



**ENVIRONMENTAL, SOCIAL & GOVERNANCE
(ESG) POLICY FRAMEWORK**

OF

HDB FINANCIAL SERVICES LIMITED
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1. Introduction

Our Company has a strong commitment to positively impact the environment, our customers, employees and the community at large. Our core values have guided our ESG practices, which seek to drive growth and empower communities through our corporate decision-making processes. Our ESG vision and ambitions continue to drive value for all our stakeholders.

As an organization, we aim to align our ESG approach with our strategic goals and the experience, we seek to offer all our stakeholders. ESG is an area of heightened focus and investment for us and has changed our outlook towards our business.

2. Approach & Policy Governance

Climate change is a growing concern and its impact is garnering global attention. The Company recognizes the importance of sustainability and mitigating the negative effects of climate change. It supports environmentally sustainable programmes that seek to bring about positive change.

We have mapped our contribution to the Sustainable Development Goals (SDGs) through the HDB ESG vision and ambitions.

To strengthen our vision and focus on ESG, we have established a Corporate Social Responsibility & ESG (CSR & ESG) Committee which shall be responsible for the Environmental, Social and Governance (ESG) matters arising out of the activities and operations of the Company and to monitor the Company's ESG Framework, strategy, goals and disclosures. The Company's aim is to adopt the principles and guidelines on Social, Environmental, Governance and Economic responsibilities promoted by the regulatory bodies and to embed them in the Company's activities. The Committee shall also monitor adherence to appropriate ESG-related regulatory standards, assess ESG disclosures and performance toward targets and objectives. The Company is committed to:

- Embedding ESG in Company's business strategy and identifying ESG related risks and opportunities that can affect business operations
- Conduct business ethically having value driven approach in decision making
- Demonstrate organizational commitment to stakeholders meeting their requirements and expectations
- Reporting the measurable impacts of business activities on the environment and society
- Ensuring robust compliance management with applicable statutory and regulatory guidelines
- Continual evaluation and adoption of relevant measures to improve upon ESG Maturity

The ESG Policy framework will serve as a guiding document for all ESG initiatives and activities undertaken by the Company. This framework covers the Company's operations in India. The framework will be reviewed and updated every year after ratification and recommendation by the CSR & ESG Committee of the Board.

3. Approach and Focus Areas

3.1 Climate Change Strategy

Energy & Emissions

We endeavour to measure, verify and disclose our GHG (Greenhouse Gas) emissions every year. In our strategy to combat climate change and transitioning to a low carbon economy, we will strive to reduce our carbon footprint by taking on initiatives to monitor and reduce our energy consumption.

Our initiatives will be aimed at:

- a. Adopting renewable energy in our offices and premises, where possible
- b. Incorporating energy efficient building designs, where applicable
- c. Implementing automated energy management solutions to reduce energy consumption, where possible
- d. Retrofitting existing high energy consuming devices and equipment, where possible to maximize performance while consuming less energy
- e. Incorporating energy efficiency at our data centres, by reducing server rack space, using environment friendly batteries in UPS devices and use ozone friendly refrigerants for cooling to the extent possible.
- f. Disclosure of Green Credits generated or procured

The Company will strive to reduce its combined Scope 1 & 2 carbon emissions intensity.

**Scope 1: Direct Emissions Scope 2: Indirect Emissions*

Waste

The Company shall make efforts to minimize generation of waste and dispose any form of waste in the environmentally responsible manner.

The Company is conscious of paper usage in its operations, transactions and customer communications. Our push to go digital across service and product lines will continue to reduce paper consumption, thereby reducing paper waste. Printing and photocopying operations by employees across large offices will also continue to be monitored and regulated in order to reduce wastage of paper. The Company will ensure that E-waste will be disposed-off in an Environment Friendly manner as per E-Waste

Management and Handling Rules. The Company will ensure that no hazardous electronic waste is sent from the Company to the landfill.

The Company will strive to reduce the use of all forms of plastic in its offices, branches as well as in its promotional, marketing and customer outreach events.

3.2 Procurement Practices

The Company recognizes the need to work closely with our vendor's/ service providers to reduce waste, improve efficiency, reduce carbon footprint and engage with them to understand their commitment towards human rights and labour practices. We will thus continue to work towards greater integration of environmental & social considerations in our procurement practices.

The Company will make efforts to procure products/ services which are recycled, environment friendly, energy efficient and locally sourced. The Company will also set clear expectations with vendors and service providers to abide by applicable laws including labour laws, human rights and regulations in their regions of business. They are expected to adhere to laws addressing child, forced or trafficked labour.

3.3 Our Workforce and employment practices

Non-Discrimination & Fair Treatment

Our employees are central to everything we do and satisfaction of our employees is critical to the long term success of the Company. We will provide fair and equal employment and career advancement opportunities to all our employees and there will be no discrimination on the basis of race, caste, colour, age, sex, disability and socio-economic status of the candidate. We ensure a fair recruitment process that helps us identify and hire people with the right values, who are then groomed, encouraged and retained through a combination of financial and non-financial incentives.

