



# Environment, Social, and Governance (ESG) Policy

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2.0	April 2023	Second version of IIFL Home Finance Ltd.'s Environmental, Social, and Governance (ESG) Policy

## INDEX

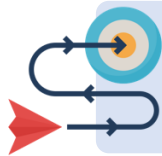
Table of Contents	Page Number
Introduction	4
Policy Statement	5
Purpose	5
Scope of Application	5
Governance Structure	6
Sustainable Lending Practices at IIFL HFL	6
Materiality	7
'E' Factor: Environment	8
'S' Factor: Social	8
'G' Factor: Governance	10
Implementation, Tracking, and Reporting & Disclosures	12
Enforcement, Compliance, and Audit	12
ANNEXURE I	13
ANNEXURE II	13

## INTRODUCTION

As a responsible organization, IIFL Home Finance Limited (hereafter IIFL HFL/company/organization) believes in sustainable & inclusive growth & development and value creation for all stakeholders. To formalize its endeavour of achieving its sustainability goals, the Company has developed an 'ESG Policy' (hereafter Policy) which serves as a guide for identification of its material topics across various business functions, project finance portfolio, and pan-India branches. It provides a systematic approach to establish a robust governance structure, define roles and responsibilities, systems and processes for management, measurement, monitoring and auditing of identified material aspects in a timely and transparent manner. The Policy is aligned with leading international standards and principles and strives to follow industry best practices. We view effective management of ESG matters as a business fundamental and seek continuous improvement in these areas because they underpin the long-term success of our company and our ability to create value in our community.

# POLICY STATEMENT

## VISION:



**Enabling Sustainable Housing through Strong Foundation of Innovation, Sustainable Lending Practices and Social Impact**

## MISSION:



- Create long-term sustainable value for all stakeholders and communities, thus creating a lasting environmental and social ecosystem.
- Balance economic growth and Return on Investments (ROI) with robust management of environmental, social, and governance risks across our business portfolio
- Proactively identify, prioritize and assess the key risks associated with business, operate within defined and agreed-upon tolerance levels for our key risks; and make certain that risk management strategies are in place to respond to our key risks efficiently and effectively
- Nurture Human Capital by providing a dynamic work environment, opportunities and learning
- Leveraging innovation, technology and operational efficiency to maximize reach and achieve sustainable value

**POLICY OBJECTIVE:**



- To set roadmap for integrating sustainability into all business operations and our product offerings resulting in conducting business in a responsible manner
- To establish strategy to communicate our sustainability performance to all stakeholders in a transparent and regular manner

**PURPOSE**

To ensure clear and structured organizational control, policies, control sheets, and standard operating procedures and guidelines are key components that are intended to be hierarchical and build on each other to build a strong governance structure that utilizes an integrated approach to

**SCOPE OF APPLICATION**

The policy is applicable to all our business functions and pan-India branch offices owned, leased or managed by IIFL HFL

**GOVERNANCE STRUCTURE**

Our enterprise-level ESG Policy, serves as a guidance framework to understand and manage our ESG risks and opportunities. In order to achieve and strengthen our focus on ESG, we have constituted an ESG Committee comprising of Independent Directors, CEO, and senior representatives from various business functions. The ESG Committee reports to the Board of Directors ('The Board') on IIFL HFL's strategic plan and roadmap concerning ESG and performance against set targets. On behalf of the Board, ESG Committee shall oversee IIFL HFL's ESG strategy and related initiatives.

The roles and responsibilities of the ESG Committee are mentioned in **ANNEXURE – 1**.

The ESG Policy Framework is reviewed by the ESG Lead every two years. If in the interim changes are required to be made in the Policy, or any changes are made in the sub-policies, they will be reviewed by ESG Lead and approved by Head-Compliance and will be reflected, as deem fit, in our internal policies and processes.

