



# Environmental, Social and Governance Policy

<b>Version</b>	<b>Approval Date</b>	<b>Reviewing/ approving authority</b>
V1	15 <sup>th</sup> February 2020	Board of Directors
V2	27 <sup>th</sup> February 2021	Board of Directors
V3	27 <sup>th</sup> April 2022	Board of Directors



# Environmental, Social & Governance Policy



**vivriti**  
CAPITAL

## CONTENTS

---

1. Preamble.....	4
2. Objectives.....	4
3. Principles.....	4
4. Roles and Responsibilities.....	5
4.1 Towards Environment.....	5
4.2 Towards Social, labor and working conditions.....	5
4.3 Towards Governance.....	5
4.3.1 Management.....	5
4.3.2 Policies.....	5
5. Risk Categorization.....	6
6. Exclusion List.....	6
7. Client Screening/ Diligence	
7.1 For VCPL.....	6
7.2 For VAM.....	6
7.3 ESG Risk Integration.....	7
8. Periodic Assessment.....	7
9. Governance Matrix.....	8
10. Documentation.....	8
11. Training.....	8
12. Reporting.....	8
13. Application to Existing Client.....	8
14. Policy Review.....	8
15. Legend.....	9
16. Annexure 1 – Due diligence checklist.....	10
17. Annexure II – Prohibited Activities.....	12
18. Annexure III – Trigger Events.....	13

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

### 1. PREAMBLE

- 1.1 Vivriti Capital Private Limited (VCPL) ('the Company') is private limited company registered under Companies Act, 2013. VCPL is also registered with the Reserve Bank of India as a Non-Deposit taking Systemically Important Non-Banking Finance Company (NBFCs-ND-SI) and its debt securities are listed with Bombay Stock Exchange.
- 1.2 Vivriti Asset Management Private Limited ("VAM"), a subsidiary of VCPL, is an investment manager to fixed-income Alternative Investment Funds registered with Securities and Exchange Board of India (both VCPL & VAM hereinafter together shall be referred as "Vivriti").
- 1.3 Vivriti is cognizant of environmental and social risks in lending and investing and hence has adopted the ESG Policy in its journey towards its commitment on attaining sustainability. The ESG philosophy aligns with Vivriti's core business strategy. The policy is built around the three pillars of ESG, outlining its purpose and Vivriti's responsibility to the environment, its customers, employees, and the community at large.
- 1.4 Unless otherwise defined, capitalised terms have the meanings given to them in the "legend" provided at the end of this document.

### 2. OBJECTIVES

- 2.1 To approve a framework for the environment, social and governance ("ESG") practice.
- 2.2 To integrate the ESG framework in the existing overall risk assessment.
- 2.3 To study, measure and monitor the impact on the performance of the investment.
- 2.4 To identify opportunities to promote environmental sustainability and equitable growth through our products.
- 2.5 To provide ESG disclosures to effectively demonstrate our ESG commitment to our stakeholders.

### 3. PRINCIPLES

- 3.1 Vivriti will conduct its business and operations in compliance with all environmental, social and labour laws (local and central), including those relating to human trafficking and child labour.
- 3.2 Vivriti will conduct a ESG diligence on its prospective and existing clients as mentioned in paragraph 7.1 and 7.2 of this Policy. An indicative list of the criteria to conduct the ESG diligence is provided in Annexure I. The list will be updated from time to time based on guidance provided by the Board and Vivriti's senior management.
- 3.3 Vivriti shall adhere to all the policies of the Government of India or any department thereof concerning any environmental, social or labour related issues applicable to Vivriti. Vivriti shall also require its clients to adhere to these policies to the extent applicable.

## **4. VIVRITI'S ROLES AND RESPONSIBILITIES**

### **4.1 Towards Environment**

Vivriti shall conduct its business and operations in compliance with applicable environmental, health and safety laws or policy issued by Government of India or any department thereof.

- Developing financial solutions that generate other positive environmental impacts
- Minimizing the environmental impacts of our physical operations
- Partnering with organizations to advance sustainable development

### **4.2 Towards social, labor and working Conditions**

Vivriti is committed to conduct its business and operations in compliance with applicable social and labor laws and policies issued by Government of India or any department thereof.

- Developing financial solutions that improve quality of life and generate other positive social impacts
- Expanding economic opportunity in the communities where we do business
- Investing in our human capital
- Promoting diversity, equity and inclusion
- Strengthening consumers' financial health
- Addressing human rights-related risks

### **4.3 Towards Governance**

Vivriti is committed to sound governance, a system of checks and balances and the highest standards of integrity with the following aspects:

- Cultivating a strong risk and control environment
- Fostering a culture of transparency and ethical behavior
- Maintaining effective Board leadership and management processes
- Safeguarding privacy and cybersecurity

#### **4.3.1 Management**

- (a) Vivriti is governed by its Board of Directors with the day-to-day management carried out by each of the departmental head;
- (b) Vivriti shall have adequate number of Independent Directors on its Board as may be required under the Companies Act, 2013;

#### **4.3.2 Policies**

Vivriti integrates its policies (mentioned below) in its day-to-day operations and updates the same progressively and iteratively to incorporate the best practices.

