

Environmental Social and Governance (ESG) Policy

Svasti Microfinance Pvt Ltd (Svasti)

Document Control Section

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Abstract	ESG Policy documents Svasti's commitment to environmental and social goals and corporate governance practices adopted. It outlines the goals, indicators and activities undertaken within the ESG Framework. The document is expected to help Svasti in communicating to its staff, board members and other stakeholders its ESG charter.		

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Environmental Social and Governance Policy

1. Preamble

Svasti, since its inception, has been committed to providing high quality financial services to low-income households. Over the years, Svasti has committed to and adhered to various elements of responsible finance, social performance and corporate governance. Most of the standards globally recognized as Environmental, Social and Governance (ESG) framework were already integrated into Svasti's business operations. A testament to this has been various external ratings received by Svasti over a period.

Given the evolution of the ESG framework globally and within India, Svasti understands the need to consolidate its work on these elements into a formal ESG Policy. It also recognizes the importance of adopting ESG Framework as a form of risk mitigation and as a framework that can help the organization stay focused on sustainable growth while ensuring customers' and employees' well-being.

2. Policy objectives

The ESG policy is expected to establish a framework that demonstrates Svasti commitment to environmental and social performance while maintaining highest standards in corporate governance. The policy will also be used to communicate the activities taken up and results to various stakeholders.

3. Definition of ESG¹

- The 'E' in ESG encapsulates the natural resources a business consumes, the waste it discharges, the pollution it creates, the energy it uses, the carbon emissions it generates, its contribution to climate change and many other environmental impacts.
- The 'S' refers to the links and ties a business develops with the local community, the way it treats its own people and assures safe working conditions for them, its focus on diversity and inclusion, and its reputation as a trusted partner to stakeholders, including suppliers and customers.
- The 'G' deals with how a business is governed, including its systems and processes, board-effectiveness protocols, audit controls, approach to senior executive compensation, appropriate reliance on independent directors and compliance with the law.

4. Governing Principles of ESG Framework at Svasti

- All activities undertaken within ESG Framework are **aligned with Svasti's vision** of Svasti's vision, is that the Right to Finance becomes a reality for all human beings, including those who do not have collateral to support their bid for finance.
- **Integrated with the business strategy** to ensure that activities taken up under ESG are aligned and implemented, rather than remain conceptual.
- **Data driven.** To ensure that activities under ESG are implemented well and in a transparent manner, Svasti will identify data points or metrics that will be gathered and reported to the Board. This will help in knowing the progress and take corrective action where needed.

¹ Rajan, Mukund; Col. Rajeev Kumar. Outlast (p. 54). HarperBusiness. Kindle Edition

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5. Policy Framework

The Policy Framework is divided into three sections: environmental, social and corporate governance principles and activities. Svasti has drawn the principles and framework from (a) the National Guidelines for Responsible Business Conduct (NGRBC) issued by the Ministry of Corporate Affairs (MCA) and (b) the Universal Standards for Social and Environmental Performance Management (USSEPM) developed by Social Performance Task Force and CERISE. Both these guidelines and standards are aligned with the Sustainable Development Goals (SDGs).

5.1. Environmental Performance

Svasti recognizes and acknowledges the need to integrate environmental performance in strategy and systems. The following table includes the material issues related to environment, activities adopted by Svasti.

