



SAFCO
MICROFINANCE COMPANY (PVT.) LTD.

A subsidiary company of



**SAFCO Support
Foundation**

Bridge is the progress


Environmental & Social Management

Systems (ESMS)

Policy & Procedures

Safco Microfinance Company

SEMS Policy is guideline to reducing the environmental impact and continually improving the social & environmental performance as an integral and fundamental part of SAFCO strategy and operating methods. This policy is property of SMC and reserved all the copy rights as desired.

	SAFCO MICROFINANCE COMPANY- SMC		
	SMC-SPM-SEMS 2017	Social & Environmental Management Systems Policy	
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Submitted By	
Chief Risk Officer	
Reviewed & Recommended By	
Managing Director/Chief Executive Officer	
Approved By	
Board of Director – SMC	

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1. Introduction

As all economic activities take place within the constraints of the natural environment, we believe that all businesses are responsible for achieving good environmental practices and operating in a sustainable manner. In particular, if the resources based upon which the economic activity is dependent are damaged, it undermines not only the viability of the current businesses, but also development potential for future generations.

Safco Microfinance Company (SMC), in line with its vision to provide financial services in lieu of environmental and social approval and becoming a leading social MFI in Pakistan guided by its social mission, aims to develop, promote and implement environmentally friendly products, services and practices to its operations and to its partners to ensure that SAFCO's business will not do anything to harm the community and the environment.

SAFCO's General Environmental and Social Commitment

Environmental and social policy is fundamental to ensure that SMC does not support activities that unnecessarily harm the environment and community.

2. Policy Objective

The objective of this policy is to provide the framework and guidelines to reduce the environmental impact and continually improving the social & environmental performance as an integral and fundamental part of SAFCO strategy and operating methods. As part of this, it is our priority to encourage our partners/clients and other relevant parties to do the same. SAFCO is committed to social and environmental sustainability. This commitment corresponds to the values of its stakeholders. The policy defines SAFCO's approach to ESMS and outlines the necessary workflow for its implementation. To carry out this Policy, SMC shall:

- Have an environmental and social management system that ensures environmental and social risks are identified and assessed at the earliest possible stage of product design
- Adopt measures to avoid or where avoidance is impossible to minimize or mitigate or manage those risks during implementation, and
- Monitor the status of those measures during and at the end of implementation

The policy document has been developed to encompass the following:

- an environmental and social risk screening system for SMC's clients
- an environmental and social risk management and safeguard system
- a transparent and effective mechanism for receiving and resolving complaints about environmental and social harms caused
- continual monitoring of the ESMS compliances

3. Scope of the policy

The policy is applicable to all the business operations of SAFCO including but not limited to portfolio, institute's conduct of business activities, general administration and human resources management.

SAFCO shall ensure the adherence of relevant national laws and legislations that may be applicable to the institution at any level as well as the loans that SAFCO provides. Following are the acts that need to be comply in regard to Social & Environmental Management Framework;

1. Pakistan Environmental Protection Act, 1997
(<https://www.elaw.org/system/files/Law-PEPA-1997.pdf>)
2. Employment of Child Act, 1991
(<https://www.ilo.org/dyn/natlex/docs/WEBTEXT/22707/64834/E91PAK01.htm>)
3. The Workers Compensation Act, 1943
(<https://www.global-regulation.com/law/pakistan/2949263/workmen-s-compensation-act%252c-1923.html>)
4. Sindh Environmental Protection Act, 2014
(<https://shehri.org/k2k3/Sindh%20Environmental%20Protection%20Act,%202014.pdf>)
5. Pakistan Penal Code, 1860
(<http://www.pakistani.org/pakistan/legislation/1860/actXLVof1860.html>)
6. Protection against Harassment of Women at Workplace Act, 2010
(<https://qau.edu.pk/pdfs/ha.pdf>)
7. Protection of Women Act, 2006
(https://na.gov.pk/uploads/documents/1321341579_812.pdf)
8. The Children Act, 1933
<https://www.legislation.gov.uk/ukpga/Geo5/23-24/12>
9. National Conservation Strategy Act, 1992

4. Environmental and Social Performance Standards (PSS)

The ESMS framework of SAFCO is supported by the following Environmental and Social Performance Standards (PS). These Performance Standards are in line with the international best practices for assessment of environmental and social risks issued by International Finance Corporation (IFC), SAFCO shall ensure to adopt the standards relevant with its business activities.



4.1 PS1 - Assessment and Management of Environmental and Social Risks and Impacts

The standards outline the need to establish and maintain an organizational structure that defines roles, responsibilities, and authority to implement the ESMS. This means designating personnel with E&S responsibilities and ensuring that resources are available for the effective implementation of the ESMS across SAFCO.

SAFCO shall identify the E&S risks and impacts associated for those activities falling into the scope and coverage of this policy. This means conducting an environmental and social risk assessment at each level to identify the risks and impacts associated with environmental, social, labor, occupational health and safety, and security of the activities.

