



SOCIAL FINANCING FRAMEWORK

IIFL Finance Limited April 2025



Document Name : Social Financing Framework	
Version	1
Reviewed By	Sheetal Agarwal
Approved By	ESG Committee, Board of Directors
Effective Date	April 2025
Review Frequency	Annual

Sr No.	Contents	Page No.
1.	ABOUT IIFL FINANCE	1
2.	ESG MISSION	2
3.	SOCIAL FINANCING FRAMEWORK	4
4.	SCOPE OF THIS FRAMEWORK	11
5.	REVISION	11
6.	ANNEXURES	11



IIFL
FINANCE



1. ABOUT IIFL FINANCE

IIFL Finance Limited (IIFL Finance/IIFL/The Company), incorporated in 1995, is among India's most trusted financial services providers. The Company, along with its subsidiaries IIFL Home Finance and IIFL Samasta Finance, is focused on retail lending. Its product portfolio comprises Home Loans, Gold Loans, MSME Loans - Secured and Unsecured, Microfinance, Construction & Real Estate Finance and Capital Market Finance. Its products and services are aimed at fulfilling customers' financial aspirations, offering them a superior experience and sustainable value. Over the past several years, the company has diversified its products and expanded its presence into segments that are of greater relevance to the evolving business environment and customer demand trends. IIFL's key strategy is to steadily grow high quality, diversified retail assets focusing on the under-banked segments, with effective risk management and cost optimization through well-defined processes and leveraging technology. As of December 31, 2024, IIFL's consolidated Assets Under Management (AUM) was ₹71,410 Crore, serviced through a thriving network of over 4,800 branches across the country.



**HOME
LOANS**



**GOLD
LOANS**



**MSME
LOANS**



**MICRO
FINANCE**



**CAPITAL MARKET
FINANCE**



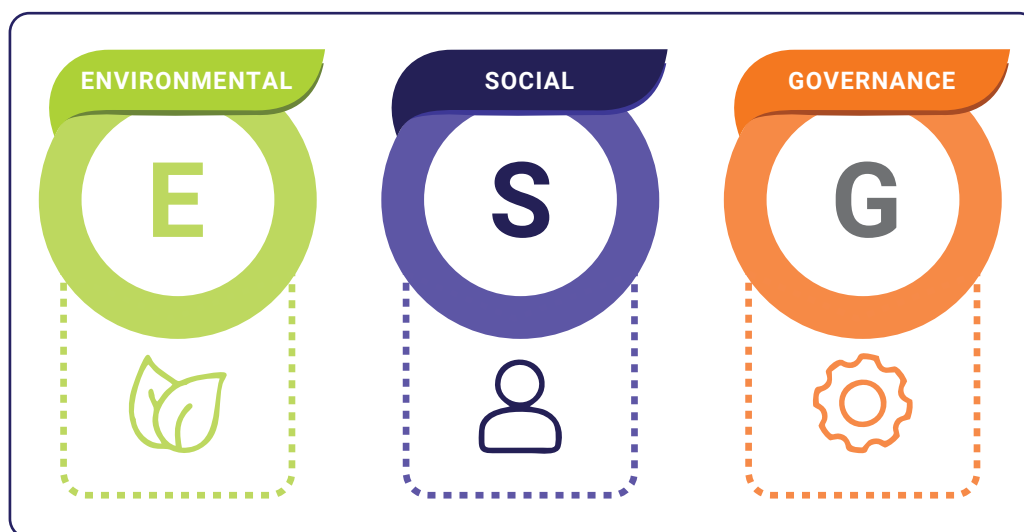
**CONSTRUCTION AND
REAL ESTATE FINANCE**

2. ESG MISSION

Gold loans market in India is largely unorganized with majority borrowers seeking support from unorganized lenders charging higher interest rates and exploitative underwriting and collection practices. Currently, organized lenders form 35% of the total gold loan market in India^{1,2}. During FY 2023-24 (till September 2023), total assets under management (AUM) of the gold loan industry is estimated at about ₹2.5 trillion, of which gold loan NBFCs formed 61%³. As Banks and well-governed NBFCs enhance focus on gold loans, there is significant potential to bring a large number of borrowers within the ambit of formal lending.

