

Climate Risk Fund-I (CRF-I)

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM - POLICY AND PROCEDURES

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ABBREVIATIONS

ACFID	Agricultural Credit & Financial Inclusion Department
CRF-I	Climate Risk Fund I
EA	Environmental Assessment
ESMP	Environmental and Social Management Plan
E&S	Environmental and Social
EIA	Environment Impact Assessment
ESMS	Environmental and Social Management System
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
GoP	Government of Pakistan
GBV	Gender Based Violence
LoC	Line of Credit
MFIs	Microfinance Institutions
MSMEs	Micro, Small and Medium Enterprises
MFBs	Microfinance Banks
MFPs	Microfinance Providers
PFI	Participating Financial Institutions
SBP	State Bank of Pakistan
SEA/SH	Sexual Abuse and Sexual Harassment

INTRODUCTION

PROJECT DESCRIPTION

The Climate Risk Fund-I (CRF-I) has been established with the overarching objective of enhancing resilience of MFPs and their borrowers by supporting climate adaptation and recovery, in addition to enhancing access to finance. It will do so by providing liquidity to MFPs for on-lending to eligible micro-borrowers.

The CRF-I is planned to achieve several objectives, including:

1. reverse disintermediation away from locations and sectors that are deemed more prone to flood risks through a contingent liquidity facility which will be deployed after a qualifying flooding event
2. preserve the balance sheets of MFPs after the occurrence of a qualifying flood through the deployment of liquidity which will mitigate the impact on the asset quality of MFPs
3. support the resilience of borrowers and potential borrowers residing in flood impacted areas
4. enhance capital adaptation, resilience and productivity in the agricultural sector through the 'business as usual' Innovative Agricultural Liquidity (IAL) product; and
5. transfer the economic costs of an extreme flood event outside of Pakistan through the risk-based deployment of international reinsurance.

The CRF-I would extend financing to licensed Microfinance Providers (MFPs), which falls into two categories:

1. **Retail MFPs** – Microfinance banks and institutions that provide financing directly to microfinance borrowers, including microenterprises.
2. **Wholesale MFPs** – Institutions that extend funds to other financial intermediaries such as microfinance banks and institutions.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM (ESMS)

An Environmental and Social Risk Management System (ESMS) is a structured framework that enables financial institutions to identify, assess, and manage environmental and social (E&S) risks associated with their financing activities. It helps institutions to comprehensively consider E&S risks in their financing to move beyond mere regulatory compliance thereby encouraging the long-term sustainability of their operations.

CRF-I Secretariat shall ensure that the Project is carried out in accordance with the E&S requirements of the World Bank. With regard to CRF-I, MFPs hold primary responsibility for managing E&S risks. Their local presence positions them to effectively implement screening, assessment, and mitigation measures. **For detailed roles and responsibilities, see Annex-9.**

ESMS requirement for CRF-I:

1. **Environmental and Social Commitment Plan (ESCP)** – A publicly available document outlining institutional capacity, staffing, training, monitoring, reporting, and grievance management arrangements under CRF-I as per the requirements of the World Bank. Link to the document is as follow:

<https://www.sbp.org.pk/Finc/pdf/Environmental-Social-Commitment-Plan.pdf>

2. **CRF-I Environment and Social Risks Management System - Policy and Procedures (ESMS Policy)** - Guidelines for assessing the systems and capacity of MFPs to manage E&S risks and impacts.
3. **Stakeholder Engagement Plan (SEP)** - A plan for ensuring stakeholder engagement and information dissemination through accessible and inclusive methods throughout the implementation of the CRF-I.
<https://www.sbp.org.pk/Finc/pdf/Stakeholders-Engagement-Survey.pdf>

ESMS Requirements for MFPs

Each MFP is required to maintain an ESMS that includes the following elements:

1. An E&S policy outlining commitment to environmental and social risks management as per the requirements established in CRF-I E&S Policy and Procedures
2. Screening and categorization procedures for mitigating E&S risks
3. A standardized reporting mechanism with consistent formats
4. Implementation capacity, including staff training on E&S requirements and borrower screening procedures
5. Stakeholder Engagement Plan and Grievance Redressal Mechanisms

SBP, as CRF-I Trustee, would support MFPs with supplementary guidance, tools, and resources for implementing E&S risk management. These resources would be regularly updated. This document has been divided into two parts, Part I and II.

Part I focuses on the State Bank of Pakistan (SBP) being the Trustee of the CRF-I. It outlines the policy and implementation framework for Environmental and Social Risk Management (ESRM) in the microfinance sector. It set out CRF-I strategic objectives and regulatory stance, the primary focus of this section is on how CRF-I will assess, monitor, and oversee microfinance providers based on E&S risks. It details the screening criteria, supervisory mechanisms, and ongoing monitoring processes that CRF-I will employ to ensure compliance and alignment with national, provincial laws and international standards.

Part II is focused on Microfinance Providers (MFPs) and provides detailed guidance on the responsibilities of MFPs in identifying, assessing, and mitigating environmental and social risks associated with their lending and investment activities. This section serves as a practical reference to help MFPs develop internal procedures, build institutional capacity, and ensure compliance with the policy directives set by CRF-I.

PART 1: CRF-I ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT POLICY

A. VISION AND POLICY APPROACH

1. While economic development and poverty reduction through microenterprise activities bring positive impacts, they may also pose environmental and social risks to local communities. These activities, financed through CRF-I funds extended to Microfinance Providers (MFPs), must be environmentally sound and socially responsible.
2. To support CRF-I development goals, only business activities¹ that are sustainable will be eligible for financing. MFPs are expected to promote inclusion, ensure non-discrimination, and apply proportionate measures to manage environmental and social risks in their financing operations, without imposing undue compliance burdens on microfinance clients.

B. POLICY OBJECTIVES

3. As Trustee of the CRF-I, SBP will ensure that all CRF-I-financed activities comply with relevant national regulations and international standards. The objectives of this policy are to:
 - 1) Define applicable environmental and social (E&S) requirements for all CRF-I financed activities;
 - 2) Require MFPs to develop and/or strengthen their Environmental and Social Risk Management Systems (ESMS);
 - 3) Ensure compliance with national E&S regulations, including any specific guidelines issued by CRF-I or aligned with multilateral standards;
 - 4) Integrate E&S risk considerations into CRF-I MFP funding criteria;
 - 5) Promote transparency and accountability through effective grievance redress, public disclosure, and reporting mechanisms.

C. SCOPE OF APPLICATION

This policy applies to all MFPs receiving support under the CRF-I as announced via ACFID Circular No. 03 of 2025, dated September 15, 2025.

D. APPLICABLE REQUIREMENTS

5. CRF-I will finance only those MFPs that are expected to meet applicable Environmental and Social (E&S) Requirements within a reasonable period of time. Persistent delays and gaps in meeting these requirements shall lead to loss of financial support to the MFP from CRF-I.

E. E&S DUE DILIGENCE AND RISK RATING

6. Each MFP considered for CRF-I financing will be assigned an E&S risk rating—High, Moderate, or Low— according to the MFP's risk profile that can change over time (**see Annex-6 for details**). Ratings are based on E&S screening and may include further due diligence. These ratings determine the level of E&S requirements and supervision by CRF-I.

¹ 'Business activities' is a general term used to mean various activities carried out by clients of MFPs.

E&S DUE DILIGENCE OF RETAIL MFPS

7. CRF-I secretariat will perform due diligence on retail MFPS. A flow process of the due-diligence is placed at **Annex-7**. The following factors will be taken into account:
 - a. The current and proposed lending portfolio², with reference to the List of Excluded Activities (**Annex-2**);
 - b. Existing E&S systems and institutional capacity (**Annex – 3**);
 - c. The MFP's commitment to comply with applicable national and local laws and CRF-I ESMS Policy

Point 1 to 3 compose the minimum requirements of E&S due diligence.

