



Ecofy Finance Private Limited (Ecofy)

Part 1

Environmental, Social & Governance Policy

March 2024

ECOFY	
Policy	Environmental, Social & Governance Policy
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Preamble

The system for integrating environmental, social & governance (ESG) aspects in Ecofy's business operations has been developed in two parts:

- *Part I: Environmental, Social & Governance Policy*
- *Part II: Environmental, Social & Governance Management System*

The ESG Policy document presents the Environmental, Social & Governance (ESG) commitments of Ecofy through a Policy Statement and Operational Principles. The Policy document states Ecofy's intentions on ESG aspects of the business that can be circulated with Ecofy's stakeholders.

The Environmental, Social & Governance Management System (ESGMS) Manual has been presented as Part II of the documentation. It has been developed to enable operationalization of the ESG Policy and Operational Principles of Ecofy. The ESGMS Manual presents the operational procedures to be adopted by Ecofy. The ESGMS Manual is an operational level document, that will remain internal to the company.

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Abbreviations

BII	British International Investment
E&S	Environmental & Social
EHS	Environment, Health and Safety
ESG	Environmental, Social, and Governance
ESGMS	Environmental, Social, and Governance Management System
EMS	Environmental Management System
EV	Electric Vehicle
E&S	Environmental and Social
FCDO	Foreign, Commonwealth & Development Office
FMO	Dutch Entrepreneurial Development Bank
GAP	Gender Action Plan
GCF	Green Climate Fund's
GGEF	Green Growth Equity Fund
GHG	Greenhouse Gas
GIIP	Good International Industry Practice
IFC	International Finance Corporation
SMEs	Small and Medium Enterprises
NBFC	Non-Banking Financial Company
NIIF	National Investment and Infrastructure Fund
SDGs	Sustainable Development Goals
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change

1 Introduction

1.1 About Ecofy

Ecofy Finance Private Limited operating as Ecofy is India's first green retail Non-Banking Financial Company (NBFC). Ecofy is promoted by Eversource Capital, fund manager for Green Growth Equity Fund ('GGEF'). GGEF was established with anchor investment from National Investment and Infrastructure Fund ('NIIF') anchored by Government of India and Foreign, Commonwealth & Development Office ('FCDO'), Government of UK.

Dutch Entrepreneurial Development Bank has invested in the equity of Ecofy. In addition, Ecofy is in process of raising capital by borrowing from Indian financial market.

Ecofy through its offerings aims to increase green financing to individuals and small and medium enterprises (SMEs) to accelerate transition towards a net zero carbon economy and in turn, assisting India achieve its target of net zero emissions by 2070. It has adopted a unique approach by providing end-to-end digital and transparent solutions to green businesses. It provides loan products primarily for green assets including electric vehicles (two and three-wheelers), rooftop solar, and ESG oriented SMEs.

1.2 Background

As a responsible business and a green NBFC, Ecofy recognises that the operations of its borrowing entities especially the SMEs and Commercial and Industrial borrowers have the potential to cause both adverse and beneficial Environmental and Social (E&S) impacts. These adverse impacts, if left unaddressed, could translate to credit risks and/or reputation risks for Ecofy in the long run. Engagements with the borrowers also present opportunities through down-side risk management and upside value creation in terms of brand differentiation, portfolio performance, stronger relations and increased loyalty. In order to achieve its vision of being a catalyst in accelerating the green transition towards a net zero carbon world, the Company realises the need to address these E&S risks and impacts in a structured manner and take measures and initiatives at the appropriate stage.

With this background, Ecofy has developed its ESG Policy in alignment with national and international E&S safeguards to identify, assess, manage and monitor the environmental and social risks and opportunities in their lending operations.

1.3 Reference Framework

The ESG Policy for Ecofy has been developed with reference to the following frameworks:

- Applicable national and local environmental and social (including occupational health and safety) related laws and regulations
- GGEF's ESG policy and ESGMS framework (developed by Eversource)¹

¹ https://www.eversourcecapital.com/app/uploads/2020/11/201105-ESG-Policy-ESGMS_GGEF_FINAL.pdf

- FMO Sustainability Policy 2023
- Good International Industry Practice (GIIP) requirements that includes:
 - IFC Performance Standards, [2012](#)
 - The World Bank Group General Environmental, Health and Safety (EHS) Guidelines, [2007](#) and relevant World Bank Group Industry Sector EHS Guidelines
 - United Nations Guiding Principles on Business and Human Rights, [2011](#)
 - The United Nations Sustainable Development Goals (UN SDGs), [2015](#)

The key ESG aspects applicable to Ecofy’s ESGMS are presented in Error! Reference source not found..

