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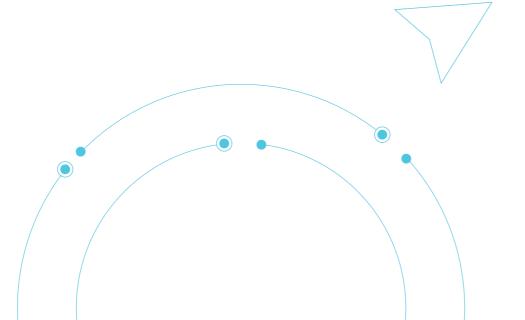
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# Championing Sustainable Growth

Northern Arc Capital Limited is a diversified Non-Banking Financial Company (NBFC) serving six major sectors, setting a benchmark for promoting financial inclusion. In all these years, we have remained earnest and resolute in our commitment to creating significant social impact through sustainable finance. This Sustainability Report encapsulates the prudent integration of ESG and Impact principles in our operations. It is a testimony to our commitment in ensuring that our customers, whether a household or a business, have financial access to grow and thrive regardless of their backgrounds.

We are motivated by the ideals of sustainable financial growth to create far-reaching impact. Our impact-driven approach has led us to conduct a process of impact lending. It is a form of impact investing, focused on achieving positive social and environmental outcomes. This approach provides essential capital to small businesses, and families, either directly or through mission-driven financial institutions in their respective sectors. In our efforts to achieve financial inclusion through sustainable financing, impact lending represents an opportunity to mobilize capital for generating beneficial social, economic, and environmental results alongside financial returns.

With Northern Arc Capital's reach extending to 28 states, 671 districts, and 7 union territories in India, there is an opportunity to make a significant impact on the financial services sector nationwide while simultaneously expanding our position as stewards of sustainability. Our vision of championing sustainable growth allows us to achieve this by not just being a financial services provider but also a catalyst for sustainable financial development. The presence of our various subsidiaries endows us with the ability to focus on creating social impact to nurture empowered communities, create economic opportunities, and transform lives.



# **About the Report**

With great pride, we present Northern Arc Capital Limited's first Sustainability Report for FY 2024. This report offers an overview of our sustainability initiatives, including the actions we have taken to reduce risks, foster positive impact, and enhance the welfare of the communities we engage with. As a group, we firmly believe in creating value for our stakeholders with our Environmental, Social, and Governance (ESG) performance and the impact we create through our business verticals. Additionally, the report underscores integration of sustainability into our services and operations, outlining planned procedures and emphasizing the pivotal role of stakeholders in this shared journey.

## **Reporting Guidelines**

The non-financial information presented in this report is consistent with the Global Reporting Initiative (GRI) Standards for the period spanning from 1 April, 2023 to 31 March, 2024.

#### **Reporting Period**

This report covers all information from 1 April, 2023 to 31 March, 2024. The aim is to provide an accurate and balanced overview of Northern Arc Capital Limited's economic, social, and environmental performance.

#### **Reporting Boundary**

The boundary of this report encompasses all the operations of Northern Arc Capital Limited and its subsidiaries, which includes 4 corporate offices and 312 branch offices, ensuring complete coverage of Northern Arc Group's operation in FY 2024. The ESG performance reported in this report is limited to Northern Arc Capital Limited and its subsidiaries.

## **Targeted Readers**

This Sustainability Report is in line with our commitment to ESG principles. It communicates our ESG performance and business impact to our stakeholders, including our employees, shareholders, investor partners, Originator Partners, customers, community, and the government.

## **Feedback and Suggestions**

We highly value the input of our stakeholders, as it plays a crucial role in enhancing our sustainability reporting performance. We warmly invite you to provide us with your valuable feedback, suggestions, or any other insights on the report.

#### **Paul Kingsley**

paul.kingsley@northernarc.com









I am thrilled to share a pivotal moment in Northern Arc's journey. We recently secured USD 80 million in funding from the International Finance Corporation (IFC), a key member of the World Bank Group.





The BFSI industry has always been a cornerstone of India's economic growth, playing a pivotal role in capital allocation, risk mitigation, and the promotion of financial inclusion. With India's GDP exceeding expectations at a robust growth rate of 7.3% in the 2023-24 fiscal year, the impact of this sector is undeniable. As India's economy continues to expand, Northern Arc stands bold, ready to thrive alongside this broader economic momentum.

This year has been transformative for Northern Arc, characterized by significant achievements, robust growth, and an unwavering commitment to our core values. Our journey has not only showcased our resilience in the face of adversity, but also our ability to seize opportunities that align with our mission of enabling inclusive growth.

At Northern Arc, we recognize that each business milestone represents a story of human endeavor. Our commitment to financial inclusion and to empowering underserved segments of society drives every aspect of our operations. Over the past year, we have broadened our reach, diversified our product portfolio, and strengthened our risk management systems, ensuring that we continue to provide debt capital to those who need it most.

I am thrilled to share a pivotal moment in Northern Arc's journey. We recently secured USD 80 million in funding from the International Finance Corporation (IFC), a key member of the World Bank Group. This substantial investment, divided equally between equity and debt, not only fortifies our financial foundation but also reflects IFC's confidence in our mission and growth trajectory.

Beyond our financial achievements, we have consistently advanced our ESG efforts, establishing a robust framework that prioritizes the protection and enhancement of our entire ecosystem. This approach ensures enduring benefits for all stakeholders. Our commitment to social initiatives is reflected in our strong ties with rural, underserved, and unserved communities. Through our range of products and services, we empower our customers to achieve financial independence and establish sustainable livelihoods.

As we look to a future filled with possibilities, we remain committed to our core values while embracing innovation and technology to drive growth. Northern Arc's technology platform, bolstered by data insights and domain expertise, has been instrumental in facilitating over INR 1.73 trillion in credit. This track record highlights our role in the financial ecosystem and demonstrates our capacity to adapt to evolving market conditions.

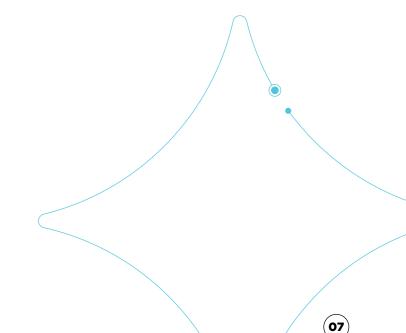
I extend my heartfelt gratitude to our Board of Directors, shareholders, employees, and partners for their unwavering support and trust. Your belief in our mission has been the driving force behind our success. Together, we will continue to build a more inclusive and financially sustainable future.

Thank you for being part of the Northern Arc family. I look forward to sharing our continued journey with you in the years to come.

Sincerely,

#### P.S. Jayakumar

Non-Executive Independent Director and the Chairman of the Board











Our vision remains focused on channeling debt capital from mainstream banks and capital markets to underserved sectors, upholding responsibility, reliability, and inclusivity.



In FY 2024, India's economy has demonstrated resilience and growth, driven by strong domestic consumption and significant government investments in infrastructure. The rise of fintech, mobile banking, and digital payments continue to enhance financial inclusivity, making essential services more accessible. However, challenges such as inflation and global economic uncertainties remain, emphasizing the need for regulatory reforms and sustained government support to maintain stability and bolster investor confidence.

Since our founding in 2009, Northern Arc has been a leader in providing inclusive and sustainable financing solutions to underserved individuals and businesses across India. We have invested over INR 1.73 trillion across six key sectors, impacting more than 101.82 million lives through our direct and intermediate retail businesses, while impacting 30.1 million lives during the FY 2024. Our vision is centered on channeling debt capital from mainstream banks and capital markets to underserved sectors, guided by the principles of responsibility, reliability, and inclusivity.

We remain deeply committed to impact-driven investments, with a particular focus on critical sectors such as MSME financing, microfinance, affordable

housing, vehicle finance, agri-finance, and consumer finance. Through our rural financing subsidiary, Pragati Finserv, we have directly supported over 4 million borrowers, empowering them with access to tailored financial solutions.

Our dedication to enhancing our Environmental, Social, and Governance (ESG) performance positions Northern Arc as a leading NBFC driving the transition to a sustainable economy. Our loan book reflects the impact of our social and green financing initiatives, which include women empowerment, livelihood enhancement, agricultural sustainability, green energy, waste management, electric vehicles, and associated infrastructure development.

The past year has seen us accelerate the development of new capabilities and advanced technologies, yielding positive results. Northern Arc's technology platforms are transforming financial processes and improving lending efficiency. Our Nimbus platform connects our investors with our Originator Partners to facilitate structured debt financing. The nPOS platform digitizes the entire loan lifecycle, enabling rapid processing and seamless integration. Nu Score, powered by machine learning, enhances risk assessment and operational productivity, while AltiFi provides retail and high-net-worth individuals access to fixed-income investment opportunities.

Through the Northern Arc Foundation, we continue to engage in CSR initiatives focused on skill development, vocational training, and sustainable livelihoods, contributing to the long-term wellbeing of communities.

As we approach the public markets, we remain steadfast in upholding our core values, committed to creating long-term value for our stakeholders, with sustainability at the heart of our operations. I would like to express my deepest gratitude to our dedicated employees and stakeholders for their continued trust and support. We are proud to present Northern Arc's inaugural sustainability report, which underscores our commitment to driving sustainable finance and fostering a thriving economy.

Thank you for your continued support.

Warm Regards,

#### **Ashish Mehrotra**

Managing Director and Chief Executive Officer











#### **Corporate Profile**

Northern Arc is a dynamic financial services platform dedicated to addressing diverse credit needs of underserved households and businesses in India. Over the past 15 years, we have refined our retail credit approach by collaborating with regional partners to enhance access to debt finance. Our comprehensive solutions include single and pooled loans, guarantee-backed structures, bonds, and securitization transactions. Since 2009, we have supported over 101.82 million lives with financing exceeding INR 1.73 trillion as of March 31, 2024. Recognized by CRISIL, we stand as one of India's foremost NBFCs, boasting a diverse portfolio of assets under management. Our expertise spans across sectors such as MSMEs, microfinance, consumer finance, and beyond, with over a decade of dedicated experience in each sector.

Multi-channel approach that has impacted over 101.82 million lives[1] across our focused sectors through a 'digital & data first' approach A flywheel re-generating flows across the ecosystem.

#### **Demand of Credit**

#### **Origination Engine**

**328** 

316 Originator Partners[2] Office Location[3]



MSME MFI



Consumer Finance



Vehicle Finance





Retail Lending Partners[4]

Affordable Housing Finance

50



Agriculture Supply Chain Finance culture

#### **Underwriting Engine**

**35.17** million data points

**30**+ analytical models

Pin code analysis

Scrub analysis

#### **Technology**









(1) Data as on March 31, 2024, (2) Represents the cumulative numbers of Originator Partners onboarded since Fiscal 2009 as of March 31, 2024, (3) 4 Corporates and 312 branches that are operated for our Direct to Customer lending as of March 31, 2024, (4) Represents Retail Lending Partners through whom loans are extended directly to Direct to Customer borrowers as of March 31, 2024.

#### **Risk Management Engine**







Live Funds[7]

#### **Supply of Credit**

1.158

**INR 117** Investor Partners[5] Bn AUM<sup>[6]</sup>







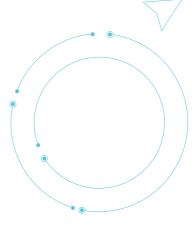


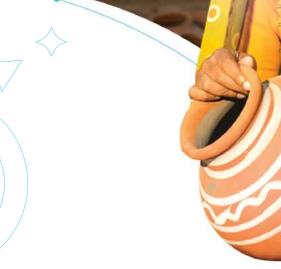
DFIs and Impact Investors

Private wealth,

**HNIs & Others** 

We've developed a scalable business model driven by our proprietary integrated technology platform, designed to serve various sectors through a broad network of financial institutions, technology partners, and business correspondents. This network allows us to provide financial access to small businesses and individuals. We lend to Originator Partners, who then facilitate further lending, and also offer direct loans to retail borrowers through select partners. Our platform attracts a diverse range of investors interested in underserved sectors across India.





