



Social and Environment Policy

Version 2

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SOCIAL AND ENVIRONMENTAL POLICY

This document outlines the Social and Environmental Policy of SATYA MicroCapital Limited (SATYA). It articulates SATYA's commitment to integrating environmental and social considerations into its business activities as well as contributions to sustainable development.

SATYA is committed to being a socially responsible organization and creating livelihood through entrepreneurship by integrating Trust, Transparency, Teamwork, Technology and Training. These core values are reflected across policies and decisions of the organization.

Purpose

Through this policy, SATYA intends to communicate its commitment to managing, and mitigating, wherever possible, the direct as well as indirect social and environmental impact of its operations, and to strive continuously to improve its social and environmental performance. This policy will serve as a framework for understanding and managing our social and environmental risks, impacts and opportunities.

SATYA is committed to act consistently with international environmental and social standards, including applicable IFC Performance Standards, the ILO Core Labour Standards, the ILO Basic Terms and Conditions of Work and to respect the International Bill of Human Rights in line with the UN Guiding Principles on Business and Human Rights.

Compliance

SATYA shall comply with all pertinent social and environmental regulations in its areas of operations. It will strive to go beyond meeting compliance requirements to enhance its social and environmental performance wherever possible.

Social Policy

SATYA will make sure that working conditions in the organization meet (or exceed) international labour standards, as set out by the ILO Conventions and national standards. SATYA will also make sure that:

- No discrimination is made based on gender, religion, ethnicity, caste or economic status at the time of recruitment and talent acquisition will be performed in a systematic and fair manner based on the education qualification, experience and vocational training.
- Staff training and development is an essential part of our employment policy. SATYA has incorporated ESG aspects in different capacity building programs for all employees to keep them updated on latest developments on ESG front and ensure compliance with ESG standards on continuous basis.
- Safe and healthy work environment along with appropriate remuneration, social security benefits and opportunities for career advancement are provided to all employees, for whom it is a Principal Employer.
- There is a dedicated employee grievance redressal mechanism.

- Employees' satisfaction with the organization's policies and processes is measured at regular intervals.
- There is no forced or child labour and employment is freely chosen.
- Employees are not pressurized to undertake overtime they do not wish to do.
- The right of freedom of association is respected and encouraged by the employer.

SATYA will strive to:

- Serve the excluded population especially focusing on women owned businesses, financially excluded population, SC/ST communities through its lending program.
- Adhere to client protection standards through-
 - Fair and respectful treatment of clients
 - Client grievance redressal
 - Responsible pricing
 - Client data privacy and protection
 - Prevention of over-indebtedness
 - Designing appropriate loan products and services
 - Maintaining transparency through client education and awareness
- Ensure that the safeguarding of personnel and property is carried out in a legitimate manner that avoids or minimizes risks to the community's safety and security.

Environmental Policy

SATYA recognizes the importance of implementing sound environmental practices throughout its operations and will continue to integrate sustainable environmental practices into its daily activities. SATYA will, within the context and constraints of its business:

- Seek to avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from its operations including measures to abate emissions that contribute to climate change.
- Develop an environmentally responsible culture across all levels of our organization and implement environmentally sound work practices to reduce energy, waste, and other resources.
- Apply the exclusion list to ensure that environmentally medium or high-risk projects are not approved/ financed and establish an appropriate screening mechanism to ensure this.
- Explore opportunities for environmentally friendly procurement practices, and strive to influence its business partners, including suppliers and vendors, on adopting environmentally sustainable business practices, wherever possible.

Appraisal/Screening of Credit Applications

To prevent the social and environmental risks associated with its operations, SATYA shall incorporate social and environmental due diligence in the credit appraisal of the loan applications of the clients. In compliance with the *IFC's Exclusion list* and the *Harmonized EDFI Exclusion List*, SATYA shall not finance the following activities:

- i. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international

- phaseouts or bans, such as (a) specific hazardous pharmaceuticals¹, pesticides, and herbicides², (b) ozone-depleting substances³, (c) PCBs (polychlorinated biphenyls⁴) and other hazardous chemicals,⁵ and (d) transboundary trade in waste or waste products⁶, unless compliant with the Basel Convention and the underlying regulations.
- ii. Production or activities involving harmful or exploitative forms of forced labor⁷ or child labor⁸.
 - iii. Production or trade in weapons and munitions, including paramilitary materials.
 - iv. Production or trade in alcoholic beverages excluding beer and wine.
 - v. Production of or trade in tobacco
 - vi. Gambling, casinos, and equivalent enterprises
 - vii. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
 - viii. Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
 - ix. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
 - x. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.
 - xi. 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.
 - xii. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
 - xiii. Production or trade in wood or other forestry products other than from sustainably managed forests.
 - xiv. Unsustainable Marine and coastal fishing practices, such as large-scale pelagic drift net fishing, and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.
 - xv. Destruction⁹ of High Conservation Value areas¹⁰.
 - xvi. Activities that will entail physical displacement (relocation, loss of residential land, or loss of shelter) and economic displacement (loss of land, assets, access to assets, income sources, or

¹ A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>.

