

Name: Environmental and Social Management Policy
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Valid From: 01.04.2021

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1. Introduction

As part of AccessHolding's mission statement AccessHolding wants to be a provider of responsible financial services. This responsibility manifests itself in two key values which are Social Responsibility and Environmental Protection.

AB Microfinance Bank Nigeria (ABN) is committed to financing environmentally and socially sound projects. ABN clients should comply with the bank's Environmental and Social management policy and the Microfinance Exclusion List (please see Annex 1) as well as with Country Requirements. Loans will not be made to borrowers engaged in activities whose financing would pose a reputation or ethical risk to AB Microfinance Bank and its shareholders. The institution will monitor its performance against these benchmarks on an annual basis.

1.1 Definitions

Country Requirements: The relevant environmental, occupational health and safety, indigenous peoples, involuntary resettlement, cultural property protection, child labour and forced labour laws, rules and regulations (including international treaty obligations) of the country in which ABN operates, or any Authority in the country in which AB Microfinance Bank operates, in effect from time to time.

In an event that the Nigeria requirements differ from the Environmental and Social Management Policy, the more conservative requirement should take precedence.

Excluded Activity: Excluded activity is any of the activities referred to in the Microfinance Exclusion List (see Annex 1).

1.2 Objective of this policy

The policy has the following objectives:

- To define responsibilities in the organization to ensure the implementation of the Social and Environmental Policy
- To define criteria for assessing the social and environmental risks in lending activities
- To define the procedures and processes to manage social and environmental risks

2. 2. Organization and Responsibilities

Management

The Management is responsible for the following items:

- The overall adherence with the Environmental and Social Management Policy and its requirements
- Ensuring that sufficient internal resources have been committed to allow for the effective implementation of the policy and procedure
- Reporting of activities which are inconsistent with Nigeria Requirements, the Microfinance Exclusion List or the Environmental and Social Management Policy to AccessHolding/shareholders/other stakeholders
- Appointing a dedicated Social & Environmental Coordinator whose reporting line is direct to C-Level Management

Social & Environmental Coordinator

The Social & Environmental Coordinator is responsible for environmental issues. Her/his responsibilities include:

- Reporting to ABN management on social & environmental issues
- Reviewing ABN's Environmental and Social Management Policy and procedures on a periodic basis

- Ensuring that the Environmental and Social Management Policy and procedures are implemented
- Providing assistance to staffs where required
- Ensuring that copies of this Environmental and Social Management Policy are widely available at AB Microfinance Bank
- Preparing an annual report on environmental and social performance and compliance to the Board of Directors and to shareholders
- Ensuring training is provided at entry level for all staff in core business and customer servicing areas. Follow up trainings are provided. Regular refresher training is provided once per year. (clear frequency, target staff and methodology of delivery have to be provided)

Loan officer

The loan officer is especially responsible for the following items:

- Pre-assessing any potential customer or client against the Microfinance Exclusion List
- Assessing the social and environmental risks of the customer
- Communicating corrective actions to the customer
- Monitoring the social and environmental performance during site visits, reporting any major E&S issues to senior officer/supervisor

Credit Committee

The Credit Committee will ensure that lending decisions are based on appropriate information concerning the social & environmental situation of the business financed and will ensure that all necessary documentations e.g. certificate, licenses, approvals are provided and reviewed; this applies in particular to all SME loans.

Legal Counsel

Legal Counsel of the bank will ensure that appropriate social & environmental covenants are incorporated into all loan contracts. In addition, supplemental or rider language is included for loans where disbursement is made conditional on customer improvement with respect to environmental, health, safety, or social aspects.

3. Procedure

The social & environmental policy is implemented according to the procedure outlined below. The following principles are key elements of the procedure:

- Applying AB Microfinance Bank's Annex 1 – Microfinance Exclusion List as an eligibility screen for all lending
- Requiring that all borrowers comply with the applicable social & environmental, and local health and safety requirements
- Directing borrowers, when appropriate, to organizations that can help them improve social & environmental performance
- Monitoring the adherence with social and environmental requirements during site visits

3.1. Assessment

When an existing or potential customer inquires about or makes application for a loan, the loan officer makes an evaluation as to whether the loan would contravene the ABN's Exclusion List (Annex 1). This is done by discussing relevant exclusions with the customer. If the customer's activities are inconsistent with the Exclusion List (Annex 1), the loan officer informs the customer that AB Microfinance Bank cannot fund the business until contravening activities are eliminated. The loan officer informs the branch manager which reports periodically to the Social & Environmental Coordinator about loan rejections due to inconsistency with the Exclusion List (Annex 1).

