

AROHAN FINANCIAL SERVICES LIMITED

ESG Report FY24



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A. About the Report

As a responsible corporate entity, Arohan Financial Services Limited (hereinafter mentioned as “Arohan” or the “Company”) recognizes the intrinsic connection between its business operations and environmental sustainability. The company is dedicated to empowering the communities it serves and the regions in which it operates, while actively working to reduce its carbon footprint. By implementing responsible sourcing practices, enhancing energy efficiency, and adopting eco-friendly initiatives, Arohan aims to foster environmental stewardship.

The First Sustainability Report of Arohan provides a comprehensive overview of Arohan’s sustainability journey, showcasing accomplishments and setting ambitious goals for the future. More than just a document, it serves as a narrative for stakeholders—including investors, customers, employees, and the public—offering insight into sustainability initiatives, progress, and challenges. It invites feedback, encourages engagement, and seeks to understand the expectations, concerns, and priorities of its stakeholders.

In a spirit of transparency and dedication, Arohan commits to publishing the Sustainability Report annually. This report not only tracks progress but embodies a culture of continuous improvement and a pledge to a sustainable future. Covering the fiscal year 2023–24 (ending March 31, 2024), it includes all of Arohan’s business operations and services.

B. Scope and boundary of Reporting

This report aims to evaluate the environmental, social, and governance performance of Arohan for the fiscal year (FY) 2023-24. Arohan has engaged with a third-party ESG consultant, CareEdge Analytics and Advisory Pvt. Ltd (hereinafter mentioned as “CareEdge”), for their ESG Integration and Advisory services. The scope and boundary of this report are defined in accordance with the Compliance Standards and the United Nations Sustainable Development Goals (UN SDGs). The report includes data from all business units operating within the country and the data presented reflects activities and performance from 1 April 2023 to March 31, 2024. Where necessary, past trend have been established for last 3 years.

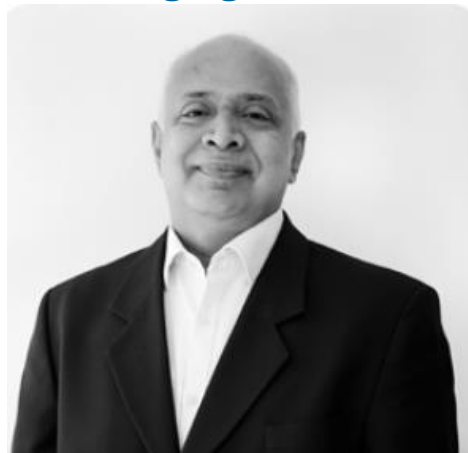
C. Alignment with Reporting Standards

Our report aligns with the United Nations Sustainable Development Goals (UN SDGs), guiding us to integrate environmentally conscious practices into our business operations. Through various targeted ESG programs and initiatives, we aim to transform the lives of underprivileged communities in India by promoting livelihoods and empowering individuals.

Adhering to the highest standards of corporate governance, we ensure that all interactions are conducted with the utmost integrity, maintaining a steadfast commitment to ethical and transparent business practices.

It's important to note that this report may include forward-looking statements based on the management's plans and assumptions, and while these assumptions and projections are appropriate, actual outcomes may differ considerably from these forward-looking statements. We would welcome feedback, questions, or comments on this Report.

D. Managing Director's Message to Stakeholders



Dear Stakeholders,

FY24 represents a defining moment for Arohan Financial Services Limited as we proudly unveil our inaugural ESG report. This milestone reflects our steadfast commitment to aligning with global best practices, meeting regulatory standards, and fulfilling stakeholder expectations. We believe that embedding sustainability in our business will soon become the norm. With this in mind, we have crafted a comprehensive approach anchored on key pillars such as Sustainable Operations, Community Engagement, Human Capital Development, Robust Governance, Client- Focused Solutions, and Sustainable Finance.

In 2024, the Indian microfinance sector has evolved significantly due to digital innovation, regulatory reforms, and an amplified focus on financial inclusion for underserved communities. Our efforts directly support India's financial inclusion goals, meeting the changing demands of our clients who increasingly seek more comprehensive support. Multilateral development banks delivered a record **USD 125 billion**¹ of climate finance in FY2023, and the World Bank Group reached a fresh peak of **USD 42.6 billion**² in FY24, including a sizeable allocation to adaptation and resilience—precisely the investments that harden infrastructure and services in developing economies. The Reserve Bank of India's recent discussions on climate-related financial risks have encouraged financial institutions to integrate ESG and climate considerations into lending practices, an essential step aligned with India's net-zero ambition. As a leading NBFC-MFI operating across under-penetrated states, Arohan is

¹ <https://www.adb.org/news/climate-finance-multilateral-development-banks-hits-record-2023>

² <https://www.worldbank.org/en/news/press-release/2024/09/19/climate-finance-fiscal-year-2024-snapshot>

strengthening ESG orientation and disclosures in line with these signals, so that credit expansion also advances resilience and responsible finance for our borrowers

At Arohan, our approach is holistic. Our national expansion requires a deep understanding of the environmental and societal impacts of our operations and the clients we serve. We are introducing ESG goals and targets as part of this first report, reflecting significant progress. Key initiatives include developing an ESG exclusion list for loan applications, implementing an ESMS policy, conducting ESG Gap Assessments, identifying for identifying material ESG topics, and crafting a forward-looking ESG strategy. Our employees are essential to this journey, and we have made considerable efforts to raise ESG awareness across all locations, building a culture of sustainability.