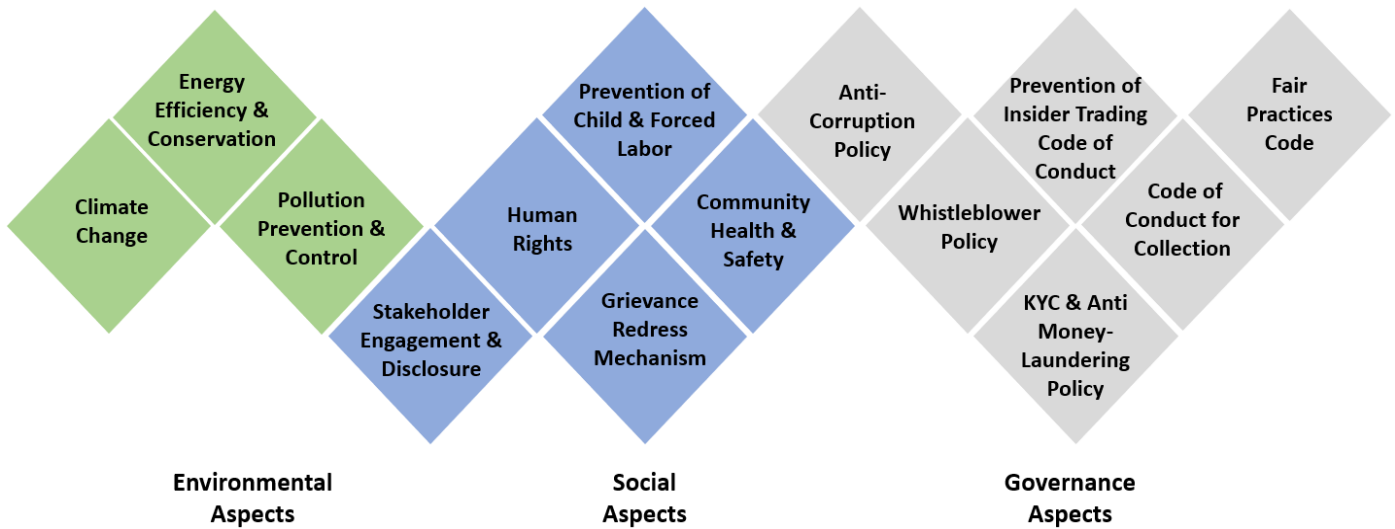


Figure 1: ESG Aspects as drawn from the Reference Framework

2 ESG Policy & Principles

2.1 ESG Policy

ESG Policy of Ecofy emphasis its commitment as a responsible green NBFC to integrate ESG considerations in its lending operations. The company has adopted the following ESG Policy:



Ecofy's Environmental, Social & Governance Policy

Ecofy is India's exclusive green Non-Banking Financial Company (NBFC) that supports individuals and businesses who desire to mainstream sustainability by embracing green choices. Ecofy aspires to be a catalyst in accelerating green transition towards a zero emission future by offering digital, flexible, innovative, and accessible climate finance for a sustainable future.

Ecofy's Environmental, Social and Governance (ESG) Policy aligns and supports India's target of achieving net zero emissions by 2070. In this regard, Ecofy incorporates ESG considerations into its decision-making process and effectively manages environmental and social risks associated with its lending operations.

Ecofy will thus:

- Not extend loans to any activities (as mentioned in Ecofy's 'Exclusion List') that could lead to significant harm to the environment;
- Support businesses and products that will lead to reduction in greenhouse gas emissions;
- Influence borrowers to comply with national environmental and social legal requirements, encourage them to adopt good practices and promote safe and healthy work environment;
- Conduct its business with integrity and ethics through implementation of comprehensive governance structures and practices;
- Maintain transparency in all its business transactions;
- Comply with applicable environmental and occupational health and safety standards in all Ecofy offices
- Promote energy efficiency & conservation and pollution prevention and influence borrowers to follow the same;
- Establish a grievance redressal mechanism, engage with stakeholders and ensure timely redressal of grievances;
- Contribute to the United Nations Sustainable Development Goals;
- Align its business operations with investment themes and impact strategy of GGEF and FMO.

