



Green Grow Glow

Sustainability Report 2021-22

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About The Report

Boundary and Scope of Reporting

ESAF Small Finance Bank's second annual sustainability report encompasses the Bank's sustainability initiatives for the year 2021-22 and focuses on environmental, social and governance (ESG) goals and performances through its data, content and narrative.

The report adheres to Value Reporting Foundation's SASB standards and integrated reporting framework. Voluntarily Business Responsibility and Sustainability Report (BRSR) is also included in the report. Environment, Social and Governance (ESG) outcomes are further linked to United Nations Sustainable Development Goals (UNSDGs) consisting of initiatives to reduce poverty and hunger, provide health and wellness, education, gender equality, water, energy, green environment, employment

opportunities, social justice and partnership for initiating and upholding a sustainable society and environment.

The Bank is committed to transparent disclosure of information across all aspects while it cruises through the sustainability driven path. Propelled by the aspiration for voluntary, non-financial disclosures, the Bank also uses the Business Responsibility and Sustainability Report (BRSR) tool for compliance and communication. The BRSR template helps the Bank be accountable for the identification of ESG responsibilities and their transparent inclusion in annual reports. The BRSR also helps create a linkage between the financial performance of the Bank and its ESG performance.

Green Grow Glow

A path to accelerating our journey on Inclusive Banking

Green Grow Glow is the story that we want to narrate which manifests sustainability, community impact, and growth. This theme aligns perfectly with the principles of inclusive banking, which aims to serve all members of society, especially those from the unbanked and less banked areas.

At its core, Green Grow Glow is about harmonising financial growth and creating a positive impact on the environment and communities. By leveraging this approach, ESAF Bank develops innovative financial products and social services that not only meet the needs of their customers but also contribute to the well-being of the planet and local communities.

One key component of Green Grow Glow is collaboration. By working with partners across the financial and non-financial sectors, we tap into new sources of funding, expertise, and innovative ideas. By collaborating with governments, non-profit organisations, and other financial institutions, we leverage their resources to maximise the impact of their initiatives and drive sustainable growth.

Leveraging technology is another critical component of Green Grow Glow. By harnessing the power of digital platforms and data analytics, banks can reach new customers, increase operational efficiency, and better understand their customers' needs and preferences. This allows us to offer more targeted and effective products and services, which can drive growth and help meet the demands of a rapidly changing market.

Finally, the surge component of Green Grow Glow refers to the growth and momentum that is generated by the successful implementation of this approach. As we become more sustainable and engaged with our communities, we can expect to see a surge in customer loyalty, employee engagement, and brand recognition. This in turn can drive increased profitability and sustainable growth, creating a virtuous cycle of positive impact and financial success.

In conclusion, the Green Grow Glow theme is a powerful tool for succeeding in the rapidly evolving world of inclusive banking. By synergising sustainability, community impact, and financial growth, we can create value for our customers, shareholders, and the planet, while building a strong foundation for long-term success.





About ESAF Small Finance Bank

ESAF Small Finance Bank is a pioneer in sustainable banking practices in India. Along with its promoters, ESAF Bank has a history of more than 25 years of primarily serving the unserved and underserved, with a focus on financial inclusion. Today, ESAF Bank is one of the leading Small Finance Banks in India, in terms of yield on advances, AUM growth rate and share of retail deposits.

ESAF Bank is the 5th Scheduled Commercial Bank headquartered in Kerala and the first private bank to have received a banking licence in the state since independence.

With rapidly growing importance and awareness in society as well as in the investor community, sustainable financial products are here to stay. Sustainable banking has the potential to radically transform the banking sector across the country as well as the globe. Environmental, Social and Governance (ESG) aspects have never been more relevant to the finance sector, and the trend is now moving towards ethical economics.

With the vision of a social bank, ESG has been of prime importance to ESAF Bank. The impact of finance on the industry, and on the environment is undisputed now, and banks play a pivotal role there. ESAF Bank has a comprehensive strategy for ESG, reconciling sustainability and economic issues. Realigning capital flows towards sustainable investments, ESG is embedded in spirit at ESAF Bank. The Bank proactively integrates ESG principles into its business strategies and risk management. A mindset shift is necessary to transform from mere compliance to ESG principles to value creation and over the years, the people and processes at ESAF Bank have undergone the metamorphosis in a gradual yet revolutionary way.



Key Highlights

(As of March 31, 2022)

Number of Employees

4,141

Branches

575

Agents

16,000

Customers

5.6 Million

Deposits

₹12,815 Crore

Gross Advances

₹12,131 Crore

Total Assets

₹17,708 Crore



Name

ESAF Small Finance Bank Ltd.

Status

Scheduled Bank

Registration, Regulation and Licensing

Registered as a public limited company under the Companies Act, 2013. It is licensed under Section 22 of the Banking Regulation Act, 1949 and governed by the provisions of the Banking Regulation Act, 1949; Reserve Bank of India Act, 1934; Foreign Exchange Management Act, 1999; Payment and Settlement Systems Act, 2007; Credit Information Companies (Regulation) Act, 2005; Deposit Insurance and Credit Guarantee Corporation Act, 1961 and other relevant statutes and the directives, prudential regulations and other guidelines/ Instructions issued by Reserve Bank of India (RBI) and other regulators from time to time.

Year of Commencement of Business

March 10, 2017

Managing Director and Chief Executive Officer

Kadambelil Paul Thomas

Corporate Office

Building No.VII/83/8, ESAF Bhavan, Thrissur-Palakkad National Highway, Mannuthy, Thrissur 680 651, Kerala, India.





Our Businesses

The Asset Products of the Bank comprises Micro Loans, Retail Loans, Agriculture Loans, MSME and Corporate Loans



Micro Loans

Flexible, easy-to-avail loans that enable small and marginal farmers, entrepreneurs and self-employed professionals to meet their professional financial needs.



Retail Loans

Home loans, loans for purchasing clean energy products, business loans, educational loans, general loans, loans for education institutions, auto loans and loans against rent receivables and fixed deposits.



Agriculture Loans

Loans for all agricultural and allied activities including agri infrastructure, implements and agri-entrepreneurship. Loans for dairy development, fisheries, micro irrigation and farmer interest group loans. Gold loan for agriculturists and credit support for FPOs.



MSME and Corporate Loans

Loans for existing micro loan customers for scaling up their business, loans for retail outlets and street vendors, working capital loans and bill discounting using TReDS.

Our Purpose

Vision

To be India's leading social bank that offers equal opportunities for all members of the society through universal access and financial deepening, thus promoting financial inclusion, livelihood and economic development.

Mission

To provide responsive banking services to the underserved and unserved households in India, facilitated by customercentric products, high quality service and innovative technology.

Values

Servant leadership | Customer-centric | Accountability | Transparency | Commitment

Brand Philosophy Promise

To deliver the Joy of Banking through personalised, accessible, safer and responsive services



Our logo is an distinctive depiction of two unique plus symbols. A plus sign is an integral manifestation of arithmetic gain. The two pluses connote multiple gains, which is a sign of joy. The pluses also embody the rewarding careers we offer to our employees, the high returns we offer to our customers, investors and shareholders, and the hopes we deliver to everyone who comes to the bank. The two pluses are also symbolic representations of two humans; we call it the Bank and its customer. An excellent manifestation of what the Bank stands for, bringing a face to the faceless world of banking. The two humans in our symbol evoke a feeling of bonding, warmth and joy in banking. The two humans with hands wide open symbolise receptiveness, accessibility, openness, and friendliness as true qualities of the brand which is offered to every stakeholder internally and externally.

The wide open hands are symbolic of the assurance the brand gives; to welcome every customer with an eagerness

to help and guide them through all problems within and beyond banking. The colours, RED & BLUE, have been carefully chosen to represent the augmented values the brand strongly stands for, in the best possible way. The colour RED evokes passion, courage, commitment, strength, and energy. It is also a colour that strongly stands out among other colours. The colour BLUE implies trust, loyalty, wisdom, confidence, intellect, responsibility and faith. Our brand proposition 'Joy of Banking' is an experience envisioned to make the customer feel and discover joy at every interaction and transaction. 'Joy of banking' is a big promise that will distinguish us from the rest and bring us closer to our customers.

'Joy of Banking' is a guaranteed assurance that we will strive hard, push our boundaries, and go the extra mile to deliver the experience of joy in banking and beyond.



Milestones

2016



ESAF Microfinance receives licence to commence banking operations from the RBI

2017



ESAF Small Finance Bank commences banking operations, becoming the first bank from Kerala since Independence

2018



Government of India picks ESAF Small Finance Bank for Atal Pension Yojana

2018



ESAF Small Finance Bank receives RBI approval for NRI operations

2018



ESAF Small Finance Bank opens 100 new Retail Banking Outlets in a year

2018



ESAF Small Finance Bank is among the finalists for the prestigious European Microfinance Award.

2018



ESAF Small Finance Bank becomes a member of the Global Alliance for Banking on Values (GABV)

2018



ESAF Small Finance Bank wins PFRDA Award

2018



ESAF Small Finance Bank receives Scheduled Bank status

2019



ESAF Small Finance Bank opens 222 new Retail Banking Outlets in a year

2019





ESAF Small Finance Bank receives SKOCH Award of Banking Gold for access and affordable banking services for financially undeserved areas

2019



ESAF Small Finance Bank bags the first runner-up of the ASSOCHAM Award 2019

2019



ESAF Small Finance Bank bags the Economic Times Best BFSI Brand 2019 Award

2020



ESAF Small Finance Bank's Business crosses ₹ 10,000 Crore

2020

Energy And Environment Foundation GL BAL Sustainability AWARD 2020

ESAF Small Finance Bank wins Energy & Environment Foundation Global Sustainability Award-2020

2020



ESAF Small Finance Bank crosses 500 Retail Banking Outlets

2021



ESAF Small Finance Bank receives Great Place to Work certification

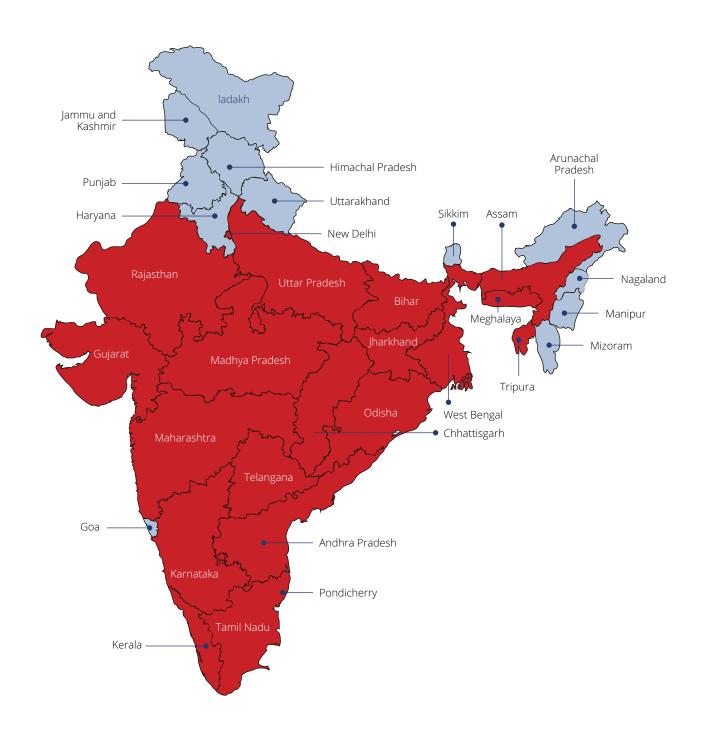
2022

ESAF Small Finance Bank receives the Prestigious Rising Brand of Asia Award 2022 instituted by BARC Asia

Geographical Presence

Having a large rural and semi-urban network is one of our strategic advantages. As a small finance bank, at least 25% of our total branches are required to be located in unbanked rural centres. Against this regulatory requirement, as at March 31, 2022, 33% of our total branches were in unbanked rural centres. ESAF Bank's portfolio has a larger concentration in rural and semi-urban regions as compared to other SFBs, making its portfolio share from rural and semi-urban one of the highest among the peer SFBs. As of March 31, 2022, ESAF Bank stood second/third highest in terms of branches share (73%) present in rural and semi-urban region among the compared peers, including banks and MFIs.

As an outcome of our strategy to expand networks in rural and semi-urban locations, our customers in rural and semi-urban areas have increased from 0.06 million as at March 31, 2019 to 2.82 million as at March 31, 2022. The total number of ATMs as on 31st March 2022 is 386 out of which 129 are located in rural and semi-urban areas.





From The Chairman's Desk



Dear Stakeholders,

It is a matter of pride and utmost satisfaction as I address you through the second standalone Sustainability Report of ESAF Small Finance Bank for the financial year 2021-22. This Sustainability Report is published alongside the Annual Report for the same period. As we continued to Collaborate, Leverage and Surge through the year, we surged and grew by going Greener. With a firm belief that going Green is a balanced and sustainable way to Grow, it is also to be remembered that it is integral to our strategy of Collaborate and Leverage and a central enabler of our success. We have focussed on sustainability issues that pertain to our business as well as our stakeholders in the short-, mediumand long-term periods.

This report weaves a story of how ESG has acted like a centrifugal force,

influencing all the business decisions taken at ESAF Bank.

What is ESG?

ESG is a three-pronged approach to creating long term value by an organisation. The Environmental factor communicates the company's ability to be the guardian of nature. The Social factor examines how the company manages relationships with employees, suppliers, customers, and the communities where it operates. The Governance factor deals with the company's leadership, audits, internal controls and shareholder rights. Succinctly, ESG embraces sustainability, CSR, public relations and environmental compliance, but at its core lies risk management and preservation of shareholder value. With all these facets of business gaining popularity, ESG management and ESG disclosures are at the forefront of the way businesses are being conducted.

Why ESG?

ESG management leads to higher profitability and lower companyspecific and systemic risks as well as meets all the stakeholders' demands for enhanced business management standards. At ESAF Bank, with ESG compliance, we have been experiencing lower costs of capital along with augmented productivity. Regulation in all the three areas, namely Environmental, Social and Governance issues, can help measure, monitor and substantially mitigate our ESG risks. ESG also acts like an engine for the locomotive of overall economic growth. The highly interconnected businesses today are powerful tools for the country's progress; however, their outcomes are dictated by the pace with which organisations implement ESG.

Implementing ESG -The Environomics way

An ESG-centric business like ours always reflects a positive impact on the organisation's valuation and profitability. The financial impact of ESG on the organisation can change over time and if these factors are identified in time, the value created as well as the profitability of the organisation will exhibit an upward movement.

A causal sequence of ESG strategy needs to be strategically aligned with the overall organisational core business strategy. Hence, as we Collaborated, Leveraged and Surged ahead, the underlying Sustainability Strategy of Green Grow Glow has provided a framework for ESAF Bank.

Small Finance Banking in India and the Role of ESAF Bank

The Government of India and Reserve Bank of India are the co-creators of the platform for Small Finance Banks, which basically reaches out to 'the Developing India, the Rising India'. Making finance accessible to each layer of the population has been



At ESAF Bank, we believe in conducting our business not only responsibly but also sustainably. This has been the underlying factor to our successful business. Apart from responsibility towards our stakeholders, customers and employees, we also believe in accepting responsibility towards the wider community.

made possible through this platform and I am greatly honoured to play a role in reaching out to the unserved and underserved markets.

Our baby steps taken in the yesteryears have helped us establish a strong presence and I am confident that it will be so in the future as well. Our sustainable business model helps in expanding our offerings in endless ways as services to customers and opportunities to employees, while all the time ensuring a sustainable future.

Sustainable Finance and its Future

The elements of sustainability should be fully incorporated into the business of lending and investments, in the way banking operations are conducted, in the way risks are analysed and mitigated, in the way the product offerings are structured, in the way the opportunity landscape is conquered and, in the way the short-term goals are converged with the long-term goals.

Implementing sustainability measures within an existing robust and stable financial system would involve making changes to the portfolio, hence analysing the impact is essential. In addition to the environmental aspect of ESG, the social and governance issues also play a vital role in changing the equation of corporate values.

One of the primary steps that banks need to take is to understand their portfolio and analyse the investment framework and how they lend to portfolio companies. A dedicated team for the task becomes essential. The further course of action would be to chart out the road map for prospective clients and identify ESG elements for them. The obvious consequences would be risk mitigation and leveraging market opportunities.

With international capital pursuing ESG investments, there is bound to be a surge in ESG linked financial products triggered by innovation in our industry. The role of regulators would be crucial during the transition to a low carbon portfolio of the banking companies. Thus, sustainable finance would induce sustainable banking which in turn would push sustainable economies.

Community at the Focal Point

At ESAF Bank, we believe in not just doing responsibly, but sustainably too, and this has been the underlying factor to our successful business. Apart from responsibility towards our stakeholders, customers and employees, we also believe in accepting responsibility towards the wider community.

With this view in mind, ESAF Bank has initiated few community programmes with a wide reach across age groups and with varying agenda:

- Balajyothi
- Vayojyothi
- Local Sustainable Economic
 Development (LSEDP) Project

 Financial Access and Capacity Enhancement (FACE)

Final Remarks

ESAF Bank has been a catalyst in transforming an unbanked citizen to a person capable of weathering financial shocks, let alone having bank accounts, at a cost affordable for the customer and this, in a way is sustainable for us.

The Reserve Bank of India's strategic approach of developing a National Financial Inclusion Strategy (NFSI), which congregates diverse stakeholders like financial regulators, telecom and IT industries and the banking industry, should be further pursued. Along with consumer protection, Small Finance Banks should promote responsible, sustainable financial services, thereby accelerating the velocity and impact of reforms.

I thank all the stakeholders and express my gratitude to you for being with us throughout the year. We hope to have the same unwavering support in the future.

Warm Regards,

P. R. Ravi Mohan Chairman



From The Managing Director's Desk



Dear Stakeholders,

Financial year 2021-22 was a year of challenges for the world, but more so for the financial sector. Banks and financial institutions are considered to be the barometers of the financial health of a country and great responsibility is conferred upon us to revive it, especially after calamities. In a niche sector like ours, the repercussions of any event are relatively severe and so is the onus to normalise the ecosystem.

Financial Inclusion

Inclusion of every Indian into the formal financial paradigm is essential as the nation scales new heights of economic growth. At ESAF Small Finance Bank, the underlying strategy of our business not only outlines the way we undertake banking through collaborative efforts and leveraging opportunities, but also emphasise

the Bank's commitment towards a financially all-inclusive future.

The need for financial inclusion today depicts the existence of a chasm in the financial ecosystem and the increasing ambitions of the people who are excluded from financial services. I vividly recollect a smalltown girl, with whom I happened to have a chance encounter. She was a sales girl in an apparels showroom but had the dream of opening a small shop of her own, which definitely required financial assistance. Another incident is of a farmer who wanted to sell his produce directly but had no bank account yet. ESAF Bank steps in during such occasions, aiming to build an all-inclusive society. For us, financial inclusion is not just about making superior financial services available for the marginalised sections at affordable prices, but also refining their life and society around.

In this second Sustainability Report of ESAF Bank, for the financial year 2022, I will walk you through our path of enabling wholistic growth. The report also highlights some of our achievements of this year and our sustainability performances aligned with the Global Reporting Initiative (GRI) standards, our governance policies, approach, sustainability initiatives and their impact. With a continuum of change and improvement, the Bank always strives to maximise the return to stakeholders and surge ahead yearon-year, with renewed processes, products and services and integrating all the citizens into the financial sector seamlessly.

Sustainability Strategy

Going by the popular and extremely relevant quote that states that ultimately, the only wealth that can



With our Green-Grow-Glow approach, which prioritises financial inclusion, sustainability and growth, ESAF Bank aspires to bring about balance in the entire ecosystem. This approach aligns with concept of growth and innovation with a simultaneous progressive impact on the society.

sustain any community, economy or nation is derived from shared prosperity, ESAF Bank has been prudently and consistently mapping out its sustainability strategies, in alignment with its business strategies.

With our Green-Grow-Glow approach, which prioritises financial inclusion, sustainability and growth, ESAF Bank aspires to bring about balance in the entire ecosystem. This approach aligns with the concept of growth and innovation with a simultaneous progressive impact on the society and environment. Our Hon'ble Prime Minister Shri. Narendra Modi's slogan "Sabka Saath, Sabka Vikaas" reverberates through all our processes and decisions and we are proudly striding ahead with India in the guest for banking the unbanked, securing the unsecured and funding the unfunded.

Total business increased by 43.25% to ₹ 24,946 crore from ₹ 17,414 crore as of March 31, 2021, with both deposits and gross advances showing a positive trend.

Sustainability Policies and Actions

The Bank endeavours to enhance the sustainability impact through its products and services, driven by an umbrella of its policies viz. Environmental Policy, ESG Policy, CSR Policy and Sustainable Banking Policy.

Diverse projects like building infrastructure for rural schools, skill training, entrepreneurship training, setting up Balajyothi Clubs for the wholistic development of children, projects for migrant labourers, agricultural initiatives and training for sustainable agriculture in different segments are some of the varied initiatives undertaken by ESAF Bank.

Preventive healthcare, sanitation, education, livelihoods and environment are some of the key focus areas of the CSR policy. The total investment for CSR in FY22 was ₹ 8.76 crore and 10000 hours of nonprofit activities to facilitate a positive change in the society.