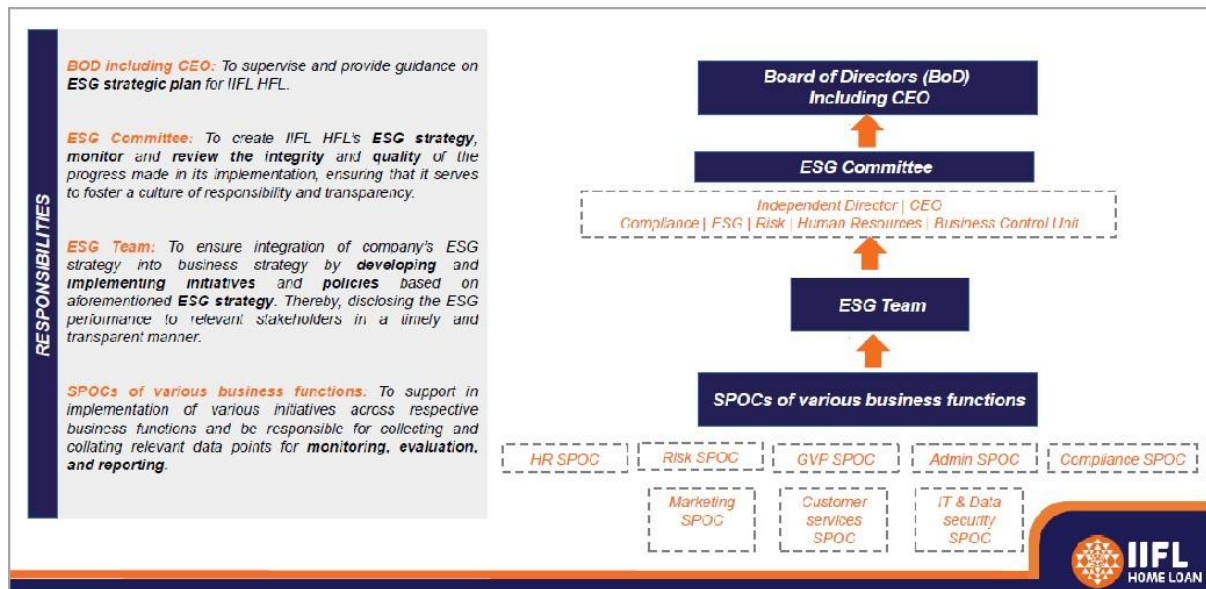


Figure 1: Our ESG Governance at IIFL HFL

We believe that the ESG integration in business will create a long-term value creation for all the stakeholders, serving as a springboard to be resilient and future proofing our business.

## SUSTAINABLE LENDING PRACTICES AT IIFL HFL

At IIFL HFL, we serve individual customers and small businesses with a full range of products and services to transform the lives of millions of customers by realizing their dream of owning a home. The Company is broadly engaged in retail lending and project finance with the following 3 loan products namely, Home Loan, Secured Business Loans and Housing Project Loan.

### RETAIL LENDING

#### HOME LOAN

Our Home Loan offerings are designed to serve customers from underserved categories, in alignment with national initiatives such as the Pradhān Mantri Āwās Yojanā (PMAY), Rural Housing Interest Subsidy Scheme (RHSS) and Beneficiary-led Construction (BLC). Our products are customized to the needs of the customer and range from buying a new home, renovating an existing home, constructing on pre-owned land, and purchase of land for building a house. We primarily cater to the housing needs of salaried, self-employed, and professionals, with a focus on Economic Weaker Section (EWS) and Lower Income Groups (LIG) economic strata of the society. Our Home Loans offering also enables us to put women empowerment at the forefront as majority of the loan portfolio witnesses women ownership or co-ownership of the property/home in discussion at IIFL HFL

#### SECURED BUSINESS LOAN

Secured Business Loans provide small ticket loans for lower income segments such as small traders and garment shop owners, to name a few, ensuring our contribution towards the Ātma Nirbhar Bhārat Abhiyān (a National Mission launched by the Government of India focused on increasing India's self-reliance). This serves the needs of small and medium enterprises for meeting working capital requirements, business use, and purchase of a commercial property. Mortgage of residential or commercial properties acts as collateral for the loans.

### PROJECT FINANCE

#### HOUSING PROJECT LOAN

We offer Project Loans to meet the construction expenses of affordable housing projects. While working with developers, we play a critical role in promoting green building practices and ensuring Environmental, Social, and Governance (ESG) compliances in the funded projects. We have established systems and processes in order to assess the sustainability of our projects from the lens of ESG indicators during the technical assessment phase, in order to arrive at an ESG score, to aid our decision making process. We also collaborate with developers for availing credit to property buyers under the retail home loan category.

In order to facilitate the adoption of green building techniques in the market, promote sustainable living, and support developers in achieving a green building certification, we at IIFL HFL, have created the Green Value Partner (GVP) initiative which provides end-to-end assistance on green building construction practices to developers operating in the affordable housing segment. We work with the developer throughout a project's lifecycle, to ensure successful realization of the project's vision and

efficiencies. The platform also provides a monitoring and audit mechanism ensuring support and assurance to the entire team.