Where, the environmental and social assessment identifies environmental or social risks, the assessment shall be accompanied by an environmental and social management plan that identifies those measures necessary to avoid, minimize, or mitigate the potential environmental and social risks, especially those risks that cannot be avoided

4.2 PS2 - Labor and Working Conditions

This standard acknowledges that the pursuit of economic growth is complemented through protection of the fundamental rights of workers, constructive employee-management relationship and by treating the workers fairly and providing them with safe and healthy working conditions.

In commensurate with this standard SAFCO recognizes its responsibilities towards its human resources and intends to promote the fair treatment, non-discrimination, and equal opportunity of employees, establish, maintain, and improve the employee-management relationship, promote compliance with national employment and labor laws, promote safe and healthy working conditions, and the health of employees, and avoid the use of forced labor.

4.3 PS3 - Resource Efficiency and Pollution Prevention

This standard recognizes that increased economic often generate increased levels of pollution to air, water, and land, and consume finite resources in a manner that may threaten people and the environment at the local, regional, and global levels. This standard provides guidelines to SAFCO to avoid, minimize or reduce pollution (Air, Water, Land, Noise, etc.) and more sustainable use of resources, including land, energy and water.

4.4 PS4 - Community Health, Safety and Security

This Performance Standard addresses potential risks and impacts to the affected communities from economic activities. In line with this standard, SAFCO recognizes its responsibilities to anticipate and avoid adverse impacts on the health and safety of the affected community and to safeguard personnel and property in accordance with relevant human rights principles.

4.5 PS5 – Land Acquisition and Involuntary Settlement

The standard emphasizes to avoid illegal land acquisition for operational activities, or legal acquisition of land which results in involuntary settlement of the residents of those areas. In commensurate to this standard, SAFCO shall avoid opening branches or disburse any portfolio in those areas where land acquisition exploits the rights of local dwellers. SAFCO shall avoid and when avoidance is not possible, minimize displacement by exploring alternative potential locations, anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition. SAFCO shall also assist to improve the livelihoods and standards of living of persons through the provision of adequate housing loans and promoting the ecofriendly and cost-effective housing facilities for all, especially marginalized community.

4.6 PS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources

The standard recognizes that protecting and conserving biodiversity, maintaining ecosystem services, and sustainably managing living natural resources are fundamental to sustainable development. As a

matter of priority, SAFCO shall seek to avoid impacts on biodiversity and ecosystem services by not providing the loans for the business activities that directly or indirectly damage the biodiversity and ecosystem in general.

4.7 PS7 - Indigenous peoples

This standard recognizes that Indigenous Peoples, as social groups with identities that are distinct from predictable groups in national societies, are often among the most disregarded and vulnerable segments of the population. In many cases, their economic, social, and legal status limits their capacity to defend their rights to, and interests in, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development. In commensurate with this standard SAFCO intends to ensure full respect and priority for indigenous (native) people when designing its loan products and hiring staff, undertake benefits and opportunities that are culturally appropriate and to obtain free, prior and informed consent in certain circumstances.

4.8 PS8 – Cultural Heritage

This standard highlights the importance of protection of cultural heritage, including national law implementing the country's obligations. In commensurate to this SAFCO shall identify and protect cultural heritage by ensuring that loans are not provided for the businesses that ruin the cultural heritage of the country and province. The SAFCO shall comply with defined national or local cultural heritage regulations or the protected area management plans and implement additional programs, as appropriate, to promote and enhance the conservation aims of the protected area.

5. Responsibilities

5.1 General responsibilities:

- Chairperson of Board is responsible for validating the policy based on the proposition made by CEO/MD
- Managing Director is responsible for verifying on the policy, and proposes to Board Chair for providing validity. Moreover, he/she is responsible for formalizing this policy to be broadly used in SAFCO
- Secretary to SPM Committee to BoD is assigned as the E&S focal person of the institution
- Human Resource Department and SAFCO Training Department is responsible for facilitating training to all concerned staff by collaborating in effective and active manner with concerned departments

- Internal Audit Department is responsible for monitoring and evaluating the implementation of the policy
- Administration department is responsible to carry out the activities mainly related to environmental protection
- Concerned Departments are responsible for implementing the policy within their own duties effectively and efficiently

5.2 Specific responsibilities

5.2.1 Social Performance Management Committee (SPM) Committee

- To position itself publicly as a socially responsible organization, this committee will also help link with the local communities and increase their support
- To help attract socially-minded investors which will help in funds mobilization at reasonable or less expensive rates
- To balance financial & social goals for a sustainable performance. Too much focus on the financial goals may make the institution drift from its mission and away from the needs of SMC's clients
- To assess if the institution is achieving its mission and measure, track and improve its overall social performance
- To align & improve systems, e.g. HR, credit operations, etc. which can bring in greater efficiencies and profitability for the organization

5.2.2 Environmental and Social Management Focal Person

5.2.2.1 Responsibilities related to social component

- i. Coordinate and supervise the compliance of activities with the measures stipulated by the policy in terms of its social component, particularly labor and working conditions, community Health, Safety, Security and supporting indigenous people
- ii. Review on a regular basis (annually) SAFCO's social policy; propose updates and revisions to the SPM committee and ensure the compliance
- iii. Supervise the creation and administration of a social database and use its data to formulate social objectives
- iv. Propose to the technical committee for environmental and social assessment an annual budget plan for social management
- v. Coordinate and ensure the monitoring of the staff training program on social issues

- vi. Ensure compliance with the social regulations and standards in the management of the social and environmental impacts of activities classified as having a medium or high-level environmental risk.