Small-ticket loans', from micro loans, gross advances increased by 44.15% to ₹ 12,131 crore compared to ₹ 8,415 crore as of March 31, 2021. MSME and Corporate loans increased from ₹ 311 crore in FY21 to ₹ 533 crore in FY22. As at 31st March 2022, The Bank's gross agricultural loans were ₹ 316.53 crore which represented 2.61% of gross advances. The microfinance loan book stood at 80.92% of the Gross Advances as on March 31, 2022.

In association with NABARD, ESAF Bank has tried to enable local economic development and financial empowerment. By organising a statelevel Local Sustainable Economic Development Project (LSEDP), an attempt has been made for financial literacy at the grass-root level, in almost 300 panchayats in Kerala. Partnering with insurance companies for enabling access to information by the lower socioeconomic sections of the society is another project undertaken by The Bank. Skill development and training by ESAF Bank for the micro-finance customers helps them get absorbed into mainstream finance. The Bank also support the Swachh Bharat movement and has activities geared towards the same.

Performance Indicators of Sustainability Focussed Initiatives

Total deposits increased 42.41% to ₹ 12,816 crore as of March 31, 2022, compared to ₹ 8,999 crore of the same period last year. CASA deposits as on 31 March, 2022 ₹ 29,273.98 million as against ₹ 17,476.45 million in same period in FY21. CASA ratio rose to 22.84% from 19.42% in March 2021. Small-ticket loans', from micro loans, gross advances increased by 44.15% to ₹ 12,131 crore compared to ₹ 8,415 crore as of March 31, 2021.

MSME loans increased from ₹ 311 crore in FY21 to ₹ 533 crore in FY22. As at 31st March 2022, The Bank's gross agricultural loans were ₹ 316.53 crore which represented 2.61% of gross advances. The microfinance loan book stood at 80.92% of the Gross Advances as on March 31, 2022

Closing Remarks

While assembling the various components of sustainability together to create a future of financial inclusion, ESAF Bank is on the pathway to create and curate an image for itself, as a credible and reliable banker for the common person.

I wish to pause here and thank all the stakeholders for being the enablers in formulating our banking business model to benefit people across the layers of society.

In Gratitude,

K. Paul Thomas Managing Director & CEO



Board of Directors



P. R. Ravi Mohan Chairman & Independent Director



Kadambelil Paul Thomas Managing Director & CEO



Asha Morley Independent Director



Alex P. George Independent Director



Dr. V. A. Joseph Independent Director



Thomas Jacob Kalappila Independent Director



Vinod Vijayalekshmi Vasudevan Independent Director (Additional)



Saneesh Singh Nominee Director



C. P. Mohan Nominee Director

Our Leadership Team



M. G. Ajayan Executive Vice President



George K. John
Executive Vice
President



George Thomas Executive Vice President



Hari Velloor Retail and Channels



Bosco Joseph Administration, Infrastructure & Procurement



Gireesh C. P. Chief Financial Officer



Rabindra Kumar Dash Treasurv



Wilson Cyriac Chief Risk Officer



Sudev Kumar V. Chief Compliance Officer



Dr. A. V. JoseLearning
and Development



Padmakumar K. Micro Banking



Swaminathan K.Strategy &
Planning and TPP



Mathews Markose Retail Liabilities



Sunny K.Collections & Recovery



Antoo P. K. Internal Audit



Sibu K. A.Business
Correspondent Channel



Soney Jose MSME and Corporate Business



E. A. JacobChief of
Internal Vigilance



Ali Mohammad Saquib Chief Technology Officer



Dinesh Kallarackal Legal



Radhakrishnan D Agri Business



Sony V. MathewBranding
and Communications



Manojkumar Subhashchandran Credit Sanctions



Paul Joy Palocaren Mortgage Loans



George Paul Internal Audit - Treasury



Sathianathan K. M.Priority Sector
Lending and Lead Bank



Bobby Abraham Mathew Human Resources



Reji Koshy Daniel Sustainable Banking



Prabhakar G. S. Management Information System



Abiesh Jose Customer Service Quality



Vinod G. Thampi Credit Administration and Monitoring



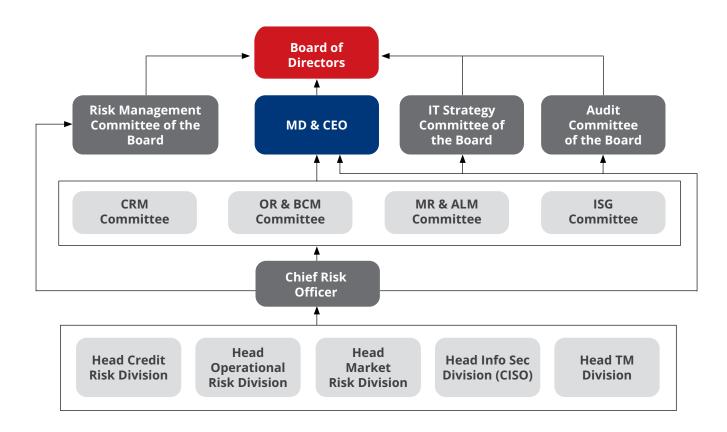
Sreekanth C. K.Marketing



Ranjith Raj P. Company Secretary



Risk Governance Framework



Risk governance framework

- The Board of Directors is responsible for the overall governance and overseeing of core risk management activities of the Bank and the Bank's risk appetite and related strategies and policies are approved by the Board.
- To ensure that the Bank has a sound system of risk management and internal controls in place, the Board has established the Risk Management Committee of the Board (RMCB). The RMCB assists the Board in overseeing and reviewing the Bank's risk management principles and policies, strategies, appetite, processes and controls.
- The Risk Management Committee of the Board (RMCB), the Information Technology Strategy Committee of the Board (ITSCB) and the Audit Committee of the Board (ACB) assist the Board in overseeing the functions and conducting periodical reviews of the Bank's risk management principles and policies, strategies, appetites, processes and controls.
- The RMCB is supported by the Risk Management Department and the Executive Level committees dealing with different functional areas of risk, facilitating effective execution of their responsibilities.

- Segregation of duties is across the 'three lines of defence' model, where front-office/business, functions as the first line, Risk Management and Compliance as the second line and Internal Audit as the third line. The roles played by the functions are independent of one another.
- Risk strategy is approved by the Board on an annual basis and is defined based on the Bank's risk appetite, in order to align risk, capital and performance targets.
- All major risk classes are managed through focused and specific risk management processes; these risks include Credit Risk, Operational Risk, Market Risk, Liquidity Risk etc. Policies, processes and systems are put in place to enable the Risk Management capability.
- Risk Management function has appropriate representation on Executive Level Committees of the Bank to ensure that risk view is taken into consideration in business decisions. Stress testing tools and escalation processes are established to monitor the performance against the approved risk appetite.

Expertise of Directors

The Bank has an experienced Board and Key Management Personnel. The experienced Board comprises members with diverse business experience, many of whom have held senior positions in well-known financial services institutions. Shri. Kadambelil Paul Thomas, Managing Director and Chief Executive Officer, was previously a senior field representative at Indian Farmers Fertiliser Co-operative Limited and since 2013 he has been the president of the Kerala Association of Micro Institutional Entrepreneurs. Members of our Key Management Personnel have been working in the banking and financial services sector for more than 25 years. Our Key Management Personnel have expertise in scaling up financial services organisations and collectively they have all the relevant experience in credit evaluation, risk management, treasury and technology.

Name **Category Core Skills and Experience** P.R. Ravi Mohan K. Paul Thomas Managing Director & CEO **Asha Morley** Alex P. George Dr. V. A. Joseph Thomas Jacob Kalappila Vinod Vijayalekshmi Vasudevan Independent Director (Additional) Saneesh Singh C.P. Mohan Nominee Director





Strategic Environment

Sustainability Issues

01 Divide between urban and rural India in financial inclusion

According to CRISIL Research, rural areas account for about half of India's gross domestic product but only 9% bank credit and 11% deposits. A large part of the population in India remained unbanked due to geographical disadvantages and lack of financial literacy.

02 Vulnerable Sections

Micro enterprises mostly selfemployed individuals - a large number of them, women and members from the vulnerable sections of the society in India face challenges such as social security, access to finance, skill development and forward linkages.

03 Climate Change

Increasing temperatures, unseasonal rains and natural disasters such as typhoons, floods and large-scale forest fires are causing significant damage to agriculture, micro and small businesses and to the overall economy and livelihood

04 Poverty

A large number of people continue to be under the poverty line and have meagre access to food, clean water, education, healthcare and sustainable livelihood. Covid 19 has further induced the disruption of livelihoods.

05 Natural factors

Agriculture in India despite showing many improvements, continues to face climate related challenges, crop failures, fragmented landholding, high food price volatility, post-harvest losses and forward linkages.

The critical role of small finance banks in financial inclusion

Small Finance Banks (SFBs) are financial institutions serving low-income groups of people and businesses, especially small farmers, small businessmen, MSMEs as well as the unorganised sector. SFBs enable the implementation of one of the most crucial changes in the Indian economy – financial inclusion - which helps in minimising poverty, empowering marginal or secluded borrowers and accelerating the pace of scaling up the economic landscape. The Government of India announced the establishment of SFBs in the year 2014-15 to achieve last mile connectivity, largely in rural areas and thus reduce inequality in the society. SFBs also aid connections between small businesses and large financial institutions.

Financial inclusion is about adequate and timely credit at an affordable cost and about the generation of a whole new ecosystem, extending to the farthest, remotest corners of the country, permeating through the various strata in the society. Financial inclusion also has its fair share in bringing about employment opportunities, thus enabling people to earn, save and invest and SFBs have a primary influence on people's mindsets. According to the World Bank, financial inclusion has been identified as being able to fulfil 7 of the 17 Sustainable Development Goals (SDGs). The G20 committed to expand financial inclusion worldwide and reiterated its commitment to implement the G20 High-Level Principles for Digital Financial Inclusion. The World Bank Group also considers financial inclusion as a key enabler to minimise extreme poverty and boost shared prosperity.

Micro credit or inclusive credit is an economic tool for inclusive and sustainable growth. The RBI considers inclusive credit as the next milestone in India's growth story and has been formulating and modifying strategies and policy focus factoring in economic conditions, changing demographics and social needs. With its Vision 2030 - "Financial Inclusion & Future of Financial Services in India", the RBI aims to broaden and deepen financial inclusion and promote financial literacy. It has also created a Financial Inclusion (FI) Index which measures the efforts in the right direction based on Access, Usage and Quality. In addition to the traditional brick-and-mortar outlets, digital advancements have enhanced the possibility of graduating to the next level of FI from accessibility to quality, especially in India.

As per RBI guidelines, SFBs are expected to open 25% of their branches in unbanked or unserved rural regions, and they are mandated to allocate 75% of their net credits to the priority sector.

Key Drivers of Small Finance Banks (SFBs)

01 Huge untapped national market

According to CRISIL Research, rural areas contribute to almost half of India's gross domestic product (GDP) but in terms of banking industry, they contribute only 9% towards bank credit and 11% towards deposits.

02 Changing demographics

Higher levels of literacy unlock more employment opportunities in rural areas as well as greater chances for MSMEs, eventually leading to a greater need for a banking system in those areas. Financial inclusion facilitates household as well as business planning right from day-to-day living to long term goals and even unexpected emergencies. Having a bank account would trigger the use of ancillary services like insurance and credit which in turn would require more services from SFBs.

03 Relevant expertise

SFBs have the know-how to deal with unstructured data of the rural segments and rapid risk assessments.

04 Government's thrust on financial inclusion

Pradhan Mantri Jan Dhan Yojana (PMJDY) and Jan Dhan-Aadhar-Mobile (JAM) Trinity is an added driving force for the booming sector.

05 Digitalisation and newer technologies

Demand for switching from cash-based transaction mode to digitalised services even by the marginalised sections of the society is furthering the growth of SFBs in India.

In the highly competitive landscape, adopting newer technologies like Artificial Intelligence (AI), Machine Learning (ML), Cloud and Chatbots aid in streamlining of processes and development of hyper personalised digital banking services, eventually increasing customer base and improving profitability.

06 Improved NPAs

Substantial local market knowledge, simplified processing, personalised relationship with customers resulting in a customer centric strategy and the ability to provide enhanced customer experiences, bring about high level of customer loyalty and reduced NPAs.

07 Subtle advantage

Inability of big financial corporations or cooperative banks to reach the large mass of lowincome households and businesses becomes a subtle advantage for the SFBs.

Larger financial institutions and banks focus only on top rated credit, foregoing the demand for small ticket loans from rural and semi-urban areas. Thus, these become the focus areas for SFBs. In addition to these small ticket loans, there is a surge in demand for newer credit products.

08 Viable business model

Automating loan processing and expediting loan restructuring are some characteristics of SFBs which make the business model sustainable in the finance industry. The business model of SFBs captures the huge lending capacity present in the country's markets.

09 Capturing the Essence

SFBs are revolutionising the way financial ecosystems are being modified and indirectly enhancing India's digital literacy quotient.

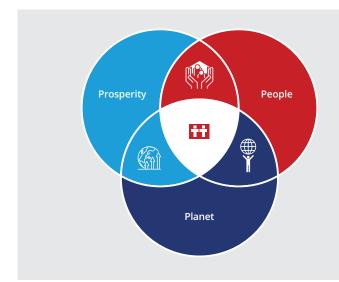
Majority of the SFBs command 1% credit market share in rural areas, 2% in semi-urban areas and 1.7% in urban areas against a meagre 0.7% in the metros.

From the year 2019, SFBs have delivered a 42% CAGR vis-à-vis 13% by private banks, 8% by foreign banks and 2% by public sector banks. With an incremental market share of 8%, there is clear evidence that these small banks are gaining momentum in their growth.



Our Sustainability Approach

People, Planet, Prosperity - It's All Connected



Key Drivers of TBL Banking

- Climate Risk Mitigation and Adaptation
- Water, Sanitation and Health Care
- Livelihood
- Habitats
- Financial Inclusion
- Higher Education and Infrastructure
- Food and Agriculture
- Digitalisation
- Being Agile
- Responsive to Societal Needs

The 3P approach at ESAF Bank places exceptionally high emphasis on People, Planet, Prosperity – which is in line with the United Nations Sustainabe Development Goals (UNSDGs). Building and maintaining a sustainable and resilient future and shifting the world onto that path is a challenge for every country and organisation and ESAF Bank has long decided to take upon this challenge and address it in the best possible way. The critical act of balancing the three integrated and indivisible dimensions, namely social (people), environmental (planet) and economic (prosperity) is engrained in each operation and process at the Bank and with a transformational vision, the Bank envisages a sustainable future for all.

The 3P approach has been instrumental in shaping the framework and policies at the Bank. It also aids the Bank in living up to its brand promise of making people experience the 'Joy of Banking". ESAF Bank aspires to become one of the leading banks in the microfinance sector, predominantly serving the low- and middle-income segments of India, offering equal opportunities to all. By fulfilling the dreams of its customers, the aim is to achieve universal financial access and inclusion, thus supporting livelihood and economic development. The last mile banking connectivity has had an amplified impact on the stakeholders and the society. With various policies implemented in line with the Triple Bottom Line Approach, the ESG policy of the Bank is one that has the farthest-reaching impact.

Pursuant to ESG policy, the Bank is committed to the following:

To monitor and minimise any adverse impact of its operations on the environment.

- To offer products and services to improve the lives of marginalised individuals in India.
- ▼ To establish a governance framework to ensure accountability, transparency and compliance with internal and external ESG standards.
- To promote all stakeholders' ability to implement the ESG standards effectively.

Thus, through the ESG policy, ESAF Bank will strive to fulfil the ESG Agenda steered not only by corporate values, but also by regulators, investors and customers.

Under each of the components of the ESG umbrella, the Bank has been making a relentless attempt to convert theory into action, continuously driving lasting results.

- Environmental (E) A carbon neutral world with best practices of environmental stewardship, by developing a green portfolio and identity for the Bank.
- Social (S) Fighting the partiality of prosperity, for an equitable society.
- Governance (G) Practicing and prompting servant leadership in governance structures that would synergise People, Planet and Prosperity.

In addition, the Bank also has an elaborate Corporate Social Responsibility (CSR) agenda, through which an attempt is made to create meaningful value by optimal utilisation of profits, generated through socially responsible initiatives.

ESAF Bank has been following sustainable banking principles, undergoing as well as supporting the transition of the society to a more sustainable economic model, thereby creating long lasting value.

Sustainability Framework

The Sustainability Framework at ESAF Bank

- Methodically classifies the financial products offered by the Bank as sustainable financial products.
- Defines the guidelines to finance sustainable products having a positive impact on the environment or society as well as finance products for low carbon companies, whilst complementing the Bank's strategy.

ESAF Bank follows sustainability guidelines within its framework proactively to achieve its sustainable development goals. Tracking priorities, setting goals and meeting targets, along with a multi-layered risk management framework and a robust internal control system that assist in risk mitigation, the Bank today plays a substantial role in creating positive social and environmental impact. The Bank, with its wide reach across the low-income groups, has been unflinchingly fulfilling commitments towards the society.

ESAF Bank believes in the inclusive growth of all its stakeholders and a focussed mechanism in place helps the Bank in fulfilling this responsibility. Through its numerous skill training and development programmes organised across geographies percolating through all layers of the society, ESAF Bank has shown accountability towards its customer base. As a social bank, it has also been promoting sustainable livelihood practices and has been creating awareness about sustainable practices like the use of clean energy. All of this is achieved through careful product designing. The Bank also ensures that customers undergo a whole new banking experience with quality, data protection and customer care. The concerns and complaints of vendors, customers and employees are well addressed through the policies formulated and modified from time to time by the Bank.

The process of governance at ESAF Bank encapsulates its approach to environment, society as well as its business processes, and is an inseparable part of the entire project lifecycle, simultaneously helping it reach its strategic objectives.

ESG Framework



Note: In addition to the direct risk mitigation steps initiated through the ESGMC, the Sustainability Council through the Sustainability Champions take steps for initiating actions at the department level and those will be addressed at the other councils as well.



How We Create Value

Inputs	Linkage to Triple Bottom Line	Linkage to Corporate Theme	
Financial Capital The available funds and the funds obtained through debt, profits, equity, deposits and investments.	Prosperity	Leverage Surge	
Manufactured Capital The Bank's manufactured capital represents its physical infrastructure, which includes the traditional brick-and-mortar customer contact points, vehicles, IT equipment and furniture as well as its digital infrastructure.	People Prosperity	Leverage Surge	
Intellectual Capital The Bank's Intellectual capital consists of the combined knowledge of the management and its staff, processes, brands, copyrights and reputation.	People	Collaborate Leverage	
Human Capital Human resources, capabilities and ability to align with the Bank's mission and vision.	People	Collaborate Leverage	
Social and Relationship Capital Relations with the stakeholder groups to enhance individual and collective well-being.	People Planet Prosperity	Collaborate Leverage Surge	
Natural Capital All renewable and non-renewable environment sources and processes used for the operations and initiatives to protect natural ecosystems.	Planet People	Collaborate Leverage	

How Outcomes are Linkage to UN SDGs measured Increase in revenue Increase in margins Cash flow Asset growth CSR allocations Number of branches, ATMs added, status and progress in the digital banking initiatives How the company is progressing on streamlining / improving processes Awards won HR initiatives, diversity and skill development programmes. Impact on customers, CSR initiatives and partnerships. Initiatives for conserving nature such as sustainable practices, green initiatives and loans for investments in renewable energy.



FY22 Outcomes of the Sustainability Strategies at ESAF Bank

The following social financing strategies are extracts from the Bank's overall business strategies as communicated to the existing and prospective investors through regulatory filings.



Strategy - 1

Penetrate deeper into our existing geographies



Definition

We intend to deepen our distribution within the states and union territories we operate in by opening additional branches, having business correspondents, opening more customer service centres, entering into relationships with new business correspondent entities and banking agents and adding ATMs.

Progress in FY22

Added 25 branches in FY22 taking the total number of branches to 575.

Rural branches: 192

Semi urban branches: 217

Urban branches: 95 Metro branches: 71

KPIs

Total business increased by 43.25% to ₹ 24,946 crore from ₹ 17,414 crore as of March 31, 2021, with both deposits and gross advances showing a positive trend.

Total deposits increased by 42.41% to ₹ 12,816 crore as of March 31, 2022, compared to ₹ 8,999 crore of the same period last year.

Goals for FY23 and beyond

In the year ahead the Bank plans to launch 50 more branches and 300 more Customer Service Centres.

Definition

To increase our deposits, our Branches and business correspondents will continue to target new and existing customers to source deposits in the form of CASA.

Progress in FY22

Number of CASA deposits added in FY22: 851,999 Total number of CASA deposits: 5,369,355

KPIs

CASA deposits as on 31 March, 2022 ₹ 29,273.98 million as against ₹ 17,476.45 million in same period in FY21.

CASA ratio rose to 22.84% from 19.42% in March 2021.

The increase in the CASA to total deposits ratio has helped to reduce our Cost of Funds from 8.58% for Fiscal 2020 to 6.3% FY22.

Goals for FY23 and beyond

The Bank also plans to establish relationships with farmer producers' associations, co-operative societies, government departments, nongovernment organisations, and educational institutions in order to offer its products and services, including CASA, to their members/employees.



Definition

Grow micro loans by cross-selling and up-selling to the micro loan customer base and marketing micro loans to family members of the micro loan customers, thereby deepening our relationships with them and becoming their trusted bank of choice

Progress in FY22

25,94,691 micro loan accounts in FY22 as against 23,12,370 in FY21.

KPIs

Small-ticket loans', from micro loans, gross advances increased by 44.15% to ₹12,131 crore compared to ₹ 8,415 crore as of March 31, 2021.