## MATERIALITY

IIFL HFL takes a proactive approach to identifying and managing risks, including an ongoing process for identifying topics that are most important to our Company by the impact it has on our business and influence it has on our stakeholders. The process includes an engagement with both internal and external stakeholders of the Company including, customers, employees, investors, shareholders, community, regulatory authorities, developers, and suppliers. We shall be revisiting our materiality every 2 years to identify and manage the topics essential to us. Our ESG Policy guides our approach to managing the material topics and is in alignment with our existing environmental, social, and statutory policies.

## ESG

### 'E' FACTOR: ENVIRONMENT

#### ENVIRONMENTAL MANAGEMENT

IIFL HFL recognizes the fact that a focus on environmental and social issues must begin with addressing direct and indirect impacts of our own operations. We intend to operate in environmentally responsible manner so as to minimize Company's environmental footprint inclusive of energy consumption, water usage and discharge, waste management, and emission management, etc. This we are able to put into action with our Environmental Policy.

### 'S' FACTOR: SOCIAL

At IIFL HFL, we believe and endorse sustainable social transformation. Thus, we have implemented following systems and policies under the pillar of 'Social' of the Company.

#### EMPLOYEES HEALTH AND SAFETY

Our employee well-being and their health and safety is of great importance to us. We are committed to take reasonable and practicable steps to protect the health and safety of our employees from risks at workplace or working environment, in order to prevent ill health and mishaps. We have put in place our Employee Health and Safety Policy to establish systems and processes to provide a healthy and safe environment to our employee base.

#### CORPORATE SOCIAL RESPONSIBILITY (CSR)

IIFL HFL is guided by IIFL Group's vision to become the most respected brand in the financial services space in India. To realize this vision, IIFL HFL recognizes the importance of contributing to sustainable social transformation. The approach to the business focuses on building trust, knowledge and delivering quality service to its customers along with providing timely assistance to the country's under-banked customers. Furthermore, IIFL HFL's CSR projects are aligned to the focus of the business, and thereby helps the Company carve out a reputation for being one of the most committed and responsible companies in the industry. Through constant and collaborative stakeholder interactions, IIFL HFL aims to become an epitome of social transformation in the communities of its operations. Our CSR Policy applies to all CSR projects undertaken by IIFL HFL and fulfills all the



requirements of Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 (including any statutory modifications, amendments, or re-enactments of any of them for the time being in force). IIFL HFL shall ensure all these activities are over and above the normal course of business

and are in line with Schedule VII of the Companies Act, 2013. This Policy will be periodically reviewed and updated in line with relevant codes of legislation and international standards and best practices.

## **CUSTOMER SATISFACTION**

IIFL HFL strives to be the most respected organization in the housing finance industry by becoming the most trusted partner to our customers. Customers are at the heart of our business strategy. We aspire to create greater value for our customers in a responsible and sustainable manner. To understand our customer's requirements and channelize this knowledge to advice and educate them to make an appropriate decision is the key to our business. To enhance our customer experience and satisfaction, we have been implementing various initiatives to serve the customers with utmost integrity and transparency. The Company has put in place a Customer Satisfaction policy to enhance customer experience within this dynamic industry. Our customer services functions shall ensure that all employees are informed of and adhere to procedures as outlined in the policy.

## **HUMAN RESOURCE (HR) MANAGEMENT**

We at IIFL HFL strive to drive responsible growth and development of our workforce, which makes us a Great Place to Work. Our systems and processes guides us in being an inclusive workforce for all our employees, creating opportunities for growth and development, recognizing and rewarding employee performance, and supporting our employees well-being. Our Human Resources Handbook comprising of various HR policies and protocols is guided by our Code of Conduct and core value of Fairness, Integrity and Transparency (FIT).

### **Diversity and Inclusion**

A diverse and agile workforce helps in improving our productivity and effectiveness to build an inclusive organization. We are strengthened by the diverse background, experiences and perspectives of our employees. Our company values guides us to support both in policy and spirit equal opportunities for employment and professional development, and prohibits any kind of discrimination and harassment on the basis of caste, colour, creed, religion, gender identity, marital status, physical or mental disability, or any other factor that is irrelevant to employment or prohibited by law. To drive the culture of inclusion, we have developed our Diversity and Inclusion Policy, highlighting our commitments as an organization to nurture and respect our workforce. An example of the systems and processes we have in place to ensure every employee is treated with respect and dignity is our Group Code of Conduct.

