



**ENVIRONMENTAL AND SOCIAL MANAGEMENT
SYSTEM**

2024

Table of Contents

1 Section 1: Introduction.....	4
1.1 Institution Profile	4
1.2 Purpose of the Environmental and Social Management Policy.....	5
1.3 Application of Environment and Social Management System.....	6
1.4 Internal Communication and Training.....	6
2 Section 2: Environmental and Social Policy Statement	7
2.1 Overall, Policy Statement	7
2.2 Environmental and Social Categorization	7
2.2.1 Category A (High risk)	7
2.2.2 Category B (Medium risk).....	8
2.2.3 Category C (Low risk)	8
2.3 Social aspects.....	8
2.4 Environmental aspects.....	9
2.5 List of Business Excluded from Accessing Loans	9
3 Section 3: Governance Structure	12
4 Section 4: Environmental and Social Risks Identification and Assessment.....	13
4.1 Objective of Environmental and Social risk identification and assessment	13
procedures.....	13
4.2 Flow chart for E & S Risk Assessment and Monitoring Procedure	13
5 Environmental and Social Risks Monitoring and Review	13
6 Grievance Redress Mechanism (GRM).....	15
6.1 Introduction.....	15
6.2 Purpose of the GRM	15

MALAWI POLICE SAVINGS AND CREDIT COOPERATIVES SOCIETY LIMITED

National Police Headquarters, Private Bag 305 Capital City Lilongwe 3

Phone: 0212264901, Cell: 0997245286, 0993738858,

Email: info@malawipolicesacco.com Website: www.malawipolicesacco.com

6.3 Objectives of the GRM.....	15
6.4 Scope of the GRM.....	16
6.5 Procedures for channeling the project related grievances	16
6.5.1 Reception	16
6.5.2 Closure	17
6.5.3 Recording and Tracking.....	17
7 Information Disclosure to the Public	18
7.1 Project information	18
7.2 Publication of the Project’s Environmental and Social Impacts Assessment	18
Report	18

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1 Section 1: Introduction

1.1 Institution Profile

A. CONTACT DETAILS	
1. Name of Institution :	Malawi Police SACCO
2. Physical and Postal Address/ Head Office:	National Police Headquarters, Private Bag 305 Capital City Lilongwe 3
3. Chief Executive Officer: Contact Person:	Mr. Ian Mwalungila Mr. Ian Mwalungila
4. Chairperson	Mr. Mlowoka Noel Kayira
5. Date of Updating:	15 th March 2024
B. CORPORATE PROFILE	

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1. Background	<p>Malawi Police Savings and Credit Cooperative Society Limited was registered on 14th March 2014 by the Ministry of Industry and Trade under License Number 1098. Its operations started in October 2013. The SACCO is regulated by the Reserve Bank of Malawi and was licensed in August 2015 under License Number PSL 027/15.</p> <p>The major objective of Malawi Police SACCO formation is to encourage the spirit of saving within the rank and file of the men & women in uniform, the entire civil service and offer its membership affordable loans.</p> <p>The SACCO is an affiliate of Malawi Union of Savings and Credit and Cooperative Society Limited (MUSCCO) and its onset is a result of initial technical training from MUSCCO.</p>
2. Date of incorporation;	14 th March 2014
3. Shareholding and capital structure	Share capital and Debt (Members are shareholders)
4. Board Committees:	<ul style="list-style-type: none"> • Finance Committee • Supervisory Committee • Credit and Operations Committee • Human Resources and Administration Committee • Risk and Compliance Committee
5. Management Committees:	<ul style="list-style-type: none"> • Executive Committee • Risk Management Committee • Asset and Liability Committee • Credit and Operations Committee
6. Staff Compliment:	35
7. Mission:	Empowering financial wellbeing of members
8. Vision:	Leader in providing innovative financial solutions to our members

1.2 Purpose of the Environmental and Social Management Policy

The overall purpose of Environmental and Social Management Framework 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 are not feasible, Malawi Police SACCO should avoid financing those activities.

Malawi Police SACCO also recognizes the importance of addressing both causes and the consequences of climate change for projects it finances. In this context Malawi Police SACCO 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 Environment 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 Malawi Police SACCO. As much as the Environment Management Act (2017) provides a list of projects requiring and not requiring an Environmental and Social Impact Assessment (ESIA), the ESMS procedure shall apply to all projects regardless of whether or not mentioned in this law and its associated regulations.