The microfinance loan book stood at 80.92% of the Gross Advances as on March 31, 2022.

Goals for FY23 and beyond

We plan to continue to grow our Micro Loans. We also plan to appoint new business correspondents and have our banking agents start to source customers.



Definition

Increase MSME loans by expanding the product portfolio, developing exclusive MSME customer engagement programmes and offer advances for existing micro loan borrowers for expanding business.

Progress in FY22

4,301* MSME loan accounts in FY22.

KPIs

MSME loans and Corporate loans increased from ₹ 311 Cr in FY21 to ₹ 533 Cr in FY22.

Goals for FY23 and beyond

We plan to continue to increase our MSME and corporate advances both in terms of amount and as a percentage of our gross advances by having our relationship managers in our Branches reach out to MSMEs and offer them working capital and term loans.

* No. of MSME Loan



Strategy - 5

Grow our agriculture loan business

Definition

Focuses on individual farmers and joint borrowers engaged in agriculture and allied activities, such as dairy farming, fishery, animal husbandry, poultry farming, beekeeping, sericulture, agri infrastructure, agri processing units, and agri ancillary activities. A highlight on FIG product can be added in the report.

Progress in FY22

64,546 agricultural loan accounts in FY22.

KPIs

As at 31st March 2022, the Bank's gross agricultural loans were ₹ 316.53 crore which represented 2.61% of gross advances.

Goals for FY23 and beyond

We plan to continue to increase our agricultural advances both in terms of amount and as a percentage of our gross advances by appointing agri relationship officers in more states by entering into relationships with more farmer producer organisations and sourcing more loans through our Branches and business correspondents.



Manufactured Capital

The manufactured capital of the Bank includes its branches, ATMs, Products, Brands, Business Correspondents, Corporate Office and the entire IT Infrastructure.



Number of Branches

575

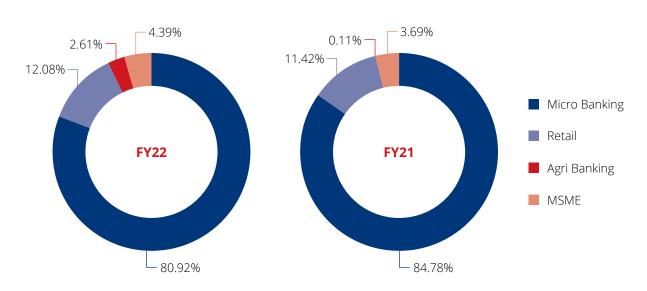
Number of ATMs

386

Number of BCs

14

ESAF Bank creates its manufactured capital in alignment with its core objective encapsulated in the Bank's Vision, Mission and Brand Promise i.e. to deliver banking services to underserved and unserved people across all location demographics such as rural, semi-urban and urban. The Bank has various customer-centric retail loan and deposit products for all segments of society especially for those who are from the marginal and low-income groups.



Micro Banking

ESAF Bank's Micro Banking provides a comprehensive bundle of financial inclusion products and business development services to the socially and economically challenged.

In the Micro Banking segment, all banking services are provided right at the doorstep through group-based models. In Micro Banking, the Bank gives priority to women. As on 31st March 2022, the Bank has over 5.18 million women beneficiaries of micro banking, enjoying the benefits of our services. We also provide all customers under our Micro Banking scheme, a PM Jan Dhan account with a Debit cum ATM card.

Number of Basic Savings Bank Deposit Accounts

5,63,992

Retail Assets

ESAF Bank's expanded retail loan portfolio is aimed at fulfilling the banking needs of salaried individuals, the selfemployed, businesses and customers who have graduated from micro loans. The retail loan portfolio includes housing loans, loan against property, gold loans, auto loans, personal loans, clean energy loans, lease rental discounting and education loans.













Retail Liabilities

Liability products of the Bank comprise current accounts, savings accounts, fixed deposits and recurring deposits. The Bank also serves segments like HNIs, corporate entities, sole proprietorships, children, farmers, trusts, associations, societies and clubs, non-resident Indians (NRIs), micro loan customers and senior citizens, and offers personalised banking services including doorstep banking and other differentiated products.











Agri Banking

The Bank targets individual farmers and joint borrowers engaged in agriculture and allied activities such as dairy farming, fishery, animal husbandry, poultry farming, beekeeping, sericulture, agri infrastructure, agri processing units, and agri ancillary activities for its agri lending portfolio. The products are focussed to meet the financing needs of farmers in agriculture and allied activities and include term loan, dairy development loan, farmer producer organisation (FPO) finance, KCC and agri gold loan.

ESAF Bank primarily sources customers for agricultural loans through agri relationship officers, who are employees of the Bank. The Bank also sources customers for agricultural loans through its branches, FPOs and business correspondents.













MSME

The target customers for the MSME and Corporate loans are MSMEs, NBFCs, MFIs and existing micro loan customers who want to grow their business. Apart from the working capital loans and term loans targeted at small and micro enterprises, the Bank is also expanding its supply chain finance by partnering with fintech/tech platforms to source more customers and other web-based platforms that facilitate financing/discounting of trade receivables of MSMEs.

The Bank sources its customers for MSME and corporate loans through branches, digital channels (except for corporate loans), direct sourcing and third-party intermediaries, including business correspondents. The Bank is a member of certain TReDS platforms and bills are discounted by participating in the bidding process on these platforms.











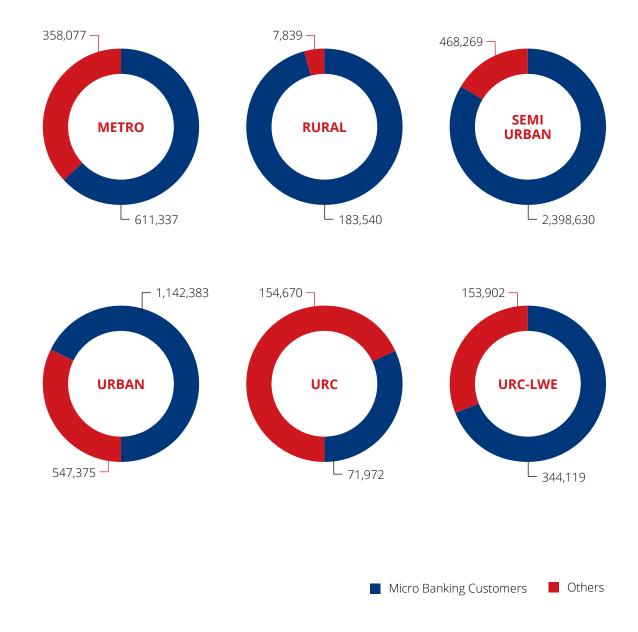


How We Deliver Inclusive Banking

The Bank has three major channels for its delivery of products and services: Branch Banking, Digital and Business Correspondent channel.

The Bank leverages a mix of the traditional and innovative channels to service the customers. As on March 31st, 2022, the Bank had 575 Branches, of which 192 were rural branches, 217 were semi-urban, 95 were urban branches and 71 were metro branches. The Bank uses business correspondents, customer service centres (which are operated by our business correspondents) and banking agents for sourcing and servicing customers for micro loans, mortgage loans, vehicle loans, supply chain and MSME finance, select deposit products and select third-

party products. As of March 31st, 2022, the Bank had 14 business correspondent entities, 572 customer service centres and 1280 banking agents called customer service points for the distribution of its products and services. ESAF Bank also has a strong focus on leveraging technology to deliver products and services. ATMs, ATM cum debit cards, mobile banking platforms, phone/SMS banking, internet banking portals, unified payment interface (UPI) facilities, call centre and kiosk banking are also used as distribution channels.



Micro ATMs for Last Mile Digital Banking

ESAF Bank has been earnestly working towards reaching the last mile geographies through its products and services. It has been in the DNA of the bank to render financial upliftment of the underserved and unbanked communities in the lower strata of society through tailor-made financial inclusion projects.

One such project was the deployment of Micro ATMs. This was done by joining hands with the National Bank of Agriculture and Rural Development (NABARD) under the Financial Inclusion Fund (FIF). We have been associated with them for many social inclusion projects that benefit the needy segments of the society. This project was carried out in the states of Kerala and Tamil Nadu during the Financial Year 2021-2022, deploying 1193 machines and is expected to cross 2000 micro ATMs in FY23.















ESAF Bank Products - SDG Materiality Linkages



End poverty in all its forms everywhere

ESAF Bank Products





Income Generation Loan MSME Loans



ESAF Bank

Products

End hunger, achieve food security and improved nutrition and promote sustainable agriculture





MSME Loans
Income Generation Loan



Ensure healthy lives and promote well-being for all at all ages

ESAF Bank Products

Jeevadhara Loan Nirmal Loan



ESAF Bank Products



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Global Career Devolopment Loan



Achieve gender equality and empower all women and girls

ESAF Bank Products

Mahila Sree MSME Loans Income Generation Loan



Ensure availability and sustainable management of water and sanitation for

ESAF Bank Products

Jeevadhara Loan Nirmal Loan



Ensure access to affordable, reliable, sustainable and modern energy for all

ESAF Bank Products



GO-GREEN
VEHICLE LOANS



ESAF Bank

Products

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



FIG LOAN







Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Products

Current Account

Fixed Deposits

ESAF FPO Finance



Income Generation Loan









AGRI LOAN

Conserve and sustainably use the oceans, seas and marine resources for sustainable development









Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Promote

MSME Loans Income Generation Loan



ESAF Bank Products



Strengthen the means of implementation and revitalise the global partnership for sustainable development

Savings Account



IT & Digital Infrastructure

The Bank has a fully integrated banking and payments platform active across all branches covering all customer bank accounts. The platform encompasses a core banking solution, risk management, domestic treasury management, analytics and the entire suite of payments services, which includes switching, debit card management services and ATM management for the Bank's brown-label ATMs.

The Bank offers the customers various digital platforms, including an internet banking portal, a mobile banking platform, SMS alerts, bill payments and RuPay branded ATM cum debit cards. All banking and payment transactions, such as remittances and utility payments, can be completed through these platforms. Our customers are also able to register their savings accounts on a unified payment interface-based mobile application.

Our account opening and loan underwriting processes have been digitalised by using tablets, which we believe enables us to reduce our turnaround time and offer better service to customers. CASA accounts can be opened through tablets, which enables us to provide doorstep services to our customers. By leveraging technology solutions, we provide customers with pre-generated kits immediately upon account opening, enabling them to use

the ATM-cum-debit card provided with the pre-generated kits without having to wait for the ATM-cum-debit card to be activated across channels, thereby resulting in increased customer satisfaction.

We have a digitalised central credit-processing unit for our micro loans. Our customer on-boarding process has been predominantly digitalised for our micro loans. We leverage technology for underwriting and credit sanctioning for our loan products based on inputs from credit bureaus and/ or our customer data analytics. We have implemented technology solutions that enable us to ensure the cashless disbursement of loans. Our collections mechanism has also been digitalised through the use of mobile applications and a payment gateway through which our borrowers can repay their loans.



Enterprise IT

The Bank employs state-of-the-art security technologies and a comprehensive strategy to safeguard customer transactions. A 24x7 Cyber Security Operations Centre responds to potential incidents and employs emerging technologies such as Al, machine learning, and user behavior analysis. Disaster recovery drills and participation in cybersecurity meetings help the Bank stay upto-date on best practices. A Boardapproved Information Security Policy is in place.



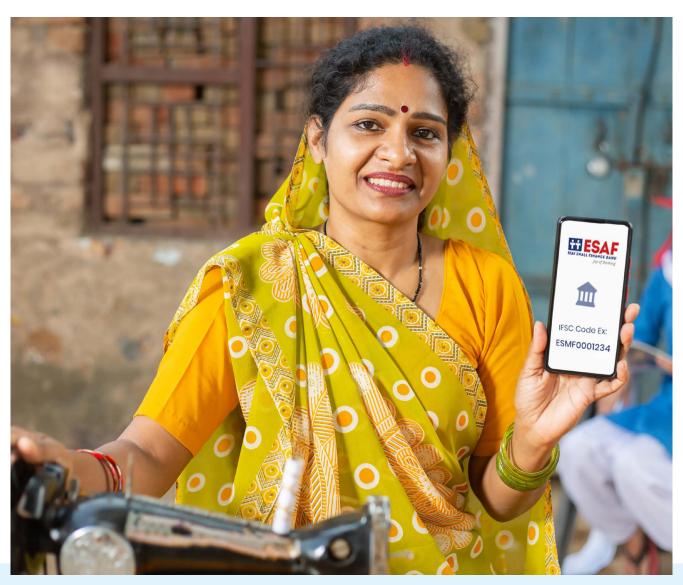
Customer onboarding

ESAF Bank has digitised the Micro Loans customer onboarding process, and implemented a customer relationship management solution to improve customer service and cost-effectiveness. Innovative digital strategies like video onboarding, video KYC, and microlending are being adopted to make services fully digitised. A loan origination system for microfinance and retail lending is also being used.



Mobile /Internet banking

The Bank provides customers with internet banking, mobile banking, SMS alerts, bill payments, and RuPay ATM cum debit cards. These digital platforms offer a range of banking and payment transactions, including remittances and utility payments, providing convenient options for customers.





Digital underwriting

ESAF Bank digitised its account opening and loan underwriting with tablets, reducing turnaround time and improving service. Customers open accounts and receive doorstep services through tablets. Pregenerated kits let customers use ATM-cum-debit cards immediately. Loan underwriting and credit sanctioning use technology for credit bureau data and customer analytics. Cashless loan disbursement has also been implemented.



Valued added

ESAF Bank invests in technology and data analytics to improve operational efficiency and product innovation. The Bank will establish digital dashboards and tools to track loans and customer history, using front-end platforms for client acquisition and transaction management. It plans to strengthen online and mobile banking, ATMs, and payment interfaces to promote service delivery and simplify auditing and monitoring. These efforts will aid in targeted profiling, customised product creation, and effective risk management.

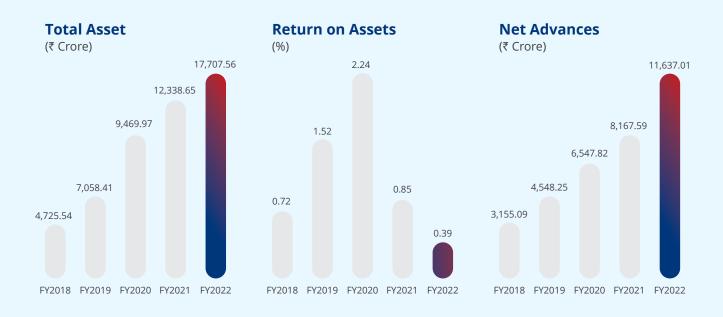


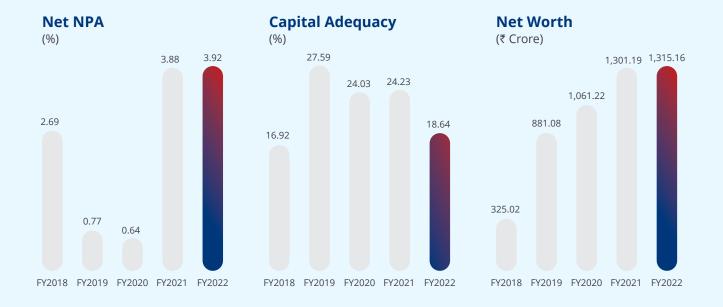
Collection/Recovery

The Bank has digitised its collections mechanism using mobile apps and a payment gateway, enabling borrowers to repay their loans easily. The Bank continually enhances customers' experience through technology, acquiring new customers digitally. Most collections are digitised, with no paper receipts, and 99% Aadhaarbased authentication, with credit going straight into the customer's account.



Financial Capital





Financial Overview

The following table sets forth a summary of the Bank's Profit and Loss Account for Fiscals 2022 and 2021.

	Fiscal 2022		Fiscal 2021	
	Amount (₹ in crore)	% of Total Income	Amount (₹ in crore)	% of Total Income
Income:				
Interest Earned	1.939.93	90.33	1641.17	92.8
Other Income	207.58	9.67	127.25	7.2
Total Income	2,147.51	100	1768.42	100
Expenditure:				
Interest Expended	792.79	36.92	719.58	40.69
Operating Expenses	862.87	40.18	631.85	35.73
Provisions and Contingencies	437.12	20.35	311.59	17.62
Total Expenditure	2,092.78	97.45	1663.02	94.04
Net Profit for the Year	54.73	2.55	105.4	5.96

Total Income

The Bank's total income increased by ₹ 379.09 crore or 21.44%, to ₹ 2147.51 crore for Fiscal 2022 from ₹ 1768.42 crore for Fiscal 2021 as a result of (i) a ₹ 298.76 crore or 18.20% increase in interest earned to ₹ 1, 939.93 crore for Fiscal 2022 from ₹ 1641.17 crore for Fiscal 2021 (ii) a ₹ 80.33 crore or 63.13%, increase in other income to ₹ 207.58 crore for Fiscal 2022 from ₹ 127.25 crore for Fiscal 2021.

Interest Earned

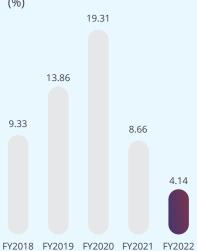
The table set forth below shows details in relation to the interest earned for Fiscals 2022 and 2021.

Particulars	Fiscal 2022 (₹ in crore)	Fiscal 2021 (₹in crore)	Percentage increase/ decrease (%)
Interest/discount on advances/bills	1,726.71	1,473.50	17.18
Income on investments	188.31	128.33	46.74
Interest on balances with the Reserve Bank of India and other inter-bank funds	24.91	39.34	-36.69
Total	1,939.93	1,641.17	18.20

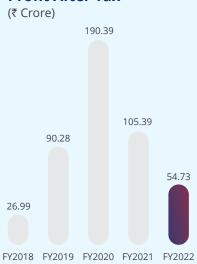
The interest earned increased by ₹ 298.76 crore or 18.20%, to ₹ 1,939.93 crore for Fiscal 2022 from ₹ 1641.17 crore for Fiscal 2021. The primary reasons for this increase are discussed below.

- Interest/discount on advances/bills increased by ₹ 253.21 crore or 17.18%, to ₹ 1726.71 crore for Fiscal 2022 from ₹ 1473.50 crore for Fiscal 2021.
- The increase in interest/discount on advances/bills was primarily due to a ₹ 2,036.54 crore or 27.83%, increase in Average Interest-Earning

Return on Equity (%)



Profit After Tax





- Advances to ₹ 9,353.55 crore for Fiscal 2022 from ₹ 7,317.01 crore for Fiscal 2021, the increase was primarily due to a ₹ 1,480.39 crore or 21.94%, increase in Average Interest-Earning Micro Loans to ₹ 8,227.46 crore for Fiscal 2022 from ₹ 6,747.07 crore for Fiscal 2021 and a ₹ 654.45 crore or 88.84%, increase in Average Interest-Earning Other Loans to ₹ 1,391.10 crore for Fiscal 2022 from ₹ 736.65 crore for Fiscal 2021.
- The increase in Average Interest-Earning Advances was partially offset by a decrease in the Yield on Average Interest-Earning Advances to 18.87% for Fiscal 2022 from 20.21% for Fiscal 2021. The Yield on Average Interest-Earning Advances decreased primarily due to the increase in gross NPAs to ₹ 949.60 crore as of 31st March 2022 from ₹ 564.00 crore as of 31st March 2021 (we do not book interest/discount on advances/bills that are NPAs) and due to a decrease in the percentage of Average Interest-Earning Micro Loans (which have a higher yield than our other loans) in our Average Interest-Earning Advances to 85.54% for Fiscal 2022 from 90.16% for Fiscal 2021. The Yield on Average Interest-Earning Micro Loans decreased to 20.25% for Fiscal 2022

- from 21.14% for Fiscal 2021 and the Yield on Average Interest-Earning Other Loans decreased to 11.16% for Fiscal 2022 from 11.86% for Fiscal 2021.
- Income from investments increased by ₹ 59.98 crore or 46.74%, to ₹ 188.31 crore for Fiscal 2022 from ₹ 1,28.33 crore for Fiscal 2021. This increase was primarily due to the increase in our Average Interest-Earning Investments by ₹ 1,144.60 crore or 57.29%, to ₹ 3,142.39 crore for Fiscal 2022 from ₹ 1,997.79 crore for Fiscal 2021, which was partially offset by a decrease in the Yield on Average Interest-Earning Investments to 5.99% for Fiscal 2022 from 6.42% for Fiscal 2021.
- Interest on balances with RBI and other inter-bank funds decreased by 36.69% to ₹24.91 crore for Fiscal 2022 from ₹39.34 crore for Fiscal 2021. This decrease was primarily due to a decrease in the Average Interest-Earning Balances by a ₹328.94 crore or 31.74%, with the RBI and other Inter-Bank Funds to ₹707.26 crore for Fiscal 2022 from ₹1,036.20 crore for Fiscal 2021 and also a decrease in the Yield on Average Interest-Earning Balances with the RBI and other Inter-Bank Funds to 3.52% for Fiscal 2022 from 3.80% for Fiscal 2021.

Other Income

The table set forth below shows details in relation to other income for Fiscals 2022 and 2021.

