



Environment and Social Management System (ESMS)

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1. Introduction

1.1. Introduction

This document provides a description of the framework for Environmental and Social Management System (ESMS) for ASA International (“ASAI”; “the Company”). It also provides an outline of various environmental and social management plans, policies and procedures comprising ESMS with their implementation procedure and responsibilities.

1.2. Company Overview

ASA International “ASAI”, a private company limited by shares, was incorporated in April 2007 under the Laws of Mauritius and holds a Global Business License 1 (GBLC1). ASA International is supervised by the Financial Services Commission in Mauritius. ASA International is wholly owned by Catalyst Microfinance Investors, a microfinance investment company.

ASA International has established microfinance operations in a number of the largest microfinance markets in Asia and Africa through Greenfield ventures. As of today, it is operating in 12 countries of Asia and Africa. Each of these microfinance operations follow ASA model of microfinance, adjusted to local circumstances, and operate under “ASA International” brand and banner. ASA International is managed by former and existing senior executives of ASA with full active support and collaboration of ASA, Bangladesh.

1.3. Definition of ESMS

ESMS is defined as part of a project’s overall management system that includes the organizational structure, responsibilities, practices and resources necessary for implementing the project-specific management program developed through the environmental and social assessment of the project.

1.4. Objective of ESMS

This document describes the system and associated plans that ASAI has put in place for implementation and fulfillment of its commitment towards society and environment through proper use of ESMS. The objective of ESMS is to avoid, eliminate, off-set, or reduce to acceptable levels, any adverse environmental and social effects, and to achieve environmental and social benefits with good governance practice. It is also to comply with the IFC and other international standards for social and environmental management.

ESMS commits ASAI to meet regulatory requirements and other best practices identified for the management of MFI. As an adaptive management strategy, ESMS and its attendant plans are living documents that will be reviewed and updated regularly.

2. Environment and Social Management System

ASAI is committed to implementing ESMS thus ensuring the company principles being followed accordingly. The system is consistent with IFC standard 1 and 2, SMART Campaign, Universal Standards for Social Performance Management and other relevant standards in the industry. ESMS has enabled ASAI to develop and implement policies which take into account its commitment and other requirements including those prescribed by applicable laws and regulations. ASAI will continuously identify Environmental and Social aspects which it can control and influence and update them.

In Implementing ESMS ASAI will:

- ▶ establish, implement, maintain and improve its system;
- ▶ assure itself of conformity with its stated Environmental and Social policy; and
- ▶ demonstrate that it is consistent with relevant standards by:

- making a self-determination and self-declaration, and/or
- seeking confirmation of its conformance by parties having interest in the company

2.1. Implementation and Operations Structure

2.1.1. Governance

ASAI has an understanding that good corporate governance and effective management are vital to the successful implementation of ESMS and that a prerequisite is total alignment of mission. Board of directors are responsible for ensuring the achievement of organizational social mission and goals. The Executive Committee (EC) is responsible for having oversight of ESMS implementation. There is a specific process through which the governance relating with environment and social issues are ensured (described in section 4 of this document). EC have to review social performance data, including mission compliance, performance results, and human resource policy, social performance related risks, client protection practices, growth, and profit allocation. EC will also use related performance data during evaluation of organizational progress and management performance.

2.1.2. Identification of Social and Environmental Risks and Impacts

ASA International is working in 12 countries of the world for reduction of poverty through economic empowerment by ensuring sufficient access to capital for the development of for-profit business enterprises to the underprivileged community. The countries where ASAI is currently operating and have plans to start operation already have established microfinance industry. The client and community ASAI operates are mostly aware about the microfinance operation and how it works. Clients of ASAI are engaged in different income generating activities through their micro and small enterprises. By nature, none of the enterprises have harmful impact to the environment, but rather has positive impact to the society.

ASAI has developed standard policies and procedures to ensure that none of its activities or activities of clients are harming the environment or society. The policy and procedures are developed based on industry standards of various countries, previously identified risks and from years of ASAI's different country experience. ASAI has also developed an Exclusion List for its clients which is strictly followed to avoid major incidents.

