

SUSTAINABLE BANKING, ENVIRONMENTAL, SOCIAL & GOVERNANCE POLICY

Approver	Board of Directors
Approved on	June 2017
Policy Owner	Sustainable Banking
Review Frequency	Triennial

Revision History and Approvals

ENVIRONMENTAL POLICY

Revision No.	Issue Date	Amendment Description
Renewal	2018-19	Resolution # 13/31/BOD/2018-19 on 28 th Sept 2018
Revision 1	2019-20	Clause 4.3
Renewal	2020-21	Resolution # 018/062/BOD/2020-21 on 4 th Feb 2021
Renewal	2021-22	Resolution # 031/076/BOD/2021-22 on 5 th Feb 2022
Amalgamation		Proposed merging with ESG Policy

SUSTAINABLE BANKING POLICY

Revision No.	Issue Date	Amendment Description
Renewal	2020-21	Renewed vide Resolution # 0019/062/BOD/2020-21
Renewal	2021-22	Renewed vide Resolution # 0316/076/BOD/2021-22
Renewal	2022-23	Renewed vide Resolution # 306/089/BOD/2022-23
Renewal	2023-24	Renewed vide Resolution # 0339/0106/BOD/2023-24
Renewal	2024-25	Renewed vide Resolution # 0420/0119/BOD/2024-2025
Amalgamation		Proposed merging with ESG Policy

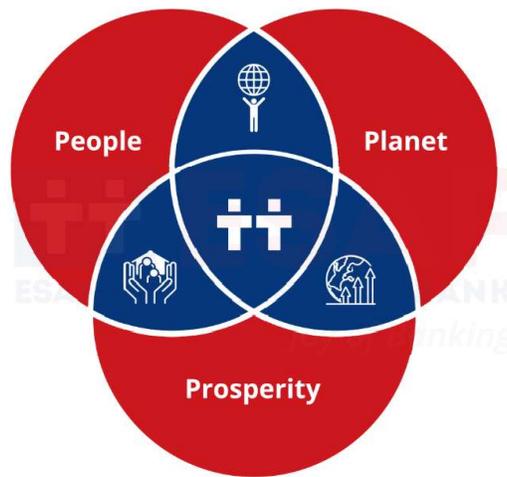
SUSTAINABLE BANKING, ENVIRONMENTAL, SOCIAL & GOVERNANCE POLICY

Revision No.	Issue Date	Amendment Description
Policy Adoption	2021-22	Resolution # 084/68/BOD/2021-22 on 29 th June 2021
Renewal	2022-23	First Renewal, merging with Environmental Policy Resolution # 305/089/BOD/2022-23 on 8 th Feb 2023
Renewal	2023-24	Renewal vide Resolution # 337/106/BOD/2023-24
Merger & Renewal	2025-26	Merger with Sustainable Banking Policy

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ESAF SMALL FINANCE BANK

Sustainable Banking, Environmental, Social & Governance Policy



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Sustainable Banking, Environmental, Social and Governance (ESG) Policy

1. Introduction

We at ESAF Small Finance Bank recognize that our long-term success is intrinsically linked to the wellbeing of all stakeholders including environment, society and the quality of governance practices that guide our business. As a leading social bank, we are committed to integrating, Environmental, Social and Governance principles and the Sustainable Development Goals (SDG) into our core operations, decision making processes and business strategies.

Our Sustainable Banking, Environmental, Social and Governance Policy outlines our dedication to minimizing our environmental footprint, fostering social responsibility and upholding the highest standards of governance. We aim to create sustainable value for all our stakeholders including employees, customers, investors, communities and the value chain partners. This policy serves as the foundation for our ongoing efforts to drive meaningful change, mitigate risks and support the sustainable development of the communities and environments we operate.

