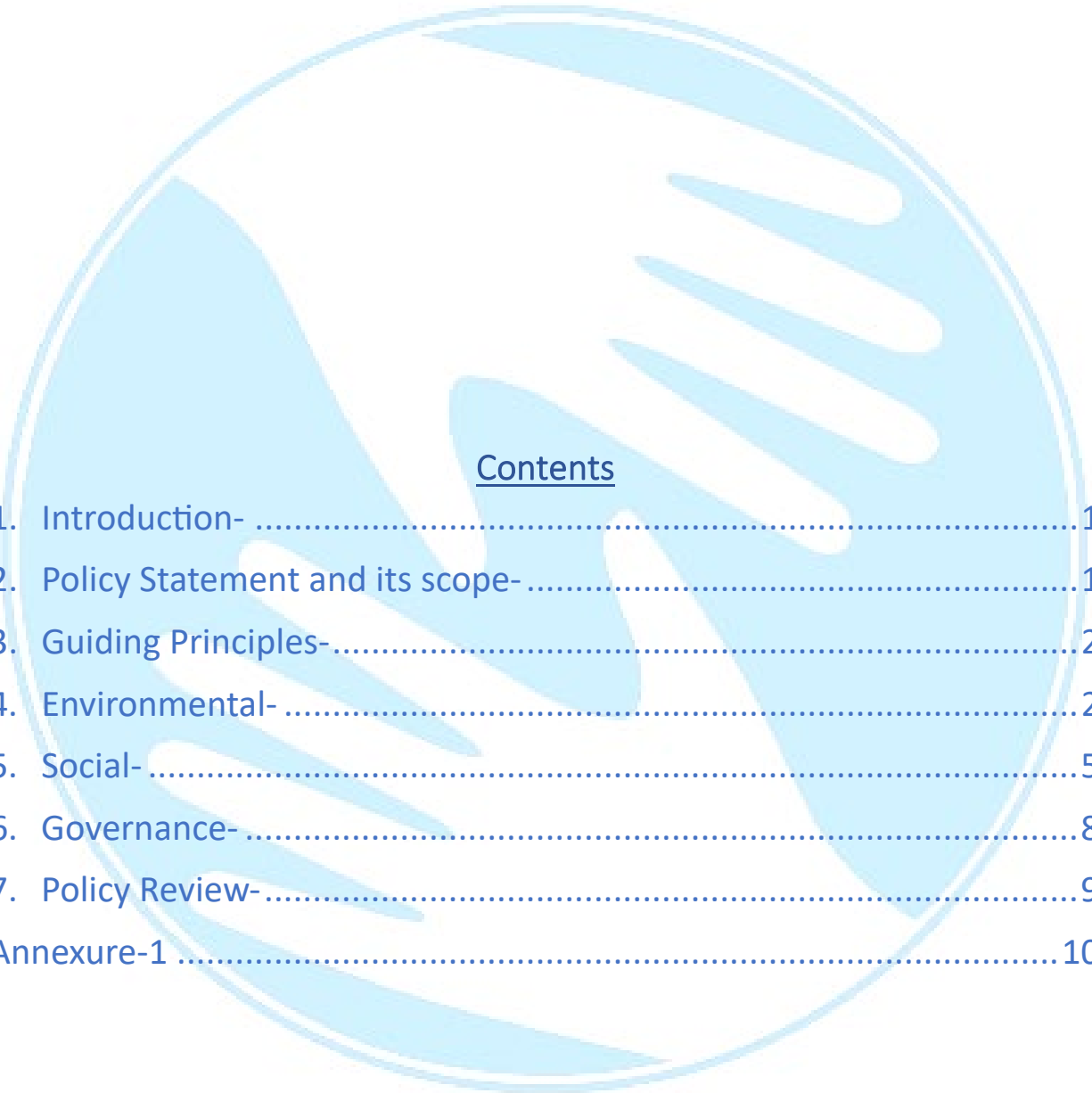




BELSTAR MICROFINANCE LIMITED

Environmental, Social and Governance (ESG) Policy

Policy Certification	
Title	Environmental, Social and Governance (ESG) Policy
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Owned by	Compliance Department
Prepared by	Mr Banabihari Panda, Chief Compliance Officer
Reviewed by	Mr KB Balakumaran, Executive Director
Approved by	Board of Directors
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Contents