2.1.3. Roles, Responsibility, Resources and Authority in Operational Level

ASAI management has ensured availability of resources essential to establish, implement, maintain and improve ESMS. Resources include human resources and specialized skills, organizational infrastructure, technology and financial resources. Roles and responsibilities is defined, documented and communicated in order to facilitate effective environmental and social management.

ASAI's Senior Management must appoint specific management staff who, irrespective of other responsibilities, will have defined roles, responsibilities and authority for:

- ▶ ensuring that ESMS is implemented and maintained; and
- ▶ reporting to Senior Management on the performance of ESMS for review including recommendations for improvement

Success of ESMS depends on clear definition of respective roles and responsibilities for environmental and social performance. Therefore, ASAI should establish, communicate and reinforce lines of authority, responsibility and accountability throughout the organization.

Lines of authority, responsibility and accountability should be established by specifying and documenting the scope or activity under control of each functional area or individual. ESMS roles and responsibilities for key personnel are identified below.

2.1.3.1. Executive Committee of ASAI

Executive Committee members from Senior Management team have overall responsibility for the implementation and effectiveness of ESMS. They are responsible for ensuring that adequate resources, both personnel and financial, are available to implement ESMS and related social and environmental plans and

programs. They are also responsible for ensuring that subsidiaries personnel are carrying out their responsibilities with respect to the Company's policies, expectations and commitments.

2.1.3.2. Social Performance Compliance Manager (SPCM)

Social Performance Compliance Manager has responsibility for ensuring personnel and financial resources are appropriately deployed to achieve compliance with legal and policy requirements, obligations and company commitments for environmental and social performance. He/she must allocate resources, communicate responsibilities to ensure that ESMS is fully integrated into plans and activities. SPCM must track and report performances to the board through Executive Committee.

2.1.3.3. MD/CEO of Subsidiaries

MD/CEO of Subsidiaries are directly responsible for ensuring implementation of ESMS and related commitments, plans and programs within their respective functional areas. They will be:

- ▶ responsible for policy implementation and oversight;
- ▶ responsible for client protection, product design, social and environmental policy implementation;
- ▶ responsible for employee health and safety, non-discrimination policy, gender issues, labor issues and all other relevant policies;
- ▶ responsible for overseeing activities of SPCM in subsidiary level and report to subsidiary board

2.1.3.4. Social Performance Compliance Manager (Subsidiary Level)

SPCM Manager is responsible for implementing ASAI's environmental and social policy, and for ensuring that ASAI meets its regulatory obligations and environmental and social performance commitments to governments, and the public. He/she must provide regulatory information and technical assistance to the SPCM (holding level), CEO and other operational line managers on environmental protection and management programs. He/she have the responsibility for ensuring effective implementation of ESMS and attendant plans under the direction of SPCM (Holdings Level) and CEO/MD.

2.1.3.5. Local Government

ASAI has established positive relationships with local government authorities that will remain intact for effective implementation of ESMS. Effective local government relationships will help legal compliance as well as facilitate integration of local experience and knowledge of existing civil society systems into ESMS. ASAI will comply with local rules and regulation regarding environment and social issues and get involved with the initiatives taken by local government.

2.1.3.6. Civil Society

ASAI has always collaborated with local communities and local stakeholder in implementing its operation. ASAI will continue these collaborations, seek similar working relationships with other institutions and groups, and work with local town councils and government to implement ESMS.

2.1.3.7. Contractors/Sub Contractors

ASAI currently do not have any contractors/sub-Contractors in implementing its operation in any country. In future if any contractor works for ASAI, they will adhere to relevant obligations presented in any of the plans included in ESMS. Relevant obligations and performance expectations will be incorporated into contracts and monitored in the same manner as all other functional areas and activities. Each primary contractor will appoint a designated person to oversee environmental and social performance, and to liaise and report to ESM Manager. Specifically, where relevant, each contractor will be required to develop an environmental, social, health and safety plan, and all other associated/similar plans and policies of ASAI prior to contract finalization.

