# ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

| Control and Version | |
|---|---|
| Policy Author/Owner | Manager - ESG Department |
| Policy Reviewer | CSR Committee |
| Policy Approver | Board of Directors |
| Document Classification | Public |
| Document Contact Point | ESG Department |
| Version | 1.0 |
| Approved On | July 2026 |

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# Introduction

Midland Microfin Ltd. (“MML” or the “Company”) is a Punjab-based leading microfinance institution and an emerging player in India’s financial services sector, providing collateral-free loans to economically active women and fostering financial inclusion. Guided by the principles of customer centricity and employee well-being, the Company integrates social responsibility into its business strategy and policies, promoting sustainable growth, financial inclusion, and long-term community empowerment. To cater to the evolving needs of its customers, the Company offers a diversified portfolio of products focused on inclusive finance and improving access to financial services for marginalized communities.

As a responsible and stakeholder-focused institution, the Company recognizes the importance of embedding Environmental, Social, and Governance (ESG) principles into its core business strategies and operations. The Company seeks to advance sustainable business practices that generate positive environmental and social outcomes, support clients and communities, foster employee well-being, and maintain robust standards of governance.

MML also strives to continuously enhance its performance and business practices in a manner that contributes to national development priorities and supports the achievement of the United Nations Sustainable Development Goals (SDGs).

# Policy Objective, Oversight and Scope

## Objective

In alignment with its commitment to sustainable and responsible business practices, MML has adopted its first Environmental, Social and Governance (ESG) Policy to reinforce its ESG commitments and strengthen its sustainability vision. The Company strives to minimise adverse environmental and social impacts arising from its operations while promoting ethical governance, responsible lending practices and financial inclusion.

The policy seeks to ensure compliance with applicable laws, regulations and recognised industry standards while promoting ethical business practices. It serves as a guiding document for the Company's directors, employees, business partners, vendors and other relevant stakeholders, encouraging alignment with the Company's ESG commitments and contributing to long-term sustainable value creation.

## Oversight

To strengthen ESG governance, the Company proposes to expand the scope of the existing Corporate Social Responsibility (CSR) Committee to include oversight of ESG-related matters, forming an CSR & ESG Committee at the board level. The Committee shall oversee the identification and assessment of ESG-related risks and opportunities across the Company’s operations. It shall provide strategic guidance on the development of ESG initiatives, and action plans aimed at mitigating risks.

## Scope of the policy

This policy applies to all employees, customers, partners, vendors, stakeholders and parties associated with MML. To ensure efficient implementation below mentioned aspect will be dealt with in this policy.

- Define and identify ESG risks, opportunities and framework
- Execution of ESG parameters
- ESG monitoring & mitigation
- ESG mechanism review, improvement & training

## ESG Goals

- Pursue business growth through responsible, ethical and transparent practices
- Embed ESG principles across the Company's strategy and operations
- Continuously strengthen ESG performance and aspire to align with leading ESG standards and benchmarks

## ESG Framework

### Environment Obligation

The ESG committee shall be working towards identifying risks and opportunities across various environmental aspects as listed below and devise necessary action plan to mitigate such risks and build on the opportunities.

MML will encourage, evaluate, fund, and implement solutions under but not limited to following sustainable categories:

- ✓ Energy-efficient technologies
- ✓ Paperless lending and strong emphasis on digital collections
- ✓ Waste reduction and recycling
- ✓ Renewable energy solutions, where feasible
- ✓ Green financing
- ✓ Tracking electricity consumption
- ✓ Solutions reducing carbon footprint
- ✓ Energy conservation Awareness

### Social Obligation

As a financial institution serving underserved communities, MML seeks to generate meaningful social impact through financial inclusion, customer empowerment, employee development, and responsible business conduct. The Company endeavours to contribute to the socio-economic development of the communities it serves while promoting ethical and inclusive practices across its operations.

**Commitment to Employees**

MML recognises its employees as its most valuable asset and is committed to the following:

- ✓ To uphold internationally recognised human rights standards by fostering a workplace that promotes equality, diversity, inclusion, and non-discrimination for all employees. The Company has an internal mechanism in place to address employee grievances. The grievances are promptly addressed in real-time.

- ✓ Strengthens human rights compliance through employee awareness programmes and by expecting business partners to adhere to applicable human rights regulations across the value chain.
- ✓ Committed to ensuring that its workforce feels valued, supported, and empowered to excel. To achieve this, the company offers various benefits, including PF, Gratuity, health insurance, and leave policies, along with comprehensive employee protection measures. Employee development is a top priority, with regular leadership programs, upskilling training, and certification opportunities.
- ✓ Acknowledging the importance of its employees and providing due importance to their health, safety and working culture is of prime concern to the Company. MML believes in Gender Equality. A Sexual Harassment Policy is in place to address the harassment of women at workplace.
- ✓ Shall ensure equitable remuneration and merit-based career progression through transparent compensation, performance evaluation, and appraisal processes.
- ✓ Promotes employee capabilities through structured learning and development programmes that support professional growth. The company shall also integrate ESG awareness into employee training and promotes a culture of continuous improvement.

