

| <b>SAMUNNATI FINANCIAL INTERMEDIATION &amp; SERVICES PRIVATE LIMITED</b> |  |
|--|--|
| <b>POLICY</b>  | PART II of Environment & Social Policy<br>Environmental & Social Management System |
| <b>Reviewing Authority:</b>  | Risk Management Committee  |
| <b>Approving Authority:</b>  | Board of Directors   |
| <b>Original Issue Date:</b>  | December 03, 2019  |
| <b>Version No.:</b>  | 3  |
| <b>Date of approval by Policy Approval Committee</b>                     | March 24, 2021   |
| <b>Date of Last Review</b>   | May 29, 2023   |
| <b>Effective Date</b>  | May 29, 2023   |
| <b>Review Cycle:</b>   | Annually or as recommended by the Board of Directors                               |

## 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. The 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.*

## Table of Contents

|  |           |
|--|-----------|
| List of Annex.....   | v         |
| List of Tools.....   | v         |
| List of Figures .....  | vi        |
| List of Tables .....   | vi        |
| Abbreviations .....  | vii       |
| <b>1 Overview of Samunnati.....</b>  | <b>1</b>  |
| 1.1 About Samunnati.....   | 1         |
| 1.2 Samunnati Finance Business Operations .....                                      | 1         |
| 1.2.1 Loan Products.....   | 2         |
| 1.2.2 Product-wise Borrower Category.....  | 1         |
| 1.2.3 Credit Policy Manual .....   | 1         |
| 1.2.4 Borrower Appraisal Process .....   | 1         |
| 1.3 Samunnati Agro Business Operations .....   | 2         |
| 1.3.1 Buyer Appraisal Process .....  | 3         |
| <b>2 Scope and Structure of ESMS.....</b>  | <b>4</b>  |
| 2.1 Reference Framework.....   | 4         |
| 2.2 Scope of ESMS .....  | 4         |
| 2.3 Structure of ESMS .....  | 4         |
| <b>3 Reference Framework for the ESMS .....</b>                                      | <b>6</b>  |
| 3.1 Indian Legal Requirements .....  | 6         |
| 3.2 Development Finance Institution E&S Safeguards .....                             | 6         |
| 3.2.1 IFC Performance Standards .....  | 6         |
| 3.2.2 ILO Labour Conventions .....   | 7         |
| 3.2.3 Smart Campaign’s Client Protection Principles .....                            | 8         |
| <b>4 Institutional Arrangement .....</b>   | <b>8</b>  |
| 4.1 Role of CSR and Partnerships Team .....  | 9         |
| 4.2 Common Responsibilities of Teams.....  | 9         |
| 4.3 Team Specific Responsibilities .....   | 9         |
| <b>5 Environmental &amp; Social Risks and Opportunities - Samunnati Finance.....</b> | <b>11</b> |
| 5.1 Background to E&S Risk Assessment.....   | 11        |
| 5.2 Applicability of E&S Assessment to Loan Products .....                           | 11        |
| 5.3 Process of E&S Risk and Opportunity Management.....                              | 13        |

|          |  |           |
|----------|--|-----------|
| 5.4      | Environmental and Social Risk Management in Transactions .....                   | 14        |
|          | Step-1: E&S Screening .....  | 14        |
|          | Step-2: E&S Categorization .....   | 15        |
|          | Step-3: E&S Risk Identification .....  | 17        |
|          | Step 4: E&S Loan Covenants .....   | 19        |
|          | Step 5: E&S Risk Monitoring.....   | 19        |
|          | Step-6: E&S Action Plan .....  | 19        |
| 5.5      | Environmental and Social Opportunities in Transactions .....                     | 19        |
| 5.6      | Client Protection.....   | 20        |
| <b>6</b> | <b>Environmental &amp; Social Risks and Opportunities - Samunnati Agro .....</b> | <b>21</b> |
| 6.1      | Applicability of E&S Assessment .....  | 21        |
| 6.2      | Process of E&S Risk and Opportunity Management .....                             | 23        |
|          | Step-1: E&S Screening .....  | 24        |
|          | Step-2: E&S Categorization .....   | 24        |
|          | Step-3: E&S Risk Identification .....  | 25        |
|          | Step 4: E&S Loan Covenants .....   | 25        |
|          | Step 5: E&S Risk Monitoring.....   | 25        |
|          | Step-6: E&S Action Plan .....  | 26        |
| 6.3      | Environmental and Social Opportunities .....                                     | 26        |
| 6.4      | Client Protection.....   | 26        |
| <b>7</b> | <b>Stakeholder Engagement.....</b>   | <b>27</b> |
| 7.1      | Stakeholder Identification & Analysis .....                                      | 27        |
| 7.2      | Stakeholder Engagement Plan.....   | 29        |
| 7.3      | Grievance Redress Mechanism .....  | 30        |
| 7.4      | Reporting.....   | 31        |
| <b>8</b> | <b>E&amp;S Performance Review .....</b>  | <b>32</b> |
| 8.1      | E&S Internal Audit .....   | 32        |
| 8.2      | Management Review.....   | 32        |
| <b>9</b> | <b>Document Control.....</b>   | <b>33</b> |
| 9.1      | Update of ESMS.....  | 33        |
| 9.2      | ESMS Controlled Documents.....   | 33        |
| 9.3      | Information Management .....   | 34        |

### List of Annex

Annex 1: Summary of E&S Legal Requirements

Annex 2: Mapping between Samunnati ESMS and IFC-PS 1

Annex 3: Guidebook on Samunnati E&S Exclusion List

Annex 4: Guidance on Method of Conducting E&S Risk Assessment using Tool 3

Annex 5: Environmental & Social Covenants

Annex 6: Potential E&S Opportunities in Transactions

Annex 7: Compendium of Agri & Food Business EHS Guidelines

Annex 8: Terms of Reference for E&S Internal Audit

### List of Tools

Tool 1: E&S Screening Checklist

Tool 2: E&S Categorization Checklist

Tool 3: Environmental & Social Risk Assessment & Monitoring Checklist

Tool 4: E&S Action Plan by Samunnati

Tool 5: Annual E&S Performance Report

Tool 6: Action Planning on Internal Audit Findings

Tool 7: History of Revisions

**List of Figures**

Figure 1: Organisation Structure ..... 1  
Figure 2: Loan Appraisal Process at Samunnati Finance..... 2  
Figure 3: Buyer Evaluation Process at Samunnati Agro ..... 3  
Figure 4: Structure of Samunnati's ESMS..... 5  
Figure 5: E&S Risks to Financial Intermediaries ..... 11  
Figure 6: ESMS Operational Steps integrated with Loan Cycle - Samunnati Finance ..... 14  
Figure 7: ESMS Operational Steps integrated with Evaluation Process - Samunnati Agro..... 23

**List of Tables**

Table 1: Establishing Applicability of IFC Performance Standards to Samunnati ..... 6  
Table 2: Samunnati Stakeholder Analysis ..... 27  
Table 3: Stakeholder Engagement Plan for Samunnati ..... 29  
Table 4: List of Records to be maintained ..... 34

## Abbreviations

|                  |   |
|------------------|---|
| <b>AE</b>        | Agri Enterprise   |
| <b>ARF</b>       | Agri Receivable Finance                                 |
| <b>ATS</b>       | Agri Trade Solution                                     |
| <b>CIBIL</b>     | Credit Information Bureau (India) Limited               |
| <b>CPP</b>       | Client Protection Principles                            |
| <b>CEO</b>       | Chief Executive Officer                                 |
| <b>CSR</b>       | Corporate Social Responsibility                         |
| <b>E&amp;S</b>   | Environmental and Social                                |
| <b>ESAP</b>      | Environmental and Social Action Plan                    |
| <b>ESMS</b>      | Environmental and Social Management System              |
| <b>FPO</b>       | Farmer Producer Organisation                            |
| <b>HO</b>        | Head Office   |
| <b>IFC</b>       | International Finance Corporation                       |
| <b>IFC-PS</b>    | IFC Environmental and Social Performance Standards      |
| <b>ILO</b>       | International Labour Organisation                       |
| <b>KYC</b>       | Know Your Client  |
| <b>MIS</b>       | Management Information System                           |
| <b>MTL</b>       | Medium Term Loan  |
| <b>NGO</b>       | Non-governmental Organisation                           |
| <b>RO</b>        | Regional Office   |
| <b>RM</b>        | Relationship Manager                                    |
| <b>SABL</b>      | Small Agri Business Loan                                |
| <b>Samunnati</b> | Samunnati Financial Intermediation & Services Pvt. Ltd. |
| <b>STL</b>       | Short Term Loan   |
| <b>TABL</b>      | Tiny Agri Business Loan                                 |
| <b>TL</b>        | Term Loan   |
| <b>WC</b>        | Working Capital   |
| <b>WCTL</b>      | Working Capital Term Loan                               |

## 1 Overview of Samunnati

### 1.1 About Samunnati

Samunnati is a specialized Agri Value Chain enabler that provides innovative and customized 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 tailor-made 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** - food processing and manufacturing industries that require agri produce
- 4) **Inputs** - Agri inputs such as seeds, fertilisers, agro chemicals, machinery and farm equipment, small and micro irrigation, etc.
- 5) **Commodities** - pulses and grains that also serve as raw materials for food processing and industrial products

Samunnati Financial Intermediation & Services Private Limited ("Samunnati Finance") is the parent company that is engaged in lending activities across the agri value chain. Samunnati Agro Solutions Private Limited ("Samunnati Agro") is a 100% subsidiary company of Samunnati Finance and provides Trade Facilities to Agri-value chain players as part of the internal value chain finance.

### 1.2 Samunnati Finance Business Operations

Samunnati Finance has business verticals on Agri Enterprise (AE), Farmer Producer Organisations (FPO) under which lending activities are undertaken. These business verticals are supported by other functions that include Strategic Partnerships & Investor Relations; Risk Management; Credit; Finance and Accounts' /Legal/Secretarial; and Policy and Advocacy. The organisation structure is presented in **Figure 1**.

- Agri Enterprises represent the demand side of the value chain, wherein Samunnati Finance assists in removing working capital constraints. By building market linkages, Samunnati Finance connects enterprises to producer organisations who can meet their aggregation needs on time.



- FPOs have been monumental in helping farmers with shared interests negotiate for better input aggregation, market linkages and extension services. Through aggregation, Samunnati Finance helps increase FPOs' bargaining power to procure inputs at a reduced cost; by strengthening market linkages, we help FPOs negotiate better prices for their produce; and through focused advisory services, we empower FPOs with key skills such as financial literacy, improved governance and disaster preparedness through insurance solutions.

The Head office (HO) is in Chennai, Tamil Nadu, India. The operations are divided into four (4) zones viz., East, West, North and South zones with an office located in each zone. Each Zonal Office has Regional Office(s)(RO) functioning under them. Depending on the business spread in the region, one or two states are covered by a RO that has a business team and a credit team. A cluster office reports to the RO. It covers three to four districts. Where the operations are not spread out, RO subsumes the functions of a cluster office as well. Only if the business in the region is huge, a credit resource person is positioned at the cluster office.

