



Environmental, Social and Governance Policy

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V1	15 th February 2020	Board of Directors
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Environmental, Social & Governance (ESG) Policy



vivriti
CAPITAL

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

1. PREAMBLE

- 1.1 Vivriti Capital Limited (VCL) ('the Company') is a limited company registered under Companies Act, 2013. VCL is also registered with the Reserve Bank of India as a Non-Deposit taking Systemically Important Non-Banking Finance Company (NBFCs-ND-SI) and its debt securities are listed with Bombay Stock Exchange.
- 1.2 Vivriti Asset Management Private Limited ("VAM"), a subsidiary of VCL, is an investment manager to fixed-income Alternative Investment Funds registered with Securities and Exchange Board of India (both VCL & VAM hereinafter together shall be referred as "Vivriti").
- 1.3 Vivriti Asset Management Private Limited (IFSC Branch) is registered with International Financial Services Centres Authority ("IFSCA") as a Registered Investment Manager (Non-Retail) under the IFSCA (Fund Management) Regulations, 2022 ("IFSC FM Regulations") and acting as the fund manager entity of the funds and schemes of the funds registered with/as may be registered with IFSCA under the IFSC FM Regulations.
- 1.4 Vivriti is cognizant of environmental and social risks in lending and investing and hence has adopted the ESG Policy in its journey towards its commitment on attaining sustainability. The ESG philosophy aligns with Vivriti's core business strategy. The policy is built around the three pillars of ESG, outlining its purpose and Vivriti's responsibility to the environment, its customers, employees, and the community at large.
- 1.5 Unless otherwise defined, capitalised terms have the meanings given to them in the "legend" provided at the end of this document.

2. OBJECTIVES

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

3. PRINCIPLES

- 3.1 Vivriti will conduct its business and operations in compliance with all environmental, social and labour laws (local and central), including those relating to human trafficking and child labour.
- 3.2 Vivriti will conduct ESG diligence on its prospective and existing clients as mentioned in paragraph 8.1 and 8.2 of this Policy. An indicative list of the criteria to conduct the ESG diligence is provided in Annexure I. The list will be updated from time to time based on guidance provided by the Board and Vivriti's senior management.
- 3.3 Vivriti shall adhere to all the policies of the Government of India or any department thereof concerning any environmental, social or labour related issues applicable to Vivriti. Vivriti shall also require its clients to adhere to these policies to the extent applicable.

4. **VIVRITI'S DO NO HARM STATEMENT**

Vivriti is a socially and environmentally responsible organisation, encapsulating the principles of 'Do No Harm'. We ensure compliance with applicable environmental and labour laws, standards and regulations for our business, and that of our clients through our enhanced evaluation and due diligence process. Our stringent exclusion list reflects our commitment to ethical transactions, strictly prohibiting activities that have adverse impacts of the society, communities, and the environment.

5. **VIVRITI'S ROLES AND RESPONSIBILITIES**

5.1 **Towards Environment**

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

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

5.2 **Towards social, labor and working conditions**

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

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

5.3 **Towards Governance**

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

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

5.3.1 **Management**

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

5.3.2 Policies

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

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

6. RISK CATEGORISATION

6.1 Based on the Sourcing checklist as mentioned in Annexure I, a prospective client will be assessed by the Business team to evaluate the first level of risks associated with the transaction and/or client.

6.2 The risks will be categorized based on the below criteria –

Score	Grading Scale	Significance
0-20	Vivriti SA1	A company that is drastically impacted by sustainability risks
21-40	Vivriti SA2	A company with poor track record of sustainability risk management and absence of a risk management framework
41-60	Vivriti SA3	A Company with a mixed track record of sustainability risk management and no evidence of a robust framework
61-80	Vivriti SA4	A Company with a good track record of sustainability risk management, but no evidence of a robust framework
81-100	Vivriti SA5	A sustainability leader with a positive track record of managing material risks

