

Social Financing Framework 2025

Company Background:

History and business information of Satin Creditcare Network Limited (SCNL):

Satin Creditcare Network Limited (SCNL) commenced its journey in 1990, driven by a vision to empower small businesses through individual loans, becoming a critical channel of finance. At a time when very few ventured into challenging segments like consumer durables and daily collection, SCNL boldly established itself as a bootstrapped business that was profitable from its inception. By 1996, the company took a significant leap by listing on regional stock exchanges, becoming one of the oldest listed entities in the sector. In 1998, SCNL earned recognition as an NBFC by the Reserve Bank of India, and in 2013, it was further classified as an NBFC-MFI.

SCNL's business model has been one of constant evolution. From 1990 to 2008, it focused on individual lending before transitioning to the Joint Liability Group (JLG) model in 2008, providing collateral-free micro-credit to economically active women in rural and semi-urban areas. This pivotal shift underlined the company's dedication to financial inclusion. Post 2016, SCNL began diversifying into secured asset classes by establishing subsidiaries—Satin Housing Finance Limited for affordable housing and Satin Finserv Limited for MSME financing. In 2024, the company embraced technology, adding a new subsidiary to strengthen its tech-enabled offerings.

Beyond micro-credit, SCNL's portfolio extends to financing consumer durable products, solar items, bicycles, home appliances, and WASH loans, exemplifying its commitment to responsible finance. Today, SCNL stands as a trusted financial partner for millions of households, primarily serving rural India. Its unwavering focus on financial inclusion and community development has cemented its position as a leader in the NBFC-MFI sector. As of September 30, 2024, SCNL's consolidated AUM reached an impressive Rs. 11,749 crore, and a standalone AUM of Rs. 10,463 crore underscoring its enduring commitment to driving growth and sustainability in underserved regions.

Vision:

Making Micro-finance Inclusive and Purpose Driven.

Mission:

- To be a leading micro financial institution by providing a comprehensive range of products and services for the financially under-served community.
- To lead in gender empowerment by leveraging on technology and innovation that forge sustainable strategic partnerships.

Types of eligible products offered by SCNL:

Customer Centric Products	Loan Type	Purpose	Loan-Size USD ¹	Tenure (months)
Income Generating Loans	Group Loan (JLG Model)	To increase the income-generating potential of the clients engaged in	120 - 1085	12 - 30

¹ USD/INR Exchange rate considered: 83

		agricultural, transportation, trading, and production related business operations. These loans help to enhance the quality of life of the underserved population across our presence.		
Water & Sanitation (WASH) Loans	Group Loan (JLG Model)	To empower our clients to build safe, household-level potable water and sanitation facilities.	120 - 422	12 - 24
Product Financing	Group Loan (JLG Model)	To uplift the well-being of communities around us. These tailored offerings include specialized loans for clean energy, transportation and various business and household needs, fostering growth and progress in every area we touch such as for Solar Energy, Cycles, Home Appliances etc.	24 - 386	6 - 24

SCNL has developed a Social Financing Framework under which the company can issue Social Financing Instruments (“SFI”) including, inter alia, social bond(s)/loan(s), and any other debt financing instruments both domestic or offshore, to finance or refinance a portfolio of new and/or existing Eligible Social Projects (henceforth referred to as “Eligible Social Projects”) to promote sustainability. The framework aims to create a viable model for the company that attracts socially conscious investors and fosters sustainable development in underserved communities.

This Social Financing Framework outlines the criteria and guidelines for the allocation of proceeds as per International Capital Market Association (“ICMA”) Social Bond Principles 2023 (“SBP”) and the Loan Market Association (“LMA”), Asia Pacific Loan Market Association (“APLMA”) and the Loan Syndication and Trading Association’s (“LSTA”) Social Loan Principles (2023).