- Business Continuity, Conflict of Interest, Cyber Security, Code of Conduct (Employee and Supplier), anti- money laundering, Anti-bribery and anti-corruption, Corporate Social Responsibility, Grievance Redressal (Employee and Customer), Human Rights Policy, POSH, Health and Safety Policy, Diversity and Inclusion Policy.

5. **RISK CATEGORISATION**

5.1 Based on the checklist as mentioned in Annexure I, a prospective client will be assessed by the Designated Personnel to evaluate the level of risks associated with the transaction and/or client.

5.2 The risks will be categorised based on the below criteria –

CATEGORY	DESCRIPTION
High	Transactions/clients that are involved in any prohibited activity
Medium	Transactions/clients with potential adverse environmental, social, labour and governance impacts that are less adverse and are largely reversible through mitigation measures.
Low/No	Transactions/clients with minimal or no adverse environmental, social, labour and governance impact.

6. **EXCLUSION LIST**

Vivriti will not enter into arrangements/transactions with any institutions or persons that are engaged in any of the activities set out in Annexure III of this policy ("**Prohibited Activities**").

7. **CLIENT SCREENING /DILIGENCE**

7.1 **For VCPL**

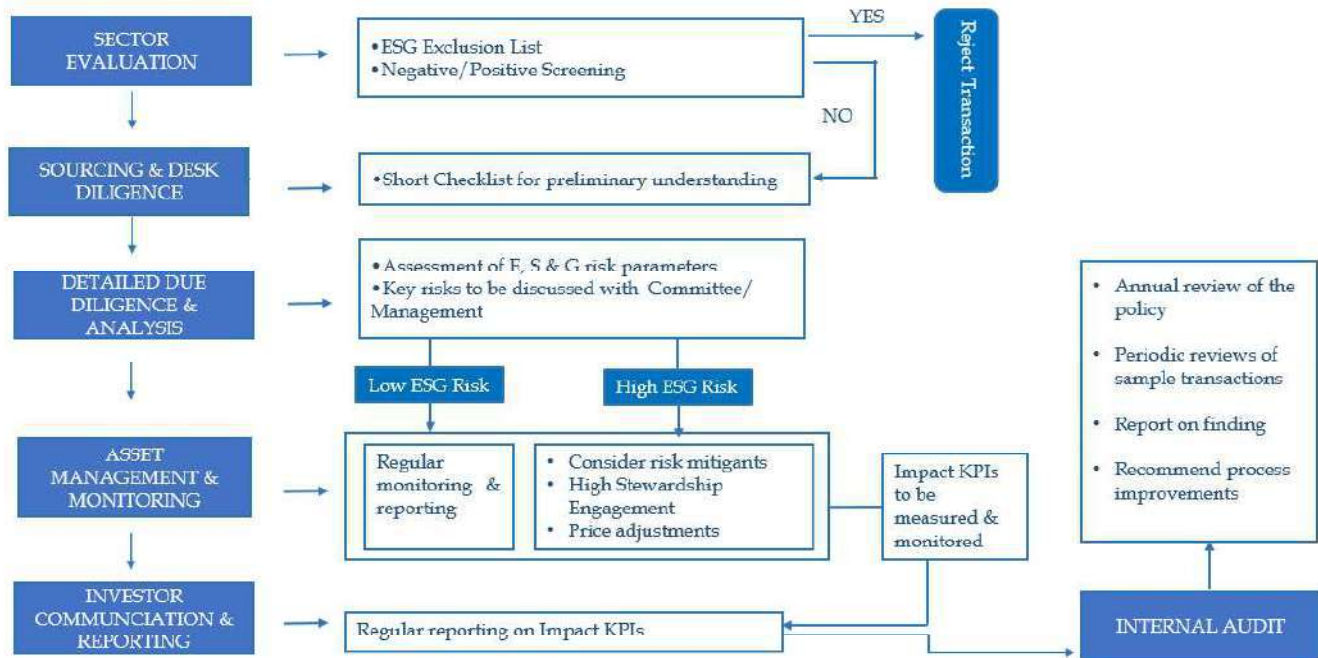
- (a) The Designated Personnel will conduct a preliminary diligence of prospective and existing client of VCPL.
- (b) In case of a new client to which VCPL proposes to lend any money or on-balance sheet financing, the response received from client on the checklist shall be placed before the Credit Committee along with the Term sheet.