1. Introduction-	1
2. Policy Statement and its scope-	1
3. Guiding Principles-.....	2
4. Environmental-	2
5. Social-	5
6. Governance-	8
7. Policy Review-.....	9
Annexure-1	10

1. Introduction-

Belstar Microfinance Limited (hereinafter called Belstar) is a Reserve Bank of India (RBI) licensed Non-Deposit-taking, Systemically Important, Non-Banking Financial Company- Micro Finance Institution (NBFC-MFI) providing access to collateral-free affordable credit and credit-plus services to unserved and underserved low-income women micro-entrepreneurs mostly in rural areas, who are members of the Self Help Groups(SHGs) / Joint Liability Groups (JLGs) formed by them, with the mission of financially and socially empowering these poor women and alleviating their poverty by helping them build and manage their sustainable livelihoods. Belstar believes that Environmental, Social and Governance (ESG) is about making a difference - for our business and our world by creating sustained outcomes that drive value and fuel growth, whilst strengthening our environment and societies. The company is aware that its employees, customers, partners, and the vendors that it deals with during its business can have an impact on the environment and community. It has therefore laid out an Environmental, Social and Governance (ESG) Policy which combined with its Fair Practices Code will provide it with the necessary impetus to achieve its desired goals in a responsible, inclusive, and sustainable manner.

2. Policy Statement and its scope-

Belstar will constantly strive to (i) bring a positive transformation through its business models to conserve natural resources, protect the environment, and contribute to welfare of the proximate community in its areas of operation; (ii) establish appropriate guidelines on employee code of conduct, human rights, equality in workplace, gender diversity, employee well-being & safety, and grievance redressal, and (iii) promote strong corporate governance and ethical work culture through policies and guidelines on board diversity and inclusion, Committees of the Board, anti-corruption, KYC & anti-money laundering, IT/data privacy and security, transparency and disclosures, whistleblower mechanism, and responsible lending. This ESG policy applies to all the activities and stakeholders of Belstar including its employees, customers, partners, vendors, and all other parties associated with it.

3. Guiding Principles-

Belstar is committed to comply with its Environmental, Social and Governance (ESG) policy, applicable laws of the land, and to being responsive to existing and emerging ESG concerns on a proactive basis.

4. Environmental-

Belstar is committed to reducing the environmental footprint in its operations by minimizing energy consumption, Green House Gas emissions, waste generation, water consumption and paper consumption for the benefit of our stakeholders and the community and to promote green products and services. The company will comply with all pertinent and applicable environmental regulations, occupational health, and safety laws in its areas of operations and intends to enhance its environment performance. Belstar's environmental strategy considers internal aspects as well as external client-related aspects.

4.1 Environmental risks at its headquarters and branches- Belstar operates out of rental premises. While choosing the premises the operation team ensures that these premises are in locations that are not prone to waterlogging and are not in areas known for floods or extreme weather events. The company has developed standard operating procedure for environmental risk especially climate and weather-related risk, which considers processes to be followed before and after the event with purpose of securing human resources, the premises and property and clients' lives and livelihoods. Head Office HR /Administration team will guide the branches facing any weather-related event.

4.2 Internal Operating Environment- Belstar, being a microfinance lender aiming to offer financial services at affordable rates, adopts cost-effective measures in its operations which focuses on optimal energy, fuel and water consumption and appropriate waste disposal.

a) Improving Resource Efficiency-

- **Energy consumption-** By nature of Belstar's cost conscious operations,

energy consumption is kept minimal and optimal for operations. The consumption of power is monitored by the branches as well as by the corporate office through budget control. Being operational from rental premises the possibility of using renewable energy is minimum. The data centre is hosted on cloud and there are substantial savings in power consumption related to the data centre operation. Branches have basic facilities such as tube lights and fans and none of the branches have an air conditioning system. Power back up UPS are used for computers and no gensets are operational in the branches. Branches are encouraged to use LED lights. The corporate office, apart from lights and fans, has few air-conditioners and gensets to continue operations in case of power failure. Thus, overall Belstar ensures that the power consumption is optimal.