(5) Represents the cumulative numbers of investors with whom credit has been enabled though Placements business for Originator Partners and/or have invested across Northern Arc's funds as of March 31, 2024, (6) AUM represents aggregate of loans and investments in debentures, securitised assets (including loans assigned), units of AIF funds, loans assigned by Northern Arc and guarantees outstanding as of March 31, 2024, (7) Number of live funds represents the number of AIF funds and PMS funds that are in existence or have outstanding investments as of March 31, 2024, Fund 2 has been considered as live fund in Fiscal 2024, only due to the recoveries in progress from investees



#### **Our Subsidiaries**

Northern Arc Capital Limited has the following five subsidiaries:

## Northern Arc Investment Managers Private Limited

Northern Arc Investment Managers Private Limited (hereinafter referred to as 'NAIM') is responsible for ensuring easy access to finance for companies, aligning seamlessly with the ecosystem established by Northern Arc Capital Limited. Our investment strategy for our funds is designed to be both impact-oriented and returns-focused, targeting key sectors to promote financial inclusion.

#### Northern Arc Investment Adviser Services Private Limited

Northern Arc Investment Adviser Services Private Limited (hereinafter referred to as 'NAIA') is primarily involved in the business of (a) acting as an advisor to issuers and investors; (b) acting as an investment consultant and advisor to corporate bodies; (c) acting as a sub-advisor to existing advisors and providing financial/investment advice to both Indian and foreign investors; (d) providing reports on monitoring and risk management of investments; and (e) providing consulting and advisory services related to financial products and services, including advice on distribution and marketing of financial, savings, loan, investments and insurance products.

#### **Pragati Finserv Private Limited**

Pragati Finserv Private Limited (hereinafter referred to as 'Pragati') functions as a business correspondent (BC) and loan service provider (LSP) for banks, NBFCs, and other regulated institutions. Its mission is to deliver essential financial services to disadvantaged and low-income communities, aiding in their overall upliftment and financial inclusion. Pragati offers a range of ancillary services that complement regulated financial services, ensuring that even the most underserved sections of society have access to the support they need.

#### **Northern Arc Foundation**

Northern Arc Foundation (hereinafter referred as 'NAF') actively engages with communities to provide vocational and skill training aimed at uplifting marginalized groups. It organizes workshops, runs educational programs to promote social advancement, and conducts research to identify areas for improving living standards.

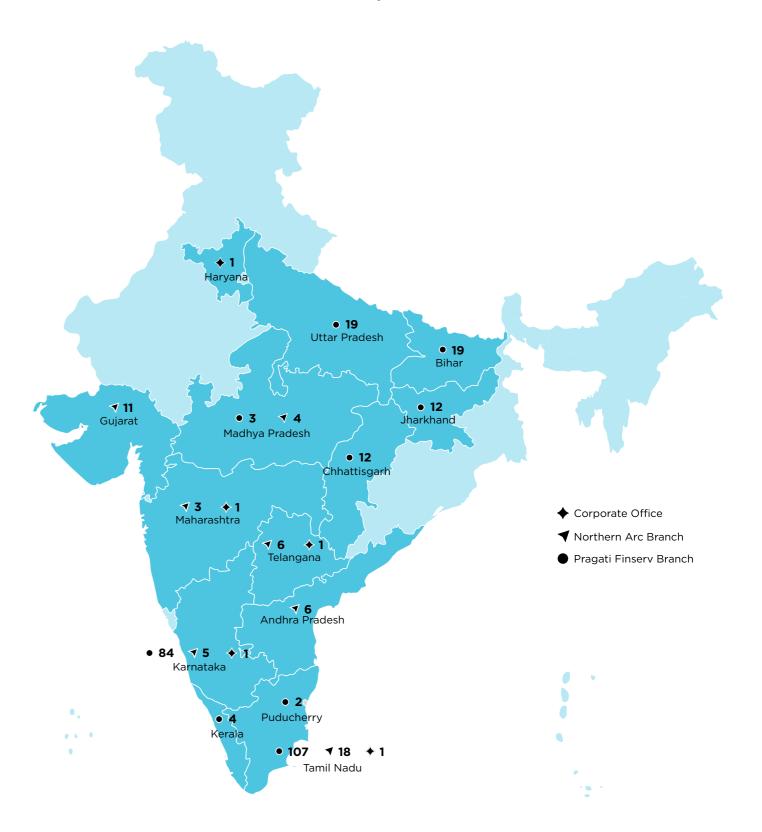
## Northern Arc Securities Private Limited

Northern Arc Securities Private Limited (hereinafter referred to as 'NAS') is an authorized stockbroker, sub-broker, dealer and agent for the sale and purchase of securities. It deals in shares, securities, commodities, currencies, and their derivatives as a member of a recognized stock exchange.



#### **Our Presence**

Northern Arc aspires to establish a comprehensive presence across the nation to empower rural as well as semi-urban India. Through our ever-expanding network of branches, we tirelessly work toward bridging the financial gap. Our dedicated efforts are focused on providing accessible and tailored financial solutions to diverse populations. Our ultimate goal is to make a meaningful and positive impact on the lives of individuals and communities across our diverse country.



# Offerings and Product Suite

### **Our Offerings**

Northern Arc Capital Limited offers efficient digital financing solutions, ensuring access to credit for the underserved populations in India. We operate across focused sectors through three primary channels:

#### Lending

We offer financial access via intermediate retail lending through Originator Partners and direct lending to customers in sectors like MSME, MFI, consumer, and vehicle finance using a phygital approach.

#### **Placements**

We collaborate with investors to explore opportunities and invest in underserved sectors through various products, including debt, credit-enhanced debt, and portfolio financing for Originator Partners and mid-market companies.

#### **Fund Management**

# Our subsidiary, NAIM, manages debt funds that invest in select Originator Partners and mid-market companies, aligning with the investment goals of our fund investors. (18)

## Sector Focused Product Suite

#### **MSME**

We extend loans to underserved MSME businesses and NBFCs engaged in MSME financing, either directly or through our Originator Partners. This allows us to cater to the diverse needs of various market segments, offering solutions such as Loan Against Property (LAP), Supply Chain Finance, and Mid-Market Corporate Lending.

#### **Microfinance**

We empower underserved individuals by offering microfinance loans through our dedicated rural finance partner subsidiary, Pragati, or in collaboration with our Retail Lending Partners and Originator Partners.

#### **Consumer Finance**

We provide financing to individuals who are new to credit and other underserved categories, including both employed and self-employed individuals. This credit is facilitated either directly or through collaborations with Originator Partners, many of whom later become our Retail Lending Partners.

#### **Vehicle Finance**

We provide financing solutions to underserved individuals and businesses looking to purchase commercial vehicles used for transporting goods or passengers, two-wheelers, electric vehicles (EVs), and support companies in e-mobility, EV fleet services, EV infrastructure (including battery swapping), and EV last-mile delivery.

#### **Affordable Housing Finance**

We specialize in offering loans tailored for selfemployed individuals or salaried borrowers looking to buy, renovate, or expand their homes. Our goal is to make the home financing process smoother and more accessible, aiding everyone to achieve their housing aspirations with our support.

#### **Agriculture Finance**

We work with Originator Partners who specialize in offering crucial post-harvest services and financing across the agricultural and allied sectors. By facilitating such partnerships, we aim to foster sustainable growth and economic stability within rural communities, driving positive impact across the agricultural value chain.

# **Technology Product Suite**

Our operations rely heavily on our proprietary technology platforms and solutions. These are listed below and are essential to our everyday operations.

#### **Nimbus**

Our proprietary integrated technology platform, NIMBUS, connects seamlessly with our diverse Originator Partners through APIs, handling data and workflows efficiently. It manages a wide range of debt products and oversees the entire transaction process flawlessly. NIMBUS facilitates credit transactions providing comprehensive solutions, from ideation to post-transaction monitoring and compliance.

#### nPOS

A cloud-based and API-enabled platform, nPOS serves as the foundational infrastructure for our partnership lending and co-lending business. nPOS earned 'SOC 2 Type II' certification and 'SOC 1 Type II' audit compliance, ensuring adherence to international security and auditing standards.

#### AltiFi

AltiFi is an alternative retail debt investment platform, contributing to the facilitation of fixed-income investments for individuals and small corporations. Within the first few months of its launch, AltiFi gained widespread adoption. Looking ahead, we plan to introduce new products to assist investors in diversifying their investments and achieving comprehensive financial planning.

#### **Nu-Score**

Nu-Score is a proprietary machine learning based analytical solution. It is custom-built for every lending institution, aiding in their underwriting and risk assessment to optimize risk, enhance productivity, reduce turnaround time and scale their business.



( 19

# **Approach to**

# **Value Creation**

#### **Value Creation Model**

**Resource Input** 



#### **Financial Capital**

We raise capital from DFIs, other financial institutions and investors for our Originator Partners and borrowers.



#### **Human Capital**

We acquire and develop talent to create a skilled and capable workforce that drives our business growth.



#### **Manufactured Capital**

We acquire the ability to expand our branch operations nationwide, increasing our footprint and enhancing access to finance.



#### Intellectual Capital

We leverage specialized technology expertise and knowledge to develop premium and attractive products and solutions, driving the success of our platform-based business.



#### **Social Capital**

We foster strong relationships with our customers and community, managing their expectations to create long-term value.



**Values & Business Model** 



Ethical - We adhere to a shared code of ethics and high standards of professional conduct.



Responsive - We are nimble and quick to adapt, learning and evolving as we go.



**Innovative -** We push the boundaries of financial inclusivity through our acquired expertise and innovation.



Empathetic - We understand and are fully aligned with the needs of our stakeholders.



Resolute - We remain steadfast in our commitments and uphold them with unwavering dedication.

## ₹4.2 billion

Profit Before Tax Capital Adequacy Ratio

**Output Created** 

#### ₹3.18 billion Net Profit (PAT)

Live Funds

18.26%

#### ₹117 billion

1,791 No. of new Hires

#### 38

**Employee Training** 

## 11.87%

Percentage of women in workforce

#### confidence

Number of LAP Branches

#### 262

No. of Pragati Branches:

No. of Active Originator Partners on Nimbus

No. of Active Investor Partners o Nimbus

No. of customer

Effective grievance

redressal mechanism

complaints

#### 31,272

No. of registered users of AltiFi

#### 21

No. of Active Partners on nPOS

#### 17.052 No. of

Assessments through Nu Score

 Digitizing customer journey

**Outcome Realized** 

♦ Better Quality of Life

♦ Diversity & Inclusion ◆ Talent attraction and

retention

Employee skill

enhancement

◆ Financial Inclusion

Increased customer

Improved customer

satisfaction and

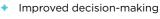
penetration

experience

Enhanced productivity

and improved stakeholder

Financial Independence



 Improved customer base with low credit risk



UNSDG

## 9000+ individual

No. of beneficiaries through CSR Program

rural women Better economic growth

Improved NPS score

Enhanced digital and

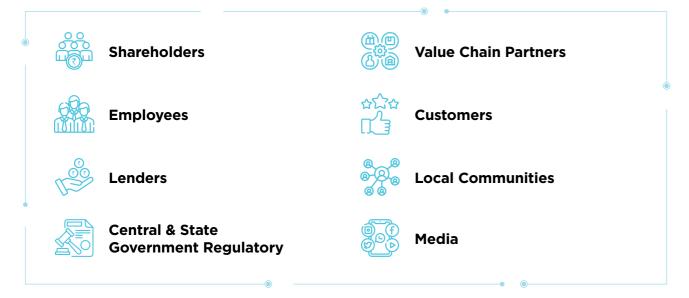
financial literacy of





#### **Stakeholder Relationship**

Building trust and securing support from our stakeholders is vital for achieving our business goals and sustainability objectives. To strengthen this trust and garner invaluable support, we prioritize dialogue and relationship-building. By engaging stakeholders, we raise awareness of our business framework and processes, ensuring we continually enhance societal value.



We are cognizant of the unique and distinctive priorities of our various stakeholders. A stakeholder engagement approach is carried out and insights gained from this process aids in validating the Group's performance and to strategize new initiative

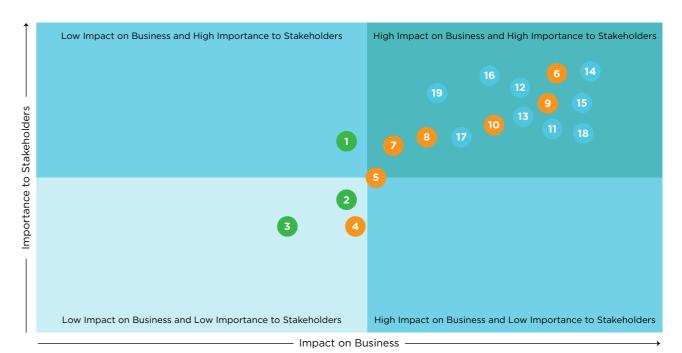


### **Materiality Assessment**

In FY 2024, Northern Arc performed its first materiality assessment using detailed desk-based research. We analyzed industry trends, media reports, and ESG standards to identify key issues relevant to our business. This assessment informs our strategic decisions, helping us allocate resources, manage risks, and pursue sustainable growth, while underscoring our commitment to responsible business practices.

