



Sugmya Finance Private Limited

Environmental, Social and Governance (ESG) Policy

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Policy Ownership	Finance Team
Functional Aspect Checked By	Sandeep Kumar
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Prepared By	Roshni Gupta
Approved By	Board of Directors



Environmental, Social and Governance (ESG) Policy

SFPL is an NBFC licensed by the Reserve Bank of India (RBI) and holds a rating of "IVR BBB-/Stable" by Infomercs Ratings. SFPL operates on a fully digital and cashless model. With a focus on accessibility and bridging the gap between aspirations and reality, SFPL is a trusted leader in the Indian NBFC industry. Our substantial capitalization and commitment to being entirely cashless reflect our dedication to leveraging technology to empower individuals, regardless of gender, to participate in India's Digital Mission.

SFPL was incorporated on September 28, 2017 and received a fresh license in January 2019. Since its inception in January 2019, Sugmya Finance Private Limited has successfully empowered >1 lakhs households across different social strata. We offer three primary financial services, namely MSME Loans, Micro Loans, and Consumer Durable Loans, to cater to the diverse financial needs of our customers. SFPL operates in regions where many underprivileged individuals in India reside, and where formal and informal banking services are lacking. Our mission is to act as a financial partner to enterprises in urban, semi-urban, and rural areas across India, creating a more financially aware society as a whole. At present, we are operational in nine states, including Delhi, Madhya Pradesh, Uttar Pradesh, Bihar, Rajasthan, Haryana, Jharkhand, Uttarakhand, and Himachal Pradesh. SFPL is one of the few and first in the industry to offer a comprehensive range of financial services, including technology-enabled microlending and MSME lending with a focus on social impact, entrepreneurship, cashless and paperless transactions, and serving semi-urban, rural, and urban areas.

By providing them with economic opportunities, SFPL strives to elevate their living standards and generate sustainable employment prospects. The organization is firmly committed to supporting, enhancing, and bolstering the economic status of the underprivileged segments of society.

The company knows its employees, members, partners and the vendors that it deals with in course of its business can have an impact on the environment and community, and therefore acknowledges the need for adherence to environmental, social, and governance policies consistent with the values of SFPL by all parties associated with it.

It has therefore laid out an Environmental, Social and Governance (ESG) Policy which combined with its Fair Practices Code will provide it with the necessary impetus to achieve its desired growth in a responsible, inclusive and sustainable manner.



A handwritten signature in blue ink, followed by a circular blue ink stamp of Sugmya Finance Private Limited, Delhi. The text around the perimeter reads "Sugmya Finance Private Limited" and "Delhi". There is a star at the bottom center.

1. POLICY STATEMENT

SFPL's ESG policy is rooted in its mission to enhance the living standards of millions of Indian individuals involved in micro, small, and medium enterprises throughout the nation. This mission is accomplished through the provision of a diverse range of financial services, while maintaining a sustainable and transparent approach built on mutual respect and understanding.

The company's ESG framework is dedicated to promoting comprehensive sustainable development within its operational scope. As a result, environmental and social factors are pivotal in shaping its business practices and influencing the actions of borrowers and other stakeholders involved.

2. PURPOSE OF POLICY

This policy is designed to provide guidance to the employees, members, and other stake holders of the company for handling all issues impacting Environment, Social Responsibility and Governance (ESG).

SFPL also recognises that Environment Health and Safety (EHS) is an important and integral component of the broader ESG policy. The company, its employees, members, and other stake holders are committed to providing a safe and healthy working environment and comply with all regulations for the preservation of the environment. They will prevent the wastage of natural resources and minimize any hazardous activity during its operations and disposal of waste. They will strive for a safe and healthy environment, free from occupational injury & diseases. The company will also pursue high standards of safety, health and environmental management as an integral part of efficient management of the business.



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3. GUIDING PRINCIPLES

SFPL will conduct its business and operations in compliance with all relevant and applicable laws in the country concerning environmental, occupational health and safety regulations.

Environment

- A model of sustainable development will be followed.
- The company will monitor, control and upgrade technology to prevent pollution and conserve resources.
- All projects and processes shall be designed keeping in view environmental protection as an integral part to achieve sustainable development.
- The company will focus on maximum recycling.
- The company will ensure reduction in the use of water consumption.

Health

- Availability of First Aid Boxes in every department/section and maintenance thereof.
- The company will impart necessary health education to members.
- The company will ensure availability of equipped ambulance through third parties at all the times to shift the patient to the nearest hospitals.



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Safety

- Any accident, however trivial it may be, shall be reported. An official or any sub-Committee identified by the ESG Committee shall investigate and find out the probable cause and suggest preventive measures. The recommendations suggested by the officer/team shall be implemented. The company and its members shall strive to achieve zero accident on sustainable basis.
- Fire extinguishers of required type and capacity shall be installed at appropriate places in the branches/offices. Members shall be imparted training to operate fire-fighting equipment's.
- Preparation of On-site emergency plans, conducting of regular mock drill and evacuation program will be ensured.
- Dissemination of relevant information to employees relating to general safety, equipment operating safety and cautioning through visual media.
- Development of safety culture, enforcement of safety rules and accepted safe practices.

Governance

The company is committed to the principle of transparency and good governance and will ensure the following:

- i. Have adequate number of Independent Directors.
- ii. Provide for adequate transparency about the company's operations, and a governance structure that demonstrates appropriate accountabilities.
- iii. Take demonstrative action to ensure that its employees are not involved in corrupt practices, ensure that the employees' conduct scrupulously adhere to the policy governing the "Code of Conduct."
- iv. Employees uphold high standards of business integrity and honesty; and
- v. Deal with regulators in an open and co-operative manner.



A handwritten signature in blue ink, appearing to read "S. S. Sharma".



