

MAHA AGRICULTURE PRIVATE Co., Ltd

(Maha)

Environmental and Social Policy

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1 GENERAL PROVISIONS

Maha recognizes the importance of environmental and social (E&S) risk management, and is committed to developing and implementing social and environmental management practices in all its activities. In order to do so, Maha will ensure that the borrowers we finance adhere to environmental and social requirements as defined in Myanmar's legislation and regulations. Maha will also integrate E&S risk management into our own risk management analysis and practices, and monitor annually our organization's performance in this area.

It is the responsibility of management at all levels to carry out the company's environmental policies. Maha has appointed U Thaung Htike, Managing Director as Environmental and Social Officer to coordinate social and environmental activities, but each employee is expected to adhere to the spirit as well as the letter of this policy and to assume a special obligation to promptly advise management of any situation that may result in a negative environmental and social impact. In the event that there is a change in Environmental and Social Officer, approval will be required from Maha's Board of Directors or Advisory Board ("Board")

2 ORGANIZATION AND RESPONSIBILITIES

2.1 Environmental and Social Officer (E&S Officer)

The E&S Officer has the following responsibilities:

- Ensuring that E&S policy and procedures adequately address requirements of local laws and regulations related to environmental and social standards, including:
 - Myanmar Regulatory and Legislation Requirements List
 - National Environmental Policy 1994
 - Environmental Conservation Law, 2012
 - Environmental Conservation Rules, 2014
 - Foreign Investment Rules
 - Myanmar National Environmental Quality Guidelines
 - IFC Performance Standards and EHS Guidelines, in particular, IFC Performance Standard 2
 - Environmental, Health, and Safety Guidelines
 - Myanmar Environmental Impact Assessment Procedures
 - Standards related to Myanmar Investment Law and Rules
- Reporting to the rest of Maha senior management on environmental and social issues, including monthly reports of total loans rejected on environmental and social grounds (and as a percentage of total loans applied and total loans disbursed), interventions made (e.g., loan contracts issued with special clauses for environmental and social concerns),
- Reviewing Maha's environmental and social policy and procedures on an annual basis

- Ensuring that environmental and social policy and procedures are implemented and introducing corrective measures when they are not
- Providing assistance to staff where required to implement the environmental and social policy and procedures
- Ensuring that copies of this environmental and social policy are widely available at Maha
- Ensuring that records or data on environmental and social policy and supervision are maintained
- preparing and submitting an annual environmental and social performance report to the Board and shareholders.

2.2 Credit Committees

Credit Committees will ensure that lending decisions are based on appropriate information concerning the social and environmental situation of the business financed; this applies in particular to SME loans. In the event that any loan is being considered for activities that are likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented, Credit Committee has an obligation to raise this to E&S Officer, who should then report to senior management team (CEO, MD, COO), who are in turn required to inform the Board in writing.

2.3 Legal Counsel

Legal Counsel of the MFI will ensure that appropriate environmental and social 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, labor, health, safety, or social aspects. In the absence of a dedicated legal counsel within the MFI, this responsibility shall be assumed by E&S Officer, with support from relevant legal expertise.

3 E&S key procedures

The Environmental and Social policy is implemented according to the procedures outlined below. The following three principles are key elements of the procedure:

- Applying “Exclusion List” (refer to Annex) as an eligibility screen for all lending;
- Conducting environmental and social risk assessment to ensure that borrowers are in reasonable compliance with the applicable environmental, social, and local health and safety requirements
- Supporting borrowers, when appropriate, to improve environmental and social performance
- Annual review of E&S performance and management

3.1 Exclusion list

When an existing or potential customer inquires about or makes application for a loan, Loan Officer is required to evaluate if a loan to this customer would contravene Maha's Exclusion List (refer to Annex *Exclusion List*). This does not apply for Farmer Loans since the activity being financed is agriculture (which is not part of the Exclusion List) but applies for vendor loans and any other micro, small, and medium enterprise (MSME) loans that will be developed by Maha. For such loan products, Loan Officer should discuss the exclusions found in the Exclusion List with the customer. If the customer's activities are part of the Exclusion List, the loan officer informs the customer that Maha cannot make the loan until contravening activities are eliminated. The loan officer then informs the E&S Officer that a loan has been rejected due to inconsistency with the Exclusion List. The E&S Officer should keep records of such loans, and report it to CEO, MD, COO, and Head of Operations as part of his/her monthly reporting.