Our people are our most valuable asset. With a robust human capital framework, we prioritize continuous upskilling and intellectual growth to keep our workforce at the forefront of industry trends and best practices. We are especially proud of our ongoing commitment to women's empowerment. This commitment has earned Arohan recognition among India's Best Workplaces for Women in 2024 and impacted over 8,00,000 lives from CSR Program. We are also honoured to have received the prestigious GOLD standard in Client Protection from the MFR Certification Committee.

Our governance structure is designed to support this ESG strategy and manage associated risks, from defining strategic direction to fostering a culture of sustainability. It enables us to implement sustainable practices strategically while maintaining robust oversight to ensure compliance and impactful contributions in environmental conservation, social responsibility, and ethical governance.

As a trusted financial services provider, we understand the importance of addressing ESG risks and impacts systematically. We are entering the next phase of Arohan's journey, recognizing our responsibility to drive positive change in the Indian microfinance sector.

I warmly welcome you to our inaugural Sustainability Report, a cornerstone of our commitment to sustainability and a journey we are excited to share. Our future growth is grounded in a deep sense of responsibility to our planet, our people, and the communities we serve. We invite you to engage with us, follow our progress, and join us in shaping a sustainable future.

Warm regards,

Mr. Manoj Kumar Nambiar

Managing Director,

Arohan Financial Services Limited

E. About Arohan

Arohan Financial Services Limited is a leading NBFC-MFI, regulated by the Reserve Bank of India, with operations in financially under-penetrated Low-Income States of India. Headquartered in Kolkata. Arohan provides income generating loans and other financial inclusion related products to customers who have limited or no access to financial services. As of March 31, 2024, Arohan serves 19 states and has a gross Loan Portfolio ("GLP") of ₹ 7,112 Cr. Guided by its Social alignment and Governance practices, Arohan provides access to income generation loans for 2.4 million household in the most financially excluded states of India while also empowering both customers, as well as employees.

Arohan is a part of the Aavishkaar Group, global pioneers in taking an entrepreneurship-based approach towards development. The Group is focused on developing the impact ecosystem in the continents of Asia and Africa. Aavishkaar Group manages assets in excess of USD 1 Billion across Equity and Credit, with over 9,000 employees present across India, Bangladesh and Kenya.

(a) Mission and Vision Statement

i. Mission

To empower the under-served households by offering a range of financial services, in a manner sustainable for all stakeholders.

ii. Vision

To impact over 28 million lives by 2028.

To be among the Top 3 MFI players, serving nearly 5 million households and being a preferred place to work for our employees.

(b) Arohan's Business Model

Arohan's core business revolves around providing microcredit services to individuals representing the bottom half of the socio-economic pyramid, employing a joint liability group model. They extend a spectrum of financial and ancillary services tailored to their needs, with loan amounts ranging from ₹ 25,000 to ₹ 1,00,000³, calibrated to foster their socio-economic advancement.

Arohan has a focused Inorganic business model, optimizing its non-qualifying space. From offering Term Loan Services of up to ₹ 25 Cr⁴ to partnering for a Sourcing & Collection relationship with smaller microfinance entities, or through Direct Assignment & Securitizations, and even engaging in microfinance through loans specific to the business enterprise segment operating out of specified markets, this vertical allows the Company sustainable market advantage.

(c) Geographic Presence

Arohan is present in 19 States as on March 31, 2024. The comparative geographic distribution of branches across States as **on March 31, FY24**⁵ is presented below.

Table 1 – Geographic Distribution of Arohan in FY24 and

| FY | State | No. of Branches at the end of FY |
|------|---|----------------------------------|
| FY24 | Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Odisha, Rajasthan, Tamil Nadu, Telangana, Tripura, Uttar Pradesh, Uttarakhand, and West Bengal | 975 |

³ Annual Report FY24 - Pg.14

⁴ Annual Report FY24 - Pg.14

⁵ <https://www.arohan.in/wp-content/themes/arohan/resources/Arohan-Annual-Report-FY-23-24/30/> P. 30

(d) Product Portfolio

i. Core products

Saral Suite of Products: At the heart of Arohan's offerings lies the Saral suite of products, notably its flagship solution, 'Saral'. Tailored specifically for women in low-income communities engaged in trade and services, Saral stands as a cornerstone in Arohan's portfolio. Leveraging the Joint Liability Group (JLG) model, Arohan extends loans primarily to groups comprising three to five women, empowering them economically. The ticket size is usually between ₹25,000 – ₹1,00,000 with loan tenor between 24 – 30 months.

