



**Environmental, Social, Governance  
(ESG) Policy**

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## Abbreviations

BSE	Bombay Stock Exchange
ESG	Environmental, Social & Governance
ESG-MS	Environmental, Social & Governance Management System
IFC	International Finance Corporation
IFC-PS	IFC Environmental and Social Performance Standards
ILO	International Labour Organisation
MSME	Micro, Small and Medium Enterprises
NBFC	Non-Banking Finance Company
RBI	Reserve Bank of India

## **1. Introduction**

### **1.1. About Kinara Capital**

Kinara Capital, a registered brand of Kinara Capital Private Limited (formerly known as Visage Holdings and Finance Private Limited), is a fintech driving financial inclusion of India's small business entrepreneurs (MSME sector). With its unique blend of tech-enabled processes and doorstep customer service, Kinara Capital leads with the best approach to deliver fast access to formal business credit. The company's myKinara App is multilingual and the company offers omnichannel customer service. Kinara Capital operates from 133 branches in six (6) states in India servicing 4,000+ pincodes in Tamil Nadu, Karnataka, Andhra Pradesh, Telangana, Gujarat, Maharashtra, and the Union Territory Puducherry. The Company is headquartered in Bengaluru, Karnataka. Kinara Capital is qualified as a Systemically-Important Non-banking Financial Company (NBFC) by the Reserve Bank of India (RBI) and is a debt-listed entity on the Bombay Stock Exchange (BSE).

### **1.2. Background to ESG Policy**

Kinara believes that businesses should be managed in a sustainable manner giving due credence to human rights, environment, the community, and the people working for the businesses. Through its operations, Kinara is driven to make its own contribution in enabling a sustainable world.

Kinara recognizes that its own activities and those of its borrowers have the potential to cause both, adverse and beneficial environmental, social and governance (ESG) impacts. The adverse impacts, if left unaddressed, could translate to credit risks, legal risks and/or reputational risks in the long term. Engagements with the borrowers also present opportunities through down-side risk management and upside value creation in terms of brand differentiation, portfolio performance, stronger relations, and increased loyalty. Kinara is cognizant of the role it can play in influencing MSMEs towards adopting environmentally friendly practices and respecting human rights.

With this background, Kinara has developed an Environmental, Social and Governance Management System ("ESG-MS") to address ESG risks and opportunities in a structured manner commensurate with the scope and scale of its own and borrower operations. The ESG-MS is guided by Kinara's ESG Policy and Principles that are aligned with the national and relevant international ESG safeguards to identify, assess, manage, and monitor the ESG risks and enhance opportunities in its business operations.

### **1.3. Reference Framework**

The ESG-MS has been developed with reference to the following frameworks:

1. Applicable local, national, and international environmental and social legislation, including occupational health and safety.
2. International Finance Corporation Performance Standards (IFC PS 1-8), 2012
3. The World Bank Group General Environmental, Health and Safety (EHS) Guidelines, April 2007
4. Smart Campaign Client Protection Principles / Cerise+SPTF Client Protection Standards and Client Protection Pathway (CPP)
5. British International Investment (BII) Policy on Responsible Investment 2022
6. International Labour Organisation (ILO) Fundamental Labour Standards and Basic Terms and Conditions of Employment
7. United Nations Sustainable Development Goals (UN SDGs)
8. United Nations Women Empowerment Principles (UN WEP)

9. United Nations Principles for Responsible Investment (UNPRI)
10. United Nations Global Compact (UNGC)
11. Taskforce on Climate related Financial Disclosures (TCFD)

## 2. ESG Policy & Principles

### 2.1. ESG Policy Statement

Through its ESG Policy, Kinara makes a commitment towards contributing to a more sustainable world by taking measures at the appropriate stages to address ESG risks and opportunities in its business operations.

#### **Kinara Capital ESG Policy Statement**

Kinara Capital was founded with the mission to transform lives, livelihoods, and local economies by providing fast and flexible loans without collateral to small business entrepreneurs in India. We believe that maintaining an environmental and social balance is key to a sustainable economy.

We are committed to conduct its business in an environmentally sensitive, climate conscious, socially responsible, fair and transparent manner. In line with our commitment, we have developed an 'Exclusion List' of sectors to which we will not extend business loans.