2.1.4. Competence, Training and Awareness

ASAI will ensure that any persons performing tasks that have the potential to cause a significant social and environmental effect have appropriate education, training or experience, and retain associated records of such. ASAI will identify training needs associated with its environmental and social aspects and ESMS, and will provide training, and retain associated records.

ASAI will establish, implement, and maintain procedures to make persons working for it or on its behalf aware of:

- ▶ importance of conformity with the environmental and social policy and procedures and with the requirements of ESMS;
- ▶ significant environmental and social aspects and related potential environmental and social effects associated with their work, and the benefits of improved personal performance;
- ▶ their roles and responsibilities in achieving conformity with the requirements of ESMS; and
- ▶ potential consequences of departure from specified procedures

All new employees and contractors will address environmental and community related issues and responsibilities. They will be introduced with:

- ▶ obligations under ASAI's environmental and social policy;
- ▶ environmental and community relations guidelines;
- ▶ specific procedures concerning key environmental and social aspects;
- ▶ workforce management and social code of conduct requirements; and
- ▶ procedures for engaging environmental and community relations personnel in supporting roles

Records should be retained of all persons being inducted, with all employees being required to undertake a re-induction periodically, as needed. Regular staff meetings will be held to provide personnel with updates of the information received at induction. These meetings will:

- ▶ emphasize the importance of conforming with company environment and social policy;
- ▶ focus on environmental management issues and significant environmental and/or community relations issues, either actual or potential;
- ▶ include reporting on regular components of ESMS environmental management and community relations program;
- ▶ maximize face-to-face contact on a frequent basis between senior management and employees and promote internal communication

2.1.5. Communication

ASAI will use the established internal communication structure among various levels and function of the organization regarding environmental and social aspects of ESMS. If ASAI gets involved into any relevant projects, then it will follow Stakeholder Engagement Plan for relevant communication with external interested parties.

2.2. Monitoring and Supervision

2.2.1. Monitoring

ASAI will combine its social and environmental monitoring with its existing operational monitoring procedure and standards. ASAI will ensure that checklist such as Exclusion List are properly used by the operation team during field visits.

2.2.2. Reporting Flow

ASAI will ensure proper reporting of its social and environmental performance through below Reporting Flow:



2.2.3. Review, Non-conformity, Corrective and Preventive Action

Senior management will review ESMS at planned intervals (once in a year) to ensure its continuing suitability, adequacy and effectiveness. Reviews will include assessing opportunities for improvement and the need for changes in the system. Action related to non-conformity, correctness, etc. will be taken as and when required.

In case of any non-conformities of this ESMS, ASAI will take corrective action and preventive action. The procedure includes:

- ▶ identifying and correcting non-conformities and taking actions to mitigate their environmental effects;
- ▶ investigating non-conformities, determining their cause and taking actions in order to avoid their recurrence;
- ▶ evaluating the need for actions to prevent non-conformities and implementing appropriate actions designed to avoid their occurrence;
- ▶ recording the results of corrective actions and preventive actions taken; and
- ▶ reviewing the effectiveness of corrective and preventive actions taken

2.3. Reporting Tools

ASAI will employ the following environmental and social relations reporting systems and will be shared with relevant parties:

- ▶ Self-assessment tools such as SPI-4 will be used to assess the overall performance; (can generate reports CPP, MIX Report, Social Performance Report, etc.)
- ▶ Will be shared with Lenders, Investors, Senior Management of Entity level and Holding level.

3. ESMS Policies, Procedures, and Plan

As part of ESMS, ASAI has established and followed a number of associated plans, policies and procedures. These are described as currently conceived, and will be developed as the company proceeds through various phases, as and when applicable.

3.1. Established Policy and Plans

3.1.1. Social Policy

ASAI will strictly follow principles and guidelines described in its Social Policy. The policy describes ASAI's objective and goals, governance, HR issues, client protection principles, environmental issues, and responsible financing principles. Refer to ASAI Social Policy

3.1.2. Environmental Policy

ASA International Holding recognizes the critical importance of a healthy environment to our global society, our economy, our business and our clients. Thus, it will be ensured that ASAI's Environmental policy addresses all these issues. Refer to ASAI Environmental Policy

3.1.3. ASAI Sexual Harassment Elimination (SHE) Policy

ASAI is committed to maintaining a work environment free from any harassment or unlawful discrimination. This is also part of organizational commitment towards the society. Therefore, to ensure positive human and organizational development, ASAI took a zero tolerance policy towards harassment of any kind, particularly sexual harassment. Refer to ASAI Sexual Harassment Elimination Policy.