Environmental		
Material Issues Identified	Activities	Relevant Policies or Process Documents
Environment Strategy and Systems	Svasti - <ul style="list-style-type: none"> Has a documented strategy on environmental practices within the company Tracks data to measure whether it is achieving the environmental goals Has an ESG Committee at the Board level to monitor the policy implementation Reports on ESG to the Board at least once a year Trains board members, management and employees on their respective roles and responsibilities 	<ul style="list-style-type: none"> Green Policy Environmental Goals and indicators (annexure 1) Charter or TOR of the Board ESG Committee
Green practices including Energy and Waste management	Svasti – <ul style="list-style-type: none"> Identifies and adopts green practices to reduce its internal energy footprint by reducing: energy consumption, water consumption, paper consumption, waste production Svasti will partner with other organizations to create awareness among its customers around the need for reducing energy footprint and adopting green practices in day-to-day life (under CSR) Svasti will pursue the opportunities around offering green financial products such as solar lighting, agriculture tools leasing, rainwater harvesting, etc Is offering water and sanitation loans and affordable housing loans as part of its green product portfolio 	<ul style="list-style-type: none"> Product notes on WASH loans and Housing Loans
Climate change strategy	<ul style="list-style-type: none"> Svasti abstains from lending to environmentally irresponsible projects Svasti shall continue to align its lending processes to avoid the environmental risks by undertaking internal research on best practices As part of its risk management / business continuity planning, assesses the vulnerability of its properties, buildings, and human resources to climate shocks 	<ul style="list-style-type: none"> Exclusion list for lending

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5.2. Social Performance

Svasti's mission is to help transform the lives of women and their families. With this mind, Svasti adopted responsible finance practices including building customer centric processes and responsible employee engagement. While social performance is integrated with the core activities of the company, Svasti also contributes to the Corporate Social Responsibility.

Social		
Material Issues Identified	Activities	Relevant Policies or Process Documents
Customer centred products and services	<ul style="list-style-type: none"> Svasti designs its products and processes that are suitable to its clients needs Established processes to gather client feedback from which feeds into product refinement: three types of surveys conducted - customer satisfaction survey, customer exit survey and post-disbursement surveys. 	<ul style="list-style-type: none"> Product suitability policy Customer feedback mechanism
Customer protection	<ul style="list-style-type: none"> Svasti conducts household income assessment and repayment capacity as per the RBI directives prior to loan sanctioning Regular data submission to four CICs – CRIF Highmark & Equifax (daily) Experian & CIBIL (monthly) 100% credit bureau checks prior to sanction of loans Code of conduct is in place to govern the staff behaviour on issues such as aggressive sales, collection practices, fair interaction, etc Well-established and functioning customer grievance redressal mechanism No intermediaries involved in any of the credit processes All customer data (physical or that in the electronic form) is confidential and is shared with CICs and other agencies only after obtaining customers' permission Customers and their household members are informed about their right to privacy of data and explicit client consent is taken prior to sharing their information Full and transparent communication: All the key terms and conditions of the loan products are given to customers prior to loan disbursement, during group meetings and in all loan documents Communication is done in vernacular languages 	<ul style="list-style-type: none"> Household income assessment policy Code of conduct policy Institutional ethics and principles Customer grievance redressal policy Privacy policy
Attract and maintain a motivated workforce	<ul style="list-style-type: none"> Recruitment is based on ethics, merit and integrity Svasti does not discriminate candidates for recruitment based on gender, religion, caste, marital status or sexual orientation 100% adherence to industry COC guidelines on recruitment from other MFIs Comprehensive induction training to employees on company's vision, mission, values, policies, processes, regulations and code of conduct 	<ul style="list-style-type: none"> Board approved policy on employee recruitment, training and monitoring (which is part of HR manual)