Similarly, Micro Small and Medium Enterprises (MSMEs) in India seem to be perennially short of growth capital, and hence, unable to reach their full potential. Of the 64 million MSMEs in India, only 14% have access to credit, as compared to over 30% in developed countries⁴. As technology continues to revolutionize the lending sector, several NBFCs and fintechs are evolving strong credit underwriting mechanisms with robust risk management processes. There is significant scope to enhance formal lending to this segment.

The microfinance industry in India extends micro credit to borrowers who have traditionally turned to unorganized lenders for their funding needs. These borrowers belong to the vulnerable sections of the society and need loans of smaller ticket size. The MFI market in India is estimated to grow to ₹5.4 Lakh Crore - ₹12.3 Lakh Crore (by March 31, 2026) from ₹2.85 Lakh Crore at present⁵.



¹Source: Crisil NBFC report 2022, IIFL Estimates

²Source: World Gold Council Report

³Source: <https://www.crisilratings.com/en/home/newsroom/press-releases/2024/01/market-share-of-gold-loan-nbfc-steady-despite-bank-competition.html>

⁴Source: Avendus Capital report

⁵Source: Source: MF India Microfinance Review 2021-22, MF India Micrometer March, 2023 issue

Right since its inception, IIFL Finance has focused on contributing to the agenda of financial inclusion by catering to the under-banked and under-served sections of the society. A lot of them are unable to take formal credit due to factors such as lack of proper documentation, unpredictable income and so on. The trend seems to be changing now for the better. The Company has developed robust systems to lend to the new-to-banking, underserved borrowers by keeping a firm check on asset quality. In IIFL's gold loan business, 61% of the borrowers earn annual income of ₹1-2 Lakh, while 20% of the borrowers earn less than ₹1 Lakh per annum. 13% of gold loan borrowers' annual income falls within ₹2-3 Lakh. Of the active customers of the Company's gold loan business, 27% are women (as on December 31, 2024).

For the company's MSME (as defined by India's Micro, Small and Medium Enterprises Development Act 2006, which is a category under Reserve Bank of India's priority lending sector) business, 92.4% of borrowers have annual turnover of less than ₹50 Lakh. Money raised through the Company's gold loans and MSME loans (Secured/Unsecured) is used to meet the borrowers' working capital as well as capital expenditure needs; enabling them to enhance their business and contribute to the overall economic growth as well.

IIFL Samasta Finance is among the top two NBFC-MFI companies in India and has served over 2.8 Million customers (as on December 31, 2024). About 100% of the company's MFI loans are given to women borrowers/co-borrowers (as on March 31, 2024). Most of these women are based in semi-urban and rural regions of India. Further, the company plays a pivotal role in rural hygiene enhancement by offering sanitation and water loans (SAJAL). These loans facilitate essential needs, such as tap water access and toilet construction. The company helps further the agenda of financial inclusion in India by catering to the marginalized sections of the society.

IIFL Foundation, the umbrella organization which undertakes CSR activities of IIFL Group companies supports marginalized sections of the society in the areas of HELP (Health, Education & Environment, Livelihood and Poverty alleviation). Refer to the annexure 2 for details about these projects. From providing foundational numeracy and literacy to out-of-school girls, to conducting skill-based training for youth in the areas of banking, hospitality sectors and making them ready for employment to extending scholarships to deserving students from the weaker strata of the society, IIFL Foundation is making a noticeable difference within its communities. By doing so, IIFL Foundation is contributing to the achievement of several Sustainable Development Goals (SDGs), including Gender Equality (SDG 5), Reduced Inequalities (SDG 10), No Poverty (SDG 1), Quality Education (SDG 4), and Good Health and Well-being (SDG 3).

3. SOCIAL FINANCING FRAMEWORK

IIFL Finance has developed a Social Financing Framework under which the Company and its subsidiaries can issue Social Financing Instruments (“SFI”) including, inter alia, social bond(s), loan(s), private / public placement(s) and any other debt financing instruments including securitization and debentures, both domestic or offshore, to finance or refinance a portfolio of new and/or existing eligible loans (henceforth referred to as “Eligible Social Loans”) at an individual entity level to promote responsible lending. IIFL Finance’s subsidiaries may also leverage on this Social Financing Framework or alternatively, refer to their own framework, whenever relevant.

