

Piramal Finance Limited

Environment, Social and Governance (ESG) Policy

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1. Introduction

Piramal Finance Limited (PFL or the Company) acknowledges that conducting business in a responsible manner is imperative for building trust and credibility among the stakeholders. The Environment, Social and Governance (ESG) policy (this document) outlines the Company's commitment to the environment, to social responsibility, to good governance practices, and to enable responsible financing oriented towards sustainable value creation. The policy aligns PFL's business objectives with the broader goal of sustainable development, while also addressing the interests of its customers, employees, investors, and the community.

PFL is committed to minimizing its ESG risks and related impacts through the development of robust and documented systems that implement, measure, monitor, and disseminate excellence in environmental, social, and governance performance both within its operations and across its value chain. The philosophy of "Doing Well and Doing Good," along with the Company's core values of Knowledge, Action, Care, and Impact, guides the people and the business operations.

This document outlines the Company's commitment to the environment, social responsibility, and good governance practices and a framework to manage the Company's ESG risks and opportunities.

1.1. Policy Coverage

The policy covers PFL and all its subsidiaries. It extends to all the Company's stakeholders inter-alia employees (permanent and contractual), financial consultants / contractors, corporate agents, brokers, DSA and channel partners, vendors, portfolio companies, advisors, borrowers / customers, or other third parties engaged with the Company, across all the branches and offices pan India. For reference, the Policy is accessible on the Company's website (<https://www.piramalfinance.com/stakeholders/policies>).

1.2. ESG Vision

To become a best-in-class financial institution with a strong focus on creating long-term, sustainable value for the Company's stakeholders.

1.3. ESG Goals

- To achieve profitability while adhering to responsible business practices
- To embed ESG practices with the business, operations, and value chain
- To proactively address future challenges by engaging with emerging ESG issues

2. Objectives

The Company's objectives are to:

- Incorporate ESG considerations into the functioning of the Company, address and mitigate any possible adverse risks, and utilize it as a roadmap for the organisation's ESG projects and undertakings
- Conduct the business with integrity, enforcing good governance practices, such as transparency, ethical behaviour, accountability, and non-financial risk management, and providing all information pertinent to the Company's activities
- Align the business activities with the Company's vision for sustainable value creation
- Encourage and ensure compliance with human rights throughout the value chain of the Company
- Establish and maintain effective lines of communication with all stakeholders and uphold their interests
- Maintain an environment conducive to employee safety, health, and well-being
- Contribute to reducing emissions by efficiently managing offices and resources

3. Governance Mechanism

The Sustainability & Risk Management committee (SRMC), a Board level committee, is designed to oversee the implementation of sustainable strategies, policies, and practices, and ensure that it is aligned with core values. This Committee is responsible for reviewing and overseeing implementation of this Policy.

The focus of the committee shall be to:

- Create an organisation-wide awareness around sustainability framework and take cognizance of what vital role sustainability plays in today's global scenario
- Oversee strategy for embedding sustainability into businesses and processes
- Ensure appropriate implementation of sustainability initiatives along with businesses / functions in line with strategy
- Monitor and communicate the outcomes of sustainability initiatives to relevant internal stakeholders on an ongoing basis

The Company has a dedicated ESG team and a cross-functional working group that is responsible for driving progress against the ESG targets. This team is also responsible for maintaining progress against goals, and all ESG reporting and disclosure activities.

4. ESG Focus Areas

The ESG General Principles in Operations and Business include:

4.1. Corporate Governance

The Company has established a robust and efficient system for corporate governance with the following considerations:

- Encouraging transparency and accountability as part of the Company's culture
- Ensuring compliance with relevant laws and regulations
- Adopting a comprehensive approach to mitigating climate change risks in business
- Creating ethical guidelines through its code(s) of conduct that address topics such as money laundering, conflicts of interest, insider trading, corruption, bribery, discrimination, confidentiality, anti-trust and anti-competitive practices, whistleblowing, and environmental, health, and safety concerns
- Ensuring zero tolerance for bribery and corruption at all levels
- Promoting a transparent and accountable corporate culture throughout the organisation
- Focusing not only on shareholders' value, but also considering interest of all stakeholders
- Ensuring that every board member has an equal voice, as this is critical for maintaining engagement and a shared sense of ownership among all board members
- Promoting diversity in its board, encompassing various aspects such as skills, experience, and gender
- Building organisational expertise and capabilities regarding matters relevant to ESG performance
- Strengthening commitment towards ESG with the adoption of the Board-approved ESG policy into its governance structure

4.2. Stakeholder Management

The Company has set out key principles to create long-term value for its stakeholders across the value chain.

