

# ESG REPORT SUMMARY

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# ESG REPORT SUMMARY

Chola has a longstanding legacy of ESG and has, over the years, strengthened the Company's performance and stature with initiatives that address environmental, social and economic/governance aspects. We have opted to voluntarily disclose our ESG performance for FY 2020 – 21.

The ESG report has been prepared in accordance with the 'core' criteria of the Global Reporting Initiative (GRI) Standards. The GRI Standards constitute a set of globally established sustainability reporting requirements, that enable businesses to report sustainability performance and impacts in a consistent manner. They also allow comparability across businesses and support organizations to make sustainability disclosures with credibility and transparency.

The following summary highlights key aspects of the Company's ESG performance for the reporting year.

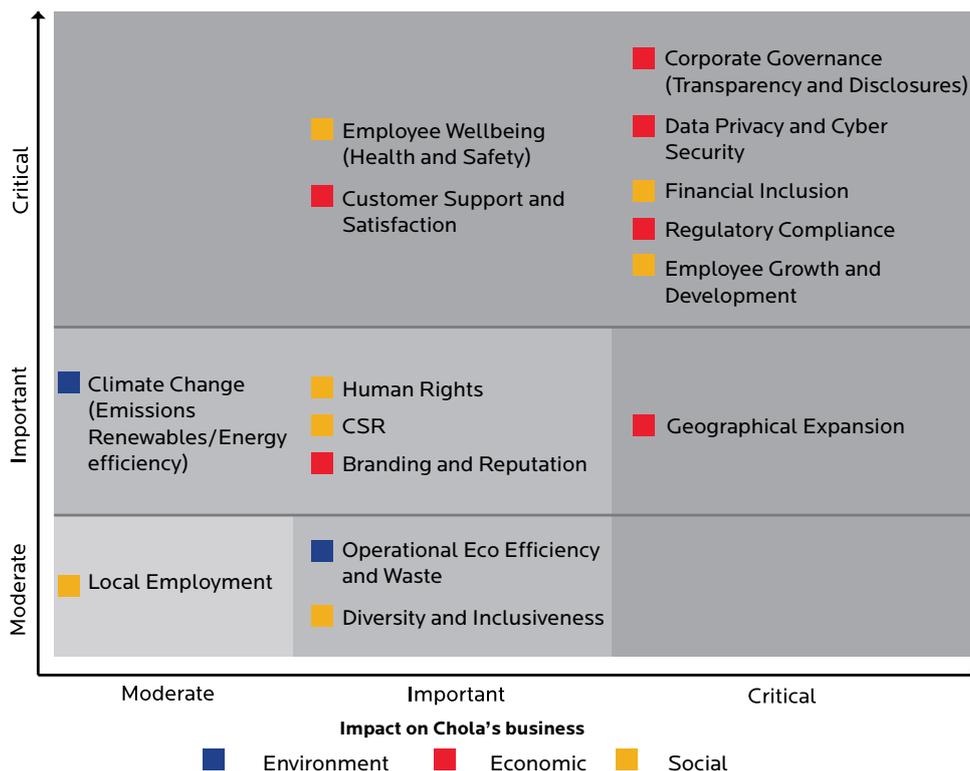
# 01.

## IDENTIFYING MATERIAL ISSUES

We present our sustainability performance taking into account the topics that are most material to creating value for our business and all stakeholders. Material issues are those which have a direct or indirect impact on an organization's ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large. They are determined through a systematic and robust process which involved 3 key components:

- Telephonic, video and survey based engagements with 360+ of Chola's internal and external stakeholders
  - Benchmarking against sectoral trend analysis
  - Reference to external ESG standards which represent multi -sectoral interests
- The chart below depicts the issues that were identified as material for Chola and our stakeholders.