### 1.2.1 Loan Products

Brief details about the loan products under the Business Verticals of Samunnati Finance are presented below.

| Business Vertical | Loan Product  | Purpose   |   |
|-------------------|---|---|---|
| Agri Enterprise   | Agri Receivable Finance (ARF) (revolving)   | Invoice financing for working capital requirement   |   |
|                   | Short Term Loan-STL (revolving)   | Short term loan for managing cash flow mismatches   |   |
|                   | Medium Term Loan - MTL (non-revolving)  | Medium Term Loan facility for purchasing equipment, Infrastructure-IFL, Agri & Allied Activity-AA, Working Capital Term Loan-WCTL (for augmenting the long-term WC requirement)               |   |
|                   |   | Bridge Finance-BF   |   |
| Term loan-TL      | Term Loan facility for purchasing equipment, Infrastructure improvement, Agri allied activities |   |   |
| FPOs              | Short Term Loan (STL)   | Input (IL)<br>Output (OL)   | Loan facility to: <ul style="list-style-type: none"> <li>Single FPO</li> <li>Federation of FPOs (in both Guarantor and Lender modes)</li> </ul> |
|                   | Medium Term Loan (MTL)  | <ul style="list-style-type: none"> <li>Equipment-(EL)</li> <li>Infrastructure-(IFL)</li> <li>Livestock-(LS)</li> <li>Agri &amp; Allied Activity-(AA)</li> <li>Working Capital-(WC)</li> </ul> |   |

| Business Vertical | Loan Product   | Purpose  |
|-------------------|--|--|
|                   | Medium Term Loan-On Lending to FPO in Asset Creation | Loan facility to FPO in Asset Creation for lending to its members for agri allied activities |

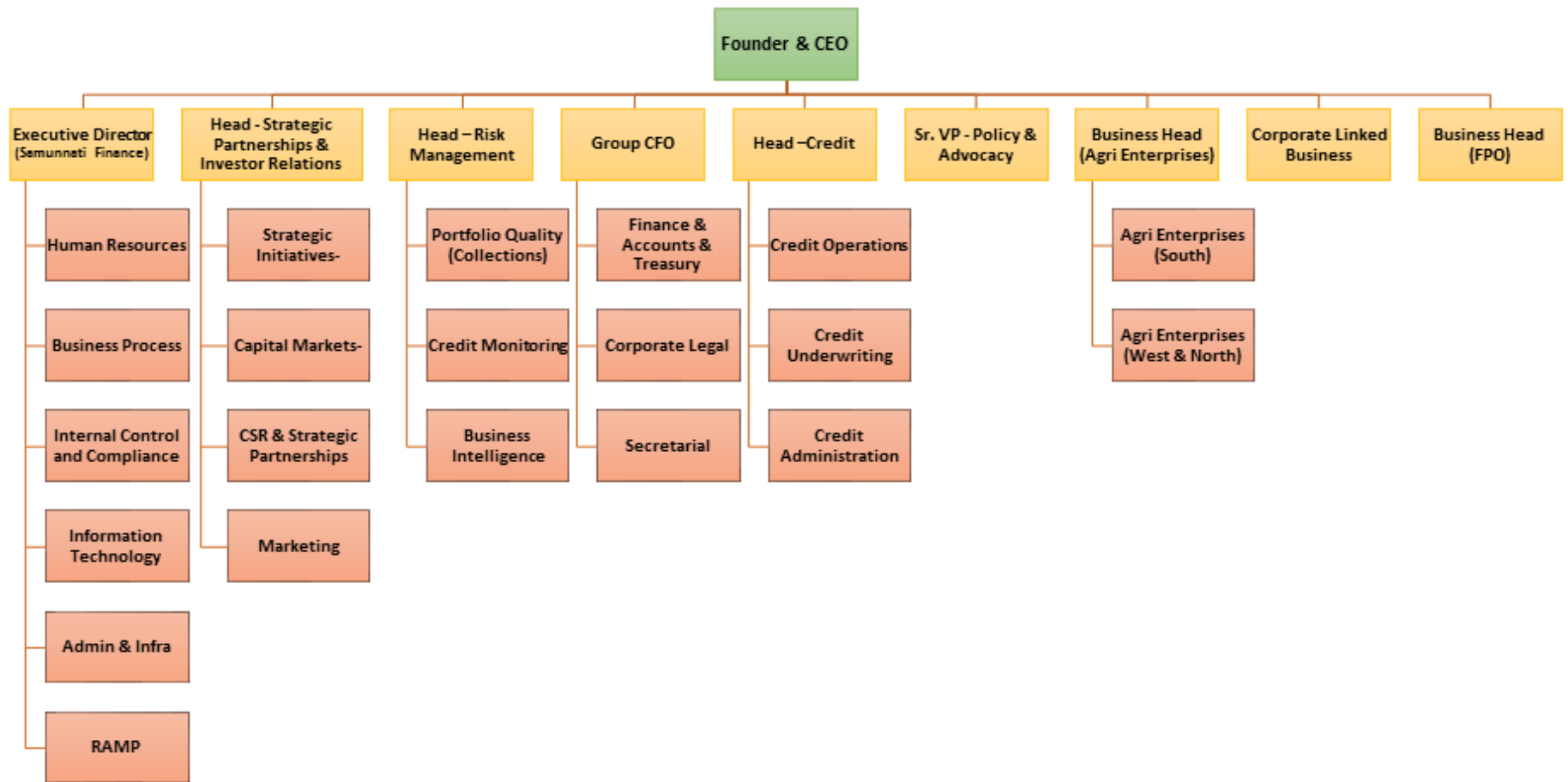


Figure 1: Organisation Structure

**1.2.2 Product-wise Borrower Category**

The borrower types to whom loans are extended under each loan product category is presented below.

| <b>Business Vertical<br/>Borrower type</b>     | <b>Agri<br/>Enterprise</b> | <b>Farmer<br/>Producer<br/>Organisations</b> |
|--|----------------------------|--|
| <b>Retailer</b>                                | ☑                          | x  |
| <b>Wholesaler</b>                              | ☑                          | x  |
| <b>Processor &amp;<br/>Manufacturers</b>       | ☑                          | x  |
| <b>Trader</b>                                  | ☑                          | x  |
| <b>Exporter</b>                                | ☑                          | x  |
| <b>Farmer Producer<br/>Organisations (FPO)</b> | x                          | ☑  |
| <b>FPO in Asset<br/>Creation</b>               | x                          | ☑  |

**1.2.3 Credit Policy Manual**

All loan products offered by Samunnati Finance are guided by its Credit Policy Manual. The Manual defines the credit risk management policies and philosophy of Samunnati. It includes Samunnati's credit principles, target markets, risk acceptance criteria and operational guidelines. The policy document is reviewed and updated annually, or from time to time as decided by the Board and in alignment with regulatory requirements issued from time to time.

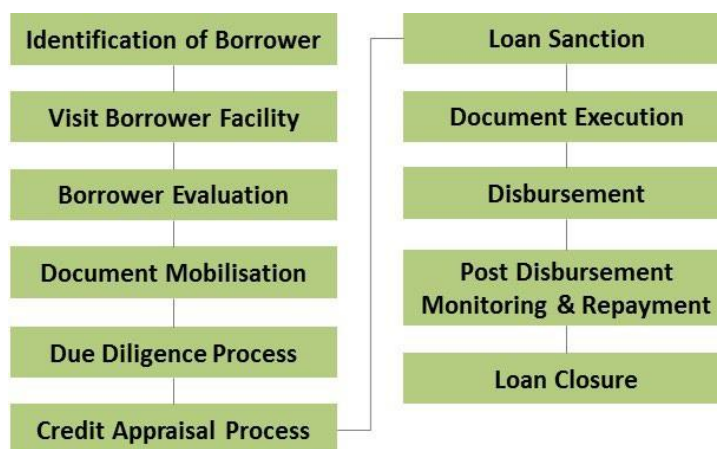
**1.2.4 Borrower Appraisal Process**

The Relationship Officers / Managers (RO/RM) are the primary customer soliciting resource for Samunnati. Area of coverage of customers is preferred to be in a radius of upto 200 km of the Samunnati branch location. Customer contacts and discussions are recorded and form part of Credit Appraisal. Joint discussion of the Relationship Officer/Manager and Group Product Head with customer/prospect is preferred before finalizing the credit product, terms, pricing negotiations, to be proposed. The discussions also encompass comprehensive awareness of the customer business, the financing needs, defined cash flow periodicity backed by verifiable documentary evidence, all other existing borrowings, future plans over next one year. These discussions are recorded and produced as part of credit appraisal for a clear understanding and basing a credit decision by the Credit Approving Authority.

In respect of Schematic Loans (loans to retail sector), the RO/RM meet the prospects, collects and verifies the KYC and financial documents, does a CIBIL check and upon a favourable result, escalates the application process and puts it up to the Credit approving authority.

For negotiation of pricing and key terms, the RO/RM is accompanied by Credit Manager and where required, the Group Product Head. Under Schematic Loans, the broad pricing band is decided by the Management from time to time and advised to the field level staff.

All Credit Appraisal/Presentation originate at the recommending level by the credit team and are duly recommended by the Group Product Head/Vertical Business Head prior to Credit adjudication. For Schematic products, the RM/RO recommends to the credit approver. In respect of networks like FPOs, the overall exposure to the entity will be approved by the delegated authority and the individual loans thereunder to the farmer members/SHGs will be based on CIBIL, KYC checks and affirmations and standardised documentation. The loan appraisal process is presented in **Figure 2**.



*Figure 2: Loan Appraisal Process at Samunnati Finance*

### 1.3 Samunnati Agro Business Operations

Samunnati Agro is engaged in trading of agri-produce which are purchased against immediate payment made to the seller and offered to buyer with an agreed credit period. It is termed as ‘**Agri Trade Solution**’ (ATS). Samunnati Agro purchases the produce of the farmers and traders and then sell the produce to processors, wholesalers who require adequate quality and quantity of produce. At the request of the processors and wholesalers, they also provide credit facility. This enables buyer to utilize the cash discount available in the market. Due to this unique intervention method, the farmer receives immediate payment enabling him/her to avoid distress selling and the wholesalers or exporters can drive their operations at an optimum level.

Samunnati’s ATS clients are divided into two categories: 1) F&V (fruits & vegetables) and 2) Non-F&V. Typical services would include market linkages, aggregation, (bill to ship to model), imports and vendor bill discounting. Trading takes place across all four (4) zones in the country and is handled by respective zonal offices. The Business head functions from HO and representative team members are stationed in State mandis/commodity hubs. Irrespective of the channel of finances, there is one SPOC/primary person accountable for each customer.

