



Environmental and Social (E&S) Policy

Aditya Birla Capital Limited

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Version Control	
Policy Approval authority	Chief Risk Officer - Aditya Birla Capital Limited (CRO)
Policy Owner	Risk Management
Document Author	Head - Risk
Document Reviewed and Recommended by	Chief Risk Officer - Aditya Birla Capital Limited (CRO)
Version	1.0
Document Date	14 May 2025
Next Review Date	13 May 2026

About ABCL

Aditya Birla Capital Limited (ABCL) is the holding company for the financial services businesses of the Aditya Birla Group. ABCL has been registered as a NBFC- CIC (Non-Banking Finance Company- Core Investment Company) with the RBI (Reserve bank of India) and treated as a regulated entity under the directions given by RBI.

About ABFL

Aditya Birla Finance Limited (ABFL) is a non-banking finance company (NBFC) and a subsidiary of Aditya Birla Capital Limited (ABCL), one of India's most diverse financial services conglomerates. ABFL's customised solutions include personal loans, business loans, check-out financing, loan against property, term loans, working capital loans, loan against securities, project loans and wealth services. ABFL has also built digital lending platforms, allowing an end-to-end online journey for offering personal and business loans to captive customers, extended employee base and MSMEs.

Scope and applicability of the policy

The Environmental and Social (E&S) Policy for ABCL sets forth environmental and social requirements applicable to projects financed through the proceeds from Asian Infrastructure Investment Bank (AIIB)'s facility. It is developed in alignment with AIIB's ES Framework (ESF) 2024 and addresses requirements of local legislation, Good International Industry Practice (GIIP), and Paris Alignment (for climate risk). It represents ABCL's commitment to integrate E&S considerations for all projects to be funded through the proceeds from the facility.

Objectives

The overarching objective of the E&S Policy is to ensure the smooth implementation of the ESMS Framework.

The Environmental and Social Management System (ESMS) aims to ensure effective identification, assessment, management and monitoring of environmental and social risks in compliance with AIIB's requirements. The objectives of the ESMS are as follows:

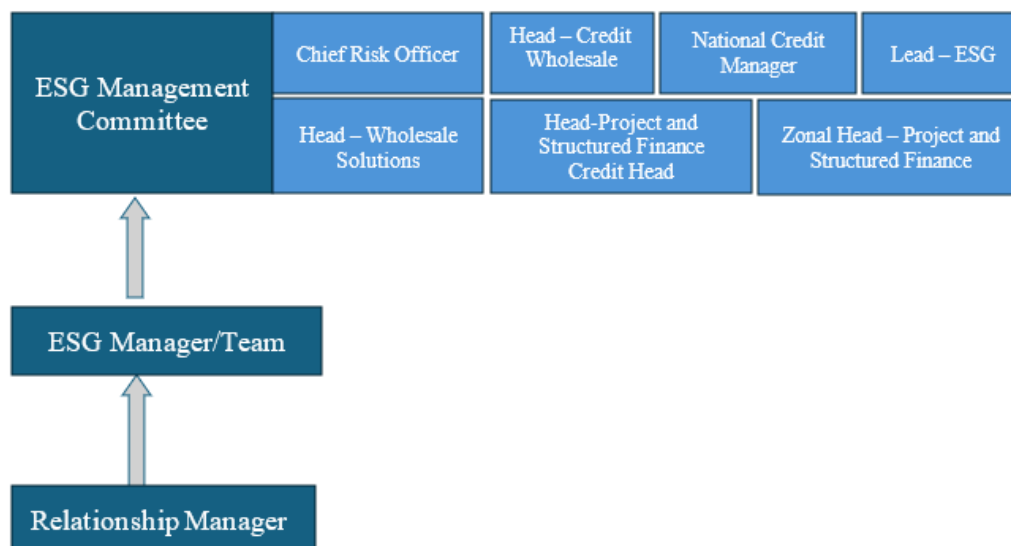
- To address environmental and social risks in projects, ensuring alignment with ABCL's objectives to meet AIIB's ESP requirements as well as national regulations
- To identify actions to mitigate and monitor environmental and social impacts of projects
- To integrate environmental and social considerations into the decision-making process across all stages of the loan cycle
- To provide a robust framework for managing the operational and reputational risks associated with environmental and social impacts of the projects
- To provide a grievance redressal mechanism designed to enable Project-affected people to voice their concerns and grievances in connection with the environmental and social aspects of Projects
- To ensure transparency of information with regards to projects' risks and impacts
- To improve the effectiveness and impact of infrastructure development projects in both the short and long term from an E&S perspective

Governance

The governance of the Environmental and Social Management System (ESMS) is designed to ensure that ESG considerations are integrated into the decision-making processes at all levels of the loan cycle. At its highest level, the ESMS will be overseen by the ESG

