



AAVAS FINANCIERS LIMITED

ENVIRONMENTAL AND SOCIAL POLICY

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Aavas Financiers Limited is committed to high Environmental and Social (ES) Standards in its business and will continue to develop its investment decision making processes and procedures so as to reflect the requirements of Indian ES legislation, as well as relevant international standards (specifically IFC Performance Standards) as applicable to our housing finance and MSME business lines.

This Policy should be read in the context of other Policies that Aavas has developed and implemented (and in particular Aavas' commitment to ethical and lawful business as described in our Code of Conduct).

In performing their functions, the directors, senior management and employees of the Company shall:

- Consider and apply Indian Environmental and Social Laws and norms (including those that relate to occupational health and safety and employment) in their decisions about whether and how to offer credit to borrowers
- Consider and apply, where possible and as appropriate, international ES standards (including IFC Performance Standards) and norms which would deliver material beneficial impacts to borrowers
- Ensure that Aavas' Exclusion list of prohibited activities is consistently applied across our credit and loan decisions
- Proactively support women's economic empowerment and broader gender equality opportunities in our lending activities
- Ensure that Aavas' operations avoid discrimination based on race, caste, gender and other factors
- Proactively consider how Aavas can support more energy and water use efficiency in its lending business
- To apply the expectations above in our own operations (including employment terms and conditions, occupational health and safety, WEE and gender parity for employees and in the design and operation of our physical assets and offices

In addition, the directors, senior management and employees of the Company shall develop its client-facing processes and procedures to reflect the requirements of NHB's client protection legislation, and shall adhere to best practice, aligned with SMART's client protection principles, by:

- Continuing to deliver **appropriate product design and delivery**, ensuring care is taken to design products and delivery channels based on client needs, and in such a way that they do not cause harm, and keeping in view of our clientele;
- **Preventing client over indebtedness** by reviewing credit performance, monitoring systems and policies on an ongoing basis, and by sharing credit information to centralised credit bureaus;
- Promoting **transparency** by communicating clear, necessary and timely information in a manner and language clients can understand so that clients can make informed decisions. This includes disclosure of full fees and interest to the customer;



- Setting **responsible pricing**, terms and conditions in a way that is affordable to clients, is appropriate and proportionate to delivering investor returns and maintains the sustainability of the financial institution;
- **Fair and respectful treatment** of clients, seeking to continually improve client relations and adhering to the NHB's Fair Practice Code;
- Considering and applying, where possible, international industry good practice around **privacy of client data**, and complying with local data laws; and,
- By applying timely and responsive **grievance mechanisms** for complaints and problem resolution for clients, using these mechanisms both to resolve individual problems and to improve products and services.

Further, while funding for the growth of Aavas' housing loan portfolio for economically weaker sections (EWS) and low-income groups (LIG), particularly for women borrowers, Aavas will

- apply prohibited investment activities list as annexed in Annexure I;
- exclude all projects that will have adverse environment and social safeguards impact as mention in category A and B of Annexure II;
- ensure that investments abide by applicable national laws and regulations;
- comply with the ADB's Safeguard Policy Statement (SPS) ([ADB's Safeguard Policy Statement](#));

Annexure I

PROHIBITED INVESTMENT ACTIVITIES LIST

The following do not qualify for financing:

- (i) production or activities involving harmful or exploitative forms of forced labor¹ or child labor;²
- (ii) production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phaseouts or bans, such as (a) pharmaceuticals,³ pesticides, and herbicides,⁴ (b) ozone-depleting substances,⁵ (c) polychlorinated biphenyls⁶ and other hazardous chemicals,⁷ (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,⁸ and (e) transboundary trade in waste or waste products;⁹
- (iii) production of or trade in weapons and munitions, including paramilitary materials;
- (iv) production of or trade in alcoholic beverages, excluding beer and wine;¹⁰
- (v) production of or trade in tobacco;¹⁰
- (vi) gambling, casinos, and equivalent enterprises;¹⁰
- (vii) production of or trade in radioactive materials,¹¹ including nuclear reactors and components thereof;
- (viii) production of, trade in, or use of unbonded asbestos fibers;¹²
- (ix) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and
- (x) marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.
- (xi) Destruction of High Conservation Value areas¹³
- (xii) Pornography and/or prostitution

¹ Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

² Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" (www.ilo.org).

³ A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>.

⁴ A list of pesticides and herbicides subject to phaseouts or bans is available at <http://www.pic.int>.

⁵ A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>.

⁶ A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

⁷ A list of hazardous chemicals is available at <http://www.pic.int>.

⁸ A list is available at <http://www.cites.org>.

⁹ As defined by the Basel Convention; see <http://www.basel.int>.

¹⁰ This does not apply to subproject sponsors who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a subproject sponsor's primary operations.

¹¹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.

¹² This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

¹³ High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance

Annexure II

Safeguard Categorization and Requirements

Category (Risk Rating)	Environment	Involuntary Resettlement	Indigenous Peoples
Category A <i>*NOT ELIGIBLE FOR ADB FUNDED LOANS/SUBLOANS</i>	Likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works. An environmental impact assessment is required.	Likely to have significant involuntary resettlement impacts	Likely to have significant impacts on Indigenous Peoples
Category B <i>*NOT ELIGIBLE FOR ADB FUNDED LOANS/SUBLOANS</i>	Potential adverse environmental impacts are less adverse than those of category A projects. These impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for category A projects.	Includes involuntary resettlement impacts that are not deemed significant	Likely to have limited impacts on Indigenous Peoples
Category C <i>*ELIGIBLE FOR ADB FUNDED LOANS/SUBLOANS</i>	Likely to have minimal or no adverse environmental impacts. Environmental implications need to be reviewed. Comply with national laws and ADB's PIAL	No involuntary resettlement impacts Comply with national laws and ADB's PIAL	Not expected to have impacts on Indigenous Peoples Comply with national laws and ADB's PIAL

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