The product is described below:

| Product Type | Target | Key feature | Trade Credit Period |
|--------------|--------|-------------|---------------------|
|--------------|--------|-------------|---------------------|

|                           |   |   |                  |
|---------------------------|---|---|------------------|
| Agri Trade Solution (ATS) | Aggregator, Wholesaler, Processor, Retailer of Agri Commodities | <ul style="list-style-type: none"> <li>• To purchase Agri-commodities</li> <li>• Making immediate payment to suppliers</li> </ul> | 1 day to 90 days |
|---------------------------|---|---|------------------|

The operating guidelines for ATS client onboarding process, follow principles of Samunnati genetic code and the Credit Policy.

**1.3.1 Buyer Appraisal Process**

The operating guidelines for ATS client onboarding process, follow principles of Samunnati genetic code and the Credit Policy. The buyer evaluation process is presented in **Figure 3**.



*Figure 3: Buyer Evaluation Process at Samunnati Agro*

## 2 Scope and Structure of ESMS

### 2.1 Reference Framework

The ESMS has been developed to enable implementation of the E&S Policy and Principles of Samunnati 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)

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.

The E&S aspects covered under the above listed reference framework is presented below. These are incorporated into the ESMS following the E&S Policy and Principles.



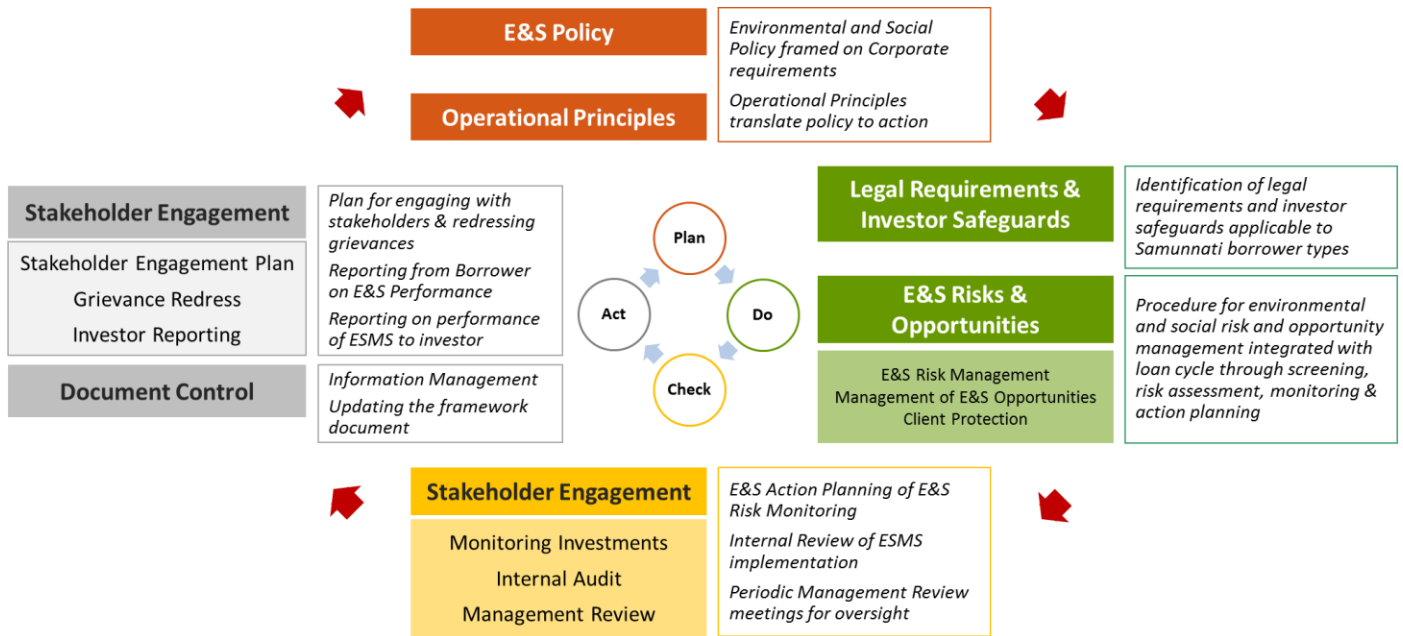
### 2.2 Scope of ESMS

The ESMS is applicable to all loan products offered by Samunnati Finance and the trade solution offered by Samunnati Agro.

The ESMS procedures are applied to the loan products and trade solution in a differential manner based on nature of business and extent of interaction with E&S aspects. Details of application is provided in **Section 5** of this ESMS Manual.

### 2.3 Structure of ESMS

The ESMS is developed using Deming's Plan-Do-Check-Act cycle of management systems. The requirements from the reference framework have been suitably factored in the design of ESMS. The structure of ESMS for Samunnati is presented in **Figure 4**.



**Figure 4: Structure of Samunnati's ESMS**



### 3 Reference Framework for the ESMS

#### 3.1 Indian Legal Requirements

The environmental regulations in India address protection of environment and natural resources that form the input to any process or activity as well as for management and handling of pollutants released from a process or activity and the social regulations in the country address concerns related to land acquired or purchased for development of a project; and employee/ worker welfare, health and safety for those engaged in a project.

A wider set of environmental, and occupational health and safety (EHS) and labour welfare regulations will be applicable to processing activities under FPO loans. For loans to traders, agri-input providers, retailers of agri/ milk products, aggregators, small processors will have limited application. A summary of EHS regulations and its application to Samunnati loan/trade products and borrower types is provided in **Annex 1 Part A and Part B** respectively.

The nature of borrower business/ activities under Samunnati loan/ trade products does not result in involuntary physical or economic displacement. The regulations related to labour and working conditions will be applicable to all loan/ trade products and borrower types. The requirements of labour and land acquisition related regulations applicable to Samunnati loan/trade products and borrowers is provided in **Annex 1 Part C**.

#### 3.2 Development Finance Institution E&S Safeguards

##### 3.2.1 IFC Performance Standards

The International Finance Corporations E&S Performance Standards (IFC-PS) defines responsibilities of the Borrower Company for managing their E&S risks. The IFC-PS 2 through 8 describes potential E&S risks and impacts that require attention. Where environmental or social risks and impacts are identified, the company is required to manage them through its E&S Management System (ESMS) consistent with IFC-PS 1. The IFC-PS 3 refers to the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines). The EHS Guidelines are technical reference documents with general and industry-specific examples of good international industry practice that can be referred while evaluating and selecting resource efficiency and pollution prevention and control techniques.

The applicability of IFC Performance Standards to Samunnati through their borrower business operations is presented in **Table 1**.

*Table 1: Establishing Applicability of IFC Performance Standards to Samunnati*

| Performance Standard   | Applicability of the Performance Standard   |
|--|---|
| <b>Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts</b> | <b>Applicable</b><br>The borrowers of Samunnati have the potential to cause environmental and social impacts. |
| <b>Performance Standard 2: Labour and Working Conditions</b>   | <b>Applicable</b>   |

| Performance Standard  | Applicability of the Performance Standard  |
|---|--|
|   | Borrowers of Samunnati employ skilled, semi-skilled and unskilled personnel in their respective businesses.  |
| <b>Performance Standard 3: Resource Efficiency and Pollution Prevention</b>                                     | <b>Applicable</b><br>Some of Samunnati's borrowers' businesses consume resources (water, energy, raw materials etc.), generate effluent and waste (solid, e-waste, hazardous waste), release emissions, store hazardous materials etc. that can cause environmental pollution. |
| <b>Performance Standard 4: Community Health, Safety, and Security</b>   | <b>Applicable</b><br>The business operations of Samunnati's borrowers have the potential to impact the community health, safety and security.  |
| Performance Standard 5: Land Acquisition and Involuntary Resettlement   | Limited Application<br>Borrowers of Samunnati operate from facilities that are either owned or leased. The properties would have been purchased through willing buyer - willing seller private negotiations.   |
| <b>Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources</b> | <b>Applicable</b><br>Samunnati loan/trade products cover the agri value chain. There is a potential of procurement of produce from farmers/ FPO's where agriculture is carried out in lands that have been significantly converted from forest areas.                          |
| Performance Standard 7: Indigenous Peoples  | Limited Application<br>Samunnati borrower businesses are not expected to impact Tribals.   |
| Performance Standard 8: Cultural Heritage   | Not Applicable<br>Samunnati borrower businesses are not expected to impact any cultural heritage place or monument.  |

Samunnati's ESMS has been developed in alignment with the requirements stipulated under IFC-PS 1. Refer Annex 2 for a mapping of Samunnati's ESMS with IFC-PS 1

### 3.2.2 ILO Labour Conventions

Since 1919, the International Labour Organisation (ILO) has maintained and developed a system of international labour standards aimed at promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and dignity.

The eight fundamental Conventions are:

1. Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
2. Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
3. Forced Labour Convention, 1930 (No. 29)
4. Abolition of Forced Labour Convention, 1957 (No. 105)
5. Minimum Age Convention, 1973 (No. 138)
6. Worst Forms of Child Labour Convention, 1999 (No. 182)
7. Equal Remuneration Convention, 1951 (No. 100)
8. Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

India has ratified convention # 29, 100, 105, 111, 138 and 182 that are in force. The convention # 87 (freedom of association) and # 98 (collective bargaining) have not been ratified by India.

The existing law on child labour permits a child to work to help the family in any family enterprise or as child artist after school hours or during vacations. Hence a child may be engaged in the agriculture value chain that are family operated. However, Samunnati will not extend loans to activities involving child labour.

**From the perspective of Samunnati loan/trade products and borrower types, the application of aspects on child labour, freedom of association, collective bargaining and modern slavery or forced labour need to be specifically addressed.**

### 3.2.3 Smart Campaign's Client Protection Principles

The Smart Campaign is a global effort to unite leaders of financial institutions (with specific focus on microfinance) around a common goal of keeping clients as the driving force of the industry. It encompasses core Client Protection Principles to help financial institutions practice good ethics and smart business. The Principles are:

1. Appropriate product design and delivery
2. Prevention of over-indebtedness
3. Transparency
4. Responsible pricing
5. Fair and respectful treatment of clients
6. Privacy of client data
7. Mechanisms for complaint resolution

**Samunnati business follows the guidelines of Reserve Bank of India (RBI) and hence is aligned with the Client Protection Principles. A mapping of the principles with business practices is presented in Section 6.4 of this ESMS document.**

**Samunnati's ESMS has been developed to align with the E&S requirements of Development Finance Institutions and IFC and are required to comply with the above stated reference frameworks.**

## 4 Institutional Arrangement

The implementation of ESMS at Samunnati Finance and Samunnati Agro will be conducted through involvement of the following teams/ departments:

- **CSR and Partnerships** - Coordinate with all stakeholders on the ESMS
- **Business Team** - Implement ESMS procedures
- **Credit Appraisal** - Ensure implementation of ESMS procedures
- **Internal Audit** - Audit the implementation of ESMS procedures
- **Risk** - Revise the ESMS, as required

The roles of responsibilities of the above-mentioned teams is presented below.

#### 4.1 Role of CSR and Partnerships Team

The responsibilities of the CSR and Partnerships Team are as follows:

- Act as Samunnati focal point for all ESMS related activities with internal and external stakeholders.
- Assist and enable HR department to conduct training for the Samunnati team on aspects related to the ESMS.