 - d. An E&S policy and procedures for screening proportionate to the nature and scale of its lending operations;
 - e. Designation of staff with clearly defined responsibilities for E&S risk management;
 - f. Demonstrated commitment to participate in E&S training and capacity-building initiatives.
 - g. Maintenance of systematic records for E&S due diligence and supporting materials
8. Based on the findings, CRF-I will assign an E&S risk rating to the MFPS. A summary of due diligence and assigned risk rating will be recorded in the E&S Risk Rating Register (**Annex-4**). All documentation must be filed systematically for record-keeping and review.
9. The MFP must demonstrate both the capacity and willingness to meet all applicable E&S requirements before activation of financing available under CRF-I.
10. Continued access to financing will depend on compliance with the following conditions:
 - a. The MFPS must meet the minimum eligibility criteria of E&S policy³.
 - b. The MFPS must not have moderate to high exposure to activities listed in the List of Excluded Activities
11. Failure to comply with these conditions may result in ineligibility for future CRF-I financing.

E&S DUE DILIGENCE OF WHOLESALE MFP:

CRF-I Secretariat will conduct E&S due diligence on wholesale MFP to assess their capacity to manage E&S risks associated with on-lending to retail MFPS. The review will include an assessment of the wholesale MFP current and proposed portfolio and their E&S systems and institutional capacity, as outlined in **Annex-5**. If portfolio-level data on wholesale MFP is available, it will also be reviewed against the List of Excluded Activities⁴ (**Annex-2**). To be eligible for CRF-I financing, a wholesale MFP will be assessed on the following minimum requirements:

² Portfolio analysis will be based on both the existing and proposed business activities of MFPS—whether financed directly or through other MFPS.

³ Until such minimum systems and capacity are developed by MFPS.

⁴ If MFPS is not able to provide such records, this will be included in the MFPS ESMP.

- a. A E&S policy and procedures for assessing the E&S systems and capacities of retail MFPs, proportionate to the nature and scale of on-lending activities
 - b. Designation of staff with clearly defined responsibilities for E&S risk management
 - c. Demonstrated commitment to participate in E&S training and capacity-building initiatives
 - d. Completion of the Wholesale MFP E&S Questionnaire (**Annex-5**), including the preparation of an E&S Management Plan (ESMP), where applicable
 - e. Maintenance of systematic records for E&S due diligence and supporting materials.
12. A wholesale MFP must demonstrate the capacity and willingness to meet the above criteria before the activation of financing available under CRF-I⁵.
13. A wholesale MFP will be deemed ineligible for CRF-I financing if it fails to meet the minimum E&S system and capacity requirements within the specified timeframe.

CONSIDERATIONS FOR E&S RISK RATING

14. The E&S risk rating of an MFP is determined using a range of considerations outlined in **Annex-6**. These considerations must be applied collectively, using sound judgment, and include the type, tenor, sector, and geographic location of the MFP's lending portfolio, the specific E&S risks and impacts associated with financed activities, and the MFP's capacity to manage such risks. This risk rating serves as a tool for prioritizing CRF-I's supervision and support efforts, particularly for MFP with higher-risk portfolios and limited E&S management capacity.
15. Based on the assigned risk rating, CRF-I may require the MFP to develop a **time-bound ESMP (refer to Section G and H)** to enhance its ESMS in alignment with its risk exposure. The action plan will be agreed upon between CRF-I Secretariat and the MFP and will be monitored through:
- a. The MFP's Annual E&S Performance Reporting (**Annex-8**), and
 - b. Monitoring visits by CRF-I Secretariat, where deemed necessary

G. CONDITIONS OF DISBURSEMENT AND TERMINATION

16. Ongoing E&S support to existing MFP, unresolved E&S gaps in MFP ESMS including outstanding ESMP action items must be addressed either 1) as conditions of commitment or 2) as conditions of subsequent disbursements in the Undertaking with MFPs. In cases where a MFPs fails to meet the requirements outlined in its ESMP or implement agreed remedial measures as agreed in the Undertaking with MFPs, CRF-I reserves the right to terminate financing to that MFP.

H. NEW TRANSACTIONS WITH EXISTING MFPs

17. For existing MFPs, the review of any new transaction begins with an examination of the outcomes of the previous E&S assessment and the current E&S risk rating.

⁵ Until such minimum systems and capacity are developed by MFPs.

18. All existing MFPs are subject to an E&S assessment either annually (**Annex-8**) or at the time of requesting a new transaction (**Annex-3 or 5**), whichever occurs first. During this review:
- a. The MFP's previously agreed ESMP—if applicable and included in the prior financing agreement—will be evaluated for completion.
 - b. If all required actions under the ESMP have been satisfactorily fulfilled, the new transaction may proceed.
 - c. Based on the findings of the latest assessment, MFP's E&S risk rating may be updated in the **E&S Risk Rating Register (Annex-4)** to reflect changes in portfolio risk or improvements in MFP's capacity to manage E&S risks.
19. This process ensures continuity in E&S oversight and promotes ongoing compliance with CRF-I E&S Policy requirements.

I. MONITORING AND SUPERVISION

20. This procedure outlines the mechanisms for ongoing monitoring of MFPs' E&S performance over the period engagement with CRF-I. It also establishes a framework for addressing persistent non-compliance, including the possibility of disengagement from MFPs that fail to improve their E&S Risk Management Systems. The CRF-I Secretariat may:
- a. Obtain and review MFPs' Annual E&S Performance reports as per **Annex-8**.
 - b. Document findings of periodic E&S performance reviews as per **Annex-6**.
 - c. Conduct follow-up monitoring and supervision activities proportionate to the MFPs risk rating. This may include desktop reviews, interviews, and site visits.
 - d. Record the MFP's progress in implementing agreed ESMP, including specific measures, timelines, and any deviations.
 - e. Conduct targeted reviews of high-risk operations (investments) financed by MFPs, especially where High Risks (RR-1) or compliance issues have been identified.
 - f. Establish and update a comprehensive record-keeping system that captures the E&S documentation and compliance status of each MFPs.
 - g. In the event of a material change in MFPs' E&S risk profile, update the E&S Risk Rating Register (**Annex-4**) to reflect the new risk category, along with a written justification for the revision.

J. DISCLOSURE AND REPORTING

21. The CRF-I must prepare and submit to World Bank an Annual E&S performance report no later than 90 days after the end of each reporting period (financial year). The reports shall include:
- a. Status of preparation and implementation of E&S documents required under the ESCP.
 - b. Summary of stakeholder engagement activities carried out as per the Stakeholder Engagement Plan.
 - c. Complaints submitted to the grievance mechanism(s), the grievance log, and progress made in resolving them.
 - d. E&S performance of MFPs as reported through MFPs annual reports.

e. Number and status of resolution of incidents and accidents reported.

22. CRF-I reporting to the World bank are based on individual reports submitted by the MFPs as per **Annex-8**

K. ACCOUNTABILITY AND GRIEVANCE HANDLING MECHANISM

23. Grievance handling mechanism enable individuals, groups, or communities with a formal channel to express concerns or lodge complaints in a fair, objective, and constructive manner.

24. CRF-I will leverage the fully functional grievance handling system of SBP. The Consumer Protection Department (CPD) of SBP has defined a two-tier grievance handling/redress system for the microfinance banking sector. Both the CRF-I and MFPs must have specified procedures to receive and address complaints related to SEA/SH through appropriate channels and referral mechanisms.

25. The complaint will be first registered with the concerned MFP. The MFP must respond within the time frame specified in its grievance handling mechanism established as part of its ESMS.

26. If unresolved, the complainant may escalate the complaint to SBP's CPD through UAN 111-727-273 or cpd.helpdesk@sbp.org.pk. CPD will forward eligible complaints to CRF-I secretariat (ACFID) for further action. ACFID will aim to resolve the matter within a reasonable time.

27. In case of NBMFCs/NBFC, the complainant can directly write to the CRF-I Secretariat at: PMD.Reporting@sbp.org.pk or CRF-I Secretariat, ACFID, 5th Floor, SBP Building, I.I. Chundrigar Road, Karachi. The NBMFCs/NBFC can also lodge their complaints with SECP under the established mechanism.

28. A written response will be provided to all parties. Complaint data and outcomes will be retained for a period of five years and will be included in annual reports.

