



Environment, Social and Governance Policy

November 2023

Prepared by:



Table of Contents

1	Introduction	4
1.1	About IKF Finance	4
1.2	Background to ESG Policy	4
1.3	Reference Framework.....	4
2	ESG Policy & Principles.....	5
2.1	ESG Policy Statement.....	5
2.2	ESG Operational Principles	5
3	Approval – Communication - Implementation	9
3.1	Approval of ESG Policy	9
3.2	Communication of ESG Policy.....	9
3.3	ESG Policy Implementation.....	9

Abbreviations

EHS	Environment, health and safety
ESG	Environmental, Social & Governance
ESG-MS	Environmental, Social & Governance Management System
ILO	International Labour Organization
LAP	Loan Against Property
MSME	Micro Small and Medium Enterprise
NBFC	Non-Banking Finance Company
Note	This is group level policy applicable to IKF Finance and IKF Home Finance Limited and IKF home finance has to be read along with IKF Finance Limited if otherwise not mentioned.

1 Introduction

1.1 About IKF Finance

IKF Finance Limited (including its wholly owned subsidiary IKF Home Finance Limited together termed as “Company”) is among India’s prominent Non-Banking Finance Company (NBFC) with over three decades of experience in the asset financing business. IKF Finance offers loans for the purchase of commercial vehicles, cars, MUVs, three-wheelers, tractors, and construction equipment, in addition to secured MSME loans, the product portfolio is customised to accommodate the needs of financially underserved self-employed customers. The Company has its Registered office in Vijayawada, Andhra Pradesh and corporate office in Hyderabad in the State of Telangana and operates in 8 States covering Telangana, Andhra Pradesh, Tamil Nadu, Karnataka, Maharashtra, Gujarat, Madhya Pradesh and Rajasthan

IKF Home Finance Limited (IKFHFL) is a subsidiary company of IKF Finance Limited (IKFFL) and started as a separate entity in 2017. It is driven by the vision to transform lives in a new, thriving, aspirational India through flexible home loans. IKFHFL offers a variety of loans, such as Home Loans, Home Improvement Loans and Loan Against Property (LAP) in the range of INR starts from 1 Lacs to 100 lakhs for maximum tenure upto 20 years. Operating in 6 states covering Telangana, Andhra Pradesh, Tamilnadu, Karnataka, Maharashtra & Gujrat.

1.2 Background to ESG Policy

IKF Finance wishes to create an overall positive impact through its business by extending loan products that are sustainable from all perspectives – social, financial and environmental. IKF Finance recognizes that it holds a unique position to influence the MSME sector towards adoption of sustainable practices. This will ensure business continuity for itself and its customers.

The Company has thus developed an ESG Policy at the holding company level and an Environmental, Social and Governance Management System (“ESG-MS”) at individual entity level (separate for IKFFL and IKFHFL) to address ESG risks and opportunities in a structured manner commensurate with the scope and scale of their own and borrower operations. The ESG-MS at individual entity level is guided by IKF Group’s ESG Policy and Principles that are aligned with the national and relevant international investor ESG safeguards to identify, assess, manage and monitor the ESG risks and enhance opportunities in its business operations.

1.3 Reference Framework

The ESG-MS has been developed with reference to the following frameworks:

- a) Applicable local, national and international environmental and social (including occupational health and safety) legislation
- b) International Finance Corporation’s Performance Standards, 2012
- c) The World Bank Group General Environmental, Health and Safety (EHS) Guidelines, April 2007
- d) Client Protection Standards and Client Protection Pathways
- e) Fundamental ILO Labour Standards and ILO Basic Terms and Conditions of Employment
- f) Universal Standards for Social Performance Management
- g) UN Guiding Principles on Business and Human Rights

h) United Nations Principles for responsible Investment

2 ESG Policy & Principles

2.1 ESG Policy Statement

Through its ESG Policy, the Company makes a commitment towards contributing to a more sustainable world by taking measures at the appropriate stages to address ESG risks and opportunities in its business operations.

The IKF Finance ESG Policy will be applicable to the holding company and all its subsidiaries.

IKF Finance ESG Policy
<p>IKF Finance was founded with a mission to provide growth opportunities to the underserved segment. The customer-centric business model is built on core values of ethical practices and transparency. Being a responsible business, IKF Finance designs its loan products suiting the borrower needs and affordability while conducting its business in a climate conscious, socially responsible and sustainable manner.</p> <p>In line with its commitment, IKF Finance has developed an ‘Exclusion List’ of activities to which it will not extend loans. In all the engagements, IKF Finance will make efforts to sensitize and influence the borrowers to protect the environment and conserve natural resources. IKF Finance will require the borrowers to provide good working conditions that are inclusive, gender-responsive, safe and healthy for work. IKF Finance will proactively engage with the stakeholders ensuring timely resolution of grievances.</p> <p>IKF Finance will comply with all relevant Indian national ESG regulations and those asked by its investors on a proactive basis and encourage borrowers to follow suit.</p> <p>IKF Finance is committed to comply with its ESG Policy and will implement appropriate procedures and build organizational capacity to achieve its policy objectives.</p>
<p>10.11.2023</p> <p>Sd/-</p> <p>Vasumathi Devi Koganti</p>

2.2 ESG Operational Principles

The ESG Policy Statement will guide the ESG performance of the Company and is implemented through the ESG Operational Principles that are applicable to IKF Finance (including IKF Home Finance) own operations and those of its borrowers, as relevant.

