



MUTHOOT CAPITAL SERVICES LIMITED

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ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) POLICY

This Policy was approved by the Board of Directors at the meeting held on 23rd January 2024 and reviewed on 4th February 2025

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ESG POLICY

Version control:

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1.	ESG Policy	V1	23 rd January 2024	Policy document approved
2	ESG Policy – Review	V2	4th February 2025	Annual review and addition of roles and responsibilities

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1. OBJECTIVE :

The policy is to align MCSL overall business and operational objectives with ESG standards. The objective is Environmental, social and governance (ESG) considerations into operations and business, mitigate material impacts and risks thereof and serve as a guiding document for the ESG initiatives and activities undertaken by MCSL. The approach includes development of a robust governance mechanism, implementation framework, systems for risk management and controls, incorporation of environmental and social considerations into the standard operating procedures of MCSL operations as well as communication and disclosure of ESG performance as per the regulations.

2. ESG VISION:

To be an environmentally and socially responsible financial institution, with a strong focus on creating long-term, sustainable value for all our stakeholders.

3. ESG GOALS

- Profitability with ethical, environmental, and social responsibility.
- Establish high standards and strategies to promote environmental, social and economic growth
- Proactively address future challenges by engaging with emerging ESG issues
- Positively contribute to the environment and social sustainability
- Encourage, involve and update stakeholders about the ESG framework
- Promote better governance by enhancing transparency in accounting and financial reporting

4. ESG APPROACH AND POLICY GOVERNANCE

The ESG approach and its governance would be monitored and reviewed by ESG committee, a management level committee comprising of senior members across major functions chaired by CEO. The ESG committee will be reporting to the Board.

The ESG committee shall be working towards identifying risks and opportunities across various ESG aspects as listed below and devise necessary action plan and targets to mitigate such risks and build on the opportunities.

- Track, assess and manage the impact of existing and emerging ESG risks on the loan portfolio by adopting robust Environmental & Social Management System
- Identify opportunities for operational resource efficiencies and savings through continuous improvement in areas of emissions, energy, paper, water, and waste management.
- Establish robust workplace policies to promote conducive work environment. This entails focus on employee code of conduct, human rights, equal work opportunities, gender diversity, employee well-being and safety, performance reviews and remuneration.
- Promote strong corporate governance and ethical work culture through policies and guidelines on board diversity and inclusion, anti-bribery, anti-corruption, anti-money laundering, IT/data privacy and security, whistleblower, and corporate taxation.
- Identify emerging material stakeholder issues, risks and opportunities to provide timely feedback for alignment of core business strategies for addressal of such risks and opportunities.

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- Work towards improving the overall disclosures to effectively demonstrate the Company's ESG commitment to its stakeholders.

The ESG policy will be reviewed and updated on an annual basis, subject to approval by the RMC/Board. This will enable the Company to continually strengthen the adherence to various global ESG standards and improve the level of disclosures.

5. KEY PRINCIPLES:

The BRSR/ESG is based on the 9 principles in line with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' (NVG) issued by MCA. The guidelines state that the companies should not be just responsible but also socially, economically and environmentally responsible. Through such reporting, the guidelines expect that businesses will also develop a better understanding of the process of transformation that makes their operations more responsible. The NVG were further revised and the MCA formulated the 'National Guidelines on Responsible Business Conduct' (NGRBC).

The said guidelines stipulated the following principles:

5.1 **Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent and accountable.**

- MCSL is committed to maintaining the highest standards of ethics in all spheres of its business activities.
- Code of conduct of the company has stipulated standards of ethical behavior, both internally within the organization, as well as in their external relationships.
- Ethical behavior at all levels in the organization is an essential part of the work culture among all MCSL employees.
- Every employee of MCSL shall conduct himself and deal on behalf of the company with professionalism, honesty and integrity, while conforming to high moral and ethical standards.
- All business decisions and transactions shall be fair, transparent, amenable to disclosure and be visible to relevant stakeholders.
- Each executive and employee are accountable for the functions and responsibilities entrusted to him /her.
- The Company is committed to and supports the constitution and governance systems of the country. It shall not support any specific political party or candidate for political office.
- Employees at all levels shall put National interest, Public interest and the Company's interest above personal interest while discharging his/her duties and responsibilities and avoid apparent conflict of interest. Conflict of interest may exist when they have personal interest that may have a potential conflict with the interest of the Company.

