

Environmental, Social and Governance Policy ('ESG Policy') of Capillary Technologies India Limited

<i>Document Control</i>	
Reference No.	ESG/ August 2024/01
Document Name	Environment, Social and Governance Policy
Version No.	1.0
Document Status	Approved
Issue Date	August 27, 2024
Compliance status	Approved by Board
Review period	NA
Security Classification	Confidential



Contents

1.	Introduction	3
1.1.	ESG Framework	3
1.2.	Scope and applicability of ESG Policy	3-4
1.3.	Administration of the Policy	4
1.4.	Policy communication	5
1.5.	Regulatory Framework on ESG Reporting.....	5
2.	ESG Principles.....	5
2.1.	ESG Commitments	6-7
2.2.	Our Approach towards ESG integration in our business operations.....	7-8
2.3.	Our approach towards responsible investment	8
3.	Linkage to other Capillary policies.....	9-10



1. Introduction

Capillary Technologies, founded in 2012, is a technology-first company that delivers AI based cloud-native SaaS programs and solutions - leading the automated Loyalty Management and customer data platform.

In recent years, Environmental, Social, and Governance (ESG) criteria have emerged as pivotal factors in the operational and strategic frameworks of corporations worldwide. Today, ESG focus continues to drive the agenda of investors, lenders, regulators, consumers and society at large.

Capillary recognises that environmental impact and climate change are among the key sustainability risks to businesses and society, affecting economic stability, ecology and vulnerable communities. Its approach to long term sustainable growth and stakeholder value creation integrates environmental stewardship into its business strategy. It is committed to the protection of the environment and prevention of pollution. As a responsible global corporate citizen, Capillary strives to mitigate environmental risks and leverage opportunities across the life cycle of its products and services by minimizing its environmental impact. Leverage its knowledge, expertise and intellectual property to help customers, suppliers and partners in their journey towards achieving their environmental sustainability objectives.

The mission, vision and the core values for the company are closely interlinked with the concept of ESG. To this extent Capillary has developed an ESG Policy.

1.1. ESG Framework

Our ESG Policy is driven by our vision to be a leader in sustainable business. We envision integration of ESG aspects into our business operations which will help in generating superior long-term value, and reducing risks faced by the business.

Through our ESG Policy, we aim to:

- Define our position on ESG matters; and
- Guide employees on the manner to integrate ESG aspects in their decision making processes relating to activities of the Company.



1.2. Scope and applicability of ESG Policy

We work with the firm belief that sustainable business and financial performance go hand-in-hand. This belief coupled with a robust governance mechanism, ensures that we are constantly working towards our ESG commitments to lead change and make a positive difference to people and the planet.

The policy framework states the Company's commitment to ESG and long-term value creation for internal and external stakeholders of the Company including customers, employees, investors, regulators, business partners and community members.

The Company's ESG approach involves a framework of ESG Policies with effective governance and integration of ESG practices in business strategy with a structured implementation framework comprising focus areas and key performance indicators and periodic monitoring of performance and measures to improve performance.

This ESG Policy is applicable to:

- all individuals working at all levels and grades, including directors, senior managers, officers, other employees (whether permanent, fixed-term or temporary), consultants, contractors, trainees, interns, seconded staff, casual workers and agency staff, agents, or any other person associated with the Company; and
- such other persons, including those acting on behalf of the Company.

1.3. Administration of the Policy

The CSR Committee of the Board shall review the ESG Policy of the Company and oversee its implementation.

The CSR Committee consists of 3 Board Members, out of which 2 members are Independent Directors.

1.4. Policy communication



Internal Communication

The ESG Policy shall be communicated to Capillary's employees through:

- Intranet portal - The Policy (via the document control system) will be available on our intranet portal for all employees of Capillary, i.e, through Darwin box.
- Established training programs - All employees of Capillary will undergo a formal training on the ESG Policy and refresher training will be conducted on the same on an annual basis. Aspects of ESG are also covered as part of our Induction Program.

External Communication

- Policy will be available on our website for external stakeholders.

1.5. Regulatory Framework on ESG Reporting

The Ministry of Corporate Affairs (MCA), released a set of guidelines in 2011 called the National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business (NVGs) in order to provide guidance to businesses on what constitutes responsible business conduct. In order to align the NVGs with the Sustainable Development Goals and the 'Respect' pillar of the United Nations Guiding Principles the process of revision of NVGs was started in 2015. In March 2019, the NVGs were revised and released as the National Guidelines on Responsible Business Conduct (NGRBCs).

The Companies Act, 2013 (CA 2013) read with the Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), are the two important legislations that have covered the various aspects of ESG reporting in a fragmented manner.

Disclosure Framework under the CA 2013:

- The Director's Report shall include information related to steps taken by the Company towards conservation of energy, technology absorption, etc.
- The Director's Report of all companies that are required to constitute a CSR Committee is required to include Annual Report on Corporate Social Responsibility (CSR), which among other things sets out in detail the CSR initiatives of the Company.



Disclosure Framework under the Listing Regulations:

- From F.Y. 2022-23, filing of Business Responsibility and Sustainability Report (BRSR) shall be mandatory for the top 1000 listed companies (by market capitalization). The BRSR seeks disclosures from listed entities on their performance against the nine principles of the NGRBCs.

Presently we are an unlisted public company, the reporting requirements under the Listing Regulations will not apply until we are listed on a stock exchange.