29. SBP and MFPs will also consider grievances from communities or individuals affected by the operations of final borrowers—particularly where such operations may result in environmental or social harm (e.g., water pollution, hazardous waste, sexual abuse, child labor etc.)

L. AMENDMENT AND REVISION PROCESS FOR ENVIRONMENTAL AND SOCIAL PROCEDURES

30. This Policy may be amended by CRF-I Board of Trustees, as deemed necessary, based on feedback from MFPs and other stakeholders. Any such amendments shall not alter the fundamental intent or core provisions of the Policy.

31. To ensure continued relevance, effectiveness, and alignment with institutional and regulatory developments, the E&S procedures shall be reviewed periodically. The review process aims to adapt to evolving needs of CRF-I, MFPs, and the broader E&S risk landscape. The periodic review shall include the following:

- a. Identification of any implementation challenges or operational inefficiencies, with necessary revisions to improve clarity and effectiveness
- b. Evaluation of the E&S Procedures' scope to ensure that newly emerging or evolving environmental and social risks are adequately addressed during due diligence and supervision
- c. Updating of assigned roles and responsibilities to reflect any organizational changes or realignments

- d. Incorporation of changes resulting from updates to relevant national laws and regulations
- 32. The CRF-I Secretariat would be responsible for conducting periodic review of the process, ensuring completeness, adequacy, and responsiveness of proposed revisions to current and anticipated business needs. This review shall be undertaken annually, or more frequently if required by operational circumstances or regulatory changes. All revisions, additions, or deletions must be properly documented and shall require formal approval by the Board of Trustees (BOT) prior to implementation.

PART 2: ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT PROCEDURES FOR MFPS

A. PURPOSE

The purpose and objective of these E&S procedures is to 1) identify and mitigate E&S risks associated with lending to MFPS, 2) ensure proper implementation and institutionalization of E&S risk management measures, 3) support compliance with applicable national, provincial E&S laws and multilateral lender requirements, 4) facilitate measurement, monitoring, review, and reporting of E&S risks across CRF-I portfolio.

These E&S procedures must be integrated into the broader investment screening and appraisal process for extending funds. These procedures are grounded in the principle of continuous improvement and aim to ensure progressive enhancement of E&S risk management practices over time.

B. APPLICABLE REQUIREMENT FROM MFPS

33. Retail MFPS must obtain Board approval for their ESMS policy. Wholesale MFPS must have their ESMS approved by senior management.

34. All MFPS must allocate adequate resources and personnel for effective ESMS implementation. The policy must include formal commitment to:

- a. Comply with applicable national and local E&S laws and regulations **(Annex-1)**.
- b. Exclude any activity listed in the CRF's Excluded Activities List **(Annex-2)**.

35. MFPS' ESMS must include the following:

- c. Internal procedures for identifying, assessing, and managing E&S risks, including the use of tools such as borrower questionnaires and sector-specific guidance, and the assignment of staff responsibilities for E&S-related borrower interactions
- d. A system for categorizing transactions with microfinance borrowers based on the level of E&S risk
- e. Adequate institutional capacity and trained personnel for developing and implementing ESMS
- f. Procedures for ongoing monitoring of E&S risks at both the transaction and portfolio levels
- g. A mechanism for documenting and reporting E&S risks and management actions
- h. A grievance redress mechanism accessible to borrowers and affected stakeholders
- i. labor management procedures consistent with applicable national and provincial labor laws and the World Bank Environmental and Social Standard 2 (ESS2) on Labor and Working Conditions
- j. mechanism for managing risks related to Sexual Exploitation and Abuse and Sexual Harassment (SEA/SH) at the workplace, through operations with borrowers and management of SEA/SH related grievances through appropriate referral mechanisms. Where required, MFPS may prepare an SEA/SH Action Plan.

36. The MFPs must promptly notify CRF-I of any incident, accident, or circumstance related to social, labor, health and safety, security, sexual abuse, child labor, or environmental matters that could materially affect compliance with the applicable environmental and social requirements.
37. Wholesale MFPs must establish a system to assess and rate the E&S risk management capacity of their retail partner MFPs.
38. MFPs must categorize themselves under one of the following risk ratings (**see Annex-6**):
 - a. High Risk: Significant exposure to activities with major adverse E&S impacts.
 - b. Moderate Risk: Exposure to activities with limited, reversible, and manageable E&S impacts.
 - c. Low Risk: Minimal or no adverse E&S impacts.
39. The risk evaluation for rating purposes will be conducted by Internal Auditors of MFPs and certificates in this effect should, directly, be submitted to the CRF-I Secretariat along with detailed report.
40. Where CRF-I provides financing to retail MFPs through wholesale MFPs, the Wholesale MFPs will be responsible for assign the ratings to retail MFPs as part of their ESMS.

C. ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN

CRF-I will assess ESMS of MFPs (**Annex-3, Annex-5 and Annex-6**) and if gaps are found, the MFP will be required to strengthen its ESMS. This could include improving organizational capacity, clarifying responsibilities, and providing staff training—aligned with the MFP’s E&S risk level. If the MFP ESMS is found to be insufficient, a time-bound ESMP will be prepared as a condition of financing (see Section G and H of Part 1)

D. AWARENESS AND DISCLOSURE AT CLIENT LEVEL

41. MFPs are required to promote awareness of E&S issues and responsibilities among their microfinance clients. This client-level awareness is a key part of ensuring ESMS compliance and embedding responsible practices across the financing chain This includes:
 - a. Disclosing relevant environmental and social obligations to clients;
 - b. Incorporating E&S compliance clauses into financing agreements with clients; and
 - c. Ensuring that clients are informed of potential E&S risks associated with their business activities.

E. APPROVAL AND CONDITIONS OF FINANCING

42. As a condition of eligibility to receive financing from CRF-I, the MFPs will put in place and maintain an Environmental and Social Management System (ESMS) to identify, assess, manage, and monitor E&S risks and impacts associated with business activities they finance. The system should be commensurate with the nature and magnitude of ‘risks and impacts’ at the individual transaction level as well as the portfolio level. Where the MFP can demonstrate that it already has an ESMS at the time of SBP’s due diligence, it will provide adequate documentary evidence to that effect. The MFP’s ESMS will be commensurate with the nature of their business (lending to final borrowers or on-lending to other MFPs).

43. The following E&S covenant must be embedded in the Undertaking between CRF-I and MFPs
- a. MFPs shall use all reasonable efforts to ensure that their borrowers comply with the CRF-I E&S policy and all applicable requirements
 - b. MFPs shall implement all E&S mitigation and management measures as outlined in their approved ESMP.
 - c. The MFPs shall submit the annual E&S performance report to CRF-I as per **Annex-8** within 30 days of after the end of each reporting period (Financial Year)
 - d. MFPs shall require their borrowers to notify them within three (3) calendar days of any social, labor, health and safety, security, or environmental incident or accident that may have—or reasonably be expected to have—a material impact on the borrower's compliance with applicable E&S requirements. The MFP, in turn, must immediately notify the CRF-I secretariat of such incidents.
44. The E&S Risk management official of CRF-I secretariat may propose, review, and verify that E&S covenants are included in each loan agreement between CRF-I and MFPs.

