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1. Introduction

NeoGrowth Credit Pvt. Ltd (NeoGrowth) is a Non-Banking Financial Company (NFBC) registered with Reserve Bank of India. NeoGrowth unique finance model enables a flexible automated repayment mechanism to its customers as opposed to the fixed monthly EMI model.

Traditional underwriting methods in India exclude more than 50% of creditworthy SMEs. It is this fundamental premise on which the business is built and NeoGrowth has a mission to bring a social impact in this segment. NeoGrowth caters to this under-served market by adopting an innovative approach and validating the creditworthiness of the business by looking at current business performance and stability.

NeoGrowth has launched commercial operations in 2013 and its tech n' touch model is presently operational in Mumbai, Bengaluru, Delhi, Chennai, Pune, Kolkata, Hyderabad, Jaipur and Chandigarh and plans to expand to other markets in India shortly.

Core Values

NeoGrowth is a value driven company and that is reflected in the following nine values. All its products, processes and services are built around these values and proudly adhere to it. It is what makes NeoGrowth ticks in the competitive marketplace that it operates in.

- **Accountability**
Goes hand in hand with empowerment and brings in a sense of ownership in all that it does
- **Customer focus**
All actions need to have a positive impact on the customer
- **Innovation**
NeoGrowth is a new-age financial services company and innovation is in its DNA

2. Policy Statement

The Management Team of NeoGrowth recognizes that its employees, customers, partners and the vendors that it deals with through its operations can have an impact on the environment and community, and therefore comprehends and endorses the need for adherence to environmental, social and human capital policies consistent with the core values of NeoGrowth by all parties associated with it.`

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It has therefore laid out a strong Environmental, Social and Human Capital (ESHC) Policy Statement which combined with its detailed Policy and Internal Framework will provide it with the necessary impetus to achieve its desired growth in a responsible, inclusive and sustainable manner.

NeoGrowth Environmental, Social and Human Capital (ESHC) Policy Statement

The ESHC Policy of NeoGrowth is driven by its mission to bring a social impact in SME segment by partnering and providing the necessary financial and allied support to this segment.

The ESHC Policy and Framework is founded on the concept of overall sustainable development and thereby recognizes Environmental and Social considerations in its own business operations and in the activities carried out by the people and institutions associated.

NeoGrowth constantly strives to bring a positive transformation to the society through its business operations and sincerely endeavors to conserve natural resources, protect the environment and contribute to welfare of the community at large.

This policy applies to the entire business canvas of NeoGrowth including its employees, customers, stakeholders, partners, vendors and all other parties associated with it either directly or indirectly. NeoGrowth is committed to comply with its ESHC policy, applicable laws of the land and to be responsive to existing and emerging Environmental, Social and Human Capital concerns on a proactive basis.

3. Objective and Scope of the Policy

Purpose of Policy

NeoGrowth places significant emphasis on the identification, assessment and management of Environment and Social risks. This policy therefore serves as a memorandum for NeoGrowth's employees, customers, partners, vendors and associated parties, for them to imbibe the sustainability culture that NeoGrowth is trying to build. The policy affirms the commitment of these parties toward healthy ESHC practices and serves as a reference point for them to be able to effectively implement the policy within their operational and legal boundaries.

Scope of the Policy

This policy applies to all employees, customers, partners, vendors, stakeholders and parties associated to NeoGrowth either directly or indirectly. The policy aims at covering the following aspects to ensure that NeoGrowth's ESHC Policy operates efficiently.

1. What constitutes Environment and Social Risks
2. Check points for identification of Environment and Social Risks
3. ESHC requirement of NeoGrowth's Loan Agreement
4. Environment and Social Risk Categorization of Customers and Vendors of NeoGrowth
5. ESHC Checks for Customers & Vendors of NeoGrowth
6. ESHC Monitoring & Risk Mitigation by NeoGrowth
7. ESHC Mechanism Review, Improvement & Training

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8. Engagement of External ESHC Consultants by NeoGrowth, whenever required

Exclusion List

The exclusion list (Annexed) lists out the types of sectors, businesses or processes that NeoGrowth does not lend to.