#### 4.2 Common Responsibilities of Teams

The common responsibilities under the ESMS for all teams is presented below.

- Attend training activities conducted by HR Department of Samunnati on ESMS.
- Participate in Internal Audit of the ESMS.
- Assist the CSR and Partnerships Team in any manner as may be required for implementing the ESMS in Samunnati.

#### 4.3 Team Specific Responsibilities

- Business Team** - The Head of each Business Vertical under Samunnati Finance and Head of Samunnati Agro will be responsible for ensuring implementation of the ESMS procedures that are applicable in their respective loan/trade products.
  - Conduct E&S Screening for all transactions/ engagements.
  - Conduct E&S Categorization
- Credit Appraisal Department** -
  - Undertake E&S risk assessment for transactions, as applicable.
- Internal Audit Team** -
  - Conduct Internal Audit of ESMS implementation that includes procedures on screening, risk assessment and periodic monitoring
  - Prepare action plans for closing internal audit findings and coordinate with the respective business verticals for implementation of actions.
  - Present findings of Internal Audit to the top management during Management Review Meetings.
- Risk Team** -

- Inspect the items listed in applicable E&S Risk Assessment Tool and prepare E&S Action Plan for the missing/ non-compliant items.
- Monitor implementation of E&S Action Plan by the borrower/ buyer, as relevant
- Update the E&S Policy document and ESMS Manual based on operational experience.
- Coordinate and prepare annual E&S Reports.
- Organize Management Review Meeting on ESMS.

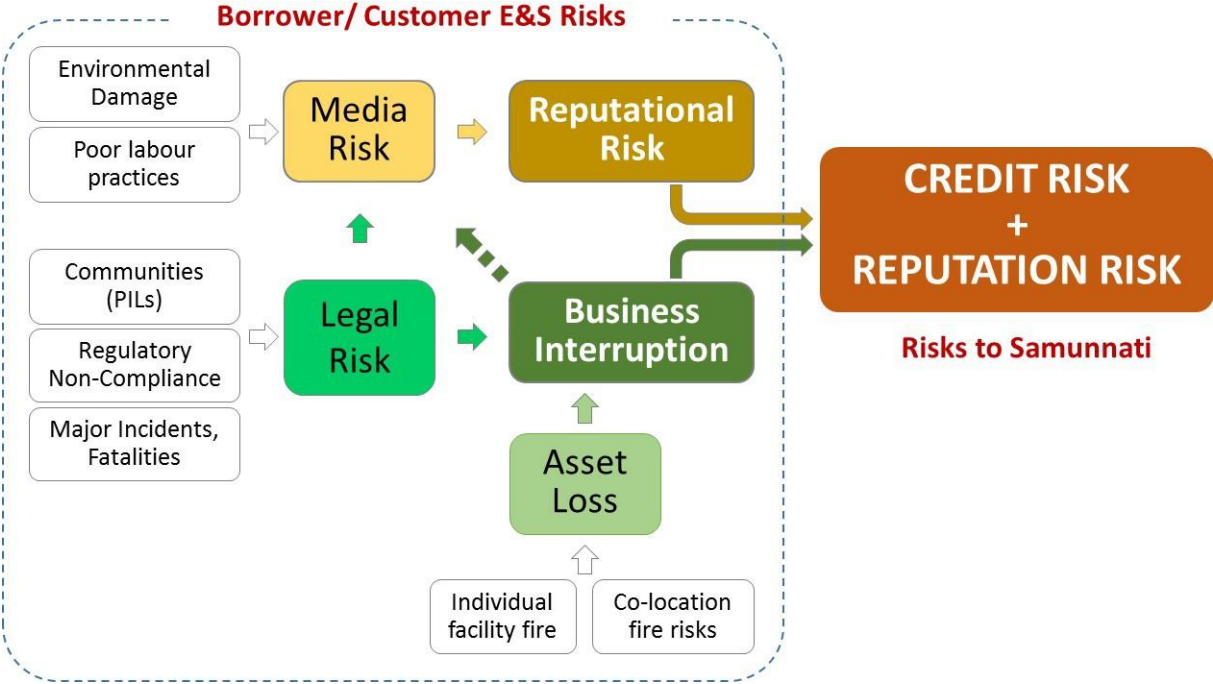
**e) Human Resource (HR) Department**

- Organize training activities on aspects related to the ESMS for Samunnati team.

**5 Environmental & Social Risks and Opportunities - Samunnati Finance**

**5.1 Background to E&S Risk Assessment**

The risks to Samunnati originate from the E&S risks posed to the borrowers/ customers that have the potential to translate into credit and/or reputation risks for Samunnati. See **Figure 5** for a brief representation.



*Figure 5: E&S Risks to Financial Intermediaries*

**5.2 Applicability of E&S Assessment to Loan Products**

Based on nature of business and extent of interaction with E&S aspects, the ESMS is applied to the borrower types in a differential manner as described below.

**Note:**  
 In the **first year of ESMS implementation (FY 2020-21)**, E&S risk assessment, monitoring and action plan will be carried out only for transactions above **Five (5) Cr only**.  
 The application of ESMS and exposure limits for applicability will be reviewed after one year on whether they should be lowered or increased.  
 Applicability for New Pilots and Programs will be at the discretion of the Management. As per Samunnati’s credit policy credit exposures under such Pilot Projects may be capped at a limit as recommended by the Management Level Risk Committee but in no event will exceed 5%\* of the previous year ending loan portfolio. (\*Subject to approval by the board)

| Business Vertical                 | Loan Product  | Type of Borrower   | Application of E&S Assessment  |
|-----------------------------------|---|--|--|
| 1. Agri Enterprise                | Agri Receivable Finance (ARF) (revolving)             | Processors & Manufacturers<br>Vendors<br>Traders<br>Wholesalers          | Loan > INR 5 crore - Full Application<br>Loan < 5 crore - Limited Application<br><br>AE turnover > INR 200 crore - No Application  |
|                                   | Short Term Loan-STL (revolving)                       |  |  |
|                                   | Medium Term Loan - MTL (non-revolving)                |  |  |
|                                   | Term loan-TL  |  |  |
| 2. Farmer Producer Organisation's | Short Term Loan (STL)                                 | Single FPO<br>Federation of FPOs<br>(in both Guarantor and Lender modes) | Loan > INR 5 crore - Full Application<br>Loan < INR 5 crore - Limited Application  |
|                                   | Medium Term Loan (MTL)                                |  |  |
|                                   | Medium Term Loan- On Lending to FPO in Asset Creation | FPO in Asset Creation  | Loan INR >5 crore - Full Application<br>Loan < INR 5 crore - Limited Application<br><br>FPO Federation >1500 members - No Application<br>Single FPO >1000 Members - No Application |

**Note:** The E&S Risk Assessment process will be carried out by Samunnati at the FPO level wherein a check will be carried out of the FPO systems and processes to address E&S risks while they are on-lending or standing as guarantor. The FPO will indemnify Samunnati from the E&S risks of their member farmers or FPOs.

The levels of application i.e. 'Full Application', 'Limited Application' and 'No Application' are based on the borrower types and are described below.

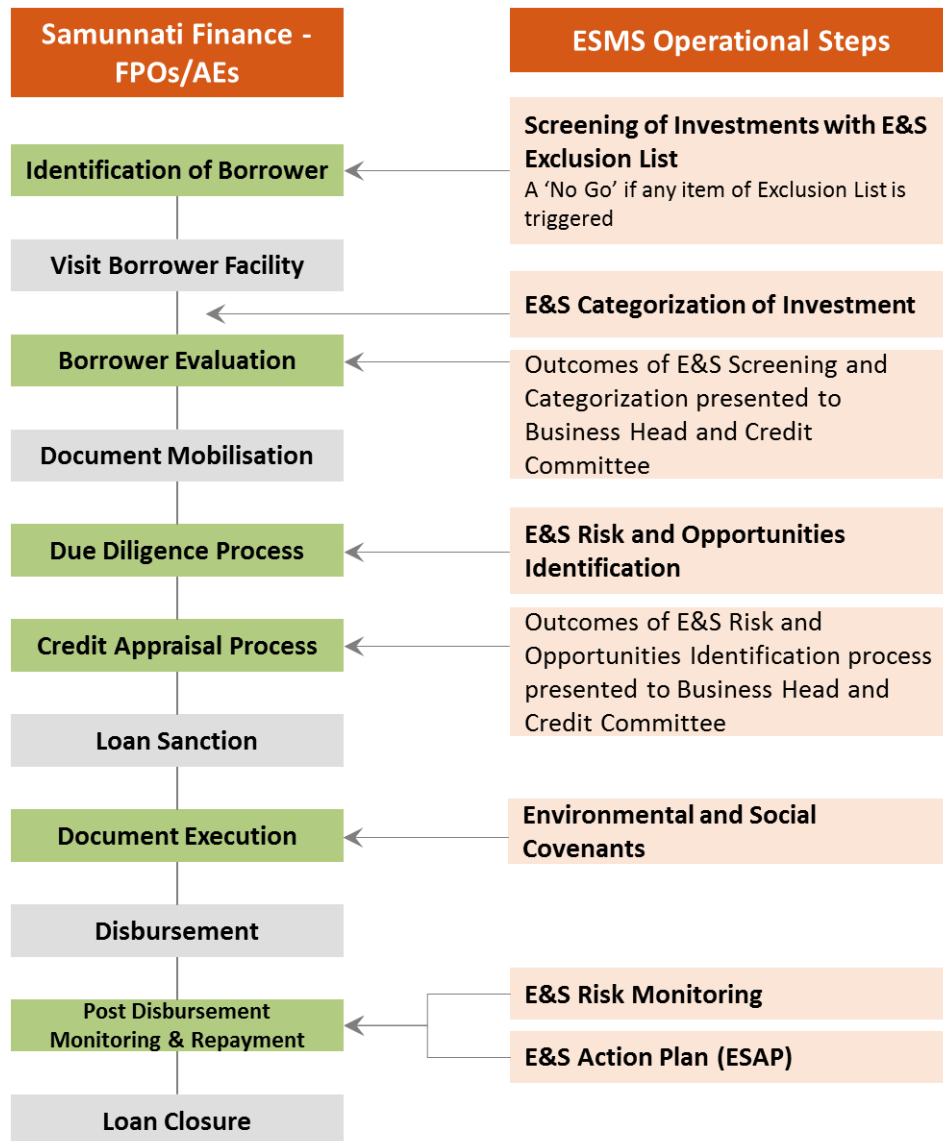
| Level of Application | Details on Application   |
|----------------------|--|
| 1) Full Application  | <p>The potential interaction of these borrower types with E&amp;S aspects is expected to be higher. The size of loan to borrowers is comparatively large. Hence the following risk assessment and management procedures of the ESMS will be applicable:</p> <ul style="list-style-type: none"> <li>• Step 1: Screening against Exclusion List</li> <li>• Step 2: E&amp;S Categorization</li> <li>• Step 3: E&amp;S Risk and Opportunity Identification</li> <li>• Step 4: E&amp;S Loan Covenants</li> <li>• Step 5: E&amp;S Risk Monitoring</li> </ul> |

| Level of Application   | Details on Application   |
|------------------------|--|
| 2) Limited Application | <ul style="list-style-type: none"> <li>• Step 6: E&amp;S Action Plan post monitoring</li> </ul> <p>The size of loan to borrowers is relatively small. The potential interaction of these borrower types with E&amp;S aspects is expected to be minimal. Hence the following risk assessment and management procedures of the ESMS will be applicable:</p> <ul style="list-style-type: none"> <li>• Step 1: Screening against Exclusion List</li> <li>• Step 2: E&amp;S Categorization</li> <li>• Step 4: E&amp;S Loan Covenants</li> </ul>   |
| 3) No Application      | <p>These are loans extended to individual farmers, extremely small in size and interaction of their activities with E&amp;S aspects will be insignificant.</p> <p>Or</p> <p>Loans are extended to Agri Enterprises with turnover &gt;200 crore, single FPOs with &gt;1000 members, Federation of FPOs with &gt;1500 members where Samunnati will not be in a position to extend influence on their E&amp;S practices as the entities are large in size. Hence such transactions will only be <u>screened through the Exclusion List</u>.</p> <p>Samunnati will continue to meet the requirements of Client Protection Principles in the transaction.</p> |

