

Environment & Social Policy



Spandana Sphoorty Financial Limited

Transforming Lives Through Income generating loans to Women

Document Control

Document History

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A. Introduction:

Spandana Sphoorty Financial Ltd (Spandana) is one of the largest microfinance institutions (NBFC-MFI) in India. Started in 1998 with the aim of empowering women and encouraging women entrepreneurs from the bottom-of-the-pyramid section of the society, the organization has been instrumental in uplifting millions of households and communities. Spandana's micro-loans have helped bring women into the mainstream of financial services industry. Over the years there have been many real-life stories of the transformation of our borrowers & how these small loans made a big impact in their lives by securing their family financially.

However, there is a long way to go as India still has over 220 million people who are considered multidimensionally poor. These individuals lack access to either a proper standard of living, education or good health or combinations of all of these - making them highly vulnerable to external shocks. Human actions over the past few decades have resulted in degradation of the environment, loss of ecology, pollution, climate change, changes in cropping patterns, income inequalities, increasing instances of health & lifestyle diseases, and such. All these, have a disproportionately large impact on the most vulnerable sections of the society.

It is necessary that all of us place efforts to ensure that our future generations do not pay the price for our actions today. As a responsible corporate citizen, Spandana acknowledges that apart from the impact it has been creating through its operations, it can further contribute to the betterment of society by integrating Environmental & Social aspects in its business strategies and operations.

A.1 Purpose:

- To align and spread awareness within the organization and its stakeholders on the merits of sustainable business practices.
- To ensure long term sustainable growth and stakeholder value creation by integrating environmental, social and governance stewardship into business strategy and operations
- Set up a framework and governance structure for identifying, tracking, improving and reporting of all E, S & G parameters.

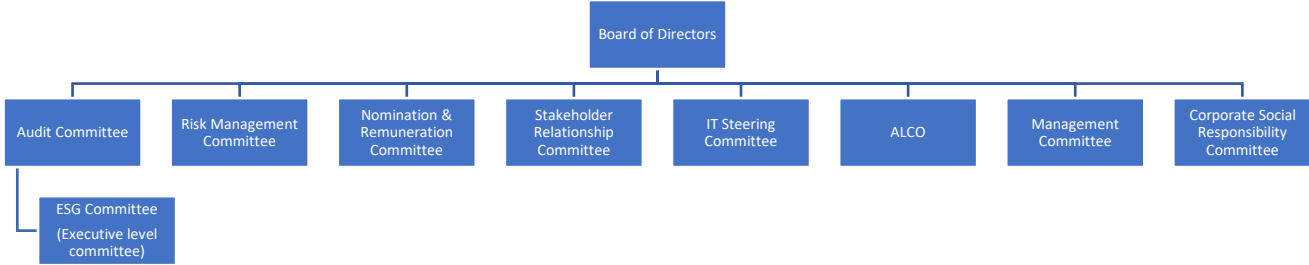
A.2 ESG Philosophy:

Consistently deliver on triple bottom line (profit, people, planet) by imbibing sustainable business practices for all stakeholders.

A.3 Approach and Governance:

Our approach to ESG furthers our organizational value system of seeking ways and means to uplift individuals and communities. Through this policy framework, Spandana intends to ingrain the ideals of community well-being, efficient operations and minimizing waste while at the same time striving to be an ideal corporate citizen within each of its functions.

To strengthen our focus on ESG, Spandana shall establish an ESG Committee Chaired by MD & CEO and comprising of Senior members across functions including Risk Management, Sustainability, Human Resources, Finance, Compliance, and Operations/Business(es). The committee shall report to the Audit Committee of the Board of Directors.



The ESG committee shall report on the organizations' ESG Strategy and road map, identifying areas of improvement, setting up targets and reporting of ESG related performance both internally and externally as required. It is essential to demonstrate the progress made on ESG to all stakeholders and hence the ESG committee shall also work on improving ESG-related disclosures.