7. EXCLUSION LIST

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

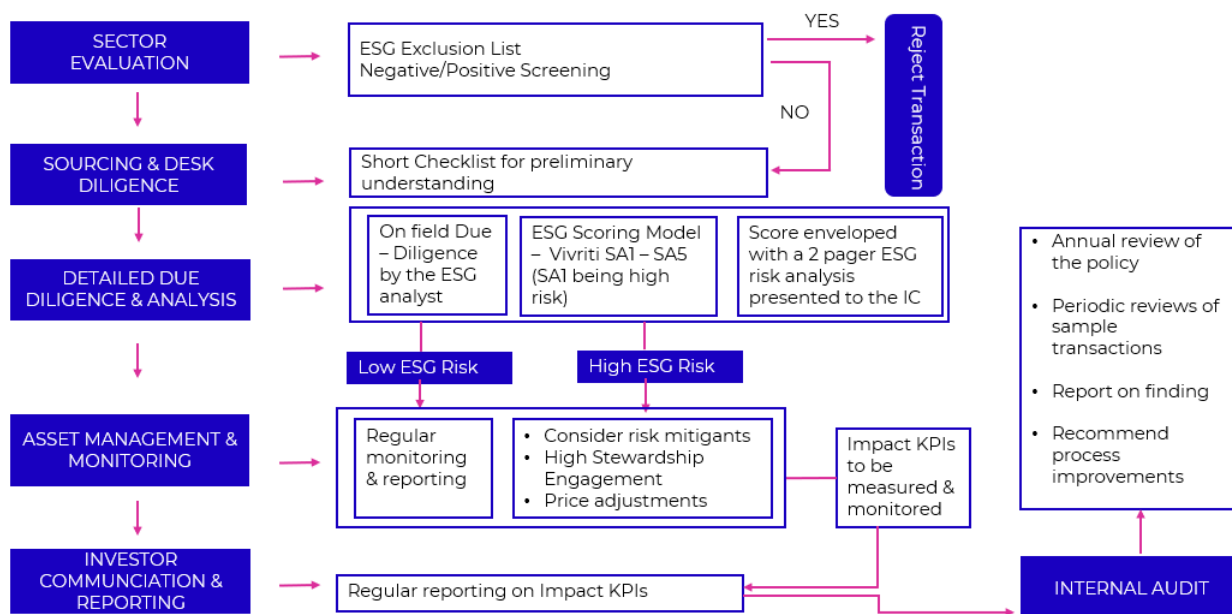
8. CLIENT SCREENING /DILIGENCE

8.1 ESG risk assessment

- The Credit Teams and / or the ESG analyst will conduct a preliminary diligence of prospective and existing enterprise borrower of VCL / VAM.
- In case of a new enterprise borrower to which VCL / VAM proposes to lend any money or on-balance sheet financing, the client's ESG risk/ opportunity is assessed on the Vivriti Sustainability Assessment model. The model scores the company across the three parameters – environment, social and governance on a 5-pointer scale. The Score enveloped with a detailed report is then placed before the ESG Risk Assessment Committee .

8.2 ESG Risk Integration

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



9. PERIODIC ASSESSMENT

- The Sustainability & Impact Team, working with the Credit Teams, shall conduct a periodic ESG risk assessment on the enterprise borrower (in which Vivriti has lent money or has on-balance sheet financing) on a yearly basis on the basis of checklist as provided in Annexure I.
- For enterprise borrower in which Vivriti has on-balance sheet exposure, the Sustainability & Impact Team, working with the Credit Teams, will also conduct site visits on the occurrence of any trigger events specified in Annexure IV.
- Any non-compliance identified during the periodic assessment/diligence will be reported to the ESG Risk Assessment Committee, who will decide on any further action to be taken.

10. GOVERNANCE MATRIX

ESG Risk Assessment Committee – The committee will comprise of Managing Director, the Chief Credit Officer and the Chief Risk Officer. The Committee will meet periodically to evaluate ESG risks of its borrowers, assign final scores, and discuss all ESG matters.

The Committee will also oversee and manage the environmental, social and management risks within Vivriti's lending portfolio and, by doing so, help implement the ESG Policy.