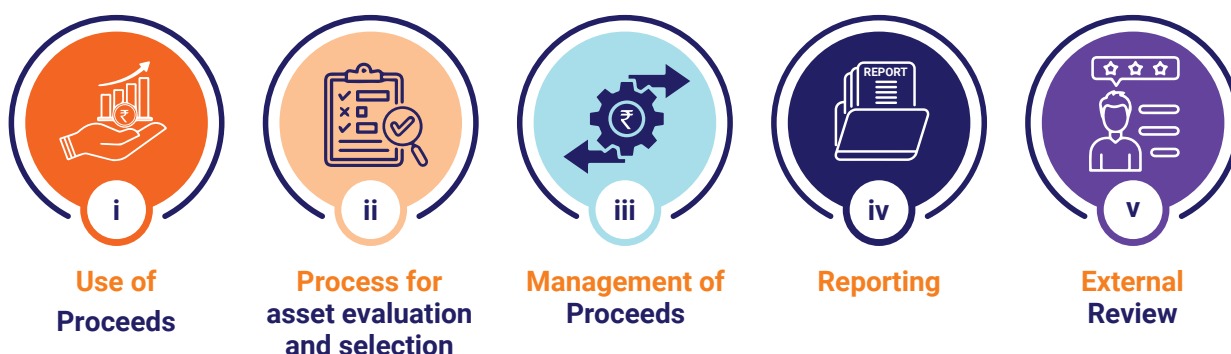
While this Framework is focusing on the social angle, some social projects may also deliver environmental / green co-benefits. Indeed, the construction of household water supply and sanitation infrastructure would contribute to SDG 6 (clean water and sanitation), by supporting households’ ability to finance water and sanitation facilities, as well as potentially promote environmental benefits such as the sustainable use of water resources.

This Framework outlines the criteria and guidelines for the allocation of proceeds as per the International Capital Market Association (“ICMA”) Social Bond Principles 2023 (“SBP”), as well as the 2023 Social Loan Principles (“SLP”) by the Loan Market Association (“LMA”), the Asia Pacific Loan Market Association (“APLMA”) and the Loan Syndications and Trading Association (“LSTA”), or as they may subsequently be updated.

In alignment with the above principles, this Social Financing Framework is structured as follows:

- i. Use of proceeds
- ii. Process for asset evaluation and selection
- iii. Management of proceeds
- iv. Reporting
- v. External review

This Framework does not place restrictions on the tenor and currency, and can include other terms and conditions including covenants, to reflect the financing strategy and plans of IIFL Finance.



i. Use of Proceeds

A portfolio of Eligible Social loans (together forming the “Eligible Social Loans Portfolio”) qualifies for use of proceeds under the categories and eligibility requirements listed in the below table. A lookback period for of up to 24 months from the pricing date of each Social Financing Instrument will apply for such loans.

In 2015, several countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (“SDG”). IIFL Finance’s Social Financing Framework advances the below SDG goals and targets (not exhaustive).

Eligible Social loans:

Access to Essential Services

1. Financing and Financial Services/Financial inclusion
2. Employment generation
3. Socioeconomic advancement and empowerment
4. Provide access to tap water and facilitate construction of toilets

Eligibility Criteria:

- Lending to under-banked, under-served borrowers through gold loans**, MSME Loans (Secured/Unsecured) and Microfinance loans
- Providing affordable loans, quickly to MSMEs (in accordance to the definition in India’s Micro, Small & Medium Enterprises Development Act, 2006) and other underserved sections of the society
- Provision of affordable financial instruments (personal loans, gold loans) to underserved customers without documents proving sources of income
- Promoting entrepreneurship among women borrowers

Target Segment*

- Individuals and small businesses, including vendors, traders, farmers, and salaried persons, can get a loan against their gold jewelry
- MSMEs and SMEs who require funds for their operations, to purchase equipment, manage cash flows, expand their operations, or invest in new projects
- Startups and Entrepreneurs who require capital to launch or grow their businesses

- Small grocery stores, saloons, vegetable vendors, small traders and agricultural ancillaries at the end of the supply chain, etc.
- Women borrowers
- Borrowers from marginalized sections of the society

SDGs involved:

SDG 1: No Poverty

SDG 1.4: 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



SDG 5: Gender Equality

SDG 5.a: 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

SDG 8: Decent work and economic growth

SDG 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services



SDG 9: Industry, innovation and infrastructure

SDG 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



SDG 10: Reduced Inequalities

SDG 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

SDG 6: Clean water and Sanitation

SDG 6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all



SDG 2: Zero Hunger

SDG 2.3: 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.