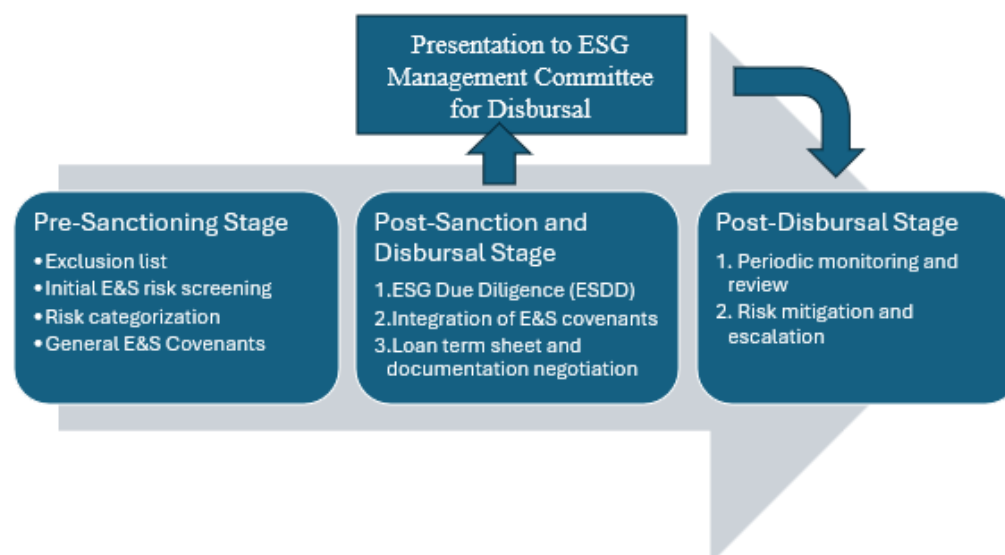
Management Committee, which will be composed of key senior executives who bring diverse perspectives and expertise to the table. The ESG Manager will have overall oversight of the operational aspects of implementing the ESMS.

Governance Structure



ESMS Overview

The ESMS framework covers the entire credit life cycle of a loan. The operational framework lists down the procedures to be complied with in each stage of the lifecycle i.e. Pre-sanctioning stage, Post-Sanction and Disbursal stage and Post-Disbursal stage.



Exclusion List

The Bank will not knowingly finance Projects involving the following:

1. Forced labor or harmful or exploitative forms of child labor

2. The production of, or trade in, any product or activity deemed illegal under national laws or regulations of the Member in whose territory the Project is located, or international conventions and agreements, or subject to international phase out or bans, such as:
 - Production of, or trade in, products containing polychlorinated biphenyl (PCBs)
 - Production of, or trade in, pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase outs or bans (Rotterdam Convention, Stockholm Convention)
 - Production of, or trade in, ozone depleting substances subject to international phase out (Montreal Protocol)
3. Trade in wildlife or production of, or trade in, wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
4. Transboundary movements of waste prohibited under international law (Basel Convention)
5. Production of, or trade in, weapons and munitions, including paramilitary materials
6. Production of, or trade in, alcoholic beverages, excluding beer and wine
7. Production of, or trade in, tobacco
8. Gambling, casinos and equivalent enterprises
9. Production of, trade in, or use of asbestos fibers, whether or not bonded.
10. Activities prohibited by legislation of the Member in whose territory the Project is located or by international conventions relating to the protection of biodiversity resources or cultural resources, such as, Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity.
11. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests
12. Production or trade in wood or other forestry products other than from sustainably managed forests
13. 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.
14. Shipment of oil or other hazardous substances in tankers that do not comply with IMO requirements (IMO, MARPOL, SOLAS and Paris MOU)
15. Thermal coal mining, coal-fired power and heating plants or Projects that are functionally related to coal

Risk Categorization

Projects are categorized based on the identified risks using the risk categorisation framework into one of four levels: Category A, Selected Category B, Category B and Category C depending on the E&S risks identified.

Category	Description
Category A	Projects with significant adverse impacts that are sensitive, diverse, irreversible, or unprecedented; causing impacts broader than project sites - may include offsite, cumulative, and indirect impacts
Selected Category B	Projects with significant adverse impacts that may require extensive mitigation, causing impacts potentially beyond the project site
Category B	Projects with limited adverse impacts that are site-specific, not irreversible, and manageable; causing impacts that are localized to the project site and immediate surroundings
Category C	Projects with minimal or no adverse impacts on environment or social settings; causing negligible impacts on immediate surroundings

Project Monitoring

Category	Monitoring documents*	Frequency of monitoring
Category A and Selected Category B	<ul style="list-style-type: none">• ES Monitoring report• ESDD report (external consultant)• ESIA & ESMP (borrower)• ESAP (jointly with borrower and consultant)• E&S covenants in the sanction letter	Semi-annual
Category B	<ul style="list-style-type: none">• ES Monitoring report• ESDD report• ESIA & ESMP (borrower)• E&S covenants in the sanction letter	Annual
Category C	<ul style="list-style-type: none">• ESDD Report• E&S covenants in the sanction letter	Annual

*Findings and information from the monitoring documents will be shared with AIIB through the Template Loan Appraisal form [Annexure 5].

Review of the Policy

The ESMS will be periodically monitored and reviewed every three years to ensure its continued relevance to ABCL's use of AIIB funds and broader activities by the ESG Team. The E&S Policy is regularly updated to ensure ABCL stays aligned with evolving E&S standards, stakeholder feedback and best practices.