4.2.1. Employees

The Company endeavours to develop a high potential workforce and invests in talent acquisition, development, and retention.

The Company seeks to follow the principles as stated below:

- Making sure that employees do not face discrimination based on race, ethnicity, caste, religion, culture, colour, age, gender identity or expression, disability, socio-economic status, or sexual orientation within the organization
- Ensuring a safe and healthy work environment for all employees

- Adopting a zero-tolerance policy towards any form of workplace harassment
- Providing training to employees on the Company's Code of Conduct, consisting of ethical values, anti-trust / anti-competitive practices, confidentiality of information, anti-money laundering policies, whistle blower protection, conflict of interest avoidance, compliance system, human rights, and promotes a safe and healthy work environment
- Raising awareness among employees regarding sustainability and ESG issues through various initiatives including BRSR training sessions, environmental management, social and environmental risk mitigation, and business opportunities that arise from such initiatives
- Offering opportunities for employees to develop and enhance their skills
- Encouraging employee volunteering to support local communities
- Supporting the employment of people with special needs as the Company shares the opinion that an employee's abilities are not constrained or limited by physical impairments, and it does not hesitate to employ intellectual people with special abilities
- Conducting periodic employee engagement surveys to gauge the satisfaction and involvement of its workforce, with the goal of improving employee engagement

4.2.2. Customers

The Company seeks to build long-term relationship with its customers based on trust and loyalty, catering to their needs, enhancing customer satisfaction, and maintaining reliability. The Company seeks to:

- Develop and supply financial and investment products that support sustainable finance and encourage and enable sustainable economic activities
- Promote sustainable finance in a collaborative and inclusive manner
- Provide accurate, sufficient, and appropriate information thereby fostering transparency
- Offer access to various digital services through multiple platforms available at all times
- Maintain utmost sensitivity and privacy with customers data
- Ensure that products and services are offered to customers in a fair and ethical manner

4.2.3. Communities

The Company is committed to creating positive social impact in the communities where it operates, including initiatives for job creation and skills development. The Company seeks to empower communities and address key issues faced by them in its operating regions, through its Corporate Social Responsibility (CSR) activities and participation in the activities of the Foundation.

The Company's [CSR Policy](#) provides guidance for the implementation of approved CSR projects.

4.2.4. Third Parties and Business Partners

The Company values maintaining ethical and transparent relationships with Third Parties including direct sales agents, connectors, suppliers, and business partners.

The Company expects Third Parties to establish policies and mechanisms that adhere to local laws, business ethics, human rights, and integrity. Additionally, the Company urges suppliers and business partners to extend these principles to their supply chain, fostering a sustainable value chain in a genuine manner. Partners are expected to follow business ethics, safeguard human rights, ensure healthy and safe working conditions, foster diversity, and inclusion in their workforce, forbid forced as well as child labor, and establish effective mechanisms for addressing stakeholder complaints. Third Parties are urged to back the Company's dedication to safeguarding the environment.

4.2.5. Grievance Management

The Company has established a robust system for resolving stakeholder queries and apprehensions, which encompasses environmental and social matters. The Company manages such concerns in a consistent and suitable manner, adhering to defined protocols for managing ESG-related grievances or complaints.

Principles for grievance management include:

- Acting in good faith and without discrimination to meet its obligation to stakeholders
- Any requests for ESG-related information, concerns, or complaints raised by stakeholders shall be dealt with in accordance with applicable laws and in the same manner as other investor grievances. The Company shall ensure that all stakeholders are informed of the avenues available to them to raise their complaints / grievances and their entitlement to alternative remedies if they are not content with the Company's response
- Grievance redressal channels shall follow a transparent process that is open to all stakeholders at no charge and without the risk of any retaliation

4.3. Commitments to maintain Operational Eco-efficiency

The Company is committed to minimise the environmental impact arising from its operational activities. The Company has in place, and would consciously endeavour to maintain operational eco-efficiency, and consider:

- Introducing mechanisms and procedures that stimulate perpetual advancement in environmental performance of the company's operations
- Endeavouring to institutionalise various strategies that promote waste minimisation, segregation, recycling, re-use, and recovery
- Adopting measures to conserve, manage, and augment water resources
- Tracking and managing energy consumption, emissions, and waste generation at all its offices and branches and disclosing these figures in sustainability reports
- Offering appropriate education and communication to employees and relevant stakeholders concerning environmental matters