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A.4 Key Focus Areas under ESG

Environmental and Social Risk Management in Lending

At Spandana, we take our commitment to Environmental, Social, and Governance (ESG) principles seriously, and it's woven into our lending practices. We ensure strict compliance with local and national laws covering health, safety, environment, human rights, and child labor. Additionally, we adhere to global standards, including the International Finance Corporation (IFC) Performance Standards. We've pledged not to extend loans to any activities falling within categories that contravene these regulations and principles.

Please refer to our ESMS Policy for further details

A.5 Applicability of the Policy

This Policy applies to all activities undertaken by Spandana Sphoorty Financial Limited, encompassing all stakeholders, including Board of Directors, employees, customers, suppliers, partners, regulatory bodies, and the communities we serve.

A.6 Review and Updates

The Environmental and Social Policy and our associated initiatives shall undergo periodic reviews and updates to stay in alignment with evolving laws, regulations, and industry standards. Our dedication to continuous improvement underscores our aspiration for a more sustainable future.

B. Our Environment focus:

Extreme climate events impacting different parts of the world has increased concerns, more so in the past few years, regarding the long-term survival of life on earth. These events impact the most vulnerable populations the hardest and as an organization that continuously engages with this section of society, we understand the hardships our customers face to set their economic cycle right immediately after an extreme geo-climate event.

Spandana commits to work tirelessly to reduce the organization's direct and indirect carbon footprint and develop process/product/systems that efficiently use natural resources. We shall ensure that earnest efforts are made to educate employees and all stakeholders on the importance of reducing energy consumption, emissions and waste. Spandana shall strive to deploy sustainable procurement practices that are integrated across the organization and across its value chain while at the same time supporting the local economy where it operates.



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B.1 Climate Action

Spandana is dedicated to fostering sustainability and taking proactive measures to address climate change. We acknowledge our responsibility to transparently disclose our emissions reduction progress, actively support sustainable initiatives, and address climate change risks. This policy outlines our commitment to achieving net-zero emissions and contributing to a sustainable future.

Spandana, supplementing its existing efforts, shall carry out :

- Identify and address both physical and transition risks associated with climate change. By integrating climate risk assessments into our decision-making processes, we aim to ensure the long-term resilience of our operations.
- Work towards contributing to SDG's and the national commitment of becoming Net-Zero.
- Promote sustainable solutions and conduct awareness sessions to educate individuals about their carbon footprint, conserving natural resources, and yielding cost savings. Additionally, we shall extend our support to critical social issues such as education promotion and empowerment through initiatives like small solar appliances, which improve lives through improved lighting, communication, and connectivity.
- Ensure not to extend loans that fall under the IFC exclusion list (prohibited activities).
- Offer specialized financial products and services tailored to support environmentally sustainable projects and businesses.
- Provide training to employees to enhance their understanding of sustainability, encouraging them to adopt eco-friendly practices in both personal and professional life.
- Engage with local communities to encourage sustainable practices and foster environmental awareness.
- Work closely with suppliers to promote sustainable sourcing and ethical practices within our supply chain.
- Implement the use of efficient and regularly maintained vehicles for all business operations.
- Encourage employees, customers, and vendors to embrace electric vehicles as a sustainable mode of transportation.
- Leverage cross-sell opportunities to encourage customers to embrace eco-friendly practices.
- Record, report, and actively reduce emissions across Scope 1, Scope 2, and Scope 3 categories, where possible.
- Implement the use of ozone-friendly refrigerants for cooling purposes.

B.2 Energy Management

Spandana is dedicated to responsible energy management, recognizing its crucial role in combating climate change and transitioning to a low-carbon economy. We measure and annually disclose our GHG (Greenhouse Gas) emissions, underscoring our commitment to environmental transparency.



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This policy outlines our strategic approach to reducing our carbon footprint by closely monitoring and decreasing our energy consumption.

Our energy management initiatives shall focus on the following key areas:

- Evaluate solar energy solutions, to the extent possible, in our offices and premises to harness renewable energy sources.
- Where possible, incorporate energy-efficient building designs to optimize energy usage.
- Implement automated energy management solutions to efficiently regulate and reduce energy consumption.
- Preference will be given to partners whose data centers prioritize energy efficiency by reducing server rack space, utilizing Lithium-ion batteries in UPS devices, and employing ozone-friendly refrigerants for cooling.

