

## **SAFEGUARDS AND SOCIAL DIMENSIONS SUMMARY**

### **A. Safeguards**

1. Satin Creditcare Network Limited has a loan portfolio that comprises two business lines: (i) microfinance loans, which include small loans of \$10–\$1,500; and (ii) non-microfinance loans, which include loans of \$1,500–\$15,000. The microfinance credit loans include joint liability group (JLG) loans, individual micro loans for existing clients, loans to individual businesses, product financing, and loans for water connection and sanitation facilities.<sup>1</sup> For water connection and sanitation facilities, the project scope should involve a water meter connection to each household and the construction of toilet facilities.

2. Satin's clients are mostly women borrowers in low-income groups who are engaged in small-scale livelihood activities in agriculture, animal husbandry, and trading. Satin does not finance infrastructure or construction projects that are considered environmental medium- or high-risk projects, or projects that have involuntary resettlement and indigenous peoples impacts. The investment is classified *category FI (treated as C)* for impacts on the environment, involuntary resettlement, and indigenous peoples. The potential environment and social impacts of the proposed investments and associated risks of Satin's business activities have been assessed, and are expected to have minimal or no adverse environmental impacts, and are unlikely to entail impacts on involuntary resettlement and indigenous peoples.

3. Satin has an environmental and social policy and procedures that serve as guiding principles in loan processing and approval. Satin has adopted the Internal Finance Corporation's exclusion list, which defines the types of projects or activities that are excluded from financing. If investments or project activities are not on the exclusion list, environmental and social due diligence is carried out at the community level through a group recognition test and social audits.<sup>2</sup> The assigned loan officers, branch managers, and regional audit team carry out the environmental and social due diligence. After loan approval and disbursement, Satin conducts 100% loan utilization checks to ensure that the amount borrowed is invested in the stated interest of the business, start-up or expansion. Parallel to project screening activities, Satin conducts a thorough assessment of each client's social background and the impact of the investment or proposed loan utilization on the client's social and economic well-being. Satin's Social Performance Management Department monitors and evaluates the social and environmental impacts of the loans it offers. Satin publishes a quarterly report that highlights the socially measurable impacts of the loans it provides. This report carries out detailed analysis to ascertain client satisfaction in the areas of operation. According to company records, no investment or loans has been subjected to any environmental liabilities or violations. The size, nature, and purpose of the micro loans ensure that no material adverse impacts on the environment are expected and no involuntary resettlement and indigenous peoples impacts occur.

4. Satin has a grievance redressal system called SPARSH and a toll-free number is provided to clients on their loan cards that they can call if they have any problems or questions. Clients can contact upper management directly and report any social or environmental issues in their vicinity. The disciplinary committee takes any necessary action. Once an aggrieved employee escalates

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<sup>1</sup> The JLG model started in May 2008 and is based on the Grameen Model, which provides collateral-free, microcredit facilities to economically active women in rural and urban areas. As of December 2016, Satin's JLG portfolio accounted for more than 98% of the total loan portfolio.

<sup>2</sup> Satin Creditcare Network Ltd. Social and Environmental Policy. <http://www.satincreditcare.com/social-and-environmental-policy.php>

an issue to the disciplinary committee, (i) the complaint is thoroughly investigated; (ii) the outcome can range from a verbal reprimand to dismissal; and (iii) the redressal of such complaints can be performed in two ways—conciliation or formal complaint resolution. These complaints are resolved by escalating to concerned staff at branch, region, and head office levels; and through subsequent follow-ups.

5. Satin has an overarching policy that emphasizes compliance with all national and local laws and regulations where it conducts business. Satin ensures that its clients operate in an environmentally responsible manner; and, where practical, reduce energy, waste, and other resources; and avoid or minimize risks to and impact on the health and safety of the local community from its operations. Its policy also ensures that its clients do not use forced labor or child labor, and that they do not practice harsh treatment or discrimination against any social or ethnic group. Projects classified as having category A or B impacts on the environment, involuntary settlement, and indigenous peoples are unlikely to be included in Satin's portfolio. Satin commits to adopt in its environment and social policy a checklist to exclude loans that may have activities with impacts on the environment, involuntary resettlement, and indigenous peoples. This will be monitored through the annual environment and social performance monitoring report submitted to the Asian Development Bank (ADB). Satin's subsidiaries, including TSPL and a wholly-owned housing finance company, will adopt Satin's environment and social policy before ADB's investment.

6. While Satin has adopted the Internal Finance Corporation's exclusion list, the company is willing to amend it to add ADB's Prohibited Investment Activity List for its board's approval, and ensure that its lending activities abide by applicable national laws and regulations, and comply with ADB's Safeguard Policy Statement (2009). ADB's investment documentation will include a provision that Satin and its subsidiaries may only finance projects having no impacts on the environment, involuntary resettlement, and indigenous peoples.

## **B. Other Social Dimensions**

7. Satin and its operating subsidiary will include arrangements to comply with national labor laws and ADB's Social Protection Strategy (2001).<sup>3</sup> Satin's policies include equal opportunity employment; no discrimination between employees based on sex, caste, creed, religion or race; and no sexual harassment. Satin also commits to deliver targets set in the gender action plan, to support the gender equity theme classification of the project.

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<sup>3</sup> ADB. 2003. *Social Protection*. Manila (adopted in 2001).