4.3.1. Procurement Practices

The Company is dedicated to upholding the governance and sustainable procurement of goods and services, including the following practices:

- Striving to source products and services that are environment friendly, recycled, energy efficient and locally sourced, to the extent possible
- Encouraging its vendors and suppliers to comply with relevant regulations with regards to Human Rights
- This will include conservation of natural resources, minimum or no use of hazardous or toxic substances, compliance with local / national / international regulations, safety of the user of product, recyclability, reusability, and promoting green certified / labelled products

4.4. Employee Wellbeing, Health, and Safety

The Company has a commitment to ensure a safe and healthy work environment for all employees and to promote employee health and wellbeing. It will continue to undertake reasonably practicable steps to:

- Conduct the business in a sustainable manner, providing a secure and healthy work setting and complying with all relevant health and safety regulations and laws
- Identify EHS (Environment, Health, and Safety) hazards, risks & impacts in all offices and branches, through periodic assessments & audits, and implement necessary control measures
- Create emergency response and preparedness protocols throughout the Company
- Encourage a culture of caring for employees' mental and physical well-being, and grant access to wellness programs
- Assess the training needs of employees and provide them with necessary training on the EHS issues, concerns, and best practices
- Assign responsibility to contractors and vendors to comply with the Company's EHS norms and follow all applicable legal requirements

- Empower women, differently abled persons, and disadvantaged sections of society by providing equal opportunities for employment, women-friendly policies, and ensure to address the need of special infrastructure for seamless integration of differently abled employees

4.5. Protection of Human Rights

The Company demonstrates a firm commitment to the protection of human rights at all levels of its operations, in accordance with internationally accepted standards. This commitment is deeply ingrained in the Company's values and principles, and it is reflected in its policies, practices, and decision-making processes.

The Company commits to:

- Be an equal opportunity provider and ensure pay parity across all designations. All employee related considerations are based on merit and performance
- Prohibit mistreatment or coercion of an individual based on their sex, race, caste, gender, colour, creed, religion, national origin, nationality, age, disability, genetic information, marital status, sexual orientation, or socioeconomic status. This applies to all the employees
- Prevent sexual harassment of all forms
- Provide a safe and healthy work environment for all the employees that extends to contractual employees
- Zero tolerance towards any form of modern slavery. This stance aligns with the principles outlined in the United Nations Declaration of Human Rights and the International Labour Organization's conventions regarding forced or compulsory labour
- Eliminate any form of discrimination in the workplace and ensure that compensation, working hours, and social benefits are in compliance with the local laws and regulations, as well as industry norms and practices
- Zero tolerance towards any form of child labour, forced labour, trafficking or involuntary labour
- Provide training to employees on the human rights issues and policy(ies) pertaining to Code of Conduct, consisting of ethical values, antitrust / anti-competitive practices, confidentiality of information, anti-money laundering policies, whistle blower protection, conflict of interest avoidance, compliance system, and human rights to promote a safe and healthy work environment

4.5.1 Grievance Mechanism

The grievance mechanism ensures that all employees have access to a secure platform available 24x7 to report any violations of the company's policies and procedures. This reporting can be done confidentially and anonymously, without the fear of facing any retaliation, by following:

- a. Whistleblower Policy
- b. Policy on Prevention, Prohibition, and Redressal of Sexual Harassment at Workplace
- c. Internal employee Grievance Redressal and Harassment Prevention

4.6. Sustainable Finance

The Company shall take reasonably practicable steps to support sustainable financing opportunities including:

- Developing financial products and services that align with the nation's sustainable development goals (SDGs) and transition to a low carbon economy
- Incorporating Environment & Social (E&S) conditions as a part of Financing Agreement and providing products and services that facilitate financial inclusion by offering credit to "New to Credit" customers and those in Tier 2/3/4 cities
- Promoting gender equality by providing credit to female borrowers
- Integrating ESG criteria into the risk monitoring framework, and establishing appropriate Standard Operating Procedures (SOPs) for its portfolio based on sector exposure
- Implementing a watchlist of high-risk environmental sectors in stages across all its businesses, with periodic reviews and updates
- Preparing lender-specific procedural documentation to accommodate the distinct requirements of each stakeholder

4.7. Risk Management

The Company has implemented a Risk Management policy across its various businesses, and established Risk Management Committee (RMC) to oversee its implementation. The Risk Management Framework takes a proactive approach in devising strategies and adheres to the Committee of Sponsoring Organizations (COSO) framework.

