safety?		
Are there any new developments or changes in land/property use?		
Is there an operational Grievance Redress Mechanism		
Have any complaints/grievances been raised relating to the project?		

PART III: ACTION PLAN		
Issues Identified in Parts I & II	Action Required by Client	Timeline

Prepare/Updated By:

Name: _____

Designation/Position: _____

Signature: _____ Date: _____

Annex 5: Environment Management Act List of Prescribed Projects

As prescribed under Section 24(1) of the Environmental Management Act, the types of projects for which an Environmental and Social Impact Assessment may be required:

LIST A (*List of projects for which ESIA is mandatory*)

A1. AGRICULTURE/AQUACULTURE PROJECTS

- A1.1 Agricultural drainage projects of more than 1 ha.
- A1.2 Irrigation schemes designed to serve more than 10 ha.
- A1.3 Land development for the purposes of agriculture on greater than a 20 ha land holding.
- A1.4 Agricultural projects necessitating their resettlement of 20 or more families. Any change from one agricultural land use to another on greater than a 20 ha land holding.
- A1.5 Use of more than 1 tone of fertilizer per hectare per annum on greater than a 20 ha landholding except for lime applications
- A1.6 Use of the following concentrations of pesticides on greater than a 5 ha holding:
 - A.1.6.1 more than 5l/ha of ultra-low volume pesticides application; or
 - A.1.6.2 more than 1 l/ha of aerial application of pesticides; or
 - A.1.6.3 more than 20kg/ha for each application of granular pesticides.
- A1.7 Construction of fish-farming or ornamental pond(s) where the capacity is greater than 100 cubic metres or where there is any direct discharge from a fish pond to receiving water body.
- A1.8 Any proposal to introduce fish species in an area where they do not presently exist.

A2. PROJECTS IN THE FOOD AND BEVERAGE PRODUCTION INDUSTRY

- A2.1 Construction of new abattoirs or slaughtering houses with a capacity of greater than 100 animals/day and expansions to existing abattoirs or slaughtering houses to a capacity of greater than 100 animals/day.
- A2.2 Construction of new canning and bottling operation with work space of greater than 5000 square metres or expansion to an existing canning or bottling operation to a work of greater than 5000 square metres.
- A2.3 Construction of new breweries and distilleries with a production capacity of greater than 25000 litres per day, or expansions to existing breweries or distilleries to a production capacity of greater than 25000 litres per day.
- A2.4 Construction of new sugar production operations or expansions to existing sugar production operations by greater than 10%.
- A2.5 Construction or expansions to, tea or coffee processing industries.

A3 WATER RESOURCES DEVELOPMENT

- A3.1 Construction, or expansion of, ground water utilization projects where the utilization will be greater than 15l/s or where the well is 60m or deeper.
- A3.2 construction of new water pipelines or canals longer than 1 km, or expansion to existing water pipelines or canals by longer than 1 km, where the cross-sectional area is greater than 20 square metres and the volume of water to be carried will be greater than 50 cubic metres per second.
- A3.3 Water pumping stations adjacent to lakes, rivers, and reservoirs which withdraw more than 2 cubic metres per second.
- A3.4 Drinking water supply schemes to serve a population of greater than 10000 people, or expansions of existing schemes to serve a population water reticulation networks with more than 10 kilometres of pipeline.
- A3.5 Area of greater than 100 ha, or expansion of existing reservoirs by greater than 500000 l or greater than 100 ha.
- A3.6 Construction or expansion of dams with a height of 4.5 m or higher.

A4 INFRASTRUCTURE PROJECTS

- A4.1 Construction of new sanitary sewerage works, or expansion of existing sanitation sewerage works, to serve a population of more than 5,000 people.
- A4.2 Construction of new storm sewerage works, or expansion of existing storm sewerage works, to drain an area of greater than 10 ha.
- A4.3 Any new sewerage outfall to a receiving water body or location of sewerage systems or septic tanks within 1 km of a water body.
- A4.4 Construction or expansion of septic tanks servicing more than 100 people 20 homes or which receive more than 100 cubic metres per day of waste water.
- A4.5 Construction of new highways and feeder roads or expansion of an existing highways and feeder roads.
- A4.6 Construction of new airport and airstrips or expansion of existing and airstrip and their ancillary facilities.
- A4.7 Construction of hospitals with a bed capacity of greater than 200 beds, or expansions of existing hospitals to a capacity of greater than beds.
- A4.8 Construction of new, or expansions to existing, railway lines.
- A4.9 Construction of new, or expansions to existing port or harbour facilities.
- A4.10 Establishment or expansion of industrial estates.

