

Environmental and Social Policy (E&S Policy) (Version 1)

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Environmental and Social Policy (E&S Policy) (Version 1)

Version Number	Prepared by	Version department	Control	Approval Date	Version Details
1.	Rupesh Kalokhe	ESG		02.12.2024	Initial Policy

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1. INTRODUCTION

Arthan Finance Private Limited (AFPL) was incorporated on December 11, 2018 for pursue lending business as a Non-Deposit taking Non-Banking Finance Company ('NBFC') licensed by the Reserve Bank of India (RBI) bearing registration no. N-13.02354 with the aim and objective of complementing banks as a provider of capital and specifically to self-employed entrepreneurs, MSMEs and consumers in India with differentiated models based on new technologies coupled with local expertise. Arthan has been the trusted financial partner for thousands of small business owners. We have supported numerous trailing businesses, shop owners and burgeoning entrepreneurs by providing them with the required working capital in the most simplified way.

Over the years, Arthan Finance has scrutinized the credit aspects for the MSMEs and developed a deep understanding of the micro market. Through our advanced data analytics, technological support systems and AI & ML based algorithms, it always kept up with the changing trends of the market to provide reliability to our clients. Our client base includes businesses like grocery stores, dairies, hotels & restaurants, pharmacies, hardware shops, servicing garages, small manufacturers, food processors, small contractors, retail/wholesale traders etc.

Arthan Finance offers the following products to its customers:

- Secured loans: This involves short- and medium-term loan facility to grow business with the help of immovable and movable assets.
- Unsecured loans: This involves loan to small entrepreneurs which help the, scale up, fulfil large orders and hire workers to meet the seasonal demands or for any business requirements.
- Supply Chain Finance: This involves Short-Term Working Capital finance to dealers/suppliers/vendors/other micro enterprises having trade business relationships with SMEs/Corporates to optimise working capital requirements of both the parties.

2. ENVIRONMENT AND SOCIAL POLICY

AFPL is focussed on credit/loan availability to budding entrepreneurial customers with digital loan processes and bespoke products catering financial needs of the MSMEs to help grow their businesses. We offer working capitals to self-employed entrepreneurs, MSMEs and consumers in the most simplified way.

We are committed to:

- Establish & maintain an Environment, Health, Safety and Social Governance Management Systems.
- Integrate expectations of our stakeholders into our business processes and ensure alignment to the same.
- Ensure compliance to all applicable legal requirements.
- Incorporate and follow fair business practices.
- Establishing Cyber Security and Information mechanisms.

3. SCOPE AND OBJECTIVE OF POLICY:

3.1. SCOPE:

The provisions of E & S Policy shall apply to all employees as well as other internal and external stakeholders of the Company including customers, upstream and downstream value-chain partners (including shareholders, vendors etc.) and the community at large (to the extent possible) across all our branches and offices.

3.2. OBJECTIVE:

The E&S policy is intended to align AFPL's overall business and operational objectives with the IFC PS principles and mandates of the Reserve Bank of India (RBI). AFPL seeks to align its strategic business objectives with the IFC principles with its envisaged key areas of focus enumerated in this Policy. The policy has been designed in consonance with the applicable national laws/ regulations and is aimed at positioning AFPL as an ESG-compliant entity through its activities.

4. IMPLEMENTATION OF POLICY:

The E & S Policy is intended solely as an overarching framework for guiding the business activities of AFPL. Based on the focus areas identified in the Policy, AFPL shall endeavour to integrate ESG dimensions into its varied areas such as business strategy, product/ service lines, policies, operations etc. The Policy shall act as the guiding document for a structured implementation of the ESG through sustainable and safe operations, monitoring of performance, implement structural improvement to enhance AFPL's performance under the ESG parameters.

The E&S Policy must be read with the other policies/ guidelines of AFPL which cater to the considerations under the focus areas defined herein.

5. KEY FOCUS AREAS OF E & S POLICY:

Through this E&S policy we intend to focus on following objectives:

5.1. FAIR BUSINESS PRACTICES

AFPL prioritizes ethical and lawful business conduct. The Company believes in free and fair competition and does not subscribe to any unethical or illegal business practices to gain competitive advantage. AFPL does not use any information, material, intellectual property or confidential information of any stakeholders for its business operations and; expects its value chain partners to adhere to the same standards of ethics, transparency and fairness. AFPL aims to follow fair business practices which are in line with the RBI

requirements.

5.2. ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT IN LENDING

AFPL through its lending activities, shall endeavour to ensure fair and transparent access to credit to individuals/ entities in a manner that it promotes inclusive and equitable development. It shall strive to ensure that its lending activities are compliant with applicable Indian laws and regulations as well as any multilateral environmental, social and biodiversity agreements and/ or conventions ratified by India. AFPL refrains from providing loans for activities which fall under the 'IFC Exclusion List' that include activities such as child labour, forced labour, production of harmful substances and other illegal/hazardous activities.