Particulars	Fiscal 2022 (₹ in crore)	Fiscal 2021 (₹ in crore)	Percentage increase/ decrease (%)
Commission, exchange and brokerage	150.72	64.5	133.68
Profit on sale of investments (Net)	43.51	23.04	88.86
Profit/(loss) on revaluation of investments (Net)	-23.31	1.14	-2,137.24
Profit/(loss) on sale of land, buildings and other assets (Net)	0.01	-2.33	100.26
Profit on foreign exchange transactions (Net)	0.92	0.55	68.61
Income earned by way of dividends etc. from companies	0.16	0.11	41.82
Miscellaneous income	35.57	40.24	-11.61
Total	207.58	127.25	63.13

Other income increased by ₹80.33 crore or 63.13%, to ₹2,07.58 crore for Fiscal 2022 from ₹127.25 crore for Fiscal 2021. The primary reasons for the increase are (a) the increase in commission, exchange and brokerage by ₹86,22 crore or 133.68% to ₹150.72 crore for Fiscal 2022 from ₹64,50 crore for Fiscal 2021, which was primarily due to the increase in the processing fees on loans by ₹64.78 crore or 148.41% to ₹108.43 crore for Fiscal 2022 from ₹43.65 crore for Fiscal 2021 (b) the increase in income on ATM transactions by ₹6.73 crore or 80.21%, to ₹15.12 crore for Fiscal 2022 from ₹8.39 crore for Fiscal 2021 (c) the increase in service charges collected from deposit customers by ₹9.06 crore or 217.79%, to ₹13.22 crore for Fiscal 2022 from ₹4.16 crore for Fiscal 2021.

The increase in commission, exchange and brokerage income was partially offset by a ₹ 24.45 crore decrease in income resulting from a mark-to-market loss of ₹ 23.31 crore to the investment portfolio during Fiscal 2022 as compared to the mark-to-market gains of ₹ 1.14 crore for Fiscal 2021, which was mainly on account of the rise in yields on government securities as per the RBI guidelines, which led to the corresponding depreciation of such securities.

Total Expenditure

Total expenditure increased by ₹ 429.76 crore or 25.84%, to ₹ 2,092.78 crore for Fiscal 2022 from ₹ 1,663.02 crore for Fiscal 2021. The primary reasons for this increase are discussed below.

Interest Expended

Interest expended increased by ₹ 73.21 crore or 10.17%, to ₹ 792.79 crore for Fiscal 2022 from ₹ 719.58 crore for Fiscal 2021. The primary reasons for this increase are discussed below.

- Interest on deposits increased by ₹ 74.28 crore or 12.29%, to ₹ 678.85 crore for Fiscal 2022 from ₹ 604.57 crore for Fiscal 2021, which was due to a 30.61% increase in Average Interest-Bearing Deposits to ₹ 10,523.52 crore for Fiscal 2022 from ₹ 8,057.38 crore for Fiscal 2021, which was partially offset by a decrease in the Cost of Average Interest-Bearing Deposits to 6.45% for Fiscal 2022 from 7.50% for Fiscal 2021.
- Interest on Reserve Bank of India/inter-bank borrowings and others decreased by ₹ 1.07 crore or 0.93%, to ₹ 113.94 crore for Fiscal 2022 from ₹ 115.01 crore for Fiscal 2021. This was primarily due to a decrease in the Cost of Average Borrowings to 6.71% for Fiscal 2022 from 8.32% for Fiscal 2021, which was partially offset by a ₹ 316.25 crore or 22.88%, increase in Average Borrowings to ₹ 1,699.27 crore for Fiscal 2022 from ₹ 1,382.92 crore for Fiscal 2021.

Operating Expenses

The table below sets forth details in relation to operating expenses for Fiscal 2022 and Fiscal 2021.

Particulars	Fiscal 2022 (₹ in crore)	Fiscal 2021 (₹ in crore)	Percentage increase / decrease (%)
Payments to and provisions for employees	232.14	187.78	23.62
Rent, taxes and lighting	60.02	42.04	42.77
Printing and stationery	6.74	5.29	27.42
Advertisement and publicity	5.9	2.71	117.6
Depreciation on Bank's Property	32.77	28.57	14.7
Directors' fees, allowances and expenses	1.48	1.41	4.67
Auditors' fees and expenses	0.75	0.63	18.89
Law charges	0.44	0.26	69.73
Postage, Telegrams, Telephones, etc.	10.94	9.17	19.35
Repairs and maintenance	1.76	1.58	11.66
Insurance	12.73	10.84	17.52
Other expenditure (1)	497.2	341.58	45.56
Total	862.87	631.86	36.56

Notes:

- (1) Includes Business Correspondent expense of ₹ 348.66 crore and ₹232.81 crore for the year ended 31st March 2022 and 2021, respectively.
 - Operating expenses increased by ₹ 231.01 crore or 36.56%, to ₹ 862.87 crore for Fiscal 2022 from ₹ 631.86 crore for Fiscal 2021. The primary reasons for this increase are discussed below.
- Payments to and provisions for employees increased by ₹ 44.35 crore or 23.62% to ₹ 232.14 crore for Fiscal 2022 from ₹ 187.78 crore for Fiscal 2021, which was primarily due to an 8.88% increase in the other expenditure which increased by ₹ 155.62 crore number of employees to 4,141 as at 31st March 2022 or 45.56% to ₹ 497.20 crore for Fiscal 2022 from ₹ 341.58 crore for Fiscal 2021, which was primarily due to a ₹ 115.85 crore or 49.76% increase in the Business Correspondent expense to ₹ 348.66 crore for Fiscal 2022 from ₹ 232.81 crore for Fiscal 2021 which was primarily due to a ₹ 1,480.39 crore or 21.94%, increase in Average Interest-Earning Micro Loans to ₹ 8,227.46 crore for Fiscal 2022 from ₹ 6,747.07 crore for Fiscal 2021 from 3,803 as at 31st March 2021 and increments given to employees.
- Rent, taxes and lighting increased by ₹ 17.98 crore or 42.77% to ₹ 60.02 crore for Fiscal 2022 from ₹ 42.04 crore for Fiscal 2021, which was primarily due to a 4.54% increase in the number of Branches and Ultra-Small Branches (combined) from 550 as at 31st March 2021 to 575 Branches as at 31st March 2022.



Provisions and Contingencies

The table set forth below shows details in relation to our provisions and contingencies for Fiscal 2022 and Fiscal 2021.

Particulars	Fiscal 2022 (₹ in crore)	Fiscal 2021 (₹ in crore)	Percentage increase / decrease (%)
Provision towards NPA/Write-offs [A]	320.84	188.74	69.99
Provision towards Standard Assets [B]	93.62	92.55	1.16
Provision made towards Income Tax			
Current Tax Expense [C]	48.5	60.25	-19.5
Deferred Tax Charge (credit) [D]	-29.38	-24.27	21.06
Total Provision made towards Income Tax [E] = [C] + [D]	19.12	35.98	46.86
Other Provision and Contingencies [F]	3.54	-5.68	162.25
Total Provisions and Contingencies [G] = [A] + [B] + [E] + [F]	437.12	311.59	40.29

The provisions and contingencies increased by ₹ 125.53 million, or 40.29%, to ₹ 437.12 crore for Fiscal 2022 from ₹ 311.59 crore for Fiscal 2021. The primary reasons for this increase are discussed below.

- Provision towards NPA/write-offs increased by ₹ 131.10 crore or 69.99%, to ₹ 320.84 crore for Fiscal 2022 from ₹ 188.74 crore for Fiscal 2021. The primary reason for the increase in the provision towards NPA/write-offs was a ₹ 187.07 crore or 96.20%, increase in additions during the year, to ₹ 381.53 crore for Fiscal 2022 from ₹ 194.46 crore for Fiscal 2021, which was due to gross NPAs increasing to ₹ 949.60 crore as at 31st March 2022 from ₹ 564.00 crore as at 31st March 2021. The increase was primarily due to cash flows disbursed to the borrowers on account of the COVID-19 pandemic.
- Provision towards other provisions and contingencies increased by ₹ 3.54 crore, to ₹ 9.22 crore for Fiscal 2022 compared to a write-back of ₹ 5.68 crore for Fiscal 2021. The primary reasons for this increase were a write-back of provision in Fiscal 2021 for wage arrears of ₹ 4.80 crore and also a write-back of provision in Fiscal 2021 for pending claims from insurance companies, on the demise of borrowers, amounting to ₹ 0.69 crore as compared to the requirement of provision for pending claims from insurance companies on the demise of borrowers worth ₹ 2.90 crore, during Fiscal 2022.

The above increases were partially offset by the provision made towards current tax expenses decreasing by ₹ 1175 crore or 19.50%, to ₹ 48.50 crore for Fiscal 2022 from ₹ 60.25 crore for Fiscal 2021. The primary reason for this decrease was a 47.76% decrease in our Net Profit Before Tax (net profit for the year plus provisions made towards income tax) to ₹ 738.50 crore for Fiscal 2022 from ₹ 1,41.37 crore for Fiscal 2021.

Net Profit for the Year

As a result of the above, the net profit for the year decreased by ₹ 50.67 crore or 48.07%, to ₹ 54.73 crore for Fiscal 2022 from ₹ 105.40 crore for Fiscal 2021.

Key Business Figures

(₹ in crore)

Particulars	31-03-2022	31-03-2021	Growth	Growth %
Total Business	24,946	17,425	7,520	43.16%
Total Deposits	12,815	8,999	3,816	42.40%
Gross Advances	12,131	8,415	3,716	44.15%
CD Ratio (%)	94.66%	93.51%		
Savings Deposits	2,708	1,594	1,113	69.81%
Demand Deposits	220	153	67	43.48%
Total CASA	2,927	1,748	1,180	67.51%
CASA % to Deposits	22.84%	19.42%		
Term Deposits	9,888	7,252	2,636	36.35%
Bulk Deposits	806	203	603	297.16%
NRI Deposits	2,657	2,044	613	29.99%

The table below sets forth the Gross Advances by product groups

	Year ended 31	Year ended 31st March 2022		Year ended 31st March 2021	
Classification of Advances	Advances (₹ in crore)	% of Total	Advances (₹ in crore)	% of Total	
Micro Loans	9,816	80.92	7,134	84.78	
Retail Loans	1,465	12.08	961	11.42	
MSME and Corporate Loans	533	4.39	311	3.69	
Agricultural Loans	317	2.61	9	0.11	
Total	12,131	100	8,415	100	

₹ In crore except for percentages

	As at As at 31st March 2022 31st March 2021
Tier I Capital [A]	1,415.55 1,388.91
Of which:	48 48
Perpetual Debt Instruments	
Tier II Capital [B]	216.62 173.74
Of which: Subordinated Debt	810 89
Total Capital [C= A+B]	1,632.17 1,562.65
Total Risk-Weighted Assets	8,757.82 6,448.90
Tier I Capital (%)	16.16 21.54
Tier II Capital (%)	2.47 2.69
Total Capital Adequacy Ratio (%)	18.64 24.23



Human Capital

The HR Department of ESAF Small Finance Bank has clear priorities, focusing on attracting and retaining the right human talent, and developing their skills and culture to meet changing market demands. We aim to create a work environment that fosters competence, commitment, collaboration, customer-centricity, contentment, and continuous learning. The department also prioritises employee performance through monitored and improved objectives and compliance with customer, statutory, and regulatory requirements.

Employees

Man-hours of training

Leadership Training

4,141

76,836

32







Training & Leadership

In the past financial year, the Bank conducted various training programmes, including skill and function development, behavioural, and leadership trainings. The HR Department of ESAF Small Finance Bank recognises the importance of developing strong leadership skills and has implemented various leadership initiatives to support this goal.

These programmes totalled 76,836 man-hours and benefited a significant number of employees. The Bank also conducted various leadership initiatives, including leadership trainings, mentoring sessions, and skill and personality development programmes. Currently, the major ongoing activity is induction training.

The Bank has conducted 32 leadership trainings, which covered 1,185 employees, and mentoring sessions, which covered 35 employees, to provide opportunities for growth and development. In addition, the department organised skill and personality development initiatives through outbound training programmes, benefiting 650 employees. The ongoing initiatives of the HR Department include induction training, which are a major part of the development process for new employees. These initiatives demonstrate the Bank's commitment to fostering a culture of strong leadership and continuous growth for its employees.

Leadership Training

32

Leadership Training Beneficiaries

1,185

Knowledge Management

ESAF Small Finance Bank's initiatives in knowledge management, including the Learning Management Platform, the pool of SMEs, and mentoring programmes, create a culture of learning and knowledge sharing within the organisation.

This helps employees to develop their skills and competencies, while also promoting the Bank's overall effectiveness and competitiveness.

ESAF Small Finance Bank has implemented several knowledge management initiatives to promote a learning and knowledge-friendly culture across the organisation. The Bank has a Learning Management Platform called e-Shiksha, which provides all employees with individual access to courses and information about the organisation. This platform gives employees the ability to access knowledge and training at their convenience and monitor their own progress.

In addition, The Bank has formed a pool of over 50 Subject Matter Experts (SMEs) who are available to interact with the employees during induction and on an as-needed basis. The mentoring programmes that the Bank has established provide middle-level and senior-level professionals with individual guidance and support from experienced mentors. This ensures that the mentees receive the necessary attention and support to develop their skills and knowledge.





Talent Acquisition and Retaining

ESAF Small Finance Bank has several initiatives in place to retain talent. These initiatives include employee engagement programmes, appraisal systems, grievance process handling, and talent acquisition.

These initiatives show the company's commitment to creating a positive work environment and ensuring employee satisfaction.

Employee engagement programmes are designed to involve and motivate employees and improve their overall satisfaction with their job and company. Appraisal systems provide regular feedback and opportunities for career development, which can increase employee motivation and retention. The grievance process handling underscores the Bank's willingness to listen to and address employee concerns, promoting a culture of open communication. Talent acquisition efforts ensure that the company is attracting and retaining the right talent, which is essential for long-term success.

Overall, the initiatives demonstrate that ESAF Small Finance Bank is dedicated to retaining its employees by creating a positive work environment, providing opportunities for career growth, and addressing employee concerns. The key outcomes of these initiatives, such as increased employee satisfaction and motivation, are crucial indicators of the company's success in retaining talent.

Skill and Experience Diversity

The average age of the board of directors is 64 years, which indicates that the Bank has experienced and established leadership in place. The average age of senior management is 54 years, suggesting that the company has a mix of experienced and younger leaders.

Finally, the average age of staff is 32 years, indicating a relatively younger workforce. This suggests that the Bank has a dynamic and energetic culture. A younger workforce can bring new ideas, fresh perspectives, and a strong drive to the company, while the senior leadership can provide stability, wisdom, and guidance.

Average Age of Staff

32 Years



Performance Appraisal

ESAF Bank has implemented a comprehensive Performance Management System that aligns with the Bank's business plans and objectives. The Bank encourages continuous feedback for improvement and growth.

The system uses the concept of management by objectives and incorporates both job-specific Key Result Areas (KRAs) and behavioral traits. The yearly performance appraisal system is automated and starts with goal setting, where each role has specific job descriptions, KRAs, and Key Performance Indicators that are updated in consultation with department heads. Employees are able to self-appraise and the final score is derived from a combination of self-appraisal, reporting manager appraisal, and reviewing manager appraisal.

Once all appraisals are completed, employees are classified into six categories:

- ¥ High Flyers
- X Achievers
- Y Performers
- Aspirants
- Challengers
- Marginal Performers.

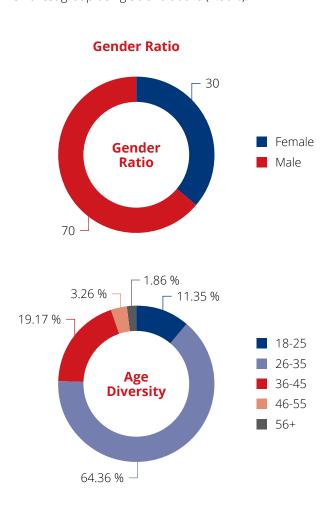
One in every three- a women employee

Three in fourbelow 35 years of age

Diversity

The Bank has a diverse force with respect to talent, experience and age.

In terms of age, the majority of employees at ESAF Small Finance Bank are between the ages of 26 and 35, accounting for 64.36% of the total workforce. The second-largest age group is between 36 and 45, accounting for 19.17%. A smaller portion of employees fall into the age groups of 18 to 25 (11.35%) and 46 to 55 (3.26%), with the smallest group being 56 and above (1.86%).



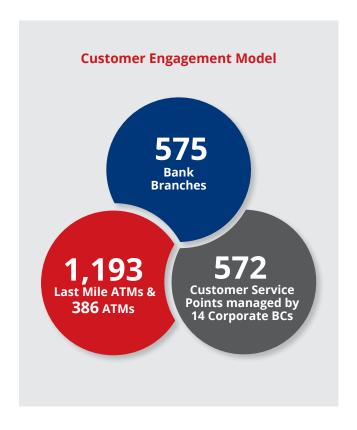


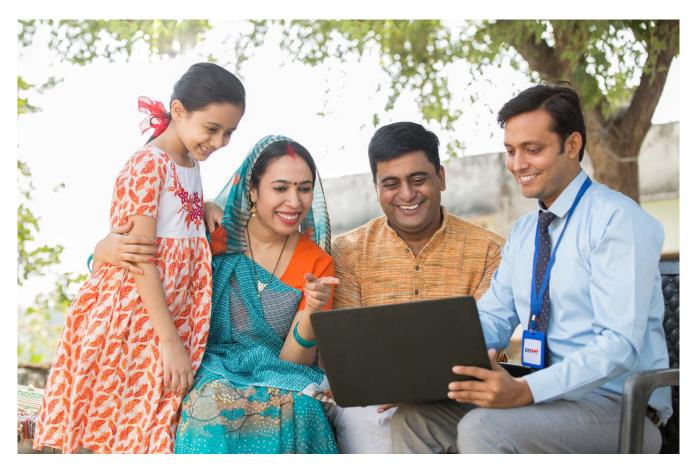
Social and Relationship Capital

Customers

We at ESAF Small Finance Bank (ESAF Bank) demonstrate a strong customer-focused approach by emphasising on the commitment to prioritising customers in everything we do. The Bank strives to embed a "customer-first" mentality in all aspects of its banking operations.

The Bank seeks to identify opportunities to serve its customers better every day and is continually evolving its approach to meet the changing needs of customers.





A Bank for All

ESAF Bank's focus on expanding banking services to new unbanked and underbanked areas demonstrates a commitment to financial inclusion and accessibility. ESAF Bank aims to be a "Bank for All" by providing services in both urban and rural areas for catering to the micro, MSME and retail banking needs of customers. The Bank provides a wholistic banking experience that goes beyond transactional banking services.

Increasing Customer Lifetime Value

ESAF Bank focuses on increasing customer lifetime value by reshaping and emphasising customer journeys. We engage in multiple cycles of credit with our customers, reflecting the bond and trust they have placed in the Bank. The bank maps and optimises each customer's journey, providing them with personalised experiences throughout their lifecycle. This approach has helped ESAF Bank improve customer retention and gain a competitive edge. By understanding each customer's financials needs and behaviour, ESAF Bank builds deep relationships and identifies the most appropriate product combinations. This allows the bank to offer appropriate products to their customers and prioritise their needs to increase customer lifetime value. ESAF Bank also optimises their onboarding process, provides high-end customer service with omnichannel support, and guides customers on financial management. By understanding the customers' needs and wants at each stage of their financial lifecycle, ESAF Bank provides a wholistic financial experience to their customers.

Digital Banking

ESAF Bank understands the importance of technology in the digital era and is constantly working to enhance the customer experience. The bank is leveraging the benefits of both high-tech and high-touch banking services to provide customers with a unique banking experience. ESAF is fast-tracking its digital journey by deploying an integrated engagement platform that helps the bank to deliver consistent value to customers and the nation. In the wake of the COVID-19 pandemic, the bank has leveraged technology to streamline its banking processes, reduce documentation and offer a paperless experience to customers. ESAF Bank is implementing a technology stack that is at par with some of the leading banks in India, and is partnering with companies like FIS to improve the ease of doing banking. With a focus on optimising technology to serve the underbanked and unbanked segments, ESAF Bank is setting the course for the future of convenient banking.

Digital Adoption

ESAF Bank is leveraging technology to enhance the customer experience and build a low-cost, stable and

long-term deposit franchise. The bank has enabled digital onboarding and paperless acquisition of savings account customers through e-KYC, increasing customer acquisition. The Bank is working on opening accounts faster through the digitally assisted route and has made a mark in acquiring new customers digitally. The bank has digitised most of its collections, with no paper receipt, and the credit goes into the customer's account. ESAF Bank is embarking on innovative products and processes and new digital strategies, including video onboarding, video KYC, and microlending to make them fully digitised. The bank is also starting to use a loan origination system for microfinance and retail lending.

Digital Intelligence

ESAF Bank is taking advantage of digital intelligence to provide personalised banking services to its customers. The Bank is using analytics and machine learning to gain a better understanding of its customers, anticipating their needs, and providing faster and better products. The implementation of the Oracle Marketing Cloud, coupled with advanced security systems, ensures that transactions and digital footprints are well protected. With Al capabilities, the bank aims to reduce operational costs and improve efficiency, understanding customer behaviour to encourage deeper wallet penetration. As technology advances, ESAF Bank continues to evaluate possibilities for leveraging Al/ML in chatbots and other processes, ultimately providing convenience to customers while reducing manpower requirements.

Business Correspondents

Our Business Correspondent model has helped us achieve consistent growth over the years. The Bank's Business Correspondents identify and serve micro loan borrowers. In addition, the Bank intends to have the Banking Agents begin customer acquisition and additional business. The Business Correspondents, who are a part of our Business Partner Channel with 572 Customer Service Centres, are doing business exclusively with ESAF Bank.