4. Policy Principles

NeoGrowth has laid out specific principles with regards to environmental and social risks which are imbibed in its operations and business framework. The principles are as follows:

a. Environmental

NeoGrowth represented by its management team and employees shall conduct their business and operations in compliance with local and national environmental and occupational health and safety regulations. Customers and vendors of NeoGrowth shall also adhere to these regulations in letter and spirit.

The following major policies relating to environment in India shall be complied with, as and when applicable:

- The National Forest Policy
- National Water and Natural Resources Conservation Policy
- Policy Statement for Abatement of Pollution
- National Conservation Strategy and Policy Statement on Environment and Development

Furthermore, NeoGrowth shall refrain from dealing with institutions that are covered by the exclusion list included in the Annex of this policy statement.

b. Social

NeoGrowth recognizes that occupational safety, health and good working environment is a fundamental human right. NeoGrowth also acknowledges that safety and health of workers has a positive impact on productivity and economic & social development.

NeoGrowth's management team and employees are committed to conduct their business and operations in compliance with local and national social policies. NeoGrowth also urges its customers and vendors to adhere to these regulations in good faith to ensure that there are no adverse consequences from the funded projects on the community members around the project, and groups of people who are vulnerable either due to inadequate social protection or otherwise.

NeoGrowth shall refrain from dealing with customers, vendors and associates who are known not to comply with all applicable local and national regulations. The major social policy of the Ministry of Labour and Employment "National Policy on Safety, Health and Environment at Work Place" should be complied with in addition to any other allied policies issued by the Government of India.

c. Human Capital

NeoGrowth recognizes that productive individual and collective employment relationships facilitate a productive economy. NeoGrowth endeavors to achieve harmonious relations based on workplace democracy by

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providing a comprehensive framework for handling work-related issues. NeoGrowth will comply with all local and national human capital related legislations and regulations and not engage in any unfair human capital practices. Its further pledge not to deal with customers, vendors or parties associated with NeoGrowth directly or indirectly, which engage in unfair labor practices.

Human Capital Laws in India are categorized in the following manner based on their enactment and enforcement. These shall be complied with by NeoGrowth and its customers, partners, vendors, stakeholders and parties associated with NeoGrowth

- Labour laws enacted by the Central Government, where the Central Government has the sole responsibility for enforcement (ex. ESI, EPF etc.)
- Labour laws enacted by Central Government and enforced both by Central and State Governments (Child Labor Act, Contract Labor Act, Payment of Wages Act etc.)
- 3.Labour laws enacted by Central Government and enforced by the State Governments (Trade Union Act, Personal Injuries Act, Bonded Labor Abolition Act etc.)
- 4.Labour laws enacted and enforced by the various State Governments which apply to respective States (most of the above categories have a complimenting state level law)

5. Policy Implementation

NeoGrowth plans to achieve successful implementation of its ESHC Policy within and outside the organization by establishing the following safeguards:

Loan Proposals

The Relationship Managers and Credit Managers are well appraised about NeoGrowth's ESHC Policy and will diligently scrutinize every loan proposal / service agreement to identify any environmental, social or human capital risk that may emerge by dealing with a particular customer or vendor. All loan proposals would be subjected to a preliminary screening at the file login stage and in case any applicant is found to be grossly non-compliant with national or local laws, then the loan application will be rejected and will not be passed on to the credit appraisal stage.

ESHC Risk Categorization of Customers and Vendors

NeoGrowth has in place a robust risk categorization matrix and will assign risk category for each of its customers and borrowers at the loan approval stage and post disbursement based on the identification and assessment of the ESHC risks by its Credit Managers / Credit Committee. The risk categories are as follows:

Low Risk:

Party with minimal or no adverse environmental, social or human capital impacts.