Remuneration and career progression

Remuneration and career progression will be solely driven by individual performance, irrespective of employee gender, caste, creed, religion etc. The company will also strive to maintain diversity in its employees to ensure representation across gender, caste, creed, religion, region, physical ability.

Employee Health & Well-being

The Company is committed to continue to take steps to promote a safe and healthy work environment for its employees and will provide guidance on occupational health and safety, appropriate healthcare benefits and medical cover to its employees. All the employees will be mandatorily undergoing health and safety training once in a year.

Employee Ethics & Code of Conduct

The Company has mechanisms to deal with issues related to inhumane treatment including mental or physical coercion or verbal abuse, sexual harassment, sexual abuse and slavery of employees. This is guided by the HDB Code of Conduct, an internal document available to all employees. The Company's Conduct Regulations also define good corporate practices, financial transactions & personal account dealings, professional code of conduct and management action that will continue to promote a culture of good integrity and ethics amongst its employees.

Women Safety

The Company has a Zero Tolerance Policy on Prevention of Sexual Harassment and an Internal Complaints Committee (ICC) that investigates cases of sexual misconduct and investigates them through a fair and transparent process and take action against erring employees. The Company will continue to promote and protect the well-being of all women employees.

Training & Development

The Company recognizes the importance of having a skilled workforce with necessary competencies to deliver on the Company's strategic and operational plans through well-structured training modules to assist in job specific development as well as personal development of the employees. The Company is committed towards providing an environment that is conducive, & offers training and development opportunities to all employees.

3.4 Our Customers

We recognize that maintaining the trust and regard of our customers is important for our success and longevity, in a fiercely competitive market. Through our digital platforms and initiatives, we will provide our customers, the flexibility to access our services over any digital platform of their choice. We recognize that product quality and service delivery is vital for our business growth. The Company seeks to achieve this by regularly reviewing service levels and capturing feedback from customers.

Abiding by its Privacy policy, the Company will continue to treat customers' data with utmost sensitivity and privacy. The Company will also undertake initiatives to combat cybercrime and data theft by means of a comprehensive mechanism of information and data security.

3.5 Community & Society

The Company is committed to building a resilient society, and will continue to invest in the socio-economic development of marginalised and vulnerable groups through CSR programmes. Our community interventions foster effective collaborations between stakeholder groups to achieve desirable outcomes in a responsible and sustained manner.

Our CSR programmes focuses on Promotion of Healthcare & Hygiene, Literacy and Livelihood Enhancement, and Environmental Sustainability, and other areas that are aligned with India's development agenda for nation-building.

3.6 Transparency & Accountability to Stakeholders

By means of the Whistle Blower policy, the Company will continue to empower and encourage various stakeholders including customers, non-governmental organizations, employees of other agencies deployed for the Company's activities, contractors, vendors, suppliers or agencies (or any of their employees) shareholders of the Company and any other person having an association with the Company, to make protected disclosures of aberrations and dealing with it at the earliest through an established mechanism.

Whistle Blower Committee, headed by Head-Internal Audit, receives and addresses these concerns by initiating a thorough enquiry and has all resources at its disposal to conduct any enquiry.

3.7 Good Governance Practices

We are committed to maintaining the highest levels of ethical standards of integrity, corporate governance and regulatory compliance. These parameters form the bedrock of our Corporate Governance Code. We have proactively upheld good governance practices and are constantly striving to enhance our standards. Our Board of Directors is responsible for setting the course for, and evaluating Company's performance with regards to Corporate Governance. The parameters of evaluation include compliance, internal control, risk management, information and cyber security, customer service, social & environmental responsibility.

The Company's corporate governance framework complies with the Companies Act, the regulations and guidelines of the Securities and Exchange Board of India ("SEBI"), RBI Master Directions including RBI Scale based regulations, IRDAI regulations and the requirements of the other applicable laws and regulations.

4. Disclosures & External Standards

We will continue to adopt and adhere to the best recognized corporate governance practices and will continuously benchmark ourselves with best in class ESG practices across the globe.

4.1 ESG Disclosures & Reports

We shall publish an annual Business Responsibility & Sustainability Report (BRSR) to highlight our performance against stated principles of the National Guidelines on Responsible Business Conduct (NGRBC) developed by the Indian Ministry of Corporate Affairs (MCA). We shall participate in S&P Global Corporate Sustainability Assessment (CSA), which is a globally accepted ESG framework/Methodology to evaluate the best practices of the company and try to improve our ESG score over the years. We will also try to benchmark our ESG performance against various other such ESG ratings institutions. We will publish in detail, our corporate governance disclosures in our Annual Report. We will publish through the Integrated Report, our performance and strategy in conjunction with the six capitals laid out by the International Integrated Reporting Council (IIRC)

4.2 Independent Third Party Assurances/Assessment on BRSR Disclosures

We will seek third party assurance/assessment on our BRSR disclosures to demonstrate credibility of our publicly available information.