F. GRIEVANCE HANDLING MECHANISM

45. MFPs are required to maintain grievance handling mechanisms within their ESMS to address concerns raised by borrowers, employees, and affected communities. These mechanisms must be accessible, transparent, and responsive to complaints. MFPs must also maintain a mechanism to receive and address workers' complaints in line with the requirements of the Labor Management Procedures.
46. CRF-I has also put in place a regime issued via BC&CPD Circular No. 01 dated February 29, 2016. This regime governs the complaint handling mechanism/ procedures and is applicable on MFBs. All MFPs especially the NBMFCs should follow/ adopt these guidelines for the purpose of loans/ funds under CRF-I.
- a. Consumer Grievances Handling Mechanism
<https://www.sbp.org.pk/cpd/2016/C1.htm>
 - b. Instructions to further strengthen Consumer Grievance Handling Mechanism
<https://www.sbp.org.pk/cpd/2021/CL2.htm>
 - c. Launch of Sunwai - A Customer Complaint Management Service by SBP
<https://www.sbp.org.pk/cpd/2023/C1.htm>
 - d. Sunwai Customer Complaint Service
<https://sunwai.sbp.org.pk/>
 - e. Marketing Material for Sunwai Customer Complaint Service
<https://youtube.com/watch?v=XI-mT-n6cl8&si=i4tfe0DAMFr407el>
47. Microfinance Institutions such as NBFCs/NBMFCs are advised to follow these guidelines as well those issued by SECP for grievance redressals available at: <https://xs.secp.gov.pk/>

G. COMPLAINT HANDLING MECHANISMS FOR GENDER BASED VIOLENCE, SEXUAL EXPLOITATION AND ABUSE AND SEXUAL HARASSMENT (GBV & SEA/SH)

48. MFPs are required to maintain the following standards/procedures in their grievance handling mechanisms concerning gender based violence, sexual exploitation, abuse, and sexual harassment (GBV and SEA/SH) for their staff, employees, borrowers, and communities:
1. **Confidentiality & Anonymity** – Complainants may request confidentiality when filing GBV & SEA/SH grievances. Anonymous complaints will be accepted in GBV, SEA, and SH cases.
 2. **Sensitive Handling** – Dedicated focal persons trained in GBV & SEA/SH case management will oversee grievance handling, ensuring trauma-informed responses.
 3. **Secure Reporting Channels** – Complaints related to GBV & SEA/SH may be lodged through secure and accessible reporting channels without the risk of backlash or reprisal.
 4. **Complaint Prioritization & Redressal** - GBV & SEA/SH complaints shall be assigned highest priority. Cases will be classified based on severity:
 - a. Immediate risk cases (e.g., life-threatening abuse, criminal offenses like rape) shall be reported to law enforcement agencies and referred to appropriate government bodies such as the District Commissioner or Women & Child Protection Units and organizations/NGOs working in the relevant areas.
 - b. Non-immediate risk cases (e.g., workplace harassment, discrimination) shall be addressed through the CRF-I or MFP GRMs.
 - c. A referral pathway will be maintained for necessary psychosocial, legal, and medical support to survivors with the help of local government authorities.
 5. **Institutional Framework & Accountability** - A GRM GBV & SEA/SH Focal Person at SBP and MFPs will be responsible for managing relevant complaints.
 6. **Capacity Building & Training** - GRM staff and committees at SBP and MFPs will receive specialized training in GBV & SEA/SH for case handling, survivor-centered approaches, and legal frameworks.

H. LABOR MANAGEMENT PROCEDURES

49. The CRF-I operates at three institutional level; the GOP serves as the owner of the CRF-I, SBP serves as the designated trustee, and the Microfinance Providers are the recipient of funds from CRF-I. To ensure alignment with the World Bank's Labor Management Procedures (LMPs), it is critical that a comprehensive Labor Management (Human Resources) Procedures framework is developed and adopted for the CRF-I. At level of GOP, all relevant national labor and human resource management laws shall apply (**see Annex-1**).
50. Compliance at the Trustee level shall be ensured through the application of the SBP's Staff Regulations, 2005, which govern the employment framework for personnel assigned to the CRF-I Secretariat. SBP's Code of Conduct ensures that the working environment is free of intimidation and discrimination of any kind. To sustain employee engagement by developing a culture that views grievances as an opportunity to improve the work environment. SBP has a Grievance Handling Policy, wherein a Grievance Handling Committee deliberates on the grievances and submits its recommendations to the Governor. Further, the bank also has a Whistleblowing Policy to provide a mechanism where employees can confidentially, without fear of reprisal, report illegal and unethical activities for preemptive remedial measures, while an Ethics Committee oversees and monitors the implementation of the Policy. SBP prioritizes occupational health and safety through integrated practices. A purpose-built division in HR

Department caters to employee mental well-being, while Internal Bank Security Department (IBSD) ensures security and emergency preparedness, including fire drills and maintenance. SBP has also made on-premises medical services available to cater to any health emergencies. Further, being a knowledge-based organization, the embedded culture of safety, as outlined above, covers the need for occupational health and safety procedures.

51. The third level of compliance shall be achieved at the Microfinance Providers (MFPs) level. Each MFP is required to develop and adopt Labor Management (Human Resource) Procedures (LMPs) that align with the World Bank's standards. These procedures must address, at a minimum, the terms and conditions of employment, provisions for non-discrimination and equal opportunity, establishment of an accessible grievance redress mechanism especially against Gender based Violence, Sexual exploitation and Abuse and Sexual Harassment (GBV & SEA/SH), and implementation of occupational health and safety protocols for all employees engaged by the MFP.

ANNEX 1. OVERVIEW OF RELEVANT NATIONAL AND PROVINCIAL ENVIRONMENTAL AND SOCIAL LAWS AND REGULATIONS

Relevant national and provincial E&S Laws and Regulations are as follows:

Environmental Protection Laws:

- 1) Pakistan Climate Change Act, 2017
- 2) Pakistan Environmental Protection Act, 1997
- 3) National Environmental Policy, 2005
- 4) Sindh Environmental Protection Act, 2014
- 5) Punjab Environmental Protection Act, 2012 (Amended 2022)
- 6) Balochistan Environmental Protection Act, 2012
- 7) Khyber Pakhtunkhwa Environmental Protection Act, 2014

Gender Protection and Workplace Harassment Laws:

- 8) Protection of Women (Criminal Laws Amendment) Act, 2006
- 9) Protection Against Harassment of Women at Workplace Act, 2010
- 10) The Khyber Pakhtunkhwa Protection Against Harassment of Women at the Workplace Act, 2010
- 11) The Punjab Protection against Harassment of Women at the Workplace (Amendment) Act, 2012
- 12) The Sindh Protection Against Harassment of Women at Workplace Act, 2018
- 13) The Balochistan Protection Against Harassment of Women at the Workplace Act, 2016

Child and Bonded Labor Laws:

- 14) Employment of Child Act, 1991
- 15) The Children (Pledging of Labor) Act, 1933
- 16) The Sindh Bonded Labour System (Abolition) Act, 2015
- 17) The Khyber Pakhtunkhwa Child Protection and Welfare Act, 2010
- 18) The Khyber Pakhtunkhwa Prohibition of Employment of Children Act, 2015
- 19) The Punjab Employment of Children Act, 1991
- 20) The Sindh Prohibition of Employment of Children Act, 2017
- 21) Balochistan Employment of Children (Prohibition and Regulation) Act, 2021

General Penal Provisions:

- 22) Pakistan Penal Code, 1860

Industrial Relations and Labor Rights Laws:

- 23) Industrial Relations Act, 2012
- 24) The Sindh Industrial Relations Act, 2013
- 25) The Khyber Pakhtunkhwa Industrial Relations Act, 2010
- 26) The Punjab Industrial Relations Act, 2010
- 27) The Balochistan Industrial Relations Act, 2022

Factory Regulation Laws:

- 28) The Factories Act, 1934

- 29) The Punjab Factories Act, 1934
- 30) The Sindh Factories Act, 2015
- 31) The Khyber Pakhtunkhwa Factories (Amendment) Act, 2021
- 32) The Balochistan Factories Act, 2021

Shops and Establishment Laws:

- 33) The West Pakistan Shops and Establishments Ordinance, 1969
- 34) The Sindh Shops and Commercial Establishment Act, 2015
- 35) The Punjab Shops and Establishments Ordinance, 1969
- 36) The Khyber Pakhtunkhwa Shops and Establishment (Amendment) Act, 2021
- 37) The Balochistan Shops and Establishments Act, 2021

Minimum Wage Laws:

- 38) The Pakistan Minimum Wages for Unskilled Workers Ordinance, 1969
- 39) The Minimum Wages Ordinance, 1961
- 40) The Punjab Minimum Wages Ordinance, 1961
- 41) The Khyber Pakhtunkhwa Minimum Wages Act, 2013
- 42) The Sindh Minimum Wages Act, 2015

Workers' Compensation Laws:

- 43) The Workmen's Compensation Act, 1923
- 44) The Punjab Workmen's Compensation Act, 1923
- 45) The Sindh Workers' Compensation Act, 2015
- 46) The Khyber Pakhtunkhwa Workers' Compensation Act, 2013
- 47) The Balochistan Workers Compensation Act, 2022

Workers' Welfare Laws:

- 48) The Workers' Welfare Fund Ordinance, 1971
- 49) The Punjab Workers Welfare Fund Act 2019
- 50) The Sindh Workers Welfare Fund (Amendment) Act, 2023

Occupational Health and Safety (OHS) Laws:

- 51) Pakistan Occupational Health and Safety Act, 2018
- 52) The Sindh Occupational Safety and Health Act, 2017
- 53) Balochistan Occupational Safety & Health Act, 2022
- 54) Khyber Pakhtunkhwa Occupational Safety and Health Act, 2022
- 55) Punjab Occupational Safety and Health Act, 2019

Community Health and Safety (OHS) Laws:

- 56) The Explosives Act, 1884
- 57) The Petroleum Act, 1934
- 58) National Disaster Management Act, 2010

Home-Based Workers Laws:

- 59) The Sindh Home Based Workers Act, 2018

- 60) The Balochistan Home Based Workers Act, 2022
- 61) The Punjab Home-Based Workers Act, 2023
- 62) The Khyber Pakhtunkhwa Home Based Workers (Welfare and Protection) Act, 2021

Sustainable Management of Living Natural Resources:

- 63) National Forest Policy 2015
- 64) The Forest Act, 1927
- 65) Punjab Wildlife (Protection, Preservation, Conservation and Management) Act, 1974
- 66) The Punjab Forest (Amendment) Act, 2016
- 67) Punjab Fisheries (Amendment) Act, 2009
- 68) Sindh Wildlife Protection, Preservation, Conservation and Management Act, 2020
- 69) The Sindh Forest Act, 2012
- 70) The Sindh Fisheries (Amendment) Act, Ordinance, 2011
- 71) The Khyber Pakhtunkhwa Wildlife and Biodiversity (Protection, Preservation, Conservation and Management) Act, 2015
- 72) Khyber Pakhtunkhwa Forest (Amendment) Act, 2022
- 73) The Balochistan Wildlife (Protection, Preservation, Conservation and Management) Act, 2014
- 74) Balochistan Forest Act, 2022

ANNEX 2. LIST OF EXCLUDED ACTIVITIES

CRF-I engages with a wide range of financial institutions (FIs) that provide microfinance services to underserved segments of the market, with a dual focus on regulation and sectoral development. The following List of Excluded Activities applies to all financing extended under CRF-I to MFPs. It is the responsibility of each MFP to ensure that these exclusions are strictly observed at the level of the end-borrower. Funds availed under CRF-I shall not, under any circumstances, be used to finance the following activities:

1. Production or trade in any product or activity deemed illegal under Pakistan's laws or regulations or international conventions and agreements
2. Production or trade in pharmaceuticals, pesticides/ herbicides, ozone depleting substances, polychlorinated biphenyls (PCBs) subject to international phase outs or bans
3. Trade in wildlife or wildlife products regulated under Convention on International Trade in Endangered Species
4. Production or trade in weapons and ammunitions [1]
5. Production or trade in alcoholic beverages [1]
6. Production or trade in tobacco [1]
7. Gambling, casinos, and equivalent enterprises [1]
8. Production or trade in radioactive materials (this does not apply to the purchase of medical equipment, quality control measurement equipment, and any equipment where the radioactive source is considered to be trivial and/or adequately shielded.
9. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations
10. Production or trade in or use of unbounded asbestos fibers
11. Unsustainable fishing practices, such as drift net fishing in the marine environment using nets in excess of 2.5 km length, electric shocks, or explosive materials
12. Production or trade in wood or other forestry products other than from sustainably managed forests [2]
13. Production or activities involving harmful or exploitative forms of forced labor [3] or harmful child labor [4]
14. Activities involving land acquisition and/or restrictions on land use resulting in involuntary resettlement or economic displacement [5]
15. Any activities involving significant degradation or conversion of natural [6] and/or critical habitats [7] and/or any activities in legally protected areas
16. 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, and so on)
17. 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 Indigenous Peoples [8]
18. Activities involving significant adverse impacts on critical cultural heritage [9]

19. Production or trade in or use of non-biodegradable packaging material such as polythene bags and Styrofoam.

Notes:

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. 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.
3. Forced labor means all work or service, not voluntarily performed that is extracted from an individual under threat of force or penalty.
4. 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.
5. 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). Land must be bought on willing-buyer, willing-seller basis.
6. Natural habitats are areas composed of viable assemblages of plant and/or animal species of largely native origin, and/or where human activity has not essentially modified an area's primary ecological functions and species composition. This includes HCV forests. HCV areas do not directly correspond with definitions for modified, natural, and critical habitat. The HCV Resource Network, an internationally recognized group, provides information and support on the evolving usage of HCV to ensure a consistent approach. <https://www.hcvnetwork.org/>.
7. Critical habitat is a subset of both natural and modified habitats 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 for 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 congregatory species; and areas with unique assemblages of species or which are associated with key evolutionary processes. Primary forests or forests of High Conservation Value (HCV) shall be considered Critical Habitats.
8. Critical cultural heritage consists of (a) the internationally recognized heritage of communities who use, or have used, within living memory the cultural heritage for long-standing cultural purposes and (b) legally protected cultural heritage areas, including those proposed by host governments for such designation.
9. The term 'Indigenous Peoples' is used in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:
 - a. Self-identification as members of a distinct cultural group and recognition of this identity by others
 - b. Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories
 - c. Customary cultural, economic, social, or political institutions that are separate from those of the mainstream society or culture
 - d. A distinct language or dialect, often different from the official language or languages of the country or region in which they reside.

In Pakistan, Indigenous Peoples meeting the above definition are found in the Chitral Valley in Pakistan. Where financing schemes involve Indigenous Peoples (e.g. they are one of the key target groups for lending), such groups will be meaningfully consulted and their special concerns taken on board. Screening criteria will include IPs location as an indicator and ensure that if they are involved, requisite IP Plan is developed for the involved SMEs.

Additionally, borrowers will not engage in cultivation, processing, and sale of poppy and/ or other illegal addictive substances (for example, heroin, hashish, opium, bhang, alcohol). Sale of addictive substances such as tobacco, gutka, niswar, cigarettes, beeri, hukka, paan parag, sheesha and any other products containing such substances to persons under

the age of 18; Illegal wood extraction; hunting, poaching and fishing in protected areas; informal cross-border trade; smuggling or sale and handling of smuggled goods.

ANNEX 3. E&S SYSTEMS AND CAPACITY ASSESSMENT OF RETAIL MFPS

The below information is for the Latest Financial Year

Section A. Financial Institution's Details:	
MFP Name	
MFP Type	
Name of E&S Focal Point	
Contact Number and Email of E&S Focal Point	
Section B. Financial Institutions Portfolio	
Total number of transactions	
Total value of transactions	
Number of transactions screened/ assessed for E&S risks	
Value of transactions screened/ assessed for E&S risks	
Number of transactions not approved for E&S reasons	
Number of transactions exited due to poor E&S performance, non-compliance with agreed Corrective Action Plans, or breach of loan documentation covenants/ conditions	
Please attach the MFP risk screening criterion for transactions classification	
Average loan tenor	
Average loan size	
Ratio of Women financing in GLP	
Ratio of GLP in Rural areas (<i>on the basis of branch location</i>)	
Section C. Exposure to the Excluded Activities (Annex-2)	
Does the MFP have investments/ borrowers with exposure to activities on the List of Excluded Activities (Yes/ No.)?	
(If yes, please attach a summary of transactions with exposure to such activities)	
Section D. Environmental and Social Management System	
Does the MFP have an Environmental and Social Management System (ESMS)? (Yes/No)	
If yes, please attach any documents that can serve as evidence of an ESMS, including E&S policy and procedures, and its approval by the MFP's Senior Management.	
Does the MFP have an E&S categorization system? (Yes/No)	
If yes, please briefly describe the system below:	
Does the MFP require E&S risk mitigation measures from borrowers? (Yes/ No)	
If yes, describe measures (e.g. provide number of corrective action plans developed for E&S risk mitigation and attach examples, where available):	
Does the Undertaking with borrower have covenants on E&S issues? (Yes/ No)	
If yes, attach example Undertaking.	
Does the MFP have staff with clearly designated roles and responsibilities for E&S risk management? (Yes/ No)	
Does the staff of MFP participate in E&S trainings and capacity building initiatives? (Yes/ No)	
Is the MFP compliant with applicable national and local laws (Annex-1) and CRF-I E&S policy? (Yes/No)	
Does the MFP conduct regular E&S monitoring visits of borrowers? (Yes/ No)	
Does the MFP systematically maintain E&S records? (Yes/ No)	
Section E. Other Relevant Information:	
Please provide any other relevant information below:	