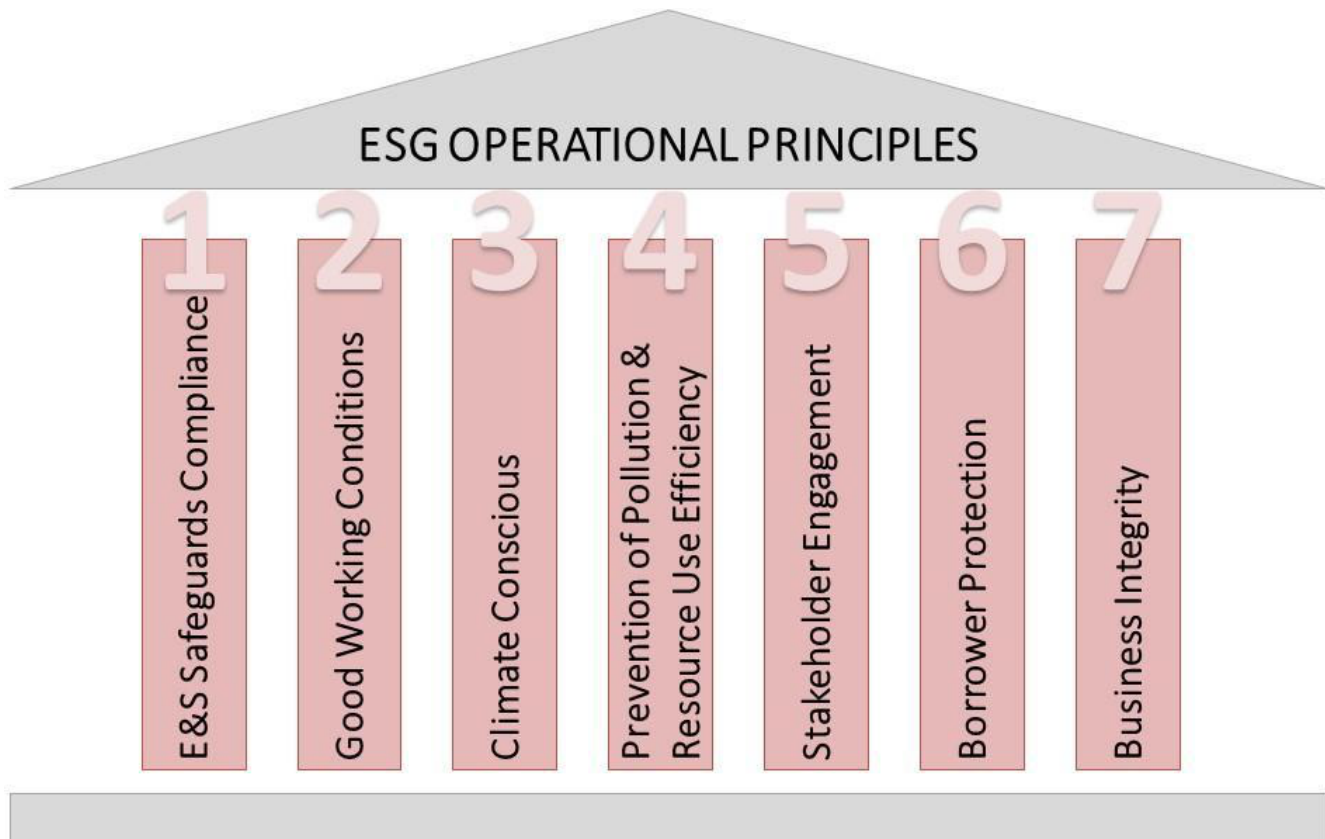
In our own operations and in our borrower operations, we will create sensitization on providing employment that is inclusive, gender-responsive, and safe; respect of human rights, conservation of natural resources, generation of low wastes and emissions to protect the environment.

We will comply with all relevant Indian national environmental and social legal requirements and those asked by our partners, on a proactive basis, and encourage borrowers to follow suit.

We are committed to comply with our ESG-MS Policy and will implement appropriate procedures and build organizational capacity to achieve our policy objectives.

## 2.2 ESG Operational Principles

The ESG Policy Statement will guide the ESG performance of Kinara and is implemented through the ESG Operational Principles that are applicable to Kinara's own operations and its borrowers, as relevant. A snapshot of the ESG Operational Principles is presented in **Figure 1**.



