



CREDITACCESS GRAMEEN LIMITED

Policy on Environmental & Social Management System

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1. Introduction

CreditAccess Grameen Limited ("CA Grameen" or the "Company") is the largest NBFC-MFI in India serving under-banked low-income households over last two decades. Being in microfinance industry, CA Grameen has been creating a large scale positive social impact, empowering economically weaker sections of the society through financial inclusion. The Company takes cognizance of environmental and social risk management and is committed to identifying and mitigating short, medium, and long-term environmental and social risks associated with its activities through sound risk management system and policies.

CA Grameen's Environmental and Social Management System (ESMS) is a framework that integrates environmental and social risk management into a Company's business processes, policies, procedures, and strategies. The framework outlines a set of actions to be implemented in concurrence with Company's existing risk management procedures.

2. Objective

CA Grameen's ESMS will ensure compliance with applicable local and national laws on environment, health, and safety standards and International Finance Corporation (IFC) Performance Standards. It will help the Company to avoid and manage loans with potential environmental and social risks through adequate due diligence during loan disbursement and loan utilisation checks post loan disbursement. CA Grameen will ensure that it shall not extend any loans which fall under the IFC exclusion (prohibited activities) list. The Company's loan agreements will contain appropriate environmental and social requirements as stipulated in the ESMS. CA Grameen shall ensure timely communication of various environmental and social objectives to its stakeholders, along with proper mechanism for handling of queries/ grievances. The Company shall also ensure adequate capacity building measures to identify and monitor environmental and social risks, including senior management, environmental and social (E&S) officer, and support team.

3. Scope

The ESMS framework will be integrated into CA Grameen's existing credit/ loan appraisal systems and standard operating procedures. At the time of loan applications, the exclusion list will be used to reject applications whose purpose falls within activities in the exclusion list. The appraisal format will include possible environmental and social risks associated with the said activity and the borrowers will be subject to appropriate risk categorisation based on the type of activity. Appropriate monitoring and reporting formats will be prepared to effectively identify and mitigate the environmental and social risks.

4. Environmental and Social Policy

The type of economic activities primarily financed by microfinance industry in India do not have harmful impact on the environment, rather microfinance industry creates high social impact for the bottom-of-the-pyramid population.

CA Grameen's E&S policy shall ensure compliance with national and state governments' E&S objectives, requirements, regulations, guidelines and IFC performance standards. The key requirements of the Company's E&S policy include the following –

- i. Inculcate sound industry practices, in compliance with the Reserve Bank of India (RBI) regulations and guidelines from microfinance industry self-regulatory organisations (SROs) like Microfinance Industry Network (MFIN) and Sa-Dhan, to minimise exposure to E&S risks.
- ii. Strive for leadership and excellence with respect to business sustainability through responsible business practices and risk management approach.
- iii. Manage and reduce Company's impact on the climate through optimization of various business operations.
- iv. Actively engage with various stakeholders on Company's E&S policy commitments/objectives and ensure transparency through timely communication and reporting mechanisms.
- v. Assess various aspects of human capital including sound working conditions, occupational health and safety, equal growth opportunities, employee grievance mechanism, and compliance with national and state level labour polices, regulations and guidelines.
- vi. Assess various aspects of social capital including customer protection through fair pricing, code-of-conduct, non-coercive recovery practices, customer grievance mechanism, and community engagement, complying with industry regulations and guidelines.
- vii. Periodically monitor and evaluate E&S risks, integrate them in Company's internal risk management system, and formulate E&S risk mitigation strategies appropriately at various operational stages.

5. ESMS Framework

Screening Procedures against Exclusion (Prohibited Activities) List

CA Grameen will ensure that it shall not extend any loans which fall under the IFC exclusion (prohibited activities) list for microfinance institutions as mentioned below –

- 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 bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- ii. Production or trade in weapons and munitions.
- iii. Production or trade in alcoholic beverages (excluding beer and wine)¹.
- iv. Production or trade in tobacco¹.
- v. Gambling, casinos, and equivalent enterprises¹.
- vi. 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.
- vii. 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%.
- viii. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.
- ix. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- x. Production or activities involving harmful or exploitative forms of forced labour /harmful child labour.
- 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. Activities that are likely to have potential for significant adverse environmental impacts that are irreversible, diverse, or unprecedented, or those with less adverse environmental impacts, such as but not limited to the following –
 - a. Projects that could result in conversion or degradation of modified habitat or projects located within natural/critical habitat.
 - b. Projects located within a legally protected area or a buffer zone
 - c. Projects located within a zone for the protection of surface water or groundwater.
 - d. Project construction involving more than minimal pollution or entails health and safety risks, e.g., earthmoving activities such as excavation, landfill, levelling and grading work, trench digging, overburden removal, rock removal, blasting, concrete pouring, pile driving, installation of access tracks, utilizing generators or auxiliary power units more than 1 MW, heavy vehicle movement of approximately 20 units/week for construction activities.
 - e. Projects located on contaminated land from historical land uses
 - f. Projects that could result to reduction of communities' water resource (e.g., water competition between irrigation and communities existing requirements).
 - g. Projects involving wet manufacturing activities which generate industrial wastewater.
 - h. Projects that could result in damage to known or unknown physical cultural resources.