3.1.4. ASAI Non Discrimination Policy

One of ASAI's core values is the promotion of inclusivity and valuing diversity. Negative discrimination on any grounds is not acceptable. All ASAI management and employees must ensure that a fair and sympathetic work environment exists for all employees, irrespective of marital status, religion, disability, sexuality, gender, racial or ethnic background. This policy of equal opportunities and diversity shall apply to recruitment, remuneration, training, staff development, promotion, discipline, and all other aspects of employment. The policy is applied for volunteers, interns, current or prospective clients, suppliers or beneficiaries and all others from outside ASAI with which ASAI or its employees do business. Refer to ASAI Non Discrimination Policy.

3.1.5. ASAI Health and Safety Policy

ASAI health and safety policy clearly described and addressed issues related with staff health and safety. A clear guideline is prescribed and standards are set through this policy. Refer to ASAI Health & Safety Policy.

3.1.6. Code of Responsible Investing

ASAI endorsed and follows the Code of Responsible Investment of CDC which ensures the social commitment ASAI made towards society and investors. Refer to ASAI Code of Responsible Investing.

3.1.7. ASAI Code of Conduct and Code of Ethics

ASAI ethics and code of conducts are designed in a manner so they are ethical, dignified, transparent, equitable and cost effective expressing core values for microfinance practice. Employees of ASA International must have to abide by this and the clauses related to clients have to be delivered to them in proper manner. With the code of ethics and code of conducts, ASA International expects to see the members and the employees not to be discriminated on any ground and ensures equal opportunity in every practice. Refer to ASAI Code of Conduct and Code of Ethics.

3.1.8. Child Labor and Protection Policy

ASA International's Child Labor and Protection Policy embodies its commitment to human development and dignity. In this Policy, ASAI commits to the protection of children who might be involved/affected directly or indirectly by the organization. Refer to ASAI Child Labor and Protection Policy.

3.1.9. Anti-Money Laundering Policy

ASA International Holding and its subsidiaries are strongly committed to preventing the use of its operations for money laundering or any activity which facilitates money laundering, or the funding of terrorist or criminal activities. The Company will comply with all applicable laws and regulations designed to combat money laundering activity and terrorist financing, and will cooperate with the appropriate authorities in efforts to prevent any such misuse of Company products or assets. Refer to ASAI Anti-Money Laundering Policy.

3.1.10. ASAI Anti-Bribery Policy

The purpose of this policy is to set out ASA International's commitment against making improper payments or inducements; and provide basic guidance to all ASA International employees, wherever located, with regard to anti-bribery laws around the world. ASA International does not tolerate any form of bribery, whether direct or indirect, by or of, its employees, officers, agents or consultants or any persons or companies acting for it or on its behalf. Refer to ASAI Anti-Bribery Policy.

3.1.11. ASAI Exclusion List

ASAI has developed and implemented Exclusion List for itself, for its client, and other associated parties. ASAI Exclusion List defines types of business and projects that ASAI does not finance. Refer to ASAI Exclusion List.

3.1.12. ASAI Whistleblower Policy

The Whistleblower Policy and Procedures is designed as a control to help safeguard the integrity of ASAI, its business dealings and to support adherence with the Guidelines. This policy is intended to promote this goal, encourage individuals to carry out and perform according to their responsibilities and provide a means for early detection of problematic matters before they have serious consequences. Refer to ASAI Whistleblower Policy.

3.1.13. GMC and CCRC

ASAI has adopted an Employee and client grievance management mechanism. The grievance management mechanism is often used and resolved issues expressed throughout ASAI. To ensure proper grievance management and strengthening the mechanism ASAI (at both the holding and subsidiary level) has formed a Grievance Mitigation committee (GMC) and a Client Complain Resolutions Committee (CCRC) for the clients. Refer to ASAI GMC Memo.