1.4 Internal Communication and Training

Loan officer (LO) appraising a loan application whether the borrower is Corporate or SME 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 & social risks aspects while integrating in credit approval process. Loan officer shall then complete E&S impact assessment checklist. The Procedure is self- explanatory which can serve as training material to all lending officers. Annual trainings for the entire institution including specific training to all lending officers on E&S issues are periodically arranged by Malawi Police SACCO

2 Section 2: Environmental and Social Policy Statement

2.1 Overall, Policy Statement

Malawi Police SACCO is committed to promote environmentally sound and sustainable development in the full range of its credit products. Malawi Police SACCO believes that environmental and social sustainability is a fundamental 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. Malawi Police SACCO, also acknowledge national regulation pertaining to E&S governance and the applicable World Banks environmental and social standards (ESS). In view of this, Malawi Police SACCO shall only finance projects and businesses that manage their social and environmental impacts in a responsible manner based on the Malawian Environment Management Act of 2017 and also in line with the World Banks Environmental and Social Policy. Malawi Police SACCO will also apply international best practices, particularly IFC Performance Standards and other international treaties and conventions which have been ratified by the country will as well be complied with during assessment and management of Environmental and Social Risks

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.

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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 site-specific, 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

Malawi Police SACCO understands social aspects to be norms that shape the community of its members. Therefore, Malawi Police SACCO shall observe the following business practices;

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- ✚ Observe labor standards and working conditions including occupational health and safety;
- ✚ Abstain from financing businesses that use child and forced labor;
- ✚ 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 section 2.5 below.
- ✚ Abstain from financing businesses that use child and forced labor;
- ✚ 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 section 2.5 below.

2.4 Environmental aspects

From social aspects point of view, Malawi Police SACCO shall observe the following for all businesses it finances:

- ✚ Observe and eliminate negative impact of business on Biodiversity Conservation and Natural Resources;
- ✚ Observe and eliminate negative impact of business on Biodiversity Conservation and Natural Resources;
- ✚ Observe and eliminate negative impact of business on Biodiversity Conservation and Natural Resources;
- ✚ Refrain from financing businesses that are in the Exclusion list as per section 2.5.

2.5 List of Business Excluded from Accessing Loans

Exclusion List outlines various businesses and purposes which cannot qualify for Credit facilities in accordance with Malawi Police SACCO credit ideologies 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.

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Production or trade in any product or activity deemed illegal under Malawian laws or regulations or international conventions and agreements.



Production or trade in weapons or ammunitions.



Gambling, casinos and equivalent enterprises.



Production or trade in alcoholic beverages (excluding beer and wine).



Activities targeting tobacco manufacturing, processing, or specialist tobacco distribution, and activities facilitating the use of tobacco.



Trade in wildlife or wildlife products regulated under Convention on International Trade in Endangered Species (CITES).



Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where Malawi Police SACCO considers the radioactive source to be trivial and/or adequately shielded.



Production or trade in or use of unbounded asbestos fibers.



Any activities involving significant degradation or conversion of natural and/or critical habitats and/or any activities in legally protected areas.



Activities damaging to national monuments and other cultural heritage.



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.



Production or trade in wood or other forestry products other than from sustainably managed forests.



Production or trade in pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls (PCBs) subject to international phase outs or bans.



Production or activities involving harmful or exploitative forms of forced labor or hazardous child work.

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- ✦ 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.).

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.

- ✦ Activities involving land acquisition and/or restrictions on land use resulting in involuntary resettlement or economic displacement.
- ✦ 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.
- ✦ Activities involving live animals for experimental and scientific purposes.
- ✦ Loans to finance projects which have no Environmental and Social Impact Assessment (ESIA) while they are legally supposed to have a mandatory ESIA;

3 Section 3: Governance Structure

Responsibility for implementing this Environmental and Social Management System has been assigned to the credit department which is found in the overall organization chart of Malawi Police SACCO. The credit department is responsible for ensuring that all environmental, social and related risks are identified, evaluated and managed.

