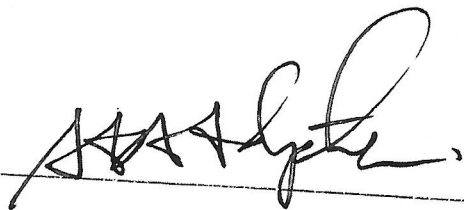


ADDENDUM 1 TO NATIONAL ECONOMIC EMPOWERMENT FUND LIMITED
ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT POLICY

JANUARY 2025

Date endorsed by the CEO:

A handwritten signature in black ink, appearing to be 'A. A. Lytle', is written over a horizontal line.

EXECUTIVE SUMMARY

The National Economic Empowerment Fund Limited (NEEF) has a corporate Environmental and Social Management System developed and approved by the Board in November 2021. Need has arisen for the NEEF to further enhance the Environmental and Social Management System to cover issues broader than the Financing sector considering the fact that some of the businesses being financed by the MFI are into the physical, manufacturing, construction and production sectors. This addendum therefore covers all areas missing in the main document and first addendum being child protection, gender based violence management, sexual harassment, occupational health and safety and labour procedures. The NEEF has also covered for unknown risks providing the institution a general guide on what to do in those events as well as managing incidences. This is expected to cover the institution adequately to fully align with International Procedures as at the present situation. It is anticipated that guidance notes will be provided to regulation departments already handling ESS issues to take on board the new areas of emphasis and ensure full implementation of the safeguards. The immediate use of this Addendum will largely be in reference to implementation of World Bank Financing to ensure that NEEF is in full compliance with the World Bank Environmental and Social Framework (ESF).

1.0 BACKGROUND

This addendum serves as additional documentation to be read together with the typical Company's Environmental and Social Policy for purposes of meeting World Bank standards to fully align to the Environmental and Social Framework and qualify for World Bank financed loans. The need for this additional information has arisen as the NEEF, is participating in the FINES Project. The current corporate Environmental and Social Policy covers all areas in finance management but there is need to provide for guidance in

traditional Environmental and Social Hot Spots to fully align with the World Bank ESF.

The additional commitments made in this Addendum will be subjected to proposed projects in the pipeline set to apply for loans and specific set of requirements regarding application of the funds will be subjected. They will be required to be followed as part of the the Environmental and Social management systems and procedures to be in place to effectively assess the risks for the customers and continuous monitoring of the customers. The addendum guidelines will be applied where appropriate and the chance meet procedures section provide for best practices to anticipated risks as they may arise.

The NEEF has other pieces of Policy documents that if their content is added to this addendum will make the ESM Policy fully aligned to the ESF.

2.0 CHILD PROTECTION GUIDELINES

The NEEF does not currently have a Child Protection Policy but has an alternative document referred for Customers to abide by the Country's legal instruments covering matters around child protection. From this Addendum the NEEF further commits to thrive to ensure that child protection is observed in their ESM Policy. Child protection will thus cover efforts that aim to keep children safe from harm, preventing and responding to violence, exploitation and abuse against children. This ESM Policy addendum therefore recommends a Child Protection System (CPS) aimed at consolidating the already used or referred to laws and policies, meaningful coordination across risk departments, working in synergy, knowledge of and data on child protection issues and good practices, minimum child protection standards and oversight, preventive and responsive services, a skilled child protection workforce, adequate funding.

The risk department will scrutinize project proposals in the pipeline to make a determination of child involvement in general. If child involvement is

detected, the department will further rate the risk in categories of High, Medium and Low, if it is found that there is no child involvement, the proposed business will be cleared for child protection.

Child trafficking is another aspect of the CPS and it involves the recruitment, transportation, transfer, harboring or receipt of children for the purpose of exploitation. The systems in the NEEF shall ensure that none of these risks are detected in pipeline proposals or during loan implementation period. Finally there are issues of child well-being and discrimination which can be understood as the quality of a child's life. Discrimination on the other hand deals with bias or prejudice resulting in denial of opportunity, or unfair treatment. Discrimination is practiced commonly on the grounds of age, disability, ethnicity, origin, political belief, race, religion, and gender factors that are irrelevant to a person's competence or suitability.

3.0 LABOUR MANAGEMENT PROCEDURES

The NEEF focus for the ESM Policy will consider both direct employees including all staff dedicated to the management of the Line of Credit and other operations in the company.

3.1 Overview of Labour Risks

Entrepreneurship activities involving construction, manufacturing, production and others. Key labor risks are associated with employment conditions, health and safety, including risks related to direct and contracted workers as well as Occupational Health and Safety (OHS)-related risks in office work.

Other labour risks involve non-compliance with National Labour Laws, as well as ESS2. Examples of non-compliance include failure to adhere to terms and conditions of the

Line of credit, workplace discrimination, limited opportunities for women, disregard for the role of workers organizations, and the absence of a workers'

Grievance Redress Mechanism (GRM). Additionally, there are risks related to Sexual Exploitation and Abuse (SEA) and Sexual Harassment (SH) at the workplace or involving workers or clients.