Importance to Chola's Stakeholders



# 02.

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## ESG AT CHOLA

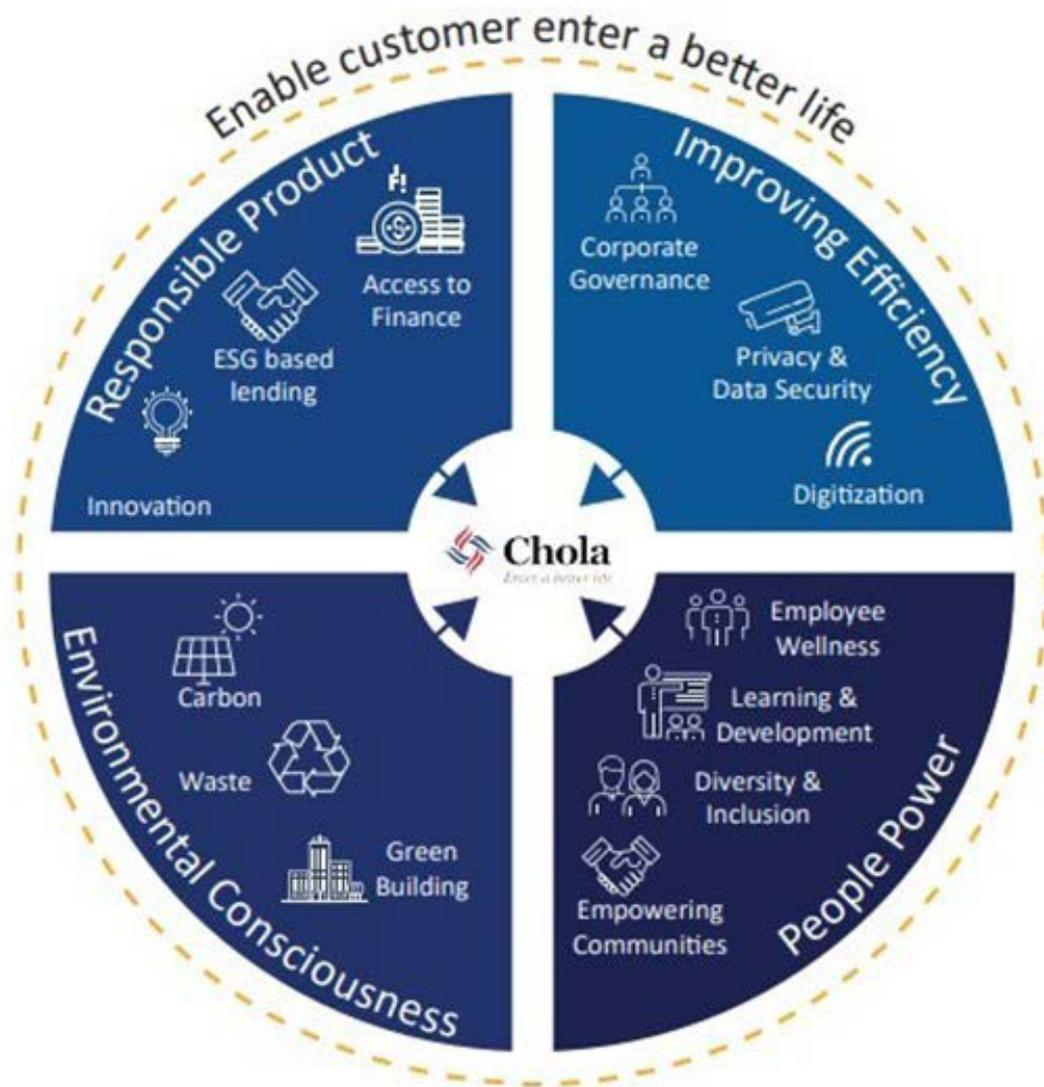
Chola has espoused ESG for several years and continues to embed dimensions of sustainable governance and growth in all aspects of our business. We emphasize the financial inclusion of marginalized groups of people through financial products and services that address their socio – economic realities. Social impact is integral to Chola's business and our customer centric approach enables us to reach millions of Indians seeking financial support to improve their lives, whether through entrepreneurship, and employment or home ownership. Our intent to create positive social impact is further demonstrated through initiatives for employee wellbeing and corporate social responsibility (CSR) programs for the betterment of marginalized communities. Acknowledging that sustainability planning is key to long term operations and

profitable growth, we have initiated several measures to reduce our environmental footprint and have formulated plans to decarbonize in the years to come.

We are committed to enhancing our ESG performance and consciousness of sustainability within the organization. We have articulated our sustainability agenda with an ESG framework along with well-defined focus areas and road map to fulfil our priorities. This framework will guide us to reinforce principles of ESG in all aspects of our business, and focus our efforts on responsible products, improving efficiency, people power and environmental consciousness.

