



SBFC FINANCE LIMITED

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

I. BACKGROUND

SBFC Finance Limited (“SBFC”, “Company”) commenced operation in September 2017, with a vision to be first of its kind MSME Pan India NBFC, and to enable the financial inclusion of the unbanked and underbanked base of the pyramid, mass retail, and micro and small enterprise segments. Since then, SBFC has grown steadily in scale and scope, offering MSME lending to customers in rural and semi-urban markets on one side and those in metro and urban markets on the other. Serving the banking needs across such geography, today, the Company caters to over 1 Lakh customers in 18 states/UT of India and is expanding.

Traditionally, a significant portion of the Indian population still lacks access to credit from the formal sector and consequently borrows from informal channels like moneylenders or relatives, indicating the vast scope for MSME lending in achieving financial inclusion and overall economic growth. Similarly, small business operators in India have faced challenges in procuring finance, due to their size, capacity, and limited ability to cater to collateral requirements. Despite these constraints, the sector contributes a major share in India’s GDP, while generating employment for millions of people.

SBFC recognizes the potential of this sector. By providing access to capital for the base of the pyramid, small business operators, and individuals with limited access to finance, SBFC drives a huge impetus to the unorganized and small industry sectors, driving businesses, creating jobs and transforming the lives of beneficiaries. As consumer demand has evolved, there has been a transition towards customer-centric products bolstered by robust customer profiling based on lifestyle, personality, occupation, and behaviors, which are indicators for higher adoption of such products. This development has been attained through technology enablement, which has reduced overall turnaround times, the operational cost for lenders, and credit access cost for the borrowers.

At the same time, SBFC acknowledges that environmental, social, and ethical governance (ESG) is a prime driver for the creation of long-term value for all stakeholders. Therefore, the company is focused on minimizing the ESG impacts arising out of its own operations whilst simultaneously offering products and services in a responsible manner.

To this extent, SBFC has developed an ESG Policy to articulate its commitment towards Environment Social and ethical Governance practices to serve as a guide for their implementation.

II. Objective and Scope of The Document

The primary objective of this ESG policy is to drive the SBFC ESG strategy and integrate it with the core business strategy. This ESG Policy also serves as a medium to define and convey SBFC’s ESG commitments, position statements and to act as an engagement mechanism with different stakeholders.

The ESG policy is applicable to our employees, customers, key stakeholders associated with us and third-party service providers to the extent possible. This policy shall apply to our operations and all the products in consideration or offered by us following the date hereof, and will be interpreted in accordance with Local, State and National Laws and regulations.

III. ESG POLICY STATEMENT

SBFC is supported by a diverse, multi-state workforce across India, serving a fairly large customer base and growing. The Company is conscious of its responsibilities towards customers, employees as well as all other stakeholders.

In order to demonstrate the approach and commitment to ESG principles, SBFC commits to:

- Comply with relevant and applicable ESG statutory rules and regulations.
- Drive efforts to reduce the impact of our operations on the environment as well as impact on clients, customers and society in large.
- Maintain a high level of social and ethical conduct within own operations and communicate our ethical standards to the customers, third parties, investors and general public.
- Demonstrate accountability to ESG related concerns of all stakeholders.
- Measure and monitor ESG performance in the same spirit as financial performance and periodically communicate performance with staff, customers and other key stakeholders.
- Embrace key international ESG standards and guidelines, relevant to our business and jurisdiction, and strive to adopt best practices.
- Allocate resources towards training workforce on ESG policy and commitments. Instill an organization wide culture aligned to our ESG policy.
- Regularly review ESG and associated policies considering new and emerging risks as well as stakeholder concerns

Principles for environmental sustainability:

- Strive to reduce consumption of energy, paper and water as part of the approach towards natural resource conservation.
- Minimize the waste footprint of own operations, by recycling and reusing materials where practicable.
- Strive to identify and mitigate environmental risks and impacts associated with the lending operations.

Principles for social sustainability and occupational health and safety:

- Promote and encourage, safe and healthy working culture by engaging our workforce, customers and other stakeholders in a periodic manner.
- Respect human rights of all staff, offer equal employment opportunity and not tolerate discrimination or harassment in any form.
- Promote equality of opportunity and women's socio-economic empowerment within own operations and within lending operations, particularly with respect to access to finance and services.
- Prevent child labor and forced labor in any form.
- Avoid human rights violations through business relationships with clients and through direct business relationships with vendors.
- Establish and maintain effective grievance channels for all stakeholders.
- Strive to identify and mitigate the risks related to child Labor / forced labor within lending portfolio, through putting in place adequate risk assessment procedures and raising awareness among customer and vendors about child Labor / forced labor.
- Strive to mitigate social and severe health and safety risks and impacts associated with lending operations.

