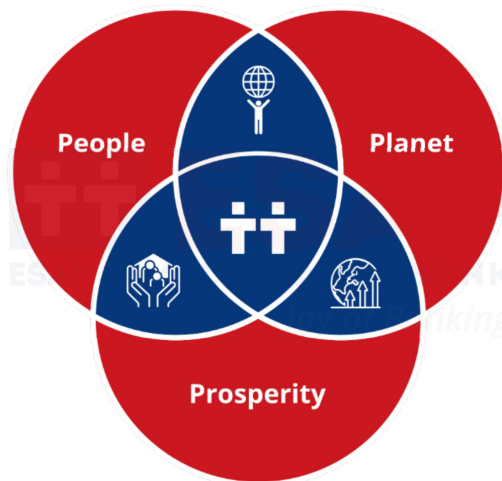


ESAF SMALL FINANCE BANK

Sustainable Banking Policy



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Sustainable Banking Policy

1. Rationale, Definition and Scope:

1.1 Rationale

Over the years, though the world has developed in several areas it has also produced an alarmingly high number of marginalised communities that are struggling to find their footing in the fast-paced developing world. Further, as the progress in several segments didn't reach the marginalised communities, the gaps are widening irreconcilably. Many of these developments have depleted and degenerated the natural resources. And thus, contemporary society is dealing with inexplicable environmental issues and social unrest. In the context of the increasingly struggling world, on 25 September 2015, the 193 countries of the UN General Assembly adopted the 2030 Development Agenda titled **Transforming our World: the 2030 Agenda for Sustainable Development**, outlining a set of 17 Sustainable Development Goals with 169 associated targets and 232 indicators.

The 17 Sustainable Development Goals are as follows-



These 17 Sustainable Development Goals are essential actions that every institution in every country should adopt, for the sustainability of our planet and the prosperity of our people. These 17 SDGs when pursued intently will also lay the foundation for a regenerative economy that has the potential to scale up for flourishing and sustainable business growth.

Therefore, ESAF SMALL FINANCE BANK (ESFB), through the Sustainable Banking Policy adopts these SDGs for essential linkage to all its products and processes - as already accepted as the Triple Bottom Line priority of the Bank, and mandates the measurements of SDG impacts for all its products and processes as the Bank's commitment to building a sustainable world with a regenerative economy.

1.2 Definition

Sustainable Banking may be defined as a banking framework that institutionalises its impact in three bottom lines – people – planet and prosperity through all its products, processes and policies, thereby building a foundation for a sustainable and regenerative economy.

1.3 Scope

The Sustainable Banking Policy will define business processes for ESAF SMALL FINANCE BANK in order to ensure that all transactions are managed in accordance with the Bank's Triple Bottom Line (People- Planet- Prosperity) principles. The policy is in line with the Bank's core values, business principles, business growth and impact appetites.

All business verticals and processes are subject to the policy. The policy applies to ESFB and all its branches, representative offices and legal entities that are under its control.

2. Sustainable Banking Policy Statement

ESAF SMALL FINANCE BANK is committed to:

- 2.1** Building a sustainable economy by striving to create awareness and achieve the 17 Sustainable Development Goals adopted by the UN General Assembly as the foundation for a sustainable world with a thriving regenerative economy
- 2.2** Facilitating the achievement of the SDGs through banking products, processes and services, and measuring its impacts in terms of people – planet – prosperity bottom lines
- 2.3** Pursuing exclusions and inclusions through sustainability-linked policies and frameworks that would institutionalise sustainable business growth, fighting the partiality of prosperity

3. Sustainable Banking Approach

3.1 Sustainable Livelihood Development: *To provide financial services and facilitate livelihood development among our beneficiaries and thereby bring economic sustainability*

3.2 Environmental Stewardship Promotion: *To develop a green portfolio and identity for the Bank and thereby lower the overall environmental risk*

3.3 Social Performance Management - *Financial inclusion and impact measurement so as to measure, evaluate and document the Bank's progress on the SDGs*

3.4 Corporate Social Responsibility - *To create value by meaningfully utilising the profits generated in socially responsible initiatives, addressing social, environmental and economic needs of the poor and the marginalised sections of society*

4. Policy Commitments, Networking & Partnerships, and Policy Impact Areas

4.1 Policy Commitments

- 4.1.1** To promote sustainability through financial services by creating long-term value, setting branch-level and department-level targets with respect to sustainable banking, and monitoring them on a regular basis
- 4.1.2** To train and strengthen the involvement of the staff in social and environmental sustainability initiatives so as to enhance their performance
- 4.1.3** To communicate the sustainability focus and results to key stakeholders including investors, customers, project partners, the Government, media, etc.
- 4.1.4** To report using global reporting standards for comprehensive sustainability reporting

4.2 Networking and Partnerships

- 4.2.1** Establishing tie-ups with institutions, organisations and manufacturers involved in sustainable development through their products and services
- 4.2.2** Partnering and associating with State & Central Government institutions, NABARD and other institutions for developing a sustainable banking culture in the banking sector
- 4.2.3** Pursuing national/ international partnerships /network memberships to synergise and work together for the SDGs and our priorities on Sustainable Banking

4.2.4 Pursuing national and international funds available for the development of sustainable finance products, training and capacity building, etc.

4.3 Policy Impact Areas

4.3.1 Sustainability (as measured by SDG impact) through financial services, creating long-term value

4.3.2 Sustainability identity in society – ESFB as a Social and Sustainability Action Bank

4.3.3 Development of sustainable financial products within the mandates of different business verticals that will facilitate the sustainable economic growth

4.3.4 Partnerships, networking and joint actions with like-minded sustainability-focused institutions

Conclusion

The terms Green, Sustainable, Socially Responsible, and Triple Bottom Line now appear everywhere, from business news to mainstream news to posters in retail outlets. But this has been the vision, lifestyle and legacy of ESAF over a credible period of more than three decades. Let us seize the opportunity to capitalise on this legacy in Environmental, Social & Governance impacts through this policy, bring about a banking revolution, and build a sustainable and regenerative economy for the future.

