



**SAILE FINANCIAL SERVICES
LIMITED COMPANY**

**ENVIRONMENTAL & SOCIAL RISK
MANAGEMENT POLICY**

POLICIES AND PROCEDURES MANUAL

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1. Definitions

The Institution

The institution shall mean Saile Financial Services Limited Company.

Board

Saile Financial Services Board.

CSR

CSR shall mean corporate social responsibility.

Customer

Any person who interacts with the institution.

E & S

E & S shall mean environmental and social.

Environmental and Social Risk Management Framework (ESRMF)

The ESRMF is a document which contains a description of the activities and processes that have be followed to implement the Environmental and Social Risk Management Policy. It includes procedures and tools used in the management of Environmental and Social risks.

ESRMS

ESRMS shall mean Environmental and Social Risk Management System.

ESRA

ESRA shall mean Environmental and Social Risk Assessment.

Exclusion List

Exclusion list shall mean the list that has been shown as an attachment Annex 1 to this policy.

External Impact

The environmental and/ or social results, either positive or negative, of the activities institution's customer that can be attributed to the institution's engagement with that customer.

Internal Impact

The environmental and/or social results, either positive or negative, resulting from the activities and operations of the institution.

Officer

Includes employees of Saile Financial Services.

Senior Management

Senior management shall refer to the members of the Management committee of the institution.

2. Introduction

The environmental and Social Risk Management policy provides guidance on the approach for the integration of environmental and social issues in the assessment of eligibility for customers to access loans.

The Environmental and Social Management System is a process for assessing the environmental and social risks and impacts arising from customer activities, managing exposure and improving operating efficiency and effectiveness.

This underscores the institution's commitment to sustainable lending and as a good corporate citizen. The policy sets the pace for suitable procedures and workflows, within the framework of the ESRMS, which ensures compliance with applicable environmental and social legislations.

3. Objectives

The main objectives of the policy are as follows;

- To integrate environmental and social risk management considerations into the institution's processes.
- To set out requirements for environmental and social risk screening associated with lending.
- To promote transparency and accountability on E&S issues internally and externally through disclosure and reporting.
- To implement and comply with national requirements for E&S risk management.

4. Scope

This policy shall be applied when assessing environmental and social risks on all loans granted by the institution. This policy shall be read together with the Environmental and Social Risk Management Framework (ESRMF).

The Board and Senior Management

The Board and Senior Management shall have the overall oversight of the ESRMP. Their responsibilities shall include;

- Reviewing and signing off the ESRMP to ensure that it is integrated in the institution's standard operating procedures.
- Submitting to external stakeholders annual reports on the social and environmental performance of the institution's portfolio.

Risk Division (RD)

RD shall act as the central ESRMS coordinator, and shall have the following responsibilities;

- Facilitating the overall implementation of the ESRMP.
- Keeping the ESRMP up to date.
- Implementation of the E&S risk management procedure.
- Serving as the focal point for information on social and environmental best practices.
- Reporting of maintenance and monitoring results.
- Coordinating training and awareness on ESRMS.

All the Institution Officers

All the institution's officers have the responsibility to understand and comply with the institution's ESRMP which includes but is not limited to the following;

- Raising customer awareness on E&S issues.
- E&S risk assessment and classification.
- Monitoring of businesses that are being financed.

Policy Outline

Exclusion List and Positive Impact

Exclusion List

The institution shall not lend or engage in activities that are detrimental to the environment, harmful, or dangerous to people or communities. A specific number of activities are provided in an Exclusion List (See Annex 1). This list includes activities involving child labour, illegal trade, weapons, hazardous materials, degradation of habitat, racist or anti-democratic media.

The institution shall support businesses that choose to develop or invest in solutions and activities that have a positive impact on the environment and/or positive implications on social performance.

Internal Impact

As an employer, the institution itself has a moderate environment and social impact. Through awareness raising and promoting efficient use of resources, the institution shall reduce its environmental impact. The institution shall also keep a strong focus on its workforce, by providing a safe and fair working environment, and promote the development of skills and competencies of its officers. In addition, the institution shall maintain its CSR, by sponsoring education and healthcare facilities, and by active community engagement and development projects.

The Environmental and Social Risk Management Process

The Environmental and Social Risk Management Framework (ESRMF)

As part of the implementation of this policy, the institution shall put in place an ESRMF, with the purpose of identifying and evaluating the social and environmental risks of businesses before a decision is made to finance them, and monitor ongoing social and environmental performance after lending.

Environmental and Social Risk Assessment (ESRA)

New and potential business activities shall be assessed and evaluated on their potential environmental and social risks. This approach shall be integrated in the existing credit and risk management procedures.

The elements of E&S risk management assessment include;

- Assessing the activity based on the institution's Exclusion list.
- Risk identification: recognizing and understanding, per sector and activity, the potential E&S risks.
- Risk measurement: assessing the actual E&S risks in a given situation.
- Risk control: establishing the risk mitigation measures and defining responsibilities and authority.
- Risk monitoring: monitoring and reviewing E&S risks and ensuring action when needed.

A business to be financed can be graded as High Risk, Medium Risk or Low Risk depending on the sector and activity at hand. E&S Risk Classification is based on the probability of negative impacts occurring as a consequence of a business or activity.

- **Low Risk:** Business are likely to have minimal or no adverse environmental and social impact. These businesses require no further social and environmental assessment action.
- **Medium Risk:** Businesses with potential limited adverse environmental and social impact that are few in number, largely reversible and readily addressed through mitigation measures. Businesses can be improved by the application of mitigation measures. In a number of cases, an Environmental and Social Impact Assessment might be required.
- **High Risk:** Businesses with potential significant adverse environmental and social impacts that are diverse, irreversible or unprecedented. In most cases an ESRA should be carried out.