* As of December 31, 2024, majority of IIFL Finance's gold loan borrowers (94%) have annual income below ₹3 Lakh (about USD3,600). Of which, 81% have annual income below ₹2 Lakh (about USD2,400) and 20% below ₹1 Lakh (about USD1,200). This implies that the majority of borrowers earn no more than the net national income level, which was about ₹1.8 Lakh (equivalent to USD2,209), with a small share falling below the poverty line of USD3.65 a day (about ₹1.1 Lakh annually)."

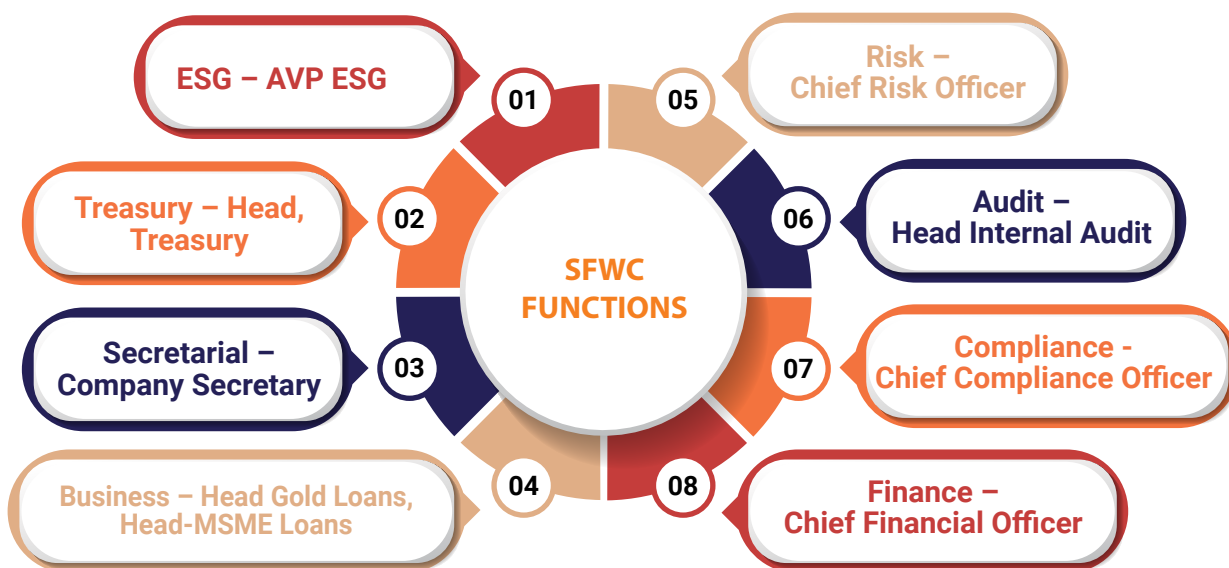
** Financial inclusion of target population: women, EWS residents. Economically weaker section (EWS) is the section of the society in India that belongs to the un-reserved category and has an annual family income of less than ₹8,00,000 (as per the Government of India definition).

ii. Process for Asset Evaluation and Selection

The evaluation and selection process is essential to ensure that the loans financed meet the criteria stated in this Social Financing Framework.

Social Financing Working Committee

IIFL Finance has established a Social Financing Working Committee ("SFWC"), comprising of representatives from the following functions:



IIFL Samasta will have its own SFWC comprising of representatives from each of the above functions.

The SFWC's role will be to:

- Review, select and validate the Eligible Social Loans Portfolio, based on the Social Financing Framework
- Validate annual reporting made to investors on the portfolio
- Monitor the on-going evolution related to sustainable capital markets in terms of disclosure/reporting in order to be in-line with market best practices
- Review the Social Financing Framework to reflect any changes with regards to IIFL Finance's ESG strategies and initiatives
- SFWC, to the best of its ability, will finance to the under-served, under-banked sections of the society and avoid financing projects included in the prohibitions list stated in Annexure 1 as part of efforts to ensure alignment with its ESG policy.

The loans shortlisted by the SFWC will be presented to the Board-level ESG Committee for approval of IIFL Finance.

