

# ESG Policy

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| <b>Document Name: ESG Policy</b> |                           |
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| <b>Approved By:</b>              | <b>Board of Directors</b> |
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# 1. ABOUT IIFL FINANCE

IIFL Finance Limited (IIFL Finance), incorporated in 1995, is among India's most trusted financial services providers. The Company, along with its subsidiaries IIFL Home Finance and Samasta Microfinance, is focused on retail lending. Our product portfolio comprises Home Loans, Gold Loans, Digital Loans including Loan against Property and MSME Financing, Microfinance, Developer & Construction and Capital Market Finance. Our products and services are aimed at fulfilling customers' financial aspirations, offering them a superior experience and sustainable value. Our Company has a nationwide presence with a thriving network of over 4,000 branches across the country.

## 2. DEVELOPMENT OF ESG POLICY

### 2.1 PURPOSE

Our Company's ESG policy is based on the concept of sustainable development. As we expand our loan products and services, it becomes essential for us to incorporate the principles of triple bottom line wherein we empower people, planet, and profit.

The key objective of the policy is to incorporate ESG factors into our strategy and operations, risk management and governance process, and our lending portfolio.

We are committed to utilizing our products to:

- Create positive social and environmental impacts
- Provide access to financial services to the underserved
- Mitigate ESG risks
- Reduce the environmental footprint of our operations
- Cascade ESG practices across our business partners and other supply chain partners

Our ESG policy also aims to communicate our approach of ESG integration to our stakeholders.

### 2.2 APPLICABLE ESG GUIDELINES AND STANDARDS

We have aligned our ESG policy with the following international standards and principles.

- UN Principles for Responsible Investing (UNPRI)
- International Financing Corporation (IFC) Performance Standards
- World Bank Group's General Environment, Health and Safety (EHS) Guidelines
- Sustainable Development Goals (SDGs)
- World Federation of Exchanges (WFE) ESG Metrics
- CDC Code of Responsible Investing
- Global Reporting Initiative (GRI)
- Committee of Sponsoring Organizations (COSO) Enterprise Risk Management

### 3. OUR FOCUS AREAS

Materiality assessment is the process of determining the ESG topics that matter most to a company and its stakeholders. It is the first step to ESG integration and provides a list of topics that informs a company’s strategy, targets & commitments, and reporting. In 2021, IIFL Finance undertook a process to identify its material ESG issues. Following steps were completed as a part of the exercise:

- Review of peer companies and broader sectoral trends to identify ESG issues that may be material to IIFL Finance
- Stakeholder consultations with employees to determine which ESG issues are most relevant to both external stakeholders and to the Company’s core business strategy
- Development of a materiality matrix with issues weighted, prioritized and plotted
- Review of the matrix with the senior management

The output of this exercise was a list of 16 material ESG topics which have been categorized into 7 focus areas.

| Focus area                         | Key objectives  |
|------------------------------------|---|
| 1) Economic growth                 | <ul style="list-style-type: none"> <li>• Enhance our stakeholder returns by achieving steady financial performance year-on-year</li> <li>• Maintain our credit ratings and return ratios</li> <li>• Incorporate ESG risks into our existing enterprise risk management framework</li> <li>• Leverage the findings of materiality assessment and stakeholder engagement to identify ESG risks and issues relevant to business and stakeholder interests</li> </ul>   |
| 2) Sustainable financing           | <ul style="list-style-type: none"> <li>• Integrate material ESG considerations within our lending processes and products</li> <li>• Continue to develop and deliver products and programs (e.g.: Kutumb) that have a positive social and environmental impact</li> <li>• Continue to serve the underserved segments in the country through our small ticket-sized loans</li> <li>• Prohibit dealing with any borrowers or vendors who are engaged in the business or trade of any product or activity deemed to be illegal under the laws or regulations in force in India and national and international conventions</li> <li>• Apart from risks to our operational decisions, we also aim to integrate ESG risks into our lending activities</li> </ul> |
| 3) Governance and ethical behavior | <ul style="list-style-type: none"> <li>• Promote sound corporate governance practices, ethical standards, and comply with the laws of the land</li> <li>• Disclose our strategy to all stakeholder groups (internal and external), and report our progress annually</li> </ul>  |