The credit department is headed by credit and evaluations Manager and supported by staffs specializing in key functions of environmental and social risk management. The management of E&S risks will not only be the role of the Risk and Compliance Department but will involve the whole governance structure. The governance practices, processes and responsibilities by which Environmental and Social Risk are managed and controlled in Malawi Police SACCO 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	Oversight and overall direction of the business
Executive	Executive Committee	Managing the core business of the institution
	Management Risk and Compliance Committee	Holistically managing all risks within the institution through Enterprise Risk Management
	Credit Committee	Managing the risk of the entire credit portfolio
	Asset and Liabilities Committee (ALCO)	Overseeing management of institution's assets and liabilities
Audit	Audit Function	To provide independent assurance that institution's risk management, governance and internal controls processes are operating effectively

4 Section 4: Environmental and Social Risks Identification and Assessment

4.1 Objective of Environmental and Social risk identification and assessment procedures

Malawi Police SACCO demonstrates RBM's commitment to integrate environmental and social considerations in the PFI activities to be funded under this project to minimize, avoid or eliminate the potential negative impacts arising from such activities. The objective of E & S risk identification and assessment procedures section is to provide a step-by-step guidance on screening, assessment, decision, control and monitoring of E&S risks with respect to transactions financed by Malawi Police SACCO. The below steps will be followed to action risk identification and assessment;

- ✚ The Risk and Compliance Manager shall be responsible for the final determination of the project E&S categorization in reference to the E&S risk assessment form or appraisal filed by the company officers during site visit;
- ✚ Where a need arises, E&S officer shall review or revisit the project site accompanied by the respective loan officer.
- ✚ Final E&S categorization of the project will base on the 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

5 Environmental and Social Risks Monitoring and Review

The Risk and Compliance shall ensure that all projects financed by Malawi Police SACCO are kept in constant monitoring throughout the loan tenure. The main objective is to ensure that projects are implemented and operated in compliance with prevailing regulatory requirements and other international best practice. Projects shall be monitored through all stages of construction, operation and decommissioning. The monitoring shall aim at enhancing positive impacts and eliminate or

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minimize negative impacts of the projects as outlined during the process of Environmental and Social Impact Assessment and included in the Environmental and Social Management Plans.

Monitoring will ensure that loan covenants set in facility agreements are adhered and any failure is earlier recognized hence Malawi Police SACCO may agree with the client on remedial measures to be taken by the client to achieve desired level of compliance. In case the client fails to comply with the agreed remedial measures, Malawi Police SACCO may take such action and/or exercise such remedies contained in the loan facility agreements that deemed appropriate. In case of any grievances related to E&S, the Lending Officer shall contact the SF unit for necessary course of action. Other project affected communities and stakeholders will report grievance as per procedure stipulated in customer complaints registers available at all Malawi Police SACCO branches and website. Furthermore, complaints can be raised at all grievance uptake locations as stipulated in the Grievance Redress Mechanism.

Monitoring process/activities will involve:

- ✚ Periodic site visits by the environmental and social risk analysts. During site visit a form named 'Post-loan Disbursement E&S Risk Monitoring checklist' shall be used while focusing on implementation of EMP/ESMP section as analyzed in the EIA report.
- ✚ For all high risks E&S projects and medium risks that need close follow up, conducting site visit and review the 'E&S Risk Assessment Form' to confirm/recategorize the project proposal received from business unit.
- ✚ Review and ensure compliance with grievance mechanism during site visit.
- ✚ Maintain a database of approved loans from an E&S perspective.
- ✚ Periodic preparation of reports to the management detailing environmental and social risk status of various projects.
- ✚ Annual preparation of E&S compliance reports including mandatory Annual Environmental Performance reports.

6 Grievance Redress Mechanism (GRM)

6.1 Introduction

Malawi Police SACCO operates in an open environment and has an open-door policy that enhances support, friendship and professional collaboration. Malawi Police SACCO 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. Malawi Police SACCO will continue addressing the environmental impact of its business activities, directly or indirectly with those doing business with Malawi Police SACCO.

6.2 Purpose of the GRM

Malawi Police SACCO recognizes the importance of accountability and that stakeholder concerns should be addressed in a manner that is fair, objective, and constructive. The purpose of a grievance mechanism is to establish a way for affected individuals, groups or communities to communicate their enquiries, concerns or formal complaints. The grievance mechanism will address affected persons' concerns and complaints promptly, using an understandable and transparent process that is gender responsive, culturally appropriate, and readily accessible to all segments of the affected parties.

6.3 Objectives of the GRM

Malawi Police SACCO abides to the laws of the country; thus, management of the environment forms our day-to-day operations. This policy borrows a leaf from the contents of constitution on the environment. Therefore, our objectives include;

- ✚ Providing a healthy living and working environment for staff members
- ✚ Accord full recognition to the rights of future generations by means of environmental protection and the sustainable development of natural resources.
- ✚ Conserve and enhance biodiversity.