Micro Enterprise Loans: Micro Enterprise Loan programme aims to address the vital working capital needs of micro enterprises, tailored to suit each customer's specific business requirements. The ticket size is usually between ₹50,000 – ₹5,00,000 with loan tenor between 18–30 months

ii. MFI Alliances Business

Arohan has been a forerunner in the industry to have a focused Inorganic business model, optimizing its non-qualifying space. From offering Term Loan Services of up to ₹25 Cr. to partnering for a Sourcing & Collection relationship with smaller microfinance entities, or through Direct Assignment & Securitizations, and even engaging in microfinance through loans specific to the business enterprise segment operating out of specified markets, this vertical allows the Company sustainable market advantage. Tenor: 12-36 months.

iii. Differentiator Services

Arohan Privilege Digital Lending products: Arohan Privilege is Arohan's first-in-the-industry Digital Lending offering for Microfinance Customers. They can now apply for instantaneous loans through Arohan's proprietary 'Apna Arohan' app from the comfort of their homes. The loan ticket size is approx. ₹5,000 - ₹75,000 and the approx. tenor is 5-30 months.

iv. Other Products

Hospicash: ₹1,000/ ₹1,500 per day for normal hospitalization up to 30 days and ₹2,000/ ₹3,000 per day for ICU hospitalization up to 20 days in a year. Riders include Personal Accident benefit of up to ₹2,00,000 for permanent full and permanent partial disability Convalescence benefit of ₹2,000 / ₹3,000. Tenor: 12/24 months.

Suraksha Kavach (Mediclaim): Sum Insured up to ₹50,000, Daily benefit ₹500 per day with a max. limit up to 10 days per year for hospitalization with maximum limit up to 10 days in a year for Borrower & Co-Borrower (floater). Personal accident benefits up to ₹1 lakh. Tenor: 24 months

Term Life Insurance: As per RBI and IRDAI regulations typically limit the sum assured for microinsurance policies, which may include term life insurance. Coverage is equal to loan amount disbursed to customer. Tenor: Loan Term + 2 Months.

Personal Accident Insurance: Having Sum insured of ₹ 1,00,000 - ₹ 2,00,000 and tenor of 24 months.

Shopkeeper Insurance: Sum Insured: (Stock - ₹1,25,000 / ₹1,50,000; Content - ₹1,25,000; Burglary - ₹2,50,000 / ₹2,75,000). Tenor: up to 24 months.

Dwelling insurance: up to ₹25,000 depending on extend of damage caused to the house. Tenor 24 months.

(e) Investors

Arohan's promoter is Aavishkaar Group Apart from that, Aavishkaar Goodwell India Microfinance Development Company II Ltd. , Tano Capital (through TIPEF-I and TIPEF-II funds), Maj Invest Financial Inclusion Fund II K/S fund, The Michael & Susan Dell Foundation, TR Capital, Teachers Insurance and Annuity Association of America, the Dutch entrepreneurial development bank (FMO), Investment Fund for Developing Countries (IFU)⁶ are the institutional investors.

i. Key Performance Highlights

Key Performance highlight for Arohan as on March 31, 2024 is given in **Table 2**.

Table 2 Key Performance Highlight for Arohan

| Metric (as on 31 Mar 2024) | Performance |
|--|--|
| Revenue (Total income) | ₹ 1,635 Cr. |
| Profit after tax (PAT) | ₹ 314 Cr. |
| Assets under management / Gross loan portfolio | ₹ 7,112 Cr. |
| Number of branches | 975 |
| Customers served | 24 lakhs + |
| ISO/IEC 27001:2013 (BSI) ⁷ | Present |
| Great Place to Work® Certification | Top 25 in BFSI sector & Best in Micro-finance Sector |
| On-field employees (%) | 93% |
| Women in leadership (%) | 21% |
| First-time-loan customers (%) | 24.64% |
| Women customers (%) | 99% |
| Grading & Rating | Gold CPP, COCA C1, CARE MFI 1 |
| Lives impacted via CSR in FY24 | 8 lakh+ |
| Clean-energy products distributed (units) | 2,34,753 |

⁶ At the time of publishing this report, Investment Fund for Developing Countries (IFU) name has been changed to Impact Fund Denmark