4. POLICY IMPLEMENTATION

The effective implementation of the ESG Policy with regards to **Social Responsibility** will be ensured by scrupulously adhering to the following guidelines:

Loan Proposals

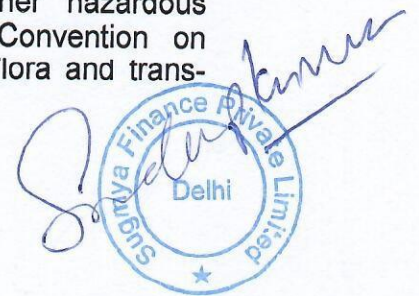
The Business Heads (BH), Central Business Heads (BH), Regional Head (RH) Branch Managers (BM) Area Credit Manager (ACM) and Business Executive (BE) are well appraised about the ESG Policy and will diligently scrutinize every loan proposal / service agreement to identify any environmental, social or labour risk that may emerge by dealing with a particular customer or vendor.

All loan proposals would be subjected to a preliminary screening and in case any applicant is found to be grossly non-compliant with national or local environmental, social or labour laws, then the loan application will be rejected.

Exclusion List

SFPL will not lend to the members for the following activities:

- i. Projects or companies identified by the Government to be in violation of local applicable law related to environment, health, safety, labour, and public disclosure.
- ii. Projects or companies where the primary business activities are in the following prohibited sectors: gambling; media communications of an adult or political nature; military equipment production; alcoholic beverages (if contrary to local religious or cultural norms).
- iii. Companies found by a court or administrative body of competent jurisdiction engaging in unlawful practices.
- iv. Projects or companies that provide significant, direct support to a government that engages in a consistent pattern of gross violations of internationally recognized human rights, as determined by the Government of India.
- v. Production or trade in any product or activity deemed illegal under the laws or regulations of India or international conventions and agreements or subject to international phaseouts or bans such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls and other hazardous substances, wildlife or wildlife products regulated under the Convention on International Trade and Endangered Species of Wild Fauna and Flora and trans-boundary trade in waste or waste products.
- vi. Production of, trade in or use of un-bonded asbestos fibres.



Loan / Service Agreements

Loan Agreements will clearly enumerate a clause on compliance with all applicable local and national environment, social and labour laws. Agreements with vendors will be scrutinised and any deviation in terms of applicable local and national environmental, social and labour laws may adversely impact the decision.

End use of Funds Verification

As a part of internal inspection Loan utilization checks (LUC) are conducted. Along with other checks, special emphasis will be given by the inspectors conducting LUC to observe any non-compliance in the social and environmental regulations as applicable and reasonably ascertainable during the visit. Any noncompliance observed shall be reported to the senior management through the ESG Committee who in turn will take a call on the further action which may include notifying customer with risks associated with non-compliances and call upon them to take necessary corrective actions or classify the non-compliance as an event of default and recall the entire outstanding of the credit facility.

5. ESG RESPONSIBILITY

The company has identified Head-HR & Admin as the key person for implementation of ESG initiatives and shall take internal/external approvals wherever necessary. He will be the Convenor of the **ESG Committee** that shall be constituted with the employees of the Company as members which shall also include its senior management.

The ESG Committee shall inter-alia be responsible for following:

- i. Compliance with all legislative requirements pertaining to ESG as minimum standard and wherever appropriate, institute additional measures.
- ii. Review and Revision of guidelines for EHS, whenever required.
- iii. Dissemination of information regarding EHS amongst members and promoting awareness of EHS by organizing inter department, inter unit competitions and contests throughout the year and specially on the occasion.
- iv. Observe National Safety Day i.e., 4th day of March, National Fire Service Day i.e., 14th day of April and World Environment Day i.e. 5th day of June.
- v. Providing at least 4 hours of EHS training annually to each member, contractors and others who work with the Company.
- vi. Implementation of guidelines laid down from time to time for safe & healthy environment.
- vii. Encouraging voluntary involvement of members by creating conducive environment.



SFPL/ESGPOLICY

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The ESG Committee through its Convenor will submit a report on ESG to the Committee of Senior Executives (CSE) at least once in a quarter. CSE may form a sub-committee for effective monitoring and observance of ESG and EHS.

6. E-Waste:

Electronic waste or e-waste is generated when electronic and electrical equipment become unfit for their originally intended use or have crossed its total working life span. Computers, servers, mainframes, monitors, compact discs (CDs), printers, scanners, copiers, calculators, fax machines, battery cells, cellular phones and air conditioners are examples of e-waste (when unfit for use). These electronic equipment's get fast replaced with newer models due to the rapid technology advancements and production of newer electronic equipment.

Some eco-friendly waste disposal technique that the Company can adopt to dispose of electronic waste locally are:

- i. Dispose of Electronic Waste to a Certified E-Waste recycler; or
- ii. Exchange Policy: A lot of electronic companies tend to have an exchange policy whereby they take back your old gadgets when you buy a later version, sometimes offering you a discount on your new purchase; or
- iii. Donate to a small social welfare institution.

7. GRIEVANCE REDRESSAL

In order to address effectively any operational, social, environmental, labour and other general concerns, the company has in place a structured grievance redressal framework supported by a review mechanism. This redressal mechanism can be used not just by its customers, but also by its employees, vendors and the community at large. The grievance redressal policy is a part of the company's **Fair Practice Code** which is published in its website.

A handwritten signature in blue ink is written over a circular blue stamp. The stamp contains the text "Sugmya Finance Private Limited" around the perimeter and a star at the bottom. The signature is cursive and appears to be "Sugmya".A circular blue stamp with the text "Sugmya Finance Private Limited" around the perimeter and a star at the bottom. The stamp is slightly faded and has some handwritten marks inside.