5.2.2.2 Responsibilities related to Environmental component:

- i. Coordinate and ensure the compliance of SMC activities with the measures stipulated in the Policy in terms of its environmental component, particularly assessment and management of environmental and social risks and impacts and resource efficiency and pollution prevention
- ii. Review on a regular basis (annually) environmental policy; propose updates and revisions to the technical committee and ensure the compliance
- iii. Supervise the creation and administration of an environmental database and use its data to formulate environmental objectives
- iv. Propose to the technical committee for environmental and social assessment an annual budget plan for environmental management
- v. Coordinate and ensure the monitoring of the staff training program on environmental issues
- vi. Ensure compliance with the environmental and social regulations and standards in the management of the social and environmental impacts of activities classified as having a medium or high-level environmental risk.

5.2.3 Gender Focal Person

The gender focal person shall (be):

- i. Responsible for the implementation of the gender policy within institute
- ii. Promote gender and ensure that gender issues are addressed inside SAFCO
- iii. Ensure that all documents issued by SAFCO as part of its operational activity are gender sensitive and allow for gender equality
- iv. Regularly report on the achievements and unconventionalities; and makes sure they are documented
- v. Manager Credit management has been assigned as the designated gender Focal Person of SAFCO

6. Implementation of Environmental and Social Management System (ESMS)

6.1 ESMS – At Portfolio Level

6.1.1 Loan Assessment Process

In compliance with the ESMS global practices and standards applicable, all the loans shall be assessed and the customer due diligence shall be conducted accordingly. The product wise assessment shall be conducted for each product and business and the risks associated with that shall be categorized and considered for the loan decision making.

- i. The Activity Exclusion List has been integrated in the SAFCO Credit Policy and all the operational and relevant officers involved in appraisal and compliance of the loans in underwriting process shall be trained and required to use this list to assess the environmental risks of their client's business activities. A loan proposal shall be rejected if the loan purpose is in the list.
- ii. Loan Officer/Branch Manager or other concerned staff shall execute loan utilization check, and if the loan is not used appropriately in line with the purpose indicated in the loan application form and has the negative impact on the society and the environment, the responsible staff must advise the client on the environmental risk and immediately consult the case with his operational team or supervisors to ensure corrective actions are timely initiated and enforced as possible. The Operational heads i.e. Regional Managers, Zonal Managers and Head of Business Operations shall be responsible to supervise the effectiveness of the process and take necessary actions to ensure the compliance and monitor the team performance.
- iii. To develop partners'/client's awareness on suitable practices and specifically ensure that the client shall comply with loan purposes that are not in the exclusion list, the following clauses shall be considered to add in the loan contract:

“I certify that I will do my best to use business practices that will not harm the environment”

“I will do my best to make use of environmentally friendly products, services and practices, if available”

مونڪي سافڪو جي Social & Environmental Management System جي پاليسي جي باري ۾ آگاهي فراهم ڪئي وئي آهي، آئون ماحولياتي ۽ معاشرتي بندوبست جي بنيادي نقطن جي پاسداري ڪندي ڪنهن به اهڙي ممنوع سرگرمي ۾ مبتلا نه ٿيندس جيڪا ماحوليات لاءِ نقصانده هجي.

6.1.2 Loan Disbursement Criteria

The Social and Environmental Performance Standards (SEPS) that SAFCO applies follow the Global Best Practices Exclusion List. The activity exclusion list (AEL) lists all activities that are deemed to cause significant environmental or ecological footprint risks. The environmental risk associated with lending for these activities are deemed to outweigh any potential benefits by society by having access to these activities. *AEL list is provided in Annex-I*

6.1.3 Clients' risk assessment on the basis of ESMS Risks

- i. SAFCO shall develop risk categorization mechanism to categorize the clients as being High, Medium or Low risk. The risk mechanism shall be incorporated into MIS system to assign the automatic risk rating to clients
- ii. The risk rating shall be assigned to clients on the basis of business they are obtaining the loan for. The businesses and the indicators highlighted as High, Medium and Low risk have been mentioned in *Annex-II Product Wise Risk categorization*
- iii. SAFCO shall develop corrective action plan for High and Medium risks clients
- iv. SMC shall develop Enhanced Due Diligence measures for High and Medium risks clients

6.1.4 Development of environmental and social friendly products

- i. SAFCO also puts focus on the environmental impact at the partners' level by choosing to tailor its financial products in order to promote environmental-friendly practices. SAFCO has designed green loan so called Solar Loan "SL" for partners intending to reduce household expenses and improve the environment by support access to energy as such solar home system
- ii. SAFCO will continue to further initiate and extend to financing on other socially impacting products/technologies for instance green microcredit for safe water and improved sanitation systems, to help improve partners' livelihoods by bringing socio-economic and environmental benefits to them and their community as a whole
- iii. SAFCO at its possibility will adapt lending methodologies in terms of loan amount, term, and repayment schedule, and eventually by providing some kind of incentives, for instance a reduced interest rate to promote green loans.