B.3 Waste Management

At Spandana, we are dedicated to minimizing waste and maximizing recycling efforts as part of our comprehensive waste management strategy. Spandana is resolutely committed to implementing systematic waste management practices that mitigate our environmental impact. Our approach encompasses a range of waste types, including electronic waste, paper waste, plastic waste, and food waste. Through diligent collection, transportation, disposal, and recycling, we prioritize waste reduction, encourage reuse, and maximize recycling to minimize the burden on landfills. Furthermore, we are adopting safe and responsible disposal methods of waste.

In line with our waste management strategy, we emphasize the responsible management of food waste. Spandana is firmly committed to minimizing food wastage and ensuring its responsible disposal, further reducing our environmental footprint.

This policy outlines our holistic approach to waste management and the initiatives we have undertaken to reduce our environmental footprint.

Spandana, supplementing its existing efforts, shall carry out:

- Build digital-native systems and processes that help reduce the use of paper, minimizing our reliance on traditional paper-based documentation.
- Develop strategies that inspire "restore, recycle, and re-use" of resources, promoting a circular economy where materials are repurposed and reutilized whenever possible.
- Source environmentally sustainable products that are easy to dispose of, reducing the environmental impact of our procurement practices.
- Reduce and, to the extent possible, stop the use of single-use plastic products within our operations, replacing them with more sustainable alternatives.
- Hazardous electronic waste material will be disposed of in a responsible manner, adhering to all regulatory requirements to ensure safe and environmentally sound disposal.



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C. Our Social focus:

As an organization working for the upliftment of individuals and communities, Spandana deeply empathizes with the human emotions of feeling valued, finding the right opportunities, not-being discriminated against and having an environment where one feels free to speak their mind. The organization strives to create a positive and vibrant atmosphere where each stakeholder feels empowered to have a transparent conversation. Through this policy, Spandana doubles down on its mission to work for the upliftment of individuals and communities.

C.1 Diversity, Equal Opportunity, and Inclusion

At Spandana, we are unwavering in our commitment to fostering a workplace that values diversity and provides equal employment opportunities for all individuals, irrespective of their background. We firmly believe in non-discrimination, upholding this principle in alignment with the Right of Persons with Disabilities Act, 2016, and the Transgender Persons (Protection of Rights) Act 2019. Discrimination against differently-abled and transgender individuals is strictly prohibited within our organization. We place great emphasis on ensuring that each employee's roles and responsibilities are determined by merit and business needs, with compensation adhering to industry standards and statutory norms.

We hold diversity and inclusion as fundamental values. We recognize diversity as a cornerstone of our competitive advantage, fostering a rich tapestry of skills, ideas, experiences, and working styles among our employees and stakeholders. Our commitment to equal employment opportunities is rooted in our belief in the power of diversity and inclusion to drive innovation and success. Managers and supervisors play a pivotal role in championing fair employment practices, advocating for collaboration, promoting diversity at all levels, and cultivating a culture deeply rooted in tolerance and mutual respect. Through these concerted efforts, we create an environment where every individual can thrive and contribute to our collective success.

Spandana is dedicated to translating its commitment to diversity and equal opportunity into actionable initiatives. Spandana, supplementing its existing efforts, shall carry out:

- Actively implement measures to ensure equal employment opportunities that span across the entire employee journey. This includes addressing equality in recruitment, employment, promotion, transfers, training, working conditions, wage and salary administration, employee benefits, and policy applications.
- Embracing diversity to the extent possible and striving to increase opportunities for underrepresented groups. Our goal is to cultivate a culture of inclusion where all individuals' unique perspectives and backgrounds are embraced and valued.
- Our implementation procedure outlines the fair practices in recruitment, selection, promotion, terms and conditions of employment, and professional development. By offering equitable access to learning and development opportunities, we aim to harness the full potential and talents of our diverse workforce.