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Social		
Material Issues Identified	Activities	Relevant Policies or Process Documents
	<ul style="list-style-type: none"> • Regular refresher training for all staff on topics identified as per training needs assessment 	
Employee rights, safe and equitable work environment	<ul style="list-style-type: none"> • Adherence to national labour laws on minimum wages, maternity benefits, occupational safety, health and working conditions, social security (ESI benefits), etc • Gender policy and prevention of sexual harassment policies developed to document the commitment towards a professional environment at Svasti • Transparent incentive and performance appraisal structures • Grievance redressal mechanism for staff in place • Svasti is committed to uphold employee rights and treat them with dignity by providing a professional work environment • Svasti will strive to promote diversity, equity and inclusion within the organization and provide adequate awareness on human rights 	<ul style="list-style-type: none"> • Human resources manual • Prevention of Sexual Harassment policy • Occupational hazards and safety policy • Gender policy • Employees grievances redressal mechanism
Promote well-being of all employees	<ul style="list-style-type: none"> • Policies in place to ensure employee well-being: adequate remuneration, working hours, working conditions, leave policy, etc • Policy on flexible work environment (work from home) is in place to support employees ease into work place post Covid-19 	<ul style="list-style-type: none"> • Human resources manual
Corporate Social Responsibility	<ul style="list-style-type: none"> • Constituted CSR Committee at the Board as per the requirements of Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 • Activities take up as per Svasti's CSR Policy 	<ul style="list-style-type: none"> • Board approved Corporate Social responsibility (CSR) Policy
Social performance strategy and goals	<p>Svasti –</p> <ul style="list-style-type: none"> • Has documented social goals and indicators which are used to measure social performance • Collects the social performance and customer protection related data regularly 	<ul style="list-style-type: none"> • Statement of social goals, social strategy and social indicators (annexure 2)
Committed leadership and oversight of social goals and customer protection	<ul style="list-style-type: none"> • Board has an ESG Committee which oversees social and environmental performance • Board signs code of conduct • Board receives training or orientation on their social performance responsibilities from time to time • Every quarter, an ESG report is tabled for the Board • Board's nomination committee oversees executive compensation • The founders' performance evaluation includes social performance targets/criteria 	<ul style="list-style-type: none"> • Charter or TOR of the Board ESG Committee • TOR of the Board Nomination and Remuneration Committee
Responsible growth and returns	<ul style="list-style-type: none"> • Growth rates and portfolio quality at institutional and branch level are monitored weekly and monthly against targets to identify the variance and potential issues 	

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Material Issues Identified	Activities	Relevant Policies or Process Documents
	<ul style="list-style-type: none"> • The market demand and competitors' penetration are formally assessed before entering new markets. This is done using the MFIN's District Risk Index (DRI) data and Sa-dhan's SRO district analysis. • Adherence to RBI's guidelines on pricing and other charges 	<ul style="list-style-type: none"> • Pricing policy

5.3. Corporate Governance

Corporate governance is at the core of Svasti's functioning. Svasti adopted good corporate governance practices based on the international best practices.

Corporate Governance		
Material Issues Identified	Activities	Relevant Policies or Process Documents
Board composition and Functioning	Svasti – <ul style="list-style-type: none"> • Constitutes and maintains a Board of Directors as per the provisions of the Indian Companies Act, 2013 and discloses particulars of the Directors so appointed in the public domain through statutory filing of information • Ensures that the Board of Directors has diversity in terms of expertise, experience and functional knowledge • Conducts quarterly Board meetings and reports to the Board all financial and material non-financial information • Has in place a Corporate Governance policy that includes all information around • Has a Board of Directors self-evaluation process that is taken up by the Board annually • Has put in place policies such as code of conduct and ethical code for the Board 	<ul style="list-style-type: none"> • Corporate Governance Policy • Code of conduct and Ethical Code • Self-evaluation of the Board
Compliance, Risk management and internal audit	Svasti – <ul style="list-style-type: none"> • Meets all the statutory obligations in line with both the letter and spirit of law • Has put in place policies to that help avoid conflicts of interest and adopt minimum expected standards around anti-bribery and anti-corruption • Has in place a risk management framework • Has in place an internal audit team which reports directly to the Board audit committee 	<ul style="list-style-type: none"> • Prevention of money laundering • Anti-bribery and anti-corruption • Conflict of interest • Risk management • Business continuity plan • Internal audit and control mechanism
Disclosure and transparency	Svasti – <ul style="list-style-type: none"> • Is committed to being transparent and disclose all of its key policies on the company website • Is transparent in its communication to the Board of directors, customers and employees 	<ul style="list-style-type: none"> • Disclosures and transparent communication • Cyber security policy