A5 WASTE MANAGEMENT PROJECTS

- A5.1 Establishment, or expansion, of any of the following hazardous waste management facilities.
 - A.5.1.1 incineration plant
 - A.5.1.2 off-site recovery plant
 - A.5.1.3 off-site waste disposal plant
 - A.5.1.4 off-site storage facility
 - A.5.1.5 landfill site
- A5.2 Establishment, or expansion, of any of the following municipal solid waste management facilities serving a population greater than 1,000 people:
 - A.5.2.1 landfill site
 - A.5.2.2 incineration facility
 - A.5.2.3 composting facility
 - A.5.2.4 recovery/recycling facility
 - A.5.2.5 waste depots/transfer stations
- A5.3 Establishment, or expansion of, one-site waste treatment facilities

A6 ENERGY GENERATION, TRANSMISSION AND STORAGE PROJECTS

A6.1 Construction or expansion of electrical generating facilities designed to operate at greater than 4MW or, in the case of hydro-electric generating facilities, where the total head is greater than 20 m or where there is a firm flow of 100 cubic metres per second.

A6.2 Construction of electrical transmission facilities operating at a voltage of 132 kv or greater

A6.3 Construction or expansion of oil and gas pipelines longer than 1 km

A6.4 Construction or expansion of storage facilities (excluding services station) for oil, gas, petrol or diesel located within 3 kilometres of commercial, industrial or residential areas and with a storage capacity of 500,000 litres or more. A6.5 All activities associated with nuclear power development

A7 INDUSTRIAL PROJECTS

A7.1 Construction of, and expansion to, industries involving the use, manufacturing handling storage, transport or disposal of hazardous or toxic chemicals as regulated under the hazardous chemicals regulation under the Environment Management Act.

A7.2 Construction of, or expansion to, any of the following industrial operations:

A7.2.1 tanneries

A7.2.2 pulp and paper mills

A7.2.3 lime plants

A7.2.4 cement plants

A7.2.5 all types of smelters

A7.2.6 soap and detergent plants

A7.2.7 fertilizer manufacturing operations

A7.3 Construction of textile manufacturing operations (including carpet-making which consume greater than 5,000 square metres of surface area, of expansions to existing textile manufacturing operations to a capacity of more than 5,000 square metres

A8 MINING AND QUARRYING PROJECTS

A8.1 All mining of minerals, expansions to mines, mining exploration activity, minerals prospecting activity, gravel pits and removal of sand or gravel from shore lines, except for those activities which have received a project specific exemption under subsection 26 (3) of the Environment Management Act signed by the Director for Environmental Affairs and co-signed by the Director of Mines.

A8.2 Explosives manufacturing

A8.3 Extraction of top soil or the expansion of such an operation, when the operation or the expansion is greater than 0.5 ha or when the depth of a pit to burn bricks from the top soil is deeper than 3 m.

A9 FORESTRY PROJECTS

A9.1 Establishment or expansion of logging operations covering an area of greater than 50 ha.

A9.2 Establishment of, or expansions to existing, logging operations on hill sides with a slope of greater than 10% covering an area of greater than 10 ha or any conversion of forested land with a slope of greater than 10% to another land use on greater than 10 ha.

A9.3 Establishment of logging or conversion of forested land to another land use within the catchment area of reservoirs.

A9.4 Establishment of forest plantations of greater than 50 ha.

A10 LAND DEVELOPMENT, HOUSING AND HUMAN SETTLEMENT PROJECTS

A10.1 Establishment of, or expansion to an existing; housing development of a size greater than 5 ha or where more than 500 people are intended to be housed.

A10.2 Resettlement programmes for 00 or more people or the creation of refugee camps intended to shelter 500 or more people.

A10.3 Filling in water bodies for the purposes of land development where the surface area of gross fill deposit is greater than 50 ha.

A10.4 land reclamation projects greater than 100 ha.

A11 REMEDIAL FLOOD AND EROSION CONTROL PROJECTS

A11.1 Construction of breakwaters, seawalls, jetties, dikes and groynes of greater than 2 metres in height or 1 km in length to remedy shoreline erosion or flooding.

