# CREDITACCESS GRAMEEN LIMITED

## Policy on Environmental & Social Management System

## Revision History

| Version | Author | Description of Changes | Release Date |
|---|---|---|---|
| 1.0 | Nilesh Dalvi – VP Investor Relations | First Version | March 23, 2022 |
| 1.0 | Nilesh Dalvi – VP Investor Relations | Re-adoption | May 16, 2023 |
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| 1.0 | Sahib Sharma – DGM Investor Relations | Re-adoption | April 21, 2025 |
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| 1.1 | Sahib Sharma – DGM Investor Relations | Amendment to incorporate sustainable financing and client engagement commitments, climate risk assessment, additional Company exclusions | September 11, 2026 |

## Version Control

| Version | Author | Reviewed by | Approved by |
|---|---|---|---|
| 1.0 | Nilesh Dalvi – VP Investor Relations | MD & CEO | Board of Directors |
| 1.0 | Nilesh Dalvi – VP Investor Relations | MD & CEO | Board of Directors |
| 1.0 | Nilesh Dalvi – SVP Investor Relations | Managing Director | Board of Directors |
| 1.0 | Sahib Sharma – DGM Investor Relations | Managing Director | Board of Directors |
| 1.0 | Sahib Sharma – DGM Investor Relations | Managing Director | Board of Directors |
| 1.1 | Sahib Sharma – DGM Investor Relations | MD & CEO | Board of Directors |

# Contents

## 1. Introduction

CreditAccess Grameen Limited ("CA Grameen" or the "Company") is India's leading rural-focused inclusive financing platform, serving under-banked low & middle-income households over last two decades. The Company takes cognizance of environmental and social risk management and is committed to identifying and mitigating short, medium, and long-term environmental and social risks associated with its activities through sound risk management system and policies.

CA Grameen's Environmental and Social Management System (ESMS) is a framework that integrates environmental and social risk management into a Company's business processes, policies, procedures, and strategies. The framework outlines a set of actions to be implemented in concurrence with Company's existing risk management procedures.

## 2. Objective

CA Grameen's ESMS will ensure compliance with applicable local and national laws on environment, health, and safety standards and International Finance Corporation (IFC) Performance Standards. It will help the Company to avoid and manage loans with potential environmental and social risks through adequate due diligence during loan disbursement and loan utilisation checks post loan disbursement. CA Grameen will ensure that it shall not extend any loans which fall under the IFC exclusion (prohibited activities) list. The Company's loan agreements will contain appropriate environmental and social requirements as stipulated in the ESMS. CA Grameen shall ensure timely communication of various environmental and social objectives to its stakeholders, along with proper mechanism for handling of queries/ grievances. The Company shall also ensure adequate capacity building measures to identify and monitor environmental and social risks, including senior management, environmental and social (E&S) officer, and support team.

## 3. Scope

The ESMS framework will be integrated into CA Grameen's existing credit/ loan appraisal systems and standard operating procedures. At the time of loan applications, the exclusion list will be used to reject applications whose purpose falls within activities in the exclusion list. The appraisal format will include possible environmental and social risks associated with the said activity and the borrowers will be subject to appropriate risk categorisation based on the type of activity. Appropriate monitoring and reporting formats will be prepared to effectively identify and mitigate the environmental and social risks.

The ESMS shall apply to all financing extended by the Company, including exposures originated or serviced through co-lending arrangements, business correspondent relationships, direct assignment and digital lending partnerships, if any, from time to time. Where a loan is originated through a partner, the Company shall satisfy that screening against the exclusion list and the applicable risk categorisation to be carried out to a standard consistent with this ESMS, and shall provide for this requirement in its partner agreements.

## 4. Environmental and Social Policy

The individual economic activities financed by the company are small in scale and have a limited direct environmental footprint, and creates high social impact for the bottom-of-the-pyramid population.