Principles for good governance:

- Develop and implement a robust and effective corporate governance framework, adhering to applicable regulatory requirements, and in line with leading corporate governance practices.
- Establish robust internal controls, compliance with policies and practices.
- Ensure transparency and objectivity in dealing with our stakeholders.

IV. POLICY OWNERSHIP AND APPLICABILITY

This policy is approved by the SBFC’s Board of Directors and applies to the Company, its Subsidiary and its branches. This policy will be driven by the Committee comprising of the Chief Human Resources Officer, Chief Risk Officer, Head-Operations / Chief Operation Officer and Chief Technology Officer. This policy applies to and shall be communicated to all staff at all levels and all functions of the organization. The Company shall allocate the appropriate resources and conduct in- house training in order to ensure the effective implementation of the Sustainability policy and corresponding ESG.

The policy shall be communicated to vendors and customers of the Company. Disclosure of this policy shall be maintained on the SBFC’s website for general viewing.

V. ESG RISK AND IMPACT IN OWN OPERATIONS

The Company aims to balance its business and ESG performance through interventions on the following core environmental, social, and governance risk areas.

RISK	MANAGEMENT APPROACH
Ensuring Regulatory Compliance	- Compliance to all applicable E&S laws and regulations. - Compliance with applicable waste management regulations, multiple HR- related regulations and there corresponding legal submissions.
Waste Management	- Application of universal principles of waste management within our operations to ensure that waste is dealt with in a way to create the least impact. - Handling and disposal of E-waste, hazardous waste and paper waste.
Conservation of Natural Resources (energy, fuel, and water)	- Avoid or minimize adverse impacts on the natural environment by promoting sustainable use of resources such as energy and water. Minimize the impacts generated from the operations by raising awareness about the environmental responsibilities amongst the staff and contractors on the guidelines

Occupational Health & Safety Management	<ul style="list-style-type: none"> - Provide all workers with a safe and healthy place to work and work practices that do not compromise the health or safety of others, including vendors, or visitors. - Undertake reasonably practicable steps to ensure: <ul style="list-style-type: none"> □ Compliance with health and safety laws and regulations and provide safe and healthy working environment and equipment. □ Identify and reduce the health and safety issues at our work locations to an acceptable level □ Promote wellbeing measures amongst our staff - Adopt measures such as attending to first aid needs of our staff, implementing emergency response & preparedness procedures across the Company and monitoring and recording of accidents/ incidents through the implementation of accident-incident protocols.
Managing employee relationship and ethical working conditions	<ul style="list-style-type: none"> - The Company recognizes that its people are the driving force for growth and success. - The Human Resources (HR) policies of the Company shall be developed in line with the principles of equal opportunity, fairness, and ethics. - The HR policies shall cover the entire employment cycle starting from recruitment procedures, to working condition, leaves, benefits, and termination, are communicated regularly and always accessible to all staff through the HR portal. - There are other guiding policies on aspects such as nondiscrimination and equal opportunity

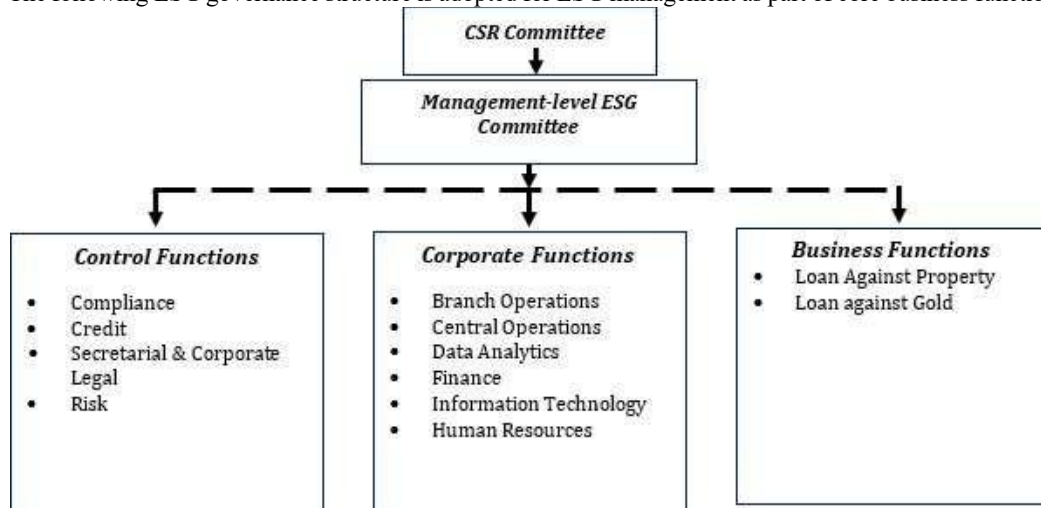
	<ul style="list-style-type: none"> - The Company is proactive in ensuring that grievances are heard and resolved at the earliest. In this regard, the “Staff Grievance Policy” shall be implemented. - Additionally, the Company has developed and implemented a POSH Policy for Prevention, Prohibition, and Redressal of Sexual Harassment at the Workplace. - The HR department is overall responsible for communication, training, and implementing the HR policies and ensuring the statutory labor compliances applicable to the Company.
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VI. ESG RISK AND IMPACT IN LENDING OPERATIONS