3.2. Application and appraisal

As part of the application and appraisal process, the loan officer confirms compliance with the Microfinance Exclusion List (Annex 1) for all loans.

Micro loans and housing improvement loans are considered "low risk" regarding social and environmental risks. Micro loans and housing improvement loans are categorized low risk, because micro and housing improvement loan customers are usually active in sectors with a low inherent E&S risk and due to their size, their impact is limited.

For SME loans, the loan officer makes an evaluation of the environmental and social risks associated with the client's business. As part of this evaluation process, the loan officer assigns the borrower's economic activities to one of the following social & environmental risk categories: low risk, medium risk or high risk. This risk categorization is based on the classification of social & environmental risk by the main economic activity (see Annex 2).

Additional environmental and social risks assessment is carried out only for SME loans in the medium and high risk category (Overall Risk), regardless of amount (please refer to the risk

classification in Annex 2). Based on the results of the assessment, a brief social & environmental Information Form (please see Annex 3) is prepared.

During the environmental and social risk evaluation the loan officer will explain to the customer that he/she is expected to comply with the environmental, health and safety requirements of Nigeria relevant to the activity being financed. If there appears to be an inconsistency with these requirements, either the loan is rejected or corrective action(s) is/are agreed as a condition of the loan. If a loan is rejected due to social & environmental grounds or inconsistency with Microfinance Exclusion List (Annex 1), the Social & Environmental Coordinator is informed accordingly.

The loan agreements also contain a clause stating that the customer, to the best of their knowledge, is familiar with the applicable environmental, health and safety requirements of Nigeria and that he/she assures that his/her enterprise is operated in compliance with these requirements.

The Credit Committee will review the key regulatory compliance (compliance with Microfinance Exclusion List, Social and Environmental Risk Assessment for SME clients) and will ensure that necessary permissions, certificates and licenses are collected and reviewed. Based on the social and environmental assessment, the Credit Committee will define environmental and social covenants (e.g. conditions for disbursement, compliance with certain requirements, reporting, certifications, permissions etc.), carry out supervisions and monitoring with the focus on covenants before disbursement. The Credit Committee has the right to reject a loan based on ethical, social or environmental reasons.

Legal counsel will add covenants to the loan contracts as requested by the Credit Committee.

3.3. Monitoring and Reporting

During supervision visits, the loan officer observes the borrower's activities with an eye towards identifying poor environmental or social performance, opportunities for improvement, or improvements made since the last visit. Performance and opportunities are discussed with the borrower as appropriate.

Businesses which are assessed as high risk regarding social and environmental risks are monitored by loan officers in the following cases:

- If it was defined by the Credit Committee as a condition for approval
- If the activity of client has changed
- If permissions are suspended or the regulation has changed
- In case of accidents

- In case of complaints regarding social and environmental issues

Any inconsistencies with Nigeria requirements, the policy or the Microfinance Exclusion List are reported to AccessHolding/and/or other stakeholders/shareholders (if required). Appropriate mitigation measures and corrective actions have to be agreed with AccessHolding/and/or other stakeholders/shareholders (if required).

AB Microfinance Bank evaluates its environmental and social performance on an annual basis as part of her social and environmental performance report and provides an annual report to all shareholders/other stakeholders (as applicable).

3.4. Training and Consulting

AB Microfinance Bank Management will ensure that the Social & Environmental Coordinator and a back-up staff member participate in appropriate environmental management system training oriented towards microfinance institutions.

The Social & Environmental Coordinator will conduct internal staff training sessions and briefings on social & environmental issues and procedures as warranted.

3.5. Internal Audit Department (IAD)

Compliance with environmental and social standards and this policy are audited by the Internal Audit Function annually.