CA Grameen's ESMS policy shall ensure compliance with national and state governments' E&S objectives, requirements, regulations, guidelines and IFC performance standards. The key requirements of the Company's E&S policy include the following:

i. Inculcate sound industry practices, in compliance with the Reserve Bank of India (RBI) regulations and guidelines from microfinance industry self-regulatory organisations (SROs) like Microfinance Industry Network (MFIN) and Sa-Dhan, to minimise exposure to E&S risks.
ii. Strive for leadership and excellence with respect to business sustainability through responsible business practices and risk management approach.
iii. Manage and reduce Company's impact on the climate through optimization of various business operations.
iv. Identify and assess the environmental and social risks relevant to the rural livelihood activities financed by the Company annually, including climate and weather-related risks to agriculture and allied activities, as an integral part of the lending approach.
v. Align the Company's environmental and social performance management with recognised international standards for inclusive finance, including the IFC Performance Standards and, the Client Protection Standards
vi. Actively engage with various stakeholders on Company's ESMS policy commitments/objectives and ensure transparency through timely communication and reporting mechanisms.
vii. Assess various aspects of human capital including sound working conditions, occupational health and safety, equal growth opportunities, employee grievance mechanism, and compliance with national and state level labour polices, regulations and guidelines.
viii. Assess various aspects of social capital including customer protection through fair pricing, code-of-conduct, non-coercive recovery practices, customer grievance mechanism, and community engagement, complying with industry regulations and guidelines.
ix. Periodically monitor and evaluate E&S risks, integrate them in Company's internal risk management system, and formulate E&S risk mitigation strategies appropriately at various operational stages.

## 5. Sustainable Financing and Client Engagement

Access to finance is the Company's principal channel of environmental and social influence. The commitments in this section apply to the Company's financing activities and are given operational effect through the screening, categorisation, due diligence and monitoring procedures set out in this ESMS.

### a. Environmental and social risk assessment in financing

The Company shall consider the environmental and social risks relevant to the rural livelihood activities it finances, including climate and weather-related risks to agriculture and allied activities annually, as part of its lending approach. Such consideration shall form part of, portfolio monitoring and product design, and shall be guided by the risk categorisation and screening procedures in Section 7 set out below.

**b. Client engagement on sustainability-linked opportunities**

The Company shall support sustainability-linked opportunities for its rural clients, including financing for clean energy access, water and sanitation, and other products that improve environmental and social outcomes for underserved rural households. This shall be aligned with the Sustainable Finance Framework referenced in the Company's ESG Policy.

## 6. ESMS Framework

**a. Screening Procedures against Exclusion (Prohibited Activities) List**

CA Grameen will ensure that it shall not extend any loans which fall under the IFC exclusion (prohibited activities) list for microfinance institutions as mentioned below –

i. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
ii. Production or trade in weapons and munitions.
iii. Production or trade in alcoholic beverages (excluding beer and wine)[1].
iv. Production or trade in tobacco[1].
v. Gambling, casinos, and equivalent enterprises[1].
vi. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
vii. Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
viii. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.
ix. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
x. Production or activities involving harmful or exploitative forms of forced labour /harmful child labour.
xi. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
xii. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
xiii. Activities that are likely to have potential for significant adverse environmental impacts that are irreversible, diverse, or unprecedented, or those with less adverse environmental impacts, such as but not limited to the following –
    a. Projects that could result in conversion or degradation of modified habitat or projects located within natural/critical habitat.
    b. Projects located within a legally protected area or a buffer zone
    c. Projects located within a zone for the protection of surface water or groundwater.

d. Project construction involving more than minimal pollution or entails health and safety risks, e.g., earthmoving activities such as excavation, landfill, levelling and grading work, trench digging, overburden removal, rock removal, blasting, concrete pouring, pile driving, installation of access tracks, utilizing generators or auxiliary power units more than 1 MW, heavy vehicle movement of approximately 20 units/week for construction activities.
e. Projects located on contaminated land from historical land uses
f. Projects that could result to reduction of communities' water resource (e.g., water competition between irrigation and communities existing requirements).
g. Projects involving wet manufacturing activities which generate industrial wastewater.
h. Projects that could result in damage to known or unknown physical cultural resources.