This Labour Management Procedures (LMP) provides procedures for addressing these labour-related issues. Furthermore, specific OHS procedures addressing OHS risks will be stipulated below and integrated into the Environmental and Social Management Systems. This encompasses guidelines for fire safety protocols, housekeeping procedures, workplace first aid and medical care, workers' orientation and training, access, incident investigation and reporting.

3.2. Overview of Relevant Legislation

3.2.1. World Bank Environmental and Social Standard 2 (ESS2)

The World Bank's requirements related to labour are described in ESS2 on Labor and Working Conditions. ESS2 recognizes that by ensuring that Project workers are treated fairly, with safe and healthy working conditions, {PFI NAME} can promote strong relationships between employees and employers and leverage the benefits of managing the FINES Line of Credit.

The scope of application of procedures to protect workers will be enhancing the already existing workforce management of the {PFI NAME} Human Resource department guided by the Human resource and Ethics Policy.

3.3 Working conditions and Labour relations expected from NEEF Clients.

Terms and conditions of employment, by the clients, as a result of obtaining financing from NEEF, will guide on hiring requirements, wage payments, and termination of contracts among others. This shall be in written and explicit form; non-discrimination and equal opportunities, hiring of employees will be based on the principle of equal opportunities and fair treatment, and there

will be no discrimination concerning any aspects of the employment relationship; workers' organizations, respecting the role of legally established workers' organizations (associations, unions) and legitimate workers' representatives, who will receive the information necessary to conduct meaningful negotiations on time.

3.4 Measures to Counter Discrimination:

In compliance with the Malawi Employment Act; Labor Act and ESS 2 of the World Bank, the employment of workers will be based on the principles of non-discrimination and equal opportunity. There will be no discrimination with respect to any aspects of the employment relationship, such as recruitment, compensation, working conditions and terms of employment, access to training, promotion or termination of employment. The following measures will be developed by the contractors and monitored by the project team to ensure fair treatment of all employees:

- Recruitment procedures will be transparent, public and non-discriminatory with respect to ethnicity, religion, sexual orientation, disability, gender, and other grounds.
- Applications for employment will be considered in accordance with the application procedures established by the Contractor/company.
- Clear job descriptions will be provided in advance of recruitment and will explain the skills required for each post.
- All workers will have written contracts, in an appropriate language, describing terms and conditions of work and will have the contents explained to them. Workers will sign the employment contract. Terms and conditions of employment will be available.

A code of conduct for employees and employers should be applied for all workers, emphasizing labor, health and safety, environmental and social issues, including SEA/SH.

The individual code should be signed by each direct and contracted worker, preferably at the signing of the contract, and a copy kept by both parties and will include in contracts that all contractor (and subcontractor) personnel must be of the age of 18 years or more.

By signing the Code of Conduct, the worker confirms that he/she:

- Received a copy of the Code;
- Have had an explanation of the Code;
- Recognize that adherence to this Code of Conduct is a condition of working on the project;
- Recognize that violations of the Code may result in serious consequences, up to and including
- Dismissal or referral to legal authorities

A sample code of conduct that clients can use is provided in Annex 1.

4.0 INCIDENT INVESTIGATION AND REPORTING

Accidents can be prevented by following proper accident investigation and reporting procedures. When accidents occur, business should follow specific processes to ensure an effective investigation and report. Accident Investigation and Reporting procedures are crucial for implementing appropriate safety measures in the workplace and resolving workplace safety and liability issues. Typically, investigations include incidents involving injuries, fatalities, loss of time, or significant damage to company property or equipment. Procedures for investigating and reporting incidents may include:-

- Reporting the incident to the officer in charge and relevant regulatory authorities.
- Securing the scene of the accident.
- Gathering information promptly from witnesses and other sources, such as CCTV footage.

- Analyzing the facts and sequence of events to identify actions, inactions, or conditions that contributed to the accident.
- Preparing a written report detailing the investigation findings.
- Developing and implementing corrective actions to prevent similar accidents in the future.
- Reviewing the entire process to identify areas for improvement.

The NEEF ESS Desk Officer will be responsible for reporting incidents and accidents. Any reportable incident should be promptly reported to the World Bank within 24-48 hours. Further investigation and reporting will be conducted by the FINES PIU upon request from the World Bank.

5.0 GUIDELINES FOR HANDLING SEXUAL HARASSMENT POLICY CONTRAVENTIONS

The NEEF has set guidelines on Sexual harassment in all its forms which will be treated as a disciplinary offence under the MFI Conditions of Service. In the event that sexual harassment has been experienced by a member of staff, it should be reported instantly to the immediate supervisor/manager of the alleged harasser. When investigations of sexual harassment are being conducted, confidentiality of the complainant, any witnesses and alleged harasser shall always be maintained. Investigations of sexual harassment claims shall be completed within thirty days of being reported. Employees must be advised that complaints of sexual harassment may be handled through informal or formal grievance procedure.

a. INFORMAL PROCEDURE

It may be sufficient for the employee concerned to have an opportunity to explain to the person engaging in unwanted conduct that the behavior in

question is not welcome, that it is offensive and that it interferes with their work.