#### **Materiality Matrix**

The identified material issues were evaluated based on their significance to stakeholders and their impact on business:



#### Environmental

- 1 Climate Resilience
- 2 Organizational Environmental Impact
- 3 Waste Management

#### Social

- 4 Corporate Social Responsibility
- 5 Customer Relationship Management
- 6 Data Privacy and Security
- Employee Welfare
- 8 Human Capital Development
- 9 Human Rights
- 10 Responsible Lending & Product Offering

#### Governance

- 11 Corporate Governance
- 12 Ethics and Integrity
- 13 Leadership Development
- 14 Regulatory Compliance
- 15 Risk Management
- 16 Stakeholder Governance
- 17 Sustainable Value Chain
- 18 Tax Management
- 19 Transparency and Disclosures

## **Creating Value Through Sustainable Finance**

#### **Climate Financing**

Our climate and sustainable investing efforts started in 2018 with a green bond from a Dutch development bank. Since then, up to March 31, 2024, we have syndicated climate-focused loans for five global investors, aligning with global climate goals for adaptation and mitigation. India's Net Zero target by 2070 and the sustainability frameworks from the RBI and SEBI bolster our commitment to the UN Sustainable Development Goals (SDGs), particularly affordable clean energy and climate action. We support climate mitigation and adaptation through targeted finance in areas like EVs, rooftop solar, and agriculture, focusing on mid-market companies in electric mobility, renewable energy, and sustainable practices. We are also launching thematic funds for climate action, agriculture, financial services, and gender equality.

#### **Social Financing**

Achieving the United Nations Sustainable
Development Goals (UN SDGs) by 2030 requires
aligning the financial system with these objectives.
Social financing plays a crucial role in advancing
sustainable development and generating positive
societal impact. Since its founding, Northern
Arc has prioritized financial inclusion. To amplify
our impact, we launched a Social Financing
Framework (SFF) in FY 2024, which categorizes
and tracks the sectors we affect in line with
Social Loan Principles to support the UN SDGs.
Northern Arc aims to drive positive societal
change and contribute to a fairer and more
prosperous future through this framework.

# Integration of Sustainability into Business Strategy

Globally, there is an increasing emphasis on non-financial and sustainability reporting, with India actively joining this trend. Businesses are now evaluated on their environmental and social impacts, not just financial performance. In response, we have integrated sustainability into our core functions, committing to positive societal change and rigorous environmental and social impact assessments. Our approach includes engaging with local communities, adopting eco-friendly practices, and fostering partnerships to benefit both society and the environment.





# **Impact Through**

# **Financial Inclusion**

## **Impact Framework and Highlights of FY 2024**

What	Who	How Much	Contribution
SDGs Contributed: 9	Stakeholders: Originator Partners, End- Borrowers and Emerging Corporates  ESG Pillar: Environment & Social	Total number of lives Impacted during FY 2024 30.1 million  Total number of lives impacted by direct lending 9.8 million  Total number of lives impacted through Originator Partner during FY 2024 attributed to Northern Arc 20.3 million  Impact Sectors: Microfinance, MSME, Consumer Finance, Vehicle Finance, Affordable Housing Finance, Agricultural Supply Chain Finance  No. of Active Originator Partners: 201  No. of Originator Partners: 328  No. of Districts Served - Direct (branches): 146  No. of Districts Served - through Originator Partners: 671  No. of Aspirational Districts covered: 114 out of 117  % of Rural Presence: 14.24%  % of non-rural presence: 85.76%	<ul> <li>Strengthened the rural financial ecosystem</li> <li>Catered to strong credit demand in low-income &amp; aspirational states</li> <li>Higher ticket-sized loans disbursed by microfinance lenders</li> <li>Better facilitation of secured and unsecured small business lending, merchant financing, supply chain financing, school financing and support for micro and medium-sized corporations.</li> </ul>

## **Direct Impact by Northern Arc**

The UN SDGs guide efforts to address key socioeconomic challenges and promote sustainable development in sectors like health, education, and infrastructure. India is committed to achieving these goals by 2030, focusing on inclusive growth and environmental sustainability. At Northern Arc, our financing strategy aligns with several UN SDGs, emphasizing financial inclusion and support for underserved communities. Through our diverse business model and innovative solutions, we drive economic growth, foster entrepreneurship, and improve livelihoods, contributing to transformative change. We remain dedicated to advancing these SDGs, working with our team, investors, and partners to build a future of inclusivity, sustainability, and prosperity.



## Northern Arc's Focus on Goals Aligning with UN SDG

UN SDG	Goal 1	Goal 2	Goal 5	Goal 6	Goal 7	Goal 8	Goal 9	Goal 10	Goal 13	Goal 17
Goal	1 ‰m <b>市</b> 安中中中	2 Hades	5 GRANTY	6 SHA WEER	7 INTRODUCEMO	8 ECONOL COURT	9 NATIONAL PROMISSION AND ADDRESS OF THE PROMISSION AND ADDRESS OF	10 MEDICIDE	13 SAMER	17 PARTICIONES PRINTE CORCE
Target	By 2030 ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance	By 2030 double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment	Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance, and natural resources, in accordance with national laws	By 2030, achieve universal and equitable access to safe and affordable drinking water for all	By 2030 enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil- fuel technology, and promote investment in energy infrastructure and clean energy technology	8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets	By 2030 empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.	Mobilize additional financial resources for developing countries from multiple sources
Northern Arc's Impact	We are creating access to financial services through our Originator Partners and retail lending partners.  Impact: 201 Active Originator Partners 9.8 million lives impacted through retail lending	We are creating access to finance for agriculture practices through our microfinance and agriculture supply chain Originator Partners.  Impact:  7 Active Originator Partners in the Agriculture Supply Chain.	We are facilitating access to finance through joint liability group loans, significantly benefiting women via our microfinance Originator Partners. Additionally, our lending efforts through other Originator Partners, retail lending partners, and retail branches include tailored products specifically for women.  Impact:  1.3 million  women borrowers (Pragati + MFI Loans Attributed to Northern Arc)	We have financed entities that provide solution for access to clean water.  Impact:  1 Entity that provides Clean Water Solution	We have financed entities in the green energy sector such as renewable energy (wind and solar), electric-vehicle (EV) manufacturers, EV charging stations, and other related infrastructures.  Impact:  8 Entities in Renewable Energy Sector  3 Entities in EV Manufacturing and Infrastructure  2 Entities in Waste Management  1 Entity into other	We have expanded access to finance through our retail branches and strengthened the access to financial services through our Originator Partners and retail lending partners.  Impact: 50 Branches of Northern Arc Capital Limited 262 Branches of Pragati Finserv Private Limited	We have enhanced access to finance for small-scale industries and enterprises through our loan against property and supply chain finance programs. Additionally, we have facilitated financial services for small businesses through our small business loan offerings and Originator Partners.  Impact:  122  Originator Partners in MSME Sectors  500+  MSMEs Financed through Supply Chain Finance  20  MSMEs Financed through Mid-Market Lending	We promote economic inclusion for all individuals, regardless of age, sex, disability, race, ethnicity, origin, religion, or socioeconomic status, through various financial inclusion models. Through our Originator Partners, retail branches, and retail lending partners, we enable access to finance for the underbanked and underserved.  Impact: 201 Active Originator Partners 50 Branches of Northern Arc Capital Limited 262 Branches of Pragati Finserv	We have financed entities in the clean energy sector such as renewable energy (wind and solar), electric-vehicle (EV) manufacturers, EV charging stations, sustainable agriculture practices, agriculture supply chain, and waste management (recycling and biogas generation).  Impact:  8 Entities in Renewable Energy Sector  3 Entities in EV Manufacturing & Infrastructure  2 Entities in Waste Management  1 Entity in Other Green	We have secured funds from various international Development Finance Institutions (DFIs) for onlending to other financial institutions. Additionally, we have mobilized funds for these institutions from offshore investors and lenders through mechanisms such as Pool Bond Issuance, Non-Convertible Debentures, and External Commercial Borrowing. We also serve as guarantors for these transactions.  Impact:  12 Placements Facilitated from Offshore Lenders

#### **Indirect Impact by Northern Arc**

Northern Arc serves as a catalyst in bridging the gaps in various sectors by partnering with Originator Partners to effectively reach borrowers. In microfinance, it enables access to credit for low-income individuals and small businesses, fostering financial inclusion. For MSME finance, it provides tailored solutions to support the growth of small and medium enterprises. In vehicle, consumer, and affordable housing finance, Northern Arc facilitates lending to enhance access to essential assets and improve living standards. In agricultural supply chain finance, it optimizes operations by offering funding solutions along the supply chain. Through its fund management and placement products, Northern Arc efficiently deploys capital to support these sectors, driving positive impact and economic development.

#### Microfinance

Financial inclusion is promoted through microfinance by providing credit to underserved individuals and communities. Northern Arc bridges the access gap with microloans, offered directly or through Originator Partners, helping individuals in rural and semi-urban areas start businesses, invest in education, healthcare, housing, and manage emergencies. Utilizing models like joint liability group lending fosters social collateral and financial responsibility. By investing in microfinance, Northern Arc advances financial inclusion, extending services to those traditionally excluded from formal banking.



#### **Theory of Change**



- Providing access to microfinance services to rural individuals and women
- Strengthen the microfinance ecosystem
- Enhancing the operational efficiency and institutional capacity of partner organizations



- Expertise in risk management

Technological

infrastructure such as Nimbus and nPOS for efficient loan origination and management.



- Targets underserved individuals, especially in rural and semi-urban areas
- Extends microfinance loans, leveraging the joint liability group (JLG) lending format for social collateral
- Engages in capacity-building activities to enhance the effectiveness and sustainability of microfinance institutions
- Direct lending via Pragati, collaboration with Retail Lending Partners, and engagement with Originator Partners



#### Results

- Disbursement of microloans to individuals and corporates alike
- Facilitation of microfinance operations. primarily via JLG
- Improved financial awareness of clients
- Secure and efficient transactions



- Improved access to financial services
- Expansion of livelihood opportunities and enhanced income
- Reinforced social collateral within communities
- Build resilience against financial shocks

#### **Impact Data Overview for FY 2024**

#### 68

No. of Originator Partners in Microfinance

#### 31

No. of Active Originator Partners in Microfinance









**SDGs Contributed** 

#### 18.55 million

No. of Women Impacted through Microfinance Loans by Originator Partners

## 1.17 million

No. of Women Impacted through Microfinance Loans attributed to Northern Arc

#### MSME Finance

Less than 10% of MSMEs in India have access to formal credit, according to CRISIL, creating a significant opportunity for NBFCs to address this demand. At Northern Arc, we bridge the substantial credit gap in India's MSME sector by extending loans to underserved businesses through our Originator Partners. Our offerings include secured and unsecured small business lending, mid-market financing, and supply chain financing. We utilize cash flow-based underwriting, leverage digital data, and uphold high governance standards.

Our thorough due diligence and periodic risk monitoring ensure borrower progress. Our technology-driven approach, through platforms like Nimbus, streamlines loan processes, facilitating guick disbursements and flexible terms. Additionally, products like Loan Against Property (LAP) enhance financial inclusion by providing flexible financing solutions, boosting credit scores, and supporting business growth.