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5.2 **Businesses should provide goods and services in a manner that is sustainable and safe.**

- MCSL operates in an environmentally responsible manner
- All projects and processes shall be designed keeping in view environmental protection as an integral part to achieve sustainable development.
- Provide an environmentally sound workplace and implement environmentally sound work practices;
- MCSL is conscious of use of paper in its business operations. Increasing use of digital. Applications at field is gradually helping in reduction in paper consumption, thus leading to lower paper wastage. The Company also aims to control the printing and photocopying operations by employees across all office locations in order to reduce wastage of paper
- The company will ensure reduction in the use of water consumption.
- Monitor our programs and implement processes of continuous improvement; and
- Develop an environmentally responsible culture across all levels of organization and consult, educate, train and motivate staff about their environmental responsibilities.
- MCSL has exclusion list under each product
- The Company will prioritize managing climate-related risks and strive to implement it. The Company shall also undertake climate risk scenario analysis.

5.3 **Businesses should respect and promote the well-being of all employees, including those in their value chains**

HR management involves

- Organizational transformation to global performance standards
- Aligning people with business strategy
- Culture building, mentoring, inculcating values and personality development for positive action with the objective of overall development of the employees and organization
- Delivering world class HR processes that develop leadership capability, organizational performance and strategic employee competencies.
- Ensuring the wellbeing of employees at all levels

MCSL HR policies and procedures includes

- HR process
- Talent acquisition & retention
- Performance management
- Leadership development and change management.
- Employee relationship and welfare
- Gender equality

MCSL remains committed to value equal opportunities, diversity and inclusion at the workplace. The Company shall encourage diverse workforce without any discrimination on basis of age, gender, sexual orientation, marital status, physical or mental disabilities, race, caste, colour, national or ethnic origin, religion or language.

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MCSL is committed towards promoting safe and conducive work environment for its employees and provides guidance on occupational health and safety, appropriate healthcare benefits and medical cover to all its employees. MCSL aims to be one of the best workplace for employees in the coming years and will also make sure that:

- There is no forced labor and employment is freely chosen.
- The right of freedom of association is respected and encouraged by the employer
- No child labor
- Living wages are paid (wages should always be enough to meet basic needs and to provide some discretionary income)
- No harsh treatment is used or discrimination practiced
- Workers are not pressurized to undertake overtime they do not wish to do
- A safe and hygienic working environment shall be provided
- Create safe and healthy working conditions, and protect and promote the health of all workers for whom it is a Principal Employer;
- Fire extinguishers of required type and capacity shall be installed at appropriate places in the branches/offices. Members shall be imparted training to operate fire-fighting equipments.
- Preparation of On-site emergency plans, conducting of regular mock drill and evacuation program will be ensured
- Dissemination of relevant information to employees relating to general safety, equipment operating safety and cautioning
- Ensure that the safeguarding of personnel and property is carried out in a legitimate manner that avoids or minimizes risks to the community's safety and security;
- Protect and conserve biodiversity by avoiding habitat destruction or degradation particularly of natural and critical habitat as also protected areas; and ensure access of communities to natural resources on which their livelihoods depend;
- Respect and preserve the culture, knowledge and practices of indigenous people;
- Protect cultural heritage from the adverse impacts of its operations and support its preservation.

MCSL remains committed to foster safe working environment for women, with zero tolerance policy on sexual harassment along with quick investigation and redressal of complaints through fair and transparent process. To achieve in this regard there is POSH committee established under the auspices of POSH Act

5.4 Businesses should respect the interests of and be responsive to all their stakeholders.

MCSL shall continue to

- values the support of its stakeholders and respects the interests and concerns they have towards it.
- Employees shall provide value- based services to the stakeholders.
- Continuous engagement with its various stakeholders to understand their concerns and assess their requirements and respond to their needs in an effective manner.

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- conscious of the impact of its policies, decisions, products and services and associated operations on the stakeholders and shall avoid such actions which adversely affect the health, safety and welfare of the stakeholders.
- Proactively engage with and respond to those sections in the society that are disadvantaged, vulnerable and marginalized.
- It shall also give special attention to stakeholders in areas that are underdeveloped.
- Resolve differences with stakeholders in a just, fair and equitable manner.
- Communicate the E&S Policy and underlying procedures to all stakeholders through the company website and other appropriate mechanisms.

5.5 Businesses should respect and promote human rights.

MCSL is committed to uphold employee rights and treat all employees with respect and dignity. in order to promote a healthy and conducive work environment for the employees. The Company aims to comply with United Nations (UN) Guiding Principles on Business and Human Rights and International Labour Organisation (ILO) conventions which are ratified by India.