6.2 ESMS – At Human Resources Level

In compliance with performance standards Human Resources Department shall:

- i. Adopt a human resources policy appropriate that sets out its approach to managing employees consistent. The Human resource policy shall will provide employees with

information regarding their rights under national labor and employment law, including their rights related to wages and benefits. This policy will be clear and understandable to employees and will be explained or made accessible to each employee upon taking employment

- ii. Make sure that the priority is given to native people for employment purpose
- iii. HR department shall document and communicate to all employees their working conditions and terms of employment, including their entitlement to wages and any benefits complying with national laws of Pakistan
- iv. Not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements. Employment relationship shall be based on the principle of equal opportunity and fair treatment, and will not discriminate with respect to aspects of the employment relationship, including recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, promotion, termination of employment or retirement, and discipline
- v. Develop a plan to mitigate the adverse impacts of retrenchment (cost-cutting approach) on employees, if it anticipates the elimination of a significant number of jobs or a layoff of a significant number of employees. The plan will be based on the principle of non-discrimination.
- vi. Provide a grievance mechanism for workers to raise reasonable workplace concerns. It shall inform the employees of the grievance mechanism at the time of hire, and make it easily accessible to them. The mechanism should involve an appropriate level of management and address concerns promptly, using an understandable and transparent process that provides feedback to those concerned, without any reprisal
- vii. Not employ children in a manner that is economically exploitative, or is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development
- viii. Not employ forced labor, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty
- ix. Provide trainings for free of charge at the community level where it is more convenient for the participants. During these training sessions, information and knowledge shall be provided to the loan officers on the social and environmental policy. They will learn that during loan assessment, they should be in a position to make an evaluation as to whether the loan could contravene SAFCO's ESMS. The Loan Approving Authorities in SAFCO as per its Credit Policy will be trained and sensitized to review the social and environmental assessment performed

by the loan officer and recommend corrective actions where appropriate. Any decision concerning environmental issues will be incorporated in the Decision of the Loan Approving Authorities.

- x. Incorporate the ESMS indicators in the employee's performance evaluations perform annual assessment of the employees on the basis of the assigned tasks, roles and responsibilities specific to the Environmental and Social Management Systems.

6.3 ESMS – AT Institute's Administration level:

SAFCO's administration function shall be responsible to ensure that routine practices executed by SMC at head office or branch level do not contaminate the environment in any manner, and that the SAFCO compensates the harms caused by its activities. In specific, administrative function shall be responsible to:

- i. Adopt measures that avoid or reduce water usage so that the SAFCO's water consumption does not have significant adverse impacts on others
- ii. Implement technically and financially feasible and cost-effective measures for improving efficiency in its consumption of energy, water, as well as other resources and material inputs, with a focus on areas that are considered core business activities. Such measures will incorporate the procedures to reduce energy consumption and using products that are more energy efficient
- iii. Devise strategies to avoid the release of pollutants or, when avoidance is not feasible, minimize and/or control the intensity and mass flow of their release. This applies to the release of pollutants to air, water, and land due to routine, non-routine, and accidental circumstances
- iv. Develop procedures to avoid and/or reduce the generation of waste, and recover and reuse waste in a manner that is safe for human health and the environment. Where waste cannot be recovered or reused, it will be treated, destroyed, or disposed of in an environmentally sound manner. *Annex – III provides guidelines in relation to this matter.*

7. Monitoring and Review

ESMS focal person, internal audit department, risk management department, and concerned implementing departments keeping in consideration the scope and extent of assessment shall, monitor on monthly the SAFCO's performance related to ESMS compliance and report to the management any deviations and risks that may arise due to non-compliances and insufficiency of internal controls related to ESMS. The monitoring and reporting shall be done on the basis of following minimum following indicators:

7.1 Portfolio indicators

- Instances of Clients businesses involved in Exclusion lists
- High and Medium risk loans
- Gender wise portfolio
- Education wise portfolio
- Youth loans
- Loans provided to widows
- Loans provided to differently abled persons
- Any other specific ESMS indicators developed in compliance with objectives developed by board and management

7.2 Institutional Indicators

- Energy consumption
- Water consumption
- Volume of solid waste disposal
- Accidents (injuries, ill-health, property damage) and near misses
- Lost time injury frequency, incidence, and severity rates
- Emergency response incidents
- Average working hours and wages paid
- Minimum wage levels
- Incidences of child labor
- Incidences of disciplinary and discrimination complaints; and
- Trainings on ESMS

SAFCO's ESMS shall be reviewed yearly to ensure that it remains relevant and effective over time and incorporates evolving needs of environmental and social protection. This involves identifying potential difficulties with operational aspects of ESMS implementation and making changes as necessary; reviewing the scope of ESMS procedures to ensure that emerging environmental and social risks of activities are detected and identified during the due-diligence process; and updating ESMS to reflect revisions in applicable national laws on environment, health, and safety.