Medium Risk:

Party with potential limited adverse environmental, social or human capital impacts that are few in number, largely reversible and readily addressable through mitigation measures. In such a case NeoGrowth will notify the specific risks / non-compliances to the applicant and call upon them to take the necessary corrective steps within a specified time frame defined by NeoGrowth based on the gravity of the issue. Subsequently if the applicant fails

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to address the issues and continues to remain non-compliant, NeoGrowth would classify the non-compliance as an “event of default” and thereby be entitled to recall the entire outstanding of the credit facility, as its remedy.

High Risk:

Party with existing significant adverse environmental, social or human capital impacts that are irreversible or unprecedented. In case of applicants who are identified as high-risk category during loan approval stage, the loan application would be rejected. If the applicant subsequently (i.e. post disbursement) becomes a high-risk category borrower, then NeoGrowth would classify the non-compliance as an “event of default” and thereby be entitled to recall the entire outstanding of the credit facility, as its remedy.

Loan / Service Agreements

NeoGrowth’s Loan Agreements and Service Agreements specifically enumerate a clause on compliance with all applicable local and national environmental, social or human capital laws. This functions as a pre-condition for any of NeoGrowth’s dealing with its customers and vendors and any known deviation in this compliance adversely impacts its final decision.

End Use of Funds Borrower Undertaking

As a part of its loan sanctioning procedure NeoGrowth ensures that it obtains an End Use of Funds Undertaking from every borrower of the company. The End Use of Funds Undertaking specifically includes a caveat that the borrower commits to comply with all local and national environment and social regulations.

ESHC Monitoring & Mitigation Mechanism

NeoGrowth has in place a comprehensive ESHC monitoring and mitigation mechanism. The Head of Credit Department is the designated senior level officer in-charge of the effective functioning of the ESHC Mechanism in NeoGrowth. The Head of Credit Department periodically reviews all the ESHC related reports, analyses the information and presents a quarterly report to the credit committee on significant findings and recommendations.

As per the Shop & Establishment Act of each state every commercial establishment must obtain a license under the act to carry out its activities. Terms and conditions of this license require every establishment to follow the norms prescribed for working conditions, safety, hygiene, ventilation, employee age etc. The establishment is subjected to regular inspections and renewal of the license annually. The inspection officers issue a notice to the establishment in case a non-compliance to any of these norms is observed. NeoGrowth as a part of its credit appraisal process calls for all such licenses.

In cases where the applicant is found to deviate from any of the Environmental, Social and Human Capital Regulations, NeoGrowth will notify the specific risks/ non-compliances to the applicant and call upon them to take the necessary corrective steps within a specified time frame defined by NeoGrowth based on the gravity of the issue. NeoGrowth will process the loan file further only upon satisfying itself of the correct remedial taken by the applicant.

In addition to the ESHC procedures carried out at the time of agreement signing stage and immediately thereafter, the following checks are also carried out:

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1. ~~Follow up monitoring visits to borrower premises on a regular basis~~
2. Follow up visits to vendor premises
3. Inspection visit by Credit Department Head in case of High-Risk Cases

ESHC Compliance Checks by Customers and Vendors

Since NeoGrowth strives to ensure that sustainable development is achieved in effect till the last mile, it constantly creates awareness on the ESHC front amongst its customers and vendors and urges them to further carry forward the ESHC attitude down the line to contractors, sub-contractors, vendors and other parties that they are in turn associated with.

NeoGrowth does not have a direct influence on the contractors, sub-contractors, vendors and other parties associated with its applicant. However, if any major non compliances by these parties

are observed during NeoGrowth’s monitoring visits, then such events will be flagged off to the local offices of the concerned Departments, which may adversely impact the validity of the recognition certificate of the applicant. If the recognition certificate becomes invalid subsequently, NeoGrowth will classify it as an “event of default” and thereby recall the entire outstanding of the credit facility.

NeoGrowth in turn advices all its customers and vendors to perform compliance checks and take necessary action while dealing with parties down the line.

Human Capital Resourcing and Development Policy in NeoGrowth

NeoGrowth recognizes the importance of a strong Human Capital Resourcing and Development Policy in NeoGrowth and put in place the following principles and measures.