MCSL :

- Shall strive to adhere to the human rights laws and guidelines.
- Shall integrate respect for human rights in management systems and ensure that all individuals impacted by the business have access to grievance redressal mechanisms.
- Shall recognize and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers, and vulnerable and marginalized groups.
- Shall within its sphere of influence, promote awareness and realization of human rights across its value chain.

5.6 Businesses should respect and make efforts to protect and restore the environment.

MCSL is focused on ETW business as go green strategy. Electronic waste or e-waste is generated when electronic and electrical equipment become unfit for their originally intended use or have crossed its total working life span. Computers, servers, mainframes, monitors, compact discs (CDs), printers, scanners, copiers, calculators, fax machines, battery cells, cellular phones and air conditioners are examples of e-waste (when unfit for use).

These electronic equipment's get fast replaced with newer models due to the rapid technology advancements and production of newer electronic equipment. Some eco-friendly waste disposal technique that MCSL can adopt to dispose of electronic waste locally are:

- Dispose of Electronic Waste to a Certified E-Waste recycler; or
- Exchange Policy: A lot of electronic companies tend to have an exchange policy whereby they take back your old gadgets when you buy a later version, sometimes offering you a discount on your new purchase; or
- Donate to a small social welfare institution

5.7 Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

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MCSL understands its responsibility to function within the democratic set up and the constitutional framework. It recognizes that businesses operate within the specified legislative and policy frameworks prescribed by the Government, which guide their growth and also provide for certain desirable restrictions and boundaries.

The Company and its employees would respect the legal/regulatory framework and shall comply with all the applicable provisions of existing local, state, national, and international laws. They shall also follow and obey the policies, procedures, rules and regulations relating to the business of the Company.

In case of any grievance with any legislative / regulatory mandates, it shall seek redressal of the same and resort to policy advocacy consistent with the principles and policies contained in the Code. Wherever necessary and to the extent possible, the Company shall seek policy changes either through the Administrative Ministry to which it reports or through the trade and industry chambers and other such collective platforms.

The Company believes that policy advocacy must preserve and expand public good and thus shall never advocate any policy change to benefit itself alone or a select few in a partisan manner.

5.8 Businesses should promote inclusive growth and equitable development.

MCSL continues to Provide products and services that facilitate financial inclusion by offering credit to "New to Credit" customers and those in tier 2/3/4 cities. The Company is committed to creating positive social impact in the communities where it operates. The Company seeks to empower communities and address major issues faced by them in its operating regions. This is achieved 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.

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

The Company ensures implementation of the following:

The Company expects Third Parties to establish policies and mechanisms that adhere to local laws, business ethics, human rights and integrity. Partners will be 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 will be urged to back the Company's dedication to safeguarding the environment.

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5.9 Businesses should engage with and provide value to their consumers in a responsible manner.

MCSL has robust customer management system. The terms and conditions including all the charges details are communicated to the customer during sanctions. All the product details and charges details are uploaded in the websites. Data security and privacy will be taken care in its operations.

GRIEVANCE REDRESSAL:

In order to address effectively any operational, social, environmental, labour and other general concerns, MCSL has in place a structured grievance redressal framework supported by a review mechanism. This redressal mechanism can be used not just by its customers, but also by its employees, vendors and the community at large.

6. RISK MANAGEMENT:

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

ROLES AND RESPONSIBILITIES

The Board of Directors governs and oversees the implementation and performance of the Policy ensuring alignment with the company's strategic goals in coordination with the Risk Management Committee.

The responsibility for integrating the ESG Principles into MCSL's business operations and organization's risk management framework, and oversee the compliance is bestowed with the company's Chief Risk Officer (CRO). The CRO works closely with key stakeholders to develop ESG risk policies, monitor emerging risks, and implement mitigation strategies to enhance business resilience.

The Head of Human Resources plays a crucial role in embedding ESG principles within the MCSL's workforce policies and culture. They lead the company's initiatives on employee well-being, safety, diversity, equity and inclusion, ensuring safe working place and training & development of the employees to improve the company's long-term capacity.

The ESG Manager takes the lead in developing and executing the MCSL's ESG strategy. They are responsible for identifying key sustainability goals, creating action plans, and overseeing their implementation across various departments. The ESG Manager undertakes regular reporting on ESG progress to internal and external stakeholders, ensuring transparency and accountability.

7. REVIEW AND APPROVAL:

The above policies shall be subject to review/changes by the ESG Committee as may be deemed necessary and in accordance with regulatory amendments, from time to time, for approval by the Board of Directors.