|                              |   |
|------------------------------|---|
|                              | <ul style="list-style-type: none"> <li>• Incorporate ESG aspects into our policies and practices, assess our performance through a robust internal ESG governance structure, and report on such performance in a comprehensive manner using established standards/frameworks</li> <li>• Our strategy and objectives shall consider the impact of ESG related risks</li> </ul>   |
| 4) Serving our customers     | <ul style="list-style-type: none"> <li>• Continue to provide affordable, accessible and customized financial products and services to the country's underserved segments</li> <li>• Continue to promote financial inclusion and literacy, especially among the vulnerable groups by introducing innovative products and services</li> <li>• Embrace digitalization to empower our customers and make customer interaction more efficient</li> <li>• Ensure transparent, clear and representative communication and branding around our offerings</li> </ul> |
| 5) Nurturing our workforce   | <ul style="list-style-type: none"> <li>• Continue to work on attracting, retaining, and developing diverse talent and build good relations with them by providing equal opportunities for personal and professional growth, respecting their rights, and focusing on employee well-being</li> <li>• Inculcate an ESG mindset among our employees by enhancing their awareness and on ESG issues, including responsible financing</li> </ul>   |
| 6) Community relationships   | <ul style="list-style-type: none"> <li>• Play a significant role in making a difference to the health, education, and livelihoods of people in our communities by investing in these causes through our corporate social responsibility initiatives</li> <li>• Continue to undertake initiatives for fostering financial literacy in the community</li> </ul>   |
| 7) Environmental stewardship | <ul style="list-style-type: none"> <li>• Monitor and improve our environmental performance by taking actions to minimize the environmental impact of our operations as well as our lending portfolio</li> <li>• Energy Efficiency and conservation</li> <li>• Reduced GHG Emissions</li> </ul>  |

**3.1 ENVIRONMENTAL MANAGEMENT**

The following steps will be taken

1. We support the precautionary approach to environment management, which strives to anticipate and prevent potential environmental degradation

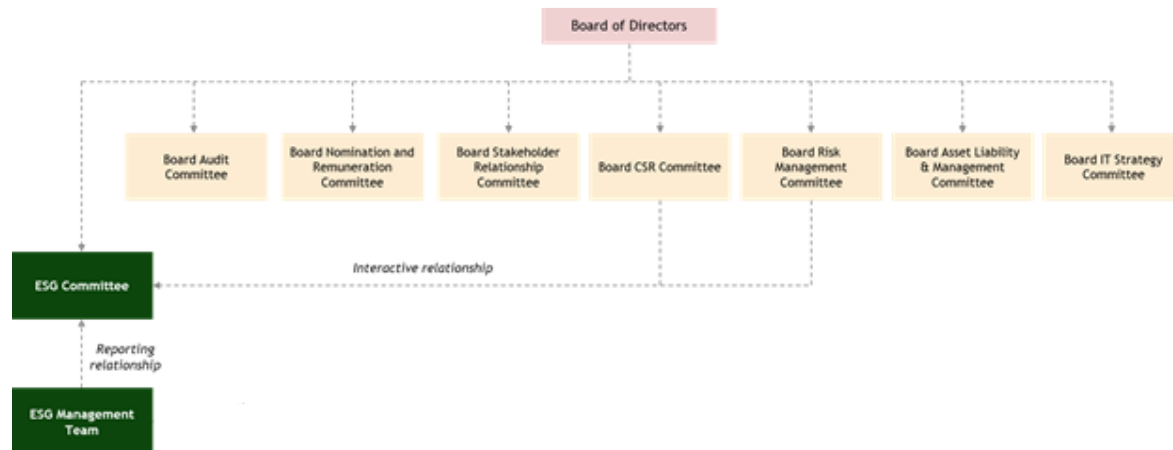
2. We will endeavor to pursue the best practices in environment management, including energy efficiency, recycling and waste reduction. We seek to form business relations with partners, suppliers and subcontractors who follow similar high environment standards
3. We intend to update our practices periodically to incorporate relevant developments in environmental management. We encourage the industry to undertake research in these and related areas.
4. We recognize the need to conduct internal environment reviews on a periodic basis and to measure our activities against our environment goals.