3.1.14. Emergency Preparedness and Response Plan (EPRP)

ASAI has prepared an Emergency Preparedness and Response Plan (EPRP) to ensure proper management of emergencies. Refer to ASAI Emergency Preparedness and Response Plan.

3.1.15. Public, Stakeholder and Government Engagement Plan

This plan is designed to work shoulder to shoulder with the public, stakeholder groups and government to achieve the responsible development of the communities around it. Since the beginning ASAI has actively engaged with the public, stakeholder groups and government about the company. The objectives of this engagement have been to understand others interests and concerns, and ensure opportunities for their participation, build long-term and mutually-beneficial relationships, establish effective communication processes; and ensure effective tracking and documentation of engagement activities and issues. Refer to ASAI Public, Stakeholder and Government Engagement Plan.

4. Implementation of ESMS

Following section of the document describes the tools that will be used to implement ESMS. Whereas, section 2 describes the overall implementation framework, process and responsible persons. Following is the discussion about the tools to be used for implementation of two subject areas of this system.

4.1. Social Performance

ASAI is committed to ensure best implementation and management of its social goals. In doing so ASAI will implement the following policies, procedures, and plans:

- ▶ ASAI Social Policy;
- ▶ ASAI Code of Conduct and Code of Ethics;
- ▶ ASAI Sexual Harassment Elimination (SHE) Policy;
- ▶ ASAI Child Labor and Protection Policy;
- ▶ ASAI Non-discrimination/Equal Opportunities Policy;
- ▶ ASAI Health and Safety Policy;
- ▶ Public, Stakeholder and Government Engagement Plan;
- ▶ Emergency Preparedness and Response Plan (EPRP);
- ▶ ASAI Anti-money Laundering Policy;
- ▶ ASAI Code of Responsible Investing;
- ▶ ASAI Anti-bribery Policy;
- ▶ ASAI Whistleblower Policy

The above policy implementation responsibility will be on the personnel described in section 2 of this document. Some of the policies and plan described above also cover two other areas (Environment and Governance).

Following tools and activities are in consideration to ensure proper social performance management of ASAI.

- ▶ Endorsement of SMART Campaign: ASAI has endorsed the SMART Campaign, which is a global campaign committed to embedding client protection practices into the institutional culture and operations of the institution.
- ▶ SPI-4: ASAI will use SPI-4 social performance assessment tool and report at least once in a year. It will help ASAI to evaluate its level of implementation of the Universal Standards for Social Performance Management, including the Smart Campaign Client Protection Principles.
- ▶ GMC & CCRC: ASAI has adopted an Employee Grievance Mechanism. The grievance management mechanism is often used and resolved issues expressed throughout ASAI. To ensure proper grievance management and strengthening the mechanism ASAI (at both the holding and subsidiary level) has formed a Grievance Mitigation committee (GMC).
- ▶ Global Impact Investing Rating System (GIIRS): ASAI is using this reporting tool to measure its social and environmental performance. The report provides a rating of the social and environmental impact (not financial performance) of the company.

4.2. Environmental Performance

ASAI is committed to ensure best implementation and management of its environmental goal through securing and protecting it from any kind of exploitation. In doing so ASAI will implement the following policies, procedure, and plans:

- ▶ ASAI Environmental Policy;
- ▶ ASAI Exclusion List;
- ▶ ASAI Code of Conduct and Code of Ethics;
- ▶ Public, Stakeholder and Government Engagement Plan;
- ▶ Emergency Preparedness and Response Plan (EPRP)

The following tools and activities will be carried out to ensure proper environmental performance management of ASAI.

- ▶ SPI-4: ASAI will use SPI-4 social performance assessment tool and report at least once in a year. It will help ASAI to evaluate its level of implementation of the Universal Standards for Social Performance Management, including the Smart Campaign Client Protection Principles for environmental performance.

- ▶ Global Impact Investing Rating System (GIIRS): ASAI is using this reporting tool to measure its social and environmental performance. The report provides a rating of the social and environmental impact (not financial performance) of the company.