#### **Theory of Change**



- Bridge the debt gap in India's MSME sector
- Provide formal credit access to underserved MSMEs
- Enhance the growth and sustainability of MSMEs across various industries
- Strengthen supply chain networks through tailored financing solutions



- Financial capital for lending to MSMEs and NBFCs engaged in MSME financing
- Digital data sets including trade flows, banking, taxation information, and credit bureau data for underwriting
- Technology platforms like Nimbus and nPOS for efficient loan management and origination
- Institutional relationships with domestic and offshore credit investors



- Targets MSME businesses either directly or through Originator Partners
- Facilitate diverse funding opportunities including secured and unsecured small business lending, midmarket financing, and supply chain financing
- Employ cash flowbased underwriting and diligent risk monitoring processes
- Utilize a tech-driven approach in branches to streamline loan origination and execution
- Offer Loan Against Property (LAP) products with flexible terms to meet diverse financial needs
- Provide supply chain financing solutions through Nimbus, integrating real-time data and validation



- Increased access to formal credit for MSMEs
- Enhanced financial stability and growth opportunities for **MSMEs**
- Improved creditworthiness and boosted credit scores for borrowers
- Strengthened supply chain relationships through vendor and dealer financing
- Efficient working capital management for businesses via sales and purchase invoice financing



- Substantial progress towards closing the financial inclusion gap in India
  - Sustainable economic growth and job creation within local communities
  - Empowered MSMFs contributing to a more robust and resilient economy
  - Improved social and economic conditions for under-served populations. including marginalized and low-income groups
  - Strengthened financial ecosystems with better governance and transparency standards

#### **Impact Data Overview for FY 2024**

#### 122

No. of Originator Partners in MSME Finance

#### 86

No. of Active Originator Partners in MSME Finance





**SDGs Contributed** 









## 4.08 million

No. of MSME Financed by Small **Business Loan Originator Partner** 

### 1.03 million

No. of MSME Financed through Small **Business Loans attributed to Northern Arc** 





#### **Vehicle Finance**

The vehicle finance industry in India is undergoing a significant transformation driven by changing consumer preferences. According to RBI data from 2023, car loans have surged by 137% over the past three years. The Indian used car financing market is projected to grow at a CAGR of around 11% during the forecast period (2022-2027).

In response to these trends, Northern Arc collaborates with Originator Partners in the

vehicle sector to finance commercial vehicles, two-wheelers, EVs, and related infrastructure for underserved individuals and businesses. Our partners, primarily regional players, focus on lightweight commercial vehicles and three-wheelers, with loans secured by vehicle hypothecation. Our impact-oriented strategy extends to microfinance, small business loans, and clean energy solutions, ensuring accessible, reliable, and sustainable financial services.

#### **Theory of Change**



- Enhance financial inclusion by providing access to vehicle financing for under-served individuals and businesses
- Support the purchase of commercial vehicles, twowheelers, and electric vehicles (EVs), along with related e-mobility infrastructure
- Promote the growth of regional Originator Partners to facilitate vehicle financing
- Foster sustainable economic development by supporting emerging sectors like clean energy and agriculture



- Financial capital and Partnerships in the vehicle sector
- nPOS platform for connecting banks and financial institutions with originators, streamlining loan processes
- Technology platforms like Nimbus for efficient loan management and origination
- Investment strategy focused on impactoriented and returns-focused investments



## **Activities**

- Disburse loans for the purchase of commercial vehicles, twowheelers, and EVs
- Support companies engaged in e-mobility, EV fleet services, EV infrastructure (battery swapping), and last-mile delivery
- Enable financing for used commercial vehicles through regional Originator Partners
- Secure loans by hypothecation of the vehicle, ensuring repossession in case of default



- Increased access to formal credit for under-served individuals and businesses in the vehicle sector
- Growth in the number and value of loans disbursed for vehicle financing
- Enhanced financial inclusion and economic opportunities for borrowers
- Improved operational efficiency and collaboration between banks, financial institutions, and originators via the nPOS platform
- Development and expansion of e-mobility and EV infrastructure



- Significant reduction in the financial exclusion of under-served population
- Economic growth and job creation through the support of commercial transportation and e-mobility sectors
- Strengthened financial ecosystems and increased penetration of financial services in India
- **Empowered** under-served populations with reliable and sustainable financial solutions, fostering inclusive economic development



#### **Impact Data Overview for FY 2024**

#### 50

No. of Originator Partners in Vehicle Finance

#### 29

No. of Active Originator Partners in Vehicle Finance





**SDGs Contributed** 

## 3.39 million

No. of Individuals Enabled with **Vehicle through Originator Partners** 

#### 1.09 million

No. of Individuals Enabled with Vehicle attributed to Northern Arc



#### **Consumer Finance**

Consumer finance is crucial for advancing financial inclusion by offering credit and financial products to low and middle-income individuals. However, limited awareness, complex procedures, and the absence of collateral often expose these customers to unregulated lenders. Addressing this gap, Northern Arc collaborates with financial partners to provide secure credit options. Our digital platforms streamline these processes, ensuring accessibility and simplicity.

The solutions provided by Northern Arc under Consumer Finance include:



Consumer durable loans



Personal loans



Salary Advances



BNPL financing for products and services available through both online and offline channels

#### **Theory of Change**



- Providing access of services to low- and middle-income individuals
- Enhance the digital consumer payment ecosystem through innovative financing options
- Prevent customers from being vulnerable to unregulated lender



- Options of durable loans, personal loans, and buy-nowpay-later financing
- Collaboration with Originator Partners, leveraging digital sourcing

nPOS platform

for streamlined loan origination, underwriting, and disbursement processes



#### Targets underserved individuals,

especially in rural

and semi-urban

Provide seamless technology platforms along with easy documentation

process

areas

- Provide services such as insta loans, salary advances, zero interest payments, unsecured personal loans etc.
- Facilitating debt raising for Originator Partners through



#### Results

- Disbursement of loans to individuals within TAT
- Facilitation of disbursement with the help of investee
- Improved financial awareness of clients
- Secure and efficient transactions



- Improved access to financial services
  - Opportunities for flexible financing options
  - Reinforced social collateral within communities
  - Protect from unregulated lenders

## 40

No. of Originator Partners in the **Consume Finance Sector** 

**Impact Data Overview for FY 2024** 

#### 31

No. of Active Originator Partners in the Consume Finance Sector



**SDGs Contributed** 

#### **110.02** million

No. of Individuals Impacted by Consumer **Finance through Originator Partners** 

## 17.03 million

No. of Individuals Impacted through Consumer Finance attributed to Northern Arc









#### **Affordable Housing Finance (AHF)**

Despite numerous players in India's housing finance sector, penetration in Tier II and Tier III regions remains limited. Northern Arc aims to bridge this gap by offering access to capital for individuals facing challenges in sourcing loans from housing finance companies due to complex documentation and income proof requirements. Through our partnerships with Originator Partners

and housing finance companies, we provide lending solutions to self-employed and salaried borrowers for various purposes such as purchasing residential properties, home improvements, and extensions. Our goal is to empower individuals with essential financial services and the knowledge to utilize them effectively.

#### **Theory of Change**



- Providing access to affordable housing finance to tier II and tier III regions
- Strengthen the financial ecosystem
- Aligning with on providing affordable housing to lowincome groups and weaker section
- Facilitate home purchases. improvements and extensions for selfemployed and salaried borrower segments

(40)



- Financial resources
- Collaboration with housing finance companies
- Technological infrastructure like Nimbus and nPOS for effective origination and management of loan



- Targets underserved individuals, especially in rural and semi-urban areas
- **Empowering** women by providing home loans to them in semi-urban areas
- Providing loans for residential property, home improvement and extensions.
- Smooth and quick documentation process including for people without any income verification document



- Disbursement of loans to individuals and underserved communities
- Increasing number of women borrowers in rural and semiurban areas
- Improved financial awareness of clients

Secure and

transactions

efficient



- Improved access to financial services and inclusive economic growth
- Contributing to the national goals of housing for all
- Enhanced social connection and community development in affordable housing projects.
- Enhancing community infrastructure and living condition

#### **Impact Data Overview for FY 2024**

#### 35

No. of Originator Partners in Affordable Housing Finance

#### 17

No. of Active Originator Partners in Affordable Housing Finance





**SDGs Contributed** 

#### 100k+

No. of Individuals Facilitated with Affordable **Housing Finance through Originator Partners** 

## 31,000+

No. of Individuals Facilitated with Affordable Housing Finance attributed to Northern Arc









#### **Agriculture Supply Chain Finance**

In 2022, Northern Arc ventured into the supply chain finance sector with the aim of catering to the evolving financial needs of the sector with optimal credit solutions. A crucial element of these services is assisting farmers with funds required to manage and optimize their supply chain, including finances

required for seeds, equipment, transportation, and storage facilities. Partnering with Originator Partners enables us to extend post-harvest services and financing across agriculture and related sectors, benefiting low-income individuals.

#### **Theory of Change**



- Financial Inclusion for the underserved agricultural and allied segments
- Strengthen the financial ecosystem for commodity warehousing and receipt financing
- Support postharvest services and financing for sustainable agricultural practices



- Financial resources and expertise in credit assessment
- Technology platforms nPOS and Nimbus - for efficient loan origination and
- Sectoral knowledge and understanding of credit requirements

management



Tailored supply chain finance as per the borrower's

needs

- Targets underserved individuals including farmers in rural and semi-urban areas
- Providing postharvest support, seeds, equipment, transportation and storage facilities for the low-income group
- Financing agricultural activities and allied segment



- to post-harvest financing and services for farmers and agricultural
  - Improved credit assessment and risk management in agricultural finance

businesses

- Inclusion of the underserved segment
- Seamless digital platforms for execution and management of supply chain



- Increased access Greater financial inclusion and support for underserved agricultural sector
  - Strengthened agricultural supply chains through better post-harvest services.
  - Sustainable agricultural development and increased productivity.
  - Enhanced economic resilience and growth in rural areas.



No. of Originator Partners in **Agriculture Supply Chain** 

No. of Active Originator Partners in Agriculture Supply Chain

**Impact Data Overview for FY 2024** 





**SDGs Contributed** 

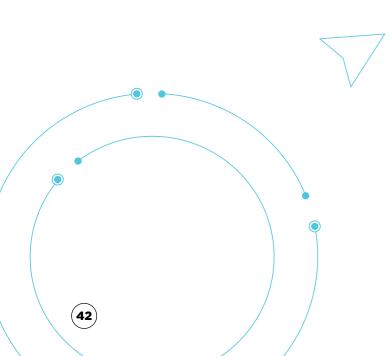
## 43.000+

No. of borrowers enabled with Agriculture Supply **Chain Finance through Originator Partners** 

## 15,000+

No. of borrowers Impacted with Agriculture Supply Chain Finance attributed to Northern Arc













# **Environment**

#### **Overview**

Northern Arc Capital Limited is dedicated to environmental responsibility and the global fight against climate change. Acknowledging the severe threat climate change poses to economies, ecosystems, and communities, and supported by scientific evidence from the Intergovernmental Panel on Climate Change, we recognize that human activities drive climate change through greenhouse gas emissions. We are committed to mitigating these risks by aligning our practices with the goal of limiting global warming to below 2°C, ideally 1.5°C, to safeguard the environment and human life.

#### **Northern Arc's Initiative**

**Recycling of E-Waste** 

12.5

By 2030 substantially reduce waste generation through prevention, reduction, recycling and reuse.



#### **Commitment to Environment**

We are committed to adopting environmentally sound practices that promote sustainability across our entire value chain. Our operations, financing, and employees actively support eco-friendly initiatives. We adhere to the highest standards of environmental compliance, ensuring we meet all applicable laws and regulations while implementing best practices that underpin our business operations.

#### **Energy Efficiency and Water Management**

Northern Arc's corporate offices are in IGBC or LEED-certified eco-friendly buildings, featuring sustainable design with natural lighting to boost energy efficiency and also implement rainwater harvesting and wastewater recycling to reduce freshwater demand, aiming to minimize our environmental impact and set a standard for responsible business practices.

#### **Resource Efficiency**

We are committed to digitalizing operations to minimize paper use and reduce our environmental footprint. This digital transformation enhances efficiency, conserves resources, and supports sustainability by streamlining processes and reducing waste.

#### Waste Management

Northern Arc responsibly manages its e-waste, generated from operations, by partnering with a State Pollution Control Board (SPCB)-authorized dismantler who processes it according to NIST 800-88 Standards. We report e-waste quantities to the SPCB via the Annual Return

in Form 3 under the E-Waste (Management) Rules, 2016. For FY 2024, we generated 220 units of e-waste which were recycled through authorized vendors. This practice reflects our commitment to environmental stewardship and regulatory compliance.





# **People and**

# Community

#### **Overview**

At the heart of our organizational ethos lies our priority to have a respectful, fair and performance-driven work culture and an impact-oriented Corporate Social Responsibility (CSR) program. We are inclined towards building a diverse and inclusive workspace anchoring on the pillars of fair and dignified treatment. Our employee development programs and a robust human resources leadership structure are key elements of our growth strategy. Our values are centered on making meaningful contributions to the communities we operate in, extending to our CSR interventions as well.

