

ESG POLICY

INTRODUCTION:

Hinduja Leyland Finance Ltd (HLF) was incorporated on November 12, 2008. Pursuant to a certificate issued by the Reserve Bank of India ("**RBI**") on March 22, 2010, the Company was permitted to commence operations as a non-banking financial company ("**NBFC**") under section 45 IA of the Reserve Bank of India Act, 1934. HLF was originally classified as a systemically important non-deposit accepting non-banking financial company. HLF was subsequently granted the status of an NBFC-Asset Finance Company by the RBI pursuant to a certificate of registration received on May 12, 2014. We are one of India's leading vehicle finance NBFCs (*Source: ICRA - Retail NBFC and HFC Credit Report, 2016*) with a focus on urban and semi-urban markets. The company provides loan assistance to personal vehicles, commercial vehicles, Loan against property, construction equipment and financing to other NBFCs segments.

OBJECTIVE:

Hinduja Leyland Finance is committed to build/ enhance environmental and social prosperity as we feel responsible to grow socially at par with economic growth. The company notes that its employees, customers, investors and all those who are related to its operation have a substantial impact on the environment and society, therefore should support and adhere to the ESG policies to achieve a balance of environmental, economic and social imperatives. HLF has been thriving to fulfill its place as a responsible corporate citizen by adapting to the fair business practices in all areas and have periodical examination and revision of the business practices. The Environmental, social and Governance (ESG) policies of the company defines the framework that would guide the company's initiative to build environmental sustainability.

Through the ESG policy, HLF targets to:

- a) Improve the livelihood of people in low and medium income bracket and economically weaker sections
- b) Create innovative and strategic approach towards the environment.
- c) Positively contribute to the environment and social sustainability

- d) Encourage, involve and update stakeholders about the ESG framework
- e) Establish high standards and strategies to promote environmental, social and economic growth
- f) Promote better governance by enhancing transparency in accounting and financial reporting.
- g) Any other activities as mentioned in the Schedule VII of the Companies Act, 2013.

ESG COMMITTEE:

In accordance with the provisions of Section 135 of the Companies Act, 2013 read with Rules made there under, the Board of Directors of the Company have constituted the Corporate Social Responsibility dealing with activities relating to Environmental, social and related governance (CSR Committee). The Committee intends to carry out its ESG activities through its own personnel/ department established with persons qualified to undertake such activities The Committee has formulated and recommended a ESG Policy to the Board and various recommendations of the Committee are submitted to the Board for approval. The Committee has framed a transparent monitoring mechanism for implementation of ESG projects or programs or activities undertaken by the Company and also monitors ESG policy from time to time.

ESG VISION:

HLF's vision about ESG policy is to assist the people falling under economically weaker section and under low and medium income bracket; and to make the environment and the society a better place to live. The company believes that the growth of environment and society is equally important to the company's growth and the company's sustainability in the long run will rely upon the environmental sustainability. While HLF is in the pursuit of discovering various strategies to achieve its goal, the ESG policy greatly helps to follow the developments.

PURPOSE OF THE POLICY:

HLF focuses on socioeconomic advancement and plays an important role in making the environment and the society a better place to live and hence emphasises on all effective ways to uplift the economy and society by lending a helping hand. The ESG policy operates as a manual to its stakeholders to imbibe the vision of the policy, to make the society a better place by promoting the communities achieve environmental sustainability. The company will ensure that the ESG policies are followed by all the stakeholders.

THE ESG FRAMEWORK:

HLF is aware of its social obligation of protecting the environment and taking necessary measures in this regard.

ENVIRONMENTAL OBLIGATION: HLF shall emphasize to conduct the business by adhering to mandates prescribed by the central pollution control board (CPCB). HLF focuses to promote eco- friendly and less carbon intensive alternatives such as LPG, CNG and electric vehicles. The company is already into financing LPG and CNG vehicles and will not delay to encourage, promote and finance electric vehicles in the near future. The company takes the due responsibility to support the production of electric vehicles, as electric vehicles would clear up a large part of air pollution, which would play a key role in environmental sustainability.

➤ **FOREST CONSERVATION:** HLF aims at 'go green' by reducing the use of paper and investing in technology. The company accounts its transactions, raises and approves invoices through technologies (computer) in order to minimize the use of paper to a possible extent, therefore contributing to safeguard the forest. The company shall also take measures to dispose the waste in a sensible manner without negatively impacting the environment.

