SAMUNNATI FINANCE PRIVATE LIMITED	
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Preamble

The system for integrating environmental and social (E&S) aspects in Samunnati's business operations has been developed in two parts:

- *Part I: Environmental & Social Policy*
- *Part II: Environmental & social Management System*

The E&S Policy document as Part I of the documentation presents the E&S Policy Statement of Samunnati and the operational Principles that translate the Policy to action. The Policy document states Samunnati's intentions on environmental and social aspects of the business. This Policy document can be circulated with Samunnati's stakeholders.

The Environmental & Social Management System (ESMS) presented in Part II of the documentation has been developed to enable implementation of the E&S Policy and Principles of Samunnati. The ESMS Manual articulates the operational procedures to be adopted by Samunnati for each loan transaction. The ESMS is an operational level document, that will remain dynamic in nature, and is internal to the Company.

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1 Introduction

1.1 About Samunnati Finance Private Limited ("Samunnati")

Samunnati is a specialised Agri Value Chain enabler that provides innovative and customised financial and non-financial solutions.

These solutions are based on deeper penetration in the value chain. They help in expanding the avenues for finance in the agri and allied activity space. Through financial, non-financial and co-financial solutions to the value chain players, Samunnati enables them to work at a higher equilibrium thereby strengthening the value chain. Samunnati's model helps identify value chain gaps, suggest tailormade solutions, verify and mitigate risks through effective technologically aided processes, resulting in improved quality and efficiency of these value chains.

The value chain finance model encompasses select agricultural value chains and provides affordable finance and advisory services to the players. Samunnati's approach of value chain finance has an edge over the traditional methods of assessment, as it provides speedy services, is highly scalable and non-linear in terms of growth. Samunnati focuses on the following five broad segments in the Agriculture sector:

1. **Fresh** - Fresh Fruits, Vegetables and Flowers
2. **Livestock** – Dairy, Poultry and Fishery
3. **Food Processing** – Post Harvest Food Processing industry
4. **Inputs** – Agri inputs such as seeds, fertilisers, agro chemicals, machinery and farm equipment, small and micro irrigation, etc.
5. **Commodities** – field crops and horticulture commodities

1.2 Background to E&S Policy

Samunnati recognises that activities of their borrowers under the wide business scope has the potential to cause both, adverse and beneficial environmental and social (E&S) impacts. The adverse impacts, if left unaddressed, could translate to credit risks and/or reputation risks to Samunnati in the long run. Engagements with the borrowers also present opportunities through down-side risk management and upside value creation in terms of brand differentiation, portfolio performance, stronger relations and increased loyalty. Samunnati understands the need to address the risks and opportunities in a structured manner and take measures at the appropriate stage.

With this background, Samunnati has developed an E&S Policy in alignment with national and international E&S safeguards to identify, assess, manage and monitor the environmental and social risks and opportunities in their investments.

1.3 Reference Framework

The E&S Policy has been developed with reference to the following frameworks:

a) Applicable local, national and international E&S legislation

b) International Finance Corporation's E&S Performance Standards, 2012

c) The World Bank Group General and Sector (as relevant) specific Environmental, Health and Safety (EHS) Guidelines

d) ILO Conventions

e) The Client Protection Certification Standards of the Smart Campaign (May 2016)

f) Compendium of Agri & Food Business EHS Guidelines/GAP Standards

In cases where there is a difference between Indian regulations and international E&S safeguards listed above, more stringent of the two requirements would be adhered. For all investments, the E&S Policy will be implemented in compliance to Indian regulations.

The E&S aspects covered under the above listed reference framework is presented below. These are incorporated into the E&S Policy as relevant.



2 Environment & Social Policy & Principles

2.1 E&S Policy

The E&S Policy of Samunnati emphasises its commitment towards integrating E&S considerations in its loan products.

Samunnati's Environmental and Social Policy

Samunnati leverages on the social and trade capital in buyer seller relationships through non-traditional sourcing, risk assessment and mitigation, aided by technology, thereby building quality business that is sustainable and results in inclusive growth. The entire organisation works around this genetic code which is non-negotiable and is embedded in all the processes adopted by the Company.

Samunnati's Environmental & Social Policy reinforces its commitment towards sustainable development and integrates environmental and social considerations into decision-making and operations to effectively manage environmental and social risks and enhance positive impacts thus improving outcomes. Samunnati will strive to influence its borrowers on incorporating environmental and social considerations in their business operations.