In alignment with the above principles, SCNL’s Social Financing Framework is structured based on the following key pillars:

- Use of proceeds
- Process for asset evaluation and selection
- Management of proceeds
- Reporting
- External review

Use of proceeds

The fundamental determinant of a social loan is the utilisation of the SFI proceeds for Social Projects (including other related and supporting expenditures, including R&D), which should be appropriately described in the finance documents and, if applicable, marketing materials for the financing. The **Use of proceeds** will be aligned to the social principles, as a combination of both bonds and loans, as set out by LMA/APLMA/LSTA/ICMA.

The foundation of an SFI lies in the use of instrument proceeds for qualifying Social Projects, a description of which would be suitably outlined in the legal documentation of the security. The company commits to dedicate the net proceeds of financings issued under the framework exclusively to eligible social projects.

SCNL will clearly communicate to the lenders - the social objective and the target population (mainly financially excluded women²) of the Social Projects, the process by which the borrower determines how the project to be funded fit within the Eligible Social Project categories, and the complementary information on the processes by which the company will manage the social and environmental risks associated with the relevant loans.

Where funds are to be used, in whole or part, for refinancing, SCNL will provide an estimate of the share of financing versus refinancing. The company aims to keep the ratio of financing vs refinancing as 50:50. Where appropriate, we will also clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced Eligible Social Projects. The expected look-back period (i.e. the number of previous years that the company will look back to) for the refinanced projects will be three years, which is in line with the market practice. If required, we will establish a legal structure that complies with financial regulations and allows for the issuance of social bonds. This may involve collaboration with regulatory bodies to ensure compliance.

The Eligible Social Project categories shall include:

- **Socioeconomic advancement and gender empowerment** (e.g., equitable access to resources/ financial inclusion/ societal upliftment)
- Supporting micro entrepreneurs which helps in **employment generation** and **unemployment prevention/alleviation**
- **Affordable basic infrastructure** (e.g. clean drinking water, sewers, sanitation, transport, renewable energy – electricity, basic telecommunications)
- **Food security and sustainable food systems** (e.g., access to food, resilient agri and agri-allied practices, productivity improvements)

This framework will reflect a commitment to utilizing the social financing instruments proceeds for the holistic development of communities, promoting financial inclusion, and adhering to environmental sustainability principles. It will place emphasis on transparency, responsible lending, compliance with regulations and guidelines issues by Reserve Bank of India (RBI) and Self-regulatory organizations (SROs) and adherence with Corporate Governance guidelines set forth by the Companies Act, 2013 (“Act”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”), ensure the long-term impact and achieving of UN Sustainable Development Goals (UN SDGs). Possible uses include expanding outreach, launching financial literacy programs, introducing innovative financial products, technology adoption, social impact measurement, community welfare projects, and product diversification.

The Eligible Social Loans along with the non-financial activities for community engagement at Satin Creditcare, directly/indirectly contribute to the following SDGs:

- **No poverty** (empower individuals and communities by providing access to financial resources, reducing poverty, and promoting economic inclusion)


² Financially excluded women refer to a demographic group of women who lack/have limited access to financial services and products, such as bank accounts, loans, insurance, and savings mechanisms. These women are often unable to participate fully in the formal financial system, which can hinder their ability to save, invest, or access credit for entrepreneurship or personal needs.

- **Reduced inequality** (help reduce economic disparities by providing financial services to marginalized and low-income populations)
- **Gender equality** (promote gender equality by targeting their services to women-led businesses, providing financial education, and training to women, and implementing gender-inclusive policies)
- **Decent work and economic growth** (support small businesses and entrepreneurship, contributing to economic growth and job creation along with improving social protection)
- **Zero hunger** (enable small farmers and food producers to invest in agriculture and agri-allied activities leading to increased food production and food security)
- **Clean water and sanitation** (provide water and sanitation loans)
- **Sustainable cities and communities** (contribute to sustainable community development by providing financial access, affordable basic infrastructure through the JLG model)
- **Industry, innovation, and infrastructure** (access to microfinance facilitates the growth of small businesses and entrepreneurial activities, contributing to innovation and economic development)
- **Good health and well-being** (voluntary health insurance promotes good health well-being of the borrowers)
- **Quality education** (provide training and education on financial literacy, business management and other skills)
- **Partnerships for the goals** (collaboration between MFIs, funders, governments, and other stakeholders enhances the effectiveness of efforts to achieve various SDGs)

The company has the flexibility to expand the range of eligible social loans to encompass other types of assets that deliver measurable social advantages. In such instances, the company pledges to revise the existing framework and broaden the criteria to thoroughly evaluate the characteristics of the new asset class of sustainability-linked loans or debt instruments. In case of a new asset class, SCNL shall be compliant with the principle of not harming the environmental or social elements in any way.