Note:

1) This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.
2) Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.
3) Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

**b. Additional CA Grameen Exclusions**

In addition to the IFC exclusion list set out above, CA Grameen shall not extend loans for the following activities. These additional exclusions are applied at the point of loan application through the same screening procedures and are reviewed annually as part of the ESMS review.

i. New fossil-fuel expansion activities, including new or expanded coal mining, coal-fired power generation, and new oil and gas exploration, extraction or transportation infrastructure.
ii. Activities involving the clearance or degradation of natural forest, or trade in timber or forest produce obtained from such clearance.

## 7. E&S Risk Categorisation

The Company's financing consists majorly of small-ticket, non-project loans extended to individuals and groups for livelihood and household purposes.

Consistent with the risk-proportionate approach contemplated by IFC Performance Standard 1, the Company should apply the activity-based environmental and social risk taxonomy set out below. The bifurcation assigned to a financed activity determines the depth of due diligence to be undertaken, the level of approval authority required and the frequency of subsequent monitoring.

| Tier | Illustrative scope | Due diligence and approval |
|---|---|---|
| **Excluded** | Any activity appearing on the IFC exclusion (prohibited activities) list or on the list of Additional CA Grameen Exclusions, set out above. | The loan application is rejected at the point of application. No exception, override or conditional approval is permitted. |
| **Standard** | All financed activities, including petty trade and retail, kirana stores, tailoring and handicraft, transport and services, household dairy, education, housing improvement, and water and sanitation. | Screening against the exclusion lists as part of the standard loan appraisal process. |

The Company shall maintain, as part of its ESMS operating procedure, a detailed mapping of the livelihood activities it finances to the tiers set out above. The activity tier shall be read together with the Climate Risk Assessment set out below.

### c. Climate Risk Assessment

The Company shall assess the vulnerability of its portfolio through climate risk. At the time of opening any new branch, the Risk Team should undertake an initial climate risk screening to identify relevant physical climate risks and assess their potential impact on operations and borrowers. The outcome of this screening determines the intensity and scale of operations planned within the district, including the number of branches to be established.

Historical climate events, together with relevant local climate-risk information, are assessed to inform branch-level and product-level credit decisions, portfolio provisioning discussions, and the design and adaptation of financial products. The Company remains committed to supporting borrowers through appropriate financial services while integrating climate-related risks into its credit and portfolio management processes.

## 8. E&S Due Diligence and Compliance

CA Grameen shall conduct E&S due diligence in respect of all borrowers, pertaining to environmental and social aspects, falling under the scope of ESMS policy. The due diligence shall be conducted by the field force consisting of loan officers, branch managers, and area managers. This will include annual customer declaration on ESG compliance and absence of prohibited activities. The internal audit and risk management process shall also integrate E&S risk assessment to understand how the E&S risks are managed by the borrowers. The E&S due diligence will also recommend corrective action plan to help the borrower take the required measures within the stipulated time to mitigate the E&S risks.

## 9. ESMS Monitoring

CA Grameen will incorporate the environmental and social compliance as a part of its existing operational audit/risk monitoring procedures. The Company will ensure that all the loans are properly evaluated against the Exclusion List. Periodic loan utilisation checks will be conducted to ensure adherence to the ESMS policy. Any incidences of non-compliance will be discussed with the customers, and they will be encouraged to comply with the required environmental laws, regulations, standards, and procedures.

## 10. ESMS Review and Continuous Improvement

The ESMS policy will be reviewed by the Board of Directors on an annual basis to ensure its effectiveness, adherence to evolving laws and standards, suitability, and adequacy. The review will incorporate any improvements or changes in the system. In case of any non-compliances of this ESMS, the CA Grameen will take corrective actions. The Company shall identify and correct non-compliances and take actions to mitigate their environmental and social effects. The Company shall investigate the non-compliances to determine their cause and take actions to avoid their recurrence. The corrective actions undertaken shall be duly recorded and the effectiveness of those actions will be reviewed on periodic basis.