The Policy cannot specifically anticipate and encompass all circumstances and, consequently, it is conceivable that the SAFCO may approve departures from one or more of the directives in the policy. In such circumstances, proposals advocating any such departure in either development or execution of operations must demonstrate the exceptional characteristics of the situation that justify the departure.

8. Annexures

8.1 Annex- I: Activity Exclusion List (AEL)

SMC shall not finance the following activities and products that run or are associated with the following business activities:

1. Production or trade in any product or activity deemed illegal under Pakistan laws or regulations or international conventions and agreements.
2. Production or trade in weapons and munitions.
3. Production or trade in alcoholic beverages.
4. Production or trade in tobacco.
5. Gambling, casinos and equivalent enterprises.
6. Production of or trade in pornography, or the provision of products or services of a substantially similar nature
7. Trade in wildlife or wildlife products
8. Production or trade in radioactive materials
9. Production or trade in or use of unbounded asbestos fibers.
10. Purchase of logging equipment for use in primary tropical moist forest.
11. Production or trade in pharmaceuticals subject to international phase outs or bans
12. Production or trade in pesticides/herbicides subject to international phase outs or bans.
13. 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 material.
14. Production or activities involving harmful or exploitative forms of forced labor / harmful child labor.
15. Production or trade in wood or other forestry products from sustainably unmanaged forests.
16. 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.).
17. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
18. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations
19. Activities involving land acquisition and/or restrictions on land use resulting in involuntary resettlement or economic displacement

20. Any activities involving significant degradation or conversion of natural and/or critical habitats and/or any activities in legally protected areas
21. Activities involving significant adverse impacts on critical cultural heritage
22. Production or trade in or use of non-biodegradable packaging material such as polythene bags and Styrofoam.
23. This exclusion list shall be adapted from time to time by the Board of Directors, taking into account possible amendments to the relevant policies of the shareholders and provided, however, that any amendment to this exclusion list is approved by Board.

8.2 Annex – II: Product wise risk categorization

This categorization provides the guideline to the typical level of inherent environmental risk related to a particular business activity in which the loan is provided to the borrower. The business and risk categorization has been categorized in compliance with the guidelines and sector best practices, the loans are categorized as Trade, Agriculture, livestock, Handicraft purposes however the risk categorization in accordance with the product sectors is provided as below;

Product: TRADE	
Indicator	Risk level
Electricity wires are loose or damaged	High
Machine looks unsafe are ill maintained or have dangerous parts	High
No safety precautions seem available	High
Water is not disposed or disposed incorrectly leakages, disposals, liquid waste	High
No relevant chemical fact sheets are available	High
the noise level is too high and no ear defenders are available	High
Children are being employed	High
Waste Material deposit in fresh water	High
None	Low
Wastewater/ liquids are being released discharged to water	Medium
No Safeguards are available and/or used when necessary	Medium
Equipment is stored in an unsafe way considering fire risk	Medium
No Safeguards are available and/or Used when necessary (mask, goggles, gloves, helmet, proper working clothes)	Medium

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Storage is unsafe, unlocked or located near sleeping/eating place	Medium
No Sufficient light is in place	Medium
The ventilation is bad or non-existent	Medium
Children are working during school hours	Medium
Children are negatively affected by the work either physical, mentally, spiritual morally or Socially	Medium
Machines look unsafe are all maintained or have dangerous parts	Medium
Usage of Banned Chemical & dyes(mercury, biomedical heavy metals)	Medium

Product: LIVESTOCK	
Indicator	Risk level
Forest is managed unsustainable (Illegal and/or without reforestation plant)	High
No Safeguards are available and/or Used when necessary (mask, goggles, gloves, overall)	High
No relevant chemical fact sheets are available	High
Animals are kept near eating / Sleeping place	High
Children are being employed	High
There is an unsafe working environment potentially leading to stress (aggression, discrimination, sexual violence	High
when harmful substances, often chemicals or microorganisms contaminate a stream, river, lake	High
Livestock waste collection area located to freshwater source	High
Illegal fishing methods are practiced overfishing, Unsustainable finishing methods removing more fish than production	High

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Introduction of Exotic fish species in Open water	High
None	Low
Usage of Banned pesticides and fertilizers	Medium
Storage is unsafe, unlocked or located near sleeping/eating place	Medium
Animals are foraging nearby waste disposal site	Medium
Children are working during school hours	Medium
Children are negatively affected by the work either physical, mentally, spiritual morally or Socially	Medium
There are no clear agreements with employees, they cannot claim their rights	Medium
Tasks and/or working hours negatively influences the employee	Medium
Live Stock Food stored in clean and protected Area	Medium

Product: AGRICULTURE

Indicator	Risk level
Forest is managed unsustainable (Illegal and/or without reforestation plant)	High
No Safeguards are available and/or Used when necessary (mask, goggles, gloves, overall)	High
No relevant chemical fact sheets are available	High
No safety precautions seem available	High
Children are being employed	High
Cultivation of Poppy and illegal Crops	High
Agriculture in notified forest and protected area	High