⁷ Annual Report FY24 - Pg17

ii. Gradings and Certifications

- Assigned the prestigious GOLD Standard in Client Protection Principle under the Cerise + SPTF Methodology by the MFR Certification Committee
- Corporate Agent (Composite) License by Insurance Regulatory and Development Authority of India
- CARE MFI 1 Grading, highest on an 8-point scale.
- COCA Assessment score of C1 (top grade) indicating “Excellent Performance on COCA Dimensions”
- Credit Rating A (Stable)
- Arohan’s Information Security Management Systems is certified with ISO/IEC 27001:2013 by BSI
- Arohan’s Internal Audit practices are certified with ISO 9001:2015

iii. Awards and Recognitions

- Asset Triple A, 2023 for the “Best Payment and Collections Solution, India” in association with IDFC First Company for their digital payment solution for Arohan
- SKOCH Order of Merit Awards for Innovation in Lending (Arohan Privilege)
- SKOCH Order of Merit Awards for Solution in Lending (Nirnay)
- SKOCH Order of Merit Awards for Solution in Financial Inclusion Programme (Apna Arohan Customer App)
- Great Place to Work-Certified™ for the 4th time. Ranked 35th among India’s Top 100 Best Companies to Work for, Best Workplaces™ in BFSI 2024: Top 25, and the Best in the Microfinance Industry, by the Great Place To Work® Institute.

F. Stakeholder Engagement and Materiality Assessment

(a) Stakeholder Engagement

Stakeholders are integral to a company's value creation process. Engaging with various stakeholders—clients, employees, investors, regulators, and local communities—ensures a holistic approach to integrating Environmental, Social, and Governance (ESG) principles. Active collaboration helps foster a comprehensive perspective, enabling effective ESG integration across operations.

Arohan prioritizes ongoing engagement with its diverse stakeholders to understand their expectations, preferences, and concerns. This continuous dialogue forms the foundation for shaping strategic decisions, refining products and services, and steering corporate social responsibility initiatives.

The Company approaches stakeholder engagement dynamically, utilizing both formal and informal communication channels. To address grievances and resolve issues, Arohan has constituted a Stakeholders Relationship Committee. This aligns with Section 178 of the Companies Act, 2013. As of March 31, 2024, the committee includes one Non-Executive Independent Director, the Managing Director, and one Promoter Nominee Director. The Company Secretary serves as the Committee Secretary, and other directors are invited as needed.

The Stakeholders Relationship Committee met on February 13, 2024 and reported no investor grievances as of March 31, 2024. This reflects Arohan's commitment to maintaining a transparent and effective grievance resolution mechanism.

Table 3 – Stakeholder Consultation methods at Arohan

| # | Stakeholder Group | Whether Vulnerable & Marginalized Group | Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other | Frequency of engagement (please specify) | Purpose and scope of engagement including key topics and concerns raised during such engagement |
|---|-------------------|---|--|---|---|
| 1 | Customer | No | <ul style="list-style-type: none"> - Email - Letters - Website - Social Media - Direct interaction - Over Phone - Newspaper - Mobile Application | Ongoing basis. Based on customer needs/regulatory requirements/ educating customers | Engaging customer throughout entire period of loan products/ savings product. |
| 2 | Employees | No | <ul style="list-style-type: none"> - Email - Training - Circulars | Ongoing basis | Most of these engagements cover areas such as Training and development, Addressing any work-related communication, updates on regulatory changes/introduction of new regulations, compliance communication. |

| # | Stakeholder Group | Whether Vulnerable & Marginalized Group | Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other | Frequency of engagement (please specify) | Purpose and scope of engagement including key topics and concerns raised during such engagement |
|---|-------------------------|---|---|--|---|
| | | | <ul style="list-style-type: none"> - Internal Portal - MD's Town hall meeting - Staff meetings - Mobile Application | | |
| 3 | Investors/ Shareholders | No | <ul style="list-style-type: none"> - Annual General Meeting - Investor presentation - Email - Letters - Financial Results - Stock exchange filing - Press release - Website | Need basis | To keep investors/shareholders updated about the Company's business activities and performance. |

| # | Stakeholder Group | Whether Vulnerable & Marginalized Group | Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other | Frequency of engagement (please specify) | Purpose and scope of engagement including key topics and concerns raised during such engagement |
|---|----------------------|--|---|--|--|
| 4 | Regulators | No | <ul style="list-style-type: none"> - Letters - Email - Regulator platforms - Stock Exchange filing - RBI Returns | Ongoing basis | Compliance related communication and engagement for policy consultation and participation in larger economic objectives by participating in various Government initiatives and programs. |
| 5 | Communities | Yes- certain communities living in rural areas, farmer community and low income group individuals are recognized as vulnerable & marginalised stakeholder. | <ul style="list-style-type: none"> - Emails - Letters - Direct Interaction | Ongoing basis | Through CSR reaching out to socially and economically disadvantaged people. |
| 6 | Value chain partners | No | <ul style="list-style-type: none"> - Emails and Letters | Need basis | Maintaining our relationships with vendors, addressing any work related communication, updates on regulatory changes/introduction of new regulations, compliance communication |