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- Promote meritocracy in recruitment and career advancement practices, ensuring that decisions are based on skills, qualifications, and performance.
- Regularly review specific metrics to ensure fairness in decisions related to hiring, promotion, and benefits, allowing us to track progress and make adjustments as needed.
- Encourage a culture that is fair, open, and transparent where employees can be honest, straightforward, and non-political in expressing their thoughts and views. We are committed to open communication pertaining to policies, plans, compliances, and other processes, fostering an environment of trust and collaboration.

C.2 Human Rights

At Spandana, our unwavering commitment to upholding human rights extends across every facet of our operations. As an organization dedicated to supporting women entrepreneurs, we recognize the paramount importance of promoting and safeguarding human rights. Our dedication transcends mere legal compliance; we aspire to generate a positive impact in the lives of our customers, employees, partners, and communities. This policy articulates our approach to honoring human rights, conducting meticulous due diligence, addressing potential risks, and contributing to a just and equitable society.

We remain firmly dedicated to upholding the core principles of human rights, including dignity, equality, non-discrimination, and equitable treatment. We acknowledge the universality of human rights, extending to all individuals, regardless of gender, age, race, religion, or socioeconomic status. Our commitment involves the seamless integration of human rights considerations into our decision-making processes, business operations, and interactions with stakeholders.

Embracing a human rights-based approach in our efforts to combat corruption, we recognize the rights of victims and emphasize both prevention and redressal. We firmly believe that corruption jeopardizes the well-being and rights of individuals. In the financial sector, where human rights-related risks are diverse and prevalent, we stand committed to their identification, addressing, and mitigation through ongoing monitoring, education, and stakeholder engagement. Our ultimate objective at Spandana is to effectively prevent and respond to these risks, thereby contributing to a just and equitable society where human rights are cherished and upheld.

Spandana, supplementing its existing efforts, shall :

- Conduct regular human rights training programs to educate employees about the significance of human rights and their practical application in our operations.
- Actively engage with stakeholders to ensure that human rights considerations are woven into our business relationships and practices.
- Transparently report on our human rights initiatives, progress, and challenges, fostering accountability in our commitment to human rights.



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C.3 Workplace Integrity

At Spandana, we are deeply committed to workplace integrity, where ethical, moral, and legal conduct forms the bedrock of our business operations. Our dedication to fostering an environment founded on fairness, respect, and zero tolerance for harassment, discrimination, or misconduct is unwavering. We firmly believe that workplace integrity not only benefits our employees but also contributes to our long-term success and societal impact.

In our commitment to upholding the highest standards of ethical, moral, and legal conduct, we create a work environment where employees can operate without fear of bias, gender discrimination, or any form of harassment. We maintain a strict zero-tolerance stance towards non-compliance with these principles. Spandana encourages employees and directors to report suspected misconduct through our Vigil Mechanism (Refer to Whistleblower/Vigil Mechanism Policy), ensuring complete confidentiality for the complainants. We also align our Protection Against Sexual Harassment (POSH) policy (Refer to Policy on Prevention of Sexual Harassment at Work Place (POSH) with the provisions of The Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013, ensuring complete protection and a safe reporting environment. Additionally, we are dedicated to providing fair and equitable wages and benefits, considering industry standards, local laws, and statutory norms, recognizing fair compensation as a moral imperative contributing to employee well-being and satisfaction.

Spandana, supplementing its existing efforts, shall:

- Conduct regular ethics training programs to educate employees about the importance of ethical conduct and workplace integrity.
- Organize awareness campaigns to ensure that every member of our organization is well-informed about their rights and the avenues available to report misconduct.
- Maintain a vigilant stance, continuously monitoring the workplace for any signs of misconduct and taking prompt corrective actions when necessary.

C.4 Safe, Healthy, and Respectful Workplace

At Spandana, our foremost commitment revolves around the well-being, safety, and dignity of every individual associated with our organization. We are committed to cultivating a work environment characterized by respect, health, safety, and rigorous adherence to pertinent laws and regulations. This policy serves as a definitive affirmation of our commitment to providing a secure, healthy, and hygienic workplace.

Spandana, supplementing its existing efforts, shall:

- Maintain strict compliance with relevant laws and regulations, regularly assess and enhance safety protocols, and conduct safety drills to ensure preparedness.