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Cultivation near a site of historical or cultural importance for the local community	High
There is an unsafe working environment potentially leading to stress (aggression, discrimination, sexual violence)	High
The Activity cause erosion and/or land degradation	High
None	Low
Usage of Banned pesticides and fertilizers	Medium
Storage is unsafe, unlocked or located near sleeping/eating place	Medium
Machines look unsafe are all maintained or have dangerous parts	Medium
No Safeguards are available and/or Used when necessary (mask, goggles, gloves, helmet, proper working clothes)	Medium
Children are working during school hours	Medium
Children are negatively affected by the work either physical, mentally, spiritual morally or Socially	Medium
There are no clear agreements with employees, they cannot claim their rights	Medium
Tasks and/or working hours negatively influences the employee	Medium

Product: HANDICRAFT	
Indicator	Risk level
The noise level is too high and no ear defenders are available	High
Children are being employed	High
Waste Material deposit in fresh water	High
None	Low

The ventilation is bad or non-existent	Medium
Children are working during school hours	Medium
Children are negatively affected by the work either physical, mentally, spiritual morally or Socially	Medium
Usage of Banned Chemical & dyes(mercury, biomedical heavy metals)	Medium

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General risk summary of Indicators:

Driscption	Risk Pr(↓)
Electricity wires are loose or damaged	High
Machine looks unsafe are ill maintained or have dengrous parts	High
No saftey precautions seem available	High
Water is not disposed or disposed incorrectly leakages, disposals, liquid waste	High
No relevant chemical fact sheets are available	High
the noice level is too high and no ear defenders are available	High
Children are being employed	High
Waste Material deposit in fresh water	High
Forest is managed unsustainable (Illegal and/or without reforestation plant)	High
No Safeguards are available and/or Used when necessary (mask, goggles, gloves, overal)	High
Animals are kept near eating / Sleeping place	High
There is an unsafe working enviroment potentially leading to stress (aggression, discrimination, sexual violance	High
when harmful substances,often chemicals or microorganisms contaminate a stream, river, lake	High
Live stock waste collection area located to freshwater source	High
Illegal fishing methods are practiced overfishing,Unsustainable finshsing methonds removing more fish than production	High
Indroduction of Exotic fish speices in Open water	High
Cultivation of Poppy and illegal Crops	High
Agricultue in notified forest and protected area	High
Cultivation near a site of historical or cultural importance for the local community	High
The Activity cause erosion and/or land degradtion	High
Wastewater/ liquids are being released dischagred to water, No Safegaurd are available and/or used when necessary	High
Wastewater/ liquids are being released dischagred to water, Equipment is stored in an unsafe way considering fire risk	High
Wastewater/ liquids are being released dischagred to water, Electricity wires are loose or damaged	High
Wastewater/ liquids are being released dischagred to water, Machine looks unsafe are ill maintained or have dengrous parts	High
Wastewater/ liquids are being released dischagred to water, No Safeguards are available and/or Used when necessary (mask, goggl	High
Wastewater/ liquids are being released dischagred to water, No saftey precautions seem available	High
Wastewater/ liquids are being released dischagred to water, Water is not disposed or disposed incorrectly leakages, disposals, liqui	High
Wastewater/ liquids are being released dischagred to water, No relevant chemical fact sheets are available	High
Wastewater/ liquids are being released dischagred to water, Storage is unsafe, unlocked or located near sleeping/eating place	High
Wastewater/ liquids are being released dischagred to water, No Sufficient light is in place	High
Wastewater/ liquids are being released dischagred to water, the noice level is too high and no ear defenders are available	High
Wastewater/ liquids are being released dischagred to water, The ventilation is bad or non-existent	High
Wastewater/ liquids are being released dischagred to water, Children are being employed	High
Wastewater/ liquids are being released dischagred to water, Children are working during school hours	High
Wastewater/ liquids are being released dischagred to water, Children are negatively affected by the work either physical, mentallay	High
Wastewater/ liquids are being released dischagred to water, Machines look unsafe are all maintained or have dangerous parts	High
Wastewater/ liquids are being released dischagred to water, Usage of Banned Chemical & dyes(mercury, biomedical heavy metals)	High
Wastewater/ liquids are being released dischagred to water, Waste Material deposit in fresh water	High
None	Low
Wastewater/ liquids are being released dischagred to water	Medium
No Safegaurd are available and/or used when necessary	Medium
Equipment is stored in an unsafe way considering fire risk	Medium
No Safeguards are available and/or Used when necessary (mask, goggles, gloves, helmet, proper working clothes)	Medium
Storage is unsafe, unlocked or located near sleeping/eating place	Medium
No Sufficient light is in place	Medium
The ventilation is bad or non-existent	Medium
Children are working during school hours	Medium
Children are negatively affected by the work either physical, mentallay, spiritual morally or Socially	Medium
Machines look unsafe are all maintained or have dangerous parts	Medium
Usage of Banned Chemical & dyes(mercury, biomedical heavy metals)	Medium
Usage of Banned pesticides and fertilizers	Medium
Aminals are foraging nearby waste disposal site	Medium
There are no clear agreements with employees, they cannot claim their rights	Medium
Tasks and/or working hours negatively influences the employe	Medium
Live Stock Food stored in clean and protected Area	Medium