#### **Northern Arc's Initiative**

**Build capacity to enhance** employees' knowledge and skills for better business performance



By 2030 ensure all learners gain the knowledge and skills to support sustainable development. This includes education on sustainable living, human rights, gender equality, peace and non-violence, global citizenship, and cultural diversity.

#### **Empower women in** leadership positions



Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

#### Provide a safe working environment for employees with fair compensation and benefits



By 2030 achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

## and non-discrimination and uphold human rights

Promote equal opportunity



Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

#### Prohibition of child labor and forced labor



Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms.

#### Adoption and adherence to non-discrimination policy

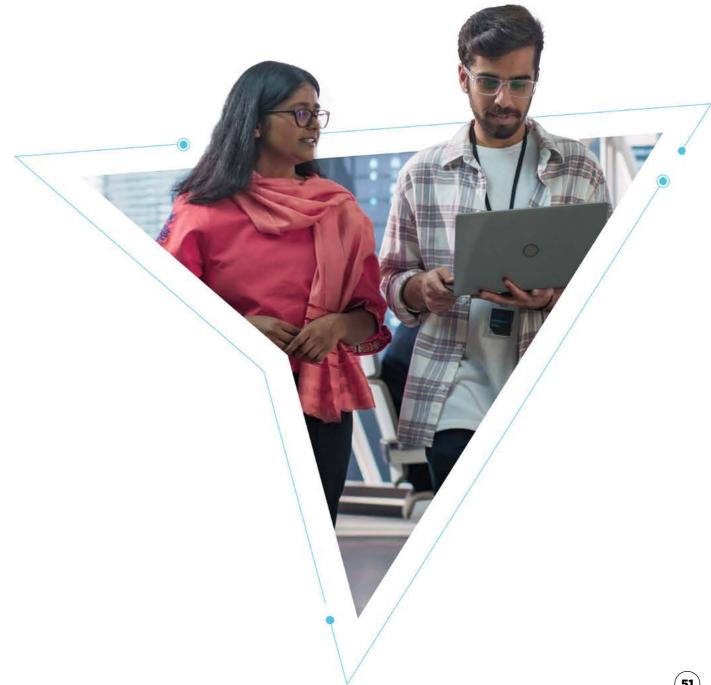


16.b

Promote and enforce nondiscriminatory laws and policies for sustainable development

## **Human Capital**

Northern Arc's success is driven by our dedicated employees, who are central to our achievements. We foster a work environment that helps individuals reach their full potential while ensuring safety and security. Our commitment to employee growth includes comprehensive induction and development programs, supported by an advanced Learning Management System. We continuously refine our HR practices to promote agility, inclusivity, and equality, earning us the 'Great Place to Work' certification. We attract young talent through campus recruitment and enhance employee engagement through effective performance management. Our holistic approach is designed to nurture and value our employees.





## **Diversity and Inclusion**

We promote an inclusive work culture where every individual is valued, respected and supported, thereby contributing to our collective success. With measures such as our Diversity, Equity and Inclusion Policy; and Equal Opportunity Policy, we have cultivated a vibrant culture that embraces employees from diverse backgrounds and unique skill sets. Our vision is to foster a respectful environment that leverages diverse perspectives to drive innovation. We are dedicated to consistently enhancing an inclusive workplace that ensures fair opportunities for all.

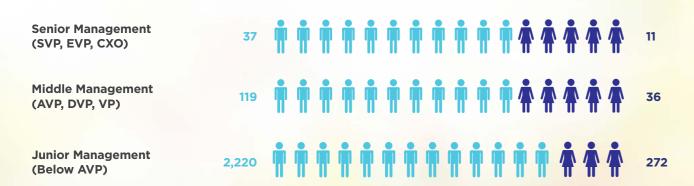
## **Diversity by Operation**







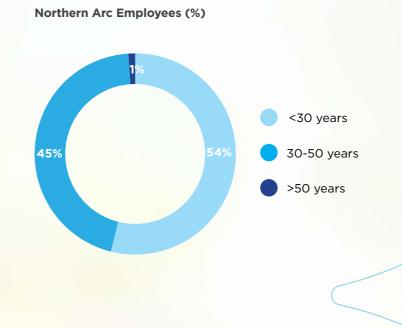
#### **Diversity by Grade**



## **Diversity of New Hires**



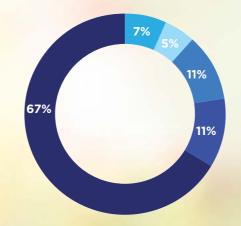
#### **Diversity by Age**



### **Diversity by Geography**











#### **Commitment to Human Rights**

Northern Arc is deeply committed to upholding human rights, starting with our employees. Our endeavors to enable and protect rights at work are guided by the International Labor Organization's Declaration on Fundamental Principles and Rights at Work and the International Finance Corporation's Performance Standards 2: Labor and Working Conditions. Our employee policies, procedures, and training programs comply with these principles.



#### Child Labor and Forced Labor

We strictly prohibit child labor and only employ individuals who meet legal age requirements. We have a zero-tolerance policy for forced labor and modern slavery.



#### Health and Safety

We are committed to providing a safe, healthy, and hygienic work environment, free from violence, harassment, and unsafe conditions.



#### Human Dignity

We promote respect and dignity in the workplace, supporting open communication, work-life balance, and professional growth.



#### Freedom of Association

Employees are free to exercise their right to freedom of expression and form associations for collective bargaining without fear of retaliation.



#### Non-Discrimination

We enforce a zero-tolerance policy towards unlawful discrimination and harassment, ensuring fairness in all employment aspects. No discrimination complaints were reported in FY 2024.



#### Prevention of Sexual Harassment

We aim to eliminate sexual harassment and maintain a respectful workplace. The Internal Complaints Committee (ICC) handles grievances under our Prevention of Sexual Harassment Policy. No incidents were reported in FY 2024.



#### Grievance Redressal

We encourage an empowered workforce to address and resolve human rights issues. Employees can approach HR for grievances, while customers can contact the Grievance Redressal Officer for concerns. We resolved 91 customer complaints in FY 2024.





#### **Employee Wellbeing**

We are steadfast in fostering a culture that prioritizes the wellbeing of our employees, encompassing their financial, social, mental, emotional, physical, and professional needs. To support their work-life balance and overall health, we offer a comprehensive range of benefits.

#### **Benefits to Our Employees**



#### Work from Home

Employees have the option to work from home when needed.



#### Compensatory Off

Employees who work on non-working days can take compensatory time off within 90 days.



#### Array of Leaves

Various leave types are provided, including Privilege Leave (PL), Sick Leave (SL), Casual Leave (CL), Maternity/Paternity Leave, Adoption Leave, and Compassionate Leave.



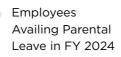
#### Leave Travel Allowance

Employees are eligible for a Leave Travel Allowance of one month's basic salary annually for travel with dependents, offering potential tax benefits.



#### Parental Leave

Employees are entitled to maternity leave as per legal requirements and also provide time off for new fathers to support their families (paternity leave). The parental leave availed by the number of people stated above totals 848 days. We have secured 100% return to work and retention rate for FY 2024.



Female Male

8

Employees Returning to Work after Availing Parental Leave as on March 31, 2024

**Female** 

4

8

Male

## Post-Employment Benefits

We offer post-employment benefits to ensure our employees' financial security:

**Defined Contribution Plan:** Our contribution to the provident fund is based on the services rendered by our employees.

Defined Benefit Plans: We also offer defined benefit plans such as gratuity. The net obligation for these plans is calculated annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, it is limited to the present value of economic benefits available in the form of any future refunds or reductions in future plan contributions.



## Other Benefits

We also provide the following to our employees:

**Compensated Absences:** Employees can carry forward a portion of their unutilized accrued compensated absences and use them in future service periods or receive cash compensation.

**Short-term Employee Benefits:** These benefits include performance incentives and compensated absences expected to occur within twelve months after the end of the year in which the employee renders the related service.



## Insurance and Safety

We provide our employees with competitive health insurance coverage. Employees can avail reimbursements for annual health check-ups.

To further enhance safety, medical kits are available at all our offices as per Environmental, Health, and Safety (EHS) requirements. The administration team keeps a record of in-office accidents in a safety register, ensuring that safety is a top priority.

#### **Employee Performance Management**

The company has a sound performance management process for its employees to enable us to recognize their productivity and achievement to ensure attaining the strategic objective of the organization. The performance management is supplemented by annual performance appraisal that is driven by key result areas (KRAs) and SMART (Specific, Measurable, Achievable, Relevant, Time-Bound) goals. For FY 2024, 100% of our employees, who were found eligible for the annual performance appraisal, underwent the evaluation process.



Northern Arc values continuous learning as essential for keeping our employees agile and well-equipped. We are dedicated to cultivating a learning and development culture to prepare our workforce for the evolving business landscape. Our learning approach includes classroom programs, external training, certifications, and e-learning, accommodating various organizational levels and preferences. This variety ensures effective and accessible learning. We offer targeted programs to equip employees with the skills and knowledge needed for their roles. Induction training covers company policies, social safeguards, and compliance topics such as POSH, InfoSec, and Anti-Money Laundering, organized by our compliance team. Specialized training in Compliance and Insider Trading is also provided based on job functions.

We facilitate subject-specific training by experts and encourage development in soft skills and leadership through programs at top business schools. Our knowledge-sharing initiatives, introduced in FY 2022 and continuing through FY 2024, foster a collaborative learning environment. Our comprehensive learning programs address a wide range of topics, including Knowledge Sharing Series on PTC & DA, Guarantee Backed Products, and workshops like the Accelerating Sales Workshop. Employee development is central to our growth strategy, ensuring our team remains agile and capable in a dynamic business environment.





Our workplace philosophy focuses on employee engagement to drive motivation and productivity. We believe that fostering a strong connection to the organization enhances motivation, which in turn encourages employees to inspire their colleagues and strengthens overall commitment to our mission and vision. Employees play a crucial role in providing insights into Northern Arc. They share their needs and expectations through anonymous surveys conducted by third-party agencies like the Great Place to Work Institute, India. We also facilitate direct engagement through town hall meetings and the 'Ask HR' forum for addressing concerns.

Our dedication to cultivating a positive work culture has earned us recognition as a 'Great Place to Work' in the 'small and mid-size organization' category from January 2021 to January 2024. This recognition reflects our ongoing commitment to an inclusive work environment. Our employee recognition programs, including the Northern Arc Star Awards, celebrate individual achievements and contributions. We also honor employees through events on birthdays, festivals, work anniversaries, and other special occasions. We strive to create an inclusive environment that values and celebrates the diverse perspectives and talents of our team members.



#### **Community Engagement**

Since our inception, we have worked toward contributing to our society's well-being through social development and environmental enhancement. Creating positive impact in the communities we serve is deeply ingrained in our business values. Northern Arc Capital's Corporate Social Responsibility interventions are carefully aligned with Schedule VII of the Companies Act, 2013, and are implemented through our subsidiary, Northern Arc Foundation. The Foundation has been instrumental in driving our social impact programs and our CSR programs are guided by our CSR Policy.

#### The Corporate Social Responsibility Projects of FY 2024

#### Skill Development & Digital Literacy for Livelihood and Support for the Elderly

Implementing Organization: Vama Charitable Trust

**About the project:** Vama Charitable Trust's mission is to enhance the socio-economic status of village communities through interventions in health, education, social welfare, and livelihood. The Trust is also involved in the promotion of education and digital literacy among the socially and economically disadvantaged children and youth in rural parts of South Tamil Nadu—Tirunelveli, Tuticorin, Tenkasi and Virudhunagar, Tamil Nadu.

In the past year, they have conducted professional courses including chartered accountancy, company secretaryship, and cost and management accountancy, providing career coaching to assist youth in future employability. Additionally, vocational training programs in cooking skills were provided to individuals who passed high school with average or below-average grades and to individuals with disabilities, helping them set up small cafés near local schools and colleges. A community kitchen was set-up to provide nutritious mid-day meals to about 60 elderly people during weekdays and 180 on weekends. Furthermore, medical support and basic household needs assistance was extended to their doorstep.



