

Muthoot Microfin Limited - Green Finance Framework

Introduction

Muthoot Microfin Limited, a leading microfinance institution committed to serving underserved and low-income communities, recognizes the critical role of microfinance in supporting India's transition towards a sustainable and climate-resilient economy. This **Green Finance Framework** establishes the guidelines and processes for financing projects and initiatives that promote **environmental sustainability**, enhance **climate resilience**, and contribute to **sustainable development goals (SDGs)**.

The framework is aligned with:

- **Green Bond Principles (GBP)** – International Capital Market Association (ICMA)
- **Climate Bonds Initiative (CBI)** Taxonomy
- **International Finance Corporation (IFC)** Performance Standards
- **Sustainable Development Goals (SDGs)**

Objectives

- Mobilize finance for **climate-friendly and environmentally sustainable projects**.
- Improve climate resilience of Muthoot Microfin's borrower communities.
- Enhance access to green capital from impact investors, development finance institutions (DFIs), and ESG-focused funds.
- Strengthen Muthoot Microfin's reputation as a sustainability leader in India's microfinance sector.
- Contribute to India's commitments under the **Paris Agreement** and **national climate action plans (NAPs)**.

Eligible Green Finance Categories

Green financing will be directed towards sectors and activities with clear environmental benefits, including but not limited to:

A. Renewable Energy

- Solar home systems (SHS) for rural households.
- Off-grid and microgrid renewable energy solutions.
- Biogas digesters for cooking and agricultural needs.
- Financing for rooftop solar for small businesses.

B. Energy Efficiency

- Improved biomass cookstoves.
- Financing for energy-efficient appliances for microenterprises.
- LED lighting and smart energy solutions.

C. Sustainable Agriculture & Climate Resilient Livelihoods

- Organic farming and low-carbon agricultural techniques.
- Precision farming tools and climate-smart irrigation (drip irrigation, solar pumps).

- Loans for agroforestry, watershed management, and soil restoration.
 - Loans for eco-friendly input providers (organic fertilizers, pest control).
- D. Climate Resilient Affordable Housing**
- Construction and retrofitting of climate-resilient housing (flood-resistant, thermally efficient).
 - Loans for eco-friendly construction materials (bamboo, compressed earth blocks).
 - Affordable green sanitation solutions (eco-toilets, biogas-linked toilets).
- E. Clean Mobility**
- Financing for electric two-wheelers, three-wheelers, and small e-commercial vehicles.
 - Microloans for bicycles and other low-carbon transport options.
 - Loans for micro-entrepreneurs operating clean transport businesses.
- F. Circular Economy & Waste Management**
- Waste segregation, composting, and recycling businesses.
 - Financing for community-level waste collection infrastructure.
 - Waste-to-energy or biogas projects from organic waste.
- G. Water Conservation & Management**
- Loans for rainwater harvesting, water-efficient irrigation, and micro-dams.
 - Support for small-scale water purification businesses.

Governance Structure

ESG Committee – will oversee implementation of this framework, including:

- Defining eligible projects based on the **CBI Taxonomy** and **national climate goals**.
- Reviewing and approving all green loans.
- Overseeing monitoring, reporting, and impact assessments.
- Approving external verification processes when necessary.
- Internal Capacity Building
 - Green Finance Training Programs for field staff and credit officers.
 - Green Risk Assessment Toolkits to evaluate environmental risks and benefits.

Process for Evaluation and Selection

All eligible green projects and loans will undergo:

A. Screening Process

- Loan applications will be screened using a **Green Project Eligibility Checklist**.
- Environmental and climate risk factors (including climate vulnerability assessments) will be integrated into credit risk evaluations.

B. Exclusion List

MML will **exclude financing for**:

- Fossil fuel-based energy projects.
- Environmentally harmful chemical-intensive agriculture.
- Projects that contribute to deforestation, biodiversity loss, or severe pollution.

Management of Proceeds

All green finance proceeds, including those from **green bonds, ESG-linked loans, or green impact funds**, will be:

- Tracked via a **dedicated green finance register**.
- Segregated to avoid contamination with non-green funds.
- Monitored through MML’s **Core Loan Management System** with special flags for green loans.

Impact Measurement & Reporting

MML will create a **Green Finance Report** based on investor requirement, disclosing:

Category	Key Performance Indicator (KPI)
Renewable Energy	Installed solar capacity (kW) & households reached
Energy Efficiency	Energy saved (kWh) & CO ₂ emissions reduced (tons)
Sustainable Agriculture	Hectares of land under climate-smart agriculture
Climate Resilient Housing	Number of resilient homes financed
Clean Mobility	Number of electric vehicles/bicycles financed
Circular Economy & Waste	Tons of waste processed/recycled
Water Conservation	Liters of water saved/recycled

Verification & Assurance

- MML will engage **independent verifiers** (where applicable) to ensure alignment with global standards.
- Third-party reviews will validate the **green credentials** of the financed portfolio.

Funding Mechanisms

MML may raise green capital through:

- **Green Bonds** issued domestically or internationally.
- **Sustainability-linked loans** with interest rate adjustments tied to green KPIs.
- **Impact funds** focused on climate adaptation and low-carbon development.
- **Blended finance structures** combining concessional capital from DFIs with commercial investment.
- **Green finance partnerships** with renewable energy companies, agritech firms, and clean mobility startups.

Investor Engagement Strategy

MML may actively engage with:

- **Green Bond Investors** – Domestic and global ESG funds.
- **Development Finance Institutions (DFIs)** – Including IFC, ADB, and KfW.
- **Impact Investors** – Seeking double bottom-line returns.
- **Philanthropic Foundations** – For blended finance pilots.

- **Multilateral Agencies** – Leveraging climate finance grants and technical assistance.

Transparency & Communication

- Publish relevant **Green Finance updates** on Muthoot Microfin’s ESG webpage.
- Participation in **ESG investor roadshows** and **climate finance conferences**.
- Provision of **impact case studies** highlighting borrower stories and green outcomes.

Alignment with Global Goals & Frameworks

Framework	Alignment
Green Bond Principles (GBP)	Aligned
Climate Bonds Initiative (CBI)	Partial alignment (targeting certification for green bonds)
Sustainable Development Goals (SDGs)	Direct contribution to SDG 7, 11, 12, 13
Paris Agreement	Supports India’s NDC goals
RBI Sustainable Finance Guidelines (if applicable)	Aligned

Review of Framework

The Board will review this Framework periodically or as required to ensure that it remains consistent with the Board’s objectives and responsibilities.

Amendment of this Framework

The Board of Directors of the Company has the right to amend or modify this Framework from time to time, based on regulatory changes, business requirements, or internal assessments.

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