**Figure 1: ESG Operational Principles**

**1. Compliance to ESG Safeguards** in Kinara and influencing borrowers to comply: \_

- Applicable local, national, and international environmental and social legislation, including occupational health and safety.
- International Finance Corporation Performance Standards (IFC PS 1-8), 2012
- World Bank Group General Environmental, Health and Safety (EHS) Guidelines, April 2007
- Smart Campaign Client Protection Principles / CERISE+SPTF Client Protection Pathway (CPP)
- British International Investment (BII) Policy on Responsible Investment 2022
- International Labour Organisation (ILO) Labour Standards & Basic Terms / Conditions of Employment
- United Nations Sustainable Development Goals (UN SDGs)
- United Nations Women Empowerment Principles (UN WEP)
- United Nations Principles for Responsible Investment (UN PRI)
- United Nations Global Compact (UNGC)
- Taskforce on Climate related Financial Disclosures (TCFD)



**2. Good Working Conditions and Fair Labour Practices** at Kinara and influencing borrowers to comply with labour laws by:

- Not employing child labour or forced/ penalty labour.
- Preventing gender-based violence and harassment at workplace.
- Providing safe and healthy workplaces and mitigating health impacts related to the work.
- Treating all employees fairly and equally in terms of recruitment, remuneration and progression irrespective of gender, race, background, language, disability, political opinion, age, religion.
- Remunerating employees and paying social benefits in a fair manner.
- Encouraging employees to share ideas and thoughts to the management through regular consultations and open-door culture.
  - *Note: Employees means workers directly engaged as well as contracted workers engaged through third parties*

**3. Being Climate Conscious** at Kinara

- Measuring carbon footprint
- Adopting best practices and technologies to optimize its carbon footprint.
- Enabling resilient practices of adaptation through the process of transition.

**4. Promoting Prevention of Pollution and Resource Use Efficiency** for environmental protection and conservation by influencing borrowers to:

- Adopt appropriate controls (where relevant), including processes and procedures to manage pollution generated in the form of air emissions, wastewater generation and solid waste generation through treatment, destruction, or disposal in an environmentally sound manner.
- Minimize pollution generation through source reduction of waste volumes.
- Reduce material and energy inputs, avoiding use of hazardous materials, improving process efficiencies and safety and minimizing waste generation.
- Identify opportunities to reuse, recycle and recover resources from the wastes/emissions generated

**5. Engaging with Stakeholders** by Kinara:

- Not discouraging employee associations and providing opportunity to present their views to the management through dialogue.
- Establishing customer feedback mechanism and analysing inputs for service improvement
- Reporting to relevant stakeholders in a planned manner

**6. Borrower Protection** by Kinara:

- Designing financial products that are affordable, flexible, and suiting borrower interests, excluding waiver of borrower rights under host country law.
- Preventing over-indebtedness by performing adequate due diligence on the borrower's repayment capacity and designing appropriate loan repayment schedules and using collaterals and guarantees judiciously.

- Communicating necessary information about the product clearly, timely and in a language understood by the borrower.
- Pricing the product affordable to borrowers while allowing the financial institution to be sustainable.
- Conveying in writing in a language understood by the borrower, by means of a sanction letter, the loan sanctioned along with the terms and conditions including the rate of interest and the method of application.
- Treating borrowers fairly and respectfully, free of discrimination through code of ethics for staff, incentivizing good client relations and responsible use of agents.
- Respecting individual client data in accordance with host country law and regulations and implementing appropriate mechanisms to maintain client confidentiality on personal data.

#### **7. Maintaining Business Integrity at Kinara:**

- Adopting and maintaining a whistleblowing mechanism proportionate to the risks in the business.
- Ensuring that employees and third parties representing the business do not engage in bribery and corruption.
- Not engaging in money laundering practices and any financing of terrorism.
- Establishing mechanisms to counter fraud and cyber security.

### **2.3. Approval & Communication**

The ESG Policy and Principles have been presented to the Board and are duly approved. The policy shall be applicable from the date of the Board approval, i.e., **07-25-2023** to all Kinara own and borrower operations.

The ESG Policy shall be prominently displayed in all Kinara offices (head office and branches) and communicated to all employees through training programs. It shall also be communicated to other relevant stakeholders, such as investors, shareholders, business partners as relevant. The ESG Policy shall be made available to all other concerned stakeholders on Kinara's website.

### **2.4. ESG Policy Implementation**

The ESG Policy Statement and Operational Principles is supported by an Environmental, Social and Governance Management System (ESG-MS). The ESG-MS has been formally adopted by the top management to operationalize the ESG Policy in the business.

Under the ESG-MS, the procedures, and tools for ESG risk and opportunity identification, management and monitoring have been developed and integrated with the loan cycle. The institutional structure with roles and responsibilities of various departments towards implementation of the ESG-MS have been defined.

The ESG Policy and underlying procedures will be reviewed on an annual basis by the E&S Committee, to ensure its continuing suitability, adequacy, and effectiveness.