**Commitment to Customers**

MML is committed to delivering responsible and customer-centric financial services. To achieve this, MML shall:

- ✓ Strive to operate PAN India and shall not hesitate to lend to 'New to Credit' (NTC) customers
- ✓ Design and deliver products and services that are appropriate to customers' needs and repayment capacity
- ✓ Delivering responsible, transparent, and customer-centric financial services in accordance with the Client Protection Principles.
- ✓ Ensure fair and transparent dealings with customers throughout the lending lifecycle. MML shall strictly follow RBI guidelines.
- ✓ Maintain accessible grievance redressal and time-bound resolution mechanisms.
- ✓ Safeguard the confidentiality and security of customer information through robust data protection and cybersecurity measures.
- ✓ Conduct recovery practices in a fair, respectful, and non-coercive manner.
- ✓ Promote financial literacy and responsible borrowing through customer awareness and engagement initiatives.
- ✓ Periodically review customer feedback to strengthen products, processes, and service delivery.

**Commitment to Community**

MML supports community development through programmes and initiatives aimed at improving the quality of life of underserved communities. The Company's efforts may include financial literacy and skill development programmes, healthcare and education initiatives, livelihood promotion, disaster relief and rehabilitation, distribution of essential supplies, environmental conservation activities, and other welfare initiatives based on community needs. The Company seeks to create long-term social value by working closely with local communities and stakeholders while advancing financial inclusion and women's economic empowerment.

MML also contributes to inclusive development by creating employment opportunities within the communities it serves. Wherever feasible, the Company encourages the recruitment of local talent, including individuals from customer families, and supports their professional growth through structured training and capacity-building programmes.

MML believes that sustainable development extends beyond access to finance. Accordingly, the Company strives to strengthen the social and economic fabric of the communities it serves by supporting initiatives that foster resilience, self-reliance, and inclusive development.

Encourage local sourcing and engagement with local enterprises, wherever feasible, to support economic development in the communities served.

## Environmental and Social Risk Management in Lending

MML recognizes that environmental and social factors can influence the financial performance and resilience of borrowers and, consequently, the quality of its lending portfolio. Integrating environmental and social considerations into lending and credit assessment processes enables the Company to better understand potential risks and opportunities associated with financed activities and supports informed decision-making.

Environmental and social risks may arise from factors such as climate-related events, natural resource constraints, labour and working conditions, community impacts, health and safety concerns, and compliance with applicable laws and regulations. These risks may affect borrowers' repayment capacity, business continuity, asset values, and overall financial stability.

As a responsible corporate entity with a long-term vision, MML shall incorporate ESG risks into its Risk Framework.

MML shall conduct its business and operations in compliance with local and national environmental and occupational health and safety regulations.

*****MML will not deal with institutions that are mentioned in exclusion list.

***Details of the exclusion list are provided at the end of this Policy***

## Governance Obligation

**<u>Systematic Credit Underwriting Process</u>**

MML shall maintain a robust credit underwriting framework with defined approval processes and appropriate checks to ensure prudent lending decisions.

**<u>Governance Standards</u>**

MML is committed to maintaining high standards of corporate governance through the following principles:

- ✓ Company will endeavour to adopt best practices and the highest standard of Corporate Governance. Transparency in business ethics and accountability to its customers, governments and other stakeholders will be the guiding principles.
- ✓ Ensure compliance with all applicable laws, regulations, and regulatory requirements.
- ✓ Maintain a robust corporate governance framework supported by effective oversight and internal controls.
- ✓ Adopt a proactive and risk-based approach to identify, assess, and mitigate business risks.

- ✓ Uphold ethical business conduct through the Company's Code(s) of Conduct, covering areas such as Anti-Corruption, Anti-Bribery, Anti-Money Laundering, Conflict of Interest in Related Party Transaction, Insider Trading, Confidentiality, Fair Practice Code, Whistleblower Protection, Human Rights, and Workplace Health and Safety.
- ✓ Promote diversity and an appropriate mix of skills, experience, and perspectives at the Board and leadership levels.
- ✓ Strengthen organisational awareness and capabilities on ESG-related matters through continuous capacity building.
- ✓ Regular Board meetings and stringent internal controls help maintain a robust structure that adapts to evolving regulatory and market demands.

**Committees of the Board**

- Audit Committee
- Risk Management Committee
- Nomination and Remuneration Committee
- Stakeholder Relationship Committee
- Corporate Social Responsibility Committee
- IT Strategy Committee
- Board Management Committee
- Asset Liability Management Committee
- Information Security Committee

### Procurement Practices and Supplier

MML's procurement practices prioritize fair assessment of vendors, promoting access to eco-friendly products and encouraging local sourcing. Suppliers must comply with applicable laws, ESG standards, and ethical business conduct, including anti-corruption and anti-bribery measures. MML ensures adherence to labour laws and human rights, eliminating forced and child labour, while complying with antitrust and trade control regulations.

