
Environmental, Social & Governance (ESG) Policy



Sindhuja Microcredit Private Limited

Issue Date	22-11-2022
Version	2.0

This document has been approved by:

Board Of Directors	22.11.2022
---------------------------	-------------------

1. Introduction

1.1 Background

Sindhuja Microcredit Private Limited (hereinafter referred to as “Sindhuja”) is a tech enabled, rural focused microfinance institution. Sindhuja aims to make financial services accessible to those entrepreneurs who have the requisite skill and courage and conviction but lack capital. Sindhuja aims to be their trusted partner in their growth and prosperity through efficient, customer friendly and technology driven financial solutions. Sindhuja prides itself for touching the lives of low-income women borrowers from under-served households in significant ways.

Sindhuja is registered to operate as a Non-Banking Financial Company-Micro Finance Institution (NBFC-MFI) with the Reserve Bank of India (RBI) and operates in multiple states across north India in the rural and semi-rural areas and its operations are continuously expanding.

Women in rural areas play a key role in running households and make major contributions to agricultural production. But the inequalities that exist between women and men make it difficult for women to fulfil their potential. Sindhuja offers credit to such women of underserved household generally involved in agri/agri allied activities, production, trade and services under Joint Liability Group (JLG) model for income generating activities. It is ensured that there is no over indebtedness for the borrowers and towards this Sindhuja facilitates analysis of repayment capacity that includes analysis of income and expense patterns. Sindhuja conducts its business with transparency and all the loan terms and conditions including rate of interest, fees are explained transparently during the onboarding as well as at the time of disbursement. The loan products offered by Sindhuja do not require collateral to be pledged and also there are no pre-payment penalties.

Sindhuja operates with a team of qualified professionals and engages in comprehensive training and capacity building of the team. Besides the financial aspects, the trainings emphasize on the treatment of the borrowers fairly and respectfully and without discrimination.

1.2 Statement of Purpose

Sindhuja recognizes that its borrowers through their businesses have the potential to cause both, adverse and beneficial environmental and social (E&S) impacts. However given the average size of individual loans, exposure to E&S risks is typically low. But Sindhuja remains committed to building E&S safeguards in its loan products commensurate to the risks. Sindhuja recognizes that its engagements with the borrowers on E&S issues, besides credit and reputational risk management can also present opportunities for value creation in terms of brand differentiation, business performance, stronger relations and increased customer loyalty.

Sindhuja is further cognizant of the fact that its day-to-day operations can have internal E&S risks (i.e. non transaction related E&S risks) related to life and safety of its employees and compliances to labour laws and working conditions.

It is therefore considered prudent to integrate environmental, social and governance (ESG) safeguards in Sindhuja’s loan product management and across its activities in order to drive positive developmental impact above and beyond financial returns.

Sindhuja has expressed its ESG commitments through policy statements in alignment with national and international E&S safeguards to identify, assess, manage and monitor the E&S risks and opportunities in their investments.

2. ESG Policy Statements

The commitments of Sindhuja are expressed through a set of statement developed to communicate its ethos and professional conduct on the matter related to ESG. The following are the key ESG commitments of Sindhuja.

2.1 Adherence to Negative list in lending

Sindhuja will not extend loans that could be used for any activity that features in the Negative List presented in Annex 1. The Negative List has been developed giving due consideration to the businesses that the borrowers could seek to utilize the loan amount and their E&S implications.

2.2 Environmental & Social Commitments in lending

The loan products of Sindhuja are primarily used for economic activities that are not expected to have significant environmental impacts but are expected to create a high social impact in term of building gender equality and improving livelihood. As a responsible corporate citizen, Sindhuja will strive to create awareness amongst its borrower about their environmental and social responsibility.

Sindhuja will influence borrowers to comply with national environmental and social legal requirements, where the borrower's business so require.

2.3 Environmental & Social Commitments in Internal operations

Sindhuja will ensure that its operations are compliant with national and local labour laws and working conditions. Further it remains committed to promote safe and healthy work environment and treating all employees fairly.

Further, Sindhuja will continue to create an inclusive culture to ensure representation across gender, caste, creed, religion, region, physical ability. It will provide fair and equal employment and advancement opportunities to all and make available processes for redressal of grievances.

Where possible, Sindhuja will strive to procure products used in its day-to-day operations that are energy efficient and have lower comparative environmental footprint.

2.4 Commitment towards avoidance of Child and Forced Labor

Sindhuja strongly values the cause of human rights and fundamental freedom and is committed to prevention of Child and Forced Labour in its operations. This will also be a binding expectation from its vendors to adhere to non-deployment of child and forced labour.

Sindhuja will influence borrowers to comply with the applicable child labour regulations and raise awareness amongst them.

2.5 Ensuring Stakeholder Engagement

Sindhuja will engage in dialog with relevant stakeholders at appropriate stages of business operations with due consideration to the disadvantaged and the vulnerable stakeholders.

Sindhuja will also make available accessible mechanisms for fair, transparent, and timely redress of external grievances.

2.6 Ensuring Borrower Protection

Sindhuja will protect its borrower through robust processes and effective communication. Borrowers will also be made aware of all environmental and social safeguards pertaining to their loan type as well as provide corresponding awareness material.

2.7 Good Governance Commitment

Sindhuja will inculcate sound industry practices, in compliance with Reserve Bank of India (RBI) regulations and guidelines from microfinance industry self-regulatory organisations. It has adopted the following policies which demonstrates its commitment to good governance:

- Whistle blower policy
- Fair practice code

3. Implementation of ESG Policy

The ESG Policy is supported by the Environmental & Social Management System (ESMS) that has been implemented by Sindhuja. Under the ESMS, procedures and templates for E&S risks and opportunities identification, management and monitoring of E&S performance have been developed and are integrated with the business processes. The ESMS has been developed in line with the requirements of internationally accepted IFC Performance Standards Framework 2012 and is commensurate to the E&S risks and impacts of the business operations of Sindhuja.

The institutional structure required to implement the Framework is also elucidated in the ESMS. Accordingly, training is imparted to ensure adequate institutional capacity is created for implementation of the ESMS.

4. Approval and Communication

The ESG Policy and Principles have been presented to the Board of Directors and duly approved. The policy is applicable from **22.11.2022**

The ESG Policy document have been disclosed through the Company website. The ESG Policy Statements is also communicated to all employees. These is also communicated to other relevant stakeholders, such as business partners, investors, as relevant.

The ESG Policies and underlying ESMS will be reviewed by the top management at least once in three years or when there is major operational change, to ensure its continuing suitability, adequacy and effectiveness.

Annex 1: Negative list in lending

Sindhuja, under no circumstances, will provide loans that can be used for following activities (production, use, distribution, business or trade):

1. Product or activity deemed illegal under Indian laws or regulations or international conventions and agreements, to which India is a signatory.
2. Hazardous waste and radioactive material
3. Wildlife or wildlife products
4. Relating to pornography or prostitution
5. Relating to betting and gambling
6. Use of restricted chemicals or pesticides/herbicides
7. Drift net fishing in the marine environment using nets in excess of 2.5 km in length
8. Destruction of Critical Habitat
9. Sale of addictive substances such as tobacco, gutka, cigarettes, bidi, etc.
10. Weapons and munitions
11. Sale of Alcoholic Beverages