- **Water consumption-** Belstar provides safe drinking water in its premises at head office as well as branches. Budgets are available under operational expenditure to monitor water usage.
- **Paper consumption-** Belstar has systematically reduced paper consumption over the last five years. On-boarding and KYC verification of customers is now digitized leading to paper saving. The loan agreement and cash receipts are in paper form at present. Belstar is encouraging digital financial services and has developed an application for digital collection of repayment. In future the paper utilised for cash receipts will be substantially saved. Belstar has an ambitious plan to digitise repayment for 75% of the clients by 2024 to facilitate such digital transactions. It has also planned to digitalise loan documents by 2025. Belstar adopts strategies of digital education through its credit-plus and sale of mobiles through specific consumer loan products with tie-up with the corporates.
- **Fuel consumption-** Being a client centric institution, the branch staff undertake field visits to attend group meetings and visit clients. To reduce fuel consumption related to travel, route maps are prepared, and the travel related expenditure is rationalized. With the approach of the village as a business centre, all business related to a particular village is carried out on prefixed days thus avoiding repeat travel. Branch staff usually combine their field trips to save fuel. With India emerging as a major hub for electric vehicle manufacture, Belstar is keen that in the coming years field officers will be provided with the option of purchasing electric vehicles through a well-

structured loan product. Similarly, clients will be encouraged to purchase electric vehicles and suitable product will be developed with corporate tie ups and tying up with vehicle loan product of Muthoot Finance.

b) Waste management-

- **Paper waste disposal-** Paper-based documentation is being reduced systematically. The customer files from the operations are maintained and as per current policy these documents will be shredded and disposed of once every eight years.
- **Disposal of electronic waste-** Electronics usage in Head office and branches are minimal with each branch having minimum computer systems. Belstar ensures that the generation of e-waste is very minimal for replacement by availing exchange offers or buyback offers.

c) **Procurement-** The procurement function is centralized at its Corporate Office. Belstar explores opportunities for environmentally friendly procurement practices and strives to influence its suppliers and vendors to adopt environmentally sustainable business practices wherever possible. Branches have negligible procurement functions and are furnished with minimal furniture for staff and clients.

4.3 External operations-

- a) **Financial Services-** Belstar fosters enterprises and businesses with sustainable growth through appropriate financial products and services.
- **Green financial products-** Belstar utilises the data collected on clients' enterprises and is intent on the development of green finance products. By 2025, Belstar intends to have at least two credit products for financing green options which include organic sustainable agriculture farming, water saving devices, micro irrigation etc. Under consumer goods financing, alternate energy using devices and equipment are financed.
- **Emergency loan-** Belstar offers emergency loans for its clients who are affected by climate risk. Since Belstar adopts group methodology through SHGs / JLGs, it encourages the members of SHGs and JLGs to save for emergencies such as climate risk. The Credit Plus team offers awareness

training to many SHGs and JLGs members about the different financial services to meet with climate and environment related emergencies.

- **Sustainable resource use-** Through the Credit Plus Initiatives, Belstar educates the borrowers for biodiversity, benefits of tree plantation at residential site, sustainable use of land and water at their disposal etc. Loans for organic farming, short duration vegetable cultivation, animal husbandry etc. are encouraged for sustainable income sources for our borrowers.
- **Risk assessment-** Belstar will ensure that it shall not extend any loans which fall under the IFC exclusion (prohibited activities) list (Annexure-1). The company has Standard Operating Procedures (SOP) for its micro-finance operations covering customer acquisition, loan dispensation and collection. It undertakes, on sample basis, risk assessment at pre-sanction stage and Loan Utilisation Check (LUC) at post sanction stage. For MSME loans, risk assessment considers environmental impact aspects such as a) greenhouse gas emissions, b) air, water, soil pollution, c) deforestation / land degradation, d) waste production / management. For loans that have high environmental risk, Belstar includes in loan sanction tickets clauses for mitigation measures.

5. Social-

Social refers to workplace mentality (i.e., diversity management, human rights, child labour, equal opportunity, freedom of association, health & safety, customer & product responsibility etc.) as well as any relationship surrounding the community in the operational areas. Belstar is committed to upholding employee rights and treating all employees with respect and dignity to promote a healthy and conducive work environment. It is also committed to valuing equal opportunities, diversity, and inclusion in the workplace. It remains committed to foster safe working environment for women, with zero tolerance policy on sexual harassment along with quick investigation and redressal of complaints through fair and transparent process. It further recognizes that occupational safety, health, and a good working environment are fundamental human rights. It also acknowledges that safety and health of workers have a positive impact on their productivity and economic & social development. The Company has a Board approved Whistle Blower Vigil Mechanism Policy to enable directors and employees to

report genuine concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct. Belstar will maintain / improve upon the “**A- Grade**” assigned to it by Micro Finanza Rating (MFR) on their Social Rating Scale.