2. Objectives

The objectives of the Sustainable Banking, Environmental, Social and Governance Policy is stated below:

1. To embed sustainability and ethical practices into all areas of our operations while identifying and mitigating ESG related risks.
2. To reduce environmental footprint through efficiency and innovation through encouraging financing of low carbon, resource-efficient and climate resilient activities.
3. To promote equitable, inclusive and ethical practices that uphold human rights and contribute to the well-being of employees, customers and communities.
4. To meet the standard disclosures mandated by the regulator and investors on ESG and climate risk.
5. To align with all the 17 United Nations Sustainable Development Goals (SDGs) by integrating relevant targets into our business strategy, operations, and reporting frameworks.

3. Scope

The Sustainable Banking, Environmental, Social and Governance Policy will provide an overarching framework, to be integrated with all business processes and strategies of ESAF SMALL FINANCE BANK in order to ensure its alignment to the Bank's triple bottom line (People – Planet- Prosperity) principles, in line with its core values, business principles, business growth, and impact appetites. The policy applies to all operations, offices, branches spanning all geographic areas, supply chains and is integrated into every function from product development and procurement to marketing, sales and corporate governance.

The policy covers the following areas:

1. Environmental Performance: Actions to reduce carbon footprint and responsible consumption.

2.Social Impact: Actions towards employee welfare and well-being, community development, customer protection and human rights practices.

3.Governance: Ethical business conduct risk management, transparency and shareholder engagement.

By establishing clear guidelines across these areas, we aim to ensure that ESG is aligned into every decision we make, reinforcing our commitment to sustainable, ethical and responsible business practices.

4.ESG Approach

ESAF SFB is committed to conduct business responsibly while creating value for our stakeholders and the communities we operate. The bank shall focus not only on the creation of financial and economic value but also on long term environmental and social value, working with a wide range of stakeholders including shareholders, employees, customers, suppliers, communities and business partners. The approach includes,

1.Sustainable Livelihood Development: To provide financial services and facilitate livelihood development among our beneficiaries and thereby bring economic sustainability

2.Environmental Stewardship Promotion: To develop a green portfolio and identity for the Bank and thereby lower the overall environmental risk

3.Social Performance Management - Financial inclusion and impact measurement so as to measure, evaluate and document the Bank's progress on the SDGs

4.Corporate Social Responsibility - To create value by meaningfully utilising the profits generated in socially responsible initiatives, addressing social, environmental and economic needs of the poor and the marginalised sections of society

Bank will adopt following ways to integrate sustainability into product design and supply chains to as to minimise our environmental footprint.

4.1 Environmental Stewardship

Our bank is committed to operating in an Environmentally responsible manner contributing to a sustainable and regenerative economy through incorporating ESG and climate risk aspects as part of the credit evaluation process.

We aim to achieve reduced carbon foot print through:

- Financing of sustainable products and renewable energy projects such as solar energy, wind energy etc.
- Introducing innovative financing that helps generate environment benefits while improving economic status of the underserved sections of the society.
- Implementing energy saving technologies and practices across facilities.
- Invest in carbon offset programs wherever direct reductions are not possible
- Promoting the use of sustainable, recycled and low impact materials
- Integrating environmental and social considerations into our procurement practices
- Regularly tracking environmental performance and reporting progress.
- Strive to reduce all forms of plastics in its office, branches and events
- Focus on effective water management and endeavour to reduce overall water usage through water saving practices.

4.2 Social Commitment

ESAF SFB is committed to fostering an equitable, inclusive and fair society by empowering our stakeholders and actively promoting social well-being through:

- Establishing a diverse and rich workforce with fair and inclusive employment practices.
- Creating a work culture where visible differences such as age, gender, ethnicity, region, physical appearance, thinking styles and religion are valued.
- Providing opportunities to employees for continuous learning and development whereby creating equitable opportunities for all employees to grow.
- Ensuring safe and healthy working environment for all employees and putting in place robust grievance redressal mechanism.
- Complying with CSR directives and encouraging active stakeholder engagement.
- Providing opportunities for stakeholders including customers, vendors, value chain suppliers, partners to participate in discussions for mutual growth and benefit whereby creating win win situation for all.
- Identifying most vulnerable segment and ensuring that they benefit of our products and services reach them through a strategic process of inclusion.
- Our Code of Conduct outlining the ethical and professional behavior expected of all employees, serving as a guide for professional conduct in the workplace.
- Encouraging employee engagement by providing opportunities for team members to participate in the bank's service activities promoting personal and professional growth, alongside self-satisfaction and actualization.