- NeoGrowth is an Equal Opportunity Employer. No discrimination against any job applicant because of any person’s gender, race, colour, age, religion, sex, national origin etc.
- No gender discrimination in employee benefits
- Women’s empowerment and gender balance in human resource policy
- Creation of work-Life balance environment
- Put in place a Committee to investigate sexual harassment complaints by women at workplace
- Employee benefits beyond what is legally to be provided
- Availability of maternity leave for women, facility to work from home, extended after-birth leave for women
- Hospitalization benefits
- Liberal leave policy
- Good and comfortable working environment in terms of office accommodation
- Availability of personal accident and life cover for all employees
- Terminal benefits like provident fund and gratuity
- Facilitating interaction with Senior Management through Town Halls
- Arranging Family Picnics, Out-door get-togethers for employee camaraderie

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ESHC Mechanism Review, Improvement & Training

The management team and the employees concerned with the ESHC mechanism implementation constantly keep themselves abreast with the latest developments in the area. NeoGrowth promotes continuous learning and knowledge sharing by encouraging participation in cross-company programs.

6. Grievance Redressal

In order to address effectively any operational, social, environmental, human capital and other general concerns, NeoGrowth has in place a structured grievance redressal framework supported by a review mechanism. This redressal mechanism can be used not just by its customers, but also by its employees, vendors and the community at large.

This grievance redressal policy is a part of NeoGrowth's Fair Practice code which is published in its website and accessible through www.neogrowth.in

7. Annex –Exclusion List

NeoGrowth will not deal with any borrowers or vendors who are engaged in the business or trade of any product or activity deemed to be illegal under the laws or regulations in force in India, or those appearing the following list of prohibited activities:

- a) Conversion or degradation of critical forest areas or forest-related critical natural habitats.
- b) Leasing or financing of logging equipment, unless an environmental and social impact assessment indicates that; (i) all timber harvesting operations involved will be conducted in an environmentally sound manner which minimizes forest destruction; and (ii) the timber harvesting operations will produce positive economic benefits and sustainable forest management systems.
- c) Construction of dams that significantly and irreversibly: (a) disrupt natural ecosystems upstream or downstream of the dam; or (b) alter natural hydrology; or (c) inundate large land areas; or (d) impact biodiversity; or (e) displace large numbers of inhabitants (5,000 persons or more); or (f) impact local inhabitants' ability to earn a livelihood.
- d) Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase-outs or bans such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls and other hazardous substances, wildlife or wildlife products regulated under the Convention on International Trade and Endangered Species of Wild Fauna and Flora and trans-boundary trade in waste or waste products.
- e) Any impact on natural World Heritage Sites <http://whc.unesco.org/en/list/> unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.
- f) Any impact on areas on the United Nations List of National Parks and Protected Areas <http://www.unep-wcmc.org/> unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.
- g) Extraction or infrastructure in or impacting protected area Categories I, II, III, and IV (Strict Nature Reserve/Wilderness Areas and National Parks, Natural Monuments and Habitat/ Species Management Areas), as defined by the International Union for the Conservation of Nature (IUCN). Projects in IUCN Categories V (Protected Landscape/Seascape) and VI (Managed Resource Protected Area) must be consistent with IUCN management objectives http://www.iucn.org/about/work/programmes/gpap_home/ unless it can be demonstrated through an environmental assessment (i) there is no degradation of the protected area and (ii) there are positive environmental and social benefits.

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- h) Production of or trade in radioactive materials, including nuclear reactors and components thereof.
- i) Production of, trade in or use of un-bonded asbestos fibers.
- j) Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to biodiversity and habitats.
- k) Use of forced labor or harmful child labor.
- l) Projects or companies known to be in violation of local applicable law related to environment, health, safety, labor, and public disclosure.
- m) Projects or companies where the primary business activities are in the following prohibited sectors: gambling; media communications of an adult or political nature; military production or sales; alcoholic beverages (if contrary to local religious or cultural norms); or tobacco and related products.
- n) Companies found by a court or administrative body of competent jurisdiction engaging in unlawful monopolistic practices.