2. ESG Principles

Our commitment to ESG is an extension of our business philosophy to deliver long- term value to our employees, our stakeholders, and to the community at large. As per the guidelines issued by the Ministry of Corporate Affairs (MCA) on National Guidelines for Responsible Business Conduct (NGRBC), Capillary shall adopt ESG Principles in wake of its Business Conduct and day to day Operations.

Capillary is committed to systematically embed ESG consideration in all aspects of its business operations, which form a base of our ESG activities:

1. **Integrity, Ethics, Transparency & Accountability:** We shall strive to maintain highest levels of ethics, transparency and accountability at all times. We shall conduct ourselves with responsible and good governance practices.
2. **Safe & Sustainable Services:** We ensure that our products and services are conducted in a responsible, fair and transparent manner.
3. **Well-being of employees:** Promote and encourage, safe and healthy working culture by engaging our employees and continue building a diverse and inclusive workplace.
4. **Respect & Responsiveness to all stakeholders:** We engage with all our stakeholders on a regular basis to understand their concerns and requirements. Ensuring timely resolution of customers' grievances and ensuring feedback, as appropriate, are integrated in the business process to bring a positive change.
5. **Respect & Promote Human Rights:** Our people related policies and practices include Human Rights as one of the key considerations. We maintain zero



tolerance towards violation of Human Rights.

6. Respect & protect the Environment: Strive to identify and mitigate environmental and climate change related risks and impacts associated with business operations. Adopt best practices and support the global movement towards a low carbon economy.

7. Responsible and transparent policy advocacy: Follow the highest standards of accountability and transparency while engaging in policy advocacy dialogues.

8. Promote inclusive growth and equitable development: We engage actively with communities and stakeholders where we operate, striving to create measurable positive impact.

2.1. ESG Commitments

To achieve these ESG principles, Capillary commits to:

We at Capillary aim to adopt an integrated ESG approach, where economic goals will be attained through conscious efforts to conserve our planet and its natural resources while improving the quality of life for current and future generations.

We shall integrate ESG principles into core decision-making processes and governance structures. The principles will also be regularly monitored with key performance indicators to ensure effective implementation across operations. We shall comply with applicable laws of the land and be responsive to existing and emerging global ESG concerns on a proactive basis.

2.2. Our Approach towards ESG integration in our business operations

Our ESG strategy addresses the following aspects:

Environmental Aspects:

- Strive to reduce consumption of energy, paper, and water as part of the



approach towards natural resource conservation

- Strive to mitigate environmental risks and impacts associated with our operations
- Addressing the impacts of climate change: Climate change risks have the potential to impact business, physical operations, investments, and supply chain. While we will work towards reducing the carbon footprint of our own operations, we shall also strive to undertake climate risk assessment to identify and develop strategies for securing business resilience

Social Aspects

- Periodic and continuous employee engagement and well-being through a diverse range of employee engagement initiatives to create a healthy workforce.
- Respect human rights of all employees, offer equal employment opportunities to all employees, and to not tolerate discrimination or harassment in any form.
- Establish and maintain effective grievance channels for all stakeholders
- Prevent child labor and forced labor in any form, within their own operations.
- Customer engagement - to engage with its customers and also improve their satisfaction in using products/services
- Community development programs - focusing on wider social issues
- Sustainable Supplier Management - to guide and support its suppliers towards sustainable practices.

Governance Aspects

- Foster a company-wide culture of ethical behavior, integrity, honesty, professionalism, respect, transparency & accountability.
- Develop and implement a robust and effective corporate governance framework, adhering to applicable national regulatory requirements, and in line with leading global guidance on good corporate governance.
- Establish robust Internal controls, compliance with policies and practices



- Ensure transparency and objectivity in dealing with our stakeholders
- Protect intellectual property, proprietary information, and other key assets of all key stakeholders of Capillary
- Board Independence, Gender diversity, Separation of Powers, Incentivized pay etc.

2.3. Our approach towards responsible investment

As an investor, we act as a responsible steward of our client's assets in following ways:

- We strive to integrate ESG factors in the fundamental research process for selecting our investment strategies, to determine, assess and evaluate the impact of Material ESG factors from a financial or risk point of view.
- We shall review all our existing investments to ensure that none of them are in an activity which falls in the Exclusions Principles like Trade in, any product or activity deemed illegal under applicable local or national laws or regulations or subject to internationally agreed phase-outs or bans as defined in global conventions and agreements such as certain: – hazardous chemicals, pharmaceuticals, pesticides and wastes; – ozone depleting substances; – endangered or protected wildlife or wildlife products; Gambling, casinos and equivalent enterprises; Production or trade in a. arms, weapons and munitions, b. tobacco, c. hard liquor for human consumption, d. Alcoholic Beverages (except beer and wine) etc However, if any investment(s) is found to be in an excluded activity, we shall apprise the Board of the same and take steps to exit those investments in a time bound manner.
- We shall strive to engage with the asset managers in our portfolio to understand their business and help them improve their ESG performance etc.

3. Linkage to other Capillary policies

In addition to this ESG policy, Capillary has also established other policies which complement this ESG Policy and demonstrate our commitment to good governance practices and to promote a sustainable, environmentally



conscious, diverse, fair, transparent and decent working culture, as listed below:

- Fraud Prevention Policy
- Vigil Mechanism Policy
- Corporate Social Responsibility Policy
- Policy on Diversity of Board of Directors
- Risk Management Policy
- Code of conduct of Board of Directors and Senior Management Personnel