(b) ESG Assessment & Gap Analysis

Arohan has undertaken a comprehensive ESG Assessment and Gap Analysis through CareEdge Advisory to identify areas for improvement and align its practices with leading local and global standards. Some of the key findings are as below:

Table 4 – ESG Assessment and Gap Analysis of Arohan vis-à-vis its Peers

| |
|--|
| <p>Environment:</p> <p>Arohan has implemented green financing initiatives such as trading in carbon through its Clean Energy Programme, which helps provide clean energy credit loans to its customers and reduces carbon footprint. These green financing efforts have positively influenced the company's environmental performance.</p> |
| <p>Social:</p> <p>On the performance front, Arohan has implemented initiatives towards promoting product inclusion by having a high coverage in rural areas (73%), women (99%) as well as offering a diverse range of digital lending services. In terms of policies, the company has mechanisms in place for consumer and employee grievance redressal as well as a robust diversity policy. The company has ensured adequate loan recovery obligations through its Fair Practices Code. Arohan complies with ISO 27001 data security standards as well.</p> |
| <p>Governance:</p> <p>In terms of performance, Arohan exhibits a good board independence in its committees and has aligned its operations with the UN SDGs, reflecting a commitment to sustainable business practices. Notably, the roles of Chairman and MD have been separated.</p> |

(c) Materiality Assessment

Arohan regards materiality assessment as an essential tool for shaping value and steering both short- and long-term decision making. CareEdge Advisory has led the exercise, surveying 55 internal and external stakeholders who rated the importance of each ESG topic. Their responses were plotted into a materiality matrix that highlights the issues most critical to Arohan's performance, reputation and stakeholder expectations, giving clear direction for its ESG strategy and roadmap.

i. Material Topics Identified

24 relevant topics were identified, and each was well described to better understand Arohan's stakeholders.

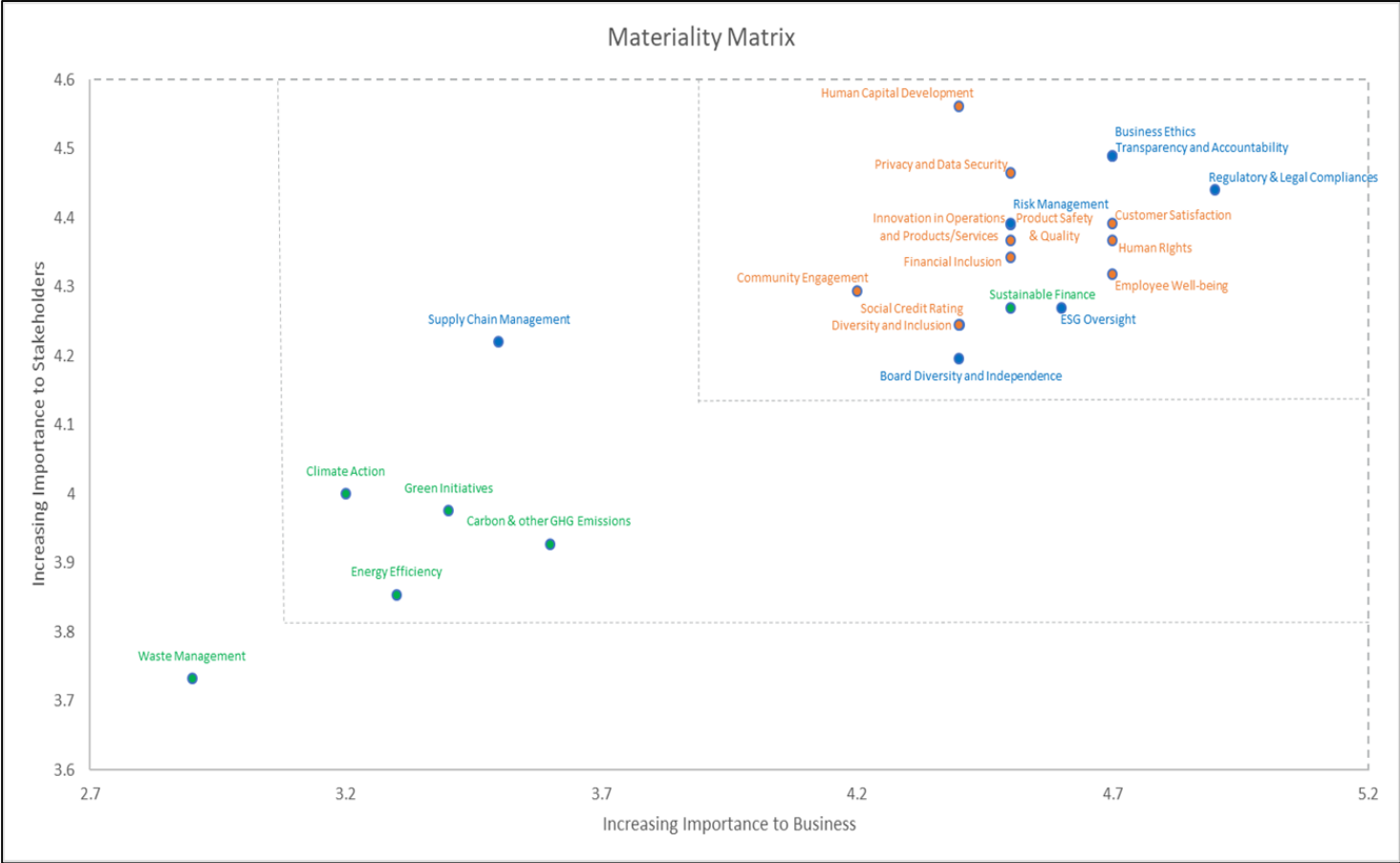
Table 5 – Relevant Topics Selected for Arohan