Section F. Risk Category (Annex-6)	
Auditor's Statement: We certify that the information presented above is accurate and consistent with the records of the MFP. Based on the analysis of the provided information, we assign the following environmental and social risk rating to the MFP.	
Risk Score:	
Risk Rating (High, Medium, Low)	

Date _____ Signature: _____ Contact # _____ Name: _____ (E&S Risk Management Focal Point)	Date _____ Signature: _____ Contact # _____ Name: _____ (Head of Internal Audit)
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ANNEX 4. ENVIRONMENTAL AND SOCIAL RISK RATING REGISTER

Section A. Financial Institution Details	
MFP Name	
Reference number	
E&S Focal Person Contact Information (Email ID, Office Extension)	
Description of CRF-I Investment	
Section B. MFP Eligibility for Financing	
Is the MFP eligible for CRF-I financing based on E&S criteria? Yes/No	
Justification:	
Section C. Environmental and Social Risk Rating	
E&S category: RR-1(High), RR-2 (Moderate), RR-3 (Low) <u>Justification for E&S risk rating:</u> (Tenor and size of loans, exposure to activities with potential significant E&S risks and impacts, activities on the List of Excluded Activities, MFP's systems and capacity)	
Section D. E&S Issues Identified during E&S Due Diligence	
Section E. Action Plan to Improve ESMS	
Section F. Risk Rating Change	
Previous risk category as of -----	
Current risk category as of -----	
Date of risk rating change	
Reasons for the change	
<p>Signature _____</p> <p>Date: _____</p> <p>Name: _____ (CRF-I E&S Management Coordinator)</p>	

ANNEX 4A. ASSESSMENT OF E&S CAPACITY AND SYSTEM

Area	Description	Yes/ No
1. Systems and capacity		
Management Commitment	Is the management committed to integrating E&S considerations into the MFP's overall risk management framework?	
E&S Staffing and Capacity	Does the staff have clearly defined roles and responsibilities on E&S?	
	Does the institution conduct internal trainings programs on E&S screening, E&S criteria, and documentation?	
E&S policy and procedures	Is an E&S policy reflecting MFP's commitment present?	
	Is there an E&S questionnaire that identifies the E&S risk and impacts from borrowers?	
	Is there any sector-specific guidance outlining typical risks and recommended mitigation measures?	
	Is there an E&S undertaking form supported by a Corrective Action Plan, where necessary, to improve borrower performance in managing identified E&S risks?	
	Is E&S categorization system formally adopted by the MFP's senior management using criteria such as loan size, tenor, sector, and borrower type (e.g., micro-enterprise) to classify E&S risk levels?	
	Is the E&S screening process sufficiently integrated into the MFP's operations? (Relevant staff, including credit and relationship officers who interact directly with borrowers, are trained to conduct E&S screening, complete the E&S questionnaire, and, where applicable, develop and monitor corrective action plans.)	
2. Implementation		
Compliance with applicable requirements	Is E&S screening questionnaires completed for borrowers that align with CRF-I E&S policy?	
	Is there documentation of corrective action plans for sub-borrowers, where necessary?	
	Is there evidence of borrower E&S undertaking forms?	
	Is there evidence of confirmation that activities listed on the Excluded Activities List are not being financed?	
	Does the MFP maintain an easily accessible transparent, and responsive grievance handling mechanisms to address concerns raised by borrowers, employees, and affected communities, especially those related to Gender based violence, sexual exploitation and abuse and sexual harassment (GBV & SEA/SH) as outlined in Section I of Part 1 of E&S policy? Where required, does the MFP prepare an SEA/SH Action Plan?	
	Does the MFP maintain labor management procedures consistent with applicable national labor laws and the World Bank Environmental and Social Standard 2 (ESS2) on Labor and Working Conditions?	
Documentation	Are E&S questionnaires and borrower undertaking forms alongside loan documentation available upon request?	
	Do the financing agreements with end borrowers include appropriate language reflecting E&S requirements and obligations?	
	Are Annual E&S reports prepared and submitted to CRF-I in a timely and consistent manner?	
Scoring Criterion for E&S Capacity Assessment		
If: Score > = 10, then Strong Capacity to manage E&S Risks Score > = 4 and Less than 10, then Moderate Capacity to manage E&S Risks Score < 4, then Weak Capacity to manage E&S Risks		

ANNEX 5. E&S SYSTEMS AND CAPACITY ASSESSMENT OF WHOLESALE (NBFC) MFP

The below information is for the Latest Financial Year

Section A. Financial Institution's Details:	
Name of MFP	
MFP Type (e.g. commercial bank; Microfinance Institution)	
Name of E&S focal point	
Contact Number and Email of E&S focal point	
Section B. Financial Institution's Portfolio	
Total number of MFP approved	
Total value of Lending	
Number of MFPs screened/ assessed for E&S risks	
Number of MFPs found ineligible for E&S reasons	
Please attach the risk screening criterion for transactions classification	
Average loan tenor	
Average loan size	
Ratio of Women financing in GLP	
Ratio of GLP in Rural areas (<i>on the basis of branch based location</i>)	
Section C. Exposure to Activities on the List of Excluded Activities (Annex-2)	
Does the wholesale MFP have retail MFPs in its portfolio with significant exposure to activities on the List of Excluded Activities (Yes/ No)?	
(If yes, please attach a summary of transactions with exposure to such activities)	
Section D. Environmental and Social Management System	
Does the MFP have an Environmental and Social Management System (ESMS)? (Yes/No)	
If yes, please attach any documents that can serve as evidence of an ESMS, including E&S policy and procedures, and its approval by the MFP Senior Management.	
Does the MFP have an E&S risk rating system for retail MFPs? (Yes/No)	
If yes, please briefly describe the system below:	
Does the MFP require ESMS from retail MFPs? (Yes/ No)	
If yes, describe current requirements:	
Does the Undertaking with retail MFPs have covenants on E&S issues? (Yes/ No)	
If yes, attach example Undertaking.	
Does the MFP have staff with clearly designated roles and responsibilities for E&S risk management? (Yes/ No)	
Does the MFP conduct regular E&S monitoring visits of retail MFPs to review their E&S systems, capacity, and portfolio information? (Yes/ No)	
Does the staff of MFP participate in E&S trainings and capacity building initiatives? (Yes/ No)	
Is the MFP compliant with applicable national and local laws (Annex-1)? (Yes/No)	
Does the MFP systematically maintain E&S records? (Yes/ No)	
Section E. Other Relevant Information:	
Please provide any other relevant information below:	
Section F. Risk Category (Annex-6)	
Auditor's Statement:	

We certify that the information presented above is accurate and consistent with the records of the MFP. Based on the analysis of the provided information, we assign the following environmental and social risk rating to the MFP.	
Risk Score	
Risk Rating (High, Medium, Low)	