#### **Beneficiaries:**

Project Name	Elder Care	Educate to Employ
Total No. of	Direct - <b>5,440</b>	Direct - <b>431</b>
Beneficiaries	Indirect - 4,000	Indirect - <b>1,200</b>
	(including family members and others)	(including family members and others)

#### **SDGs Contributed:**



#### 2.1

By 2030 end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.



#### 3.4

By 2030 reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.



#### 4.3

By 2030 ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

#### 4.4

By 2030 substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.



#### 8.5

By 2030 achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

#### 8.6

By 2030 substantially reduce the proportion of youth not in employment, education or training.



#### **Educate the Underserved Children**

Implementing Organization: The Society for Doorstep School

About the project: The Society for Doorstep School caters to the educational needs of the underserved children in the slums and street sites through programs like Balwadis (preschool education), study classes (supporting first generation school goers) and non-formal education classes (educating out of school children). Education is taken to the 'doorstep' of the often-forgotten children living on streets and pavements through the School on Wheels project. With the contribution of Northern Arc, The Society for Doorstep School organized pre-primary programs (Balwadis) for underprivileged children Mumbai's slum communities. These programs include activities such as (i) providing pre-school preparation for children aged 3 to 6, acting as a preventive measure against child labor and illiteracy, (ii) enrolling these children in formal schools and supporting their continued education, and (iii) initiating the learning process and fostering a habit of learning among the children.

#### **Beneficiaries:**

Served 434 children in the slums of Mumbai.

#### **SDGs Contributed:**



(60)

#### 4.1 By 2030

ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

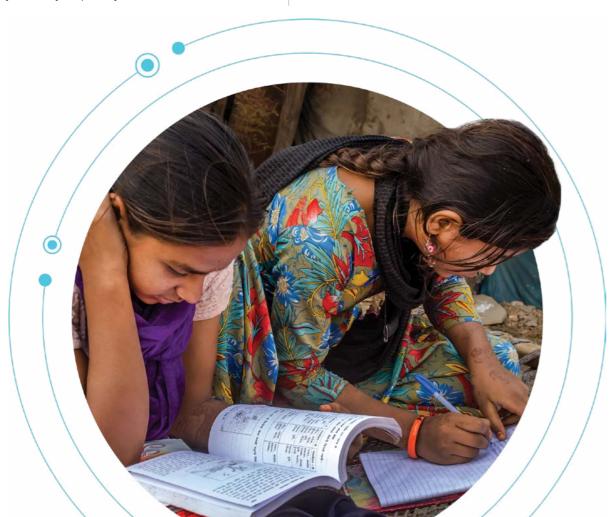
#### 4.2 By 2030

ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.



#### 10.2

By 2030 empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.



#### **Nutritional Programs for Cancer Affected Children**

Implementing Organization: Cuddles Foundation

**About the project:** Cuddles Foundation is India's only NGO dedicated to helping children combat cancer through holistic nutrition. They have partnered with top government hospitals and charity cancer treatment centers to address the nutrition gap in Indian childhood cancer care. Through their FoodHeals® program, they provide year-round holistic nutrition support to children and their families in 40+ hospitals across India. Enabled by Northern Arc's CSR funds, Cuddles Foundation successfully provided holistic nutritional support to children fighting cancer at St John's Hospital in Bengaluru and ration support to children and their families across 8 hospitals.

#### **Beneficiaries:**

560 children received holistic nutritional support and239 families were supported through the ration program.

#### **SDGs Contributed:**



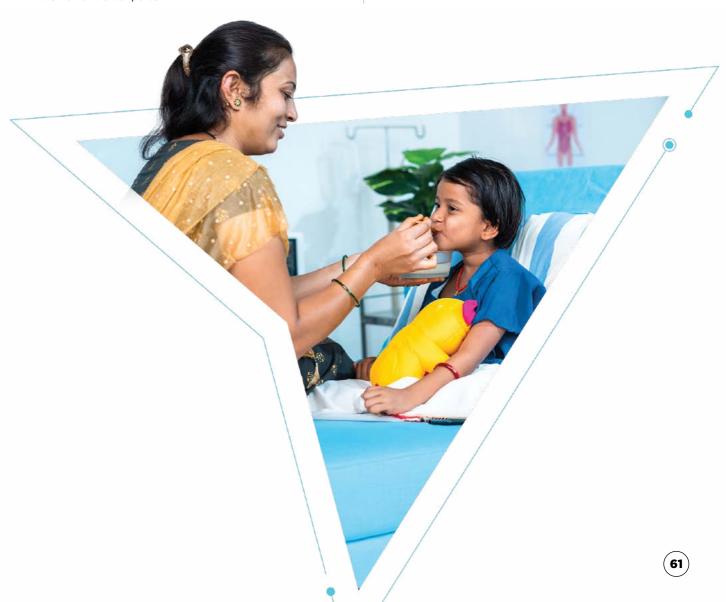
#### 22

By 2030 end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.



#### 3.4

By 2030 reduce by one third premature mortality from noncommunicable diseases through prevention and treatment and promote mental health and well-being.



#### **Educate the Underserved Children**

Implementing Organization: Swadha Foundation

About the project: Swadha Foundation focuses on rural education, aiming to support economically disadvantaged students in achieving higher education. Their assistance enables students to graduate and secure employment, thereby improving their families' economic conditions. Many of the students they support are first generation graduates in their family. The fund received from Northern Arc's CSR Program were allocated toward (i) payments of tuition fee and related expenses, (ii) after-college skill development through hybrid learning at Swadha Foundation's centers, supplemented by laptops and smartphones provided by the Foundation, and (iii) providing accommodation, meals, and stipends for the students supported by Swadha Foundation.

#### **Beneficiaries:**

#### **60 students**

#### **SDGs Contributed:**



By 2030 ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

#### 4.2

By 2030 ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.



By 2030 Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.



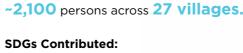
By 2030 empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

## **Aid for Medical Treatment**

Implementing Organization: Ashwini Public Charitable Trust

About the project: Ashwini Public Charitable Trust is engaged in providing medical aid for treatment of poor & disadvantaged people across 27 villages located proximal to Eravanchery Village of Thiruvarur District in the State of Tamil Nadu. The fund received from Northern Arc's CSR Program were utilized towards treating major skin related medical conditions / diseases such as scalds i.e. skin damage due to burns, fracture radius, varicose veins, injuries and other major skin issues requiring prolonged treatment and other common problems.

#### **Beneficiaries:**







(63)







Our corporate governance practices are deeply rooted in the ideals of ethics, virtue, and transparency, permeating every aspect of our value chain. With the support and guidance of our fervent leadership team, Northern Arc upholds these values to foster a culture of accountability and integrity for all its stakeholders. Championing the trust and confidence of our stakeholders is pivotal to our collective success.

# Corporate

# Governance

#### **Overview**

Corporate governance at Northern Arc Capital Limited ensures transparency, accountability, and ethical decision-making. Our approach goes beyond compliance, reflecting our core philosophy and influencing all operations and stakeholder relationships. Central to our governance is a commitment to integrity and fairness. The diverse Board of Directors oversees strategic decisions, promoting inclusivity and balanced decisionmaking. Transparency is vital; we provide timely, accurate updates on financial performance and risks, with regular meetings facilitating direct dialogue with investors. Our financial reporting adheres to the highest standards, ensuring reliable information for stakeholders

#### **Northern Arc's Initiative**

Ethical conduct of business with zero tolerance to bribery

16.5

Substantially reduce corruption and bribery in all their forms.

Transparency in disclosure of company's performance and compliance with regulatory requirement

16.5

Develop effective, accountable and transparent institutions at all levels.

Enhancing governance and oversight of organizational function

**16.7** 

Ensure responsive, inclusive, participatory and representative decision-making at all levels.



#### **Governance Structure**

Our strong ethical reputation is built on rigorous governance, risk management, and operational excellence. Corporate governance is central to our sustainability strategy, shaping our culture, policies, and stakeholder relationships. We emphasize a proactive approach, grounded in resoluteness, empathy, ethics, innovation, and responsiveness. Northern Arc aims to deliver reliable financial access while maintaining transparency and accountability. Our esteemed Board upholds effective governance through transparency, fairness, and unbiased decision-making.

#### **Board of Directors**

At Northern Arc, we believe the Board of Directors is crucial for effective corporate governance. The Board defines the Company's strategic direction, approves major initiatives, and assesses factors and risks impacting long-term performance. Its key role is to oversee and ensure the Company's sustained growth and success.

#### **Composition of the Board**

The Board of Directors at Northern Arc adheres to SEBI Listing Regulations, the Companies Act, 2013, and RBI guidelines. It is composed of ten distinguished professionals with expertise in various sectors, including finance, IT, risk management, ESG, and policy development. The Board features a balanced mix of Executive, Non-Executive, Independent, and women Directors.





Mr. P.S. Jayakumar
Role: Independent Director
and the Chairman of the Board

Age: 62 Years

Years of Experience: 30 Years

Northern Arc's Board: 3 years 7 months

Mr. P.S. Jayakumar is the Non-Executive Independent Director and Chairman of the Board, appointed on October 15, 2020. With over 30 years of experience across banking and financial services, Mr. Jayakumar has held positions including Managing Director and CEO of Bank of Baroda and Head of Consumer Banking for India and the Asia Pacific region at Citibank. As an entrepreneur, he co-founded Value Budget Housing Company and Home First Finance Ltd. He is a Chartered Accountant and holds a Master's degree in Commerce from the University of Madras and a Postgraduate Diploma in Business Management from XLRI.



Mr. Ashish Mehrotra

**Role:** Managing Director and Chief Executive Officer

Age: 55 Years

**Years of Experience:** 25 Years **Northern Arc's Board:** 

Northern Arc's Boar 2 years 2 months Mr. Ashish Mehrotra is the Managing Director and CEO. He joined on July 1, 2021, was appointed to the Board on February 14, 2022, and became MD and CEO on April 1, 2022. He brings over 25 years of experience in Retail and Commercial Banking, Wealth Management, and Insurance. Prior to joining Northern Arc, he served as the MD and CEO of Niva Bupa Health Insurance and as the Managing Director and Head of Retail Banking at Citibank India. He has a Master of Business Administration degree.



Dr. Kshama Fernandes

**Role:** Non-Executive Vice Chairperson

Age: 55 Years

Years of Experience: 25 Years

Northern Arc's Board: 11 years 10 months Independent Director and Vice-Chairperson of our Company and serves as the executive chairperson of our subsidiary, NAIM, since April 1, 2022. She joined the Board on August 1, 2012, and was re-designated as a Non-Executive Director on April 1, 2022. She has over 25 years of experience in management, risk advisory, and academia. Dr. Fernandes has also served as our Chief Risk Officer and Managing Director. She is a certified financial risk manager (GARP). She holds a BSc, an MSc, and a PhD in management studies from Goa University.

Dr. Kshama Fernandes is the Non-Executive Non-



Ms. Anuradha Rao

Role: Independent Director

Age: 64 Years

Years of Experience: 36 Years

Northern Arc's Board:

4 years 7 months

Ms. Anuradha Rao is a Non-Executive Independent Director, re-appointed to the Board on October 31, 2022. With around 36 years in banking and finance, she has significantly contributed to the State Bank of India and served as MD and CEO of SBI Funds Management Private Limited. She holds an MSc in Physics from the University of Hyderabad and a BSc from Osmania University.



Mr. N.T. Arunkumar

Role: Independent Director

Age: 54 Years

Years of Experience: 20+ Years

Northern Arc's Board:

2 years 3 months

Mr. N.T. Arunkumar is a Non-Executive Independent Director, appointed on February 14, 2022. He has previously worked with ITC Limited, Pepsico India, Bahwan Cyber Technologies, Polaris Software, OrbiTech Solutions, Citibank N.A., D&B TransUnion, and Dun & Bradstreet. He holds a BSc from St. Joseph's College, Bharathidasan University, and a postgraduate diploma in personnel management from XLRI Jamshedpur.