| | |
|--------------------|--|
| Environment | Carbon & other GHG Emissions |
| | Energy Efficiency |
| | Sustainable Finance |
| | Green Initiatives |
| | Climate Action |
| | Waste Management |
| Social | Human Capital Development |
| | Diversity and Inclusion |
| | Privacy and Data Security |
| | Product Safety & Quality |
| | Human Rights |
| | Employee Well-being |
| | Customer Satisfaction |
| | Community Engagement |
| | Supply Chain Management |
| | Financial Inclusion |
| | Social Credit Rating |
| Governance | Board Diversity and Independence |
| | ESG Oversight |
| | Business Ethics |
| | Regulatory & Legal Compliances |
| | Risk Management |
| | Transparency and Accountability |
| | Innovation in Operations and Products/Services |

ii. *Materiality analysis – based on all responses received from Arohan’s stakeholders*

Figure 1 presents the materiality matrix of Arohan.

Figure 1 Materiality Matrix for Arohan



iii. *Ranking of Material Topics based on Stakeholders' Responses*

Table 6 - Material Topics for Arohan

| Very High Priority | High Priority | Moderate Priority |
|---|---|-------------------|
| Regulatory & Legal Compliances Human Rights Employee Well-being Customer Satisfaction Business Ethics Transparency and Accountability ESG Oversight Sustainable Finance Privacy and Data Security Product Safety & Quality Financial Inclusion Risk Management Innovation in Operations and Products/Services Human Capital Development Diversity and Inclusion Social Credit Rating Board Diversity and Independence Community Engagement | Carbon & other GHG Emissions Supply Chain Management Green Initiatives Energy Efficiency Climate Action | Waste Management |

Note: The scoring for each topic is based on the increasing importance to Arohan's stakeholders & management

G. ESG Strategy

Arohan's sustainability strategy outlines a clear path forward, aligning operational practices with evolving ESG trends, regulatory requirements, and stakeholder expectations. By embedding sustainable companying practices, the company enhances financial system resilience, addresses environmental, social and governance challenges, and contributes to the transition toward a sustainable and inclusive economy.

(a) Objective & Methodology

The objective of the ESG Strategy and Roadmap document is to set out clear Environmental (E), Social (S) and Governance (G) strategy pertinent to Arohan and break them into actionable roadmap with near-term, i.e., till mid 2027; and long term till 2032; targets to achieve Arohan's sustainable development ambitions. These targets have been aligned with the UN Sustainable Development Goals (SDGs).

By embracing sustainable development and going beyond minimum information disclosure requirements and regulatory compliance – Arohan aims to deliver value to its employees, customers, clients, partners, shareholders, investors and society.

Arohan analyzed **24 relevant topics** selected from best practice standards like GRI & SASB and in discussion with Arohan. An online survey tool was built to capture feedback from all relevant stakeholders. For the survey, a scale of 1-5 was adopted, where 1 represented less significant and 5 represented most significant. A diverse set of internal and external stakeholders were engaged in this process- 80% internal employees and 20% external stakeholders.

(b) Environmental Strategy

Table 7 – Arohan’s Environmental’ Strategy Development Objective





| | |
|---|--|
| Objective for developing the strategy: | (a) to introduce environmental-friendly green loans (b) measure Scope 1, 2 and 3 GHG emissions (c) achieve carbon neutrality. The progress toward individual targets should be reviewed by the Board or ESG committee. Based on periodic assessments, the targets may be adjusted for continued alignment with sustainability goals. |
| UN SDGs covered: |     |