As of 31st March 2022, the total worth of the Business Correspondents-serviced customers was ₹ 10,110.45 crore which represented 83.35% of the Bank's gross advances. of at 31st March, the Business Correspondents were responsible for sourcing customers for ₹214.51 crore, which represented 1.67% of the deposits.

Banking Agents

Our Banking Agents help us expand our distribution and presence without investing in banking infrastructure.

As part of this asset-light business structure, we are hiring retired bankers and ex-servicemen to serve our customers. This supplement activity helps the Bank earn incremental business.



Materiality Matrix

Customers

Stakeholder Interests

- Availability of Loans matching with the unique needs
- Quality/efficiency of service
- Cost / interest effectiveness
- Innovation in services/ products
- Digital safety
- Customer data privacy (restrict personal data use/ shred documents)
- Offline and online banking options/last mile banking
- Financial Literacy initiatives

Stakeholder Engagement, Mode and Frequency

- Availability of 24/7 contact mechanisms, both online and in-office, with continuous responsiveness to feedback
- > Company website
- > Social media
- ➤ Bank's PROs
- Customer support desk
- > Customer feedback system
- Customer satisfaction survey

Basis of Evaluation of Material Management

- Positive feedback
- Complaints/Constructive feedback with regards to quality
- Turnaround time for KYC approval, loan dishursement
- > Repeat customers
- Economic and social impacts
- > Improvement in quality of life

Employees

Stakeholder Interests

- > Training and development
- > Employee perks
- > Special benefits
- Social events

Stakeholder Engagement, Mode and Frequency

- ➤ lob security
- Performance evaluation & appraisal
- Rewards and recognition
- ➤ Employee engagement
- Grievance redressal
- Occupational hazard handling
- Grievance committee
- > Employee forums
- Training
- Life/Medical insurance
- Retirement/pension plans
- ➤ Employee survey

Basis of Evaluation of Material Management

- Positive feedback
- Complaints/Constructive
- Employee retention

Investors

Stakeholder Interests

- > Financial performance
- Operational performance
- > Changes in corporate governance
- Management decisions regarding policies

Stakeholder Engagement, Mode and Frequency

- Corporate governance practices
- New policies
- Information provided about financial and operational management
- ➤ Company website
- > Annual general meeting
- Quarterly and annual reports
- Announcements to stock exchanges

Basis of Evaluation of Material Management

- Margins
- ➤ KPIs against Strategies
- Dividends
- Response from the IR

Suppliers

Stakeholder Interests

- Number of orders
- Competitive pricing
- ➤ Consistency of orders
- Timelines
- > Payment methods
- Other terms and conditions of delivery
- Opportunities for Micro/ MSME suppliers

Stakeholder Engagement, Mode and Frequency

- > Supply chain policy
- Tender committee
- ➤ Logistics committee
- > Print media
- Regular meetings between supplier and the committee
- Meetings of suppliers and management
- > Timely payments
- > Transparent processes
- Negotiations
- Measuring deliverables

Basis of Evaluation of Material Management

- ➤ Positive feedback
- ➤ Complaints/Constructive feedback
- > Credit period
- Stock out percentage
- Timely delivery
- Repeat purchase percentage



Government/RBI

Stakeholder Interests

- > Legal compliance
- Regulatory compliance
- RBI guidelines on NPAs, provisions and compliance

Stakeholder Engagement, Mode and Frequency

- Legal department within the company
- Press release
- Compliance with regulations
- > Filing of returns
- Report submissions
- ➤ Compliance with ESG

Basis of Evaluation of Material Management

- Number of litigations
- ➤ Non-compliance penalty
- Awards and recognitions

Society

Stakeholder Interests

- Analysis of the economic needs of society
- > Inclusive growth
- Support for enhancing the quality of life and sustaining livelihood

Stakeholder Engagement, Mode and Frequency

- One to one meetings
- > Social Media
- Community building sessions
- Awareness campaigns
- Impact surveys
- Discussions on social issues
- Press conferences
- Sponsorship

Basis of Evaluation of Material Management

- Feedback on social impacts created
- Complaints/Constructive feedback
- Number of attendees for public events
- Reponses on social media
- > Case studies
- ➤ CSR assessment studies

Local Sustainable Economic Development Project

Local Sustainable Economic Development Project (LSEDP) is one of the unique approaches that was designed and implemented jointly by the National Bank for Agriculture and Rural Development (NABARD) and ESAF Bank

Local Self Governments in India have an amazing vision for the governance system of India. While National Government and the State Government make macro-economic development plans, the elected local self-government at the grassroots makes plans for the local economic development.

They make elaborate plans for the development of their immediate panchayats and local areas with a deep understanding of the grassroots realities, challenges and resourcefulness.

Strengthening of LSG has been a priority of the National and State Governments, as well as Developmental agencies like ESAF founded by Shri K. Paul Thomas in 1992. ESAF Foundation has been involved in micro entrepreneurship development in a significant way for the last three decades. With that legacy, synergising with the NABARD vision of *Fostering Rural Prosperity*, LSEDP was conceived.

Local Sustainable Economic
Development Project (LSEDP) is one
of the unique approaches that was
designed and implemented jointly by
the National Bank for Agriculture and
Rural Development (NABARD) and
ESAF Bank.

This project aimed to equip the LSG leaders to impart financial discipline to the unreached people. This project is an eminent example of financial literacy through the Train the Trainer method. It proved to be a game changer among all the conventional methods. The LSGs of Kerala supported this novel idea wholeheartedly.

This project was implemented in **251** panchayats across **14** districts of Kerala with the support of NABARD. Elected representatives prove to be the change agents in society to meaningfully intervene and create financially empowered wards. Also, the role of Local Self Government is very crucial, as it is they who can

create more vibrant and responsible communities. Their connectedness with the local communities plays a pivotal role in moulding them. We were able to reach 5444 elected representatives directly.

LSEDP Impact

Districts

14

Panchayats

251

Elected Representatives

5,444



ESAF Bank created a reference handbook for the public, consisting of seven chapters focusing on efficient money management. Topics included life cycle needs, financial planning for families, understanding money and banking, and the role of regulators. The LSEDP project was inaugurated on November 6, 2021, in Thrissur by Adv. K. Rajan, the Honourable Revenue Minister GoK. Notable attendees included Shri. K. Paul Thomas, Shri. P. Balachandran, Dr. Ajith, KILA, and elected representatives from local panchayats. Adv. Rajan praised the project's potential to reduce financial distress caused by mismanagement.

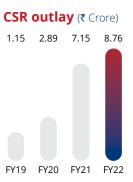


Corporate Social Responsibility

Promoting financial inclusion, livelihood and economic development is envisaged in our vision. Besides providing quality and affordable financial services to underserved and unserved people, ESAF Bank has developed a wide range of social initiatives towards improving the quality of life of its low-income constituents.

The CSR initiatives are carried out through our CSR implementation partners, ESAF Foundation, and Prachodhan Development Services Limited. Going beyond the mandated allocation as per the MCA's CSR guidelines, the Bank has adopted a CSR Policy through which 5% of the average net profit of the last 3 financial years is allocated for CSR initiatives.

Our contributions to building a sustainable society are implemented through a variety of our flagship projects such as building infrastructure for rural schools, skill training, entrepreneurship training, Balajyothi Clubs for the wholistic development of children, projects for migrant labourers, agricultural initiatives and training for sustainable agriculture in different segments.





ESAF Balajyothi

ESAF Bank has focused on the integrated development of poor and marginalised children since its inception. We have initiated several diverse projects to aid their upliftment.

ESAF Balajyothi is a social initiative, which focuses on developing children of marginalised communities through time tested integrated programmes. The project envisions a child-friendly society, where children are empowered to advocate for their rights and contribute to nation building. It aims at a wholistic transformation of children by instilling in them knowledge and skills that could create a better community. The project provides children with a team of facilitators who not only enable them to excel in academics but also equip them with essential life skills and train them to learn about their rights. Children have the opportunity to meet at study centres where they can learn and clarify doubts with the help of their facilitator and the learning aids provided through the project.

Balajyothi clubs are formed to facilitate poor children in getting access to standard club facilities and the project activities mainly concentrate on two aspects: Clubs and Study Centres.

The project serves nearly 2,460 children in Kerala, Tamil Nadu, Assam, Maharashtra and Jharkhand.

Reference to Schedule VII of Section 135:

Point (ii), Point (vii) (vii)

Project Locations:

7 States

Districts Covered: 29

FY22 CSR Outlay: 61.32 Lakh

Project Objectives

The project objectives of Balajyothi are centred around the wholistic development of children and the empowerment of their communities. The organisation aims to create happy, healthy, and academically bright children, socially responsible youth, and informed parents in every neighbourhood. Balajyothi seeks to achieve this by developing both academic and non-academic skills in children, as well as fostering their creativity and life skills. The organisation also aims to rejuvenate community-based Arts and Sports Clubs, providing professional training in these areas to financially disadvantaged children. Balajyothi is committed to empowering children and related stakeholders to advocate for basic child rights, and to equip and prepare children to be active members in the development and progress of society. By focusing on these objectives, Balajyothi strives to create a brighter future for children and communities in need.

ESAF Bank Impact - Academic Activities

Academic coaching takes place in study centres where locally appointed facilitators guide the students. Academic support was provided to 960 children through 45 study centres.

ESAF Bank Impact - Non-Academic Activities

Throughout the year, numerous initiatives were taken to promote children's education and well-being in the community. Craft-making and drawing classes were provided to a group of children, while an additional set of children received training in drawing alone. The importance of saving and entrepreneurship was taught to 818 children, and a local sports club with 50 members was revitalised.

In addition, sports played a significant role, with children receiving training in football, basketball, and badminton. Various clubs and study centres provided training on important topics such as environmental stewardship,

financial literacy, gender equality, and social justice. Public speaking and communicative English were also taught to children.

Career guidance was offered to a group of children, while others received craft-making instruction and participated in sports competitions. Many children learned about financial literacy and developed saving habits through the use of coin boxes. On World Environment Day, children planted 500 saplings, and 292 children participated in a magazine-making competition. Finally, facilitators were trained in communicative English to serve the community better.









ESAF Balajyothi Impact

Trained to inculcate Financial discipline habits like savings

2,094

Trained in Artistic Skills

470

Trained in Public Speaking/ Communicative English

606

Sports

294





ESAF Skill Development Training

ESAF Small Finance Bank has launched a skill development training programme with the aim of promoting entrepreneurship and economic independence for women in rural areas. The project addresses rural unemployment through skill training, market linkages, and micro business development, with a focus on upscaling the skill and knowledge of women entrepreneurs. Financial and market linkages are also provided, as well as training for master trainers from the entrepreneurs themselves. The goal is to enhance the livelihood of microentrepreneurs and to improve their standard of living. The programme also seeks to pilot women-managed micro-systems in five states of India, while developing a framework for ensuring the quality of training programmes.

Reference to Schedule VII of Section 135:

Point i, ii and x



Project Locations

7 States

Districts Covered: 26

FY22 CSR Outlay: 27.51 Lakh

Project Objectives & Goals

The project objectives of ESAF skill development and training initiatives are focused on promoting economic independence and improving the standard of living for women entrepreneurs and their families in rural areas. The project seeks to address rural unemployment by providing skill training and promoting entrepreneurship, while also creating market linkages and micro businesses in rural areas. The specific objectives of the project include upscaling the skills and knowledge of women entrepreneurs on different employable domains, enabling financial and market linkages, and developing a pool of master trainers from the entrepreneurs. The project also aims to enhance the livelihood of women entrepreneurs, improve the skills of micro entrepreneurs, and pilot a women-managed micro-system in five states of India. Additionally, the project aims to develop a framework for ensuring the quality of training programme in order to enhance the overall impact of the project. By achieving these objectives, the project seeks to make a significant impact on the economic and social wellbeing of women entrepreneurs and their families in rural India.





ESAF Micro-Entrepreneurship Development Programmes

Reference to Schedule VII of Section 135:

Point i, ii and x

Project Locations:

8 States

Districts Covered: 33

FY22 CSR Outlay: 55.60 Lakh



Urjabandhu has set out several objectives and goals aimed at building a network of clean energy entrepreneurs for renewable energy and related services. The Bank aims to provide business facilitation training session and market linkages to the existing 58 Urjabandhus, while also developing 50 new clean energy entrepreneurs. One of the objectives of Urjabandhu is to develop local service providers for solar PV installation, which will help to optimise the use of clean energy products among common people. In addition, Urjabandhu seeks to provide self-employment opportunities to youth in the clean energy segment. By achieving these objectives, Urjabandhu aims to create a network of entrepreneurs that will promote the use of clean energy and contribute to sustainable development. Ultimately, the goal of Urjabandhu is to make clean energy accessible to all, while also creating economic opportunities for individuals and communities in need.



ESAF Arogyamitra is a healthcare initiative that aims to improve primary and preventive healthcare needs related to hygiene, nutrition, communicable/non-communicable diseases, mental health, and maternal health. The initiative strives to promote basic health monitoring, early detection of diseases, and healthcare for the elderly. In addition to improving the health and wellbeing of individuals, ESAF Arogyamitra also aims to enhance the financial resilience of the community. By empowering individuals through better health and financial stability, ESAF Arogyamitra hopes to create a positive impact on the communities it serves. By promoting access to quality healthcare, education, and resources, ESAF Arogyamitra is working towards building healthier and more sustainable communities.



Krushakmitra aims to improve the socio-economic and livelihood opportunities of rural communities by promoting skill development training and demand-based crop cultivation by 1000 farmers. The Bank has set a goal to create 50 Krushakmitras that will provide agriculture-related services and increase the productivity of 500 farmers. Additionally, Krushakmitra aims to empower unemployed rural youth by training them to become Agri entrepreneurs. By achieving these objectives, Krushakmitra hopes to increase the income and improve the standard of living of rural communities while also promoting sustainable practices in agriculture. Through their efforts to provide training and resources to farmers and rural youth, Krushakmitra is working towards building a more resilient and prosperous agricultural sector, while also contributing to the development of rural areas.



Pashumitra aims to boost the milk productivity of milch animals owned by small farmers and unemployed youth by providing veterinary services. The Bank's objectives include enhancing the breed capability and productivity of milch animals, establishing Artificial Insemination Centres for Pashumitras, providing access to veterinary services for dairy-based farmers, and training unemployed youth in artificial insemination techniques. Pashumitra seeks to improve the economic well-being of small farmers by offering them access to superior germ plasma and promoting sustainable animal husbandry practices. By achieving these objectives, Pashumitra will provide employment opportunities for youth and help farmers increase their income.



Market Linkages and Capacity Building for Farmer Collectives

Reference to Schedule VII of Section 135:

Point ii, iv and x

Project Locations:

4 States

Districts Covered: 16

FY22 CSR Outlay: 12.95 Lakh

Project Objectives & Goals

The Market Linkages and Capacity Building for Farmer Collectives initiative is aimed at increasing the income of farmers by improving price realisations. The initiative seeks to build economies of scale and create a sustainable agricultural value chain by providing capacity building and creating platforms for input, financial, knowledge, and market linkages. Through this initiative, the knowledge of farmers on market and collective marketing will be improved, which will increase the price realisation of farm produce. Furthermore, the initiative aims to develop the socio-economic conditions of poor farmers in remote areas by providing infrastructure support, market linkages, and capacity building for farmers and farmer collectives. By empowering farmers through better market linkages and capacity building, this initiative is working towards creating a more sustainable and inclusive agricultural sector.





Support for Setting Up Collection Centres and Marketing Infrastructure

Reference to Schedule VII of Section 135:

Point ii, iv and x

Project Locations:

4 States

Districts Covered: 17

FY22 CSR Outlay: 26.29 Lakh

Project Objectives & Goals

The objective of the Support for Setting Up Collection Centres and Marketing Infrastructure project is to create an enabling environment for the collective marketing of Farmer Collective produces through post-harvest technology and processing equipment installations in Farmer Collectives. The project aims to support Farmer Collectives/FPOs through capacity building and helping with infrastructure to reduce post-harvest wastage. The ultimate goal is to develop the socio-economic condition of poor farmers in remote areas by providing infrastructure support, market linkages, and capacity building for farmers and farmer collectives. The project seeks to enhance the marketability of agricultural produce, increase the incomes of farmers, and ultimately contribute to the economic development of the region. Through collective marketing and better post-harvest handling, farmers can access more lucrative markets and increase their bargaining power, leading to improved livelihoods for themselves and their families.





Emergency Relief & Community Intervention initiatives

Reference to Schedule VII of Section 135:

The corporate affairs ministry has included "disaster management including relief, rehabilitation and reconstruction activities" in a list of activities that companies are permitted to count towards their CSR spend.

Project Locations:

Pan India

FY22 CSR Outlay: 102 Lakh

Project Objectives & Goals

ESAF Bank has taken various Emergency Relief & Community Intervention initiatives to provide disaster preparedness and relief to vulnerable communities. The Bank aims to ensure quick and appropriate assistance to victims of disaster through rescue activities, health services, awareness, and environmental protection. The Bank also aim to create knowledge on disaster preparedness among vulnerable communities and create a pool of volunteers to manage disasters. ESAF Bank has organised Covid-19 vaccine camps and provided infrastructure support to government hospitals to facilitate speedy vaccine drives. The Bank also provide immediate relief support to disasteraffected communities and train and raise awareness on health and disaster management. Additionally, the Bank supports frontline workers and institutions. Overall, ESAF Bank's emergency relief and community intervention initiatives focus on providing aid and support to communities in times of crisis.







ESAF GARSHOM

Reference to Schedule VII of Section 135:

Point #1

Project Locations:

2 States, 2 Districts

FY22 CSR Outlay: 29.32 Lakh

Project Objectives & Goals

Garshom is an initiative dedicated to improving the lives of migrant labourers by providing them with resources and support to promote their well-being. The Bank aims to reduce social inequality within the country by offering various types of aid, including social, health, and legal assistance. In addition, Garshom serves as a resource hub and drop-in facility for migrant labourers, providing them with a safe and welcoming space to access the support they need. Through training and skill-building initiatives, Garshom aims to make migrant labourers more employable and better equipped to improve their own lives and the lives of their families. Overall, Garshom is a crucial resource for migrant labourers, helping to promote their health, wellbeing, and overall quality of life.







Rural Hospital Infrastructure Initiatives

Reference to Schedule VII of Section 135:

Point # 2

Project Locations:

4 States

FY22 CSR Outlay: 39 Lakh

Project Objectives & Goals

ESAF Bank's Rural Hospital Infrastructure initiatives are focused on improving the health and well-being of community members in rural areas by creating access to quality healthcare services. One of the key objectives of this initiative is to create new infrastructure and facilities to meet the growing demand for medical services in the areas of implementation. In addition to providing physical infrastructure, ESAF Bank also provides management and administrative support to increase the efficiency of current services in the hospital and enables them to provide additional services. By enhancing the capabilities of rural hospitals, ESAF Bank is working towards ensuring that community members in these areas have access to the healthcare services they need to stay healthy and thrive. Through their ongoing initiatives, ESAF Bank is making a valuable contribution to improving healthcare in rural areas and creating a brighter future for people living in these communities.



ESAF SANTHWANA

Reference to Schedule VII of Section 135:

Point # 2

Project Locations:

1 State

FY22 CSR Outlay: 12.00 Lakh

Project Objectives & Goals

Santhwana aims to improve the availability and accessibility of mental health information and intervention in rural areas. This project involves systematic counselling, training of community mental health workers, and outreach services to increase access to mental health information for individuals, families, and community-based organisations. The project also provides psychosocial

Rural School Infrastructure

Reference to Schedule VII of Section 135:

Point # 2

Project Locations:

4 States

FY22 CSR Outlay: 36.35 Lakh

Project Objectives & Goals

ESAF Bank is committed to improving the quality of education in rural areas through their Rural School Infrastructure project. The aim of this project is to provide modern technology in classrooms, which will help children gain critical skills in a safe and hygienic environment. The project involves the provision of quality classroom infrastructure for students and modern techbased learning experiences to improve their academic performance. In addition, the project also seeks to enhance the teaching experience of the faculty. By implementing this project, ESAF Bank hopes to bridge the gap in educational opportunities between rural and urban areas and create a more equitable society.



support and services to affected women, children, and families through systematic counselling, by training individuals and equipping them with necessary skills to identify mental health problems and make suitable referrals. Additionally, Santhwana provides special psychosocial care and support to selected families with members affected by mental illness. Through this initiative, ESAF Bank hopes to reduce the stigma associated with mental health and ensure that those in need have access to the care and support they require.





A Stitch in Time Saves

Anjali, a resident of Gudalur in Tamil Nadu, is a confident and diligent woman who has transformed her life through her tailoring business. She started with a nominal income of ₹ 5,000 a month, but with the help of a ₹ 1.50 lakh loan from ESAF Small Finance Bank, she was able to purchase advanced sewing machines and expand her business. Today, she earns a monthly profit of ₹ 30,000 and has even started teaching young women how to sew and design garments, partnering with the Bharat Seva Samaj to provide official certificates to the trainees.

Anjali's success has made her a role model in her JLG peer group, and she is determined to double her monthly profit to ₹ 50,000 in the upcoming year. Through her attention to detail in marketing her business on social media, Anjali has maximised her business potential and serves as an inspiration to others. She credits ESAF Bank for supporting her in achieving her goals and believes that young women can achieve financial independence through learning tailoring skills.