3.2 Evaluation of environmental and social risks of Maha's clients' businesses

Assuming that customer does not contravene Maha's Exclusion List, and proceeds on to the application and appraisal process, Loan Officer should evaluate the environmental and social risks associated with the client's business. To do so, the loan officer assigns the borrower's economic activities to one of the following environmental and social risk categories: low risk, limited risk, medium risk or high risk. This risk categorization is based on the classification of environmental and social risk by the main economic activity (see Annex *Environmental risk classification*). According to this categorization, all Farmer Loans would fall under the 'Limited Risk' category, and hence records of the environmental and social risk categories would only be required for vendor loans and any other micro, small, and medium enterprise (MSME) loans that will be developed by Maha.

During the environmental and social risk evaluation, the loan officer is also expected to explain to the customer that he/she is expected to comply with the environmental, labor, health and safety and social requirements of country 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 agreed as a condition of the loan. If a loan is rejected due to environmental and social grounds, or corrective action(s) is agreed upon as a condition of the loan disbursement, the E&S Officer is informed accordingly. The E&S Officer should keep records of such loans, and report it to CEO, MD, COO, and Head of Operations as part of his/her monthly reporting.

Additional environmental and social risks assessment is carried out for SME loans in the highrisk category, regardless of the loan amount. Based on the results of the assessment, a brief environmental and social Information Form (Refer to Annex *Sample of the Evaluation Form for SME loans in high risk category*) is prepared.

Additionally, medium-sized SMEs would also be assessed for legal compliances, particularly with regard to legal environmental standards and labor laws. Maha defines medium-sized SMEs as 60-600 staff, 50Million MMK to 1Billion MMK in capital.

Maha's loan agreements contain a general clause stating that the customer is familiar with the environmental and social exclusion list of Maha and that the customer affirms that he/she does not pursue any of the economic activities enumerated in the Exclusion List. The loan agreements also contain a clause stating that the customer, to the best of their knowledge, is familiar with the applicable environmental, labor, health and safety and social requirements of country and that he/she assures that his/her enterprise is operated in compliance with these requirements. Furthermore, If a specific risk is identified at the time of appraisal, a special clause will be included in the loan agreement to mitigate the risk.

3.3 Supporting borrowers to improve their E&S performance

During monitoring 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, and referrals to other organizations to support borrowers in improving their E&S performance will be made as appropriate.

If the monitoring visits reveal that the client is now contravening Maha's Exclusion List, Loan Officer is required to inform E&S Officer, and to require client to take necessary corrective actions. If client does not comply with these corrective actions, Maha will consider requiring the loan to be repaid early, and/or not providing the borrower with a subsequent loan, bearing in mind liquidity, market constraints, and fiduciary responsibilities. E&S Officer is expected to report any such cases as part of his/her monthly reporting to senior management.

3.4 Annual review of environmental and social performance

Maha evaluates its environmental and social performance on an annual basis. In the event of any change in Maha's scope of operations, this review should also consider modifications that the existing E&S Management may require in order to mitigate any E&S risks associated with the new scope of operations. Changes to the E&S Management systems in relation to new scope of operations will require Board consultation and approval.

The institution provides an annual report on environmental and social performance and compliance to the Board and to shareholders.

4 RESOURCES AND CAPABILITIES

Maha Management and the Environmental and Social Officer will ensure that sufficient internal resources have been committed to allow for the effective implementation of the policy and procedure.

Maha Management will ensure that the Environmental and Social Officer and a back-up staff member (U Tin Myo Thant, Credit Operation Manager) participate in appropriate environmental management system training oriented towards microfinance institutions.

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

The Environmental and Social Officer will maintain a file of environmental and social organizations or qualified environmental and social consultants who can be called upon as needed.

5 Annexes

5.1 Exclusion List

Maha does not finance the following activities and products:

- Production or trade in any product or activity determined to be illegal under host country laws or regulations or international conventions and agreements.¹
- Production or trade in weapons and munitions¹
- Production or trade in alcoholic beverages (excluding beer and wine)¹
- Production or trade in tobacco¹
- Gambling, casinos and equivalent enterprises¹
- Trade in wildlife or wildlife products regulated under CITES².
- Production or trade in radioactive materials.³
- Production or trade in or use of unbounded asbestos fibers.⁴
- Purchase of logging equipment for use in primary tropical moist forest.
- Production or trade in pharmaceuticals subject to international phase outs or bans.⁵
- Production or trade in pesticides/herbicides subject to international phase outs or bans.⁶

¹ This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

² CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora

³ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.