SCNL directly contributes to gender equality along with having partnerships with various stakeholders to achieve the SDGs.

Target Population: Financially excluded women engaged in income generating activities eligible for micro finance loans³

Eligible Social Categories	Via Products	Sample Impact Indicators	SDGs ⁴
Socioeconomic advancement and gender empowerment	<ul style="list-style-type: none"> - Income Generating Loan (IGL) - Product Financing (Cycle, Sewing Machine, Induction Cooker and Stove) 	<ul style="list-style-type: none"> - No. of loans disbursed to women from the funding proceeds - Total number of beneficiaries of mentioned Product Financing from the funding proceeds. - Total no. of Beneficiaries from below poverty line from the funding proceeds - % of borrowers with improved abilities to manage finances as result of the given loan - % of borrowers (women) whose ability to make decisions have 	

³ Collateral-free loan given to a borrower having annual household income of up to Rs. 3 lakh.

⁴ Non-exhaustive

		<p>increased as a result of the given loan</p> <ul style="list-style-type: none"> - % of borrowers whose savings have increased as a result of the given loan 	
Employment generation, unemployment prevention/alleviation	- Income Generating Loan (IGL)	<ul style="list-style-type: none"> - % of borrowers whose paid employee count has increased - % of borrowers whose income has increased as a result of the given loan 	
Affordable basic infrastructure	<ul style="list-style-type: none"> - WASH Loans - Product Financing (Solar Products, Light Bulbs) 	<ul style="list-style-type: none"> - % of borrowers whose amount spent on home improvement have increased as a result of the given loan - No. of loans disbursed for Water and Sanitation from the funding proceeds - Total number of beneficiaries of solar loans from the funding proceeds 	
Food security and sustainable food systems	- Income Generating Loan (IGL)	<ul style="list-style-type: none"> - Total number of beneficiaries engaged in Agri and Agri-allied activities from the funding proceeds - % of borrowers whose number and quality of meals have increased as a result of the given loan 	

Satin Creditcare Network Ltd's primary social objective is to drive socioeconomic advancement and gender empowerment. The company is achieving this through its core product - the "Income Generating Loan."

Further, with the goal of continuing to finance under the above-mentioned social objects, Satin Creditcare aims to unleash the economic power of individuals and families who have been economically disadvantaged and put them on the financial bandwagon and also equip the communities at grassroots with the right economic tools required to climb up the socio economic ladder. By removing the barriers of financial disparity, the company is working hard towards strengthening the social fabric with a dedicated focus on empowering the women of our society across all communities of the Indian demography. The company As of last financial period ended 31st March 2024, SCNL has reached out to 2,41,075 people in need for water and sanitation products and about 10,45,255 households have been provided with green energy till date.

Process for project evaluation and selection

While Microfinance institutions themselves serve the all-important socio-economic cause of providing access to finance to the unbanked and underprivileged women, SCNL will put additional emphasis on "Do No Significant Harm" (DNSH) principle while evaluating the eligibility of the social loans to ensure that the activities funded by the loans do not cause significant harm to environment, individuals, communities, or broader societal well-being.

SCNL will incorporate a comprehensive risk assessment in its operations to identify and evaluate potential social, environmental, and financial risks associated with the proposed social loans. SCNL will engage with relevant stakeholders, including local communities, Non-governmental organizations

(NGOs), and potential beneficiaries, to understand their perspectives, needs, and concerns, and also ensure that the proposed loans comply with all relevant laws, regulations, and ethical standards.