If the conduct stops after this request, no further action may be necessary, and the matter shall not be pursued further. However, if the case was brought to the attention of management, a file note shall be prepared and placed on file for future reference. If this informal approach does not result in a satisfactory result, and if the case is severe or if the conduct continues, it may be necessary to invoke the formal grievance procedure.

b. FORMAL PROCEDURE

All formal complaints of sexual harassment should be made in writing to the immediate supervisor/manager. The matter will then be referred to Internal Audit Division which will commence formal investigations as stipulated in the Disciplinary Procedures. Internal Audit Division will be at liberty to co-opt other people to assist it with investigations regarding sexual harassment claims. In the event that the alleged harasser is of a higher grade than the investigator(s), an ad-hoc committee comprising of individuals of equal or higher rank shall be formed to carry out the investigations.

Formal complaints of sexual harassment will be investigated and handled in the strictest of confidence, and the identities of all persons involved will be kept confidential.

c. DISCIPLINARY PROCEDURE

Formal allegations of sexual harassment will be investigated and evaluated considering the totality of the circumstances.

Where a disciplinary enquiry is to be held for sexual harassment, confidentiality must always be maintained. Only appropriate and necessary persons should be involved in and notified of enquiry proceedings. Each case will be dealt with on its own merit and in this regard, the extent of disciplinary action taken will depend on all the facts and circumstances available at the time of the decision.

NEEF regards sexual harassment in a very serious light and classifies acts of this nature as misconducts which fall into the category of offences which may warrant dismissal. Serious incidents of sexual harassment or continued harassment after warnings have previously been issued are dismissible offences.

6.0 OCCUPATIONAL HEALTH AND SAFETY

The NEEF Addendum to the ESM Policy includes procedures to establish and maintain a safe work environment, including ensuring that workplaces, machinery, equipment, and processes under their control are safe and without health risk, including the use of appropriate protective measures to physical, chemical and biological substances and agents.

Below is a summary of OHS measures set out in ESS2 and NEEF will fully adopt:-

- identification of potential hazards to project workers, particularly those that may be life threatening;
- provision of preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances;
- training of project workers and maintenance of training records;
- documentation and reporting of occupational accidents, diseases, and incidents;
- emergency prevention and preparedness and response arrangements to emergencies; and
- remedies for adverse impacts such as occupational injuries, deaths, disability, and disease.

7.0 CLIENT DATA SAFETY

NEEF is committed to protecting the privacy and security of personal data in accordance with applicable data protection laws and regulations. This Data Protection Policy outlines how we collect, use, and safeguard your personal information when you use any of our services.

7.1. Data Collection

The Bank shall collect the following information from data subjects:

Personal Information

Name, age, date of birth, location, phone number, Identity, and/or email address as per the regulatory requirement.

Device Information

Device type, operating system version, subscriber identity (i.e. Internal Mobile Subscriber Identity), unique device identifiers when you accept our terms and conditions. This only applies when you are using our mobile services.

7.2. Transparency

At the time of collecting data, the Bank shall provide the following information to the data subject:

- The purposes for collecting and processing the personal data,
- The legal basis for processing the personal data,
- The contact details of the MFI or its representative,
- Where possible, the storage period for the personal data,
- The existence of automated decision making, including profiling,
- The rights of the data subject in relation to their data as provided for in Part IV of the Data Protection Act,
- The right to lodge a complaint with the Malawi Communications Regulatory Authority, and
- Whether the MFI intends to transfer the personal data outside Malawi.

- Where the MFI obtains personal data of a data subject from a person other than the data subject, it shall, within fourteen days, provide the requested information.

7.3. Consent

MFI will obtain explicit and freely given consent from data subjects, or, where the data subject has no capacity to provide consent, another natural person who has authority to provide consent on behalf of the subject as his/her legal guardian.

Consent can be withdrawn at any time. Such withdrawal shall, where practicable, be in the same manner the consent was provided.

7.4. Use of Information

The MFI shall use the collected data for the following purposes:

- To provide and improve its services,
- To personalize the data subject's experience,
- To communicate with the data subject,
- To prevent fraud.

7.5. Data Sharing

The MFI shall not sell, trade, or otherwise transfer a data subject's personal information to third parties. However, the MFI may share the information if required by law or regulation.

The MFI shall not transfer personal data from Malawi to another country or an international organisation unless the recipient of the data is subject to a law, a binding corporate rule, a personal data protection contractual clause, code of conduct, or certification mechanism that affords an adequate level of protection of personal data.

8.0 CHANCE FINDS PROCEDURE

This is a specific procedure that outlines what will happen if previously unknown risks are encountered during implementation of the operations.

8.1 Procedure

In the event of a chance encountering any risk not previously anticipated, and along the operations of loan management, the following actions should be implemented:

8.1.1. Cease immediately all transactions in relation to the specific client/project;

8.1.2. Rope off the concerned area/space area surrounding the risk to prevent further damage and limit access;

8.1.3. Notify Desk Officer/PIU ESS;

9.0 CONCLUSION

The Addendum 2 of the NEEF ESMS has tackled issues left out in the original ESMS developed by the NEEF. It is anticipated that with all the additions, the developed addendum will fully align NEEF to all International requirements.