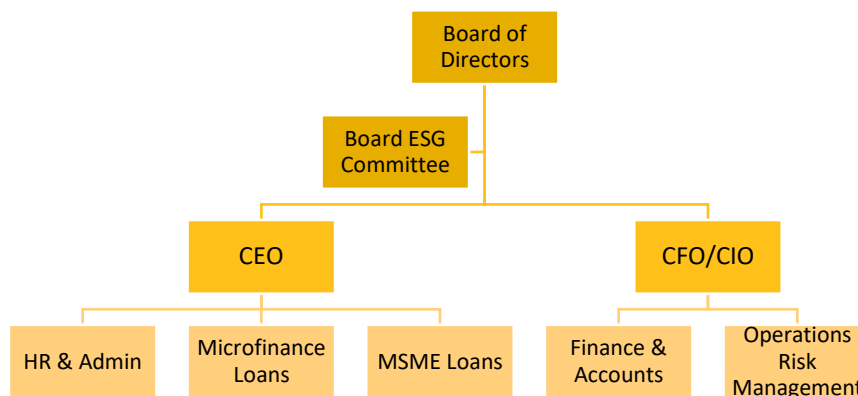
Corporate Governance		
Material Issues Identified	Activities	Relevant Policies or Process Documents
	<ul style="list-style-type: none"> • Adheres to all the disclosure norms including maintaining all the necessary information displayed at HO, regional offices, CDLs and at branches • Has put in place a whistle blower mechanism using which the employees can report to the management their concerns about unethical behaviour, actual or suspected fraud or violation of code of conduct policy or against any major process violation 	<ul style="list-style-type: none"> • Whistle blower mechanism

6. ESG Policy Governance

Svasti is committed to global and national standards on ESG and has put in place this ESG Policy as an aid to that. The erstwhile Board committee on Social Performance Management is renamed into ESG Committee with additional role in environmental performance and the terms of reference are developed.

At the senior management level, an ESG management committee will be formed with the founders and the heads of Operations Risk Management, HR & administration and Finance & Accounts.

1 ESG Governance Structure



The ESG policy framework will serve as a guiding document for all ESG actions and initiatives undertaken by Svasti. The framework will be reviewed and updated on an annual basis, subject to approval by the ESG committee of the Board.

7. Reporting

Reporting on ESG framework and results will be presented to the Board every year using the SPI Online tool developed by CERISE. Svasti will also regularly undergo environment and social ratings, sustainability ratings (by the Agents for Impact), client protection certification, code of conduct assessment to have external validation of the practices adopted.

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8. Communication to staff and Stakeholders

The Policy will be communicated to new staff during the initial induction training, for existing staff by way of circular, to the Board during the Board meeting where it will be presented for approval. A copy of the policy will be made available on the company website.

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Annexure 1: Environmental Strategy, Environmental Goals and Indicators

Environmental Goals	Indicators
<p>Environmental Goal 1: Reduce Svasti's own adverse impacts on the environment</p> <p>Reduce Svasti's water, energy footprint and waste production</p>	<ul style="list-style-type: none"> • Total electricity consumption in kWh • Water consumption in litres • Total weight of waste by type in kg <ul style="list-style-type: none"> ○ Paper ○ Plastic ○ Glass ○ Food and green ○ Residual waste
<p>Environmental Goal 2: Reduce clients' vulnerability to climate change and environmental degradation</p> <p>Increase the number of clients accessing financial and non-financial products that help them adapt to the adverse impacts (of climate change and environmental degradation)</p>	<ul style="list-style-type: none"> • Number of clients reached with WASH loans (water, sanitation) • Number of clients reached with affordable housing loans • Number of clients reached with environment and climate change related messages / modules
<p>Environmental Goal 3: Reduce clients' adverse impacts on the environment</p> <p>Complete adherence to financing exclusion list</p>	<ul style="list-style-type: none"> • Adherence to exclusion list
<p>Environmental Goal 4:</p> <p>Foster the adoption of green practices and technologies, and meet clients' demands and needs for them</p>	<ul style="list-style-type: none"> • Number of Outstanding Green loans • Gross Loan Portfolio for Green products and technologies • Loan portfolio by sector - Sub-categories from the detailed portfolio segmentation by sectors (eg., sustainable agri, renewable energy, waste management etc) • Number of clients reached with environment and climate change related messages / modules

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Annexure 2: Svasti's Social Mission, Social Goals, SMART Objectives and Indicators

Svasti's **Vision** is that the Right to Finance becomes a reality for all human beings, including those who do not have collateral to support their bid for finance.