Mushrooming of a Success Story

Bindhu Priyesh, a Palakkad native and mother of three, overcame her familial duties and pursued her dream of founding a mushroom farming business with the help of ESAF Small Finance Bank's EDP programme. With a loan of ₹ 1 lakh and assistance from Kudumbashree, Bindhu was able to procure high-quality mushroom spores and ensure the delivery of fresh and clean products. She gained loyal customers and expanded her market through social media marketing and developing her own brand. Bindhu now supplies her mushrooms to local hotels, supermarkets, and hospitals and plans to expand her business to employ women in her neighbourhood and offer additional products such as mushroom pickles, squashes, and jams. Bindhu's story is a testament to the power of determination and support in achieving delayed aspirations.







In Her Shop, Freshness and Hopes are Alive

Chhayabai overcame financial difficulties with the help of ESAF Small Finance Bank. In June 2014, she formed a neighbourhood group (Sangam) and approached ESAF Bank to establish a Joint Liability Group (JLG) with nine like-minded women. They were granted a loan of ₹ 10,000, which Chhayabai used to start a small vegetable stall in her community. She gained popularity by constantly selling fresh vegetables and expanded her business using timely repayments and four credit cycles, to include grains, spices and oil. With ₹80,000, she purchased a second-hand autorickshaw for her unemployed husband. ESAF Bank not only supported her entrepreneurial spirit but also transformed her into a self-sufficient businesswoman with a positive credit history. Chhayabai's success enabled her to ensure that her children would not go to bed hungry. She expressed her gratitude to ESAF Bank for being a true companion in her journey from adversity to triumph.



Adding Colours to Life With a Fancy Store

Pooja Soni, a self-made entrepreneur from Durg, Chhattisgarh, struggled to start her business due to a lack of support from her family and in-laws. She relied on her husband's income to manage household expenses but wanted to create a source of income of her own. After learning about ESAF Small Finance Bank's micro-enterprise loans for women, Pooja obtained her first loan from the bank and received guidance from their staff on starting a small business. With her first loan, Pooja established Shri Sai Fancy Stores to sell imitation jewellery, makeup sets, and other products for women. The success of the store prompted her to open multiple locations and eventually establish a tailoring unit adjacent to her store. With additional loans from ESAF Bank, Pooja's business has grown, and she now earns around ₹ 1,000 per day, comfortably meeting her family's expenses. She also holds a Savings Account and insurance policy with ESAF Bank and invests in financial literacy training to improve her skills and knowledge.





A Homemade Recipe for Prosperity

Jayamma, a resident of Kanagere village in Kollegala taluk, faced financial difficulties following her father's untimely death, who was the sole breadwinner of the family. Jayamma's mother taught her how to make homemade pappads and spices to assist with the family's expenses, which later became the foundation of her entrepreneurial journey. She approached ESAF Small Finance Bank for a loan and formed a Sangam, a Joint Liability Group, where each member received a loan of ₹ 25,000. Jayamma invested the loan amount in pappad and spice supplies, experimenting with new recipes and eventually making bulk orders for "nippatu." She took out another loan of ₹ 35,000 in 2019 and expanded her product offerings to include a variety of pappads and pickles. Today, her business produces 2,000 rice pappads, 1,000 urad pappads, 50 kilograms of chilli powder, and 20-50 kilograms of pickles daily. Jayamma's enterprise provides employment to women of local households, and she now aims to expand her business throughout Karnataka's 30 districts. She attributes her success to her genuine flair and passion for her work, and ESAF Bank's support.



Weaving One's Way to a Better Future

Kavitha, a resident of Jharkhand's Dumka district, participated in ESAF's skill training programme in 2017, where she learned weaving techniques with various materials, including water hyacinths. Her skill and attitude helped her become a master weaver at Cedar Retail Factory. As it was the first job providing a formal salaried income, ESAF Bank officers regularly visited the factory to give financial inclusion classes. Kavitha opened a monthly Recurring Deposit (RD) account of ₹ 2,000 following their advice, which matured into a sizable sum. She used the amount to repair her house's falling ceiling. "I am grateful to ESAF Bank for imparting knowledge about saving and training programmes. The habit of saving improved our quality of life, and training programmes uplifted rural communities like ours. I feel empowered and strengthened by the prospect of my future," Kavitha concluded. The training enabled the weavers to produce highquality products and supply them to high-profile clients like IKEA.







Hatching Hope for a Better Tomorrow

Sangeetha, a 37-year-old female entrepreneur from Khaparkheda in Nagpur, had been working business failed, she applied for a Haritha loan of ₹ 1.6 lakh from ESAF Small Finance Bank to restart the business. The couple invested their time and effort to revive the business and as sales grew, they repaid the debt on time and stabilised their financial condition. After stabilising the poultry farm, Sangeetha opened a small food outlet, which gave her family an additional source of income. She attributes her success to ESAF Bank's financial services, which offered numerous opportunities to budding entrepreneurs. "When everything fell apart during the pandemic, it was only ESAF Bank that firmly grasped my hand. ESAF assisted me in relaunching my business and progressing Sangeetha encouraged everyone to maintain hope during times of despair, as help is always at hand.



Crossing the Gulf of Adversity

Sumesh, a Malayalee, was one of the many who lost their job due to the COVID-19 pandemic. Unable to return to the Middle East, he turned to ESAF Small Finance Bank's branch in Chalakudy for assistance. With a solid business plan, Sumesh applied for and received a loan from the bank in a week. He established a retail and wholesale business selling masks, sanitisers, and antiseptic during the pandemic. His business quickly gained traction and started receiving bulk orders from hospitals, clinics, and other establishments. With the profits he earned, Sumesh invested in additional stock to meet the increasing demands. He uses ESAF Bank's mobile banking for various banking transactions, and he praises the bank's exceptional customer service. Sumesh is now a job creator and employs two people, which provides him with a stable income greater than what he used to earn in the Middle East. Moreover, he can now stay with his family, which is a source of contentment for them all.



Natural Capital

ESAF Bank places significant emphasis on environmental sustainability and green initiatives. Additionally, the bank has launched various campaigns during environment week apart from several initiatives to promote sustainable development and raise awareness about environmental issues among its customers and employees.

These efforts include tree plantation drives, waste management programmes, and encouraging the use of eco-friendly products. ESAF Bank also partners with various non-profit organisations and government bodies to support and participate in environmental conservation and preservation projects.

ESAF Bank is actively involved in celebrating various world environmental events and raising awareness about the importance of environmental conservation. On World Environment Day, the bank organises several programmes and activities across its branches to promote eco-friendly

practices and sustainable living. The bank also participates in other environmental celebrations such as World Wildlife Day, World Ozone Day, and Earth Hour, among others. ESAF Bank conducts awareness campaigns and workshops on the theme of each event, encouraging its customers and employees to take action towards protecting the environment. Through its various environmental initiatives, ESAF Bank aims to inspire and encourage individuals and communities to make a positive impact on the planet and build a sustainable future for generations to come.





World Environment Day

ESAF Bank Environment Week 2022: Celebrating Only One Earth

2022, marked the 50th anniversary of the establishment of UNEP. Accordingly, commemorating the same, ESAF Bank observed Sunday, 5th June, to Tuesday 14th June 2022 as ESAF BANK ENVIRONMENT WEEK across all our branches, recommitting ourselves to our People – Planet- Prosperity focus.

The staff members across the branches took the Environment Pledge, committing to the theme - ONLY ONE EARTH - living sustainably in harmony with nature with imbibing the spirit of "no second chance for climate justice"- for our future generations, to adopt an environment-friendly lifestyle, and to generate a visible difference on the planet.



JOY OF PLANTING 1,00,000

Shri. K. Paul Thomas, MD & CEO, ESAF Bank, planted a sapling to inaugurate the "Joy of Planting 100,000" plan.

The campaign aimed to plant 1,00,000 saplings through our employees, branches, and Micro Banking JLGs. (Each branch planting one sapling and each JLG planting at least one sapling, thereby planting a minimum of 1,00,000 trees.)





Green Expo at Branches

Branches exhibited eco-friendly products in partnership with manufacturers/agents of such products to create awareness about living sustainably in harmony with nature. The Green Expo aimed to showcase the Bank's commitment to eco-friendly alternatives to traditional products that harm the environment and the bank's commitment to promoting the same.



Green Joy Awards

Branches recognised and honoured ESAF Bank customers and other environmentalists in the nearby locality for their Green Entrepreneurship and contributions to environmental stewardship activities. This initiative aimed to encourage individuals and businesses to prioritise sustainability.



Employee Engagement Activities

As part of increasing staff engagement and awareness level of the staff on matters related to the planet, the Sustainable Banking Department along with SARG (HR Dept.) organised several employee engagement activities.

Green Desk Award

An employee engagement activity to recognise and appreciate staff who have showcased green practices in their work station. The top three green desks were rewarded based on their green pursuit.



Environment Day Quiz

At ESAF Bank, we always believe that all the stakeholders i.e. the customers, employees, etc. are environmentally aware and committed. To kindle their minds with these thoughts, an online quiz was conducted as a part of the Environment Week celebrations. It comprised of three rounds and the winners were rewarded at the end of the same.



Environment Week Closing Ceremony

The Environment Week was filled with vibrant activities and celebrations throughout the Bank. It evoked a sense of responsibility in protecting the environment in which we live. The closing ceremony was graced by Mr. Martin Rohner [Executive Director Global Alliance for Banking on Values (GABV)] and Mr. Upendra Poudyal (Regional Representative, GABV Asia Pacific). They shared their views and had an interactive session with all the employees from the branches and the corporate office.









Green Audit and Green Branch Awards

All the branches of the bank are audited once a year based on the green initiatives of the branches including the green portfolio. This is the Green Audit and the branches are awarded based on their scores. The award categories are Gold, Silver and Runners up. During the year, there were 11 branches in the Gold category, 116 branches in the Silver category and 116 branches were the runners-up.





















Business Responsibility & Sustainability Reporting



Business Responsibility & Sustainability Reporting

Section A: General Disclosures

I. Details of the Entity

1. Corporate Identity Number (CIN) of the Company

U65990KL2016PLC045669

2. Name of the Listed Entity

ESAF Small Finance Bank Limited

3. Date and Year of incorporation

5th May, 2016

4. Registered Office Address

ESAF Small Finance Bank Limited, Building No. VII/83/8, ESAF Bhavan, Mannuthy, Thrissur- Palakkad National Highway, Thrissur- 680681, Kerala

5. Corporate Address

ESAF Small Finance Bank Limited, Building No. VII/83/8, ESAF Bhavan, Mannuthy, Thrissur- Palakkad National Highway, Thrissur- 680681, Kerala

6. E-mail

customercare@esafbank.com

7. Telephone

0487-7123456

8. Website

www.esafbank.com

9. Financial year for which reporting is being done

April 1, 2021 to March 31, 2022

10. Name of the Stock Exchange(s) where shares are listed

Not listed

11. Paid-up Capital

449.47 crore

12. Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the Annual Report

Mr. Ranjith Raj P. Company Secretary, Email: ranjith.raj@esafbank.com Ph. No. 0487-7123548

13. Reporting Boundary

Disclosures made in this report are on a standalone basis and pertain to ESAF Small Finance Bank only.

II. Products/services

14. Details of business activities

SI. No.	Description of Main Activity	Description of Business Activity	% of Turnover
1	Banking	Banking and Financial services	100

15. Products/Services sold by the entity (accounting for 90% of the entity's Turnover):

SI. No.	Product/ Service	% of total turnover contributed
1	Microbanking products	80.92
2	Retail banking	12.08

III. Operations

16. Number of locations where entity operates/offices of the entity are situated:

Location	Location Number of Offices	
National	575*	575*
International	0	0

^{*}ESAF Small Finance Bank concentrates on providing access to finance in rural geographies. Count is the number of operational branches as on 31st March 2022. In addition, there are 572 customer services centres managed by our Business Correspondents.

17. Markets served by the entity:

a. Number of locations:

Location	Number of Offices
National (No. of states)	21+2 UTs
International (No. of countries)	NA

b. What is the contribution of exports as a percentage of the total turnover of the entity?

Not Applicable

c. A brief on types of customers

Being a small finance bank, ESAF Bank concentrates on providing financial access to the unbanked and rural population. Services are offered a varied customer base including small and marginalised farmers, micro/nano entrepreneurs, women, children, senior citizens, transgenders, etc. The total customer count as on 31st March 2022 is 55.86 lakh.

IV. Employees

18. Details as on 31st March 2022

a. Employees and workers (including differently abled):

SI.	Particulars	ulars Total (A) Male		Female		
No.	Particulars	Total (A)	No. (B)	% (B / A)	No. (C)	% (C / A)
EMP	LOYEES					
1.	Permanent (D)	4141	2871	69.33	1270	30.66
2.	Other than Permanent (E)	-	-	-	-	-
3.	Total Employees (D + E)	4141	2871	69.33	1270	30.66

Note: The Bank does not have any workers as defined in the guidance note on BRSR.



Differently-abled Employees and Workers:

SI.	Particulars	Total	Male		Female	ile		
No.	Particulars	(A)	No. (B)	% (B / A)	No. (C)	% (C / A)		
EMPI	EMPLOYEES							
1.	Permanent (D)	2	2	100	0	0		
2.	Other than Permanent (E)							
3.	Total Employees (D + E)	2	2	100	0	0		

19. Participation/Inclusion/Representation of Women

	Total (A)	No. and percent	tage of Females
	Total (A)	No. (B)	% (B / A)
Board of Directors	9	1	11
Key Management Personnel	10	0	0

V. Holding, Subsidiary and Associate Companies (including joint ventures)

21. (a) Names of holding / subsidiary / associate companies / joint ventures

SI. No.	Name of the Holding / Subsidiary / Associate Companies / Joint Ventures (A)	Indicate whether Holding/ Subsidiary/ Associate/ Joint Venture	% of shares held by entity
1	Promoter Holding Company		62.46
2	Insurance Companies		10.02
3	Resident Individuals		7.44
4	Bodies Corporate		1.98
5	FIIs, FPI, NRIs, other Foreign Nationals		18.10
	TOTAL		100.00

VI. Corporate Social Responsibility Details

Whether CSR is applicable as per section 135 of Companies Act, 2013: Yes

AUM

Net Worth

₹12,341 Crore **₹1,315.16** Crore **₹8.76** Crore

CSR Allocation

VII.Transparency and Disclosures Compliances

23. Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct

		FY 21-22 Current Financial Year			FY 20-21 Previous Financial Year		
Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/No)	Number of complaints filed during the year	Number of complaints with resolution pending at the close of the year	Remarks	Number of complaints filed during the year	Number of complaints with resolution pending at the close of the year	Remarks
Communities	Yes	-	-	-	-	-	-
Investors (other than shareholders)	Yes	-	-	-	-	-	-
Shareholders	Yes			-			-
Employees	Yes	13	0	-	0	0	-
Customers*	Yes	12,894	84	-	7,393	218	-
Value Chain Partners	Yes	0	0	0	0	0	-
Others	Yes	0	0	-	0	0	-

^{*-} Some of the policies guiding the Bank's conduct with all its stakeholders, including grievance mechanisms are placed on the Bank's website. The hyperlink is https://www.esafbank.com/complaints-and-grievance-redressal/ In addition, there are other internal policies on the intranet of the Bank. For employees, there is a provision in our HRMS System, where they can raise their grievances.



24. Overview of the entity's material responsible business conduct issues

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same and approach to adapt or mitigate the risk along-with its financial implications, as per the following format.

1. Material issue identified - Financial Inclusion

Risk/Opportunity Indicator

Rationale for identifying the risk/opportunity

We aim to achieve universal financial access and financial inclusion by fulfilling the dreams of our customers. With an emphasis on People, Planet and Prosperity, our aim is to predominantly serve the low-income and middle-income segments in India, supporting their livelihood and economic development. With our philosophy of financial inclusion, we remain committed to providing low-cost and affordable insurance solutions to our unserved and underserved customers.

Positive or Negative implications

Positive: With a focus of financial inclusion, we aim to reach more rural geographies and extend financial deepening through our customised products and services.

Linkage with SDGs





2. Social responsibility towards society

Risk/Opportunity Indicator

Rationale for identifying the risk/opportunity

At ESAF Bank, we believe that social responsibilities should arise out of needs, beyond regulatory obligations. Our development mandates and CSR-related initiatives at the Bank are implemented and executed on the ground through our BC partners and CSR implementation partners ESAF Foundation and Prachodhan Development Services Limited. Going beyond the statutes of its CSR guidelines, the Bank has adopted a full-fledged CSR Policy which contributes an average of up to 5% of the Bank's net profit in the last three fiscal years to carry out the social initiatives. We aim to build a sustainable society through our diverse projects which include

- 1. Building infrastructure for rural schools
- 2. Skill training
- 3. Entrepreneurship training
- 4. Setting up Balajyothi Clubs for wholistic development of children
- 5. GARSHOM project for migrant labourers
- 6. Krushakmitra agricultural initiatives and training for sustainable agriculture in different segments
- 7. Urjabhandhus- Training Clean Energy Technicians / Entrepreneurs
- 8. Santhwana- facilitating mental health of young and old
- 9. Pashumitra- Handholding Dairy & Animal husbandry entrepreneurs

Positive or Negative implications

Positive: The Bank recognises the importance of being socially responsible and contributing to the upliftment of the poor, marginalised and needy segments of the society.

Linkage with SDGs









Opportunity

3. **Responsible Lending**

Risk/Opportunity Indicator



Rationale for identifying the risk/opportunity

OPPORTUNITIES

Huge latent opportunity especially in the rural

market: The financial market is much underpenetrated, and the potential size of the opportunity is projected to be as high as that of MFIs. SFBs are not only engaged in supporting people who do not have bank accounts or who live in rural areas but they are also involved in assisting the urban poor.

Credibility, user-friendliness, and prompt service:

Small Finance Banks' success will be determined by ease of doing business and the quality of client service. Customers are currently uncertain about the success of numerous financial offerings.

Presence of numerous informal credit channels: The presence of numerous informal credit channels in distant areas, where small finance banks have a presence, is advantageous for reaching the unbanked people.

Geographic diversification: In order to meet regulatory requirements, SFBs have undergone rapid branch expansion. With a greater emphasis on diversifying their portfolios and broadening their reach, SFBs are anticipated to record greater growth as they enter newer geographies with a wide array of services.

SFBs gain from the NBFC Crisis: Microlenders were marginally impacted by the liquidity crisis hitting NBFCs in India. The lenders that relied on NBFCs for finance curtailed disbursements and sought alternative sources of funding. Better access to retail and wholesale deposits is anticipated to result in market share gains for SMBs.

RISKS: In the initial years of their banking operations, SFBs confronted various obstacles, such as adapting to banking technology, increasing retail deposits, establishing additional branches, and training personnel.

- Increasing retail liabilities will be a challenge for SFBs due to the fact that it faces direct competition from existing banks.
- The 'traditional banking' habit needs to evolve, and workers would have to become more customerfocussed and technologically knowledgeable in light of the country's changing banking environment.
- Building the liability product portfolio will be a challenge given the low ticket size liability customer base and the ability to gain customer trust.
- Controlling NPAs as an unfavourable monsoon and a slowdown in the industrial sector will have a negative impact on farm loans and MSME loans.

Positive or Negative implications

Positive: Over the years, ESAF Bank has developed a comprehensive grasp of the market, allowing it to meet the financial needs of prospective customers. The Bank's engagement with its target customer segments and knowledge of related socioeconomic dynamics enables it to establish effective credit and operational procedures, identify potential market demand, and leverage its existing operating network to introduce new products, expand its customer base, and expand its product offering.

Negative: Being a social bank with a legacy of building social capital, there is no specific negative to report.

Linkage with SDGs









Approach to adapt or mitigate

However, given the track record of operating in underpenetrated regions of the country, we will be able to endure the initial operating pain in order to capitalise on the enormous prospects in the coming years.

To achieve this objective, the Bank employs a social business strategy with a triple bottom line approach, emphasising people, planet, and prosperity.

To fulfil its strategy, the Bank has implemented a number of policies, including an Environmental, Social, and Governance ("ESG") policy. It is committed to (i) protecting the environment and ensuring sustainable development.

(ii) promoting financial inclusion and gender equality through specialised financial services, and (iii) establishing a governance framework to ensure accountability, transparency, and compliance with internal and external ESG standards in accordance with its ESG policy.

For further information please refer to the Annual Report 21-22- Key Strengths.



Section B: Management And Process Disclosures

The National Guidelines for Responsible Business Conduct (NGRBC) as prescribed by the Ministry of Corporate Affairs advocates nine principles referred to as P1-P9 as given below:



P1

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



P2

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



Р3

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



P4

Businesses should respect the interests of and be responsive towards all its stakeholders



P5

Businesses should respect and promote human rights



P6

Businesses should respect, protect and make efforts to restore the environment



P7

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



P8

Businesses should promote inclusive growth and equitable development



P9

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

			P 1	P 2	P3	P4	P5	P6	Р7	P8	P9	
Poli	cy an	d management processes	•					•		•		
1.		Whether your entity's policy/ policies cover each principle and its core elements of the NGRBCs (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	
	b.	Has the policy been approved by the Board? (Yes/No) {Refer Note 1}	mention In additi on ESG. Bank's a	ed princi on, the E In addition pproach	mental, So ples has I SG Frame on, the Ba and comi m/pdf/Envi	been app work of t nk has a mitment t	roved by the Bank of Sustainal cowards a	the board elucidates ble Bankir Regener	d. s the boang Policy a ative Eco	rd's overs that defin nomy.	ight es the	
			https://www.esafbank.com/policies/									
	C.	Web link of the policies, if available		e access	ay also inc ible to all							
2.	2. Whether the entity has translated the policy into procedures (Yes / No)			Yes. The Bank has translated the policies as applicable and imbibed the same into procedures and practices in all spheres of activities that the Bank undertakes. Also, it is compliant with the guidelines of the RBI.						ank		
3.	to y	the enlisted policies extend our value chain partners? s/ No)	Yes. The Bank's Code of Conduct largely imbibes the above-mentioned principles and the Bank expects all its stakeholders to adhere to the same in all their dealings.							ne in all		
4.	inte	me the national and ernational codes / tifications labels / standards	Not App	licable.								