A11.2 Construction of dams or weirs with a height of greater than 2 metres, or which divert more than 20 cubic metres per second, or a bypass channels or channel realignments to remedy riverine erosion or flooding.

A11.3 Shoreline stabilisation projects where the shoreline involved is greater than 50m.

A12 TOURISM DEVELOPMENT PROJECTS

- A12.1 Construction of resort facilities and hotels with a capacity of more than 50 people, or expansions to existing facilities by a factor of greater than 50 people.
- A12.2 Construction of safari lodges and operations with a capacity of more than 50 people, or expansions to existing facilities by factor of greater than 50 people.
- A12.3 Construction of marine facilities with more than 10 boat slips, or expansion of existing marine facilities by more than 10 boat slips.
- A12.4 Development of tourism master plans which have several projects associated with them.

A13 PROJECTS IN PROXIMITY TO OR WHICH HAVE THE POTENTIAL TO AFFECT:

- A13.1 Area of unique historical, cultural, scientific or geographical significance or which have received some kind of world heritage designation.
- A13.2 National parks, game reserves and protected areas.
- A13.3 Wetlands
- A13.4 Water bodies
- A13.5 Flood zones
- A13.6 Major sources of drinking water, including communal wells
- A13.7 Cemeteries or ancestral shrines
- A13.8 Residential, school and hospital areas, as designed in local planning documents.

A14 MAJOR POLICY REFORMS For example:

- A14.1 Degazettement of Forestry Reserves
- A14.2 Changes to Zoning Plans
- A14.3 Proposed introduction of exotic species

LIST B (*List of projects for which ESIA may be required*)

B.1 agriculture/aquaculture schemes

B.2 Drainage and irrigation

- B.2.1 large-scale irrigation or drainage schemes
- B.2.2 drainage of wetland or wildlife habitat

B.3 forestry and logging schemes

B.4 Industry

- B.4.1 large-scale industrial plants
- B.4.2 industries involving the use, manufacture, Handling, storage, transport or disposal of hazardous or toxic materials

- B.4.3 breweries
- B.4.4 tanneries
- B.4.5 agro-industries
- B.4.6 pulp and paper mills
- B.4.7 lime plants
- B.4.8 cement plants
- B.4.9 smelters other than iron and steel
- B.4.10 iron and steel smelters
- B.4.11 petrochemical plants
- B.4.12 chemical plants

B.5 Infrastructure

- B.5.1 industrial estates
- B.5.2 major roads and highways
- B.5.3 major railway lines
- B.5.4 ports, harbours and lake structures
- B.5.5 airports and airport facilities

B.6 Land development

- B.6.1 reclamation and new land development
- B.6.2 refugee and resettlement schemes
- B.6.3 housing developments (large-scale)
- B.6.4 dams and man-made lakes
- B.6.5 urbanisation

B.7 Mining

- B.7.1 mineral prospecting
- B.7.2 mineral mining
- B.7.3 ore processing and concentrating
- B.7.4 carrying
- B.7.5 brick-making

B.8 Energy generation, transmission and use

- B.8.1 thermal power stations
- B.8.2 hydropower schemes
- B.8.3 high voltage transmission lines
- B.8.4 major oil and gas pipelines
- B.8.5 biomass burning

B.9 Tourism

- B.9.1 major resort facilities and hotels

B.9.2 marinas

B.9.3 safari lodges and operations

B.10 Waste treatment and disposal

B.10.1 municipal sewage: waste treatment plants, outfalls into aquatic systems, effluent water irrigation schemes.

B.10.2 municipal solid waste: landfill and incineration facilities, composting and recycling plants.

B.10.3 toxic and hazardous waste: incineration plants, recovery plants (off-site), waste water treatment plants (off-site), landfill facilities, storage facilities (off-site).

B.11 Water Supply

B.11.1 ground water development for industrial, agricultural or urban water supply

B.11.2 water withdrawals from rivers, lakes or reservoirs

B.11.3 major water pipelines and canals

B.11.4 cross-drainage water transfers

B.12 health and population

B.13 Areas protected under legislation B.13.1

forest reserves, game reserves

B.13.2 National parks

B.13.3 monuments and declared historical sites

B.14 Areas containing rare or endangered flora and fauna

B.15 Areas containing unique or outstanding scenery

B.16 Tribal habitats

Cemeteries

Ancestral shrines