Compliance with social and environmental management practices

The institution is committed to ensure that all its activities, both internal and external, comply with the national legislation and with sound international social and environmental management practices.

Social Aspects

From the social aspects perspective, Saile shall observe the following for businesses if finances;

- Provide equal opportunity to all social or gender groups in terms 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 labour and forced labour.
- Observe and eliminate negative impact of businesses on cultural heritage.
- Abstain financing businesses that are in the Exclusion List.

In following guidelines and instructions in its ESRMP, the institution shall;

- Carry out its lending activities with appropriate consideration for environmental, social, health, safety and labour practices.
- Raise awareness of existing and new customers on environmental and social best practices, by advising customers on alternative methods and techniques that are socially sound and environmentally friendly.
- Comply with the requirements of national regulatory bodies and international financial institutions to protect the environment and people.
- Determine and mitigate risks in all its activities where relevant including lending operations to businesses.

ESRMS Training and Awareness

- To ensure effective implementation of the ESRMS, all officers and Board members shall be properly informed and instructed about their tasks and responsibilities under this ESRMF.
- An introduction on the ESRM policy and Framework shall be part of the general induction training of every new officer.
- A dedicated training package and schedule on the relevant elements of the ESRMP shall be produced on an annual basis.
- The ESRMS coordinator is responsible for the E&S Training and Awareness Program.

Officers appraising a loan application shall understand the E&S Risks Identification and Assessment Procedure, which provides a flow chart of procedures to be followed when identifying, assessing and monitoring environmental and social risks while integrating in credit approval process. The officer shall then complete E&S impact assessment checklist. The procedure is self- explanatory which can serve as a training material to all officers.

- ESRMS Roll Out training, to inform and familiarize all concerned officers on the institution's policy and procedures to manage environmental and social issues.
- A brief version of the ESRMS Roll Out training to be inserted in the induction training package for new officers.
- ESRMP Implementation: Appraisal and Monitoring, to train designated staff on their specific duties and responsibilities.
- Further ESRMS training shall be based on the actual needs.

ESRMS Reporting

Internally, the Risk Division shall provide quarterly reports indicating;

- Accidents and incidents related to the Environmental and Social management system.
- High Risk businesses
- E&S Performance.

Grievance Redress Mechanism (GRM)

Saile operates in an open environment and has an open door policy that enhances support, friendship and professional collaboration. Saile is committed to adhering to standards and procedures of accountability and transparency in all its business operations.

Purpose of the GRM

GRM aims at providing guidelines on managing and responding to various complaints received from all the stakeholders.

We have a customer complaints handling policy which guides us:

Review of Policy

The ESRMP and ESRMF shall be reviewed every three years or when significant changes have taken place that impacts the assumptions in it.

Annex 1 List of Excluded Activities

1. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and Agreements.
2. Production or trade in weapons or munitions.¹
3. Gambling, casinos and equivalent enterprises.¹
4. Trade in wildlife or wildlife products regulated under Convention on International Trade in Endangered Species (CITES).
5. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where Lender considers the radioactive source to be trivial and/or adequately shielded.
6. Production or trade in or use of unbounded asbestos fibers.
7. Any activities involving significant degradation or conversion of critical habitats² and/or any activities in legally protected areas.
8. Activities damaging to national monuments and other critical cultural heritage.³
9. Drift net fishing in the marine environment using nets in excess of 2.5 km in length, electric shocks, or explosive materials.
10. Production or trade in wood or other forestry products other than from sustainably managed forests.⁶
11. Production or trade in pharmaceuticals, pesticides/herbicides, ozone depleting substances, Polychlorinated biphenyls (Borrower's) subject to international phase outs or bans.
12. Production or activities involving harmful or exploitative forms of forced labor⁴ harmful child labor.⁵
13. 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.).
14. 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.
15. Activities involving land acquisition and/or restrictions on land use resulting in involuntary resettlement or economic displacement.⁷
16. Military or police equipment or infrastructures, and equipment or infrastructure which result in limiting people's individual rights and freedom (i.e. prisons, detention centers of any form) or in violation of human rights.
17. Activities targeting tobacco manufacturing, processing, or specialist tobacco distribution, and activities facilitating the use of tobacco (e.g. "smoking halls").¹

Footnotes

1. This does not apply to enterprises that are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to an enterprise's primary operations.
2. 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, including habitats of significant importance required for critically endangered or endangered species as defined by the IUCN Red List of Threatened Species; habitats of significant importance for endemic or restricted-range species; habitats supporting globally significant concentrations of migratory species and /or congregator species; areas with unique assemblages of species or which are associated with key evolutionary processes. Primary Forests or forests of High Conservation Value shall be considered Critical Habitats.
3. Critical cultural heritage consists of (i) the internationally recognized heritage of communities who use, or have used within living memory the cultural heritage for long-standing cultural purposes; and (ii) legally protected cultural heritage areas, including those proposed by national governments for such designation.
4. Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.
5. Harmful child labor means the employment of children that is economically exploitive, 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.
6. Sustainable forest management may be demonstrated by the application of industry-specific good practices and available technologies. In some cases, it may be demonstrated by certification/ verification or progress towards certification /verification under a credible standards system.
7. Land acquisition and/or restrictions on land use may result in the physical displacement of people (involuntary resettlement) as well as their economic displacement (as loss of assets and/or means of livelihood, regardless of whether or not the affected people are physically displaced).

These Policies were updated and are with effect from 25th
March 2024

Signed on behalf of the Company by



Mr. William Mbobe
Board Chairperson

SAILE FINANCIAL SERVICES LTD COMPANY