### **Learning and Development**

We recognise the importance of having a skilled workforce with necessary competencies to deliver on our strategic and operational goals and objectives. Our focus is to nurture leaders of tomorrow, and we emphasize on attracting, grooming, and retaining the best and brightest talent. The focus is to create a nurturing and positive working environment, where all employees can develop and excel in the long-term. In order to achieve this, we have put in place well-structured training modules to foster professional, intellectual and personal growth of our diverse workforce. This guided by our Learning and Development policy highlighting our commitments to nurture our versatile employee base. We have developed various training modules that empower our workforce to maintain highest level of customer focus, operational efficiency, customer satisfaction and focus and people orientation while adhering to ethical practices. Our Learning and Development team actively engages with all employees to impart training on new processes and policies through our learning app. On basis of the learning needs which emerge; we plan and schedule specific functional and technical programmes for the intended audience followed by an impact analysis.

### **Human Rights**

Protection of human rights is a foundation stone of a civilized society and respecting Human Rights is at the core of IIFL Group's ideals. IIFL HFL understands and values the principles of human rights and workplace entitlements. Our commitment to uphold human rights of our workforce, stakeholders and all those affected by our operations forms an integral part of our values system. To embed a culture of respect and equality across departments and designations, we are guided by our Human Rights policy to ensure we conduct ourselves in a manner that resonates with highest ethical standards. IIFL HFL's Human Right Policy is governed by Protection of Human Rights Act, 1993 and guided by international standards and principles, including UN Guiding Principles on Business and Human Rights, United Nations Universal Declaration of Human Rights (UDHR), International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and Principles of the UN Global Compact (UNGC).

Being in the lending business, we promote the adoption of our human rights policy across our value chain. The Company is committed to respecting human rights and demonstrating leadership in responsible workplace practices across HFL ecosystem and regions where we conduct our business operations.

### **Prevention of Sexual Harassment and its Redressal**

The Company recognizes its responsibility towards safeguarding and protecting its employees from harassment either by an internal or external source and is committed to provide and ensure a safe, harassment free working environment to all its employees. As a responsible organization, we have put in place our Policy on Prevention of Sexual Harassment (POSH) which is applicable to all persons employed at IIFL HFL, for any work, on a regular, temporary, ad-hoc or daily wage basis, either directly or through an agent, including a contractor, a co-worker, a contract worker, probationer, trainee, apprentice or called by any other such name. In this regard, it also provides for complaint and redressal process, reporting and its awareness.

### **STAKEHOLDER ENGAGEMENT**

We believe that the transition towards sustainable business is a collective and collaborative responsibility. Our values of Fairness, Integrity, and Transparency (FIT) govern our stakeholder engagement practices that encourage open dialogue. We want to create sustainable value for all our stakeholders and foster long-term partnerships. Stakeholder engagement is central to our business and deeply embedded across our policies, processes, and operations. IIFL HFL consistently engages with external stakeholders for guidance in shaping our ESG practices and priorities. Our business operations and product offerings have an impact that extends beyond our customers and employees. Various stakeholder groups like suppliers/vendors/media/regulatory authorities/investors/local communities have different needs and expectations related to our business operations. Responding to their needs can positively influence our license to operate, our competitive advantage, and our long-term success. In order to seek and address stakeholder perspectives; build trust and develop partnerships; and make use of stakeholder capital, it is essential to have a strategic and global approach toward working with stakeholders. This we are able to put into action with our Stakeholder Engagement Policy, which addresses IIFL HFL's corporate stakeholder engagement strategy and ensures this strategy is applied consistently across our operations across Pan-India. In addition, it advises our local operations on stakeholder identification, prioritization, and communication, as well as on engagement methods and risk management.

### **'G' FACTOR: GOVERNANCE**

At IIFL HFL, we have put in place a robust and efficient corporate governance structure, which is a stringent set of rules, controls, policies, practices and processes that goes beyond regulatory compliance requirements. We have implemented following policies under the pillar of 'Governance' of the Company.

### **ANTI-BRIBERY AND ANTI CORRUPTION (ABAC)**

IIFL HFL has zero-tolerance approach to bribery and corruption and is committed to act professionally, fairly and with integrity in all our dealings wherever we operate. The Company is also committed to implement and enforce effective systems to counter bribery. The Company has put in

place a policy on bribery and other forms of unlawful payments in the form of Anti-Bribery and Anti-Corruption (ABAC) Policy.