4. Annexes

Annex 1: Microfinance Exclusion List

The following are excluded activities:

- A.** Production or activities involving harmful or exploitative forms of forced labour or child labour.
Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.
Harmful child labour means the employment of children that is economically exploitative, or is likely to be hazardous to, 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. In addition any labour that is performed by a person which has not yet reached the age of 15 is considered to be harmful, unless the local legislation specifies compulsory school attendance or the minimum age for working to be higher; in such cases, the higher age will be applied for defining harmful child labour.
- B.** any activity which is illegal under the law applicable for the respective Investee Company or international law;
- C.** production of or trade in weapons, munitions and military/police equipment or infrastructure;
- D.** any of the following activities unless the borrower is not substantially involved in these activities ("not substantially involved" means that the activity concerned is ancillary to a borrower's primary operations): A benchmark for substantial is 5-10% of the balance sheet or the financed volume or sales revenues in required assets.
- (i) production of or trade in tobacco;
 - (ii) production of or trade in alcoholic beverages (other than beer and wine);
 - (iii) gambling, casinos and equivalent activities;
 - (iv) speculation in currencies or real estate;
 - (v) investments in securities of any kind.

E. any of the following activities:

- (i) Production of or trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- (i) production of or trade in radioactive materials (other than the purchase of medical equipment, quality control or measurement equipment and any equipment where the radioactive source is trivial and/or adequately shielded);
- (ii) production of, trade in or use of unbounded asbestos fibers (other than bonded asbestos cement sheeting where the asbestos content is less than twenty per cent (20%));
- (iii) production of or trade in products containing polychlorinated biphenyl (PCBs), likely to be found in products such as oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985;
- (iv) production of or trade in pharmaceuticals, chemicals and other hazardous substances subject to international phase outs or bans;
- (v) production of or trade in pesticides/herbicides subject to international phase-outs or bans;
- (vi) production of or trade in ozone-depleting chemical compounds (so-called Ozone Depleting Substances or ODSs) subject to international phase-out, such as aerosols, refrigerants, foam blowing agents, solvents and fire protection agents regulated under the Montreal Protocol;
- (vii) Unsustainable fishing methods (e.g. drift net fishing in the marine environment using nets in excess of 2.5kilometres in length and blast fishing);
- (viii) production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples;
- (ix) production of or trade in pornography, or the provision of products and services of a substantially similar nature;

- (x) any business related to prostitution;
- (xi) Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations;
- (xii) Destruction of Critical Habitats; Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union ("IUCN") classification
- (xiii) Production and distribution of anti-democratic and/or neo-Nazi and/or islamistic media as well as of media that is discriminatory with regard to gender, religion, disability or other sociological features;
- (xiv) Live animals for scientific and environmental purposes, including the breeding of these animals;
- (xv) Commercial concessions over, and logging on tropical natural forest; Conversion of natural forest to a plantation;
- (xvi) Purchase of logging equipment for use in tropical natural forests or high nature value forest in all regions; and activities that lead to a clear cutting and/or degradation of tropical natural forests or high nature value forest;
- (xvii) New palm oil plantations;
- (xviii) Nuclear power related activities; and
- (xix) Unconventional methods of extraction of oil and gas.

Annex 2: Risk Classification

The bank's adopted the following social and environmental risk classification:

Category	Subcategory	Environmental Risk	Social Risk	Overall Risk
Trade				
	Retail sale via stalls and markets	Low	Low	Low
	Retail sale in non-specialized stores with food, beverages or tobacco predominating (e.g. supermarkets)	Low	Medium	Medium
	Retail sale of food, beverages and tobacco in specialized store	Low	Low	Low
	Retail sale of information and communication equipment in specialized stores	Low	Low	Low
	Retail sale of other household equipment in specialized store	Low	Low	Low
	Retail sale of other goods in specialized store	Low	Low	Low
	Retail sale of automotive fuel in specialized store	High	Medium	High
	Sale of motor vehicles (wholesale and retail)	Low	Low	Low
	Maintenance and repair of motor vehicles	Medium	Low	Medium
	Sale of motor vehicle parts and accessories	Low	Low	Low
	Sale, maintenance and repair of motorcycles and related parts and accessories	Medium	Low	Medium
	Other retail trade	Low	Low	Low

