

**Credit Guarantee Trust for Micro and Small Enterprises**

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**Environment and Social Policy**

**December 2022**

## 1. Introduction

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) has been set up by the Ministry of Micro, Small & Medium Enterprises (MoMSME), Government of India (GoI) and Small Industries Development Bank of India (SIDBI), to strengthen credit delivery system and facilitate the flow of credit to the MSE sector under Credit Guarantee Scheme (CGS). Its objective is to enable commercial lenders to look at small and micro businesses with objectivity and give more importance to project viability and business model validation. CGS seeks to reassure the lender that, in the event that an MSME unit, which availed collateral-free credit facilities, fails to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred by the lender ranging from 50 to 85 per cent of the credit facility.

## 2. E&S Policy Commitment

As a responsible financial institution, CGTMSE endeavors to create a positive impact on the economy, society and the environment. CGTMSE recognises that the context in which its business decisions are made is characterized by complex and growing challenges related to population growth, urban migration, poverty, biodiversity, climate change and low-carbon economy transition. The trust endeavors to promote long-term sustainable growth of its own business activities as well as its partners and vendors through sound environmental and social management practices, labour and working conditions, occupational health and safety and engagement of stakeholders.

. We thus consciously integrate E&S considerations into our investment decisions and processes for rooftop solar and encourage our partner financial institutions, customers and its primary supply chain to align with the approach.

Therefore, the objective of this Environmental & Social Risk Management Policy is to incorporate E&S risk into its procedures and decision-making. CGTMSE thus is committed to

- ❖ creating a positive impact through its businesses founded on the values of respecting human life and addressing the challenges to the environment, thereby contributing to the overall growth prospects of the economy and society
- ❖ managing its exposure to financial, reputational, legal, and E&S risks and impacts
- ❖ provide an E&S framework that CGTMSE adopts and requires its partners to adopt in delivering its financial products to borrowers that take account of E&S issues
- ❖ comply with relevant national legislations and align with international environmental and social good practices and the World Bank Environmental and Social Framework (ESF)
- ❖ provide and maintain safe and healthy working conditions for its workforce through adequate management, controls, competence, and training.
- ❖ maintain a fair and transparent recruitment process, free of any form of discrimination, seeking to offer equality of opportunity, and that appropriately takes into consideration local conditions.
- ❖ implement the Environment and Social Management System across MSME Solar Rooftop Guarantee operations, monitor continuous improvements and report transparently.
- ❖ provide skills and resources to mitigate the potential impact of our business on the environment, workers, communities, and society while maximising potential benefits.

### 3. Scope, Coverage and Review

**Scope:** This E&S Policy applies to all new financial products and services provided by CGTMSE to Participating Financial Institutions (PFI) for Solar Rooftop project. The policy would only apply to the Solar Rooftop credit guarantee scheme. However, after gaining experience, CGTMSE may explore extending the policy to its other schemes in future. Within this scope, all new MSME Solar Rooftop Guarantees will comply with the E&S Policy. The policy does not apply retroactively but may be used to guide CGTMSE in existing and future operations.

**Coverage:** The Policy frames the overarching guidelines which govern the day-to-day management of E&S risks in the business development and risk management of CGTMSE's operations and the evolution of E&S risks in its ongoing operations as reflected in the E&S Management System,

**Oversight & Review:** The Board of Trustees (BOT) of CGTMSE will have oversight on the E&S risks management in MSME solar rooftop operations. The Steering Committee for the Solar Rooftop will review the Trust's action plan on various aspects of E&S, external reporting and stakeholder feedback. Identification and implementation of E&S-related initiatives shall be undertaken by the E&S Officer under the oversight of the CEO

The Board of Trustees shall formally review the policy for its completeness, adequacy, and alignment to business imperatives (current and future) at least once every three years. All amendments, additions or deletions of policies shall be communicated to all stakeholders, including PFI, Guarantee, Contractors etc.

### 4. Approach to Environment and Social Risk Management

CGTMSE has the responsibility to ensure that environmental protection and social impacts are fully integrated into our business processes and decisions commensurate with the E&S risk from its operations. Environmental and Social Risk in operations is managed through an Environment and Social Management System comprising the below procedures:

- **Onetime screening of PFI** would include E&S parameters ensuring that the PFI's have adequate systems in place for E&S risk assessment and management
- **E&S Screening by PFI's** for all new MSME Rooftop Solar proposals. CGTMSE's Exclusion list identifies transactions/guarantees which are excluded
- **E&S Risk Management:** MSMEs would be required by the PFI's to comply with the applicable requirements of the World Bank, including environmental and social standards
- **E&S Oversight:** The PFI would monitor the performance of the MSMEs and report to CGTMSE. CGTMSE would also maintain oversight on the performance of the PFI's in the MSME Rooftop portfolio.
- **Reporting involving internal review process of performance with documentation, and shared with relevant stakeholders (financiers and relevant bodies)****Stakeholder engagement, including External Communication:** It involves seeking feedback from communities on their concerns about these financed activities and disclosure of relevant information to external stakeholders.

5. **Excluded category of sub-projects:** CGTMSE shall cause the PFIs to screen all proposed sub-project against the following exclusion list
- involuntary land taking, any physical displacement or permanent disruption of sources of income,
  - adverse impact on Indigenous People or their territories without their consent,
  - located in protected areas, critical habitats, culturally or socially sensitive areas or leading to conversion of natural habitat
  - risks to labour rights, health and safety of employees, and harmful child or forced labour.