5.1 Diversity Management- Belstar practices gender diversity in its business operations and employee recruitment. All its 2 million strong customers are women. As on 30.09.2022, 1361 (19.26%) of the total employee count of 7065 are women. The Company shall encourage a diverse workforce without any discrimination on the basis of age, gender, sexual orientation, marital status, physical or mental disabilities, caste, colour, geography, religion or language. The company has been implementing Anti-sexual Harassment and equal pay for equal work for both men and women policy in workplace.

5.2 Workplace Safety and Health Management- The Company imparts necessary safety & health education to members at work. First-aid boxes and fire extinguishers of required type and capacity are installed at appropriate places in the branches/offices. Employees are imparted training to operate fire-fighting equipment. During the Covid pandemic since March 2020, Covid protocols are being observed strictly including periodic sanitization of workplace, staggering of attendance of employees, officially arranging free RT-PCR covid tests for the employees in corporate office, encouraging covid vaccination by reimbursing the cost thereof to all employees etc. To ensure employees’ occupational health and safety, substantial healthcare benefits including life insurance, accidental insurance and medical cover are made available. Relevant information to employees relating to safety rules, equipment operating safety, safety culture etc. is disseminated. Employees are urged to use helmets while travelling by two wheelers. Any accident, however trivial, shall be reported, investigated, and preventive measures recommended by the investigating officials will be implemented. The company strives to achieve zero accidents on a sustainable basis.

5.3 Skill Upgrading- Belstar’s business process includes compulsory training to its borrowers on group dynamics, basic financial literacy, skill development, company and its product/services for the customers, grievance redressal mechanism etc. so that they could manage well their affairs/enterprises.

Every employee is provided with a minimum of 3 days of training every year for their performance/self-development.

5.4 Customer Centricity- Belstar's client protection measures include compliance with the Code of Conduct for Microfinance Industry released by MFIN covering (i) fair interactions with the prospective borrowers; (ii) suitability of loan products and services for the borrowers and to prevent over-indebtedness of the borrowers by field level household income assessment as well as use of valid Comprehensive Credit Information Report (CCIR) for the borrower and all the household members of the borrower before sanctioning any loan; (iii) educating the borrowers about the Company and its products/services which are offered at competitive interest rates and transparency in pricing including providing of simplified factsheet on pricing and by communicating with the borrowers at every stage in local language; (iv) information and privacy of client data; (v) mechanism for grievance redressal; (vi) proper employee engagement through antecedent verification before onboarding and continual training after onboarding to ensure their desirable borrower-interface; and (vii) providing a framework to deal with crisis situations at borrowers' level arising from natural disasters, mass defaults, negative media, local-level hostility etc. Through internal training sessions for employees and camps conducted by Credit Plus Team for customers, the company shall spread awareness on climate issues and educate them to make responsible purchasing, consumption, and lifestyle choices to reduce carbon footprint in their places of work/living. Belstar will also maintain / improve upon the **"GOLD"** rating Client Protection Certificate received from Micro Finanza Rating (MFR), Milan.

5.5 Grievance Redressal- To address effectively any operational, social, environmental, labour and other general concerns, the company has in place a structured grievance redressal framework as detailed in its Customer Grievance Redressal Mechanism (CGRM) Policy. This redressal mechanism can be used not just by its customers, but also by its employees, vendors, and the community at large.

5.6 CSR- Belstar has a separate Corporate Social Responsibility (CSR) policy in compliance with section 135 read with Schedule VII of Companies Act 2013 and implemented under the guidance of the CSR committee of the Board. Belstar's CSR interventions are focused on improving financial literacy,

health awareness and vocational skill training programs for rural women in select areas in the vicinity of company's business locations to enhance their quality of life.

6. Governance-

Belstar envisions its role as a responsible microfinance institution that actively contributes to the financial inclusion process by adhering to responsible financing practices and endeavors to adopt the highest standards of Corporate Governance through its committed values of integrity, professionalism, accountability, transparency, and teamwork. It is also committed to its Board approved Corporate Governance Policy and Anti-corruption Policy. Belstar is a deemed listed company as it is a subsidiary of Muthoot Finance Limited, a listed company. Being a High Value Debt (HVD) listed entity, Belstar complies with all the applicable listing regulation as per SEBI's Listing Obligations and Disclosure Requirement (LORD). It also follows Ind-AS Accounting Standards. The Company's philosophy on corporate governance oversees business strategies and ensures fiscal accountability, ethical corporate behaviour and fairness to all its stakeholders.

6.1 Board Composition- Belstar has on its Board 11 Directors of which 9 are Non-Executive Directors. Four of the nine Non-Executive Directors including the Chairman of the Board are Independent Directors. The Managing Director of Belstar is a woman of high acclaim. The Board of Directors of Belstar comprise a diverse mix of expertise, professionalism, knowledge, experience and values in Banking and Operations, Audit and Financial Statements, Financing, Risk Management, Micro-finance, Entrepreneurship, Management, Information Technology and Human Resource Development. With their large networks, breadth of experience, strategic focus, and outside-in perspectives, they act like antennae and beckon lights for the company.

6.2 Board's Guidance- Belstar's Board has Committees on Audit, Nomination and Remuneration, Risk Management, CSR, Finance, IT Strategy, Capital Raising, Credit and ALM who meet regularly, deliberate on relevant issues and direct the company to take required follow up action. The Board plays a

pivotal role in effective compliance and implementation with respect to regulatory and stakeholders' demands. Following the ethos of transparency and accountability, the company ensures established systems for timely flow of information to keep our stakeholders abreast with the organisational activities. The Company, through its Managing Director/Senior Managerial Personnel, makes regular presentations to the Board on the business strategies operations review, quarterly and annual results, peer level comparative performances, review of Internal Audit Report and Action Taken Report, statutory compliances, risk management etc. Functional Heads of various departments are required to give presentations in Board Meeting to familiarise the Board with their current and proposed action plans and allied matters. During such presentations the officials also update the Board about the latest regulatory changes and compliance thereof by the company. These enable the Directors to get a deeper insight into the operations of the Company. The Board guides the Senior Management to effectively integrate ESG principles into its business model and adopt sustainable business practices as it scales up the business, focusing on both financial and non-financial commitments and align our business strategy, performance and governance to build long term sustainable value for all our stakeholders.

7. Policy Review-

The accountability for the ESG policy lies with the Board of Directors and the CSR Committee of the Board. The Board shall review this Policy at least annually and the Policy may be amended from time to time by the Board on the recommendation of the ESG/CSR Committee.

