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Green Policy

Svasti Microfinance Pvt Ltd (Svasti)

Document Control Section

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Next Review Date	July 2023	Date of Last Review	-
Abstract	Green policy outlines Svasti's commitment and efforts in reducing the adverse impacts of its internal activities on the environment linked to energy consumption, water management, and waste management.		

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1. Policy Objectives

The green policy is expected to establish a framework that demonstrates Svasti's commitment to environmental performance. The policy will also be used to communicate the activities taken up and results to various stakeholders.

2. Scope of the Policy

This policy covers Svasti's efforts and its actions in response to the climate change and environmental degradation. This policy focuses only on internal ecological footprint of Svasti and does not cover client related vulnerabilities, their coping mechanisms, and their impact on the environment. It focuses on Svasti's impact on environment and how Svasti plans to address or mitigate that. It also covers Svasti's approach towards measurement and reporting of its environment footprint.

Risks and risk mitigant strategies around climate change and environmental degradation and Svasti's response are excluded from this policy. These are covered as part of the risk management framework. The policy will be updated annually, and any changes or updates required to reflect changes in laws, regulations and standards will be done.

3. Underlying principles:

- a) **All activities undertaken within the green policy framework are aligned with vision, mission and values of the organization** and do not contradict the social goals and purpose of the organization
- b) **Integrated with the business strategy** to ensure that activities taken up under the green policies are aligned and implemented, rather than remain conceptual or theoretical
- c) To ensure that activities under the green policy 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.
- d) **Green policy is a sub-set of the overarching ESG Policy** of Svasti

4. Policy Framework:

Svasti's green policy will mainly consist of its strategy and commitment towards the following.

- a) Energy management
- b) Water management
- c) Waste management
- d) Integrating environment in lending process

Svasti acknowledges that the climate change, environmental degradation are huge risks and there could be more components than what is included in this policy. However, while drafting this policy, priority is given to components where Svasti would have more control and influence.

a) Energy management

As a microfinance institution which offers financial services through a branch network and employing significant employees, energy consumption is a major component in the Green policy. Energy consumption is in the form of electricity and fossil fuels. The objective is to minimize the energy consumption and thus reduce its environmental footprint of Svasti's business operations.

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The objectives of energy management are:

- Minimize energy requirements of the organization
- Support sustainably sourced energy sources
- Nurture an organizational culture and create awareness among the employees and management and board – to promote energy conservation and encourage energy saving behaviour

Activities that Svasti shall take up under energy management are:

- Replacing the existing high energy-consuming devices and equipment to maximize performance while consuming less electricity (example, using LED lights in all offices)
- Ensure that energy efficiency is prioritized when energy-intensive equipment is purchased
- Conduct internal research and explore alternative sources of energy to reduce the company's reliance on fossil fuels and gradually move towards use of renewable energy sources where feasible
- Svasti as an organization does not own vehicles. It adopts a policy of encouraging HO staff use local trains or metros and ride sharing or on-demand ride services for work related travel within the city. At the branches where the field staff use two wheelers for work, Svasti will encourage them to (a) use fuel-efficient and regularly maintained vehicles to reduce greenhouse gas emissions and (b) to move towards electric two-wheelers
- Incorporating energy-efficient building designs where applicable
- Create awareness among the staff to conserve or save electricity and encourage energy saving practices such as turning off lights and electronic devices after office hours
- The energy consumption data to be monitored and analyzed to identify the scope for reducing energy consumption in the HO and in the branches

b) Waste management

As a microfinance institution which offers financial services through a branch network and employing significant employees, waste management is the second major component in the Green Policy. Svasti recognizes the importance of responsible waste management and its impact on environmental sustainability. Given the nature of work and operations at Svasti, it typically generates wet waste (food, fruit peels etc), dry waste (mostly paper, plastic and glass waste), and e-waste (computers, old printers, laptops etc).

The objectives of waste management are:

- To ensure that waste management is performed in line with the prescribed regulations and industry best practices
- To minimize waste generation at source and facilitate repair, reuse and recycling over waste disposal where it is cost effective
- To promote or increase awareness among staff on careful and responsible waste generation to reduce waste minimization, encourage reuse and recycling

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Svasti takes the following steps to ensure the waste generation and responsible disposal.