To achieve the policy principles mentioned above, Ecofy has established an ESG Management System (ESGMS) with monitoring and reporting mechanisms. In addition, Ecofy has allocated roles and responsibilities and appropriate resources for effective implementation of ESGMS.

Rajashree Nambiar
Co-founder, MD & CEO

Date: March 21, 2024



2.2 Supporting Policies on Governance

Ecofy has developed other policies to demonstrate its commitment for good corporate governance in its business operations. These policies include the following:

- Anti-Corruption Policy
- Anti-Money Laundering Policy
- Anti-Discrimination Policy
- Code of Conduct for Prevention of Insider Trading
- Code of Conduct for Collection- Recovery Agents
- Equal Opportunities Policy
- Fair Practices Code
- Gender Policy
- Gender Action Plan
- Grievance Redressal Procedure
- Framework for Managing Conflicts of Interest
- Prevention of Sexual Harassment Policy
- Whistleblowing Policy

The above-mentioned policies are available on request. **Annex 2** includes the Gender Action Plan (GAP) of Ecofy. GAP includes gender-responsive indicators and realistic targets to measure results related to equality and demonstrate commitment to identified priority areas of gender mainstreaming.

2.3 E&S Operational Principles

The ESG Policy for Ecofy and the E&S Operational Principles have been developed to align with the reference framework mentioned in Section 1.3. The ESG Policy will guide the E&S performance of Ecofy through six Operational Principles applicable to all its transactions. A snapshot of the E&S Operational Principles is presented in **Figure 2**.

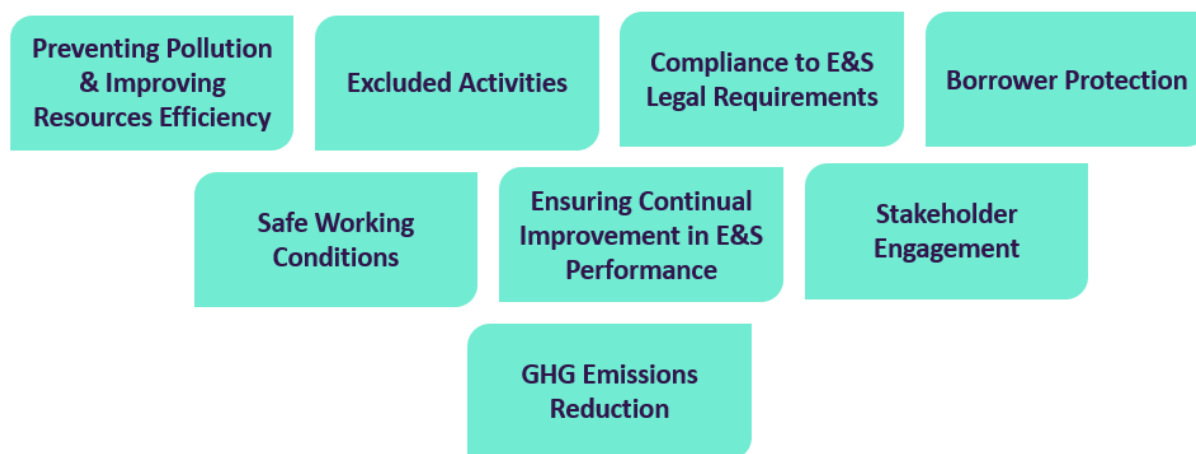


Figure 2: E&S Operational Principles

2.3.1 Excluded Activities

- Ecofy will not extend loans to any activity that features in Ecofy's E&S Exclusion List presented in **Annex 1**. This Exclusion List is aligned to the exclusion list of GGEF's ESGMS.

2.3.2 Compliance to E&S Legal Requirements

Ecofy shall make aware and influence its borrowers to comply with:

- All relevant Indian E&S (including labour, health, and safety) policies and legislative requirements and regulations.
- International E&S standards, safeguards, and good practices relevant to Ecofy's business.