On a best effort basis, the SFWC will try to allocate a part of the proceeds for new financing. Such split will be disclosed as part of IIFL Finance's Social Finance Report.

iii. Management of Proceeds

IIFL Finance and IIFL Samasta Finance will allocate the proceeds from the Eligible Social Loans to an Eligible Social Loans Portfolio within 24 months of fund raising. Each entity will raise funds at the individual company level. The Company will track deployment in eligible loans, managed by its SFWC. The SFWC will also ensure the proceeds are allocated in accordance with IIFL Finance's Social Financing Framework. The SFWC of both the entities will ensure that the level of allocation for the Eligible Social Loans Portfolio matches the balance of net proceeds from its outstanding social financing after adjustments for intervening circumstances including, but not limited to, repayments and disbursements. Additional Eligible Social Loans will be added to the company's Eligible Social Loans Portfolio to the extent required to ensure that the net proceeds from outstanding social financing will be allocated to Eligible Social Loans.

Internal monitoring systems will be established and maintained to track and record the allocation of the net proceeds such that it is in line with the Use of Proceeds section. IIFL Finance and IIFL Samasta will be using an escrow arrangement for funds raised through social bonds. Any unallocated proceeds may be deployed temporarily at the Company's discretion in cash or cash equivalent instruments, in accordance with the company's investments and treasury policy in the normal course of business. To prevent double counting of eligible loans, the Company will ensure that the same capital investment will not be listed twice in the allocation of net proceeds. For the avoidance of doubt, the company will not use the proceeds for the financing of projects included in the exclusionary criteria stated in Appendix 1 for both allocated and unallocated proceeds.

The above mentioned process will be monitored by the SFWC at IIFL Finance and IIFL Samasta Finance at individual entity level along the entire period in which the expected disbursements will be incurred.

iv. Reporting

IIFL Finance will report on the allocation of net proceeds and associated output and impact indicators within one year from fund raising date and annually thereafter until the proceeds have been fully allocated, and as necessary in the event of material development. This report shall be published as a standalone Social Finance report or as part of the Sustainability Report/Annual Report of IIFL Finance/IIFL Samasta Finance.

Wherever feasible, IIFL Finance and IIFL Samasta Finance may report on the aggregated impact of the Eligible Social Loans Portfolio on a categorical level. The Companies will align, on a best efforts basis, the reporting with the portfolio approach described in "Handbook - Harmonized Framework for Impact Reporting (December 2020)".

Allocation Reporting

The allocation report will provide:

- The allocation report will provide:
- Amount or percentage of allocation to the Eligible Social Loans Portfolio
- Percentage of net proceeds allocated to financing new and existing loans
- Examples of loans being financed (subject to confidentiality considerations)
- Balance of unallocated proceeds

Impact Reporting

IIFL Finance and IIFL Samasta Finance may report on relevant ESG impact indicators, where feasible, for their issuances. Some of the indicators are in line with Sustainability Accounting Standards Board (SASB)'s and Global Reporting Initiative (GRI)'s Financial Inclusion Indicators. Below are examples of indicative output and impact indicators (non-exhaustive):

ELIGIBLE SOCIAL LOANS (ACCESS TO ESSENTIAL SERVICES)	INDICATIVE OUTPUT & IMPACT REPORTING INDICATORS
1. Financing and Financial Services/Financial inclusion	<ul style="list-style-type: none"> • Number of enterprises benefiting from MSME financing and total MSME financing provided
2. Employment generation	<ul style="list-style-type: none"> • Number of women borrowers
3. Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> • Number of new-to-credit customers • Number of rural/semi-urban customers
4. Provide access to tap water and facilitate construction of toilets	<ul style="list-style-type: none"> • Number of SAJAL loans • Number of toilets constructed • Number of families provided with access to tap water

v. External Review

Pre-issuance: Second Party Opinion

The Social Financing Framework shall be reviewed by Sustainable Fitch who shall issue a Second Party Opinion. The Social Financing Framework and Second Party Opinion will be published on the Company's websites, www.iifl.com and www.iiflsamasta.com

Post issuance: Verification

IIFL Finance and IIFL Samasta Finance will engage with a third-party verifier to issue a limited assurance report on the allocation and impact of the use of proceeds of the Eligible Social Loans, starting one year after issuance and until full allocation.

4. SCOPE OF THIS FRAMEWORK

This framework will serve as a guiding document for all responsible lending initiatives and activities undertaken by IIFL Finance and its subsidiaries.

5. REVISION

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

ANNEXURE 1: 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
- Standalone Casino, and Gambling / Betting in any form
- 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
- Against Bullion/primary gold

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

ANNEXURE 2: IIFL FINANCE'S COMMUNITY INITIATIVES

IIFL Foundation has several long term programs in the field of education, namely, Sakhiyon Ki Baadi, Chauras, Maa Baadi, Smart Shala. Under these programs, out-of-school children, particularly girls belonging to marginalized sections of the society are provided with foundational literacy and numeracy; preparing them to join mainstream education. The Foundation also provides support to short-term programs like computer training for hearing impaired girls.