- Svasti follows state-level or local regulations when it comes to waste disposal. Segregation of waste at source is done to enable recycling, where wet and dry waste bins are demarcated and placed in common areas.
- Identify opportunities to eliminate single use plastics by using refillable bottles at the HO and in the branches, and encourage staff to use alternatives to single use plastics
- Svasti is conscious of paper usage and as a rule it is advised for the staff to reduce the paper consumption. They are advised to take prints only when necessary.
- The old records and documents are disposed in ways that have the least impact on the environment.
- Svasti transitioned to digital loan application process to improve operational efficiency and this also helps in reducing paper consumption and thus paper waste.
- Repair and reuse of e-waste is preferred or prioritized over disposal. Svasti aims for 100% recycling of e-waste through authorized vendors.

c) Water consumption

As a microfinance institution which offers financial services through a branch network and employing significant employees, water consumption is the third major component in the Green policy. The objective is to optimize the water consumption and monitor the usage to ensure there is no wastage.

Activities that Svasti shall take up under water management are:

- Create awareness among the staff to conserve water and reduce wastage of water
- Monitor the water usage by monitoring the water bills or expenditure

d) Integrating environment in lending process

Svasti will ensure that it shall not extend any loans which fall under the IFC exclusion (prohibited activities) list for microfinance institutions as mentioned below. This is also generally part of the Shareholder Agreement indicating a commitment made to the investors to abstain from lending to the following activities.

- i. Production or activities involving forced laborⁱ or harmful child labor¹.
- ii. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements,
- iii. Production or trade³ in: (i) weapons and munitions; (ii) tobacco; or (iii) hard liquor.

¹ 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.

³ This applies when these activities are a substantial part of a project sponsor's primary operations.

⁴ This applies when these activities are a substantial part of a project sponsor's primary operations.

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- iv. Gambling, casinos or equivalent enterprises⁴.
- v. Any business relating to pornography or prostitution.
- vi. Trade in wildlife or wildlife products regulated under CITES².
- vii. Production or use of or trade in or storage of hazardous materials such as radioactive materials³, unbounded asbestos fibers and products containing PCBs⁴.
- viii. Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.
- ix. Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- x. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- xi. Production and distribution of racist, anti-democratic and/or neo-nazi media.
- xii. Significant⁵ conversion or degradation of Critical Habitat⁶.
- xiii. Significant alteration, damage, or removal of any critical cultural heritage⁷.
- xiv. Materially significant and unmitigated negative impacts on the environment or sensitive social groups (i.e., poor, indigenous peoples, etc.)
- xv. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without fully documented consent of such peoples.

- xvi. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest.⁸
- xvii. Plantation projects that would require the removal of existing non-degraded natural forest.
- xviii. Significant degradation of National Park or similar protected area⁹
- xix. Politically exposed person under the UK Money Laundering Regulations 2007.
- xx. Engaged in money laundering, financing of terrorist activity, fraud, or other corrupt or illegal purposes or practices.

² CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora. A list of CITES listed species is available from their website: www.cites.org.

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

⁴ PCBs: Polychlorinated biphenyls - a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgears dated from 1950-1985.

⁵ Significant conversion or degradation means the (i) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use; or (ii) modification of a habitat that substantially reduces the habitat's ability to maintain viable population of its native species.

⁶ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification,

⁷ Critical cultural heritage consists of (i) the internationally recognized heritage of communities who use or have used within living memory the cultural heritage for long-standing cultural purposes; and (ii) legally protected cultural heritage areas, including those proposed by host governments for such designation.

⁸ Primary forest is defined as relatively intact forest that has been essentially unmodified by human activity for the previous 60 to 80 years; and Tropical moist forest is generally defined as forest in areas that receive not less than 100 mm of rain in any month for two out of three years and have an annual mean temperature of 24° C or higher.

⁹ In addition to in-country designated areas, other areas include: natural World Heritage Sites (defined by World Heritage Convention, <http://whc.unesco.org/nwhc/pages/doc/main.htm>), United Nations List of National Parks and Protected Areas, designated wetlands of international importance (defined by the RAMSAR convention, www.ramsar.org), or selected areas (e.g., strict nature reserve/wilderness areas, natural parks, natural monuments or habitat/species management areas) defined by IUCN (International Conservation Union, www.iucn.org).

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5. Monitoring and Reporting on the Policy Implementation:

The responsibility to ensure implementation of the Green Policy shall be with the ESG governance structure noted in the ESG Policy. The responsibility for monitoring the implementation will be with the HR & Administration function with support from the internal audit team who can help with due diligence by integrating the policy.