### 5.3 Process of E&S Risk and Opportunity Management

The procedure for E&S risk and opportunity management in Samunnati Finance loan products is integrated into the loan cycle. The operational steps and details of integration have been presented in the subsequent sub-sections. The Relationship Manager will be responsible for primary implementation of the requirements of the ESMS across all loan products. The responsibility of ensuring implementation and providing necessary support will be with the Credit Manager for Samunnati Finance loan products. Refer **Figure 6**.





*Figure 6: ESMS Operational Steps integrated with Loan Cycle - Samunnati Finance*

## 5.4 Environmental and Social Risk Management in Transactions

### Step-1: E&S Screening

During identification of borrowers by the Relationship Officer / Manager (RO/RM) for each loan product, the borrower business will be verified against Samunnati’s Exclusion List. Samunnati will not extend loans to businesses featuring in the Exclusion List. Refer **Annex 3** for the Exclusion List and a Guidebook on the items included in the List.

For transactions that are evaluated beyond the screening stage,

## Step-2: E&S Categorization

At the stage when Borrower evaluation is being conducted, E&S categorization of the transaction will be carried out in accordance to the procedure set forth in this ESMS.

### Categorization Rationale

The E&S Categorization has been designed in accordance to the reference framework and using parameters such as size of facility, location, inherent nature of sector, etc. This categorization will help in focussing on the critical aspects that have the potential to cause high risk to the transactions. The E&S Categorization will also determine the level of E&S risk and opportunity assessment and the frequency of monitoring the transaction from E&S perspective.

The categorization rationale is presented below.

- Category A** Investment whose E&S sensitivity is high due to size of the facility, location, inherent nature of sector etc. with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented and thus requires closer monitoring.
- Category B** Investment whose E&S sensitivity is moderate in terms of size of the facility, location, inherent nature of sector etc. with potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.
- Category C** Investment whose E&S sensitivity is low due to size of the facility, location, inherent nature of sector etc. with minimal or no adverse environmental or social impacts and thus requires least monitoring.

Definitions of the terms used in the above categorization criteria.

- **Diverse Impacts** - impacts resulting on multiple E&S components or receptors over a varying time and spatial scale (e.g. activities that can cause significant adverse impacts on local air quality, noise levels, generation of hazardous wastes as well as nuisance to community).
- **Irreversible Impacts** - impacts on E&S components that, in all practical terms are permanent in nature and cannot be reversed despite the removal of the causal stress factor. (e.g. change in land use that permanently alters the natural drainage or destroys habitats used by migratory birds).
- **Unprecedented Impacts** - are impacts that are first of its kind in terms of available knowledge of their potential to cause harm to the E&S components and their effective mitigation. (e.g. impact of noise pollution on an endangered faunal species in a geographical region where no prior studies are available on impact tolerance and response of the species).

The **highest category** based on the condition satisfied will be the category assigned to the transaction.

The criteria for categorizing investments based on the borrower types is presented in the subsequent subsections. The E&S Category assigned to the investment and the rationale for the same will be formally recorded in **Tool 2**. Guidance for assessment of criteria for categorization is provided in the **Appendices** attached with the Tool 2.

| <b>a) <u>E&amp;S Categorization - Trader, Wholesaler, Aggregator</u></b>               |   |   |
|--|---|---|
| <b>Category A</b>  | <b>Category B</b>   | <b>Category C</b>   |
| <ul style="list-style-type: none"> <li>• No Category A activities envisaged</li> </ul> | <ul style="list-style-type: none"> <li>• Is major trade/procurement carried out in areas classified as ‘High’ or ‘Very High’ in the Atlas on Vulnerability of Indian Agriculture to Climate Change?</li> <li>• Are the facilities located in districts classified as backward where there is potential for poor labour practices?</li> <li>• Does the borrower employ of more than 10 Contract Labourers at any given point of time?</li> <li>• Is the trader involved in the sale of agri-inputs such as seeds, fertilizers, pesticides etc. worth more than 10 Cr.?</li> <li>• Do activities of the borrower include minor processing/ repackaging of commodity prior to sale/trade?</li> </ul> | <ul style="list-style-type: none"> <li>• Trade practice/ business operation does not require any E&amp;S legal permit/ approval.</li> <li>• None of Category A or Category B conditions are satisfied.</li> </ul> |

| <b>b) <u>E&amp;S Categorization - Processors &amp; Manufacturers</u></b>   |   |   |
|--|---|---|
| <b>Category A</b>  | <b>Category B</b>   | <b>Category C</b>   |
| <ul style="list-style-type: none"> <li>• Does the facility involve hazardous processes listed in Schedule I of Factories Act 1948?</li> <li>• Is the location of the facility prone to natural hazards (earthquake-seismic zones: IV &amp; V,</li> </ul> | <ul style="list-style-type: none"> <li>• Is the facility located in drought prone region and/ or over exploited ground water area?</li> <li>• Are the facilities located in districts classified as backward where there is potential for poor labour practices?</li> <li>• Does the processor employ of more than 10 Contract Labourers at any given point of time?</li> </ul> | <ul style="list-style-type: none"> <li>• Investment does not require any E&amp;S legal permit/ approval.</li> <li>• None of Category A or Category B conditions are satisfied.</li> </ul> |

| b) <u>E&amp;S Categorization - Processors &amp; Manufacturers</u> |  |            |
|---|--|------------|
| Category A  | Category B   | Category C |
| history of floods, cyclones)?                                     | <ul style="list-style-type: none"> <li>• Are major operations of the facility carried out manually?</li> </ul> |            |

| c) <u>E&amp;S Categorization - Farmer Producer Organisation (including Federation of FPOs and FPO in Asset Creation)</u> |  |   |
|--|--|---|
| Category A   | Category B   | Category C  |
| <ul style="list-style-type: none"> <li>• No Category A activities envisaged</li> </ul>                                   | <ul style="list-style-type: none"> <li>• Do majority of the farmers associated with the FPO practice agriculture in areas classified as 'High' or 'Very High' in the Atlas on Vulnerability of Indian Agriculture to Climate Change?</li> <li>• Are the FPO and its associated farmers located in drought prone region and/ or over exploited ground water area where groundwater is a major source of irrigation?</li> <li>• Does the FPO lack mechanisms to verify land rights, farmer indebtedness or loan repayment potential, and farmer engagements?</li> <li>• Does the FPO lack mechanisms to verify usage of highly hazardous pesticides and fertilizers in the farming activities?</li> <li>• Does the FPO employ more than 10 Contract Labourers at any given point of time?</li> </ul> | <ul style="list-style-type: none"> <li>• Investment does not require any E&amp;S legal permit/ approval.</li> <li>• None of Category A or Category B conditions are satisfied.</li> </ul> |

**Note:** The categorization will be carried out at the representative FPO level and not for individual members.

### Step-3: E&S Risk Identification

At the Due Diligence stage, the E&S risks associated with the transactions will be identified and suitably factored in the credit appraisal process. The risk assessment process will be commensurate to the ticket size, loan duration and nature of borrower business. Refer **sub-section 5.2** for scope of application of the E&S Risk Management process.

The E&S risks resulting from the borrower businesses if not identified and managed adequately could potentially result in business risks for Samunnati Finance.

The E&S risk assessment will be carried out using the ‘E&S Risk Assessment’ checklists provided in **Tool 3**. The tool provides sector and borrower type specific checklists for assessing borrower’s compliance to requirements related to above mentioned risks. In addition to identification of risks, the tool has also been developed with an objective of adding value to the borrowers and their businesses and identifies areas where the borrower can capitalize on opportunities.

The key findings from the E&S Risk Assessment will be reviewed during loan approval and verification process. Refer **Annex 4** for method of conducting E&S risk assessment using Tool 3.

If documents as required under Tool 3 are unavailable at the time of due diligence, a declaration will be obtained for inspection at a later date. Refer **Tool 3(x)** for the declaration format.

The sector and borrower type specific E&S risk assessment checklists are as follows:

- a. Processors & Manufacturers
- a. Warehouse
- b. FPOs (single and federation)
- c. FPO in Asset Creation
- d. Agri-input providers
- e. Other Targets

The above checklists to be used under each loan product based on the nature of business of the borrower is given below.

| Business Vertical                        | Loan Product  | Type of Borrower                            | Checklist   |
|--|---|---|---|
| <b>1. Agri Enterprise</b>                | Agri Receivable Finance (ARF) (revolving)             | Processors                                  | Tool 3.a - Processors and Manufacturers                 |
|  | Short Term Loan-STL (revolving)                       | Vendors<br>Traders                          | Tool 3.b - Warehouse<br>Tool 3.e - Agri input providers |
|  | Medium Term Loan - MTL (non-revolving)                | Wholesalers                                 | Tool 3.f - Other Targets                                |
|  | Term loan-TL  |   |   |
| <b>2. Farmer Producer Organisation’s</b> | Short Term Loan (STL)                                 | Single FPO<br>Federation of FPOs            | Tool 3.c - Farmer Producer Organisation                 |
|  | Medium Term Loan (MTL)                                | <i>(in both Guarantor and Lender modes)</i> |   |
|  | Medium Term Loan-On Lending to FPOs in Asset Creation | FPO in Asset Creation                       | Tool 3.d - FPO in Asset Creation                        |

**Note:** In case of FPOs, the E&S Risk Assessment process will be carried out by Samunnati at the FPO level wherein a check will be carried out of the FPO’s systems and processes to address E&S risks while they are on-lending or standing as guarantor.

#### Step 4: E&S Loan Covenants

Covenants on E&S aspects will be included in the loan agreement. Refer **Annex 5** for a standard set of loan covenants to be applied in common for loans classified under both ‘Full’ and ‘Limited’ application. The loan covenants include compliance to the Exclusion List and ESMS process. The E&S loan covenants will be included as part of the ‘Other Covenants’ in the loan agreement.