5. Specific commitments, goals and targets set by the entity

- a. The Bank will be committed to serving the underserved and unbanked rural strata of society. The Bank will constantly endeavour to improve its presence in rural geographies, partaking in local sustainable economic development, embracing small and marginal entrepreneurs and small and marginal farmers.
- b. Identify core focus areas/sectors where funding is most needed to help uplift the marginalised and most impacted segments of society through Corporate Social Responsibility activities.
- c. The Bank will take a conscious effort for gender equality in the society.
- d. Being an environmentally committed organisation, the Bank is working towards aligning sustainability and ESG in its operations. It will also come forward with new strategies, plans and partnerships to promote local sustainable economic development in the Bank's operational domains.
- e. Improve the Green portfolio by providing more Clean Energy Loans and EV Loans. Aiming to increase the pool of resources available for lending towards green and sustainable initiatives of the Bank.

6. Performance of the entity against specific commitments, goals and targets

- a. As on 31st March 2022, the Bank has 575 branches spread across 21 states and 2 UTs, with more than 25% of the branches in unbanked rural centres, surpassing the requirement for SFBs. The Bank had over 32.22 lakh female micro loan borrowers at the end of the FY 21-22. This shows the Bank's commitment towards inclusive financing and proving that even women from marginalised segments are creditworthy.
- b. The Bank is meeting its CSR commitments beyond the mandated 2% with 5% of profits through its core CSR intervention areas that are being elucidated each year.
- c. As at March 31, 2022, women constituted 30.66% of total employee strength. This is an evidence of diversity and inclusivity in workplace.
- d. The Bank enhanced its MoU with NABARD during the year to improve its scope of work. The Bank has a long association with NABARD as both travels towards fostering local sustainable economic development through financial inclusion.
- e. The Bank has introduced preferential interest rates for promoting environmentally friendly products.



Principle-wise policies

P1

Ethics & Transparency

Various policies like Code of Conduct for Employees, Executive Directors & Senior Management, Non-Executive Directors, Code of Conduct for Recovery Officers, Whistle Blower Policy, Quality Policy, KYC and Prevention of Money Laundering Policy, Privacy Policy, Related Party Transaction Policy, Fair Practice/ Customer Service Policy, Policy on POSH and other internal policies interpret ethical behaviour, transparency and accountability. There is an ESG Management Committee, CSR Management Committee and CSR and Sustainability committee of the board.



Р3

Human Resources

The Bank has a very robust mechanism to ensure employee well-being and protection of human rights. There is a comprehensive HR Policy that covers various aspects like Code of Conduct, Diversity & Inclusion and Leave Benefits including Maternity Leave, Paternity Leave, Compensation Policy, etc. There are also other policies like Policy on Protection of Women Against Sexual Harassment at the Workplace.

There is a Staff Handbook- an internal document that clearly defines the benefits entitled by the staff like Insurance benefits, Health and Safety of Employees

The Bank has a dedicated Learning & Development Department which ensure continuous learning and development of the employees. There is an online portal- Learning Management System (LMS) where a number of customised modules are available 24*7 for the reference of the employees. Also, we have around 30.66% of women employees which we consider is a good step towards inclusion.

P2

Product Responsibility

The Bank's Fair Practices Code and most Important Terms and Conditions guide this principle. KYC and Prevention of Money Laundering Policy is also a critical component of product responsibility. The Bank follows inclusive lending policies to facilitate increased social inclusion and environmental stewardship.

P4

Responsive to Stakeholders, particularly the marginalised

Being an SFB, we focus on rural development and financial inclusion. We particularly focus on the poor and marginalised communities and regions with our products and services. JLGs formed in rural / marginalised communities are maturing as good social institutions, promoting co-operation and networking. We also serve the small and marginal farmers through group loans like FIG (Farmer Interest Group).



P5

Respect for Human Rights

The Code of Conduct details the policy on the respect for human rights. The Bank, through its Inclusivity and Diversity statement (as a part of the Human Resource Policy) upholds human rights as enshrined in the Constitution of India and supports the principles in the United Nations' Universal Declaration of Human Rights.

P6

Responsible Lending

The Bank has a comprehensive Credit Policy that gives a good coverage on Responsible Lending Practices including Green and Inclusive Finance. There is an Exclusion List in the Credit Policy stating the types of business/ activities that will not be given Credit support due to the negative environment and social impact it may reflect in society.

P8

Inclusive Growth

The ESG Policy, Sustainable Banking Policy and CSR Policy carves a focused pathway for inclusive growth.



Note: The policies have been developed based on best practices or as per regulatory requirements and through appropriate consultation with relevant stakeholders. Policies may include a combination of internal policies of the Bank which are accessible to all internal stakeholders and policies placed on the Bank's website.



P7

Public Policy Advocacy

The Bank actively participates in discussion forums/committees of the government, regulator or industry bodies and shares its expertise and helps in the formulation or review of policies with the overall objective of enhancing the business ecosystem, economy and society.

The MD & CEO of the Bank is also a former chairman of CII in Kerala and Saadhan – a network of micro banking institutions at the national level.

Р9

Customer Engagement

The Customer Service Policy and other internal guidelines are in place to ensure customer satisfaction and encompass this principle. The Customer Service Quality Department of the Bank has been working on further enhancing the quality of its functioning and raising the standards to International Quality levels. For that, the department has revamped many of its processes to meet the ISO 9001 standards. As a result, the Bank has received ISO 9001: 2015 certification.



Section C: Principle Wise Performance Disclosure

PRINCIPLE 1: Integrity

Businesses should conduct and govern themselves with integrity and in a manner that is Ethical, Transparent and Accountable.



Essential indicators:

 Percentage coverage by training and awareness programmes on any of the principles during the financial year

Segment	Total number of training and awareness programmes held	Topics covered under the training programme	% of persons in respective category covered by the training programme
Board of Directors/ Key Managerial Personnel (KMP)		The Bank has familiarised all Directors including independent directors of the Bank with their roles and responsibilities in the Bank, the nature of industry in which the Bank operates, the business model of the Bank, etc.	100
Employees other than Board of Directors or KMPs	268	Various trainings were undertaken during the year including orientation and induction programmes for new recruits, leadership training and behavioural training. ESAF Bank has always been a frontrunner in facilitating the skill and knowledge enhancement of the employees. In this respect, the Bank has started an LMS platform 'e-Shiksha' for e-learning. This e- learning platform has various modules. Some of the modules are: General banking, Branch operations, Banking products, Software training, Third party products, etc.	100
DIFECTORS OF KMPS		A new Artificial Intelligence (AI) based 100 per cent automated software was introduced and used for recruitment during the year. The new strategy so developed for recruitment, retention, training and development will indeed take the Bank way ahead and help ease the cumbersome recruitment process. Above all, during the Financial Year, the Bank was also certified as 'GREAT PLACE TO WORK for the period March 2021-February 2022'.	

2. Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings with regulators/ law enforcement agencies/ judicial institutions in FY22

Monetary										
	Name of the regulatory / enforcement agencies / judicial institutions	Amount (In INR)	Brief of the Case	Has an appeal been preferred? (Yes/No)						
Penalty/fine	NIL	-	-	-						
Settlement	-	-	-	-						
Compounding fee	-	-	-	-						
Non-monetary										
	Name of the regulatory/ enforcement agencies/ judicial Institutions		Brief of the Case	Has an appeal been preferred? (Yes/No)						
Imprisonment NIL			=	=						
Punishment	NIL		-	-						

3. Of the instances disclosed in Question 2 above, details of the appeal/revision preferred in cases where monetary or non-monetary action has been appealed

Case details	Name of the regulatory/ enforcement agencies/ judicial Institutions
-	-

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy

Yes, the various aspects of anti-corruption and anti-bribery practice of the Bank is covered in the Code of Conduct and also in the Policy for Monitoring of Insider Trading.

Number of Directors/KMPs/employees against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption

	FY21	FY22
Directors	NIL	NIL
KMPs	NIL	NIL
Employees	NIL	NIL

6. Details of complaints with regard to conflict of interest

	F,	Y22	F	Y21
	Number	Remarks	Number	Remarks
Number of complaints received in relation to issues of conflict of interest of directors	-	-	-	-
Number of complaints received in relation to issues of conflict of interest of KMPs	-	-	-	-

7. Provide details of any corrective action taken or underway on issues related to fines/penalties/action taken by regulators/law enforcement agencies/judicial institutions, on cases of corruption and conflicts of interest

Not Applicable

Leadership indicators:

 Does the entity have processes in place to avoid/ manage conflict of interests involving members of the board? (Yes/No) If yes, provide details of the same

Yes.

The Board has formulated a Performance Evaluation Policy including the questionnaire for performance evaluation of the Individual Directors, Committees of the Board, Chairman, Managing Director and CEO and the Board as a whole. The questionnaire designed for the performance evaluation covers various aspects of performance including structure of the Board, meetings of the Board, functions of the Board, role and responsibilities of the Board, governance and compliance, evaluation of risks, grievance redressal for Investor, conflict of interest, Stakeholder value and responsibility, relationship among Directors, Director competency, Board procedures, processes, functioning and effectiveness. The questionnaire was circulated to all the Directors of the Bank for the annual performance evaluation.



PRINCIPLE 2: Safety & Sustainability

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



Essential indicators

- Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.
 - Given the nature of business of the Bank, the relevance of the above is largely restricted to information technology (IT) capex. Greater adoption of digital platforms has brought in increased efficiencies of operations and additionally ensures substantially reduced dependency on paperwork.
 - Further, product performance and impact studies are undertaken to review the social performance.
- 2. Does the entity have procedures in place for sustainable sourcing? (Yes/No)
 - Given the nature of business of the Bank, the consumption of resources is limited. With the **Green Protocol, Environment Policy and ESG Policy** in place, the Bank makes all the best effort to procure energy efficient products. Also, the Bank procures many of the products from the local vendors thereby being responsible in the supply chain. This empowers the local vendors thereby increasing their socio-economic status.
- 3. Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.
 - The Bank has a strong **Green Protocol in** practice which enables to manage waste efficiently and responsibly. There is a proper segregation of the wastes by its nature ie biodegradable and non-biodegradable. They are then disposed through authorised local disposing units of the local self-government etc.
- 4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.
 - No. EPR is not applicable to the Bank.

PRINCIPLE 3: Employee Wellbeing

Business should promote the well-being of all employees including those in their value chain.





Essential indicators

1. Details of measures for the well-being of employees

Category	% of employees covered by										
Total (A) Health insurance/Accident ins				nsurance			ernity efits	Paternity benefits		Day care facilities	
	No. (A)	No. (B)	% (B/A)	No. (C)	% (C/A)	No. (D)	% (D/A)	No. (E)	% (E/A)	No. (F)	% (F/A)
PERMANEN	T EMPLOY	'EES									
Male	3228	3228	100	3228	100	-	-	67	0.02	-	-
Female	1553	1553	100	1553	100	50	31		0.03	-	-
Total	4781	4781	100	4781	100	-	-	-	_	-	-
OTHER THA	N PERMAI	NENT EM	PLOYEE	S							
Male	-	-	-	-	-	-	-	-	-	-	-
Female	-	-	_	-	-	-	_	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-

2. Details of retirement benefits for the current and previous financial year

	FY22		FY21			
Benefits	No. of employees covered as a % of total employees	Deducted and deposited with the authority (Y/N/NA)*	No. of employees covered as a % of total employees	Deducted and deposited with the authority (Y/N/N.A.)		
PF	87	YES				
Gratuity	88	NA				
Employee State Insurance (ESI)	NA	NA				
Others	-	-				

3. Accessibility of workplaces

Are the premises/offices accessible to differently abled employees as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

Yes, all branches are provided with ramps wherever required and also a helpdesk for differently abled.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

Yes. This is covered in the Diversity and Inclusion statements of the HR Policy. The Bank is committed to be an Equal Opportunity Employer. Diversity and inclusiveness includes creating a working culture where visible differences such as age, gender, ethnicity, region, physical appearance, thinking styles and religion are valued; where everyone has the opportunity to develop skills and talents consistent with the Bank's values and business objectives.

5. Return to work and retention rates of permanent employees who took parental leave.

Permanent employees									
Gender	Return to work rate	Retention rate							
Male									
Female									
Total									



6. Is there a mechanism available to receive and redress grievances for the following categories of employees? If yes, give details of the mechanism in brief.

	Yes/No (If Yes, then give details of the mechanism in brief)
Permanent Employees	A system is in place with an escalation matrix that provides an opportunity to highlight grievance issues up to the MD & CEO.
Other than Permanent Employees	•

At ESAF Small Finance Bank, we have devised grievance redressal guidelines so that a concern, problem or complaint raised by an employee about their work, workplace or someone they work with is looked into for redressal.

7. Membership of employees in association(s) or unions

The employees have membership in ESWT (ESAF Staff Welfare Trust) that supports the welfare activities.

8. Details of training given to employees

			FY22					FY21		
Category	Total (A)	safety/w	On health and safety/wellness measures		On skill upgradation		On health and safety / wellness measures		On skill upgradation	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (B)	% (B/A)	No. (C)	% (C/A)
EMPLOYEES	5						,			
Male	2871	2871	100	2871	100					
Female	1270	1270	100	1270	100					
Total	4141	4141	100	4141	100					

Note: Includes training given to employees who have resigned/retired during the year. Some of the training programmes offered under health and safety and skill upgradation are mandatory. Hence, all employees have been considered under such training programmes.

The Bank provided 177 training programmes for skill & function development, 14 Behavioural training programmes to cover 575 Employees and 18 Leadership training programmes were conducted to cover 610 Employees.

9. Details of performance and career development reviews of employees

In ESAF Small Finance Bank, we have designed a yearly performance appraisal system which is automated.

Goal Setting: Each role has a specific Job Description, Key Result Area (In SMART concept) and Key Performance Indicator in the organisation. Each Key Result Area is designed in such a way that they are in line with the 3 pillars of the organisation, namely People, Planet & Prosperity. While the KRA constitutes of 80% of the weightage, the remaining 20% of the weightage goes to behavioural traits (10 of them) which the Bank looks forward to employees exhibiting at work. The behavioural traits which Department Heads are expected to exhibit are different from that of normal employees as they are set to enable them in decision making. At the beginning of the Financial Year, all Job Descriptions, Key Result Areas & Key Performance indicators are updated in consultation with the Head of the Departments. These Key Result Areas are uploaded in the HRMS package for the reference of employees.

Review Performance & Evaluation: We have a transparent and robust mechanism in place with regard to the career development of the employees.

All employees of the Bank undergo an annual performance appraisal process as determined by the Bank. Further, the Nomination and Remuneration Committee and the board evaluates the performance of the whole-time directors, members of executive management (one level below the board) and the company secretary on an annual basis.

The underlying philosophy of the performance management system is to have a fair and transparent system of appraisal, which ensures an objective mechanism to measure each employee's performance and potential and implement a reward system which recognises merit.

The performance appraisal system has been designed to achieve the following objectives:

• Review the previous year's performance with specific reference to the achievement of targets and give constructive feedback on performance;

- Provide an opportunity for communication and interaction between the appraiser and appraisee regarding the previous year's performance and setting of performance targets for the next appraisal period; and
- Reward employees who have performed well during the appraisal period and those who demonstrate the ability to handle higher responsibilities with promotions/increased job responsibilities.
- The employees below the expected performance level will be put under the Performance Improvement Plan (PIP) where the opportunities to improve will be provided.

10. Health and safety management system

a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, what is the coverage of the system?

Given the nature of business of the Bank, there are no occupational health and safety risks due to the nature of the work.

The Bank's HR Policy has a comprehensive coverage on health and safety for its employees. Also, there is an SOP on Health & Safety at Workplace on the same. There are periodical internal communications and alerts are sent out to employees and awareness sessions are conducted on safety related aspects. Employees are given periodic training on basic and advanced fire safety, including evacuation drills. Also, there are exclusive learning modules on the same in our online learning management system to make such information available for the employees round the clock.

The Bank equally focuses on both, the physical and mental well-being of its employees. The HR team conducts Yoga sessions guided by experts and also arranges mental health sessions which help the employees to boost their morale. These sessions are hybrid which helps to cover pan India employees.

Training programmes on the safety of women employees at the workplace (POSH) are mandatory for all employees. During the year, there were no accidents of any employee of the Bank on duty.

Covid- 19 Pandemic:

There was strict guidance given to the employees at the outset of the pandemic. The most important guidelines were:

- 1. Branches and offices shall strictly follow the directives issued by the Government, District Administration and respective Lead District Managers with regard to opening, closing, working, time of operations, staff pattern, customer presence inside, etc.
- 2. Instructions of the Police/Health Department shall be strictly adhered to. Separating and quarantining of members of staff who had direct or indirect contact with any persons tested Covid positive shall be arranged, as guided by the Police and officials of Health Department.
- 3. Branches/Offices shall maintain a visit register with all necessary details, and produce the same before the Government/ other authorities, as and when required.
- 4. Sanitizer shall be made available to the staff and customers in branches/offices.
- 5. Branch/Office premises and entrance to the Branch/Office shall be kept neat, tidy and hygienic always. Cleaning staff shall be advised to ensure that the premises including doorknobs, toilets and counters and furniture are cleaned with disinfectants regularly.
- 6. ATMs and cabins shall be disinfected regularly.
- 7. Well-being of the employees and their personal safety are important for the Bank; Cluster Heads/ Department Heads shall take necessary steps to ensure that employees are continuously advised of the need to remain safe and secure in the Covid situation.
- 8. A minimum of six feet distance between customers shall be maintained and the number of customers inside must be restricted to not more than five or even less (depending upon the size of the customer space), at a time.
- 9. Risk Management Department will meet regularly and will assess situation proactively and bring out guidelines accordingly.

b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?

Given the nature of business, this is not directly applicable. However, in light of recurring waves of COVID-19 pandemic, the Bank recognised there are potential health risks owing to high transmissibility that could arise



in the office premises. To minimise these risks, the Bank took necessary precautions at the offices, which included sanitisation of all office premises, removal of biometric scanners, installation of thermal scanners, daily guidelines to employees, restricted movements in common areas, closure of recreational facilities and avoidance of large gatherings. During the year under review, the Bank adhered to all the government directives and issued travel and health advisories to its employees and when required, advised its employees to work from home or on a rotational basis to ensure employee safety and business continuity. There was also a robust Business Continuity Plan (BCP) in place which ensured the smooth conduct of the same.

The Bank has promoted and propagated a 'Panch Sheel (Five Habits)' approach as shown below, to contain the spread of Pandemic like Covid 19,

- 1. Wear a face mask regularly and properly
- 2. Wash hands with soap and water frequently
- 3. Use hand sanitizer often
- 4. Keep physical distance from others
- 5. Do not join or create crowds anywhere

c. Whether you have processes for workers to report the work related hazards and to remove themselves from such risks. (Y/N)

Given the nature of business, this is not directly applicable. However, in light of the continuing pandemic, the Bank has necessary protocols and systems in place to ensure employees safety is not compromised at the workplace and they are open to report on symptoms/infections by employees/their families. The Bank had organised vaccination camps for its employees and families to voluntarily get vaccinated. Also, SOP on Health and Safety of Employees at Workplace play a pivotal role during such unexpected tough times.

d. Do the employees have access to non-occupational medical and healthcare services? (Yes/ No) $_{\mbox{\scriptsize Yes.}}$

11. Details of safety related incidents

Safety Incident/Number	Category	FY22	FY21
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)			
Total recordable work-related injuries			
No. of fatalities (safety incident)	– Permanent	Nil	Nil
High consequence work-related injury or ill-health (excluding fatalities)	Employees		

12. Describe the measures taken by the entity to ensure a safe and healthy workplace.

In the light of recurring waves of COVID-19 pandemic, the Bank recognised there are potential health risks owing to high transmissibility that could arise in the office premises. To minimise these risks, the Bank took necessary precautions at the offices, which included sanitisation of all office premises, removal of biometric scanners, installation of thermal scanners, daily guidelines to employees, restricted movements in common areas, closure of recreational facilities and avoidance of large gatherings. During the year under review, the Bank adhered to all the government directives and issued travel and health advisories to its employees and when required, advised its employees to work from home or on a rotational basis to ensure employee safety and business continuity.

The Bank's HR Policy has a comprehensive coverage on health and safety for its employees. Also, there is an SOP on Health & Safety at Workplace on the same. There are periodical internal communications and alerts are sent out to employees and awareness sessions are conducted on safety related aspects. Employees are given periodic training on basic and advanced fire safety, including evacuation drills. Also, there are exclusive learning modules on the same in our online learning management system to make such information available for the employees round the clock.

13. Number of complaints on the following made by employees

		FY22		FY21			
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks	
Working conditions	Nil	Nil	-	Nil	Nil	=	
Health and safety	Nil	Nil	-	Nil	Nil	-	

14. Assessments for the year

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Health and safety practices	100%
Working Conditions	Nil

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health and safety practices and working conditions.

With the outset of the pandemic, the Bank has been keen and vigiliant in following SOPs so as to comply with state/ local level regulations to ensure safety and hygiene of the employees as well as the customers. There were specific protocols and necessary social distancing being followed by employees, customers and other visitors on any of the premises of the Bank.