SBFC is committed to reducing its ESG risk and the impact to the extent possible by implementing a robust risk management process for lending operations. The Company shall ensure that the steps which are necessary for identification and mitigation of such risk are integrated into core business operations. Currently credit underwriting process is followed as per board approved Credit Policy which is reviewed annually.

VII. ESG GOVERNANCE STRUCTURE, ROLES AND RESPONSIBILITIES

1. The Company shall develop an effective governance structure with a clear set of roles and responsibilities in order to implement its ESG strategy.
2. The approach for developing an ESG governance structure is based on a holistic approach to sustainability, with a joined-up structure that operates across the Company. Integration is thus required across business teams dealing with different geographies, business functions, product, and revenue models.
3. The following ESG governance structure is adopted for ESG management as part of core business functions:



The Company understands the importance of a clear and robust ESG governance structure, which is an essential component for long-term success. In this regard, the Company shall establish a dedicated Management ESG Committee which shall report to the CSR Committee, to drive communication and oversee the implementation of the ESG policy and commitments.

The day-to-day implementation of the ESG Management System shall be a company-wide activity involving coordination of the Management ESG Committee with all the Credit, Corporate, and Business Functions shown in the diagram above.

VIII. PERIODIC MONITORING AND REPORTING OF ESG PERFORMANCE

The Company shall adopt a robust set of procedures to ensure that the business activities are in line with ESG requirements, and there is a process of undertaking continual assessment and improvement to the ESG procedures.

The ESG Leader shall evaluate the adherence to ESG principles and procedures on an annual basis through an annual performance monitoring process.

These include:

- Yearly reporting to the ESG management committee by the ESG Leader
- Annual review and monitoring procedures which includes annual performance assessment, implementation of upgrades to the ESG Policies, including an update to the training programs.

IX. EXTERNAL COMMUNICATION

The Company aspires to create long term value for its stakeholders through ESG integration.

Internal and external stakeholders are a source of valuable feedback and information. Such information can be in the form of suggestions on financial product improvement, feedback on customer interaction with the Company’s staff, or a myriad of other opinions, comments, or contributions from regulators, non-governmental organizations, communities, or individuals regarding the environmental and social standards.

SBFC, has already established external communication and grievance procedures for addressing stakeholder concerns and inquiries. The same channels and platforms are proposed to be used to address environmental and social concerns as well.

The vision for value creation is described below:

<p>Clients and customers</p>	<ul style="list-style-type: none"> • We aim to deliver fair outcomes for clients by designing products and delivering services that meet their needs and are appropriate to their circumstances. • We are transparent in communication and receptive to their grievances and strive to create satisfaction. • We are committed to enhancing awareness about growing environmental and social concerns with our client base and contribute to sustainable development.
<p>Government and regulators</p>	<ul style="list-style-type: none"> • We are committed to complying with all ESG legislation, rules, and other regulatory requirements applicable to our businesses and operations in the jurisdictions within which we operate.
<p>Investors</p>	<ul style="list-style-type: none"> • We shall deliver long term sustainable returns to our investors and create confidence in the vision and mission of the Company.
<p>Staff and Employees</p>	<ul style="list-style-type: none"> • We aspire to create a safe, inclusive, non-discriminatory, and motivated workplace • We aspire to leverage the diverse and unique potential of our entire workforce to add value to the SBFC ESG growth story.
<p>Wider Community</p>	<ul style="list-style-type: none"> • We aspire to contribute to our nation’s sustainable economic growth and shall always seek platforms to engage and collaborate on ESG aspects for the benefit of the wider community.
<p>Contributing to positive development aligned with Best Practices</p>	<ul style="list-style-type: none"> • We strive to capture and enhance the positive development impacts through our Business operations. We strive to align our business strategy with best practices.

The above vision shall enable us to develop actional plans and programs to benefit all key stakeholder groups using ESG as a tool for value creation.

By having clear procedures for the handling of ESG grievances or complaints, the Company can deal with issues or concerns in a consistent and appropriate way, without the need for urgent damage control.

X. Grievance Redressal

Principles for grievance management are:

- The Company shall work in good faith and without prejudice to the interests of its ESG policy and its responsibility towards its stakeholders.
- ESG-related information request, concerns or complaints raised by stakeholders shall always be dealt with courtesy and on time.
- The Company shall ensure that all stakeholders are fully informed of avenues to escalate their complaints/ grievances and their rights to alternative remedy if they are not fully satisfied with the response of the Company.
- The various grievance redress channels shall follow a transparent process that is gender-responsive, culturally appropriate, and readily accessible to all segments of the stakeholders at no costs and without retribution.