4.3 Governance

ESAF Small Finance Bank is committed to maintaining the highest levels of ethical standards and therefore a robust and transparent governance structure has been constituted to oversee the implementation of the ESG framework of the bank and the CSR and Sustainability Committee of the board will be responsible for overseeing its development and implementation. The bank's corporate Governance framework complies with the Companies Act, 2013, the regulations and guidelines of the Securities and Exchange board of India.

The bank will remain committed to instituting ethically sound principles through its policies that cover inter alia money laundering, conflict of interest, insider trading, corruption, bribery, discrimination, the confidentiality of information, anti-competitive practices, whistle blowing, community development and environmental protection.

The governance of the Sustainable Banking, Environmental, Social and Governance Policy will be headed by the Board level CSR and Sustainability Committee which will be responsible in overseeing the ESG Framework of the bank. While ESG Management Committee will set the ESG Goals and Targets and institute monitoring mechanism to track the outcomes. ESG MC will be responsible to recommend the ESG Disclosures to the board through board level committees.

The Sustainability Council constituted of Sustainability Champions nominated by each department will initiate actions on the directives from the Sustainability Council in their

department and enhance the reach and impact of banking products from a sustainability perspective. The Council will meet periodically to develop interdepartmental synergies and report on the actions based on the directives from ESG Management Committee.

Protecting customer and employee data is of paramount importance. To that end, we have implemented rigorous cybersecurity and data privacy measures, including strict information security protocols, to safeguard against unauthorized access, data breaches, and fraud.

5. Policy Impact Areas

The Sustainable Banking, Environmental, Social and Governance Policy of the bank will focus on the following key impact areas:

1. Sustainability (as measured by SDG impact) through financial services, creating long-term value
2. Sustainability identity in society - Positioning ESAF Small Finance Bank as a Social and Sustainability Action Bank
3. Development of sustainable financial products within the mandates of different business verticals that will facilitate the sustainable economic growth
4. Partnerships, networking and joint actions with like-minded sustainability-focused institutions to drive joint actions and amplify impact.

6.ESG Disclosures

The Bank will integrate ESG parameters in the Annual Reporting, BRSR of the Govt. of India, Integrated Reporting, Sustainability Reporting and Carbon Disclosures and investor disclosures in compliance with the directives of RBI, SEBI, MCA and other regulatory bodies.

The bank is also committed to fair, uniform and universal disclosure and dissemination of unpublished information in compliance with all applicable laws. We will continue to seek third party assurance on our ESG disclosures such as BRSR, TCFD, GRI Reports etc. to demonstrate credibility of our publicly available information through recognized certifying agencies.

7.Networking & Partnerships

We will actively pursue strategic collaborations to further our sustainable banking culture and contribute to broader ESG goals by establishing institutional tie-ups with organizations, government and industrial bodies to promote a sustainable banking culture. To achieve the Sustainable Development Goals (SDGs) and our sustainability priorities, we will establish global synergies through national and international partnerships.

8.Exclusion List for Combating ESG Risks

The Bank has a detailed Exclusion List that defines the areas to which the Bank shall not lend as per the master credit policy.

9.Policy Review and Updates

This policy will be reviewed on a triennial basis as per the directions of the ESG Management Committee and the changes if any will be proposed by the ESG MC to the Corporate Social Responsibility and Sustainability Committee of the Board and the Board of Directors.

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