03.

# ESG FRAMEWORK AND STRATEGY



ESG Pillar	Goals	Targets
Improving efficiency	<ul style="list-style-type: none"> <li>Implement best-in class data protection tools and IT governance to ensure 0% data breaches in customer data protection</li> </ul>	<ul style="list-style-type: none"> <li>We will organize periodic information security awareness programs across the organization which will include all types of learning mediums, and the same will be measurable</li> <li>Chola will attain ISMS certification by the year 2025</li> </ul>
Responsible Product	<ul style="list-style-type: none"> <li>Chola will continue to focus on providing credit to transport entrepreneurs, new to credit customers and first time buyers and users</li> <li>Support greener environment through Electric Vehicles (EV's) financing</li> </ul>	<ul style="list-style-type: none"> <li>Continue to have strong focus towards ensuring financial inclusion of various marginalised sections of society by offering loans for the purchase of, new and used, commercial &amp; passenger vehicles, tractors/farm equipment, construction equipment etc. that contribute to the economy and to the social well-being of the borrowers</li> <li>Support the cause of a greener environment through initiating electric vehicle financing and attempting to increase EV loan disbursements by 5% YOY from 2023-2025</li> </ul>
Environmental Consciousness	<ul style="list-style-type: none"> <li>Establish green operational measures across all office branches and raise green awareness among employees and key stakeholders including customers, visitors, CSR recipients etc</li> </ul>	<ul style="list-style-type: none"> <li>Achieve green building status for corporate office by 2023</li> <li>Replacement of all the CFL's to LED's across all the operations of Chola- replace 100% of CFL lighting with LED systems at all Chola operations by 2025</li> <li>Reduce water consumption across Chola operations through efficient water flow solutions</li> </ul>
People Power	<ul style="list-style-type: none"> <li>Enabling Chola's people work force through continuous learning and development programs</li> <li>Dedicated focus on environmental sustainability CSR projects towards contributing global cause</li> </ul>	<ul style="list-style-type: none"> <li>To conduct employee wellness programs on road safety and career development aspects</li> <li>To achieve and sustain Zero accident culture through Chola's road safety awareness initiatives and programs</li> <li>Within 30 days of joining, 100% of new Chola employees will be introduced to our products, policies and governance aspects like lending, data privacy and information security etc</li> <li>Implement digitization solutions for enhanced learning and development purposes.</li> <li>Develop CSR budgets specific to environmental sustainability CSR programs</li> </ul>

In addition, several of our core business practices align with the United Nations Sustainable Development Goals, which comprise an international benchmark to attain a sustainable future.

# 04.

## SUSTAINABILITY GOVERNANCE

We have formulated an ESG governance structure comprising personnel from across the organization to facilitate seamless implementation of the strategy in line with our business objectives, embed sustainability across the organization and to enable accountability for the Company's future ESG performance.

The governance structure comprises 3 tiers for effective implementation and oversight, as depicted in the figure below.



# 05.

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## IMPROVING EFFICIENCY

The pillar of Improving Efficiency encapsulates Chola's emphasis on overall ethical governance of the business. At Chola we believe that sound corporate governance is the cornerstone of sustainable growth and ensure that customers always come first. Guided by the 5 Lights of the Murugappa Group, we have developed a strong governance structure and efficient management system to ensure the highest standards of governance and ethics in doing business and upholding the interests of our stakeholders. We emphasize regulatory compliance and ensure that awareness of its importance is imparted throughout the organization, to employees and associates across all functions.

Our thrust on digitization aligns with the need to address dynamic customer needs and to enhance the efficiencies of our processes to deliver a seamless and superior experience for stakeholders across all aspects of the business. We are one of the first finance companies to transition all processes to a digital platform and work to achieve 'first time right' in all internal and stakeholder engagement processes. We accord the highest importance to protecting the integrity of stakeholders' data, for which we follow high standards for cyber security, including securing stakeholder data and preventing security breaches. We have employed multi-layer protection technologies and have secured 100% of customers' data across 1,000 Chola branches.