Wholesale of solid, liquid and gaseous fuels and related product	High	High	High
Wholesale of metals and metal ores	High	High	High
Wholesale of chemical product	High	High	High
Wholesale of waste and scrap	High	High	High
Other wholesale trade	Low	Low	Low
Agriculture, forestry and fishing			
Growing of non-perennial crops (i.e. Plants that last for only one growing seasons, e.g. Cereal, rice, sugar cane)	Medium	High	High
Growing of perennial crops (i.e. plants that last for more than two growing seasons, e.g. grapes, tropical and subtropical fruits, citrus fruits, bush fruits and nuts, apples, cherries, etc.)	Medium	High	High
Animal products	Medium	Medium	Medium
Mixed Farming	Medium	High	High
Support activities to agriculture and post-harvest crop activities	Medium	Medium	Medium
Hunting, trapping and related service activities	High	Medium	High
Silviculture and other forestry activities	High	High	High
Logging	High	High	High
Gathering of wild growing non-wood products	Medium	Medium	Medium
Support services to forestry	Medium	Medium	Medium
Marine Fishing	High	High	High

Freshwater Fishing	High	Medium	High
Marine Aquaculture	High	Medium	High
Freshwater Aquaculture	High	Medium	High
Construction	High	High	High
Transportation and Storage	Low	Low	Low
Accommodation and food service activities	Low	Medium	Medium
Manufacturing			
Food products	Medium	Medium	Medium
Beverages (wines, cider and other fruit wines, beer malt, mineral waters and soft drink)	Medium	Medium	Medium
Textile and wearing apparel	Medium	High	High
Leather and related product	High	High	High
Wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	Medium	Medium	Medium
Pulp	High	High	High
Paper, paperboard and articles of paperboard	Medium	Medium	Medium
Printing and reproduction of recorded media	Low	Low	Low
Coke and refined petroleum product	High	High	High
Chemicals and chemical products	High	High	High
Basic pharmaceutical products and	High	High	High

Pharmaceutical preparations			
Rubber and plastic products	High	High	High
Manufacture of cement, lime and plaster	High	Medium	High
Other non-metallic mineral product (e.g. glass, clay)	Medium	Medium	Medium
Basic metal	High	High	High
Fabricated metal products, except machinery and equipment	Medium	Medium	Medium
Computer, electronic and optical product	Medium	Low	Medium
Electrical equipment	Medium	Medium	Medium
Batteries and accumulators	High	Medium	High
Machinery and equipment not elsewhere classified	Medium	Medium	Medium
Motor vehicles, trailers and semi-trailer	Medium	Medium	Medium
Furniture	Medium	Medium	Medium
Other Manufacturing	Medium	Medium	Medium
Mining and quarrying	High	High	High
Electricity, gas steam and air conditioning supply	High	High	High
Water supply (Sewage waste management and remediation activities)			

Water collection, treatment and supply	Medium	Medium	Medium
Sewerage	High	High	High
Waste Collection, treatment and disposal activities; materials recovery	High	High	High
Information and communication	Low	Low	Low
Financial and insurance activities	Low	Low	Low
Real Estate Activities	Low	Low	Low
Professional scientific and technical activities	Low	Low	Low
Administrative and support service activities	Low	Low	Low
Public administration and defense; compulsory and social security	Low	Low	Low
Education	Low	Low	Low
Human health and social work activities	Low	Medium	Medium
Arts, entertainment and recreation	Low	Low	Low
Other service activities	Low	Low	Low

Annex 3: Sample of the Evaluation Form for Loans in medium and high risk category

Loan Applicant Information	
Name	
Number	
Environmental and social information form	
1. Business activity (description)	
No. Of full time employees	
No. Of part time employees	
2. Loan Information	
Loan Amount	
Description of Investment plan / project	
3. Key environmental Regulatory Compliance	
	Does the enterprise comply with national regulations and standards relating to health, safety and the environment? Has the borrower obtained the necessary permits? When do they expire? Has the client received a visit from the health and safety authorities /municipality / other authorities? Has the client ever been fined / threatened with a fine for poor environmental or social standards? Does the loan officer foresee any chance that the client will be fined in the near future (during the term of the present loan outstanding)?
4. Suggested Environmental Covenants, Supervision and Monitoring Requirements	
	List any measures to be taken to address environmental (if any), such as environmental covenants to be included in the loan agreement, including provision of monitoring information.
5. Key Social and Labour Regulatory Compliance	
	Does the enterprise comply with national labor regulations and standards? How are the labor conditions? How are the relations with the local communities (are there problems, complaints)?