Svasti's **Mission** is to help transform the lives of 10 million women, and an average of 4 others in each of their families, which would be a total of around 50 million people, by 2030.

Vision, Mission and Values	The Strategy
Right to Finance becomes a reality for all human beings, including those who do not have collateral to support their bid for finance	<p>Svasti believes that the Right to Finance is a fundamental right of all human beings, including ones who do not have collateral to support their bid for finance. It is mostly who are economically challenged who face this challenge and women even more so. Economically challenged are those living in the households with an income of less than Rs.300,000 p.a as per the RBI's definition of microfinance.</p> <p>Svasti's strategy to facilitate this is to offer a range of financial products and services to meet varied clients needs while making the access to these products easy.</p> <p>We believe in being the preferred choice for financial services to our target clientele as much as being a responsible lender.</p>
Transform the lives of women and their families	<p>Svasti's vision focuses on the right to finance for women, as women are not only important members of every household, but they are also part of the uncounted millions who contribute to the economy of India, through micro-enterprises and the unorganized sector.</p> <p>Svasti products are designed for women who would like to start a small business, expand their existing business, and provide their families with meaningful lives.</p>
People First	As a company, we put people first, and nurture the values of fairness, innovation, responsibility, service orientation, and the adoption of smart technology.

Social Goals:

1. Increased outreach for enterprising women from economically challenged sections of society
2. Be a responsible lender by offering a range of products and services to meet varied client needs and providing good quality of service to clients
3. Financial well-being of the customers and their households and transforming the lives of customers and their households

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Social Goals	Indicators
<p>Social Goal 1: Who are we reaching? Our target clients</p> <p>Increased outreach for enterprising women from economically challenged sections of society</p>	<ul style="list-style-type: none"> • Outreach (defined by # of clients) • % of women clients • % of clients who accessed formal loan for the first time • % of clients from marginalized section of society (defined as SC, ST, OBC and minority)
<p>Social Goal 2: How are we serving our target clients? Our offerings</p> <p>Be a responsible lender by offering a range of products and services to meet varied client needs and providing good quality of service to clients</p>	<ul style="list-style-type: none"> • Social rating grade • Quality of service (and preferred choice of the clients) • Client retention rate • Net Promoter Score (client satisfaction) • Client complaints ratio, number of complaints registered and % of complaints resolved • % of clients who access multiple products with Svasti (for example, consumer durable loans)
<p>Social Goal 3: What changes are seen in clients' lives? Client Outcomes and Impact</p> <p>Financial well-being of the customers and their households and transforming the lives of customers and their households</p> <p>(These metrics are suggestive and outcomes or impact assessment will be an outsourced activity)</p>	<p>Financial well-being</p> <ul style="list-style-type: none"> • Whether the clients report increased confidence in handling their day-to-day finances • Whether clients feel increased decision making in the household finances • Aspirations related to children's education • Have availed of financial products that provide financial security in vulnerable times (life insurance and health insurance) • Whether the clients handle their bank accounts themselves, etc • Ability to manage household cashflows well <p>Transforming their lives</p> <ul style="list-style-type: none"> • Increased incomes • Increased household assets or business assets • Increased school attendance of school age children <p>Resilience</p> <ul style="list-style-type: none"> • Difficulty in facing major expenditure • Ability to manage major expenditure • Improvement in savings balance • Access to insurance
<p>Social Goal 4: Being a responsible employer</p>	<ul style="list-style-type: none"> • Staff retention ratio • Staff satisfaction ratio (sourced from Great Places to Work Annual Survey)