2.3.3 Preventing Pollution and Improving Resources Efficiency

Ecofy will encourage the following practices:

- Preventing and controlling pollution generated in the form of air emissions and waste generation through treatment, destruction, or disposal in an environmentally sound manner.
- Reducing material and energy inputs, avoiding use of hazardous materials, improving process efficiencies and safety and minimizing waste generation.
- Identifying opportunities to reuse, recycle and recover resources from the wastes/emissions generated.
- Using of local materials and avoid long transportation of material and use cleaner fuels.

2.3.4 Ensuring Continual Improvement in E&S Performance

- Ecofy has established, implements, and maintains systems to manage E&S risks and opportunities and has developed procedures for periodic monitoring and reporting of E&S performance. All major updates in national environmental and social governance will be reflected as appropriate in such systems and loan agreements.

2.3.5 Good and Safe Working Conditions

Ecofy will ensure within its business operations and that of the borrowers, the following practices are adopted:

- Providing safe workplaces and mitigating adverse occupational health and safety related risks.
- Proving an inclusive, equitable and diverse culture across the organization by hiring and nurturing the human resources for equality.
- Preventing sexual harassment in all forms especially of women and establish policy and procedures for the same.
 - Treating all workers fairly in terms of recruitment, remuneration and progression irrespective of gender, race, colour, language, disability, political opinion, age, religion, or national/social origin.
- Preventing employment of forced or child labour.
- Providing training, communication, and tools to workers, as appropriate, to ensure good and safe working conditions.

2.3.6 Ensuring Borrower Protection

In order to ensure protection of borrower, Ecofy will:

- Use appropriate security measures to ensure data privacy of its borrowers by protecting the data against unauthorised access and alteration.
- Disclose relevant information in the spirit of promoting transparency and accountability while respecting business confidentiality in its operations.
- Design financial products that are affordable, flexible, and customized for borrower interests, excluding waiver of borrower rights under host country law.
- Communicate necessary information about the product clearly, timely and in vernacular language that is understood by the borrower.
- Prevent 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.
- Price the product affordable to borrowers while allowing the financial institution to be sustainable.

2.3.7 Stakeholder Engagement

Ecofy will ensure the following while carrying out its business operations:

- Engaging with relevant stakeholders at appropriate stages of business operations with due consideration to the disadvantaged and the vulnerable stakeholders.
- Communicating the ESG Policy to all stakeholders.
- Providing fair, transparent, and timely redress of grievance (internal and external) reported in written or verbal format by affected stakeholders.
- Conduct training and capacity building programmes related to ESGMS implementation for all its stakeholders.
- Establishing feedback mechanisms and utilizing it for improving the ESGMS.

2.3.8 GHG Emissions Reduction

- Ecofy will lend to individuals and small businesses to enable transition to GHG emission reduction.
- The Company shall finance products such as electric vehicles (two and three wheelers), rooftop solar and energy efficient SMEs (investing in green technologies).
- Ecofy may consider introducing additional products in the future that assist individuals and businesses in reducing GHG emissions after taking their commercial viability in consideration.
- Ecofy will develop and implement GHG emission reduction mechanism in line with United Nations Framework Convention on Climate Change (UNFCCC).

3 Approval, Communication, Implementation & Update of ESG Policy

3.1 Approval

The ESG Policy and Principles will be formally reviewed by the top management committee comprising of CEO and COO and thereafter, approved and adopted by Ecofy's Board of Directors. The ESG Policy will be applicable to all loans extended by the Company from the date of approval.

3.2 Communication

The ESG Policy and Principles will be communicated to all employees through suitable training programs and also communicated to other external stakeholders, such as partners, investors, borrowers, as relevant. The ESG Policy and Principles may also be disclosed through Ecofy's website.

3.3 Implementation

This ESG Policy is implemented through the Company's Environmental, Social and Governance Management System (ESGMS) to achieve the policy objectives. The ESGMS is to be formally adopted by the top management and will be implemented in all loan transactions of the Company from the date of approval.

The ESGMS Manual describes the procedures and tools for identification, management and monitoring of E&S risks and opportunities. It also defines the institutional structure with roles and responsibilities of various departments towards implementation of the ESGMS.

3.4 Review and Update

The ESG Policy and Principles will be reviewed and updated as required, at least once in three years, to ensure its effectiveness, adequacy, and alignment to the changing scenarios of environmental and social governance.

If a need for revision in the ESG Policy & Principles is realized in the future, the revised policy document needs to be approved by the Board prior to implementation.