8.3 Annex – III: Official guidelines to ensure environmental and social protection

In compliance with Performance standards SAFCO shall follow the principles of sustainable living, the so called '4 Rs': Refuse, Reduce, Re-use, and Recycle. SMC shall undertake all efforts to manage the direct impacts of the institution on the environmental footprint and monitor the level of energy and water consumption, paper use, carbon emission, transportation usages, etc. In specific general administration function of SMC shall be responsible to:

Minimize waste and then reuse or recycle as much of it as possible to reduce office paper usage through:

- Use double sided printing and recycled single sided documents;
- Envelop (A4) used to send documents from branches to HO and vice-versa within SMC shall be used for many times as long as it is no longer usable;
- Reduce printing where possible – only print documents that need to be printed;
- Reports will be not be printed, when possible, to cut down on paper used;
- Email to be utilized, when possible at all branch offices to cut down on paper used for communication between branch offices and head office;
- Email - Put a disclaimer on each staff's email emphasizing SMC's commitment to the environment and stating not to print unless needed **"Please do not print this e-mail unless you really need to"**.

Minimize energy and water usage in the buildings, vehicles and processes in order to conserve supplies, and minimize the consumption of natural resources, especially where they are non-renewable:

- Printers – Turn off on holidays and weekends
- Computers – Put computers on standby or switch off where not required
- Air conditioning
- Keep doors and windows closed while cooling is on
- Turn off air-conditioners where not required or when office space is not occupied
- Equipment – Make sure that all equipment is turned off at the end of the day rather than left on standby
- Lighting – Commit to investigating various electricity reduction techniques such as:
 - Turn off lights in empty rooms
 - Turn off light in offices/rooms closest to windows (use daylight where possible)

- Vehicle –Operate and maintain company vehicles with due regard to environmental issues as far as reasonably practical:
- Regularly service company vehicles to limit harmful emissions, as well as service vehicles where required
- To ensure that the vehicle is efficiently used upon the guidelines set and instructed by Administrative Department.
- Turn the water tap off each time after use
- Fix the leaking water pipe if any

8.4 Annexure IV: ESMS Compliance and Reporting Matrix

Compliance and Reporting Matrix - Environmental and Social Management								
Scope of Activity	Requirement Statement/ Con	Risk Owner	Requirement Description	Yes / No	Details	Compliance St	Justification/ Management	Completion Tim
Credit Portfolio/ Operations	Activity Exclusion List shall be checked by branch staff during appraisal.	Branch Staff/ Operation	Do branch staff have proper knowledge about Activity Exclusion List?					
		Credit Management	Is this list checked at the time of appraisal?					
	Clients involved in High Risk Businesses should be monitored	Credit Management	Is there any mechanism in place for High Risk Categorization?					
			Is High Risk Categorization part of MIS?					
			How many current loans are disbursed in High Risk Business category? SBP guidelines suggest that Risk					
	Loan officers/ Branch managers shall execute Loan Utilization Check	Branch Staff	Is Loan Utilization checked for each and every loan?					
		Zonal Managers Head Business Operatio	How does business operations					
	Develop and Incorporate Client Risk Mechanism into MIS	Credit Management	What steps the management intends to take for the development and incorporation					
		Information Technology	of client risk mechanism into					
	Corrective action plan and enhanced due diligence for Medium and High risk clients	Management	Is there any corrective action plan for high and medium risk					
Credit Management		clients?						
Incorporate more environmental and social friendly products in portfolio	ID&C	Which products in the current portfolio are environmental and social friendly?						
		Which environmental friendly						
Promote green loans	ID&C	What measures are there for promotion of green loans?						
		Are there any incentives provided in interest rates and						

Compliance and Reporting Matrix - Environmental and Social Management								
Scope of Activity	Requirement Statement/ Code	Risk Owner	Requirement Description	Yes / No	Details	Compliance Status	Justification/ Management	Completion Time
Human Resources	Informing employees regarding their rights under national labour and employment law	Human Resource Department	Is this requirement a part of Human Resource Policy and conveyed to all the employees at the time of their					
	Priority should be given to native people	Human Resource Department	What percentage of Native people are employed at different locations? Do they have required skills and qualification for the job?					
	SAFCO shall comply with the principles of Equality, fairness and indiscrimination in all aspects of HRM	Human Resource Department	What measures and guidelines do HR have for compliance and monitoring of Equality, Fairness and Indiscrimination in					
	Develop a plan to mitigate adverse effects of retrenchment	Human Resource Department	Was there a major retrenchment in the recent past?					
		Management	What were the common adverse effects of retrenchment? How those effects were managed by HR and management?					
	Provide a grievance mechanism for workers	Human Resource Department	What mechanism is in place for grievance redressal and how functional it is?					
			How many complaints have been recorded by HR, responded to employee and reported to higher authorities?					
	SAFCO shall not employ Child Labor	Human Resource Department	What is the minimum age requirement for the recruitment of employees? Is minimum age requirement for recruitment part of HR policy?					
	Incorporate ESMS indicators in Employee's Performance Evaluation	Human Resource Department	Have HR developed key performance indicators related to ESMS for employees?					
Is proper weightage assigned to ESMS indicators in Employee's performance evaluation?								
Employees should understand their specific responsibilities related to ESMS	Human Resource Department	Do HR department design trainings specific to ESMS?						
		What ESMS related trainings have been provided to employees?						