SCNL aims to form a cross-departmental team – Social Financing Team (SFT) – to evaluate and select Eligible Social Projects that are in line with the criteria set out in the previous section. The SFT will meet on an annual basis or more frequently if required. The SFT will be led by the company’s Chief Strategy Officer (CSO), and shall include:

- Business Head
- Product Team personnel
- ESG Team personnel
- Internal Audit personnel
- Risk Management personnel
- Finance Team personnel

The Social Financing Team will be responsible for:

- Evaluating the compliance of proposed Social Projects with the eligibility criteria outlined in the previous section.
- Ensuring that the pool of Eligible Social Projects is aligned with the categories and criteria, as decided.
- Replacing investments that no longer meet the eligibility criteria (e.g. following divestment, liquidation, concerns regarding alignment of underlying activity with eligibility criteria etc.) within 3 months, when required.
- Establishing robust mechanisms for the regular monitoring, reporting and auditing.
- Disclosure of Social Financing Investor Report

All the outputs of the SFT shall be approved by the Chairman cum Managing Director of the company. The SDGs that align closest to the company’s mission, objectives, products and services, are bound to get added focus naturally.

Management of proceeds

The proceeds of the Social Financing instruments issued under this framework will be managed by the Social Financing Team in a portfolio approach. The SFT will be responsible for the management of the net proceeds of Social Financing, to ensure that an amount equal to such proceeds is effectively invested in the financing and/or re-financing of Eligible Social Projects.

The proceeds of a social loan will be tracked by SCNL in an appropriate manner, so as to maintain transparency and promote the integrity of the product. The company will ensure prudent monitoring and tracking of the Eligible Social Projects.

SCNL shall provide a commitment to allocate the majority of the proceeds received from the lender for Social Financing to Eligible Social Loans (projects) within a span of six months from the date of drawdown or as specified in the financing documents. Until the allocation or reallocation of the net proceeds takes place, as appropriate, the company will use the remaining balance of the net proceeds at its discretion. This may involve investments in cash, cash equivalents, or other readily marketable instruments, in accordance with its liquidity management policy. Proceeds not yet allocated towards Eligible Projects will be placed in the liquidity reserves and managed as such. The company will ensure that even the temporary deployment of proceeds is not in excluded sectors such as fossil fuels, mining

sector, etc. The Eligible Social Projects will exclude projects unacceptable in climate and environmental terms.

In addition to the International Finance Corporation's (IFC) Exclusion List for the types of projects that IFC does not finance, the company will exclude additional items specific to Microfinance activities, such as:

- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour
- Commercial logging operations for use in primary tropical moist forest
- Production or trade in products containing Polychlorinated Biphenyls (PCBs)
- Production or trade in ozone depleting substances subject to international phase out
- Production or trade in wood or other forestry products from unmanaged forests
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples

These exclusions will be applicable to the Use of Proceeds and the management of unallocated proceeds.

Further, the company has harmonized its current Exclusion List with ADB's Prohibited Investment Activities List (PIAL) and the Harmonized EDFI Exclusion list.

Reporting

To enable investors, and the general public, to follow the development and to provide insight to prioritised areas, SCNL will publish a Social Finance Investor Report on its website on an annual basis after one year, until maturity. The report will cover information on the output and impacts achieved, where feasible and relevant data information is available.

Allocation Reporting:

- Overview of the portfolio of Eligible Social Projects
- Allocation of proceeds until full allocation
- A brief description of the projects and their associated target populations, when applicable
- Breakdown of the portfolio. Examples include by type of Eligible Social Projects, by no. of Loans, by activity/industry classification, by loan size, by region, etc.
- The total amount of Social financing instruments issued and outstanding
- The portion of new financing vs refinancing
- Information about any unallocated proceeds balance

Impact Reporting:

The report will aim to disclose the impact metrics of the Eligible Projects financed under this Framework. Impact metrics, if applicable, will be based on key performance indicators (KPIs) that measure the social impact of the MFI. Examples include the number/percentage of people with improved levels of savings, number/percentage of women with improved ability to manage finances, take decision, number/percentage of jobs created within the target communities, etc. The indicators for each eligible category will be analysed for the impact reporting of the social financing instruments. The company will disclose the methodology and assumptions, if any used in the impact reporting.