7.2 **For VAM**

- (a) The Investment Management Team of VAM will conduct a preliminary diligence of the prospective client prior to entering the transaction on the basis of checklist populated by the client, as provided in Annexure I of this Policy.
- (b) The Investment Management Team shall place the response received from the client along with the investment note or other document related to transaction, as may be required, before the Investment Committee.

### 7.3 ESG Risk Integration

Vivriti integrates ESG risks into its credit risk assessment process by establishing a comprehensive framework to identify, evaluate, monitor and manage these risks. The policy establishes a risk-based approach where transactions/clients that carry high ESG risks are subject to enhanced evaluation and due diligence and approval through a specialised team of internal ESG risk assessment experts.



### 8. PERIODIC ASSESSMENT

- The Designated Personnel shall conduct a periodic assessment on the client (in which Vivriti has lent money or has on-balance sheet financing) on a yearly basis on the basis of checklist as provided in Annexure I.
- The Investment Management Team shall conduct a periodic assessment on the client (in which VAM has invested money) on a yearly basis on the basis of checklist as provided in Annexure I.
- For clients in which Vivriti will have on-balance sheet financing, the Designated Personnel will also conduct site visits on the occurrence of any trigger events specified in Annexure IV.
- Any non-compliance identified during the periodic assessment/diligence will be reported to the Credit Committee/Investment Committee, as the case may be, who will decide on any further action to be taken.

9. **GOVERNANCE MATRIX**

- (a) ESG Committee – The committee will comprise of Founder & CEO and two independent directors. The Committee will meet bi-annually to discuss all ESG matters. The committee also decides the ESG steering group's composition and frequency of its meeting.
- (b) ESG Steering group – The group will comprise of the ESG team members and others suggested by the ESG committee. The steering group will oversee and manage the environmental, social and management risks within Vivriti's lending portfolio and, by doing so, help implement the ESG Policy and present any/all developments to the ESG Committee.

10. **DOCUMENTATION**

- (a) All on-balance sheet financing documentation must contain such environmental, social and labour standards related covenants as may be prescribed by the Committee.
- (b) All on-balance sheet financing documentation entered into by Vivriti must contain representations and covenants from the client in relation to compliance with all applicable laws (including all, local and central, environment, social and labour laws).
- (c) Any failure of the client to perform such covenant or representation should be classified as an event of default under the on-balance sheet financing documentation entered into with the client.

11. **TRAINING OF DESIGNATED PERSONNEL**

All Designated Personnel, Investment Management Team and all members of the Credit Committee & Investment Committee concerned with this policy will keep themselves updated with all ESG related developments. Periodic training and updates on ESG will be provided to all verticals at Vivriti.

12. **REPORTING**

Vivriti will publish its Sustainability Report following the Global Reporting Initiative (GRI) standards. The report will cover the three pillars E, S and G along with its impact story every financial year. We will continue to disclose our ESG information in relevant ESG forums to demonstrate our commitment to stakeholders.

13. **APPLICATION TO EXISTING CLIENT**

Vivriti will endeavor to ensure compliance of its existing clients with this policy, by obtaining appropriate declaration/representation from client in relation to compliance of applicable environment and labour laws and other applicable laws, to the extent data can be retrieved from existing clients.

14. **POLICY REVIEW**

This policy shall be reviewed periodically on such basis and at such times as may be prescribed by the Committee (for VCPL) and Investment Committee (for VAM).



**LEGEND:**

<b>S. NO.</b>	<b>TERM</b>	<b>PARTICULARS</b>
1.	ESG Committee	comprises of Founder & CEO and two independent directors
2.	ESG Steering Group	comprises of ESG team and any other suggested by the ESG Committee members
3.	Investment Management Team	means the Investment Management team of Vivriti Asset Management Private Limited as mentioned in the Private Placement Memorandum of the Fund managed by VAM
4.	Investment Committee	means the Investment Committee as formed by VAM
5.	Committee	both Credit Committee and Investment Committee shall be termed as "Committee" together
6.	Designated Personnel	means Client Acquisition Group of VCPL for Due Diligence of new client and Risk Team of VCPL for Periodic Assessment
7.	Credit Committee	means the Credit committee designated by VCPL to ensure compliance with the policy

**ANNEXURE I  
DUE DILIGENCE CHECKLIST**

**A. Environment**

1. Does the company obtain relevant license/registrations/approvals in relation to applicable environmental laws (local and central) ?
2. Are there any significant outstanding environmental fees, fines or penalties or any other environmental liabilities ?
3. Whether any notice issued or proceedings initiated against the company for any violation or non-compliance of any environment laws ?
4. Does the company have the processes and procedures to address environmental risks and impacts?
5. Does the company comply with all applicable local environmental laws, standards and regulations?
6. Does any local authority perform environmental inspections at the company's premises?
7. Does the company generate air emissions (e.g. from boilers, plant or other equipment, etc.)