Table 8- Arohan’s Environmental Strategy and Roadmaps

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|---------------------------------|--|--|---|
| | | Near-Term | Long-term |
| Green Finance Initiative | <p>716 loans were disbursed for Electric induction cooktops.</p> <p>Number of Clean Energy Product Distribution (Including Retail Distribution): 2.34 Lakh units as on March 31, 2024 (Source: Arohan Annual Report. P. 18)</p> | (a) Look into the feasibility of introducing new environmentally friendly product lines such as green inverters, solar PV, solar home lighting systems to existing customer bases. | <p>(a) Increasing reach of existing & proven green products and initiatives, e.g. (i) small EV loans, (ii) resilient housing loans, (iii) training provided to women borrowers.</p> <p>(b) Development & deployment of geography-based green products and initiatives, introduction of climate insurance products in their non-credit insurance product bucket.</p> |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|---|---|--|---|
| | | Near-Term | Long-term |
| Energy Consumption | <p><u>Energy consumed</u>- 64,650.11 kWh.</p> <p>Renewable energy consumption not disclosed</p> | <p>(a) Establish an energy baseline by tracking and reporting energy consumption from both renewable and non-renewable sources across HO, offices and major branches by FY26.</p> | <p>(a) Initiate the shift to renewable energy by installing rooftop solar systems / entering Renewable Energy PPAs at the top 10 revenue-generating branches by FY27. For the Head Office (shared premises), evaluate alternatives such as green power procurement from the utility</p> <p>(b) Continuously monitor the renewable / non-renewable energy mix, maintaining detailed records.</p> <p>(c) Scale up energy efficiency criteria across HO, ZO, and large branches to reduce overall energy consumption.</p> <p>(d) Progressively increase the share of renewable energy upto 5% by FY30, supported by regular monitoring of office energy use and encouraging responsible practices (e.g., ensuring lights and equipment are switched off when not in use)</p> |
| GHG emission (Scope 1, 2 & 3) measurement & monitoring | <p><u>Arohan's GHG emissions for FY24:</u></p> <ul style="list-style-type: none"> Scope 1 emissions- 0.51 MT CO₂e Scope 2 emission- 46.22 MT | <p>(a) Establish a stable baseline for Scope 1 (incl. direct emission, e.g. Fuel consumption from Diesel & Petrol in owned vehicles) and Scope 2 (purchased electricity) emissions from HO and across all large regional</p> | <p>(a) Start tracking and report Y-o-Y GHG emissions trends, highlighting any reductions achieved</p> <p>(b) Expand Scope 3 coverage includes additional relevant categories as data availability and systems mature from</p> |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|---|---|---|---|
| | | Near-Term | Long-term |
| | <p>CO₂e</p> <p>Arohan trades in carbon through its Clean Energy Programme helps provide clean energy credit loans to its customers and reduces carbon footprint.</p> | <p>/ zonal offices and branches. Report same in Arohan's Annual Sustainability Report.</p> <p>(b) Increase scope of Scope 1 (Direct emission) and Scope 2 (electrical energy) reporting to HO, rented officed and branches from FY26 onward.</p> | <p>FY28 onwards.</p> <p>(c) Commit to measurable emission reduction targets over time, aligned with India's Net Zero target by 2070 or set by major investor.</p> |
| <p>Sustainable Finance</p> <p>Inclusion of ESG Factors in credit risk management framework</p> | <p>At present, Arohan has an ESMS developed in 2021. The ESMS constitutes an ESG Policy and Procedure (Tools). Arohan follows an exclusion list which is a part of the ESMS policy.</p> | <p>(a) Instead of just negative screening (alcohol, gambling etc.), Arohan can adopt a positive screening by actively lending high-impact ESG themes like renewables, small EVs</p> <p>(b) Start application of modified Tools.</p> <p>(c) Additionally, Arohan can engage with existing borrowers to help them enhance their ESG performance. By collaborating, they can identify ESG risks and opportunities.</p> | <p>(a) As part of its risk management / business continuity planning, Arohan should assess the vulnerability of its properties, buildings and human resources to climate risk management process. Please see 'Climate Risk Management' in the Governance section.</p> |

(c) Social Strategy

Table 9 – Arohan’s Social Strategy Development Objective


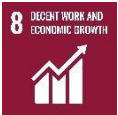



| | |
|---|--|
| Objective for developing the strategy: | (a) to ensure zero data breaches at all times, (b) to ensure balanced gender diversity ratio across all section of the management spectrum, (c) ensure development of products and CSR projects to meet the needs of the community, (d) to maintain a responsive grievance management system, and; (e) conduct periodic customer satisfaction surveys to enhance the quality of product and/or service offerings over time. |
| UN SDGs covered: |      |