Samunnati through their transactions will thus:

- not extend loans to any activity that features in Samunnati's *'Exclusion List'* or is prohibited by local, national or international laws, as applicable;
- influence borrowers to comply with national environmental and social legal requirements;
- encourage borrowers to adopt international good practices and safeguards, as relevant;
- promote prevention and control of pollution to protect the environment;
- promote resource use efficiency and sustainable production of living and natural resources;
- promote safe and healthy work environment and treating all workers fairly;
- Assess risks related to child labour in borrower operations and assist its borrowers and their respective agricultural supply chains to mitigate these risks
- proactively engage with the stakeholders towards timely redressal of grievances; and
- protect its borrower through robust processes and effective communication
- include assessment techniques for child labour to assist its borrowers and their respective agricultural supply chains to mitigate these risks

Samunnati is committed to comply with its Environmental and Social Policy and will establish and maintain systems to achieve the objectives therein.

[Signature]
Anil Kumar SG
Founder and CEO
Date: _____

2.2 E&S Operational Principles

The E&S Policy will guide the E&S performance of Samunnati and has been incorporated under eight E&S Operational Principles. Samunnati has adopted these Operational Principles that it will apply to all its transactions. A snapshot of the E&S Operational Principles is presented in **Figure 1**.



Figure 1: E&S Operational Principles

1) **Prohibited Lending Activities:**

   - Samunnati Value Chain Finance will not extend loans to any activity that features in the Exclusion List presented in **Annex 1**.

2) **Promoting Compliance to E&S Regulations**, self and by borrowers that include:

   - All relevant Indian E&S (including environmental management, labour welfare, occupational health and safety, community health & safety) policy and legislative requirements.
   - International E&S standards, safeguards and best practices relevant to Samunnati.
   - International Labour Organisation's core labour standards and basic terms and conditions of employment.

3) **Promoting Prevention of Pollution** for environmental protection by influencing borrowers to:

   - Adopt appropriate controls (where relevant), including processes and procedures to manage pollution generated in the form of air emissions, wastewater generation and solid waste generation through treatment, destruction, or disposal in an environmentally sound manner.
   - Minimise pollution generation through source reduction of waste volumes.

4) **Promoting Resource Use Efficiency** for environmental protection and conservation in the entities invested by:

   - Reducing material and energy inputs, avoiding use of hazardous materials, improving process efficiencies and safety and minimising waste generation

- Identifying opportunities to reuse, recycle and recover resources from the wastes/emissions generated

5) **Promoting Sustainable Production of Living Natural Resources** by:

- Locating land-based agribusiness and forestry projects on unforested land or land already converted.
- Managing living natural resources (including natural and plantation forestry, agriculture, animal husbandry, aquaculture, and fisheries) in a sustainable manner, through application of industry-specific good management practices and available technologies.

6) **Encouraging Good Working Conditions** in the borrower entities that comply with applicable labour regulations:

- Providing safe and healthy working conditions to all workers and mitigate work related health impacts
- Treating all workers fairly in terms of recruitment, remuneration and progression irrespective of gender, race, colour, language, disability, political opinion, age, religion, or national/social origin
- Providing for fair, transparent, and timely redressal of internal and external grievances reported in written or verbal format by all stakeholders.
- Preventing sexual harassment

7) **Ensuring Stakeholder Engagement** by:

- Engaging in dialog with relevant stakeholders at appropriate stages of business operations with due consideration to the disadvantaged and the vulnerable stakeholders.
- Communicating the E&S Policy and underlying procedures (as relevant) to all stakeholders through appropriate mechanisms.
- Providing fair, transparent, and timely redress of internal and external grievances reported in written or verbal format by all stakeholders.

8) **Ensuring Borrower Protection** by:

- Designing financial products that are affordable, flexible and suiting borrower interests, excluding waiver of borrower right's under Indian law.
- Preventing over-indebtedness by performing adequate due diligence on the borrower's repayment capacity and designing appropriate loan repayment schedules and using collaterals and guarantees judiciously.
- Communicating necessary information about the product clearly, timely and in a language understood by the borrower.
- Pricing the product affordable to borrowers while allowing the financial institution to be sustainable.
- Conveying in writing in a language understood by the borrower, by means of a sanction letter, the loan sanctioned along with the terms and conditions including the rate of interest and the method of application.
- Treating borrowers fairly and respectfully, free of discrimination through code of ethics for staff, incentivising good client relations and responsible use of agents.