11. STEWARDSHIP & ENGAGEMENT CLAUSE

Actively engaging our stewardship responsibilities, beyond the integration of sustainability criteria into our lending and investment processes, is integral to Vivriti's sustainability approach. We encourage all our clients to improve their sustainability quotient through active stewardship and engagement process through our ESG due diligence, ESG assessment model outputs and reports. This process allows us to help all our clients in improving their ESG performance by adopting sustainable practices, policies and actions.

12. DOCUMENTATION

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

13. TRAINING OF DESIGNATED PERSONNEL

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

14. REPORTING

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

15. APPLICATION TO EXISTING CLIENT

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

16. POLICY REVIEW

This policy shall be reviewed periodically on such basis and at such times as may be prescribed by the ESG Risk Assessment Committees.

17. LEGEND

S. NO.	TERM	PARTICULARS
1.	ESG Risk Assessment Committee	Comprises of Managing Director, CCO and CRO
2.	Sustainability & Impact	Members of the team tasked with the execution of the ESG policy
3.	Investment Management Team	Means the fund management team of VAM and the Business team of VCL
4.	Credit Teams	Means the respective credit teams of VCL and VAM
5.	Designated Personnel	Means the members of the Credit Teams, the Investment Management Teams and the ESG Risk Assessment Teams

ANNEXURE I
SOURCING ESG CHECKLIST

Sr. No.	Indicators	Y/N/ Comments
1	Whether the company is engaged in any Prohibited Activity as mentioned in Annexure - II of Vivriti' s ESG policy	
2	What is the Intended end-use of the on-balance sheet financing/fund provided by Vivriti ?	
3	Sectors that the business operates in	
4	Product line offered	
5	Whether any notice issued or proceedings initiated against the company for any violation or noncompliance by the regulator?	
6	Does the company have an ESG Policy?	
7	Does the company comply with all applicable local environmental laws, standards and regulations?	
8	Whether any notice issued or proceedings initiated against the company for any violation or noncompliance of any environment laws ?	
9	Has the company obtained relevant license/registrations/approvals in relation to applicable labour laws (local and central).	
10	Whether any notice issued or proceedings initiated against the company for any violation or noncompliance of any social or labour laws ?	

ANNEXURE II PROHIBITED ACTIVITIES

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

1. Conversion or degradation of critical forest areas or forest-related critical natural habitats
2. Any company whose total revenue from prohibited alcoholic beverage (excluding beer and wine) is more than 25% and subject to the condition that the funds received from Vivriti shall not be utilized towards the activity relating to production of or trade in prohibited alcoholic beverage (excluding beer and wine)
3. Projects or companies where the primary business activities are in the following prohibited sectors such as gambling, casinos or equivalent enterprises, media communications of an adult or political nature, production of or trade in tobacco
4. Production of or trade in controversial (chemical, biological & nuclear), defence and other weapons and ammunitions, including any paramilitary materials
5. Companies found by a court or administrative body of competent jurisdiction engaging in unlawful practices
6. Engaged in any activities in relation to human trafficking, child labour or forced labour.
7. Projects or companies identified by the Government to be in violation of local applicable law related to environment, health, safety, labor, and public disclosure
8. Production or trade in any product or activity deemed illegal under the laws or regulations of India or international conventions and agreements or subject to international phaseouts or bans
9. Polluting industries unless the units have clearance from pollution control authorities and have installed effluent treatment plants
10. Setting up of new units consuming/producing Ozone Depleting Substances (ODS) such as chlorofluoron carbon (CFC), Halons and units manufacturing aerosol products using CFCs
11. Standalone Casino, and Gambling / Betting in any form
12. Any company involved in the extraction of conventional and unconventional oil and gas whose extraction is greater than 25% of its total operations
13. Carbon intensive power generation – any company that derives $\geq 20\%$ of power generation from coal fired power plants unless such clients are pursuing a low-carbon transition strategy
14. Coal mining –Any company who generates $\geq 25\%$ of their revenue from thermal coal mining
15. Cannabis - Any company or corporate that directly, or through entities it controls, produces, or sells cannabis for non-medical or recreational purposes, which shall include production and sale of end products containing cannabis for the same purpose
16. Animal testing on Non-medical Grounds – Any company or corporation that practices animal testing on non-medical grounds

**ANNEXURE III
TRIGGER EVENTS**

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