### Vendor Agreements

MML shall incorporate appropriate ESG-related provisions in its vendor agreements, requiring vendors to comply with applicable environmental, social, labour and other statutory requirements and align with the Company's ESG expectations.

## Execution of ESG Policy

The ESG plan will be put into action by adopting following steps mentioned below in different stages of loan life cycle.

### Loan Sanction

Loan proposals shall be assessed for material environmental, social and labour-related risks as part of the credit appraisal process. Proposals that do not conform to the Company's ESG requirements or present unacceptable ESG risks shall not be considered for sanction unless such risks are adequately mitigated.

### Loan Documentation

MML shall incorporate appropriate ESG-related provisions, wherever applicable, in its loan documentation to encourage borrowers to comply with applicable environmental, social, labour and other statutory requirements.

### Verify End Use of loan

During end use verification it is to be ascertained that the business is ESG compliant as per the Company's policy. Customer will be asked to rectify any deviations from the policy to avail repeat loans.

## Monitoring and Reviewing ESG

ESG/CSR committee to monitor and efficiently execute the company's ESG policy parameters. The committee through its members will monitor the functioning of ESG policy.

The committee will be tasked to periodically review and update the ESG policy of the company.

## Training

MML will train and educate its employees, customers, vendors and other stake holders regarding the ESG policy. At different forums and company programs company encourages continuous learning and knowledge sharing.

## Communication, Disclosures and Reporting

MML is committed to maintaining transparent and timely communication on its ESG performance and initiatives. Appropriate systems and processes shall be established to capture, monitor and report ESG-related data and information in a reliable and consistent manner.

MML shall make ESG-related disclosures in accordance with applicable regulatory requirements and recognised reporting frameworks, while endeavouring to enhance the quality and scope of its disclosures over time. The Company shall continue to publish relevant sustainability-related reports, including its Social Performance Management, Corporate Governance and Corporate Social Responsibility (CSR) reports, as applicable.

MML shall integrate ESG considerations into its business strategy, governance and decision-making processes to support long-term sustainable value creation and contribute towards the achievement of relevant Sustainable Development Goals (SDGs).

Where considered appropriate, the Company may obtain independent third-party assurance of its ESG disclosures to enhance the credibility and reliability of publicly reported information.

## Grievance Redressal

A structured grievance redressal systems is part of the Fair Practice Code of the company. Names and number of officers and Tollfree Numbers are flashed in branches/website. Through this any stakeholders can raise grievances of any nature be it operational, environmental, social and labour and other general concerns.

# Exclusion List

MML will not deal with any borrowers or vendors who are engaged in the business or trade of any product or activity deemed to be illegal under the laws or regulations in force in India.

The following activities shall not qualify for financing:

I. Production or activities involving harmful or exploitative forms of forced labour or child labour.
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 phaseoutsor bans, such as
    a. Prohibited pharmaceuticals, pesticides, and herbicides.
    b. Ozone depleting substances.
    c. Polychlorinated biphenyls and other hazardous chemicals.
    d. Protected wildlife; and
    e. Transboundary waste.
    f. Production of or trade in weapons and munitions, including paramilitary materials.
    g. Production of or trade in alcoholic beverages, excluding beer and wine.
    h. Production of or trade in tobacco.
    i. Gambling, casinos, and equivalent enterprises.
III. Production of or trade in radioactive materials, including nuclear reactors and components thereof.
IV. Production of, trade in, or use of unbonded asbestos fibres.
V. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old growth forests.
VI. 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.

These project and activities will also not get financing form the company:

I. Projects or companies identified by the Government to be in violation of local applicable law related to environment, health, safety, labour, and public disclosure.
II. Companies found by a court or administrative body of competent jurisdiction engaging in unlawful practices.
III. Conversion or degradation of critical forest areas or forest-related critical natural habitats.

# Annexure

## Policies in Place

- Anti Bribery and Anti-Corruption Policy
- Whistle Blower Policy
- Policy on Grievance Redressal Mechanism
- CSR Policy
- Fair Practices Code
- Corporate Governance Policy
- Code of Conduct for Employees
- Code of Conduct for Board of Directors

- Anti-Money Laundering Policy
- Nomination and Remuneration Policy
- Business Continuity Policy
- Cyber Security Policy
- Zero Tolerance Policy
- Risk Management Policy
- Liquidity Risk Management Policy
- IT Governance Policies
- Disciplinary Policy
- Cyber Crisis Management Plan Policy
- Data Privacy Policy
- POSH Policy
- Employees Benefit Policy
- Employees Medical Policy
- Human Rights Policy
- PMS and Promotion Policy