In case of FPO’s, the representing FPO (as a lender or guarantor or representative for a federation of FPOs) will indemnify Samunnati from the E&S risks of their members.

#### Step 5: E&S Risk Monitoring

Borrowers where E&S Risk Assessment process is applied in ‘Full’, will be monitored each time the Risk Team visits the borrower. The monitoring observations will be recorded using the format provided in **Tool 3**.

*Note: The tools for E&S Risk Assessment and E&S Monitoring are the same for ease of documentation. A column on Monitoring will be included to the E&S Risk Assessment checklist to record the status of conformance.*

#### Step-6: E&S Action Plan

An E&S Action Plan (ESAP) will be prepared by the Risk Team for loans classified as ‘Full Application’ and where gaps are identified in the E&S Risk Assessment and Monitoring checklist at the time of first monitoring after disbursement. The ESAP will be prepared using **Tool 4**.

Non-conformance identified during E&S Monitoring against the E&S Legal Checkpoint in the E&S Risk Assessment checklist will be referred to for drafting the action plan. The ESAP developed will comprise of the following items in columns.

- Nature of Non-Compliance (providing details of the non-compliance identified against the E&S checkpoints)
- Recommended action (using the guidance provided for each checkpoint in the ESDD checklist)
- Timeline for implementing the action.
- Action Completion Indicator (evidence for checking completion of the action)

The ESAP will form part of all subsequent E&S Monitoring.

### 5.5 Environmental and Social Opportunities in Transactions

The opportunities for enhancing E&S impact via Samunnati loan products arise from the nature of activities associated with the loan product and borrower type. Samunnati also undertakes enhancement activities through funds allocated under Corporate Social Responsibility. Refer **Annex 6** for the potential opportunities available in each loan product.

The World Bank Group’s EHS Guidelines includes a set of guidelines for agri business and food production as listed below. These guidelines provide best practices in the respective sectors. Samunnati will refer to these while engaging with their borrowers on value addition and propagation of best practices. Refer **Annex 7** for a compendium of the EHS Guidelines.

- a) Annual Crop Production (2016)
- b) Aquaculture (2007)
- c) Breweries (2007)
- d) Dairy Processing (2007)
- e) Fish Processing (2007)
- f) Food and Beverage Processing (2007)
- g) Mammalian Livestock Production (2007)
- h) Meat Processing (2007)
- i) Perennial Crop Production (2016)
- j) Poultry Processing (2007)
- k) Poultry Production (2007)
- l) Sugar Manufacturing (2007)
- m) Vegetable Oil Production and Processing (2015)

## 5.6 Client Protection

Besides the risks posed due to borrower/ customer businesses to whom Samunnati has extended loans/ credit, risks could be posed to borrower/ customers due to practices followed by Samunnati as listed below.

- a) Unfair treatment and discrimination by Relationship Managers.
- b) Non-communication or incomplete communication of product information leading to uninformed decision by borrower.
- c) Infringement of confidential data shared by the borrower.
- d) Financial products being unaffordable and non-flexible.

The above risks to borrowers/ customers are covered under Smart Campaign’s Client Protection Principles (CPP) and RBI Guidelines. An overall mapping of procedures and practices at Samunnati with the CPP is presented below.

| Client Protection Principles               | Samunnati Procedures & Practices  |
|--|---|
| 1. Appropriate product design and delivery | A need-based customized solution is provided to the customer after underwriting his cashflow and risk-taking capability. The payments are done through bank transfers.  |
| 2. Prevention of over-indebtedness         | Samunnati as a credit underwriting practice checks customer’s CIBIL and Highmark reports. Samunnati also defines the limit assessment norms for working capital and term loans as part of its credit policy.  |
| 3. Transparency                            | Term sheet and repayment schedule along with details like interest rate, security, sanction amount, processing fee, document charges and other charges are provided to the customer at the time of document execution. Samunnati also explains the terms to customers and takes vernacular declaration. Samunnati engages in a reminder tele calling practice for right and timely collection of the repayment. |
| 4. Responsible pricing                     | Samunnati does not charge for pre-payments and interest is charged only for the period till the principle amount is not paid.   |

| Client Protection Principles                | Samunnati Procedures & Practices  |
|---|---|
| 5. Fair and respectful treatment of clients | Samunnati follows fair practice of reaching out to clients at appropriate time and place. Samunnati ensures there is no mistreatment of clients through the third-party vendors for telecalling.<br>Samunnati follows the Fair Practice Code and the Code is available at each of its branches. Employees are also trained on the same. |
| 6. Privacy of client data                   | Samunnati signs Non-Disclosure Agreement (NDA) with all the third-party vendors to protect its client data. Samunnati has also established and implemented its Information Technology Security Policy.  |
| 7. Mechanisms for complaint resolution      | Contact details of Grievance Redressal Officer at three levels is posted on the website.  |

## 6 Environmental & Social Risks and Opportunities - Samunnati Agro

### 6.1 Applicability of E&S Assessment

Based on nature of business and extent of interaction with E&S aspects, the ESMS is applied to the customer types in a differential manner as described below. 'Customer' refers to the party to whom the credit has been extended.

#### **Note:**

In the **first year of ESMS implementation (FY 2020-21)**, E&S risk assessment, monitoring and action plan will be carried out only for transactions above **Five (5) Cr only** and where there is a **Buyer Trade Agreement**

The application of ESMS and exposure limits for applicability will be reviewed after one year on whether they should be lowered or increased.

Applicability for New Pilots and Programs will be at the discretion of the Management. As per Samunnati's credit policy credit exposures under such Pilot Projects may be capped at a limit as recommended by the Management Level Risk Committee but in no event will exceed 5%\* of the previous year ending loan portfolio. (\*Subject to approval by the board)

| Product Type                     | Type of Customer       | Application of E&S Assessment   |
|----------------------------------|------------------------|---|
| <b>Agri Trade Solution (ATS)</b> | Vendors                | Credit > INR 5 crore and Trade Agreement Letter present - Full Application<br><br>Credit < INR 5 crore and Trade Agreement Letter present - Limited Application |
|                                  | Traders<br>Wholesalers |   |



| Product Type | Type of Customer | Application of E&S Assessment                     |
|--------------|------------------|---|
|              |                  | Customer turnover >INR 200 crore - No Application |

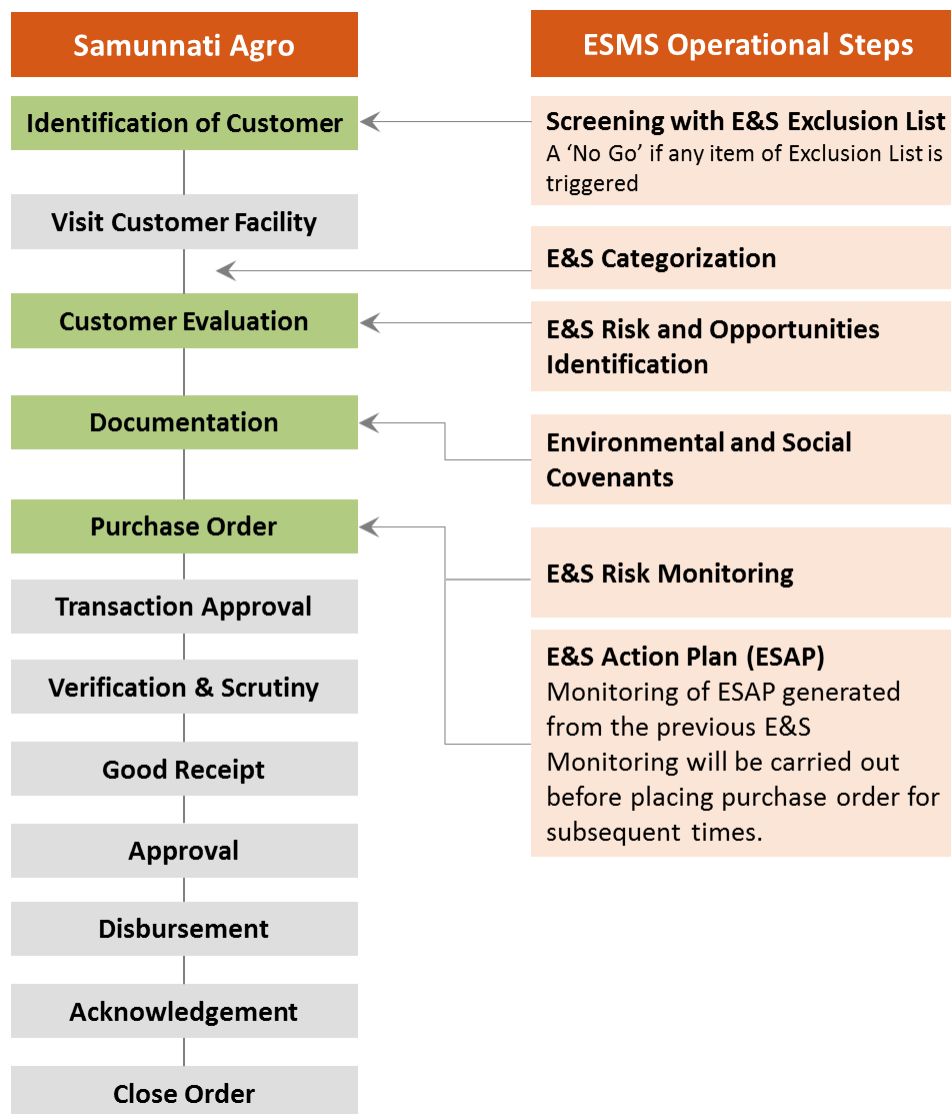
The levels of application i.e. ‘Full Application’, ‘Limited Application’ and ‘No Application’ are based on the customer types and are described below.

| Level of Application   | Details on Application  |
|------------------------|---|
| 1) Full Application    | <p>The potential interaction of these customer types with E&amp;S aspects is expected to be higher. The size of credit to customers is comparatively large. Hence the following risk assessment and management procedures of the ESMS will be applicable:</p> <ul style="list-style-type: none"> <li>• Step 1: Screening against Exclusion List</li> <li>• Step 2: E&amp;S Categorization</li> <li>• Step 3: E&amp;S Risk and Opportunity Identification</li> <li>• Step 4: E&amp;S Loan Covenants</li> <li>• Step 5: E&amp;S Risk Monitoring</li> <li>• Step 6: E&amp;S Action Plan post monitoring</li> </ul> |
| 2) Limited Application | <p>The size of credit to customers is relatively small. The potential interaction of these customer types with E&amp;S aspects is expected to be minimal. Hence the following risk assessment and management procedures of the ESMS will be applicable:</p> <ul style="list-style-type: none"> <li>• Step 1: Screening against Exclusion List</li> <li>• Step 2: E&amp;S Categorization</li> <li>• Step 4: E&amp;S Loan Covenants</li> </ul>  |
| 3) No Application      | <p>These are credit extended to individual farmers, extremely small in size and interaction of their activities with E&amp;S aspects will be insignificant.</p> <p>Or</p> <p>Credit is extended to customers with turnover &gt;200 crore where Samunnati will not be in a position to extend influence on their E&amp;S practices as the entities are large in size.</p> <p>Hence such transactions will only be <u>screened through the Exclusion List</u>.</p> <p>Samunnati will also continue to meet the requirements of Client Protection Principles in the transaction.</p>                               |

## 6.2 Process of E&S Risk and Opportunity Management

The procedure for E&S risk and opportunity management in Samunnati Agro is integrated into the evaluation process. The operational steps and details of integration have been presented in the subsequent sub-sections. The Relationship Manager will be responsible for primary implementation of the requirements of the ESMS. The responsibility of ensuring implementation and providing necessary support will be with the Credit Manager. Refer **Figure 7**.