- Respecting individual client data in accordance with Indian law and regulations and implementing appropriate mechanisms to maintain client confidentiality on personal data.

2.3 Approval and Communication

The E&S Policy and E&S Operational Principles have been presented to the Board and duly approved. This policy will be read in conjunction with the existing policies of Samunnati, as may be applicable. The Policy and Principles are applicable to Samunnati Finance Private Limited and its subsidiary company Samunnati Agro Solutions Private Limited.

The Policy and Principles will be communicated to all employees and is disclosed through Samunnati's website.

The E&S Policy Statement and Operational Principles is supported by an Environmental & Social Management System (ESMS), developed as Part II. The ESMS has been formally adopted by the top management to operationalise the E&S Policy in the business.

2.4 E&S Policy Implementation

Samunnati has developed an Environmental and Social Management System (ESMS) to implement the E&S Policy and Operational Principles. Under the ESMS, the procedures and tools for E&S risk and opportunity identification, management and monitoring have been developed and integrated with the loan cycle. The institutional structure with roles and responsibilities of various departments towards implementation of the ESMS have been defined.

The E&S Policy and ESMS will be reviewed on an annual basis by the top management, to ensure its continuing suitability, adequacy and effectiveness. Where a need for revision in the E&S Policy is realised, the revised policy document will be placed before the Board for approval before implementation.

Annex 1: Samunnati E&S Exclusion List

Samunnati shall not finance any activity, production, use, distribution, business or trade involving:

1. Activities or materials deemed illegal under applicable local or national laws or regulations that have been developed in conjunction with internationally agreed phase-outs or bans as defined in global conventions and agreements to which India is a signatory such as certain:
   a) ozone depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals
   b) endangered or protected wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora[1]
   c) unsustainable fishing methods such as blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 kilometres in length
2. Production or activities involving harmful or exploitative forms of forced labour/ harmful child labour;
3. Production or activities that impinge on the lands owned or claimed under adjudication by Indigenous Peoples;
4. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations;
5. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals;
6. Destruction[2] of High Conservation Value[3] areas;
7. Production or trade in wood or other forestry products that result in degradation[4] of forests;
8. Unbonded asbestos fibres;
9. Radioactive materials;
10. Pornography and/or prostitution;
11. Racist and/or anti-democratic media;
12. Tobacco;
13. Samunnati Finance through its transactions will not knowingly invest in unsustainable palm oil activities.
14. In the event that any of the following products form a substantial part of a entity's primary financed business activities [*for financial institutions, "substantial" means more than 10% of their underlying portfolio volumes*]
    a) Weapons and munitions;
    b) Gambling, gaming casinos and equivalent enterprises; and
    c) Alcoholic Beverages (except beer and wine).[5]

[1] A list is available at http://www.cites.org

[2] Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

[3] High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See http://www.hcvnetwork.org).

[4] Production or trade in wood or other forestry products from sustainably managed forests is permitted.

[5] Since Samunnati's mission is to make markets work for the smallholder farmers, Samunnati will continue to provide finance facilities to suppliers of farm produce irrespective of whether the farm produce is used for manufacturing of alcohol or not. As part of market linkages Samunnati Agro can supply farm produce to manufacturers of Alcohol. Financing to the manufacturers of alcohol (except beer and wine) per se is prohibited from lending.

(ii) As per Indian government's recent report of the 'Expert Committee on Roadmap for Ethanol Blending in India by 2025', the E-20 Roadmap proposes target of 20% blending of ethanol by 2025 along with raising the pan-India ethanol production capacity from the current 700 to 1500 crore litres. This initiative will bring multiple environmental benefits such as a) Reduced dependence on fossil fuels b) Lower fuel CO2 and Carbon Monoxide emissions c) Greater reliance on

renewable plant-based fuel and d) Reduction in environmentally detrimental processes like oil drilling and fracking. This has further created market opportunities

for Small-Holder Farmers (SHF), Farmer Collectives (FCs) and Agri Enterprises (AEs) engaged in sugarcane and other related supply chain by serving the demand from OMCs (Oil-Marketing/Manufacturing Companies). Given the context, Samunnati will continue to provide finance and market linkages facilities to such entities dealing in Ethanol with the caveat of an End-Use compliance clearly stating that the end use of said funds would be utilised solely towards Ethanol sale to OMCs for Ethanol blending purposes regardless of the aforementioned portfolio volumes ceiling hereunder.