To effectively manage both, anticipated negative risks and potential positive opportunities, the Company has implemented early-warning mechanism. The Risk Management Framework considers risks at the portfolio, business, and Company levels, including credit, market, operational, compliance, reputational, cyber, and legal risks. The RMC is responsible for identifying, evaluating, and mitigating risks. The Company has Cybersecurity and data privacy policy in place. It assesses instances of cyber-attacks and bolsters its cybersecurity measures accordingly.

In its business processes, the Company is aware of the necessity to assess financial and ESG risks. The organization is implementing a High-Risk Sectors Watchlist as part of its proposal screening process to prevent funds from being allocated to projects that are anticipated to have undesirable adverse effects on ESG factors. The Company shall integrate environmental and social considerations into business activities and portfolio evaluations and monitoring.

4.7.1. Climate Risk Monitoring

The Company shall prioritise managing climate-related risks and strive to implement the relevant and feasible recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Company shall also undertake climate risk scenario analysis and stress testing as guided by the Reserve Bank of India.

4.7.2. Screening of Loan Applications

The Company acknowledges the significance of evaluating both financial and ESG risks in loan proposals. In accordance with the Company's risk assessment procedure, the business team shall scrutinize market trends, products / facilities, and loan pricing. To ensure that only eligible loan applications are forwarded for further consideration, each loan application shall initially undergo scrutiny against the high-risk watchlist.

The Company has established a comprehensive risk assessment process that examines key factors, including geography, sector, market expectations, and local laws and regulations. This process enables the identification of risks' significance, criticality, and severity. In instances where risks are identified, the Company may engage a third-party vendor to conduct due diligence on proposed projects to evaluate ESG and other relevant risks.

4.7.3. Including E&S conditions as a part of Financing Agreement

The Company will endeavour to ensure that necessary E&S safeguards are in place for approved transactions based on the criticality of the risks involved. These safeguards may be part of financing agreements.

The financing agreements may also include the information below, if required:

- Affirmative covenants: Compliance with environmental and social laws is necessary, and where applicable, environmental, and social performance must be reported
- Negative covenants: Actions that the customer / borrower should refrain from undertaking to comply with environmental and social regulations, wherever applicable
- Corrective Action Plan: In case of non-compliance / deficiencies in current systems and processes, the agreement may also include a set of measures to be undertaken and disclosed by the customer / borrower to enhance environmental and social performance

4.7.4. Periodic monitoring and evaluation of ESG performance

The Company is dedicated to monitoring the ESG performance of its portfolio and shall examine key impact areas such as the growth of green buildings and housing projects, the expansion of the renewable portfolio, and lending to support low-carbon technologies. Due to the greater ecological and social footprint of infrastructure

projects, the Company shall evaluate these portfolios for any environmental violations or other violations that primarily affect vulnerable groups or indigenous communities during the loan cycle, as needed.

For critical and crucial transactions in the Infrastructure Business, the Company shall engage in-house or third-party experts to perform due diligence exercises and assessments on E&S aspects, as specified in covenants and ESG performance requirements. This exercise shall be conducted based on the agreed terms and conditions between both parties, i.e., the Company and the customer / borrower.

5. Disclosures and Stakeholder Communication

- The Company shall provide ESG performance information with a focus on the material topics identified by stakeholders through regular reports following internationally recognized frameworks and those specified by local laws
- The Company shall disclose information to nationally and internationally reputed ESG Rating providers
- The Company shall align its disclosures with the principles stated in the National Guidelines on Responsible Business Conduct (NGRBC) developed by the Ministry of Corporate Affairs, Government of India
- The Company's ESG priorities, transparency, and reporting shall align with its business objectives and materiality assessments. The Company shall actively engage stakeholders to formulate initiatives and assess overall ESG performance
- The Company shall also consider external assurance (limited / reasonable) for its ESG reporting to demonstrate credibility of the Company's publicly available information

6. Policy Evaluation / Revision

If at any point, a conflict of interpretation / information between the Policy and regulations, rules, guidelines, notification, clarifications, circulars, master circulars / directions issued by relevant authorities ("Regulatory Provisions"), applicable if any, arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and / or clarification(s) to the Regulatory Provisions, if applicable, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.

The Company shall formulate and revise from time to time an appropriate implementation framework for the enforcement of this Policy. The Sustainability & Risk Management Committee shall periodically review the Policy and the implementation framework.