The Screening process will be applicable to all ATS engagements irrespective of the size of credit and nature of business.



**Figure 7: ESMS Operational Steps integrated with Evaluation Process - Samunnati Agro**

### Step-1: E&S Screening

During identification of customers by the Relationship Officer / Manager (RO/RM), the customer business will be verified against the Samunnati Exclusion List. Samunnati will not extend loans to businesses featuring in the Exclusion List. Refer **Annex 3** for the Exclusion List and a Guidebook on the items included in the List.

For engagements that are evaluated beyond the screening stage, a declaration on the Exclusion List will be sought from the borrower using **Tool 1** which will be signed by the Relationship Officer / Manager (RO/RM) for each loan product. The Tool 1 presents Samunnati's E&S Policy and the Exclusion List.

### Step-2: E&S Categorization

At the stage when customer evaluation is being conducted, E&S categorization of the engagement will be carried out in accordance to the procedure set forth in this ESMS. Refer **sub-section 5.4 Step-2** for the categorization rationale.

The highest category based on the condition satisfied will be the category assigned to the engagement.

The criteria for assigning a category to the engagement is presented below. The E&S Category assigned and the rationale for the same will be formally recorded in **Tool 2**. Guidance for assessment of criteria is provided in the **Appendices** attached with the **Tool 2**.

| Category A   | Category B  | Category C   |
|--|---|--|
| <ul style="list-style-type: none"><li>• No Category A activities envisaged</li></ul> | <ul style="list-style-type: none"><li>• Is major trade/procurement carried out in areas classified as 'High' or 'Very High' in the Atlas on Vulnerability of Indian Agriculture to Climate Change?</li><li>• Are the facilities located in districts classified as backward where there is potential for poor labour practices?</li><li>• Does the borrower employ of more than 10 Contract Labourers at any given point of time?</li><li>• Is the trader involved in the sale of agri-inputs such as seeds, fertilizers, pesticides etc. worth more than 10 Cr.?</li><li>• Do activities of the borrower include minor processing/ repackaging of commodity prior to sale/trade?</li></ul> | <ul style="list-style-type: none"><li>• Engagement does not require any E&amp;S legal permit/ approval.</li><li>• None of Category A or Category B conditions are satisfied.</li></ul> |

### Step-3: E&S Risk Identification

At the customer evaluation stage, the E&S risks associated with the engagement will be identified and suitably factored in the credit appraisal process. The risk assessment process will be commensurate to the ticket size and nature of customer business.

The E&S risks resulting from the customer businesses if not identified and managed adequately could potentially result in business risks for Samunnati Agro.

The E&S risk assessment will be carried out using the 'E&S Risk Assessment' checklists provided in **Tool 3**. The tool provides sector and customer type specific checklists for assessing customer's compliance to requirements related to above mentioned risks. In addition to identification of risks, the tool has also been developed with an objective of adding value to the customers and their businesses and identifies areas where the customer can capitalize on opportunities.

The key findings from the E&S Risk Assessment will be reviewed during customer evaluation. Refer **Annex 4** for method of conducting E&S risk assessment using Tool 3.

If documents as required under Tool 3 are unavailable at the time of customer evaluation, a declaration will be obtained for inspection at a later date. Refer **Tool 3(x)** for the declaration format.

The checklists to be used based on the nature of business of the customer is given below.

| Product Type              | Type of Customer                  | Checklist   |
|---------------------------|-----------------------------------|---|
| Agri Trade Solution (ATS) | Vendors<br>Traders<br>Wholesalers | Tool 3.b - Warehouse<br>Tool 3.e - Agri input providers<br>Tool 3.f - Other Targets |

### Step 4: E&S Loan Covenants

Covenants on E&S aspects will be included in the customer agreement. Refer **Annex 5** for a standard set of E&S covenants. The loan covenants include compliance to the Exclusion List and ESMS process. The loan covenants will be included as part of the 'Other Covenants' in the loan agreement.

### Step 5: E&S Risk Monitoring

Customers where E&S Risk Assessment process is applied in 'Full', will be monitored each time the Risk Team visits the customer. The monitoring observations will be recorded using the format provided in **Tool 3**.

*Note: The tools for E&S Risk Assessment and E&S Monitoring are the same for ease of documentation. A column on Monitoring will be included to the E&S Risk Assessment checklist to record the status of conformance.*

### Step-6: E&S Action Plan

An E&S Action Plan (ESAP) will be prepared by the Risk Team for customers classified as 'Full Application' and where gaps are identified in the E&S Risk Assessment and Monitoring checklist at the time of first monitoring after disbursement. The ESAP will be prepared using **Tool 4**.

Non-conformance identified during E&S Monitoring against the E&S Legal Checkpoint in the E&S Risk Assessment checklist will be referred to for drafting the action plan. The ESAP developed will comprise of the following items in columns.

- Nature of Non-Compliance (providing details of the non-compliance identified against the E&S checkpoints)
- Recommended action (using the guidance provided for each checkpoint in the ESDD checklist)
- Timeline for implementing the action.
- Action Completion Indicator (evidence for checking completion of the action)

The ESAP will form part of all subsequent E&S Monitoring.

### 6.3 Environmental and Social Opportunities

The opportunities for enhancing E&S impact via Samunnati loan products is presented in **sub-section 5.5**.

### 6.4 Client Protection

Besides the risks posed due to customer businesses to whom Samunnati has extended credit, risks could be posed to customers due to practices followed by Samunnati. Refer **sub-section 5.6** for more details.

## 7 Stakeholder Engagement

### 7.1 Stakeholder Identification & Analysis

The stakeholders of Samunnati include the following:

- a) Borrowers/ Customers
- b) Regulatory Authorities
- c) Employees
- d) Investors
- e) Farmers served by Samunnati borrowers i.e. FPOs
- f) Local communities neighbouring Samunnati borrowers

The impact of Samunnati operations on the above listed stakeholder groups and influence of these stakeholders on Samunnati has been further analysed.

The influence and priority have both been primarily rated as:

- **High Influence:** This implies a high degree of influence of the stakeholder on Samunnati in terms of participation and decision making or high priority to engage with the stakeholder.
- **Medium Influence:** This implies a moderate level of influence and participation of the stakeholder in the organisation as well as a priority level to engage the stakeholder which is neither highly critical nor are insignificant in terms of influence.
- **Low Influence:** This implies a low degree of influence of the stakeholder on the organisation in terms of participation and decision making or low priority to engage with the stakeholder.

Table 2 provides an analysis of Samunnati's stakeholders.

*Table 2: Samunnati Stakeholder Analysis*

| Stakeholder Group                    | Impact/ Influence of Samunnati on the Stakeholder Group   | Impact/ Influence of the Stakeholder Group on Samunnati | Expectations, Opinions, Key Concerns of Stakeholders   | Rating of Stakeholder Influence |
|--------------------------------------|---|---|--|---------------------------------|
| <b>Borrowers/ Customers (direct)</b> | Expansion of economic opportunities.<br>Impact due to discriminatory and malpractices by Samunnati. | Contribution to revenue of Samunnati.                   | Protection against malpractices by Samunnati Officers.<br>Timely availability of loan/ credit.<br>Advisory support for business expansion. | <b>High Influence</b>           |
| <b>Regulatory Authorities</b>        | Contribution to Revenue.  | Issue permits and approvals as applicable to Samunnati  | All applicable permits and approvals are obtained timely   | <b>High Influence</b>           |

| Stakeholder Group   | Impact/ Influence of Samunnati on the Stakeholder Group   | Impact/ Influence of the Stakeholder Group on Samunnati   | Expectations, Opinions, Key Concerns of Stakeholders   | Rating of Stakeholder Influence |
|---|---|---|--|---------------------------------|
| (direct & indirect)   | Generating direct and indirect employment opportunities.  | operations and their Borrower operations.<br>Issue directives to stop work based on complaints from borrowers and other stakeholders. | and periodically as applicable.  |                                 |
| <b>Employees (direct)</b>   | Exposure to occupational hazards and working conditions.  | Management of the Samunnati operations contributing to company revenue/ profits.  | Provision of good working conditions   | <b>High Influence</b>           |
| <b>Investors (direct)</b>   | Opportunity to grow financial resources.  | Provide financial and technical resources contributing to business growth.  | Samunnati operations is managed in alignment with environmental and social safeguards among other requirements.  | <b>Medium influence</b>         |
| <b>Farmers served by Samunnati borrowers i.e. FPOs (indirect)</b> | Expansion of economic opportunities.<br>Impact due to discriminatory and malpractices by Samunnati borrowers. | Raising grievances on Samunnati borrower practices.<br>Public Interest Litigations.<br>Complaints to regulatory authorities.          | Samunnati assesses the E&S risks of their borrowers to protect the farmers served by FPOs.<br>Samunnati establishes a grievance redress mechanism.<br>Samunnati provides technical and financial support contributing to farmer income growth. | <b>Low influence</b>            |
| <b>NGOs (direct)</b>  | None  | File Public Interest Litigations.   | Samunnati operates within  | <b>Low influence</b>            |

| Stakeholder Group                   | Impact/ Influence of Samunnati on the Stakeholder Group | Impact/ Influence of the Stakeholder Group on Samunnati | Expectations, Opinions, Key Concerns of Stakeholders                   | Rating of Stakeholder Influence |
|-------------------------------------|---|---|--|---------------------------------|
|                                     |   | Collective bargaining through public support.           | the regulatory framework and has a robust grievance redress mechanism. |                                 |
| <b>Media organisations (direct)</b> | None  | Publish adverse reports about the company.              |  | <b>Low influence</b>            |

*Note: Although ‘Employees’ and ‘Regulatory Authorities’ have been identified as stakeholders, the ESMS does not provide procedures for addressing impacts on these stakeholders. These stakeholder groups have been included from the perspective of completeness. The ESMS focusses on E&S aspects related to borrowers/ customers only.*

## 7.2 Stakeholder Engagement Plan

The stakeholder engagement plan addresses each of the stakeholder groups identified in the preceding sub-section and takes into consideration the influence assessed. The planned approach for engaging with each of the stakeholders has been presented in **Table 3**.