External review

SCNL will appoint an external review provider to assess the alignment of their social bonds or social loans or social financing programme with the four core components of the SLP & SBP. This shall be done through a pre-issuance second-party opinion (SPO) and will be followed up with an annual post-issuance verification of the Social Finance Investor Report, until full allocation of proceeds. The company will also undergo a third party impact assessment on the various impact parameters the company aims to achieve via financing under the social framework.

Going Above and Beyond⁵

Beyond the core business focus on financing the lowest strata of India's economy, the company is deeply committed to integrating Environmental, Social, and Governance (ESG) principles into its day to day operations, ensuring sustainable growth, inclusive development, and ethical practices across all facets of the business.

SCNL is deeply committed to environmental sustainability, seamlessly integrating ecological balance into its operations. As part of its efforts to protect the environment, the company actively invests in programs that prioritize sustainability. SCNL's focus on promoting health, hygiene, and financial literacy is evident through partnerships with organizations like Water.org, which aim to improve community well-being while advocating for sustainable practices.

To become a climate-positive NBFC-MFI institution, SCNL has meticulously accounted for its greenhouse gas (GHG) emissions, allowing a way for targeted strategies to reduce its carbon footprint and contribute to global climate goals. In its day-to-day operations, the company extensively uses technology to minimize paper usage and streamline the loan processing cycle, further enhancing sustainability efforts.

SCNL's corporate headquarters is a model of green building architecture, designed with energy-saving features to reduce environmental impact. The company actively monitors electricity consumption and enforces policies promoting efficient device usage. With climate change mitigation at the core of its mission, SCNL optimizes resource utilization while encouraging green lending practices. As part of its year-round environmental initiatives, the company organizes drives such as a pan-India plantation drive, planting 10,000 saplings across government schools, police stations, gurudwaras, and other communal areas, fostering community involvement and increasing greenery.

SCNL is also registered with UNFCCC's Clean Development Program (CDM) through which the company has positively impacted over 4,011,658 lives since 2019.

In addition to environmental sustainability, SCNL places a strong emphasis on social responsibility. Its focus on Diversity, Equity, and Inclusion fosters a discrimination-free workplace where individuals are empowered to contribute authentically. Initiatives such as the Satin Ease Leave policy and leadership programs for elevating women and promoting gender equality exemplify SCNL's commitment to creating an inclusive and supportive work environment.

Through strategic partnerships with DocOnline and Water.org, SCNL has conducted health camps and workshops, impacting over 1,900 individuals. The company also supports underprivileged students through scholarships at GNA University, benefiting 2,500 students. Financial literacy workshops, conducted in collaboration with RBI and Sa-Dhan across states, have educated 2,244 clients on

⁵ Data points for FY 23-24 unless specified otherwise

responsible financial planning, saving, and investing, empowering communities to improve their economic well-being.

SCNL's governance practices are built on a foundation of fairness, transparency, and ethical operations. Its Code of Conduct ensures integrity in all dealings with stakeholders, while dedicated grievance redressal mechanisms, such as "Sparsh" for customers and the Atoot Bandhan system for employees, promote a harmonious environment. Regular safety training and health initiatives further reflect SCNL's commitment to occupational safety and well-being.

Data integrity is a top priority at SCNL, with stringent security measures such as encryption, access controls, anonymization, and regular audits in place to ensure compliance and protect sensitive information. These practices underscore the company's dedication to trust and accountability at all levels. The company holds the latest standard of ISO 27001:2022 for information security.

By embedding its core values into every aspect of its operations, SCNL drives sustainable growth and creates lasting positive change. Through continuous training and mentorship, the company empowers its employees, enabling them to rise from entry-level roles to leadership positions. Committed to community empowerment, diversity, and inclusivity, SCNL strives to uplift underprivileged individuals and inspire meaningful change for a better future.