

# ***POLICY ON BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING***

*Approved by the Board of Directors at its meeting held on April 30, 2024*

## **1. Introduction**

Five Star is registered with RBI as a non-deposit taking NBFC. Our Company is in the business of providing Secured Financial Solutions to Micro Entrepreneurs and Self-employed individuals who are largely devoid of access to the formal financial ecosystem. Our business model has a strong focus on the social elements of the business - we seek to improve financial inclusion and the standard of living of our customers.

This ESG policy shall act as a guideline for our ESG endeavours. Furthermore, this policy also addresses some aspects covered by the principles of the National Guidelines on Responsible Business Conduct (NGRBC). Updates on our progress and actions in relation to this policy shall be regularly communicated through Business Responsibility & Sustainability Reports (BRSR) of the Company

## **2. Objectives of the Policy**

Five Star recognizes that it is imperative to create a positive impact on the environment and community, and therefore endorses the need for adherence to environmental, social, and governance policies consistent with our values. The purpose of this policy is to integrate ESG with our mainstream business strategy effectively. This policy identifies some of our priority ESG Focus areas and helps streamline our efforts, future-proofs the business through effective ESG risk identification and mitigation and monitor & report ESG parameters transparently. This is envisaged to help the Company meet the growing demand for ESG performance and disclosures from variety of stakeholders including customers, employees, regulators and investors among others.

## **3. Implementation and Review of the Policy:**

The Company understands the need to formalize accountability for ESG related aspects and the Senior Management of the Company, and ably directed by the Board and its sub-Committees, shall be primarily responsible for implementation of the ESG policy across the company. The responsibilities towards implementation of this policy shall include:

- a. Review and revision of guidelines, norms & other policies that arise as a result of this policy.
- b. Dissemination of ESG information periodically (Business responsibility reports, newsletters among others), responding to reasonable requests for ESG performance information from investors and other stakeholders & to monitor the evolving ESG landscape so as to facilitate the company adhere to best-in-class initiatives.
- c. Set targets and identify opportunities for improvement across the ESG spectrum, as may be applicable to the company.

The application and progress on this policy shall be periodically overseen by the Board. The policy will also be reviewed annually.

## **4. Priority areas for action**

### **4.1 Environmental Stewardship**

- a. Promoting environmental stewardship in operations, including - reducing waste, improving energy and water efficiency and reducing the carbon footprint of our operations
- b. Maximum recycling of electronic wastes.
- c. Explore possibility of roof-top solar energy for our corporate and branch offices.
- d. Review business practices of our customers and engage with them towards capacity building to reduce detrimental impacts on the environment (e.g., management of hazardous wastes).
- e. Reducing paper consumption through embracing of digital documentation practices.

#### 4.2 Employee Well-being

Five Star recognizes that our employees are critical for our continued business success. We are committed to providing a safe, rewarding and inclusive work environment for all our employees through the following initiatives:

- a. Promoting employee diversity and being an equal opportunity employer.
- b. No gender-based disparity in payment of wages – equal wages for equal work.
- c. Promoting a healthy work-life balance.
- d. Providing statutory and other benefits in-line with industry best practices.
- e. Provision of insurance coverages for employees and families as appropriate.
- f. Capacity building on occupational health and safety, road safety etc.
- g. Technical and behavioural training as appropriate to facilitate growth and development of employees.
- h. Continuing to strengthen existing internal systems for addressal of employee grievances such as inhumane treatment including mental or physical coercion, sexual harassment, whistle-blower and vigil mechanisms.
- i. Ensuring the safety & wellbeing of all employees - especially women who are required to work late due to business requirements.
- j. Employment opportunity for specially-abled persons.

#### 4.3 Conduct and Governance

The Company shall ensure a strong governance structure which enables ethics, transparency & accountability. Business shall conduct themselves with integrity, in a manner that is ethical, transparent & accountable. Company prohibits offering, promising, giving or authorizing others to give anything of value, either directly or indirectly, to any party, in order to influence official action, improperly obtain or retain business or otherwise gain an unfair business advantage. It also prohibits receiving, or agreeing to receive, anything of value that results or may result in the improper performance of your duties in any capacity that impact business & reputation of the Company. The Company has developed a Code of Conduct to which its Directors and Employees at all levels will abide by in order to maintain good governance, ethical practices, transparency, and accountability in Company's operations and interactions with stakeholders across the value chain. The Company shall encourage and support its partners to adopt responsible business policies, Business Ethics and our Code of Conduct Standards.

#### 4.4 Customer Satisfaction & Engagement

Five-Star recognizes the importance of customer satisfaction and retaining their trust for the growth of the company. We will engage with our customers throughout the transaction cycle, providing suitable channels for presenting grievances, if any, and resolving the same in a fair, transparent and timely manner. The following are being prioritized:

- a. Exercising utmost caution in handling sensitive or personal customer data.
- b. Strong internal machinery to handle the customer grievances / complaint.
- c. Periodic customer satisfaction surveys and working on any findings emerging from such surveys.
- d. Responsible lending practices by promoting transparency in disclosure of loan terms and other parameters.

The Company shall also have an Internal Ombudsman, who will ensure fair hearing of all customer complaints and help resolve them in the most amicable manner possible. Customer complaints shall also be placed reviewed by the Audit Committee and the Board on a quarterly basis.

#### 4.5 Responsible Business Practices

As a responsible Financial Services provider, we recognize that we have the power to promote positive societal change. The following shall be prioritized:

- a. Utmost transparency shall be maintained with regard to the terms and conditions, subject to which business is being carried out.
- b. All our loan agreements will clearly articulate our expectations that the borrowers shall comply with local and national environment, social and labour laws, as applicable.
- c. We will continue to evaluate the purpose for which the loans are being availed by customers, social and environmental risks associated with the borrowing/business and mitigative action undertaken shall also be reviewed.
- d. Developing and offering financial services/products that enable socio-economic development.
- e. Five Star will also develop a 'Prohibition list' – activities falling under this list shall not be considered for extension of loans. The Prohibition list has been defined in the Credit Policy.
- f. Business shall conduct itself in a responsible manner & respect the interest of stakeholders (including investors). The Company shall have an effective grievance redressal mechanism in place to protect the interests of stakeholders.

#### 4.6 Furthering Financial Inclusion

- a. Five Star actively promotes financial inclusion as a substantial proportion of our customers are first-time borrowers from formal credit ecosystems and may be located in Tier-III to Tier – VI cities/districts. We will continue to strengthen our focus on such first-time borrowers, contributing to their socio-economic development and progress.
- b. Contributing to women economic empowerment by enlisting them as primary/ co- borrowers in our loans, thereby acknowledging their ownership/roles/responsibilities in the proprietary businesses.

#### 4.7 Human Rights

Five-Star has placed a strong emphasis on safeguarding fundamental Human Rights enshrined in UN charters (United Nations Guiding Principles on Business and Human Rights) and the Indian constitution. To this end, we endeavour to:

- a. Valuing and protecting the rights of our employees and contracted workers on our premises
- b. Encouraging positive practices by our vendors, customers and other stakeholders in our value chain consistent with our own values and expectations on human rights

#### 4.8 Responsible Policy Advocacy

Five-Star collaborates on matters of policy development by playing a strong role in accelerating social and financial inclusion by engaging with regulatory bodies such as Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI), other Non-banking Financial Corporations (NBFCs) and other stakeholders in appropriate forums.