A snapshot of the ESG Operational Principles is presented in **Figure 1**.



Figure 1: ESG Operational Principles

1. Compliance to ESG Safeguards in IKF Group and influencing borrowers to comply:

- Applicable local, national and international environmental and social (including occupational health and safety) legislation
- International Finance Corporation’s Performance Standards, 2012
- The World Bank Group General Environmental, Health and Safety (EHS) Guidelines, April 2007
- Client Protection Standards and Client Protection Pathways
- Fundamental ILO Labour Standards and ILO Basic Terms and Conditions of Employment
- Universal Standards for Social Performance Management
- UN Guiding Principles on Business and Human Rights
- United Nations Principles for responsible Investment

2. Good Working Conditions and Fair Labour Practices at IKF Group and influencing borrowers to comply with labour laws by:

- Ensure fair recruitment process which helps identify and hire people with the right values
- Not employ or make use of child labour and forced labour of any kind.
- Preventing gender based violence and harassment at the workplace.
- Assess the health and safety risks arising from work activities, and take appropriate actions to eliminate or reduce risks to health and safety of the workers and all those employed.
- Treating all employees fairly and equally in terms of recruitment, remuneration and progression irrespective of gender, race, colour, language, disability, political opinion, , age, religion and origin.

- Encouraging employees to share ideas and thoughts to the management through regular consultations.

Note: Employees means workers directly engaged as well as contracted workers engaged through third parties

3. Being Climate Conscious at (since this is group level policy, need not mention IKF Group separately)

- Measuring carbon footprint.
- Enabling resilient practices of adaptation through the process of transition.
- Promote and adopt energy efficient technology and equipment in day to day operations while aiming to reduce the GHG emissions resulting from operational activities.

4. Promoting Prevention of Pollution and Resource Use Efficiency for environmental protection and conservation by influencing borrowers to (as relevant):

- Adopt appropriate controls (where relevant), including processes and procedures to manage pollution generated in the form of air emissions, wastewater generation and solid waste generation through treatment, destruction, or disposal in an environmentally sound manner.
- Minimize pollution generation through source reduction of waste volumes.
- Reduce material and energy inputs, avoiding use of hazardous materials, improving process efficiencies and safety and minimizing waste generation
- Identify opportunities to reuse, recycle and recover resources from the wastes/emissions generated.

5. Stakeholder Engagement at IKF Group:

- Engaging with all stakeholders, both internal as well as external, at regular intervals, in a constructive manner which helps the companies convey their ESG commitments for long-term value creation and building a mutual understanding of the ESG strategy.
- Not discouraging employee associations and providing opportunities to present their views to the management through dialogue.
- Reporting to relevant stakeholders in a planned manner.
- Establishing a structured grievance redressal framework supported by a review mechanism for customers as well as its employees, third-party service providers, and other key stakeholders associated in order to effectively address any operational, social, environmental, labor and other general concerns.
- Establishing customer feedback mechanisms and analysing inputs for service improvement.
- Reporting to relevant stakeholders in a planned manner.

6. Borrower Protection at IKF Group:

- Designing financial products that are affordable, flexible and suiting borrower interests, excluding waiver of borrower rights under host country law.

- Preventing over-indebtedness by performing adequate due diligence on the borrower's repayment capacity, and designing appropriate loan repayment schedules and using collaterals and guarantees judiciously.
- Communicating necessary information about the product clearly, timely and in a language understood by the borrower.
- Pricing the product affordable to borrowers while allowing the financial institution to be sustainable.
- Conveying in writing in a language understood by the borrower, by means of a sanction letter, the loan is sanctioned along with the terms and conditions including the rate of interest and the method of application.
- Treating borrowers fairly and respectfully, free of discrimination through code of ethics for staff, incentivizing good client relations and responsible use of agents.
- Respecting individual client data in accordance with host country law and regulations and implementing appropriate mechanisms to maintain client confidentiality on personal data.

7. Maintaining Business Integrity at IKF Group:

- Adopting and maintaining a whistleblowing mechanism proportionate to the risks in the business.
- Ensuring that employees and third parties representing the business do not engage in bribery and corruption.
- Not engaging in money laundering practices and any financing of terrorism.
- Establishing mechanisms to counter fraud and cyber security.

3 Approval – Communication - Implementation

3.1 Approval of ESG Policy

The ESG Policy and Principles have been presented to the Board and are duly approved. The policy shall be applicable from the date of the Board approval, i.e., 10.11.2023 to all IKF Group's own and borrower operations.

3.2 Communication of ESG Policy

The ESG Policy shall be prominently displayed in all IKF Group offices (head office and branches) and communicated to all employees through training programs. It shall also be communicated to other relevant stakeholders, such as investors, shareholders, business partners, as relevant. The ESG Policy shall be made available to all other concerned stakeholders on IKF's website.

3.3 ESG Policy Implementation

The ESG Policy Statement and Operational Principles is supported by an Environmental, Social and Governance Management System (ESG-MS), developed as Part 2. The ESG-MS has been formally adopted by the top management to operationalize the ESG Policy in the business.

Under the ESG-MS, the procedures and tools for ESG risk and opportunity identification, management and monitoring have been developed and integrated with the loan cycle. The institutional structure with roles and responsibilities of various departments towards implementation of the ESG-MS have been defined.

The ESG Policy and underlying procedures will be reviewed on an annual basis by the ESG Committee at IKF Group level, to ensure its continuing suitability, adequacy and effectiveness.