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- Spandana upholds a zero-tolerance policy against substance abuse, drug distribution, smoking, alcohol consumption, weapon/firearm possession, and abusive language within our organization. Any violations are addressed promptly and with the utmost seriousness.
- Implement measures to prevent forced labor and the hiring of individuals under the age of 18 for any position. Spandana maintains a stringent stance against all forms of forced labor or child labor.
- Actively promote cleanliness and hygiene among our employees, fostering a safe and healthy environment. Regular cleaning and sanitation measures are conducted within our workplace and surrounding areas.
- Organize hygiene and cleanliness campaigns to raise awareness and promote a culture of cleanliness. These initiatives extend to both the workplace and surrounding areas, fostering a hygienic environment
- Offer comprehensive employee benefits, including life insurance, medical coverage, and policies tailored to address the specific life stage needs of women, such as maternity leave. These benefits reflect our commitment to the holistic well-being of our employees, ensuring they have access to essential resources and support throughout their professional journey.
- Conduct regular training programs to educate employees about safety, health, and workplace conduct, equipping them with the knowledge and skills to maintain a safe and respectful work environment.
- Establish safety committees responsible for identifying, assessing, and mitigating workplace hazards. These committees provide a platform for employees to voice concerns, actively shaping our safety culture.
- Actively engage with local communities to support health and safety initiatives that extend beyond our workplace.

C.5 Training and Development

At Spandana, we believe in the continuous growth and development of our employees, as they are our most valuable asset. We are committed to creating a culture of learning and development that fosters professional and personal growth. This policy outlines our dedication to providing comprehensive training and development opportunities to our employees, equipping them with the skills and knowledge needed to excel in their roles and contribute to our organization's success.

Spandana, supplementing its existing efforts, shall:

- Prioritize hiring employees from local communities where Spandana operates, promoting community engagement and local talent development.
- Provide extensive pre-hiring training to equip new employees with job-relevant skills, ensuring they are well-prepared for their roles from day one.



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- Offer post-hiring training to all employees, focusing on skill development and enhancement to improve job performance and readiness for larger roles.
- Identify and groom high-potential employees, providing them with opportunities for career growth and progression within Spandana.
- Support employees in upskilling themselves to meet the demands of their current roles and prepare for more significant responsibilities within the organization.
- Provide periodic training to help employees understand and align with our organizational culture, values, and goals.
- Offer training in soft skills, including communication, leadership, teamwork, and problem-solving, to enhance the overall effectiveness of our workforce. Employees have access to specialized courses and training programs to develop expertise in specific areas related to their roles.
- Prioritize environmental, social, and governance (ESG) awareness by providing regular training to employees, ensuring they understand and align with our sustainability objectives.
- Facilitate mentorship programs where experienced employees mentor and guide newer employees to support their growth and development.
- Provide access to a digital Learning Management System where employees can access training modules, resources, and track their learning progress.

C.6 Data Privacy and Safety

At Spandana, we consider the privacy and security of personal data as paramount. In light of the evolving data privacy landscape and the significance of data protection in the financial sector, we are enhancing our approach to ensure the highest standards of data privacy and safety. Our objective is not just to meet regulatory requirements but to exceed them, reaffirming our commitment to ethical business practices and sustainable growth.

Spandana, supplementing its existing efforts, shall:

- Adherence to all relevant data privacy laws and regulations, including but not limited to the General Data Protection Regulation (GDPR) and regional data protection laws. Our practices align with the legal requirements to ensure the lawful and ethical processing of personal data.
- Maintain commitment to transparency in our data practices by communicating clearly to our customers about the collection, processing, and sharing of their data. When engaging with third parties, we ensure that they uphold similar high standards of data privacy and security.
- We recognize and respect the rights of our customers concerning their personal data. This includes the right to access, correct inaccuracies, withdraw their consent to use personal data for other than loan purposes, and request the deletion of their data. We provide an accessible and streamlined process for customers to exercise these rights.
- Implement rigorous processes and latest technologies to safeguard the personal and financial information of our customers. Our data protection measures include encryption, access controls,



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regular security assessments, and employee training to ensure the secure and responsible handling of data.