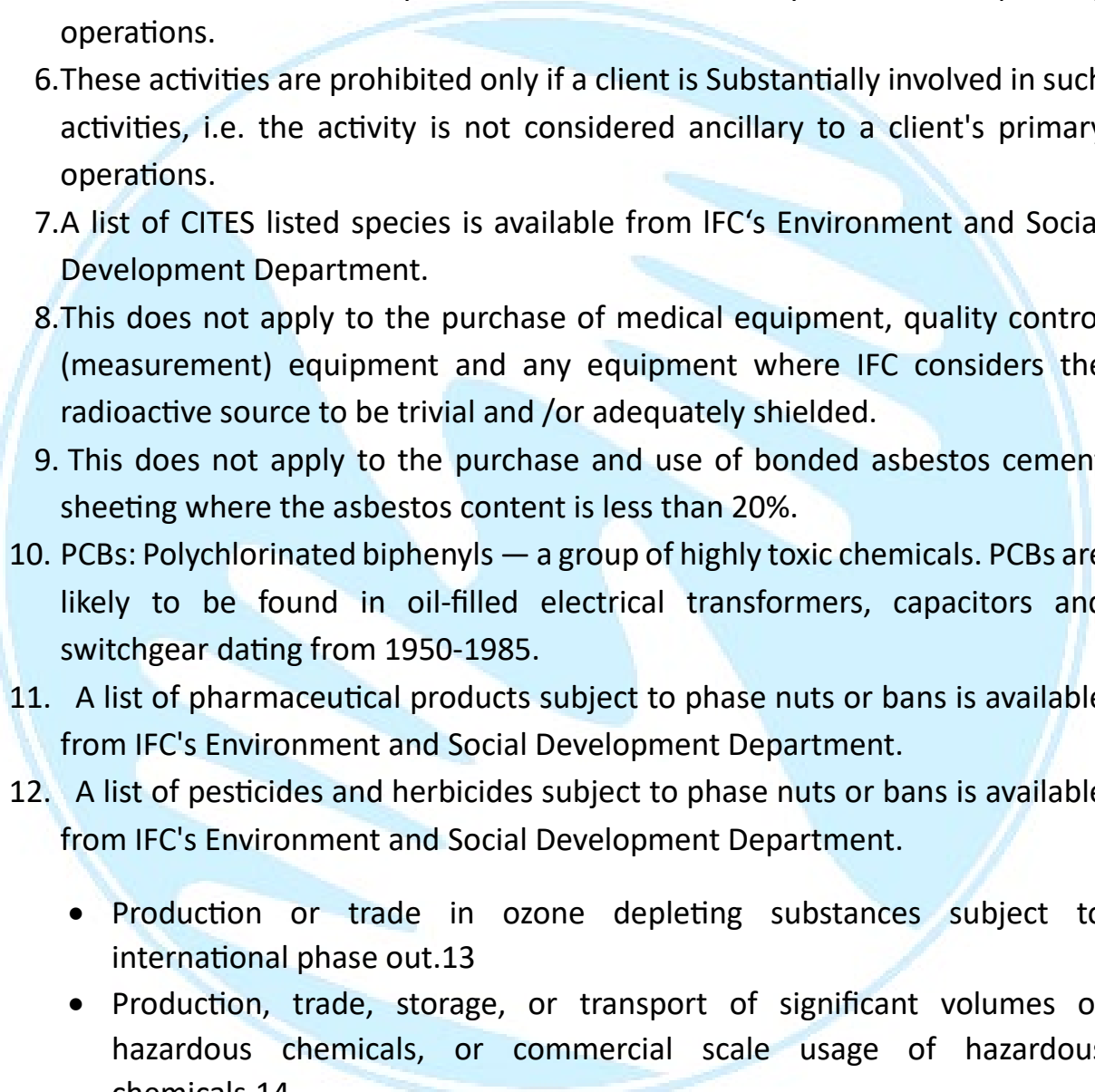
The Microfinance Exclusion List

- Production or activities involving harmful or exploitative forms of forced labour¹/harmful child labour.²
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- Production or trade in weapons and munitions.³
- Production or trade in alcoholic beverages (excluding beer and wine).⁴
- Production or trade in tobacco.⁵
- Gambling, casinos and equivalent enterprises.⁶
- Trade in wildlife or wildlife products regulated under CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora).⁷
- Production or trade in radioactive materials.⁸
- Production or trade in or use of unbonded asbestos fibers.⁹
- Purchase of logging equipment for use in primary tropical moist forest.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products from unmanaged forests.
- Production or trade in products containing PCBs.¹⁰
- Production or trade in pharmaceuticals subject to international phase outs or bans.¹¹
- Production or trade in pesticides/herbicides subject to international phase outs or bans.¹²

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

2. 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.

3. These activities are prohibited only if a client is substantially involved in such activities, i.e. the activity is not considered ancillary to a client's primary operations.

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 5. These activities are prohibited only if a client is substantially involved in such activities, i.e. the activity is not considered ancillary to a client's primary operations.
 6. These activities are prohibited only if a client is Substantially involved in such activities, i.e. the activity is not considered ancillary to a client's primary operations.
 7. A list of CITES listed species is available from IFC's Environment and Social Development Department.
 8. 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.
 9. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
 10. PCBs: Polychlorinated biphenyls — a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.
 11. A list of pharmaceutical products subject to phase outs or bans is available from IFC's Environment and Social Development Department.
 12. A list of pesticides and herbicides subject to phase outs or bans is available from IFC's Environment and Social Development Department.
 - Production or trade in ozone depleting substances subject to international phase out.¹³
 - Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals.¹⁴
 - Drift net fishing in the marine environment using nets to excess of 2.5 km. in length.

- Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples.
- Businesses involved in the production, processing, or distribution of illegal drugs.
- Pornography or the provision of products or services of a substantially similar nature.

13. 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. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from IFC's Environment and Social Development Department.

14. A list of hazardous chemicals is available from IFC's Environment and Social Development Department. Hazardous chemicals include gasoline, kerosene and other petroleum products