Compliance and Reporting Matrix - Environmental and Social Management								
Scope of Activity	Requirement Statement/ Code	Risk Owner	Requirement Description	Yes / No	Details	Compliance	Justification/ Management	Completion Time
Internal Environmental Practices	Implement cost effective measures to achieve efficiency in consumption of energy, water and other resources	Administration	Are there any guidelines used to achieve efficiency in consumption of energy, water and other resources?					
			What cost effective measures administration have taken to achieve efficiency in consumption of resources?					
	Devise strategies to avoid or mitigate release of pollutants	Administration	What strategies do administration department have to lessen the effects of release of pollutants?					
			Are there guidelines in place that addresses issues of plastic usage, air pollution and noise pollution?					
			What efforts are made to encourage indoor and outdoor plantation?					
	Manage and monitor level of energy and water consumption, paper usage, carbon emission and transportation usage	Administration	What measures and guidelines do administration department have for managing and monitoring level of consumption?					
			Is paper usage in different departments and branch offices					
	Overall ESMS Compliance and Monitoring on internal environment practices	Administration	How does ESMS compliance and non compliance monitored?					
Audit			Do administration department have checklist or some other tool for compliance and monitoring? Is non compliance reported to higher management?					

Compliance and Reporting Matrix - Environmental and Social Manage								
Scope of Activity	Requirement Statement/ Cor	Risk Owner	Requirement Description	Yes / No	Details	Compliance	Justification/ Management	Completion Ti
Specific Roles	Role of Social Performance Management Committee (SPM)	Management	Is management well aware of Social and Environmental risks and non compliances related to ESMS?					
			How much successful the management is in balancing financial and social goals of the organization?					
	Role of Environmental and Social Management Focal Person	Management	Does the position of Focal person require special qualification and job responsibilities?					
			Does SAFCO has the expertise / human resource to fill this particular position?					
		Focal Person	How the development of social and environmental database can be achieved, that can assist in the formulation of specific objectives?					

Compliance and Reporting Matrix - Environmental and Social Management System								
Scope of Activity	Requirement Statement/ Control	Risk Owner	Requirement Description	Yes / No	Details	Compliance	Justification/ Management	Completion Time
Management Systems	Have there been any updates to the ESMS or procedure?	Management	Please provide details					
	Has Senior management signed off on the changes?	Senior Management	Please provide details					
	Please provide details of the ESMS implementation budget and reasons for changes from the previous year if any.	Finance	Please provide details					
	Were any transactions rejected on account of the List of Excluded Activities?	Credit Management	Please provide details					
	Were there any difficulties and/or constraints related to the implementation of the environmental procedures?	Administration	Please explain					
	Were there any material environmental and social issues associated with borrowers during the reporting period in particular?	Focal Person	Please provide details					
	Do you supervise the performance of your borrowers? If yes, please provide details.	Regional Managers/ Zo	Please provide details					
		Credit Management						
	Please provide the name and contact information of the Environmental Officer or Coordinator who has the overall responsibility for the implementation of ESMS.	Management	Please provide details					
	Did the ESMS officer(s) receive/ attend/complete any training during this reporting period? Please describe the training or learning activities.	Human Resource Depa	Please provide details					
Did you provide any internal training on E&S? Please provide details on the training event(s) held including number of attendees and functions.	Human Resource Depa	Please provide details						

Compliance and Reporting Matrix - Environmental and Social Management Syst								
Scope of Activity	Requirement Statement/ Control	Risk Owner	Requirement Descriptio	Yes / No	Details	Compliance	Justification/ Management	Completion Ti
Management Systems	Have you made any investments in projects that have environmental and social benefits such as investing in management systems, energy efficiency, renewable energy, cleaner production, pollution management, supply chain greening, corporate social responsibility,	ID&C	Please provide details					
	Has there been any change to the human resources policy?	Human Resource Depa	Please provide details					
	Has there been any change to the process of payment of salaries?	Human Resource Depa	Please provide details					
	Was there any disciplinary and/or termination during the reporting period?	Human Resource Depa	Please provide details					
	Has there been any change to the relationship with the union and or collective bargaining agreement?	Human Resource Depa	Please provide details					
	Has there been any grievance filed this reporting period?	Human Resource Depa	Please provide details					
	Were there any harassment or discrimination cases this reporting period?	Human Resource Depa	Please provide details					
	Was there any retrenchment of a substantial number of employees?	Human Resource Depa	Please provide details					
	Were there any fraud cases during this reporting period?	Human Resource Depa	Please provide details					
	Are there any labor related cases involving the company in the national/international legal system?	Human Resource Depa	Please provide details					