Note:

- 1) This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.
- 2) Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.
- 3) Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

6. E&S Risk Categorisation

CA Grameen will adhere to environmental and social safeguards categorization as given in below table. The Company will only provide loans for activities under category C.

Category	Environment	Involuntary Resettlement	Indigenous Peoples
A – Significant	Subprojects that anticipate significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to	Subprojects where 200 or more persons will experience major impacts, which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive assets	Subprojects that are expected to significantly affect the dignity, human rights, livelihood systems, or culture of Indigenous Peoples or affects the territories or natural or cultural resources that

	physical works.	(income generating).	Indigenous Peoples own, use, occupy, or claim as an ancestral domain or asset.
B – Less Significant	Subprojects with potential adverse impacts that are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be more readily designed than Category A subprojects.	Subprojects with involuntary resettlement impacts that are not deemed significant.	Subprojects that are likely to have limited impacts on Indigenous Peoples.
C – Minimal or No Impact	Subprojects that have minimal or no adverse environmental impacts.	Subprojects with no involuntary resettlement impacts.	Subprojects that are not expected to have impacts on Indigenous Peoples.

7. E&S Due Diligence and Compliance

CA Grameen shall conduct E&S due diligence in respect of all borrowers, pertaining to environmental and social aspects, falling under the scope of ESMS policy. The due diligence shall be conducted by the field force consisting of loan officers, branch managers, and area managers. This will include annual customer declaration on ESG compliance and absence of prohibited activities. The internal audit and risk management process shall also integrate E&S risk assessment to understand how the E&S risks are managed by the borrowers. The E&S due diligence will also recommend corrective action plan to help the borrower take the required measures within the stipulated time to mitigate the E&S risks.

8. ESMS Monitoring and Record Keeping

CA Grameen will incorporate the environmental and social compliance as a part of its existing operational audit/risk monitoring procedures. The Company will ensure that all the loans are properly evaluated against the Exclusion List. Periodic loan utilisation checks will be conducted to ensure adherence to the ESMS policy. Any incidences of non-compliance will be discussed with the customers, and they will be encouraged to comply with the required environmental laws, regulation, standards, and procedures.

CA Grameen will ensure proper reporting of its environmental and social performance on a quarterly basis. The E&S officer will submit the ESMS compliance report to CEO. CEO will subsequently report to the Board of Directors through the Executive Committee.

9. ESMS Review and Continuous Improvement

The ESMS policy will be reviewed by senior management on an annual basis to ensure its effectiveness, adherence to evolving laws and standards, suitability, and adequacy. The review will

incorporate any improvements or changes in the system. In case of any non-compliances of this ESMS, the CA Grameen will take corrective actions. The Company shall identify and correct non-compliances and take actions to mitigate their environmental and social effects. The Company shall investigate the non-compliances to determine their cause and take actions to avoid their recurrence. The corrective actions undertaken shall be duly recorded and the effectiveness of those actions will be reviewed on periodic basis.

10. ESMS External Reporting Mechanism

CA Grameen will prepare an annual E&S performance report, adhering to IFC reporting format, which shall capture the portfolio information, progress on ESMS implementation, ESMS assessment procedures, ESMS monitoring process, E&S issues associated with loans, Non-compliance of projects. The E&S performance report will be prepared by the E&S officer and shall be reviewed by the senior management.

11. ESMS Budget, Training and Approval

CA Grameen shall strive to integrate awareness on environmental and social aspects and risks into the regular employee training programs. This will involve sensitization on assessing E&S risks as a part of credit appraisal, internal audit, risk management, and associated field operations. All the employees will be made aware about the Company's E&S policy and guidelines, workforce management, code of conduct requirements, and client protection principles.

CA Grameen will create a ESMS training program which shall be made part of the basic training programs for new joiners as well as refresher training programs for experienced employees. Depending on the evolving E&S requirements, the Company shall also explore assistance from consultants to develop the necessary training materials.

CA Grameen shall review the ESMS with senior management and obtain sign-off for implementation of the framework as part of the Company's standard operating procedures. The ESMS implementation plan shall be communicated to all the employees across various functions and departments to define the roles and responsibilities for confirming with the ESMS requirements.

12. Roles and Responsibilities for Implementing the ESMS

CA Grameen shall ensure clearly defined roles and responsibilities for effective implementation of ESMS framework. This will entail integrated approach to sustainability, involving various functions and departments in the Company. The Company shall ensure cross-functional team of people trained on ESG aspects. The Company's CSR & ESG committee, comprising members of the Board, shall report to the Board of Directors. The CSR & ESG committee shall be working towards identifying risks and opportunities across various ESG aspects and devise necessary action plan and targets to mitigate such risks and build on the opportunities.

Below chart indicates the high-level assignment of roles & responsibilities for implementing the ESMS:


