



Avanti Finance Private Limited

Environment and Social Governance Policy

This document was:

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1 SCOPE AND PURPOSE OF THIS POLICY

- 1.1 In this Environment and Social Governance Policy (“**ESG Policy**”), “**we**” or “**us**” or “**our**” means Avanti Finance Private Limited (“**Company**”), and includes its executive directors, officers, employees, as the context may require.
- 1.2 Please refer to our Code of Conduct (accessible at: <<https://www.avantifinance.in/policies#avanti-finance-code-of-conduct-policy>>) (“**Code**”), where we have outlined our broad commitment to upholding certain environment and social standards as responsible individuals as well as a responsible corporate person. This includes the commitment to (i) integrate environmental and social principles in our business; (ii) engage with the community and other stakeholders to minimise adverse impact on environment; and (iii) prevent the wasteful use of natural resources particularly with regard to the emission of greenhouse gases, consumption of water and energy, and the management of waste and hazardous materials.
- 1.3 This ESG Policy has been framed and adopted by us in line with our commitments under the Code and applies to all our business-to-business (“**B2B**”) relationships at the institutional level i.e., with another company or a self-help group or trust or society to whom we extend institutional loans (hereinafter referred to as “**Institutional Entities**”). This ESG Policy delineates various measures that we shall endeavour to take in operationalising our commitment.

2 IDENTIFICATION OF ENVIRONMENTAL AND SOCIAL RISKS

- 2.1 Environmental and social risks (“**ES risks**”) can be understood as given below:
 - 2.1.1 Environmental risks may include:
 - (i) Pollution (for example: contamination of air, land or water);
 - (ii) Deforestation;
 - (iii) Loss of biodiversity and natural habitats;
 - (iv) Greenhouse gas emissions and climate change impacts; and/or
 - (v) Depletion of natural resources.
 - 2.1.2 Social risks may include:
 - (i) Child labour;
 - (ii) Occupational health and safety;
 - (iii) Working conditions;
 - (iv) Potential threats to livelihood of indigenous communities;
 - (v) Forced and compulsory labour; and/or
 - (vi) Community health, safety and security.
- 2.2 Key Performance Indicators (KPIs) adopted by Company for ES risks are provided below:
 - 2.2.1 KPIs for environmental risks:
 - (i) **Energy Consumption:** The Company monitors the usage of the energy in its office spaces and focuses on minimizing its energy footprint. Company invests in energy efficient appliances, lighting, office utilities and other renewable sources to promote sustainability.
 - (ii) **Waste Management:** Company manages its waste reduction, ensure proper disposal and is constantly driving towards zero-waste. As part of this effort,

Company also seeks to become 100% paperless and moving towards digitizing documents with its partners, borrowers and other stakeholders to minimize environmental impact.

- (iii) **Biodiversity Preservation:** On a consistent basis, Company organizes plantation drives, and workshops to educate its employees on the importance of biodiversity and environmental preservation, fostering awareness and active participation in ecological conservation.

2.2.2 KPIs for social risks:

- (i) **Diversity and Inclusion:** Company values diversity in the workplace and strives to create an inclusive environment where all employees, regardless of background, can thrive. It fosters equal opportunities and encourages representation across various demographic groups.
- (ii) **Health and Safety Measures:** Company is committed to maintaining high safety standards, reducing workplace hazards, and promoting the well-being of employees through proactive health and safety initiatives.
- (iii) **Training and Development:** Company invests in the continuous growth and professional development of its employees. Through regular training programs and workshops, Company equips its taskforce with the necessary skills and knowledge to contribute effectively to the Company.
- (iv) **Community Engagement:** Company encourages its employees to participate in team-bonding activities, exchange opinions and foster positive relationships.

2.3 Please refer to our risk management policy ("**Risk Management Policy**"), which outlines the framework to identify various risks and manage them in line with the objectives of the Company (Strategic, Operations, Compliance and Reporting). In this respect, we acknowledge and understand that ES risks may also contribute as factors of risk and may affect all or any of the objectives of the Company. Accordingly, we strive to put in place a mechanism to identify, assess and respond to ES risks in our B2B relationships with Institutional Entities in accordance with our established framework as mentioned in this Policy.

2.4 Such mechanism shall be designed with due regard including to:

- (i) Our business model;
- (ii) Types of financial services offered by us (taking into account the duration, amounts involved; the purpose of the seeking finance, and the corporate value chain of the Institutional Entity);
- (iii) Industry sectors of our portfolio and that of Institutional Entity;
- (iv) Types of ES risks related to the portfolio and the potential to cause adverse impacts;
- (v) Specific geographic extent of applicant's proposed business activities;
- (vi) Applicable industry initiatives and legal frameworks; and/or
- (vii) Cultural aspects (internal and external).

3 ROLES AND RESPONSIBILITIES

3.1 Please refer to our Risk Management Policy ("**Risk Policy**"), which lays down the governance structure in relation to risk management and assigns certain tasks *inter alia* for assessment, management, reporting and implementation of risks to a specific department of the Company ("**Risk Management Committee**").

3.2 Accordingly, the Risk Management Committee of the Company shall be responsible for evolving appropriate parameters for ES risk identification, assessment, and

mitigation strategies in line with this ESG Policy. The Risk Management Committee is composed of elected or nominated Board members, CEO of the Company, heads of various verticals including Chief Risk Officer as well as other personnel as required and ratified by the Board.

- 3.3 Some of the key factors for consideration of the Risk Management Committee in this regard include:

No.	Factor	Objective
1.	Air Management	Ensure potential air pollutants are contained and activities do not impact the natural environment.
2.	Noise Management	Ensure noise / vibration levels meet statutory requirements and acceptable standards
3.	Water Management	Maintain or improve quality of surface water and groundwater.
4.	Wastewater Management	Protect aquatic ecosystems.
5.	Waste Management	Ensure wastes are disposed of in a proper manner and do not pollute the immediate environment.
6.	Hazardous Materials Management	Ensure chemicals are stored and disposed of carefully.
7.	Contaminated Land	Ensure land is not contaminated through financed activities.

- 3.4 Risk Management Committee shall undertake an annual internal assessment of the responsiveness of this ESG Policy with reference to relevant sectors in which Company undertakes its financial activities.

4 GOVERNING PRINCIPLES

- 4.1 We recognise that social and environment factors have a direct bearing on the growth of our Company and the society at large. Accordingly, Company will conduct its business and operations in compliance with all relevant and applicable laws in the country including those concerning the environment, labour, occupational health, and safety regulations.
- 4.2 Through our financing activities with Institutional Entities, we undertake to pay specific attention to supporting sustainable livelihoods; inclusive and equitable human development; and social development.
- 4.3 The ES risk assessment of and by Institutional Entities shall be based on the type of product and services deployed by us. For example, the B2B risk assessment shall be sector-specific and customised to suit agricultural loans, project finance and equity transactions, MSME lending and transactions in sensitive sectors like mining, power, oil and gas etc.
- 4.4 We recognise that environment health and safety is an important and integral

component of the broader ESG Policy. We are committed to providing a safe and healthy working environment and comply with all regulations for the preservation of the environment. We shall strive for a safe and healthy environment that shall be free from occupational injury and disease. We shall also pursue high standards of safety, health and environmental management as an integral part of efficient management of our business.

- 4.5 We recognise that we are in a unique position to actively engage with our various stakeholders including our employees, partners and vendors to develop their needs, interests and expectations and align these with the broader environmental and social concerns associated with their activities. We shall endeavour to communicate and disseminate this ESG Policy including the due diligence process as recommended below to all partner Institutional Entities.

5 ES DUE DILIGENCE FRAMEWORK

- 5.1 This ESG Policy has been designed to guide us in adhering to environmental, social, and governance norms consistent with the values of Company as referenced in the Code. Accordingly, we shall strive to integrate our risk assessment framework with specific ES risk identification and mitigation measures in our dealings with Institutional Entities. The responsibility to carry out such measures will rest on the Partnerships Team or such other team that is put in place for the same.
- 5.2 We may choose to interact directly with the Institutional Entity or through our partners. The term “**partner**” in this ESG Policy means and includes our authorised representatives and/or third-party agents appointed by us for assistance in undertaking our business activities with Institutional Entities. Accordingly, we shall strive to leverage the use of our partners to monitor in general the application of our internal assessment framework.
- 5.3 Partner shall procure a self-declaration from the Institutional Entities in the format as provided under **Annexure A** of this Policy and provide confirmation to the effect that the Institutional Entity is not engaged in activities that violate applicable laws pertaining to the environment.
- 5.4 The Partnerships Team shall conduct due diligence on the following aspects:
 - 5.4.1 Applicant Diligence: Prospective Institutional Entities who seek to avail the financial products offered by us shall be screened to ensure that they are not found to be grossly non-compliant with our ESG Policy, relevant national and state-specific laws and such other regulations as may be applicable in the instant case.
 - 5.4.2 Loan Application: Scrutinise every loan application received from our existing and/or prospective Institutional Entities to identify environment, social or labour risk. This shall be in addition to the principles that are more specifically outlined in our Credit Risk Policy.
 - 5.4.3 Purpose of Loan: It shall ensure that the end-use of our loan products to such Institutional Entities does not conflict with any relevant and applicable laws in India concerning environmental, occupational health and safety regulations. In particular, we shall strive to work with our field partners and help them report to us in case the loan availed from us is being used for non-compliant purposes. In such cases, Company shall be entitled to, subject to the loan agreement with the Institutional Entity, cancel or recall the loan and apply any proceeds to mitigate any proven damage to the

environment.

- 5.4.4 **Loan Agreements:** In case its assessment points towards specific ES risks in respect of a particular Institutional Entity or a class of Institutional Entities, the Partnerships Team shall ensure that the respective loan agreements enumerate relevant clauses on applicable environmental and/or labour laws whereby obligations to mitigate such risks is made part of the loan agreement.
- 5.4.5 **Partner / Vendor Diligence:** At the stage of onboarding, Partnerships Team will verify that the proposed partner is not grossly non-compliant with our ESG Policy, relevant national and state-specific laws, social and labour laws, and such other regulations as may be applicable in the instant case.
- 5.4.6 **Partner / Vendor Agreements:** We shall ensure that our agreements with partners shall enumerate relevant clauses on applicable environmental and/or labour laws.
- 5.5 **Monitoring and Reporting:** To the extent reasonably possible, we shall require our partners to assess whether the spirit of this ESG Policy is being observed. Such assessment may take several forms including documenting pre-disbursal undertakings from the Institutional Entities; post-disbursal inspection of relevant premises or locations to ascertain that any financing availed from us continues to be deployed for activities in line with this ESG Policy; and preparing periodic reports of these and other ancillary matters for our further review.
- 5.6 **Exclusion List:** Company shall not knowingly lend or offer any financial products to applicants engaged in the following activities:
- (i) Production or trade in any product or activity deemed illegal under host country laws or regulations or/and international conventions and agreements, including production or trade in pharmaceuticals, pesticides / herbicides and ozone-depleting substances¹, subject to international phase-out or ban.
 - (ii) Production or activities involving harmful or exploitative forms of forced labour² / harmful child labour³.
 - (iii) Production or trade of equipment (including, but not limited to, nuclear products, weapons and munitions), designed or designated for military purpose.
 - (iv) Any business relating to pornography or prostitution.
 - (v) Any entity that has been subject to corruption, bribery or money laundering, unless there is a proof of a structural change within the entity leading to fundamental behavioural changes.
 - (vi) Any entity for whom it is the main activity, i.e. more than 5% of total revenue, or any financial institution with more than 5% of gross loan portfolio or 5% of deposits (all below-mentioned sectors cumulated) in production or wholesale trade of the following:

¹ Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase-out dates.

² Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

³ Harmful child labor 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. Employees may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local law specifies compulsory school attendance or the minimum age for working. In such cases, the higher age shall apply.

- (a) Distilled alcoholic beverages;
- (b) Tobacco;
- (c) Gambling, casinos and equivalent enterprises;
- (d) Mining and mineral processing;
- (e) Trade in wildlife or wildlife products regulated under CITES⁴ or sourced from areas with prevalent risk of illegalities as regards trade in wildlife or wildlife products.
- (vii) Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without fully documented consent of such peoples.
- (viii) Significant conversion or degradation⁵ of Critical Habitat⁶.
- (ix) Racist and anti- democratic media.
- (x) Alteration, damage or removal of any critical cultural heritage⁷.
- (xi) Engaged in controversial fishing techniques (such as trawls, drifts nets, shark-finning, ghost fishing, disrespecting no-take zones, methods destroying or damaging seafloor habitats where fishes and other seafloor animals reside, and methods known to catch large amounts of bycatch).
- (xii) Commercial logging operations or the purchase of logging equipment for use in a natural forest.
- (xiii) Production or trade in wood or other forestry products from primary forests, unless they are certified by one of the four main certification schemes⁸.
- (xiv) GMO related activities in any link of the agricultural value chain if these activities exceed 5% of total revenue, unless:
 - (a) In the market where the projects operate there is no viable alternative (e.g. in markets where only GMO seeds are available);
 - (b) Large groups or communities derive their livelihood from GMO-related agriculture.

⁴ CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.

⁵ Significant conversion or degradation means the (i) elimination or severe diminution of the integrity of a habitat caused by a major, long term change in land or water use; or (ii) modification of a habitat that substantially reduces the habitat's ability to maintain a viable population of its native species.

⁶ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined by national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.

⁷ Critical cultural heritage consists of (i) the internationally recognised heritage of communities who use, or have used within living memory the cultural heritage for long-standing cultural purposes; and (ii) legally protected cultural heritage areas, including those proposed by host governments for such designation.

⁸ The four main certification schemes are the Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), Sustainable Forest Initiative (SFI) and Canadian Standards Association (CSA).

- (xv) Production or trade in nuclear power and radioactive materials⁹.
- (xvi) Production or trade in or use of unbounded asbestos fibers.
- (xvii) Production or trade in products containing PCBs¹⁰.
- (xviii) Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial-scale usage of hazardous chemicals.
- (xix) Cross-border trade in waste and waste products unless compliant with the relevant international agreements on trade in chemicals and chemical waste¹¹ and the underlying regulations.
- (xx) Finance or engage in any activity, production, use, distribution, business or trade involving:
 - (a) coal prospection, exploration, mining or processing;
 - (b) oil exploration or production;
 - (c) standalone fossil gas exploration and/or production¹²;
 - (d) transportation or and related infrastructure primarily¹³ used for coal for power generation;
 - (e) crude oil pipelines;
 - (f) oil refineries;
 - (g) construction of new or refurbishment of any existing coal-fired power plant (including dual);
 - (h) construction 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;
 - (i) expansion of its infrastructure for the captive use of coal¹⁵ used for power and/or heat generation.

5.7 Disposal of E-Waste: We are a financial institution that seeks to foster sustainability at scale through efficient finance. Towards this purpose, we strive towards a 'less paper' approach by employing a host of digital instruments and infrastructure to reduce

⁹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is trivial and/or adequately shielded.

¹⁰ PCBs: Polychlorinated biphenyls – a group of highly toxic chemicals, likely to be found in oil-filled electrical transformers, capacitors, and switchgears dating from 1950 to 1985.

¹¹ Such as prescribed by the Basel Convention and the Rotterdam Convention.

¹² Gas extraction from limnically active lakes is excepted from this exclusion.

¹³ "Primarily" means more than 50% of the infrastructure's handle tonnage.

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

¹⁵ "Captive Use of Coal" means the use or consumption of coal for power or heat generation (or both), which power or heat is self-consumed by the Company, but excludes the use or consumption of coal to initiate chemical reactions (such as metallurgical coal mixed with iron ore to produce iron and steel) or as an ingredient mixed with other materials, to the extent that there is a lack of feasible and commercially viable alternatives.

the carbon footprint. At the same time, we acknowledge that more technology may also mean electronic waste which is generated when instruments and infrastructure become unfit for their originally intended use ("**E-Waste**"). Phones, tablets, computers, servers, mainframes, printers, scanners, copiers, calculators, and air conditioners are examples of E-Waste. To ensure proper disposal of such E-Waste, we shall adhere to the following:

- (i) Dispose E-Waste as per E-waste (Management) Rules, 2022 and/or such other applicable laws;
- (ii) Use the services of entities involved in E-Waste exchange; or
- (iii) Make charitable donation to such social welfare institutions as deemed fit by Company.

6 COMPLAINT REDRESSAL MECHANISM

6.1 It is the Company's constant endeavour to put the interest of our stakeholders' interest first and to provide with financial solutions that are right for them. In keeping with its promise, the Company looks forward to receiving both positive and negative feedback from the stakeholders on its products and services.

6.2 The grievances of the stakeholders will be redressed in the manner provided below:

- (i) Stakeholders can register grievances through email id and toll-free number provided at the Company's branches / Head Office / website and at any other place where the business of the Company is transacted.
- (ii) After examining the matter, the Company will endeavour to send the stakeholder its response expeditiously and intimate the stakeholder how to escalate the complaint to higher level, if they are not satisfied with the response.
- (iii) Stakeholders have to confirm whether the grievance has been resolved to their satisfaction or not. The grievance will be deemed to be closed, if Stakeholders do not respond via toll free number or email.
- (iv) The Company shall also request the stakeholder to provide feedback on the services rendered. This can be done through direct contact by staff or through specific stakeholder satisfaction surveys that may be conducted from time to time.
- (v) A periodical review of the above mechanism at various levels of management would be undertaken by the Company.

7 POLICY REVIEW AND UPDATES

The implementation of ESG Policy shall be monitored and reviewed periodically by the Board of the Company.

Annexure A

(To be provided on the letterhead of the Institutional Entity)

Ref: [●]

Date: [●]

To:

Avanti Finance Private Limited
#2727, 2nd Floor,
1st Main Road, HAL 3rd
Stage,
Ward No. 58 (Old No. 83),
New Thippasandra,
Bangalore,
Bangalore North, Karnataka, India,
560075

Sub: Declaration in relation to required compliances for the purposes of availing loan from Avanti Finance Private Limited.

Dear Sirs,

Please refer to loan application dated _____ wherein we seek to avail a loan of amount _____ ("**Loan**"). In pursuance of the same, and as required by Avanti Finance Private Limited, we hereby declare the following statements to be true and correct:

1. We are in material compliance with all applicable laws in relation to the environment, health and safety;
2. We have obtained all applicable consents, approvals, authorisations including applicable No- Objection Certificates from relevant Central, State and local authorities with respect to air emissions, discharges to surface water or ground water, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation, or disposal of toxic or hazardous substances or wastes, or other environment, health and safety matters; and
3. We have received no complaint or claim from any person or third-party seeking damages, indemnification, cost recovery, compensation, or injunctive relief in respect of the above matters.

We understand and agree that if at any point of time any of the statements above that are represented to be true becomes untrue during the period the Loan remains outstanding, Avanti Finance Private Limited shall be entitled to terminate the Loan Agreement and immediately recall the loan amount.

Yours faithfully,

For [Insert Name of Institutional Entity]

Authorised Signatory