Mr. Ashutosh Arvind Pednekar

Role: Independent Director

Age: 58 Years

Years of Experience: 30+ Years

Northern Arc's Board:

3 years 8 months

Mr. Ashutosh Arvind Pednekar is a Non-Executive Independent Director of our Company and was appointed to the Board on September 14, 2020. He has been a practicing chartered accountant for over 30 years. He holds a bachelor's degree in commerce from H.R. College of Commerce and Economics, University of Rombay



Mr. Michael Fernandes

**Role:** Non-Executive Nominee Director (Nominated by Leapfrog)

Age: 54 Years

Years of Experience: 20 Years

Northern Arc's Board: 10 years 2 months

Mr. Michael Jude Fernandes is a Non-Executive Nominee Director, appointed on March 28, 2014. With about 20 years in consulting and investing, he co-leads LeapFrog's investments in South and Southeast Asia. He has previously served as an executive director at Khazanah India Advisors, and on the boards of IDFC Limited and Apollo Hospitals and was an executive director at Piramal Enterprises. He was also a partner at McKinsey & Co, specializing in healthcare and consumer sectors across South and Southeast Asia. He holds a BSc from the University of Calcutta and a postgraduate diploma from IIM Calcutta.



Mr. Vijay Chakravarthi

**Role:** Non-Executive Nominee Director (Nominated by Augusta)

Age: 48 Years

Years of Experience: 20 Years

Northern Arc's Board:

6 years 4 months

Mr. Vijay Nallan Chakravarthi is a Non-Executive Nominee Director of our Company and was appointed to the Board on January 19, 2018. He is currently a Managing Director at Affirma Capital India and formerly was an Executive Director of private equity at Standard Chartered Bank. He is involved with Affirma's investments in certain portfolio companies. He holds a Master of Business Administration degree from the J. L. Kellogg School of Management, Northwestern University, a Master of Science from Ohio State University and Bachelor of Engineering degree from the University of Madras.



Mr. T.S. Anantharaman

**Role:** Non-Executive Nominee Director (Nominated by IIFL)

Age: 75 Years

Years of Experience: 30 Years

Northern Arc's Board: 1 year 3 months Mr. Anantharaman T.S. is a Non-Executive Nominee Director, appointed on February 9, 2023. He has previously worked with CSB Bank Limited, Motilal Oswal Financial Services, St. Thomas College, and the International Labour Office (UN). He has received multiple Lifetime Achievement Awards, including from Businessonline (2019), Thrissur Management Association (2016), and JEMECE (2014). He holds a bachelor's degree in commerce from the University of Kerala (Faculty of Commerce) and is a member of the Institute of Chartered Accountants of India.



236 years

Overall experience of the Board of Directors

58 years

Average age of the Board of Directors

22% Female
78% Male
Gender Diversity



#### **Appointment of the Board**

Northern Arc's Board of Directors is selected based on the 'Fit and Proper Policy' set by the Reserve Bank of India. Directors with significant expertise and experience are appointed to guide the organization effectively. The Nomination & Remuneration Committee assesses their suitability, and induction programs are provided to ensure a thorough understanding of their roles.

#### **Declaration of Independence**

In accordance with Section 149(7) of the Act, 2013, all independent directors have confirmed their compliance with the independence criteria under Section 149(6) and affirm their independence from management. Their appointment terms are detailed in the 'Terms and Conditions of Appointment as Independent Directors' document. All independent directors are registered with the Independent Directors' data bank of the Indian Institute of Corporate Affairs and hold an Independent Director Registration Certificate.

#### **Gender Diversity of the Board**

Going beyond regulatory compliance, we value the contribution and achievements of our gender diverse board of directors. Ms. Anuradha Rao, our Independent Director, and Dr. Kshama Fernandes, our Non-Executive Non-Independent Director and Vice Chairperson, play key leadership roles in the management of Northern Arc Capital Limited.

#### Performance Evaluation of the Board

The Board of Directors evaluates the performance of independent and non-independent directors based on criteria set by the Nomination & Remuneration Committee. This evaluation informs decisions on the extension or continuation of their appointments. The Board also assesses the performance of the Chairperson, incorporating feedback from both Executive and Non-Executive Directors. Evaluation criteria include:



Understanding of the Company's business and strategic contribution.



Attendance and participation in Board meetings.



Timely and effective feedback on Board materials.



Interpersonal relations with the Board and management.



Adherence to ethical standards and disclosure of non-independence.

#### **Committees of Board of Directors**

Board Committees, operating under the Board's authority, enhance efficiency and manage the Board's time effectively. Each Committee focuses on specific areas, making decisions within set limits and providing recommendations to the Board. Their decisions and suggestions are presented to the Board for information or approval.

Committees	P.S. Jayakumar	Ashish Mehrotra	Kshama Fernandes	Anuradha Rao	N.T. Arunkumar	Ashutosh Pednekar	Michael Fernandes	Vijay Chakravarthi	T.S. Anantharaman
Risk Committee	+	+	+	+			<b>*</b>	<b>*</b>	+
Audit Committee	+			+	+	+		<b>*</b>	+
Nomination & Remuneration Committee	+			<b>*</b>			<b>*</b>		
IT Strategy Committee		+		+	*				
Finance Committee		+	+						
IPO Committee	+					+	<b>*</b>	<b>*</b>	
Stakeholders' Relationship Committee		+	+	*			<b>*</b>		
CSR Committee		+	+			*	<b>*</b>		
ESG Committee		+	+			<b>*</b>	<b>*</b>		

♦ Committee Member ♦ Chairperson of the Committee



#### **Ethics and Integrity**

Northern Arc is committed to conducting business with the highest levels of professionalism and integrity. Our ethical standards are governed by policies for both the Board of Directors and employees, who receive annual training on these guidelines. These policies are regularly reviewed and updated to ensure compliance and best practices. Upholding ethical conduct is essential to our corporate governance framework, influencing both internal behavior and interactions with clients and partners. The policies that administer our ethical business conduct with integrity are:

# **Code of Conduct for Directors** and **Senior Management**

Our Code of Conduct ensures Directors and senior management adhere to the highest ethical standards, including responsible use of Company assets, confidentiality, and a zero-tolerance policy for gifts or conflicts of interest. Members must report unethical conduct, and Independent Directors are required to maintain objectivity. Compliance is managed by a designated officer and enforced by the Board, with the Audit Committee reviewing conflicts and violations

# **Internal Guidelines on Corporate Governance**

The guidelines, based on the Non-Banking Financial Companies Corporate Governance (Reserve Bank) Directions, 2015, stress a strong governance structure with a diverse Board of Directors, including executive, non-executive, independent, and women directors. They emphasize the Board's role in policy formulation, strategic guidance, and maintaining transparency and accountability. Regular meetings, compliance with the Companies Act, 2013, and thorough reviews uphold our high standards of corporate governance and ethical practices.



**(72**)

# Nomination and Remuneration Policy

The Nomination and Remuneration Policy, in compliance with Section 178 of the Companies Act 2013, outlines the criteria for appointment and removal of Directors, KMPs, and Senior Management, ensuring they meet the fit and proper criteria. It also details the remuneration policy for directors, KMPs, senior management, and other employees, and emphasizes the importance of training directors to maintain high standards of corporate governance.

#### **Related Party Policy**

We ensure compliance with the Companies Act, 2013, and RBI Directions, 2016, on related party transactions. Our policy mandates transparent management, requiring timely approval, disclosure, and reporting. The Audit Committee reviews transactions quarterly, with material ones needing approval from both the Committee and shareholders. Non-routine transactions are referred to the Board, and prior approval is required for transactions with wholly-owned subsidiaries.

#### **Code of Conduct**

We uphold ethical business practices and an inclusive work environment. Our code emphasizes equal opportunity, celebrating diversity while enforcing zero tolerance for discrimination and harassment. It ensures a safe, respectful workplace and sets strict guidelines on securities transactions and confidential information, prohibiting misuse of insider information. Our code fosters a positive workplace culture through trust, open communication, and teamwork.

#### **Code of Conduct for Collections**

We ensure fair and respectful treatment of all customers, including those in default. Our code provides guidelines for employees and agents involved in collections, emphasizing respect, dignity, and courtesy. It covers practices such as avoiding misrepresentation, prohibiting gifts or bribes, maintaining professional conduct during visits, and ethical marketing. The aim is to build customer confidence and foster long-term relationships.

# **Anti-Bribery and Anti-Corruption Policy**

Northern Arc enforces a strict Anti-Bribery and Anti-Corruption (ABC) Policy for all employees, subsidiaries, and business associates. The policy bans bribery, corruption, and unapproved political contributions, and requires disclosure of charitable donations. Violations result in disciplinary actions, including termination. The policy mandates employee training, annual compliance certification, and communication of our zero-tolerance stance to third parties. Compliance is monitored by the Compliance Officer under the Audit Committee's oversight. No political contributions were made by Northern Arc in FY 2024.

# Vigil Mechanism and Whistleblower Policy

Northern Arc's Vigil Mechanism and Whistle-blower Policy promotes ethical behavior, transparency, and integrity. It allows personnel and stakeholders to report unethical or illegal activities confidentially and without retaliation. The policy ensures protection for whistle-blowers and outlines disciplinary actions for substantiated violations, while not protecting malicious allegations. Regular reviews and alignment with legal standards reflect our commitment to high governance. No whistle-blowing events were reported in FY 2024.

# **Know Your Customer and Anti-Money Laundering Policy**

Northern Arc's Know Your Customer (KYC) and Anti-Money Laundering (AML) Policy aligns with RBI's Master Directions and is regularly updated. The policy aims to prevent misuse of services for money laundering by implementing robust customer due diligence. Accounts are categorized by risk level, with enhanced scrutiny for highrisk accounts. We monitor transactions, maintain audit trails, and train employees while educating customers on KYC and AML standards.

#### **Compliance Policy**

Northern Arc's Compliance Policy underscores our commitment to high ethical standards and legal adherence. It outlines the responsibilities of the Board and Senior Management in overseeing Compliance Risk, including the establishment of a compliance function and Chief Compliance Officer (CCO). The policy ensures the compliance function operates independently to avoid conflicts of interest and mandates the CCO's authority to consult external experts for advice, inspections, and audits, supporting regulatory compliance and fostering a culture of adherence.

## **Approach to Taxation**

Northern Arc is committed to responsible tax practices and efficient tax management. We ensure compliance with tax laws to minimize disputes and refunds. Tax oversight is handled by the Chief Financial Officer and Finance Controller, with regular reviews and disclosures of financial results. Our tax management is audited internally and by statutory auditors, with oversight by the Audit Committee. Any issues can be reported through our Vigil Mechanism and Whistleblower Policy.



# Risk Governance and Management

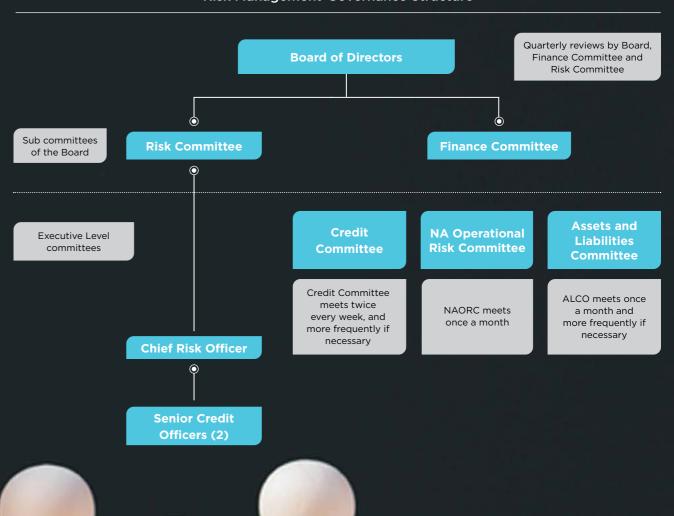
We've crafted a specialized risk management system to address sector-specific challenges in our diverse portfolio. Our Enterprise Risk Management framework meets regulatory standards and integrates an ESG risks framework aligned with global sustainability goals. Our approach features a skilled team and an independent governance structure. The Board of Directors oversee the risk management, supported by the Risk Management Committee for effective oversight and the Asset Liability Committee for liquidity and fundraising. The Board-approved Enterprise Risk Management Framework directs our strategy.

The CEO ensures the integrity of financial reports and the effectiveness of risk management and internal controls. We regularly update our policies and systems to stay current with market trends. In line with RBI regulations, our Internal Capital Adequacy Assessment Policy (ICAAP) covers risks, including climate risks, to determine necessary capital reserves, and we proactively manage significant business risks.



Company's Risk Governance Structure is depicted in the figure below:

#### **Risk Management-Governance Structure**



## **Enterprise Risk Management (ERM) Framework**

In a complex business environment, it's crucial to identify, assess, manage, and monitor opportunities and risks. The Board has set a risk appetite statement defining the main risk boundaries for the Company and providing metrics that reflect the cumulative impact of these risks. Our Enterprise Risk Management (ERM) framework examines these risks in detail, assessing their sources, management strategies, and

monitoring methods. A key focus is on business continuity, particularly in critical areas. This involves regular assessments to ensure the organization can effectively handle emergencies and disruptions. By continuously testing and updating contingency plans, the ERM team helps the organization stay agile and safeguard operations, thereby protecting stakeholder value.

## **Principal Risks of Northern Arc Capital Limited**

Risk Identified	Credit Risk	Liquidity Risk	Operational Risk	Reputational Risk	Conduct Risk	Information Technology and Information Security Risk	Strategic Risk	Regulatory Risk
Estimated Financial Implications	We are exposed to the risk of defaults in our lending and investment operations which may impact our profitability and cash flows.	A funding gap risks our capital reserves and causes dependence on cost of funds to mitigate the gap.	Inadequate systems, failure of implementation or failed internal processes can cause operational loss incidents that lead to financial losses.	Negative markets and stakeholders, such as customer perception can affect our brand value, business relationships and sources of funding.	Our employees' conduct impacts our stakeholder relationships and compliance with RBI regulations on fair practices code including client rights, true and correct marketing, and ethical product design.	Data privacy and security risks can put our confidential information and client's personal information at risk.	Certain business decisions or an inability to respond to industry changes can impact our capital.	Non-conformance with applicable laws and regulations will cause imposition of penalties or levy of sanctions resulting in material financial and reputational loss.
Risk Mitigation Approach	Our independent credit risk monitoring team evaluates and recommends onboarding Originators/ borrowers and transactions based on Board-approved guidelines and product criteria. The team continuously monitors credit exposures through field inspections and performance reviews. Credit approvals are handled by the Credit Committee or designated approvers, involving thorough financial, legal, and technical assessments. We manage portfolio risk using tools such as credit limits by counterparty, sector, geography, and product type, and conduct regular stress tests and use proprietary models. We also assess credit concentration with the Herfindahl-Hirschman Index.	We monitor our liquidity profile on a static and dynamic basis. Our Assets and Liabilities Committee tracks liquidity positions across time buckets in both steady and stress scenarios. We have established mitigation plans such as Contingent Liquidity structured as per stress cashflow scenario.	We strive for stringent implementation of our operational processes. We mitigate operational risk by planning, mapping and managing internal processes and controls for all products, and functions in the organization. Process automation, wherever feasible, is also a key tool in managing operational risk. Policies and standard operating procedures (SOPs) have been designed to detect and prevent key operational risks. Operational risks. Operational risks is mitigated by implementing suitable IT and manual controls to prevent frauds, identify and manage critical third-party vendors and outsourced activities.	We assess vulnerabilities based on factors such as market perception, corporate governance, CSR, and legal impact. Potential and actual reputational risk incidents are escalated to the senior management, including the CEO for appropriate action and mitigation. Identified issues are placed before senior management to undertake appropriate evaluation and action.	Our exhaustive Code of Conduct implemented by our Board Committee on client experience and timely response to grievances raised by clients ensures that we manage our stakeholder relationships efficiently and effectively.	A strong data protection policy and robust information security systems are implemented and monitored by skilled professionals led by our Chief Information Security Officer. Risk is assessed in terms of governance, control framework, monitoring and testing.	We self-assess our strategic risk following a scorecard approach that factors in various parameters based on their criticality to compute the capital charge.	Our Compliance team, staffed with skilled professionals, tracks a calendar of returns to ensure rigorous and timely adherence to internal and external audits as per regulatory mandates. The Compliance team also closely tracks any new regulatory prescriptions and assesses the same for potential impact on the Company's operations. The Company has a Chief Compliance Officer who provides independent advice to the Company's Management and Board.

# **Business Continuity and Disaster Management Plan**

Our Business Continuity and Disaster Recovery Plan ensures the continued operation of critical systems and effective recovery from failures. It ensures our ability to maintain performance and effectively re-establish or replace any system that fails under adverse circumstances. It outlines our approach to resuming operations based on Recovery Time Objectives (RTO), reflecting the importance of each application and infrastructure. The plan is regularly reviewed, updated, and tested through drills and third-party audits. A senior leadership team oversees the plan, managing incidents and coordinating communication with internal and external stakeholders

#### **ESG Risk Governance**

Integrating ESG principles offers a competitive advantage in the financial services sector by attracting a diverse range of investors and stakeholders. At Northern Arc, we prioritize responsible lending by incorporating ESG considerations into our decisions, guided by our ESG Policy. This policy outlines a risk-based approach to evaluating ESG risks based on global frameworks.

We encourage our investee companies to adopt best practices for ESG issues, enhance their value, and ensure compliance with customer protection norms and fair practices in our partnerships. This includes effective complaint resolution and respectful borrower treatment. Additionally, we assess companies using gender indicators, aiming to advance gender equality through our financing practices.

#### **ESG Committee**

The governance of ESG at Northern Arc is instituted through a Board level ESG Committee to enhance the Board's oversight on ESG matters. This committee is bestowed with the responsibility to guide, monitor, and evaluate the ESG issues that are material to Northern Arc's business operation. The committee ensures that the Company has the requisite governance structure to realize its objectives on the ESG strategy and roadmap. They review and recommend reports to the Board on matters in relation to the ESG, and support in improving the company's ESG disclosure to effectively demonstrate the group's commitment to its stakeholders. The committee meets twice a year, and as often as required.

# **Environmental and Social Management System**

Northern Arc has adopted an Environmental and Social Management System (ESMS) in accordance with our ESG Policy which provides the underlying framework for integrating environmental and social aspects into our credit and investment approval process. The Board approved ESMS serves as the guiding tool for the relevant functions/department involved in the credit approval process, with regard to E&S due diligence, risk assessment and categorization, documentation, and monitoring and evaluation. The ESMS has been developed based on IFC Financial Institutions: Resources. Solution and Tools (FIRST) guidelines and the IFC Performance Standards. The borrowers of Northern Arc are evaluated on multiple E&S parameters for assessing the E&S risks. The teams involved in implementation and execution of the ESMS are provided training as part of the organization's capacity building practice.



# **Customer** -

# Centricity

At Northern Arc, we place paramount importance on customer-centricity, embedding it deeply within our operations and culture. Northern Arc Capital offers a comprehensive suite of financial products and services tailored to meet the diverse needs of businesses across various sectors.

# **Designing Efficient and Customer Centric Products**

We develop customized financing solutions for our Originator Partners using our extensive network of over 306 financial institutions to provide reliable funding. Our rural financing arm, Pragati, delivers seamless lending experiences through a wide range of digital financial products. Our partnershipbased approach emphasizes responsible lending and customer-focused outcomes. We also offer tailored credit solutions for MSME growth capital needs, including flexible Loan Against Property (LAP) products with higher loan amounts and competitive rates. Additionally, we provide customized credit solutions for enterprise supply chains. Our proprietary Nimbus platform ensures efficient and convenient access to financing, enhancing customer satisfaction throughout their financial journey.

# Dignified and Respectful Treatment

We assess product suitability by understanding our clients' financial situations and explaining terms clearly. Our underwriting guidelines ensure responsible pricing to avoid over-indebtedness, and we provide clients with the support needed to make informed decisions while maintaining a respectful, non-discriminatory experience. We actively gather and use customer feedback to improve our services. Clients can address any grievances with our Grievance Redressal Officer, whose contact information is provided on our website and in loan documents. We expect our Originator Partners to maintain high professional standards and effective grievance handling. Our aim is to prioritize customer needs, fostering loyalty and mutual success

## **Data Security and Privacy**

As a digital financial services platform, we manage extensive personally identifiable information (PII) and confidential data from borrowers, partners, and third parties. Protecting this data is a top priority, with robust measures in place to prevent unauthorized access, cyber-attacks, and misuse. Our Chief Information Security Officer (CISO) leads our security efforts, supported by a Privacy Policy that ensures data is used only as consented by users. We do not share customer data with third parties without explicit consent, and users can address privacy concerns through our grievance redressal mechanism. Our IT Policy covers asset accountability, information security, cybersecurity, and IT services outsourcing. The IT Strategy Committee oversees our technology landscape, monitoring performance to ensure a strong

## **Governing Client Experience**

Our policies and practices are reviewed and implemented by our Management Committees on Client Experience and Product Governance. The Committee on Client Experience reviews new products and services to ensure they meet the standards of Client Protection. Principles of Client Protection and Rights are crucial to Northern Arc's policies and processes. Our Code of Conduct and Fair Practices Code are centered on the fundamentals of Client Protection Principles.



# **GRI Content**



## Statement of use

Northern Arc Capital Limited has reported the information cited in this GRI content index for the FY 2024 (1st April 2023 to 31st March 2024) with reference to the GRI Standards.

#### **GRI 1 used**

GRI 1: Foundation 2021

GRI Standard	Disclosure	Location (Sections)
	2-1 Organizational details	Page No.: 10 - 17
	2-2 Entities included in the organization's sustainability reporting	Page No.: 05
	2-3 Reporting period, frequency and contact point	Page No.: 05
	2-6 Activities, value chain and other business relationships	Page No.: 14 - 17; Page No.: 18 - 25
	2-7 Employees	Page No.: 52 - 57
GRI 2: General Disclosures 2021	2-9 Governance structure and composition	Page No.: 66 - 69
Disclosures 2021	2-10 Nomination and selection of the highest governance body	Page No.: 70
	2-11 Chair of the highest governance body	Page No.: 68
	2-12 Role of the highest governance body in overseeing the management of impacts	Page No.: 71 ; Page No.: 79
	2-13 Delegation of responsibility for managing impacts	Page No.: 78 - 79
	2-14 Role of the highest governance body in sustainability reporting	Page No.: 79





GRI Standard	Disclosure	Location (Sections)
	2-15 Conflicts of interest	Page No.: 72
	2-16 Communication of critical concerns	Page No.: 54; Page No.: 72 - 73; Page No.: 80 - 81
	2-17 Collective knowledge of the highest governance body	Page No.: 66 - 69; Page No.: 71
	2-18 Evaluation of the performance of the highest governance body	Page No.: 70
GRI 2: General	2-19 Remuneration policies	Page No.: 72
Disclosures 2021	2-20 Process to determine remuneration	Page No.: 72
	2-22 Statement on sustainable development strategy	Page No.: 04; Page No.: 06 -09
	2-23 Policy commitments	Page No.: 54 - 55; Page No.: 58; Page No.: 72 - 73; Page No.: 78; Page No.: 80 - 81
	2-24 Embedding policy commitments	Page No.: 54 - 55; Page No.: 58; Page No.: 72 - 73; Page No.: 78; Page No.: 80 - 81
	2-25 Processes to remediate negative impacts	Page No.: 54; Page No.: 72 - 73; Page No.: 80 - 81
GRI 2: General	2-26 Mechanisms for seeking advice and raising concerns	Page No.: 54; Page No.: 72 - 73; Page No.: 80 - 81
Disclosures 2021	2-29 Approach to stakeholder engagement	Page No.: 22
	2-30 Collective bargaining agreements	Page No.: 54;



<b>GRI Standard</b>	Disclosure	Location (Sections)
	3-1 Process to determine material topics	Page No.: 23
	3-2 List of material topics	Page No.: 23
	201-2 Financial implications and other risks and opportunities due to climate change	Page No.: 76 - 77
GRI 3: Material	205-2 Communication and training about anti-corruption policies and procedures	Page No.: 73
Topics 2021	207-1 Approach to tax	Page No.: 73
	306-2 Management of significant waste-related impacts	Page No.: 47
	306-3 Waste generated	Page No.: 47
	401-1 New employee hires and employee turnover	Page No.: 52
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page No.: 55

GRI Standard	Disclosure	Location (Sections)
	401-3 Parental leave	Page No.: 55
	403-1 Occupational health and safety management system	Page No.: 54
	403-5 Worker training on occupational health and safety	Page No.: 54
	404-2 Programs for upgrading employee skills and transition assistance programs	Page No.: 56 -57
GRI 3: Material Topics 2021	404-3 Percentage of employees receiving regular performance and career development reviews	Page No.: 56
	405-1 Diversity of governance bodies and employees	Page No.: 52 - 53; Page No.: 6 - 70
	413-1 Operations with local community engagement, impact assessments, and development programs	Page No.: 28 -43; Page No.: 58 - 63
	415-1 Political contributions	Page No.: 73



Notes **Notes** 

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