5.3. SUSTAINABLE AND SAFE OPERATIONS

AFPL shall strive to ensure that its operations have minimal adverse impact on environment and social aspects by promoting use of sustainable products and services across its operations. The Company is committed to playing its part in the transition towards a low carbon and resource efficient economy through adoption of low-carbon strategies, technologies, and business processes. AFPL shall endeavour to engage with business partners/associates who embed responsible practices in their operations and provide sustainable services. In addition to maintaining highest standards of safety in its premises, AFPL shall provide training and awareness programs to all its employees on health and safety at the workplace along with training regarding fire safety hazards, ergonomics and mental wellbeing at the workplace.

5.4. GRIEVANCE REDRESSAL

In order to address effectively any operational, social, environmental, and other general concerns, the AFPL aims to implement structured Grievance Redressal Mechanism (GRM) with contact details of the concerned Grievance Redressal Officer. This mechanism can be used by the customers, employees, vendors and other associates for any complaints/concerns. AFPL also targets to have dedicated redressal committee for each of its operating states as and when the company enter into new states. Currently, the Company operates in the following 4 states i.e Maharashtra, Odisha, Andhra Pradesh and Telangana.

5.5. STAKEHOLDER INCLUSIVITY

The Company is committed to promote a safe and conducive work environment for its internal stakeholders (employees) by striving towards basic safety, good health and wellbeing initiatives at workplace. AFPL believes in developing and maintaining long-term relationships with its external stakeholders (customers or other associates) and believes that close communications is the key to creating value for them. It shall put in place, systems and procedures to understand their expectations and address their concerns in a fair and equitable manner. This also includes stakeholder opinions in identifying its key material topics as well as developing its business strategy. AFPL shall provide a secure mechanism to its stakeholders to report any unethical and improper practices taking place for appropriate action.

5.6. WASTE MANAGEMENT

AFPL targets to dispose of the waste in the most responsible manner, especially endeavouring disposal of E-waste through Central Pollution Control Board (CPCB) authorized E-waste handlers. AFPL will maintain a record of annual disposal of E-waste. AFPL's push to go digital across services, will continue to reduce paper consumption, thereby reducing paper waste. Printing and photocopy operations shall be constantly monitored and regulated. The Company also strives to adopt measures to segregate waste and ensure recycling/reuse of waste, wherever practicable.

5.7. MONITORING AND REPORTING

AFPL aims to document a Monitoring and Reporting mechanism ensuring overall regulatory compliance and effectiveness of the implementation of ESG procedures across the Company. A consolidated ESG reporting template shall be developed and submitted to senior management and investors on periodic basis.

5.8. CYBER SECURITY AND INFORMATION SECURITY

AFPL aims to establish a comprehensive and robust mechanism to ensure the highest degree of data protection. The Company guided by Information Technology Act,2000 shall adhere to the principles of Confidentiality, Integrity and Availability (CIA) with respect to information security.

5.9. EMERGENCY RESPONSE PLAN

AFPL shall develop a site-specific Emergency Response Plan based on inputs from building management, including response procedures for various man-made and natural disasters to commensurate the size and nature of activities conducted at the facilities. The Company shall keep the copy of ERP for its records and ensure that the particulars of the ERP shall be well communicated to all employees.

5.10. GOOD GOVERNANCE PRACTICES

The ESG team under the guidance of ESG Manager (Chief Operating Officer (COO)the Company) is responsible for ensuring effective implementation of this policy. The COO and the Board, as part of its periodic review meetings, will monitor the ESG integration and would also be responsible for reviewing and amending the E &S policy on an annual basis (if required). AFPL shall strive to adhere to the best corporate governance practices and continuously benchmarking itself with best practices across the globe.

6. ROLES AND RESPONSIBILITIES

Our COO would be the ESG Manager, primarily responsible for ensuring that the consideration of ESG criteria is integrated into the financing decisions and our operations in collaboration with the ESG team. The ESG team is responsible for facilitating the implementation of this policy in our operations and for maintaining and updating the policy to ensure its continued relevance. The authority to approve this policy will rest with our Board.



7. REVIEW

As ESG Manager, the Company COO has been entrusted with the responsibility of enforcement of this policy. He is hereby given absolute power to jointly with Executive Director, make necessary changes, amendments or additions or removals for the operational aspects of the policy within the overall spirit and guidance from time to time for reasons like technology or process upgradation, regulatory changes, maintaining competitive edge or responding to changes in market or risk environment, etc. The policy shall be reviewed annually or earlier when significant changes occur, in order to reflect the latest policy/ regulatory directions/ guidelines issued by the GOI, RBI and any other statutory/ regulatory authority as applicable for the Company.