## 4. SCOPE OF THE ESG POLICY

The ESG policy will serve as a guiding document for all ESG initiatives and activities undertaken by IIFL Finance and its subsidiaries. It shall also cover our business partners, and supply chain partners.

## 5. GOVERNANCE STRUCTURE

We recognize that for the ESG policy to be properly integrated, effective governance structure must be implemented. This will help ensure accountability, appropriate controls, and transparency. IIFL Finance has a dedicated ESG Committee which meets regularly to discuss a range of ESG issues. The aim of these discussions is to steer ESG integration throughout the company and monitor performance. The committee also includes members of the Board and the senior management.



We have established a cross-functional ESG Management team, which interacts with department heads at the holding company as well as subsidiaries regularly. The ESG Management Team is responsible for identifying and implementing ESG programs, with clear objectives and targets that contribute to the seven focus areas.

## 5.1 ROLES AND RESPONSIBILITIES

|                     |   |
|---------------------|---|
| Board of Directors  | <ul style="list-style-type: none"><li>• Endorse ESG policy statements and provide strategic oversight</li><li>• Take a note on the presentation and minutes of ESG committee</li></ul>  |
| ESG Committee       | <ul style="list-style-type: none"><li>• Provide guidance and approve ESG strategy and roadmap</li><li>• Review unified disclosures on ESG performance</li><li>• Monitor progress of ESG initiatives and their impact</li></ul>  |
| ESG Management Team | <ul style="list-style-type: none"><li>• Develop ESG strategy and roadmap</li><li>• Identify and implement ESG activities</li><li>• Work with cross functional teams across holding company and subsidiaries to gather data, identify focus</li><li>• Drive internal communication on ESG factors between management and employees</li></ul> |

## 6. REPORTING ESG PERFORMANCE

We publish an annual Business Responsibility and Sustainability Report in line with the regulations of SEBI to highlight our performance against the National Guidelines on Responsible Business Conduct. We also publish a Sustainability Report annually, streamlining our non-financial performance on a consolidated basis. Both the reports will be available in the public domain and an archive of annual reports will be available on the website. Our reporting is aligned with the Global Reporting Initiative (GRI) Standards, Sustainability Accounting Standards Board, and the Sustainable Development Goals. We will also seek third-party assurance on our ESG disclosures to demonstrate reliability and credibility of the information disclosed.

## 7. REVISION

The policy will continue to evolve over time to reflect changing community expectations, stakeholder feedback, or regulatory requirements. The Board/Management will review this ESG policy periodically and revisions/amendments shall be done, if deemed necessary and shall follow all mandatory internal procedures of the Company.



## ANNEXURE – PROHIBITIONS LIST

IIFL Finance commits to ensure that funds will not be used to finance the following type of activities:

- Production and distribution of pornographic material
- Manufacture and marketing of banned drugs
- Dealing in narcotics
- Stand-alone manufacture and marketing of gutkha and tobacco
- Production of, trade in, or distribution of controversial weapons (cluster bombs, anti-personnel mines, nuclear, chemical, or biological weapons)
- Dealing in banned wildlife related products
- Production or trade of wildlife or products regulated under CITES
- Polluting industries unless the units have clearance from pollution control authorities and have installed effluent treatment plants
- Setting up of new units consuming/producing Ozone Depleting Substances (ODS) such as chlorofluoro carbon (CFC), Halons and units manufacturing aerosol products using CFCs as specified in the 1999 Montreal Protocol on Substances that Deplete the Ozone Layer
- Production or trade of radioactive materials (excluding medical equipment, quality control (measurement) equipment and any equipment in which the radioactive source could reasonably be considered to be trivial or adequately shielded)
- Standalone Casino, and Gambling / Betting in any form
- Production or trade in radioactive materials
- Activities causing adverse human rights impact including child labor, forced labor, and human trafficking
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans

The Company will also not engage with any business partner, supplier, or vendor who are engaged in such activities