Launched in 2016, the Sakhiyon Ki Baadi program is currently operational in 13 districts i.e. Udaipur, Rajsamand, Pratapgarh, Sirohi, Dungarpur, Ajmer, Jodhpur, Pali, Banswara, Jalore, Bhilwara, Chittorgarh, and Jaipur, with 1,088 centers, reaching out to 37,048 children via 1,088 Dakshas till December 2022. Total 6,935 children have been mainstreamed till December 2022.

To ensure continuum of education for migrant workers and children at the construction sites and to provide a place of safety and learning for the children of migrant construction workers, IIFL Foundation has set up learning center-cum-crèche for children of migrant construction workers, operational near the construction site. The Chauras program focuses on providing crèche services to children aged 0-3 to create a stimulating environment that nurtures motor, cognitive, social, emotional and physical growth. Along with that, there is a provision of a Balwadi for children aged 3-5 years focusing on promoting overall growth and development of children and school readiness and after school support. Some of the activities being conducted at these centers were three meals per day, extra diet for under-nourished children, growth monitoring, health check-ups, play and stimulation activities, bridge curriculum, and community awareness. In the year 2022-23, total 528 children benefitted with 10 operational centers at Noida, Ahmedabad, Jaipur, Udaipur, Ajmer, Suratgarh.

IIFL Foundation has partnered with the Tribal Area Development Dept., Government of Rajasthan to redevelop Maa Baadi Learning centers to a 'Smart Learning Centers' under project name - Phulwari. The classrooms are upgraded with Digital Learning devices (LED TV & Android Tablets) equipped with AV learning material, educational books, and toys. These centers are the primary source of formal education in remotest locations which do not have any government schools. Maa Baadi learning centers aim to promote education among the children aged 4 to 12 years belonging to indigenous tribal communities. IIFL Foundation is also engaged in enhancing the infrastructural development by installing solar panel facilitating clean electricity, solar-powered water pump to provide water for drinking and sanitation, batteries for storage of electricity, installation of a ceiling fan & water tank, repair of toilets and construction of play-area for children. In the year 2022-23, 30 Maa Baadi centers were operational reaching out to 900 children.

To improve learning outcomes of children studying in government primary schools in English and Math with continuous development of the teachers with digital-based content, IIFL Foundation in association with the Sampark Foundation, has been implementing a program covering 5,811 government schools in Dholpur, Karauli, Baran, Sirohi, Jaisalmer, districts in Rajasthan, reaching out to 7.3 lakh children in three years (2022-2024). The program is also covering 2,791 primary school children in Sonbhadra and Chitrakoot districts.

IIFL Foundation implemented a Hospitality training program to bring holistic professional development enabling participants to embark on a Hospitality career path thereby contributing to the economic & social development of Kashmir and the country. The project aims to engage 160 youth through Guidance Course on Hospitality with market alignment/partnerships to prepare them for livelihood enhancement and jobs.

The “Sesame Community Radio” initiative is aimed at improving learning and mental well-being outcomes for young children and caregivers through community radio in Jhunjhunu district of Rajasthan. Total 1,000 children and 1,000 caregivers have benefited from this initiative in 2022-23.

IIFL Finance worked with Maharana Bhupal Government Hospital, Udaipur (Rajasthan), to develop 3 operation theaters, an ICU, an outpatient department (OPD) and Orthopaedic Surgery Ward and continues to support hospitals across its communities.

IIFL Finance developed Urban Forest in Mumbai, with plantation of 10,000 trees. Also supported development of Botanical (Medicinal) Garden at Institute of Science (Mumbai) to conserve several species of medicinal plants/herbs.

A custom-made drone was developed for R&D in Agriculture (AgriDrone) and donated to Maharana Pratap University of Agriculture & Technology (MPUAT), Udaipur to benefit farmers.

The Company supported annual medical camp held at 2 locations - Barsana, Uttar Pradesh and Solapur, Maharashtra. 6,750 patients benefited from this camp in Maharashtra.

For more details on our community initiatives, refer to the Annual Reports/Sustainability Reports on [iifl.com](https://www.iifl.com)



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