² A list of pesticides and herbicides subject to phaseouts or bans is available at <http://www.pic.int>

³ A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>.

⁴ A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

⁵ A list of hazardous chemicals is available at <http://www.pic.int>.

⁶ As defined by the Basel Convention; see <http://www.basel.int>.

⁷ Forced labor means all work or services not voluntarily performed, that is extracted from individuals under threat of force or penalty as defined by ILO conventions.

⁸ Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Fundamental Human Rights Conventions (Minimum Age Convention No. 138, Art. 2) (www.ilo.org). In such cases the higher age shall apply.

⁹ Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

¹⁰ High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <http://www.hcvnetwork.org>).

means of livelihoods) because of (i) involuntary acquisition of land, or (ii) involuntary restrictions on land use or on access to legally designated parks and protected areas.

- xvii. Pornography and/or Prostitution.
- xviii. Racist and/or anti-democratic media
- xix. Coal prospection, exploration, mining or processing
- xx. Oil exploration or production
- xxi. Standalone fossil gas exploration and/or production¹¹
- xxii. Transport and related infrastructure primarily¹² used for coal for power generation.
- xxiii. Crude Oil Pipelines
- xxiv. Oil Refineries
- xxv. Construction of new or refurbishment of any existing coal-fired power plant (including dual)
- xxvi. Construction¹³ of new or refurbishment of any existing HFO-only or diesel-only power plant producing energy for the public grid and leading to an increase of absolute CO2 emissions¹⁴.
- xxvii. Any business with planned expansion of captive coal used for power and/or heat generation¹⁵.

For the sanctioned activities, SATYA shall also incorporate monitoring of clients' performance. In addition, it may also require the clients to implement certain mitigation measures to reduce any negative social or environmental impact within a specified timeframe.

Energy and Resource Management

SATYA shall proactively take steps towards promoting energy conservation throughout its operations with an aim to lowering its carbon footprint. Towards this objective, SATYA will undertake following initiatives:

i. Electricity consumption

- Measuring and monitoring our electricity consumption
- Promoting products that consume less electricity or renewable energy sources wherever economically feasible.
- Increase staff awareness on the importance of electricity conservation.

ii. Fuel consumption

- Adopting energy efficient operating procedures for facility management and travel such as public transport
- Influencing peers/colleagues' behavior

iii. Paper consumption

- Promote and leverage the use of technology among employees, customers, and other stakeholders to move toward efficient paperless systems.
- Promoting use of virtual communications such as phone call, messages, or email.

¹¹ Gas extraction from limnically active lakes is excepted from this exclusion

¹² "Primarily" means more than 50% of the infrastructure's handled tonnage

¹³ For indirect equity through investment funds, investments (up to a maximum of 20% of the fund) in new or existing HFO-only or diesel-only power plants are allowed in countries that face challenges in terms of access to energy and under the condition that there is no economically and technically viable gas or renewable energy alternative.

¹⁴ I.e. where energy efficiency measures do not compensate any capacity or load factor increase.

¹⁵ This does not apply to coal used to initiate chemical reactions (e.g. metallurgical coal mixed with iron ore to produce iron and steel) or as an ingredient mixed with other materials, given the lack of feasible and commercially viable alternatives.

iv. Waste Management

- Improve resource efficiency in its operations by promoting three Rs- Reduce, Reuse, Recycle and minimize all types of waste generation.
- SATYA shall responsibly dispose its waste including e-waste, in line with prescribed regulations and industry best practices.
- SATYA shall aim to reduce the use of all forms of plastic at offices, branches as well as in its promotional, marketing, and outreach events.
- Raise awareness among its employees on responsible waste disposal.

Awareness and Outreach

SATYA understands that its employees and customers can play a major role in reducing MFI's environmental impact. Towards this objective, SATYA shall

- Continually consult, educate, train, and motivate staff about their environmental responsibilities. It shall try to enhance employee participation in its environmental sustainability efforts wherever feasible.
- Provide basic environmental related training to Loan Officers to improve their level of awareness, knowledge and skills in project screening and processing.
- Regularly sensitize its clients and clients' groups towards adoption of environmentally friendly activities and promote their participation in the MFI's environment sustainability efforts.
- Develop appropriate loan products which will promote sustainable energy practices among its clients.