**B. Social & Labour**

1. Has there been any labour unrest or dispute during a period of past 3 years ?
2. Has the company obtained relevant license/registrations/approvals in relation to applicable labour laws (local and central).
3. Does the company understand and comply with all applicable health and safety laws, standards and regulations?
4. Whether any notice issued or proceedings initiated against the company for any violation or non-compliance of any social or labour laws ?
5. Is a first aid kit available at all sites?
6. Does the company have adequate life and fire safety measures in place (i.e. fire alarm, fire sprinklers, extinguishers, evacuation maps, clearly marked exits routes, etc.)?
7. Has there been any fire or fire outbreaks in the past?
8. Does the company have a human resources policy or manual that sets out its approach to managing workers?
9. Is there a responsible person or team for human resources matters?
10. Does the company have an approach to ensure women and men are compensated equally?
11. Does the company offer and support paid maternity leave? Does the company offer and support paid paternity leave?

12. Does the company have a grievance mechanism for staff to raise concerns?
13. Does the company follow Fair Practice Code?
14. Does the company follow aggressive collection policies such as calling relative of borrower in case of default, improper behaviour of recovery agent or collection agent etc or does the company have a Recovery and Repossession of Secured Assets Policy and Code of Conduct for Collection Agents as prescribed by RBI?

### **C. Governance**

1. Does the company have requisite number of directors as required under the Companies Act, 2013?
2. Whether any director is disqualified to be appointed as director under the Companies Act, 2013?
3. Does the Company required to appoint any independent director under the Companies Act, 2013 or other applicable laws ? If yes, are there any independent directors on the Board ?
4. How often does the Board meet?
5. Is the Board agenda circulated to all members prior to the Board meeting? How many days in advance?
6. Are Board minutes maintained and signed by the Chairman?
7. Is there a process or policy in place to identify and assess potential risks to the operation and to define a strategy for eliminating or minimizing the impact of these risks?
8. Who is responsible for Risk Management within the organization?
9. Is there a Risk Management Committee in place?
10. Is there a Risk Management Committee charter?
11. What is the Intended end-use of the on-balance sheet financing/fund provided by Vivriti ?
12. Is there a person designated or responsible for issues related to compliance, ethics and conflict of interest ?
13. Does the company have an anti-bribery and anti-corruption policy in place ?
14. Does the company have mechanisms to prevent fraud?
15. Has there been any fraud that has incurred in the company ?
16. Does the company have an anti-money laundering policy in place?
17. Does the company comply with anti-money laundering laws ?
18. Whether the company is engaged in any Prohibited Activity as mentioned in Annexure -1?

## **ANNEXURE II PROHIBITED ACTIVITIES**

Vivriti will not enter into arrangements/transactions with any institutions/persons that are engaged in any of the activities set out below:

1. Conversion or degradation of critical forest areas or forest-related critical natural habitats.
2. Production of or trade in alcoholic beverages (excluding beer and wine).
3. Projects or companies where the primary business activities are in the following prohibited sectors such as gambling, casinos or equivalent enterprises, media communications of an adult or political nature, production of or trade in tobacco.
4. Production of or trade in radioactive materials, including nuclear reactors and components thereof.
5. Production of or trade in weapons and amunitions, including paramilitary materials.
6. Companies found by a court or administrative body of competent jurisdiction engaging in unlawful practices.
7. Engaged in any activities in relation to human trafficking, child labour or forced labour.
8. Projects or companies identified by the Government to be in violation of local applicable law related to environment, health, safety, labor, and public disclosure.
9. Production or trade in any product or activity deemed illegal under the laws or regulations of India or international conventions and agreements or subject to international phaseouts or bans.
10. Polluting industries unless the units have clearance from pollution control authorities and have installed effluent treatment plants.
11. Setting up of new units consuming/producing Ozone Depleting Substances (ODS) such as chlorofluoro carbon (CFC), Halons and units manufacturing aerosol products using CFCs.
12. Standalone Casino, and Gambling / Betting in any form.

**ANNEXURE III  
TRIGGER EVENTS**

1. For any notice issued by regulatory authority to any client for non-compliance of provisions of applicable environment and labour laws.
2. In case of labour unrest or dispute in the client.
3. On levy of significant fines or penalties or any other liabilities under any applicable labour and environmental laws by any regulatory authority
4. Whether any notice issued or proceedings initiated against the company for any violation or non-compliance of any environment and labour laws
5. When there is any fraud and non-compliance of anti-money laundering laws