⁴ This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

⁵ A list of pharmaceutical products subject to phase outs or bans is available from the IFC's Environment Division.

⁶ A list of pesticides and herbicides subject to phase outs or bans is available from the IFC's Environment Division.

- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Production or activities involving harmful or exploitative forms of forced labor⁷/harmful child labor.⁸
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in products containing PCBs.⁹
- Production or trade in ozone depleting substances subject to international phase out.¹⁰
- Production or trade in wood or other forestry products from unmanaged forests. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals.¹¹
- Production or activities that impinge on the lands owned, or claimed under adjudication, by
- Indigenous Peoples, without full documented consent of such peoples.
- Production of or trade in pornography, or the provision of products or services of a substantially similar nature.

5.2 Environmental risk classification

Maha adopts the following environmental risk classification:

Category	Environmental and Social Risk
Trade	
<ul style="list-style-type: none"> • Import/export, wholesalers 	Low
<ul style="list-style-type: none"> • Market stand 	Low
<ul style="list-style-type: none"> • Retail kiosk 	Low

⁷ Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

⁸ Harmful child labour 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

⁹ PCBs: Polychlorinated biphenyls - a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985

¹⁰ Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from the Environment Division.

¹¹ A list of hazardous chemicals is available from the Environment Division. Hazardous chemicals include gasoline, kerosene and other petroleum products.

• Shop / Retail trade premises	Low
• Supply of computer and office equipment	Low
• Other trade	Low
Services	
• Business services	Low
• Cafe / Restaurant	Low
• Car repair, maintenance services	Medium
• Education / Training	Low
• Health services / Cosmetic studio	Low, or Medium if medical waste is generated
• Hairdresser	Limited
• Film processing facilities / Printing services	Medium
• Laundry services / Dry-cleaner	High
• Market premises management	Limited
• Media / Communication / Design studio / Advertising agency	Low
• Photocopy shop	Limited
• Real estate	Low
• Sport and entertainment facilities/Travel agency	Low
• Taxi services / Freight services	Low
• Waste and water management	Medium
• Other services	Low

Production	
• Crop production	Limited
• Bakery, retail food production	Low
• Carpentry / Woodworking	Medium
• Chemical industries	High
• Construction works	Medium
• Grain milling	Limited - Medium (depending on scale of operation)
• Leather production	Medium
• Machinery / Equipment	Medium (or Limited, if <10 employees)
• Miscellaneous manufacturing	
• Processing of food, beverages	
• Pulp and paper products	Medium
• Raw materials extraction (quarrying / mining)	High
• Textile production	Dry: Limited – Medium (depending on scale of operation) Wet: High

5.3 Sample of the Evaluation Form for SME loans in high risk category

Maha Agriculture Microfinance, Private Co., Ltd.

Environmental and Social Evaluation Form for Loan Assessment

Loan applicant name/ No.	
1. Business activity	
Category	
Brief Description	
No. of full time employees	
No. of part time employees	
2. Loan information	
Loan amount (MMK)	
Interest rate (% per annum)	
Tenure (months)	
Frequency of instalments	
Early repayments	Allowed/ Not allowed Any fees associated with early repayments

Grace period (days)	
Compulsory deposits (MMK or % of loan, if any)	
Interest rates on compulsory saving deposits (% per annum)	
Conditions for withdrawal of compulsory deposits	
Any other fees	
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 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 issues (if any), such as environmental covenants to be included in the loan agreement, including provision of monitoring information.
5. Key Social and Labor Regulatory Compliance	

Does the SME comply with national labor regulations and standards (e.g. minimum labor age: 18; minimum wage: MMK 3,600/day; mandatory workers' benefits/social welfare: Social Security; overtime pay: 2x hourly rate)? How are the labor conditions? How are the relations with local communities (are there problems, complaints? Has there been any negative medium attention for environmental, labor, health and safety, or social issues? Has there been any major accident or incident including pollution discharge/emission, fire, worker's injury (including fatality), community impact, etc.?

Name: _____

Name: _____

Position: Branch officer: _____

Position: Environmental and Social Officer: _____