➤ **SOCIAL OBLIGATION**

NEW TO CREDIT CUSTOMERS: we are extensively reaching out to the 'new to credit' customers who stand in need of funds but had experienced difficulties in discovering lenders as they have no credit history, thus contributing to uplift the economically weaker sections

EMPLOYMENT GENERATION: HLF provides vehicle loans to retail customers and individuals who fall under the low- income bracket, encouraging them to generate income and also engage people in their small and medium scaled business

OCCUPATIONAL HEALTH AND SAFETY: HLF acknowledges that our employees are most valuable and providing due importance to their health, safety, working cultures and values are incumbent for the company's development, as we consider employee welfare to be an indivisible factor of economic and social development

- **GENDER EQUALITY:** HLF intends that gender equality policy followed by the company would not only create a great emphasis on the company's performance but also will aid social upliftment. The

company believes that through gender equality, we could build powerful economies, create more stable society and also boost the operations and goals of the business.

- **OPPORTUNITIES TO SPECIALLY ABLED PEOPLE:** HLF supports the employment of specially abled people as it believes that the skills of an employee would not be limited or restricted by any physical disabilities, therefore does not hesitate to employ intellectual people with any special abilities.
- **SAFE WORKING ENVIRONMENT:** HLF provides a safer environment for its employees to work, as it considers the protection of the employees as its responsibility. The Company has in place a Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees are covered under this policy.
- **COMMUNITY OUTREACH:** HLF has been initiating multiple projects as part of children education and conservation of natural resources under CSR/ Community outreach programs as per schedule VII of Sec,135 of the Companies Act,2013.
 - **CHILDREN EDUCATION:** As HLF recognizes that education is an essential step to socially uplift the society, It had implemented projects to provide education to children as a means to create ways to help children who are underprivileged to attend school.
 - **CONSERVATION OF NATURAL RESOURCES:** The company has also undertaken various initiatives to conserve the natural resources as it believes that exploiting the natural resources for the benefits of man will not make the society nor the environment any better, therefore the natural resources should be restored as a remedial measure.
- **GOVERNANCE OBLIGATION:**

SYSTEMATIC CREDIT UNDERWRITING PROCESS: HLF's credit underwriting process is based on scorecard internally designed and every proposal has to

through the grid of maker , checker and reviewer through a defined process. *Based on the limits set by the board various internal committees go through the proposal based on the nature and quantum of the loan. Above the specified amount the proposals go the Credit Committee headed by an independent director. If the amount involved is larger then the maximum limit set out for the Credit Committee then the proposal is taken to the Board for its approval.*

GOVERNANCE STANDARDS: The Company recognizes its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

The company aims to function efficiently in an honest and ethical way. The company adopts to various policies like the anti- corruption policy, cyber and network security, regularity compliance, enterprise management systems, KYC policy, whistle blower policy, FPC policy and customer grievance redressal to attain effective performance.

The company has credit committee, CSR committee, ALM committee, Risk committee, NRC, ALCO committee, Audit committee and board comprising of independent directors and representatives of management and shareholders.

EXECUTION OF THE ESG POLICY:

HLF aims at effective execution of the Environmental, social and governance polices framed by the ESG committee of the company. The company has planned to put the plan into action by:

- **PROPER CREDIT APPROVAL METHODS:** all the employees are well informed about the ESG policies of the company and therefore any credit proposal that contradicts the ESG policy will not be approved. The credit and risk manager will carefully scrutinize the proposals and those proposals with negative impacts will be rejected.

VERIFY THE FINAL APPLICATION OF FUNDS: After the loan is approved by the internal or the external committee, if the fund is not used directly for purchasing a vehicle, the customer is advised to provide the end-use certificate, approved by a Chartered Accountant or through self-certification. In case of any contravention

flecked by the company, the company might categorize the client as delinquent and shall adopt the necessary measures.

- **MONITORING AND REVIEWING THE ESG POLICY:** The ESG committee is liable for the efficient execution of the ESG policy of the company. The Committee through its members shall monitor the functioning of the ESG policy to ensure effective performance and improve the project by updating the policies with reference to recent developments in the ESG framework. In case of any deviation in the ESG framework, the company will take appropriate actions at the right time to rectify it. The committee may also track the recent developments and updates under ESG and Periodical review of the policies and its implementation will be carried by the ESG committee. The ESG committee is vested with the right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever. However, no such amendment or modification shall be inconsistent with the applicable provisions of the Act or any law for the time being in force
- **TRAINING:** HLF focuses on building thorough knowledge about the ESG framework. The company educates its employees, customers and the other stakeholders regarding the ESG policy and reiterates them about their duty to safeguard the environment and the society. Training the stakeholders about the ESG policy will also help in identifying their interests and outlook about the company, thus enables to achieve our ESG commitments while benefitting them.
- **DECLARATION AND REPORTING:** HLF is committed to adopt the best practices and greater transparency in their operations. The performance of the ESG committee will be communicated to every stakeholder of the company on a yearly basis. The ESG policy recommended by the Committee and approved by the Board shall be displayed in the Company's website for public viewing. The Board's Report shall include an annual report on ESG policy containing particulars as specified.

This policy was last reviewed and approved by the Board on November 3, 2023