For the management of staff grievances, the Company shall have in place a Staff Grievance Policy, which provides an efficient and transparent grievance redressal process. This policy shall explain how staff can raise their complaints in an effective manner. External stakeholders (such as regulators, local community, NGOs, or any other stakeholder who is affected by the Company's business operations), may use the below-mentioned email IDs for raising concerns on ESG aspects.

S. No	Type of Grievance	Contact Email/Phone
1	Customer queries	customercare@sbfc.com / 022-6831 -3333
2	Management ID	management.sbfc@sbfc.com / +91 8976741986
3	Investor queries	complianceofficer@sbfc.com / +91 22-67875344

XI. Policy Amendment and Review

The Company reserves the right to revise and amend this policy in whole or in part at any point of time. The Board/ESG Committee may review this policy periodically if and when deemed necessary.

XII. List of Excluded Activities

1. Any of the following activities:

- a. Production of, or trade in, any product or activity deemed illegal under applicable local or national laws or regulations or subject to internationally agreed phase-outs or bans as defined in global conventions and agreements such as certain:
 - hazardous chemicals, pharmaceuticals, pesticides and wastes;
 - Coal mining and Coal fired power plants;
 - ozone depleting substances;
 - endangered or protected wildlife or wildlife products; and
 - unsustainable fishing methods such as blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 kilometers in length;
- b. Production of, or trade in, arms (i.e. weapons, munitions or nuclear products, primarily designated for military purposes);
- c. Production of, or trade in, radioactive materials¹ ; or
- d. Production of, use of, or trade in, unbonded asbestos fiber s²;
- e. Production or trade in alcoholic beverages (excluding beer and wine).
- f. Production or activities involving harmful or exploitative forms of forced labor (Forced labor means all work or service, not voluntarily performed that is extracted from an individual under threat of force or penalty)/harmful child labor.
- g. Commercial logging operations for use in primary tropical moist forest.
- h. Production or trade in wood or other forestry products other than from sustainably managed forests.
- i. Prostitution.
- j. tobacco or tobacco related products^{3,4}
- k. pornography⁴

2. Any businesses, if any of the following activities represents a substantial portion⁴ of such business:

- a. gambling, gaming casinos and equivalent enterprises;

¹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment, civilian power generation and any equipment in which the radioactive source could reasonably be considered to be trivial or adequately shielded.

² This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

³ Except, in the case of tobacco production only, with an appropriate timeframe for phase out.

⁴ For companies, "substantial" means more than 10 % of their consolidated balance sheets or earnings. For financial institutions, "substantial" means more than 10% of their underlying portfolio volumes.

Annexure 1: Non-Targeted Profile

1. Retail Liquor Traders
2. Club/Resorts
3. Advocates expect High court and Supreme Court.
4. Collection agencies.
5. DSA's/DME/Money Lenders/MLM.
6. Politically Exposed Persons (PEPs) - Individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of stateowned corporations and important political party officials. 7. Politically Influenced Person 8. NRI's.
9. Real Estate agents/ Builders.
10. Pawn Brokers.
11. Commission agents with residence cum office.
12. Press and Media Freelancers.
13. Religion leaders.
14. Employee in arm-based work shop.
15. Financers /Chit funds.
16. Bar cum restaurant.
17. Stock brokers.
18. Minors/HUF/Trust/Societies.
19. Person with criminal record.
20. Film and TV Personal
21. Astrology and Vaastu Consultant
22. Bullion Traders
23. Fisheries / Aquaculture / Sericulture / Endangered or protected wildlife or wildlife products
24. Arms & Ammunition
25. Casinos / Gambling / Lottery operators, Chits and financial institutions
26. Mining and Quarrying
27. Arm Dealers
28. Verification agency and its Employees
29. Poultry farming
30. Stamp Vendors
31. Driving Schools
32. Plantation and Nursing or Production or trade in wood or other forestry products other than from sustainably managed forests.
33. Shared Accommodation/Guest house/Hostel/Sublet accommodation
34. Aviation Industry
35. Ozone depleting substances
36. Production of, or trade in, radioactive materials (This does not apply to the purchase of medical equipment, quality control (measurement) equipment, civilian power generation and any equipment in which the radioactive source could reasonably be considered to be trivial or adequately shielded)
37. Production of, use of, or trade in, unbonded asbestos fiber (This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.)
38. Commercial logging operations for use in primary tropical moist forest
39. Prostitution
40. Tobacco or Tobacco related products
41. Production or trade in alcoholic beverages (excluding beer and wine)