Suryoday Small Finance Bank Limited

Social and Environmental Sustainability Policy

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Version Control

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1. Preamble

The Bank believes in ensuring social and environmental sustainability of the activities it is engaged in. The Bank stands committed to putting in place social and environmental sustainability practices which it believes in and are key to it being a socially and environmentally responsible organisation.

2. Purpose

The Bank shall strive to improve the social and environmental sustainability by focusing on the following practices while extending financial support to its customers:

- Assessment and Management of Environmental and Social Risks and Impacts
- Employees' Working Conditions
- Resource Efficiency and Pollution Prevention
- Community Health, Education, Safety and Security

Through this policy, the Bank seeks to

- Enhance the predictability, transparency and accountability of its actions and decision making
- Help customers manage their environmental and social risks and impacts and improve their performance
- Enhance positive development outcomes on the ground

The Bank believes that this will enable a strong foundation on which customers may increase the overall sustainability of their operations, identify new opportunities to grow their business and build their competitive advantage in the marketplace.

3. Commitment

- The Bank believes in "doing no harm" to the people and the environment, to enhance the sustainability of its operations and markets it works in and to achieve positive development outcomes.
- The Bank is committed to ensure that the cost of its activities do not fall disproportionately on its customers, the environment is not degraded in the process and that renewable natural resources are managed sustainably.
- The Bank recognizes the responsibility of its activities to respect customers' and employees' rights. This responsibility means to avoid infringing on their rights and to address adverse rights impacts the activities may cause, or contribute to meeting this responsibility also means creating access to an effective grievance mechanism that can facilitate early indication of and prompt remediation of its various activities related grievances.
- The Bank adopts the Responsible Finance Approach, thereby ensuring its commitment towards Customers, Employees and Community & Environment.

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4. List of Exclusions and Inclusions

The Bank considers the risk and impacts of its proposed activity, and whether and how such activity can be expected to benefit its relevant stakeholders in economic, social and/or environmental terms. There are certain types of activities that the Bank shall support and certain others that the Bank shall not support.

4.1.1. Exclusions:

a) Production or trade in any product or activity deemed illegal under country's laws or regulations or international conventions and agreements, or subject to international bans, wildlife or products regulated under Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES).
b) Production or trade in weapons and munitions.
c) Gambling, casinos and equivalent enterprises.
d) Production or trade in radioactive materials and unbounded asbestos fibres. 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.
e) Production or trade in unbonded asbestos fibres and radioactive materials. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
f) Drift net fishing or unsustainable fishing methods in the marine environment using nets in excess of 2.5 km. in length
g) Production or activities involving harmful or exploitative forms of forced labour/harmful child labour and forced labour or harmful child labour (Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions).
h) Commercial logging operations for use in primary tropical moist forest.
i) Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous people, without full documented consent of such people.
j) Construction of new and extension of any existing coal fired thermal power plant.
k) Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations.
l) Destruction of High Conservation Value areas. 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.
m) Pornography and/or prostitution
n) Racist, anti-democratic and/or neo-Nazi media
o) In the event that any of these following products form a substantial part of a project's primary financed business activities:
    - Alcohol beverages (except beer and wine)
    - Tobacco
    - Weapons and munitions; or
    - Gambling, casinos and equivalent enterprises.

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Note:

- High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see).
- Radioactive materials do not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.
- For companies, "substantial" means more than 10% of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio.
- 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. Persons may only be employed 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 legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply.

4.1.2. Inclusions:

a) Judicious use of paper, water, packaging materials and electricity in the work place
b) Encourage the usage of electronic media in communication to customers and staff.
c) Annual sapling planting initiatives by the staff.
d) Encouraging turning off, putting in standby mode or unplugging all electrical/electronic equipment such as computers, monitors, photocopiers, chargers, printers, fans, air-conditioners, lights, etc when not in use and fully utilizing power-saving settings when in use.
e) Replacing incandescent bulbs with CFLs or LEDs when they need to be replaced, internally and externally.
f) Utilizing online webinars, call conferencing for shorter meetings that involve people who might otherwise have to travel a long distance
g) Encouraging use of bike/carpool and use of public transportation.
h) Duplexing (two-sided printing) when possible as well as limiting period materials/emails/memos to only what is necessary.
i) Issue of dateless diaries to employees

The Bank shall, through its Social Initiatives Program, endeavour to support the capacity development of its customers in an environment friendly way and also promote products which help reduce pollution and enhances health prospects of its customers.

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