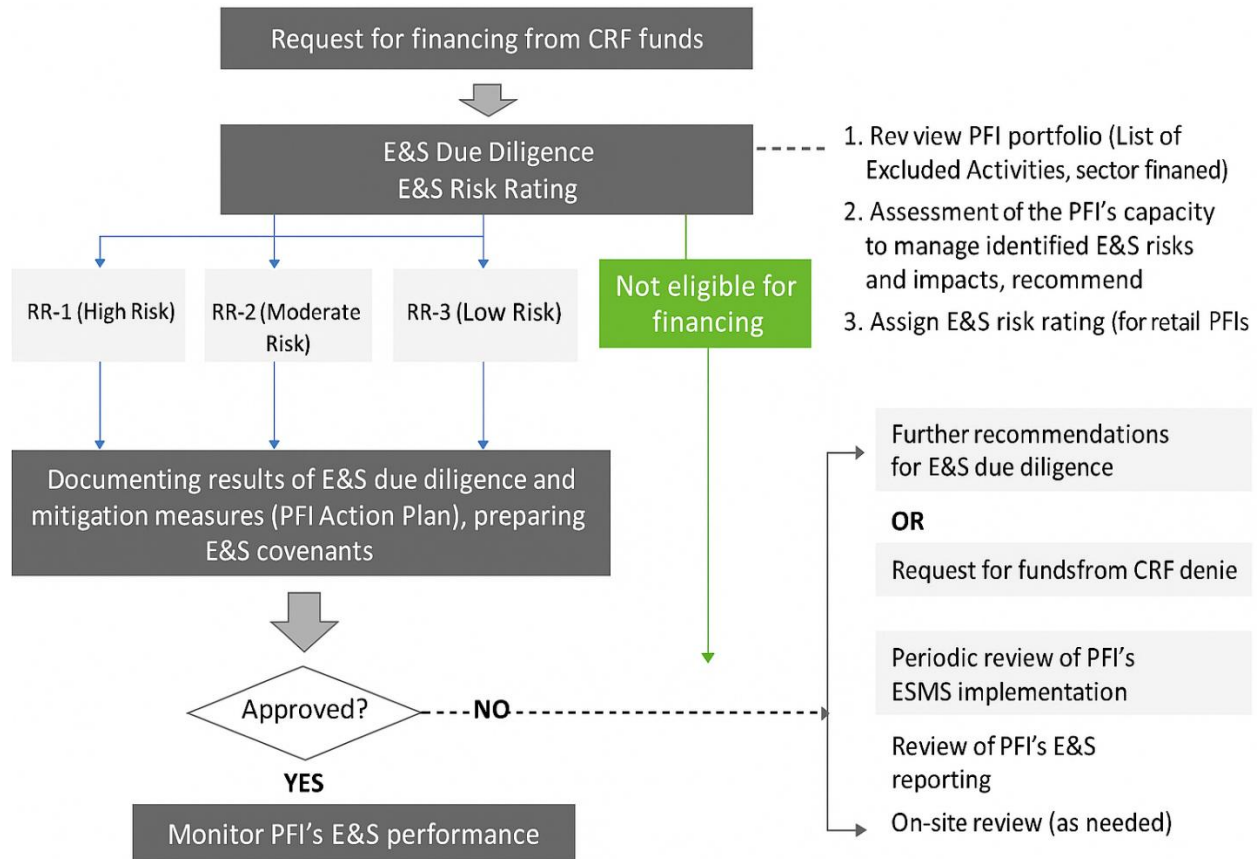
Date _____ Signature: _____ Contact # _____ Name: _____ (E&S Risk Management Focal Point)	Date _____ Signature: _____ Contact # _____ Name: _____ (Head of Internal Audit)
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ANNEX 6. CRF-I CRITERIA FOR ASSIGNING E&S RATINGS

E&S Risk Rating	Nature of financing to final borrowers – Indicative					MFP's Systems and Capacity for E&S Risk Management Annex-4A
	Average Tenor	Average Loan size	Locations	Sectors	Financing of Excluded Activities – Annex 2	
Weight	10%	10%	5%	5%	35%	35%
Score	0-5	0-5	0-5	0-5	0-5	0-5
RR-1 (High Risk) = [0,1]	Tenor > 36 months = 0	Loan size > Rs. 300,000 = 0	Substantial part of MFP's portfolio is in higher risk sectors ⁶ . Highly sensitive locations (e.g. densely populated urban areas, industrial zones with high cumulative impacts of pollution etc.)		MFP's portfolio includes some exposure to such activities that cannot be eliminated over a reasonable period of time = 0	Weak = 0
RR-2 (Medium Risk) = [2,3]	Tenor >= 12 months and < 36 months = 3	Loan size > Rs. 240,000 and <= 300,000 = 3	Most of MFP's portfolio is in sectors and locations not considered high risk		MFP's portfolio includes some exposure to such activities that can be eliminated over a reasonable period of time = 3	Moderate = 3
RR-3 (Low Risk) = [4,5]	Tenor <= 12 months = 5	Loan size <= Rs. 200,000 = 5	Most of MFP's portfolio is in lower risk sectors and location		MFP's portfolio includes no exposure to such activities = 5	Strong = 5

⁶ To determine examples of higher risk sectors, CRF-I may use guidance developed by international organizations, as relevant to the operations of MFPs' microfinance borrowers. For example, industry factsheets developed by the International Finance Corporation: <https://firstforsustainability.org/risk-management/risk-by-industry-sector/> or FMO E&S Guidance for MFIs – Sector Guide.

ANNEX 7.CRF-I E&S ASSESSMENT FLOWCHART



ANNEX 8. ANNUAL ENVIRONMENTAL AND SOCIAL PERFORMANCE REPORT

As of the latest financial year

Section A. Financial Institution's Details:

MFP Name	
MFP Type	
MFP Address	
Website (if any)	
Focal Person for E&S management	
Name and title of the person filling the Questionnaire:	

Please describe the MFP operations and business activity.

Describe any management initiatives or awards (e.g. ISO 27001, ISO 14001, ISO 9001, or equivalent certifications):

Section B. MFP's Portfolio:

Microfinance Products Line				
Product line	Description (Please provide your description/ terms of the product)	Exposure (in PKR)	Average Loan size (in PKR)	Average tenor (months)
Individual Lending				
Group Lending				
Collateral-based Lending				
Clean Lending				
Total Lending				

Sectors	Loans	Exposure	Average tenor (months)
Agriculture			
Livestock			
Poultry			
Enterprise			
Housing			
Others (Add rows as appropriate)			

Developmental Impact Indicators	Loans	Exposure	Average tenor (months)
Rural			
Urban			
Male			
Female			
Transgender			
New business supported/created			
Household supported			

<table border="1"> <tr> <th colspan="5">Community/Stakeholders Engagements</th> </tr> <tr> <td colspan="5">Please describe all interactions that your organization has with the community including, but not limited to, a community relations program, meetings and activities with interested stakeholders, a charitable foundation, staff dedicated to community issues. Please include the following points in your description:</td> </tr> <tr> <th>Activity</th> <th>Description</th> <th>Date</th> <th>Attendees</th> <th>Budget</th> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </table>					Community/Stakeholders Engagements					Please describe all interactions that your organization has with the community including, but not limited to, a community relations program, meetings and activities with interested stakeholders, a charitable foundation, staff dedicated to community issues. Please include the following points in your description:					Activity	Description	Date	Attendees	Budget										
Community/Stakeholders Engagements																													
Please describe all interactions that your organization has with the community including, but not limited to, a community relations program, meetings and activities with interested stakeholders, a charitable foundation, staff dedicated to community issues. Please include the following points in your description:																													
Activity	Description	Date	Attendees	Budget																									
Section C. Exposure to Activities on the List of Excluded Activities:																													
Activity	Yes/No	Exposure (in PKR)	Tenor (months)																										
Production or trade in any product or activity deemed illegal under Pakistan's laws or regulations or international conventions and agreements																													
Production or trade in pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls (PCBs) subject to international phase outs or bans																													
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Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations																													
Production or trade in or use of unbounded asbestos fibers																													
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Activities involving land acquisition and/or restrictions on land use resulting in involuntary resettlement or economic displacement																													
Activities involving significant degradation or conversion of natural and/or critical habitats and/or any activities in legally protected areas																													
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, and so on)																													
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 Indigenous Peoples																													
Activities involving significant adverse impacts on critical cultural heritage																													
Production or trade in or use of non-biodegradable packaging material such as polythene bags and Styrofoam																													
Production or trade in any product or activity deemed illegal under Pakistan's laws or regulations or international conventions and agreements																													
Section D. Environmental and Social Management System																													
Please provide responses to the questions below.																													