This can be achieved through the following mechanisms;

- ✚ Ensure better safeguards mechanisms for implementation of projects.

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- ✚ Resolve environmental and social grievances in the Project areas in a systematic and timely manner to safeguard interests of Malawi Police SACCO and community as a whole.
- ✚ Build up a relationship of trust amongst Malawi Police SACCO, 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 acknowledge the importance of accounting for all project related complaints under the Financial Inclusion and Entrepreneurship Scaling (FInES) project. This guarantees the application of the same to all FInES funded projects.

6.5 Procedures for channeling the project related grievances

6.5.1 Reception

Malawi Police SACCO understands that a project funded is associated with complaints that may result to social, health or environmental risk. The affected party can raise a concern through predefined channels for remedial action. Malawi Police SACCO will receive the same through the following reporting lines:

6.5.1.1 Call center

Affected parties can channel their complaints via the company's customer lines. The complaint received through this channel will be handled by member officers in all the designated branches. The TAT for complaint resolution is 5 working days, in case it has not been resolved successfully, the complaint shall be escalated to the Chief Executive Officer at the Company's headquarters in Lilongwe.

6.5.1.2 Branches

Affected parties can equally visit the nearest branches to report their grievances. One can meet member services officers, who will log the complaint and offer the necessary guidelines towards resolving the complaint. The aforementioned TAT and escalation procedure still applies here.

6.5.1.3 Suggestion boxes

Affected parties can utilize suggestion boxes placed in designated branches to log their complaints.

6.5.1.4 Post office

Clients can equally send their grievances through post office to the following address; P/BAG 305, Lilongwe. The complaints received will be resolved within 5 working days.

6.5.1.5 RBM Reporting lines

Affected clients can also submit their grievances through RBM Grievance lines, and the necessary feedback will be provided according to the RBM GRM framework.

6.5.2 Closure

Formal documentation of the registered will be issued to the complainant to ensure both parties have reached an agreement and the complaint being resolved. The complainant is thereby required to sign the complaint closure document and it shall be filed.

6.5.3 Recording and Tracking

All Malawi Police SACCO branches shall maintain completed Customer Complaint Registers. Keeping records of complaints collected from relevant branches will be the responsibility of the Regional Manager who will be responsible to submit the complaints to the Risk and Compliance Department. All complaints will be centrally recorded for enabling continuous tracking of implementation of resolutions.

Complaint tracking system will among other information contain the following key information:

- ✚ Number of complaints/ grievances registered;
- ✚ Percentage of grievances resolved or addressed;
- ✚ Percentage of grievances resolved within stipulated time period; or time required to resolve complex complaints;
- ✚ Percentage of complainants satisfied with resolution and grievance redress process;
- ✚ Percentage of project beneficiaries that use specific uptake locations; and
- ✚ Percentage of complaints that have been forwarded to judicial system (courts of law).

7 Information Disclosure to the Public

All Malawi Police SACCO's decisions on projects/loan disbursements which will involve category 'A' and 'B' environmental and social risks as described in item 7.1 below will be publicized to the general public. Malawi Police SACCO, through its website will disclose the following key information:

7.1 Project information

Project information shall include: Expected project beneficiaries; Project brief and purpose of the funding; Locality of the project; Total project cost; Financing structure of the project.

7.2 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' project where timelines for disclosure will be as follows;

(a) Category A projects

Malawi Police SACCO will disclose the Environmental and Social Impact Assessment (ESIA) and/or Environmental and Social Management Plan (ESMP) approved by the Malawi Environmental Protection Authority at least 20 days before Malawi Police SACCO's decision.

(b) Category B projects

Malawi Police SACCO will disclose the ESIA and ESMP at least 10 days before Malawi Police SACCO's decision.

(C) Category C projects

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Malawi Police SACCO will disclose the identified E&S risks and their proposed mitigation measures, where applicable, at least 5 days before Malawi Police SACCO decision.

NB: THIS POLICY SHALL BE APPLIED IN ADHERENCE TO ENVIRONMENTAL AND SOCIAL POLICY AND PROCEDURES FOR FINANCIAL INCLUSION AND ENTREPRENEURSHIP SCALING PROJECT

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POLICY APPROVAL

Chairman: Mlowoka Noel Frank Kayira

Signature: 

Secretary: Ms. Mercy Chirwa

Signature: 

Chief Executive Officer: Ian Mwalungila

Signature: 

15th March 2024