- In the event of a data breach or security incident, we have a comprehensive incident response plan in place. We will promptly notify affected parties and relevant authorities as required by law, ensuring transparency and timely resolution.
- Commitment to ongoing evaluation and enhancement of our data privacy and safety practices. This includes regular audits, risk assessments, and updates to our policies and procedures to stay ahead of emerging risks and best practices.
- Provide ongoing training and education to our employees to ensure they understand and adhere to our data privacy and safety policies.
- Conducts periodic audits and risk assessments to evaluate the effectiveness of our data protection measures and identify areas for improvement.
- Chief Information Security Officer (CISO) to oversee compliance with data privacy laws and act as a point of contact for data privacy inquiries and concerns.

C.7 Community Development

At Spandana, we are deeply committed to realizing our mission of empowering individuals and uplifting communities. Our Corporate Social Responsibility (CSR) policy [Refer to [CSR Policy](#)] encapsulates this commitment, guiding our efforts to make impactful social interventions that extend a helping hand to vulnerable communities, enabling them to build a better future.

Spandana, supplementing its existing efforts, shall:

- Engage in a range of CSR interventions such as -
 - a. *Skill Development & Livelihoods*: Support skill development programs and initiatives that enhance employability and income-generation capabilities among disadvantaged communities.
 - b. *Education*: Invest in educational initiatives, providing access to quality education and educational resources to underserved children and youth.
 - c. *Health & Hygiene*: Promote health and hygiene, ensuring that communities have access to essential healthcare services and hygiene education.
 - d. *Financial & Digital Literacy*: Empower individuals with financial and digital literacy, fostering financial inclusion and equipping communities to make informed financial decisions.
 - e. *Water Management*: Participate in water management projects aimed at ensuring communities have access to clean and safe water sources.
 - f. *Clean Energy Promotion*: Support initiatives that promote clean and sustainable energy sources, contributing to environmental preservation.



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g. *Disaster Response*: Prepare to provide disaster response and relief efforts in times of crises, aiding affected communities.

- Design CSR interventions with a focus on empowering beneficiaries to become self-sufficient. We believe in providing tools, skills, and opportunities that enable individuals and communities to improve their own circumstances.
- Partner with vendors who adhere to ethical practices and comply with relevant laws. We actively seek vendors who share our commitment to social and environmental responsibility, contributing positively to the world we live in.

C.8 Customer Centricity and Positive Customer Experiences

At Spandana, we are unwavering in our commitment to the principles of customer centricity and creating positive customer experiences. Recognizing the pivotal role that these principles play in shaping our identity as a responsible and ethical Financial Institution, we prioritize the well-being of our customers as an integral part of our Environmental, Social, and Governance (ESG) framework.

Spandana shall undertake the following key initiatives, in pursuit of customer centricity and ensuring positive customer experiences:

- Empower women entrepreneurs as the success of our clients is intrinsically linked to our success. Our policies and practices are designed to empower women entrepreneurs by offering them financial solutions, personalized assistance, and accessible resources that foster their growth and development.
- Deliver exceptional customer experiences at every interaction point. This involves streamlining our processes, offering transparent communication, and promptly addressing customer concerns and feedback to ensure their satisfaction and loyalty.
- Create an inclusive and accessible platform that caters to their financial requirements of our clients.
- Proactively explore innovative solutions that directly benefit our clients, contributing to their financial well-being and supporting their entrepreneurial endeavors.
- Establish a dedicated customer service team trained to address customer concerns and feedback promptly and effectively.
- Ensure transparent and clear communication with our clients regarding our products, services, and any changes that may affect them.
- Commit to an ongoing process of self-assessment and improvement. Through regular evaluations of our services, products, and interactions, we identify areas for enhancement and refinement to better meet the evolving needs of our clients.



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D. Disclosures:

Spandana is committed to enhancing disclosures on ESG through a combination of statutory and voluntary reporting. The key reports on ESG include –

1. Report of Directors on Corporate Governance
2. Annual report on Corporate Social Responsibility
3. Business Responsibility & Sustainability Report (Starting FY23 onwards)