### **INFORMATION AND CYBER SECURITY**

As digital solutions continue to expand and integrate into our daily lives, we see increasing concerns related to privacy and security breaches. Data security and customer privacy are among our top priorities for IIFL Home Finance Limited and our stakeholders. We have built an integrated tech-empowered organization that is well placed to face the changing technology landscape. We are ISO 27001:2013 certified which establishes that we have imbibed reasonably good practices for managing Information Security. Our IT Policy, Information & Cyber Security Policy and processes are aligned with National Housing Bank (NHB), RBI Master Directions, ISO 27001:2013 and industry leading practices.

IIFL HFL is committed to its customers and other stakeholders leveraging their information and cyber-security services to provide a secure operating environment minimize business damage by effective security incident management process and business continuity management processes. This ensures the enhancement of customer confidence which leads to maximizing business opportunities. The Company's Information and Cyber Security Policy provides the framework upon which all subsequent security efforts will be based and to guide the development and maintenance of a comprehensive information security program. It is designed to enable the management of the organization to ensure the security of information and information systems.

### **KNOW-YOUR-CUSTOMER (KYC) AND ANTI-MONEY LAUNDERING (AML)**

Pursuant to Master Direction of Reserve Bank of India (RBI) as prescribed for Non-Banking Financial Company (NBFC) – Housing Finance Company (HFCs) from time to time, the Company has put in place a Policy on KYC and Anti Money Laundering measures. The objective of KYC guidelines is to prevent Financial Institution (FI) from being used, intentionally or unintentionally, by drivers for money laundering or terrorist financing activities. KYC procedure enables a FI to understand their customer and their financial dealings better which in turn helps them manage their risk prudently.

### **GRIEVANCE REDRESSAL**

At IIFL HFL, the primary objective of Employee Grievance Redressal Policy is to provide a mechanism for individual employee to raise a grievance arising from their employment. Grievance is defined as any type of problem, concern, or complaint related to work or work environment. Grievance may be about an act, omission, situation, or decision that the employee thinks to be unfair, discriminatory or unjustified. Our Employee Grievance Redressal policy is to ensure that grievances are dealt with promptly, fairly and in accordance with other related policies of the organization. As a responsible and sustainable organization, we also lay immense emphasis on our customer satisfaction within the framework of law, adopted policies and procedures. Thus, we have a system and a procedure for receiving, registering and disposing of complaints and grievances in each of our offices, as well as on- line for Customer Grievance Redressal. Customers should be able to access the Company through raising an online-request, walk-in to branches, or call the helpline number as provided in MITC.

### **WHISTLE-BLOWER PROTECTION**

The purpose of the Whistle-blower protection policy at IIFL HFL is to eliminate and help to prevent malpractices, to investigate and resolve complaints, take appropriate action to safeguard the interests of the IIFL HFL and to ensure that any person making a complaint (hereinafter referred to as "Whistle Blower") is protected, while at the same time actively discouraging frivolous and insubstantial complaints. The Company shall oversee the Vigil Mechanism through its Audit Committee of the Board of Directors of the Company and if any members of the Audit Committee have a conflict of interest in a given case, they should recuse themselves and the others on the Audit Committee would deal with the matter on hand. This policy seeks to define and establish the mechanism for employees, Directors and stakeholders of the Company on the framework for reporting instances of unethical/improper conduct and taking suitable steps to investigate and correct the same.

### **BUSINESS CONTINUITY MANAGEMENT**

We are committed to provide a safe and reliable business environment through implementing a comprehensive Business Continuity Management (BCM) policy and process, which identifies potential impacts that may threaten its business values and provides a framework for building resilience and capability to respond to an incident that safeguards the interests of stakeholders, reputation, brand and value creating activities. The objective of this policy is to ensure that well-defined and tested business continuity plans exist to counteract interruptions to business activities and maintain service availability during and after a disaster or failure of information processing systems. The policy defines overall BCM Framework of the organization including business continuity policy, strategy, and plan to establish and manage continuity of critical business systems, services and operations during any disaster situations such as earthquake, flood, major technology outage, pandemic, country wide riots etc.