Please include additional sheets or attachments as required to provide details on questions that have been answered Yes.																																													
Processes		Yes/No	Remarks																																										
Have there been any updates to the ESMS or procedure?			If yes, please provide a copy of the updated procedure and reasons for the same.																																										
Has senior management signed off on the changes?			If yes, please provide a copy of the same.																																										
Please provide details of the ESMS implementation budget and reasons for changes from the previous year, if any.																																													
Were any transactions rejected on account of the List of Excluded Activities?			If yes, please provide details.																																										
Were there any difficulties and/or constraints related to the implementation of the environmental procedures?			If yes, please provide details.																																										
Were there any material environmental and social issues associated with borrowers during the reporting period in particular?			If yes, please provide details.																																										
Supervision and monitoring		Yes/No	Remarks																																										
Do you supervise the performance of your borrowers?			If yes, please provide details.																																										
Do you conduct client site visits?			If yes, please describe the process including any environmental and social issues considered.																																										
Capacity		Yes/No	Remarks																																										
Please provide the name and contact information of Environmental focal point or Coordinator who has the overall responsibility for the implementation of ESMS.																																													
Did the ESMS officer(s) receive attend/complete any training during this reporting period?			If yes, please describe the training or learning activities.																																										
Did you provide any internal training on E&S?			If yes, please provide details on the training event(s) held including number of attendees and functions.																																										
Sustainable Finance		Yes/No	Remarks																																										
Have you made any investments in projects that have environmental and social benefits such as investing in management systems, energy efficiency, renewable energy, cleaner production, pollution management, supply chain greening, corporate social responsibility, community development etc.?			If yes, please provide details.																																										
Human Resources and Working Conditions																																													
Please update the below based on statistics of your organization during the reporting period.																																													
<table border="1"> <tr> <th colspan="5">Overall Labor Statistics</th> </tr> <tr> <td></td> <td></td> <td>Men</td> <td>Women</td> <td>Average</td> </tr> <tr> <td rowspan="5">Number of Employees</td> <td>Management</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Non-management</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Contractors</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Special Persons</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="2">Turnover rate</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Average Salary</td> <td>Management</td> <td></td> <td></td> <td></td> </tr> </table>					Overall Labor Statistics							Men	Women	Average	Number of Employees	Management				Non-management				Contractors				Special Persons				Total				Turnover rate					Average Salary	Management			
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	Total																																												
Turnover rate																																													
Average Salary	Management																																												

Age Breakdown	Non-management			
	18 – 25			
	26 – 35			
	36 – 45			
	46 – 55			
	> 55			

HR Process	Yes/No	Remarks
Has there been any change to the human resources policy?		If yes, please provide details
Has there been any change to the process of payment of salaries?		
Was there any disciplinary and/or termination during the reporting period?		
Has there been any change to the relationship with the union and/ or collective bargaining agreement?		
Has there been any grievance filed during this reporting period?		
Were there any harassment or discrimination cases this reporting period?		
Was there any retrenchment of a substantial number of employees?		
Were there any fraud cases during this reporting period?		
Are there any labor related cases involving the company in the national/international legal system?		

Date _____ Signature: _____ Contact # _____ Name: _____ (E&S Risk Management Focal Point)	Date _____ Signature: _____ Contact # _____ Name: _____ (Head of Internal Audit)
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ANNEXURE 9: IMPLEMENTATION CAPACITY, ROLES, AND RESPONSIBILITIES

Body/Unit/Division/Individual	Roles and Responsibilities
CRF-I Board of Trustees	<ol style="list-style-type: none"> 1. Review and formal approval of CRF's E&S Policy and Procedures 2. Allocation of resources and budget for implementation 3. Oversight and overall accountability for E&S risk management to external stakeholders, Government of Pakistan, and the lenders 4. Overall responsibility for E&S risk management and its integration in the overall risk management process for CRF-I 5. Ensuring that E&S considerations are integrated in the overall on-lending decision-making process
CRF-I Secretariat	<ol style="list-style-type: none"> 1. Conduct E&S screening of MFPs according to criterion in Annex 6 of CRF E&S Policy and corresponding procedures, assign E&S risk rating and use the details in CRF funding criterion 2. Day-to-day management and oversight of E&S risk management in-line with CRF-I E&S Policy and Procedures, including E&S due diligence and supervision 3. Developing and improving tools to support implementation by MFPs (e.g. checklists, supplemental guidance), including training materials and arranging training workshops 4. Monitoring MFPs compliance with E&S requirements, including those in the E&S Action Plan for MFPs 5. Ensuring quality, completeness, and timeliness of MFPs E&S reporting to CRF-I secretariat 6. Periodically review the E&S management status and issues if there are any of the high risk operations supported by MFPs (according to MFP's E&S risk categorization system and CRF-I's guidance on what would be considered high risk in the context of microfinance) 7. Preparing and providing regular E&S reporting to CRF-I Board of Trustees and other stakeholders 8. Preparing revisions to the CRF-I E&S Policy and E&S Procedures, and presenting them for approval by CRF-I BOT 9. Ensuring that E&S Procedures are integrated into CRF-I financed credit lines. 10. Ensuring that E&S covenants are included in undertaking submitted by the MFPs.
MFPs	<ol style="list-style-type: none"> 1. The MFPs shall make reasonable efforts to ensure that their borrowers comply with the CRF-I E&S policy and all applicable requirements 2. The MFPs shall implement all E&S mitigation and management measures as outlined in their approved ESMP 3. The MFPs shall submit the annual E&S performance report to CRF-I as per Annex-8 4. The MFPs must conduct and submit internal audit report on E&S compliance 5. MFPs shall require their borrowers to notify them within three (3) calendar days of any social, labor, health and safety, security, SEA/SH or environmental incident or accident that may have—or reasonably be expected to have—a material impact on the borrower's compliance with applicable E&S requirements. The MFP, in turn, must immediately notify the CRF-I. 6. The MFPs must not finance activities Listed in Excluded Activities (Annex-2); 7. The MFP must show commitment to comply with applicable national, provincial, and local laws and CRF-I E&S policy 8. The MFP must demonstrate E&S systems and institutional capacity for cater to E&S risks. 9. The MFPs must have an E&S policy and procedures for screening

	<ol style="list-style-type: none"> 10. The MFP must have a designated staff with clearly defined responsibilities for E&S risk management 11. The MFP must show its commitment to participate in E&S training and capacity-building initiatives 12. MFPs must complete the E&S Screening Questionnaire (Annex-3) and, where applicable, prepare an E&S Management Plan (ESMP) to address identified gaps. 13. The MFP must ensure that all documentation is filed systematically for record-keeping and review 14. The MFP must disclose all relevant environmental and social obligations to their clients 15. The MFP must incorporate E&S compliance clauses into financing agreements with their clients 16. The MFP must ensure that clients are informed of potential E&S risks associated with their business activities 17. The MFP must maintain an easily accessible transparent, and responsive grievance handling mechanisms to address concerns raised by borrowers, employees, and affected communities, especially those related to Gender based violence, sexual exploitation and abuse and sexual harassment (GBV & SEA/SH) as outlined in <u>Section I of Part 1</u> of E&S policy. Where required, MFPs may prepare an SEA/SH Action Plan. 18. The MFP must facilitate measurement, monitoring, review, and reporting of E&S risks across CRF-I portfolio 19. The MFP must develop a system for categorizing transactions with microfinance borrowers based on the level of E&S risk 20. The MFPs must develop Internal procedures for identifying, assessing, and managing E&S risks, including the use of tools such as borrower questionnaires and sector-specific guidance, and the assignment of staff responsibilities for E&S-related borrower interactions. 21. The MFPs must develop procedures for ongoing monitoring of E&S risks at both the transaction and portfolio levels. 22. The MFPs must maintain labor management procedures consistent with applicable national labor laws and the World Bank Environmental and Social Standard 2 (ESS2) on Labor and Working Conditions.
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