## 11. ESMS External Reporting Mechanism

CA Grameen will prepare an annual E&S performance report, adhering to IFC reporting format, which shall capture the portfolio information, progress on ESMS implementation, ESMS assessment procedures, ESMS monitoring process, E&S issues associated with loans. The E&S performance report will be prepared by the E&S officer and shall be reviewed by the senior management.

## 12. ESMS Budget, Training and Approval

CA Grameen shall strive to integrate awareness on environmental and social aspects and risks into the regular employee training programs. This will involve sensitization on assessing E&S risks as a part of credit appraisal, internal audit, risk management, and associated field operations. All the employees will be made aware about the Company's E&S policy and guidelines, workforce management, code of conduct requirements, and client protection principles.

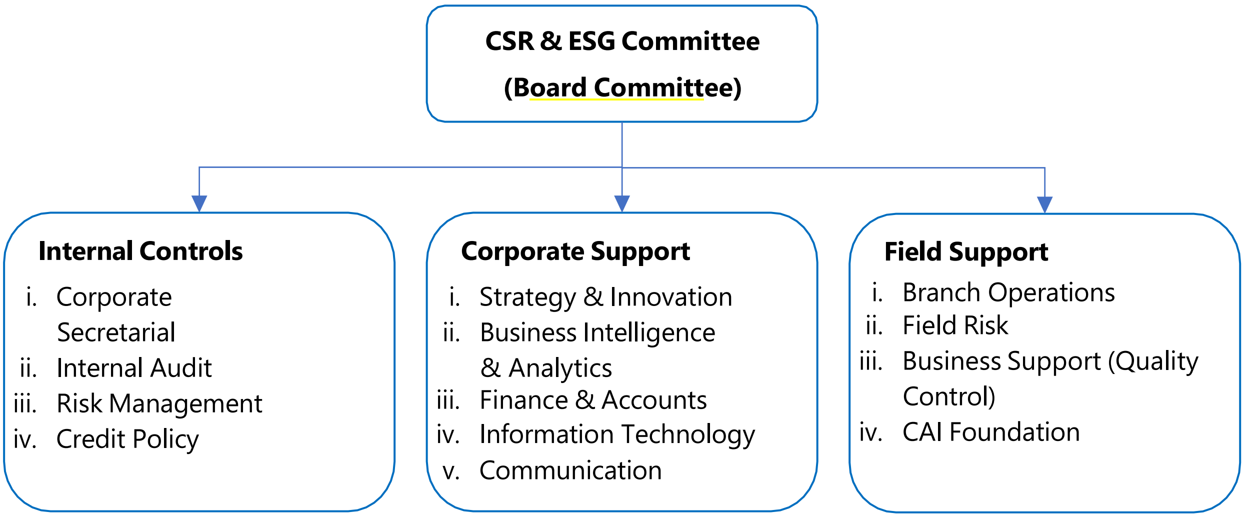
CA Grameen will create a ESMS training program which shall be made part of the basic training programs for new joinees as well as refresher training programs for experienced employees. Depending on the evolving E&S requirements, the Company shall also explore assistance from consultants to develop the necessary training materials, if required.

CA Grameen shall review the ESMS with the Board of Directors and obtain sign-off for implementation of the framework as part of the Company's standard operating procedures. The ESMS implementation plan shall be communicated to all the employees across various functions and departments to define the roles and responsibilities for confirming with the ESMS requirements.

## 13. Roles and Responsibilities for Implementing the ESMS

CA Grameen shall ensure clearly defined roles and responsibilities for effective implementation of ESMS framework. This will entail integrated approach to sustainability, involving various functions and departments in the Company. The Company shall ensure cross-functional team of people trained on ESG aspects. The Company's CSR & ESG committee, comprising members of the Board, shall report to the Board of Directors. The CSR & ESG committee shall be working towards identifying risks and opportunities across various ESG aspects and devise necessary action plan and targets to mitigate such risks and build on the opportunities.

Below chart indicates the high-level assignment of roles & responsibilities for implementing the ESMS:

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