*Table 3: Stakeholder Engagement Plan for Samunnati*

| Stakeholder                   | Purpose of Engagement   | Engagement method  | Minimum information to disclose   | Inputs expected  |
|-------------------------------|---|--|---|--|
| <b>Borrower/ Customer</b>     | Building and maintaining company reputation.                                      | Loan Agreement   | E&S requirements to be followed by the borrower   | Reporting of serious incidents<br>Suggestions on improving E&S performance |
| <b>Regulatory Authorities</b> | To be updated on legal requirements.<br>Submission of compliance related returns. | Official communications as required by the law and the permits issued.<br>Response to queries. | Information required by the law and the permits issued.<br>Response to concerns raised, if any. | Updates on E&S legal requirements  |
| <b>Employees</b>              | Alleviate employee grievances.<br>Encourage innovative                            | Induction training.<br>Training and awareness raising.<br>Mock drills.                         | ESMS and their respective responsibilities under the system.<br>E&S practices at the facility   | Reporting of incidents.<br>Suggestions on improving E&S performance.       |



| Stakeholder  | Purpose of Engagement  | Engagement method                                      | Minimum information to disclose  | Inputs expected                                   |
|--|--|--|--|---|
|  | approaches in work.<br>Keep employees motivated.<br>Encourage ownership of company strategies and goals. | Employee handbook.<br>Notices and circulars.           | HR policies and practices<br>Emergency preparedness and response plan        |   |
| <b>Investors</b>                                       | Inform investors about the growth and direction of the company   | Annual E&S Performance Report.<br>Response to queries. | Disclosure on overall E&S performance<br>Response to concerns raised, if any | Resource allocation for improving E&S performance |
| <b>Farmers served by Samunnati borrowers i.e. FPOs</b> | To maintain 'social license to operate'<br>Alleviate community (or individual) grievances                | Response to queries/ grievances                        | Responses to concerns raised   | Reporting of incidents/ grievance                 |
| <b>NGOs</b>  | Building and maintaining company reputation  | Response to queries                                    | Responses to concerns raised, if any   | -   |
| <b>Media organisations</b>                             | Building and maintaining company reputation  | Response to queries                                    | Responses to concerns raised, if any   | -   |

### 7.3 Grievance Redress Mechanism

Samunnati follows a three (3) level escalation matrix for grievance redressal and contact details of personnel at each level is provided on the website. A toll-free number is provided for contacting Samunnati. The Grievance Redressal Mechanism Policy version 02 dated 13 November 2019 is in force.

A summary of the Policy is reproduced below.

- 
- Level 1
- Submit a written letter to the branch/office and obtain an acknowledgement
  - Call the Customer Service Helpline at 97908 97909 OR
-

- 
- Email at [customervoice@samunnati.com](mailto:customervoice@samunnati.com)
- 

- Level 2
- Write to the Company at the below mentioned address:  
Head of Customer Care1 (Email - [headcustomercare@samunnati.com](mailto:headcustomercare@samunnati.com))  
Samunnati Financial Intermediation & Services Pvt Ltd  
Baid Hitech Park, 129-B, 8th Floor,  
ECR, Thiruvanmiyur, Chennai - 600041
- 

- Level 3
- Write to the Company at the below mentioned address:  
Grievance Redressal Officer2 (Email - [gro@samunnati.com](mailto:gro@samunnati.com))  
Samunnati Financial Intermediation & Services Pvt Ltd  
Baid Hitech Park, 129-B, 8th Floor,  
ECR, Thiruvanmiyur, Chennai - 600041

- Response will be provided within 10 working days from the date of receipt of complaint by Samunnati.
- 

In Level 1 and Level 2, response will be provided within 7 working days from the date of receipt of complaint by Samunnati. In case the complaint is not resolved within the given time period or if the customer is not satisfied with the solution provided through these channels, the customer may approach the next escalation channel with the reference of earlier communication.

In case the complaint is not resolved within the given time or If the customer is not satisfied with the resolution provided through various channels or if the complaint/dispute is not redressed within a period of one month, the customer may appeal to Officer-in-Charge of the Regional Office of Department of Non-Banking Supervision of RBI under whose jurisdiction the Registered Office of the Company falls.

#### 7.4 Reporting

Based on the annual monitoring conducted by Samunnati of borrowers/ customers where E&S Risk Assessment process is applied in 'Full', the E&S Performance Report of Samunnati will be prepared on an annual basis.

This reporting will be carried out post conduct of the annual Management Review Meeting. Summary of the outcomes of the Management Review Meeting will also be included in the E&S Performance Report.

Refer **Tool 5** for the format on Annual E&S Performance Report. the Tool will be prepared separately for Samunnati Finance and Samunnati Agro.

## 8 E&S Performance Review

### 8.1 E&S Internal Audit

To maintain oversight on implementation of the ESMS across the products of Samunnati (that includes Samunnati Finance and Samunnati Agro), an Internal Audit will be conducted by the Internal Audit team on an annual basis. A sample set of transactions/ engagements will be selected across all products for review during the audit to assess the extent of implementation of ESMS. The various procedures and steps under the ESMS that must be implemented for a particular loan/credit transaction and at the system level will form the review criteria. The scope of review is presented in **Annex 8**.

The findings of internal audit will be recorded, a causal analysis of the findings will be carried out and accordingly corrective actions will be planned. The action planning for closing of internal audit findings will be recorded in the format provided in **Tool 6**. The findings of the ESMS internal audit will be presented to the top management during Management Review Meetings.

### 8.2 Management Review

The top management of Samunnati will review the ESMS and internal audit results at least once a year, to ensure its continuing suitability, adequacy and effectiveness. The Management Review Meeting should be conducted prior to preparation of the Annual E&S Performance Report.

The management review will address the possible need for changes to elements of the ESMS, in the light of the internal audit results, changing circumstances and commitments stated in the Policy.

The review process will ensure that the necessary information is collected to allow the management to carry out this evaluation. The CSR and Partnerships Team will be responsible for collection of information in this regard and its presentation to the Management. The minutes of the Management Review Meeting will be formally recorded.

Typically, the Management Review will consider:

- a) Action taken report on findings of previous internal audit cycle;
- b) Results from internal audit for the current review cycle and corrective action proposed;
- c) The continuing suitability, adequacy and effectiveness of the ESMS in relation to changing conditions and available information;
- d) The status of any non-conformances, and urgency for corrective and preventive actions which can be sanctioned by the Top Management alone;
- e) Concerns relating to the ESMS among relevant stakeholders.

## 9 Document Control

### 9.1 Update of ESMS

The ESMS will be updated to reflect the corrective actions planned for closing Internal Audit findings, and lessons learnt at planned intervals, to ensure continuing suitability, adequacy and effectiveness.

The updates to the E&S Policy and Principles, and ESMS will be carried out under the following circumstances:

- External changes such as the national laws and regulations and investor safeguard requirements.
- A need to update the procedures owing to internal changes.

The responsibility for updates will lie with the Risk team at Samunnati. All revisions to the ESMS will be recorded in the system to preserve the history and reasons for the change (refer **Tool 7**). The frequency of update may vary subject to the materiality of the issue demanding such a change.

### 9.2 ESMS Controlled Documents

The ESMS of Samunnati comprises of the following document structure that will be controlled by the E&S Coordination Team of Samunnati:

#### 1. E&S Policy

#### 2. E&S Management System Manual

#### 3. Annexes

- Annex 1: Summary of E&S Legal Requirements
- Annex 2: Mapping between Samunnati ESMS and IFC-PS 1
- Annex 3: Guidebook on Samunnati E&S Exclusion List
- Annex 4: Guidance on Method of Conducting E&S Risk Assessment using Tool 3
- Annex 5: Environmental & Social Covenants
- Annex 6: Potential E&S Opportunities in Transactions
- Annex 7: Compendium of Agri & Food Business EHS Guidelines
- Annex 8: Terms of Reference for E&S Internal Audit

#### 4. Tools

- Tool 1: E&S Screening Checklist
- Tool 2: E&S Categorization Checklist
- Tool 3: Environmental & Social Risk Assessment & Monitoring Checklist
- Tool 4: E&S Action Plan by Samunnati
- Tool 5: Annual E&S Performance Report
- Tool 6: Action Planning on Internal Audit Findings
- Tool 7: History of Revisions

**Tool 3** comprises of the following sub-tools:

1. Tool 3.a - Processors & Manufacturers
2. Tool 3.b - Warehouse
3. Tool 3.c - Farmer Producer Organisation
4. Tool 3.d - FPO in Asset Creation
5. Tool 3.e - Agri-input providers
6. Tool 3.f - Other Targets
7. Tool 3(x) - Declaration Format

### 9.3 Information Management

The records based on Tools provided under the ESMS will be created for internal approvals and communication. To maintain records in a structured manner and controlled copies of all process documents, Samunnati has established an information management mechanism.

All records that Samunnati will maintain under the ESMS is listed in **Table 4**.

*Table 4: List of Records to be maintained*

| Type of Record   | Stage of Preparation/ Collection  |
|--|---|
| <b>Tool 1:</b> E&S Screening Checklist<br>Declaration from Relationship Manager                                    | During identification of borrowers/ customers<br><i>(all products)</i>  |
| <b>Tool 2:</b> E&S Categorization Checklist  | At the borrower/ customer evaluation stage<br><i>(all products, barring 'No Application' borrowers/ customers)</i>  |
| <b>For E&amp;S Risk Assessment</b><br><b>Tool 3:</b> Environmental & Social Risk Assessment & Monitoring Checklist | At the Due Diligence stage for Samunnati Finance and customer evaluation stage for Samunnati Agro<br><i>(Full Application borrowers/ customers)</i>   |
| <b>Tool 3(x)</b> - Declaration Format  |   |
| <b>For E&amp;S Risk Monitoring</b><br><b>Tool 3:</b> Environmental & Social Risk Assessment & Monitoring Checklist | Post disbursement, monitoring and repayment of loan for Samunnati Finance and purchase order for Samunnati Agro. To be conducted during visit of the Risk Team.<br><i>(borrowers/ customers where E&amp;S Risk Assessment process is applied in 'Full')</i> |
| <b>Tool 4:</b> E&S Action Plan   | Post disbursement, monitoring and repayment of loan for Samunnati Finance and purchase order for Samunnati Agro. To be conducted during visit of the Risk Team.<br><i>(borrowers/ customers where E&amp;S Risk Assessment process is applied in 'Full')</i> |
| <b>Loan Agreement</b>  | Before loan disbursement for Samunnati Finance  |

| Type of Record  | Stage of Preparation/ Collection  |
|---|---|
|   | <i>(all products, barring 'No Application' borrowers)</i>   |
| <b>Customer Agreement</b>                                 | Before purchase order for Samunnati Agro<br><i>(all products, barring 'No Application' customers)</i> |
| <b>Tool 5: Annual E&amp;S Performance Report</b>          | In the month of April every year for the previous financial year                                      |
| <b>Tool 6: Action Planning on Internal Audit Findings</b> | During and post conduct of annual Internal Audit  |
| <b>Tool 7: History of Revisions</b>                       | After carrying out modifications in the ESMS main document, Annexes, Tools                            |