Also, the Bank ensured that no operational disruptions occurred and that business continuity was maintained in order to maintain the required levels of customer service.

Leadership Indicators:

1. Does the entity extend any life insurance or any compensatory package in the event of death of Employees? (Y/N)

Yes. The Bank schemes such as staff welfare fund helped to support families of deceased employees, Top up option under Group Mediclaim schemes, economic assistance to affected employees, etc.

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

The Bank ensures that statutory dues as applicable to the transactions within the remit of the Bank are deducted and deposited in accordance with extant regulations. This activity is also reviewed as part of the internal and statutory audit. The Bank expects its value chain partners to uphold business responsibility principles and values of transparency and accountability.

3. Provide the number of employees having suffered high consequence work-related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

	Total no. of af	fected employees	No. of employees that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment			
	FY22	Y22 FY21 FY22				
Employees	Not applicable. There were no work-related injuries.					

4. Does the entity provide transition assistance programmes to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/No)

Since its inception, the Bank has never undertaken any retrenchment of employees owing to business exigencies or employees not having the requisite skills to do the required job. Skill upgradation of all employees remains a continuous activity in the Bank.

5. Details on assessment of value chain partners

	% of value chain partners (by value of business done with such partners) that were assessed
Health and safety	NA
Working conditions	NA NA

6. Provide details of any corrective actions taken or underway to address significant risks/concerns arising from assessments of health and safety practices and working conditions of value chain partners

Not Applicable



Leadership Indicators:

 Does the entity extend any life insurance or any compensatory package in the event of death of Employees? (Y/N)

Yes. The Bank schemes such as Staff welfare fund helped to support families of deceased employees, Top up option under Group Mediclaim schemes, economic assistance to affected employees, etc.

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

The Bank ensures that statutory dues as applicable to the transactions within the remit of the Bank are deducted and deposited in accordance with extant regulations. This activity is also reviewed as part of the internal and statutory audit. The Bank expects its value chain partners to uphold business responsibility principles and values of transparency and accountability.

3. Provide the number of employees having suffered high consequence work-related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

	Total no. of affected employees		No. of employees that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment			
	FY22	FY21	FY22	FY21		
Employees	Not applicable. There were no work-related injuries.					

4. Does the entity provide transition assistance programmes to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/No)

Since inception, the Bank has never undertaken any retrenchment of employees owing to business exigencies or employees not having the requisite skills to do the required job. Skill upgradation of all employees remains a continuous activity in the Bank.

Principle 4: Stakeholder Interest Stewardship

Businesses should respect the interests of and be responsive to all its stakeholders



Essential Indicators

1. Describe the processes for identifying key stakeholder groups of the entity.

Any individual or group of individuals or institution that adds value to the business chain of the Bank is identified as a core stakeholder.

2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Key Stakeholders	Whether identified as Vulnerable & Marginalised Group (Yes/ No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Others	Frequency of engagement (Annually/ Half yearly/ Quarterly/ others - please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement	
Employees	No	Direct & other communication mechanisms	Daily	Bank follows an open door practice	
Shareholders/ Investors	No	The Bank communicates with investors and shareholders through Email, SMS, newspaper advertisement, website, quarterly conference calls, face-to-face meetings, annual general meetings, investor grievance channels, investor meets etc.	Frequent and need based	To stay abreast of developments in the Bank and its subsidiary companies	

Key Stakeholders	Whether identified as Vulnerable & Marginalised Group (Yes/ No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Others	Frequency of engagement (Annually/ Half yearly/ Quarterly/ others - please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement	
Customers	Generally No, as financial inclusion upgrades them	Multiple channels – physical and digital	Frequent and need based	Stay in touch with the customer for all their queries/ service as and when required.	
Channel Partners and Key Partners	No	Multiple channels – physical and digital	Frequent and need based	Helps to increase reach and enhance business	
Regulators	No	Email, one-on-one meetings, conference calls, video- conference	Need based	Discussions with regard to various regulations and amendments, inspections, approvals	
Communities and NGOs	No	Directly or through the CSR Implementing Agencies.	Frequent and need based	Support socially high impact projects	

Leadership Indicators:

1. Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board?

The Bank communicates with investors and shareholders during investor meets, through investor grievance channels, at roundtables, quarterly conference calls, face-to-face meetings, annual general meetings and more. These are aimed at providing relevant information as well as understanding stakeholders' perspectives on the Bank's performance and strategy.

The Bank has a continuous ongoing interaction with customers through digital channels such as customer care, satisfaction and loyalty survey, and social media platforms to understand their requirements and create better solutions, products and services for them. We publish a booklet "**Joyful Stories of Transformation**" which showcases the real-life case studies of the life of our customers through our products and services. These are collected by the employees by interacting directly with the customers.

The Bank has regular communication with its employees using town-hall meetings, appraisal process, newsletters and other channels to understand and support their concerns and ensure they are aligned with the Bank's strategic priorities.

The Bank has engaged the Local Self Govts in some regions for LSEDP (Local Sustainable Economic Development) Project equipping them on financial education for sustainable development.

The Bank interacts with its suppliers through supplier meets, regular interactions etc. The Bank subscribes to responsible procurement practices and invests in building relationships with its suppliers.

The Bank engages with regulators through one-to-one meetings, emails and submission of performance reports. It strives to be a good corporate citizen and complies with applicable regulations. The Bank plays its role in developing and implementing public policies.

The Bank is committed to uplifting the communities in which it operates. It engages with the community through its CSR team regularly. Community meetings are held to understand their needs and play an active role in supporting them

2. Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

Yes. The bank believes that the consultation with stakeholders plays a pivotal role in the smooth conduct of the functions. Therefore this is given prime importance. The Bank's ESG Policy gives adequate coverage to the Environmental, Social Governance aspects.



3. Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalised stakeholder groups

The Bank has products designed for the unbanked rural segments, specially catering to small and marginal entrepreneurs and small and marginal farmers. The microbanking products caters the lower strata of the society. Products like Income Generation Loan for women gives them an opportunity to step into entrepreneurship.

The CSR activities of the Bank focus on the disadvantaged, vulnerable and marginalised segments of society. Kindly refer to the Report on Corporate Social Responsibility for further details.

https://www.esafbank.com/corporate-social-responsibility-policy/

PRINCIPLE 5: Human Rights

Business should respect and promote Human Rights

Essential indicators

1. Employees who have been provided training on human rights issues and policy(ies)

	FY22			FY21			
Category	Total (A)	No. of employees covered (B)	% (B/A)	Total (C)	No. of employees covered (D)	% (D/C)	
EMPLOYEES							
Permanent	4167	2143	51.42%				
Other than permanent	NA	NA	NA	NA	NA	NA	
Total Employees							

2. Details of minimum wages paid to employees

			FY22					FY21		
Category	Equal to More Minimum Minir Total (A) Wage Wa		num ge Total		Equal to Minimum Wage		More than Minimum Wage			
		No. (B)	% (B/A)	No. (C)	% (C/A)	(D)	No. (E)	% (E/D)	No. (F)	% (F/D)
EMPLOYEES	•									
Permanent	4207	0	0	4207	100%					
Male	2932	0	0	2932	100%					
Female	1275	0	0	1275	100%					

3. Details of remuneration/salary

		Male	Female		
	Number	Median remuneration/ salary/ wages of respective category (₹)	Number	Median remuneration/ salary/ wages of respective category (₹)	
Board of Directors (BoD) (Whole-time directors)	-	-	-	=	
Key Managerial Personnel (other than BoD)	10	4,463,551	-	-	
Employees other than BoD and KMP*	3340	4,30,000	1545	3,50,00	

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

Yes

5. Describe the internal mechanisms in place to redress grievances related to human rights issues

A system is in place with an escalation matrix that provides an opportunity to highlight grievances issues up to the MD & CEO.

6. Number of complaints on the following made by employees

		FY22			FY21		
	Filed during the year	Pending resolution at the end of the year	Remarks	Filed during the year	Pending resolution at the end of the year	Remarks	
Sexual Harassment	0	0		0	0		
Discrimination at workplace	0	0		0	0		
Child Labour	0	0		0	0		
Forced Labour/ Involuntary Labour	0	0		0	0		
Wages	0	0		0	0		
Other human rights related issues							

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

Yes, the Banking Ombudsman Scheme

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

Yes

9. Assessments for the year

Certified for the Great Place to Work

10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above.

Not applicable

Leadership indicators

1. Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

Yes

Principle 6: Environmental Stewardship

Business should respect and make efforts to protect and restore the environment.

Essential indicators

1. Details of total energy consumption (in Joules or multiples) and energy intensity

Through an effective Green Protocol, efforts are being taken to reduce per capita energy consumption. The branches that perform in reducing energy consumption can score points for the Green Branch Award.

Further, translating the same to Scope 1, 2 and 3 emissions is in discussion.

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency?

Νo

2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

Not applicable.

3. Provide details of the following disclosures related to water, in the following format

Not applicable to the Banking Industry context

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Not Applicable



5. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format

Not applicable to the Banking Industry context

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, in the following format.

Not applicable to the Banking Industry context

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency?

7. Does the entity have any project related to reducing Green House Gas emission? If Yes, then provide details.

No

8. Provide details related to waste management by the entity, in the following format:

The Bank has a strong Green Protocol in practice which enables to manage waste efficiently and responsibly. There is a proper segregation of the wastes by its nature i.e. biodegradable and non-biodegradable. They are then disposed through authorised local disposing units of the local self-government, etc.

The Bank recycles electronic waste through authorised e-waste vendors.

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

The Bank has been following a sustainable approach to managing waste. The Bank generates mainly e-waste and paper waste. To reduce paper waste, the Bank has been following a digital mode in operations.

10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, please specify details in the following format:

Not Applicable

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:

Not Applicable

12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:

Not Applicable

PRINCIPLE 7: Transparent & Responsible

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

Essential Indicators

1. a. Number of affiliations with trade and industry chambers/ associations.

Four (4)

b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to.

SI. No.	Name of the trade and industry chambers / associations	Reach of trade and industry chambers/ associations (State/National)
1.	Microfinance Institutions Network	National
2.	Confederation of Indian Industries	National
3.	Sa-Dhan	National
4.	Indian Banks Association	National

2. Provide details of corrective action taken or underway on any issues related to anti- competitive conduct by the entity, based on adverse orders from regulatory authorities.

Not Applicable.

Principle 8: Inclusive growth and equitable development

Businesses Should Promote Inclusive Growth And Equitable Development







Essential Indicators

 Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.

The Bank has undertaken an Impact Assessment through an Independent Agency for all the projects in the Financial Years 2018-19, 2019-20, 2020-21, voluntarily. Further, the Bank intends to undertake the same for the Financial Year 2021-22 also. Abstract of the Impact Assessment report is enclosed. The Impact Assessment report is accessible on the website of the Bank www.esafbank.com.

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity.

Not Applicable.

3. Describe the mechanisms to receive and redress grievances of the community.

Not Applicable.

4. Percentage of input material (inputs to total inputs by value) sourced from suppliers.

Not Applicable.

Leadership Indicators

1. Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies.

Sl. No.	State	Aspirational Districts
1.	Assam	Majuli, Lakhimpur
2.	Kerala	Palakkad, Malappuram, Wayanad
3.	Jharkhand	Dumka
4.	Maharashtra	Gadchiroli, Nandurbar

2. Details of beneficiaries of CSR Projects 2021-22:

Name of the Projects	Allocated
	Amount
BJ 2021-22_ESAF BALAJYOTHI	₹ 50,00,000
BJ 2021-22_ESAF BALAJYOTHI	₹ 34,00,000
ESAF SOCIAL ENTREPRENEURSHIP & MENTORING	
ST 2021-22_ESAF Skill Development Training	₹ 30,00,000
ST 2021-22_ESAF Skill Development Training	₹ 20,00,000
MED 2021-22_ESAF Micro-Entrepreneurship Development Programmes	₹ 60,00,000
MED 2021-22_ESAF Micro-Entrepreneurship Development Programmes	₹ 40,00,000
AGRICULTURE AND ALLIED PROJECTS	
MLCB 2021-22_Market Linkages and Capacity Building for Farmer Collectives	₹15,00,000
MLCB 2021-22_Market Linkages and Capacity Building for Farmer Collectives	₹ 8,00,000
CCMI 2021-22 _Support for Setting up Collection Centres and Marketing Infrastructure	₹ 30,00,000
CCMI 2021-22_Support for Setting up Collection Centres and Marketing Infrastructure	₹ 30,00,000
ER 2021-22_Emergency Relief & Community Intervention	₹ 1,10,00,000
ER 2021-22_Emergency Relief & Community Intervention	₹ 40,00,000
EG 2021-22_ESAF Garshom	₹ 60,00,000
RURAL EDUCATION & HEALTH CARE SUPPORT	
IHT 2021-22_Rural Hospital Infrastructure Support Thachampara	₹ 67,00,000
IHM 2021-22_Rural Hospital Infrastructure Support Mokama*	₹ 50,00,000
HMS 2021-22_Hospital Management Support	₹ 30,00,000
ISA 2021-22_School Infrastructure Support Ayakkad	₹ 1,40,00,000
ISJ 2021-22_School Infrastructure Support Jharkhand	₹ 36,00,000
ISAM 2021-22_School Infrastructure Support Assam	₹ 14,00,000
ES 2021-22_ESAF Santhwana	₹12,00,000
Total	₹ 8,76,00,000



Principle 9: Responsible Value Creation

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



Essential Indicators:

Describe the mechanisms in place to receive and respond to consumer complaints and feedback.

The Bank has always aligned its operations to cater to the needs of its customers and has tried improving the quality of the service rendered on a continual basis. The following are the major actions initiated by the Bank on the customer service front during the year:

- **ISO 9001: 2015 Certification:** The Customer Service Quality Department of the Bank has been working on further enhancing the quality of its functioning and raising the standards to International Quality levels. Therefore, the Bank received ISO 9001: 2015 certification.
- **Customer Service Excellence Awards:** In order to create a competitive spirit among the Branches to give a better customer experience, the Customer Service Quality Department of the Bank has successfully driven the Customer Service Excellence Award for the branches. This has motivated branches to take proactive steps to excel in customer service, deepen the relationship with customers, encourage digital transactions, complete tasks on time and reduce complaints.
- There is a dedicated Customer Service Committee of the Board to bring about improvements in the quality of customer services provided by the Bank.
- The Bank has a robust Customer Service Quality Policy, Customer Grievance Redressal Policy and Customer Compensation Policy in place to ensure customer satisfaction and safety.
 https://www.esafbank.com/pdf/Customer%20Grievance%20Redressal%20Policy_ESAF%20SFB-V5%20-%20 Website%20COpy.pdf
 https://www.esafbank.com/pdf/Customer%20Grievancestian%20Redressal%20Policy_ESAF%20SFB-V5%20-%20 Website%20COpy.pdf
 - https://www.esafbank.com/pdf/Customer%20Compensation%20Policy-Review-ESAF%20SFB-V3%20-%20Website%20copy.pdf
- 2. Turnover of products and/ services as a percentage of turnover from all products/service that carry information

100%

3. Number of consumer complaints in respect of the following:

Refer Section A (23)

4. Details of instances of product recalls on account of safety issues

Not Applicable

5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.

The Bank operates in a highly dynamic threat environment and has taken a plethora of measures to ensure the safety of customer transactions. The Bank has implemented state-of-the-art security technologies in its infrastructure and monitors potential threats round-the clock. A comprehensive strategy encompassing people, process, and technology is constantly reviewed in the light of emerging threats, the security requirements of the business, and best practices. A 24x7 Cyber Security Operations Centre has been established that identifies potential incidents and takes requisite action to respond, recover, and learn from the incidents. The Bank regularly participates in cyber drills conducted by the Institute of Development and Research on Banking Technology (IDRBT) and conducts periodic disaster recovery drills for its technology infrastructure to ensure the availability of critical services in the event of a disaster. In order to keep abreast with the security best practices, the Bank participates in meetings conducted by the CISO Forum and Data Security Council of India. A well-documented Board-approved Information Security Policy is in place.

https://www.esafbank.com/pdf/Information to Public on Data Privacy policy of ESAF Small Finance Bank-2022.pdf

6. Provide details of any corrective actions taken or underway on issues relating to advertising and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty/action taken by regulatory authorities on safety of products/services.

No penalty/regulatory action has been levied or taken on the above-mentioned parameters.

Leadership Indicators:

1. Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).

Information relating to all the loan products and services provided by the Bank is available on our website, https://www.esafbank.com/. In addition, the Bank actively uses various social media and digital platforms to disseminate information on its loans and deposits.

2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.

Yes, six different levels of curriculum on Financial Literacy are provided to our customers. In addition, during FY 20-21, the Bank conducted 785 programmes reaching 23200 participants and **during FY 21-22**, **the Bank conducted 2164 financial literacy programmes reaching 76972 clients.** These curriculums are customised based on the audience it reaches. We have these for **Children (Balajyothi), Senior Citizen customers (Vayojyothi), SHG Women and Delinquent customers (Score up your Credit Score).**

3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.

There is always a proper communication with the customers to make them feel secured and comfortable with the products and services. After the outbreak of the Covid -19 pandemic, the branches were not having a uniform method of customer handling and were struggling to interact with the customers as direct contacts, smiling through a mask, etc. were not possible and customers were feeling kind of not taken care of. With the intention to standardise and train the branches across the nation, the Customer Service Quality Department introduced a new way of customer interaction "SWAGAT" which has helped in educating the frontline staff on how to interact with the customer, giving them a good experience while adhering to all the Covid protocols.

4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not applicable) If yes, provide details in brief. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)

The Bank has always aligned its operations to cater to the needs of its customers and has tried improving the quality of the service rendered on a continual basis. Customer Service Quality Department had conducted various surveys, which included Annual Customer Satisfaction Survey, Digital Products Satisfaction Survey, Micro Loans customer satisfaction survey etc. which has helped the Bank to identify the gap and take necessary action to improve the customer experience. Also the Bank has robust data privacy measures and a customer grievance mechanism in place to ensure the customer satisfaction.



Summary of ESG Assessment Score



Pillar	Arrows	Baseline Score	End line* Score	Remarks	
Environmental	^	1	4	 The company has overall limited direct exposure to environment related risks Indirect risks which could arise out of its investment/lending activities have been partly managed by adopting exclusion List to desist lending to businesses with adverse environmental impact ESAF focuses on sustainable development (by encouraging the use of renewable energy, etc.) through its products like GLG Loan, Micro Energy Loan The company has preferential interest rates for the customer using environment friendly products The company ensures risky business ventures are avoided right at the early 	
				 stage of investment driven by exclusion list of industries and activities ESAF has included environment monitoring parameters in its Loan Utilisation Check (LUC) framework ESAF has developed and implemented ESG Policy with a proper governance structure 	
		-	4	ESAF has strengthened the HR Policy by including provisions on child labour, forced labour and a policy of nondiscrimination at work	
				 The company has taken a step towards employee engagement by carrying out employee engagement surveys once a year. Further, various informal surveys are being carried out through their intranet portal 	
		2		 The total budget for the CSR projects for a financial year has been 5% of average net profit of the Bank from FY 2019 which is higher than the regulatory requirement of 2% 	
Social	1			 ESAF has formalised the CSR Policy with strong governance structure. Impact assessment of the CSR programmes are done by an independent agency to understand the effectiveness of these activities 	
				 ESAF has been able to demonstrate effective implementation of social inclusion practices in its own operations as well as in its investment decisions 	
				 ESAF has extended loans to enterprises led by women who are key decision-making members in their households. Providing them with financial independence strengthened their position in contributing to the household economy thus imparting social inclusion 	
				ESAF has developed Standard Operating Procedures on Employee Health and Safety to ensure the wellbeing of the employees at the workplace	
		3	4	Effective risk management and controls are in place along with required board level committees for effective oversight	
	•			Board structure aligns with best practices including having independent members on the board	
Governance	1			 ESAF has started disclosing the basic ESG information in their annual audit as observed in annual report of FY 2021 	
				ESAF has various policies targeting business integrity. The company mandates annual certification by every employee on the code of conduct policy	

ESAF Bank SR 21-22 SASB Linkage

SASB Metric	Related Information in Sustainability Report FY2022*	
Description of approach to the incorporation of environmental, social, and governance (ESG) factors in credit analysis	Page 18,19,20 21- Sustainability Approach, Framework and Value Creation Model	
Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	Page 74,75 - BRSR	
Description of approach to the incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Page 14 – Risk Governance	
Description of whistle-blower policies and	Page 71- BRSR	
· <u> </u>	https://www.esafbank.com/whistle-blower-policy/	
(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	Page 91 - BRSR	
Description of approach to identifying and addressing data security risks	Page 90 - BRSR	
(1) Number and (2) value of loans and investments made as part of the programme designed	Page 22 & 23 – Sustainability Strategies and outcomes.	
development	Page 24 – Manufactured Capital	
Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	Page 25 – Manufactured Capital	
Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved	Page 47- Social and Relationship Capital.	
customers	Page 91 - BRSR	
(1) Number and (2) value of loans by segment: (a) personal, (b) small business and (c) corporate	Page 37 – Financial Capital	
	Description of approach to the incorporation of environmental, social, and governance (ESG) factors in credit analysis Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations Description of approach to the incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities Description of whistle-blower policies and procedures (1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected Description of approach to identifying and addressing data security risks (1) Number and (2) value of loans and investments made as part of the programme designed to promote small-business and community development Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers (1) Number and (2) value of loans by segment: (a)	



Notes			



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