### **BUSINESS CODE OF CONDUCT**

The Business Code of Conduct of the Group adopted by all its Companies and its subsidiaries is a statement of the IIFL's commitment to integrity and the highest standards of ethical practices. The Code defines the standards of conduct that is expected of all employees in order that the right decisions are taken in performing roles and responsibilities across various functions in the company. It also establishes a system for detection and reporting of known or suspected ethical or violations of regulations. The principles enshrined under the Code are inclusive in nature and the various circulars or directions issued by the management of IIFL Group and must be read along with and constitute a part and parcel of this Code. Since we are committed to continuous reviewing and updating of policies and procedures, this Code is also subject to modifications

### **FAIR PRACTICE CODE**

With the reference of Master Direction - Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, RBI/2020-21/73 dated February 17, 2021, wherein the Reserve Bank of India has revised the guidelines on Fair Practices Code for Housing Finance Companies to implement the same within its organization. At IIFL HFL, Fair Practices Code shall apply to all the products and services offered by the organisation, whether offered through Digital Lending Platforms (self-owned and/or under an outsourcing arrangement), across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.

### **SUPPLIER CODE OF CONDUCT**

Advocating the principles of sustainability and to de-risk our business, IIFL HFL has a responsibility of ensuring that its suppliers/vendors/contractors operate in a responsible and transparent manner upholding ethical business standards and practices. In order to create an impact across our value chain, we ensure that during our vendor on-boarding, our suppliers/vendors strive to comply with our supplier code of conduct, highlighting expectation from them on aspects related to human rights, labour, social and environmental standards.

## **IMPLEMENTATION, TRACKING, AND REPORTING & DISCLOSURES**

- The ESG Team shall provide support to the respective departmental heads, zonal/area/branch heads, and/or designated ESG SPOCS/Champions, who in turn shall be responsible for ensuring implementation of the Policy across IIFL HFL, under the guidance of the ESG Committee which shall act as an oversight body for supportive supervision of such implementation

- Applicable business functions and branches shall develop appropriate systems and processes to implement this Policy. Various business functions shall set measurable targets in this regard. The ESG Team shall develop key performance indicators (KPIs) in consultation with various business functions to track performance against set targets
- The company shall be conducting its bi-annual internal audit, in addition to annual external audit.
- The company shall communicate its ESG performance to relevant stakeholders through appropriate media in a transparent and timely manner
- Furthermore, the company shall release publicly its annual sustainability report highlighting its performance on ESG parameters in accordance with the relevant global standards
- The Policy is subject to periodic review and the information therein is updated by incorporating feedback from relevant stakeholders from time-to-time

## ENFORCEMENT, COMPLIANCE, AND AUDIT

- Enforcement of and compliance with the ESG Policy shall be as per the scope defined above
- Compliance with this policy will be deemed part of the departmental policies
- Unless otherwise specified in the respective Policy, Process, Code etc, verification of compliance to the ESG policy shall be done by Internal Auditors of the Company as may be advised by ESG/Audit Committee from time to time

## ANNEXURE – I

### RESPONSIBILITIES OF ESG STEERING COMMITTEE IS:

- 1) To set general ESG strategies keeping in mind the Company's commitments
- 2) To ensure that the company's ESG strategy is integrated into its business plan by developing and implementing initiatives and policies based on that strategy
- 3) To monitor the integrity and quality of the company's ESG strategy, ensuring that it serves to foster a culture of responsibility and transparency
- 4) To provide oversight on behalf of and to the Board in relation to IIFL HFL's ESG strategy and activities
- 5) To oversee communications with employees, investors, and stakeholders with respect to ESG Strategy and related matters
- 6) To review and approve IIFL HFL's impact reports to be issued from time to time
- 7) To review and approve the qualifications, independence, engagement, compensation, and performance of the external party chosen to provide assurance on IIFL HFL's annual Sustainability Report
- 8) Any other incidental and ancillary matters pertaining to ESG Strategy and Programme of the Company

## ANNEXURE – II

### LIST OF SUB-POLICIES AND CODES OF THE COMPANY:

- Customer Satisfaction Policy
- Corporate Social Responsibility (CSR) Policy
- Fair Practices Code
- HR Handbook and related Policies
- Stakeholder Engagement Policy

- IIFL Group Code of Conduct
- Information and Cyber Security Policy
- Anti-Bribery and Anti-Corruption Policy
- Business Continuity Management Policy
- Learning and Development Policy
- Diversity and Inclusion Policy
- Human Rights Policy
- POSH Policy
- Employee Grievance Redressal Policy
- Customer Grievance Redressal Procedure