# 06.

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## RESPONSIBLE PRODUCT

Chola's commitment to responsible lending and efforts to create a positive impact on the larger ecosystem is evident in the design and delivery of our solutions. Our vision of bettering the lives of Indians in the middle and lower income groups is reflected in 44 % of our customers being first time users and First Time Buyers (FTBs) and 95% of the home loans portfolio comprising entrepreneurs with semi – formal income purchasing their first home. Additionally, to encourage entrepreneurship among women, 58 % of loans are given to businesses owned wholly or partly by women. Chola's Vehicle Finance business offers a highly diversified range of products in multiple rural, semi – urban and urban geographies and to varied customer segments comprising first time buyers. Most of our customers are employed as drivers who aspire to own a vehicle and Chola makes finance available to them to fulfil this aspiration. More than 80% of branches of the Vehicle Finance business are located in rural areas, towns and semi urban areas. Additionally, we have forayed into financing electric vehicles and look ahead to strengthening our presence in this domain.

As a leading Indian NBFC and responsible corporate citizen, Chola adheres to the

International Finance Corporation's guidelines for ESG based lending. We support responsible businesses and abide by restrictions on those that create adverse environmental and social impacts. Chola is also fully compliant with applicable regulations in our areas of operations and ensures that the interests of our stakeholders and the business are protected.

Our commitment to responsible lending has found expression in multiple initiatives. Over 230 Chola branches are located in RBI underbanked districts and most of our network of branches address the financial requirements of underserved Indians in Tier III, IV, V and VI towns and rural areas.

Aligning with our belief that innovation is crucial to staying ahead of the field, we have re-oriented the business model of Loans Against Property towards enhanced customer engagement and value. Keeping our focus on customer centricity during the pandemic, we digitalized business and customer engagement processes. Customers' needs were fulfilled through digital verification of their details; we disbursed loans online and introduced chatbots to address stakeholders' queries.

# 07.

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## ENVIRONMENTAL CONSCIOUSNESS

Chola's strategy for sustainable development guides the Company to fulfil its responsibility towards mitigating the climate crisis and preserving the natural environment. We have incorporated practices in the routine functioning of our business encompassing energy efficiency, waste management and environmental conservation. We are cognizant of the need for safe management of e-waste and have adopted a strong practice to minimize adverse outcomes of the increase in digitization and device usage. We are also conscious of the need to preserve the natural environment and have implemented paper conservation practices within the organization. In our efforts to reduce our carbon footprint,

we have transitioned to energy efficient lighting systems within our offices. We also proactively create awareness of the need for energy efficiency, within the organization and among our external stakeholders, through green awareness communication campaigns.

# 08.

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## PEOPLE POWER

Chola's employees are the bedrock of the Company's success. We adopt high standards and best practices in ensuring their health and wellbeing, professional development, motivation and engagement and to the protection of human rights. Harnessing the benefits of technology and digitization, we enabled work from home during the pandemic and supported optimal productivity. The safety and wellbeing of employees and their families took centre stage and Chola rolled out multiple online initiatives to impart information on safe behaviours and to provide support to cope with the unprecedented pressures of the pandemic. We also continued to ensure professional development through various learning and development programs delivered digitally. Employee engagement activities such as virtual connects with Chola's senior management and recreational activities were also implemented to foster a continued connect with the organization. In keeping with our vision of helping people enter a better life, our CSR initiatives encompass

marginalized communities within our areas of operation as well as in areas in need of development assistance. In the last financial year, we implemented ongoing CSR programs including health services for members of the trucking and transportation industry and scholarships for their children to pursue higher secondary school and college education. Rural development initiatives in water and sanitation, hospital infrastructure, education in the arts, rural sports and other programs received significant attention as Chola expended its total CSR budget for the year.

# 09.

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## SUSTAINABILITY OUTLOOK

Looking ahead, Chola will continue on the path of creating positive socio – economic and environmental impact. The Company will pursue its focus on responsible lending by embedding ESG principles in its portfolio and expanding it to include solutions that address women's' empowerment through entrepreneurship and asset ownership, renewable energy, electric mobility and green housing. Digitization and cyber security will receive strong emphasis, as will occupational health and safety and the professional development of our employees. We are working towards ensuring green building principles are incorporated in the construction of new offices and set up of new branches through energy efficiency, water management and environment friendly initiatives. We look forward to addressing key environmental and social issues as we widen the ambit of CSR programs.



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SUSTAINABILITY REPORT FY 20-21