Table 10 – Arohan’s Social Strategy

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|----------------------------------|---|---|--|
| | | Near-Term | Long-Term |
| Data Security and Privacy | <ul style="list-style-type: none"> Arohan’s deployment and practice of Business Continuity Plan (BCP) was led and anchored by the Risk & IT Security unit, which was also audited by the Reserve Bank of India (RBI) and was found to be satisfactory. Information Technology Strategy committee is present as per RBI Master Directions. The Committee carries out review and amends the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements | <p>(a) Develop a rapid detection and response protocol for reporting any material data breach incidents within 72 hr. (under draft DPDP Rules 2025)</p> <p>(b) Arohan should conduct third-party data security audits by mid- FY26.</p> <p>(c) Arohan’s BCP should include mechanisms for managing consent withdrawals, data corrections, and</p> | Long term IT security strategy will be developed after discussion with top management. |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|--|--|---|---|
| | | Near-Term | Long-Term |
| | <p>and any other matter related to IT Governance.</p> <p><u>Arohan's Information Security Management Systems is certified with ISO/IEC 27001:2013 by BSI.</u></p> | <p>deletions under draft DPD Rules sec. 3–4, 7, and 13 by FY26.</p> <p>(d) Arohan should consider obtaining Cyber security Insurance from a reputed third-party insurance company to comply with Digital Data Protection Rules, 2025.</p> | |
| Human Capital Development / Employee Well-being | <ul style="list-style-type: none"> Arohan has adopted a three-pronged approach for its compensation structure to cater to the unique needs of the different groups of employees: <ul style="list-style-type: none"> For entry-level employees, the approach focuses on ensuring more 'cash in hand' to meet their day-to-day expenditures, encouraging performance-linked incentive schemes For middle management level employees, the focus is on balancing the aspects of long-term Retirement benefits and cash-in-hand to meet their immediate requirements For senior leaders, the focus is on value creation through ESOP and other tax-saving benefit schemes and variable pay, where the payout | <p>(a) Reduce the employee attrition rate to 38.5% (considering by identifying (i) pockets, (ii) roles, and (iii) gender, involve higher attrition by FY26.</p> <p>(b) Arohan should conduct role-based training of employees, to make them future ready.</p> <p>(c) Track person hours spent in training per FY (preferably gender disaggregated)</p> <p>(d) Build a future-ready workforce through structured, role-based training programs and continuous skill development (minimum 50% employees).</p> | <p>(a) Reduce the employee attrition rate to 38% by FY30 and 37% by FY32.</p> <p>(b) Promote inclusive career growth, with year-on-year tracking of promotions and training hours, disaggregated by gender and set suitable target post analyzing the trend</p> |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|---------------------------|--|--|---|
| | | Near-Term | Long-Term |
| | <p>is dependent on the Company's profit.</p> <p><u>Employee attrition rate on March 31, 2024 is approx. 38.96%. In contrast it was approx. 34.67% in FY23.</u></p> | | |
| Employee Diversity | <ul style="list-style-type: none"> Arohan is actively dedicated to fostering gender diversity within its field workforce, undertaking a diversity charter with clear annual targets for gender representation over the next three years. Specific roles across departments are earmarked for female candidates, reflecting the Company's commitment to equality. Arohan also supports employees seeking to re-enter the workforce after a sabbatical, offering tailored programs to facilitate their career resurgence. By tapping into industry-specific talent pools, Arohan ensures high-quality hires, valuing the diverse perspectives and expertise each candidate brings. Diversity Council actively spearheads initiatives to introduce women-friendly policies and processes, with the overarching goal of attracting and retaining a growing number of female | <ul style="list-style-type: none"> (a) Formalize a Diversity & Inclusion (D&I) Policy to guide equitable hiring, promotion, and workplace practices. (b) Set and disclose short-term gender diversity targets in Arohan's FY26 Annual Report / Sustainability Report. (c) Track nos. of women promoted on Y-o-Y basis by end of FY25. (d) Identify roles, where gender neutral job descriptions could be presented. Identify these roles along with prospective team leaders by the end of FY26. (e) Track and report the number of women advancing from junior to middle, and middle to senior | <ul style="list-style-type: none"> (a) Increase women's representation in managerial roles to a minimum of 22% by FY32 across the organization, supported by internal tracking and development initiatives. (b) Check the effectiveness of the strategies mentioned in the near-term from time to time. |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|--------------------------------------|---|--|---|
| | | Near-Term | Long-Term |
| | <p>talents. To ensure the complete safety of women during their travel, all female employees at Arohan are eligible to claim a minimum of one notch-up travel reimbursement.</p> <ul style="list-style-type: none"> Arohan's women employees, who may need to work late in the office, are eligible for cab service arranged by the Company, to drop them off at their home locations. <p><u>By the end of FY23, Arohan's workforce diversity stands at 13.7%.</u> In contrast in FY19 the figure stood at around 4.9%.</p> | <p>management annually in sustainability Report FY26.</p> <p>(f) Launch a mentorship program for high-potential women employees to support leadership. development from FY26 onwards. Women leader (VP onwards) could share their journey and provide insight.</p> | |
| Grievance Redressal Mechanism | <p>Powered by a cloud-based Customer Relationship Management (CRM) system, Arohan efficiently routes and resolves queries within defined timelines, bolstering customer satisfaction. As the custodian of Arohan's Customer Grievance Redressal mechanism, the function operates in strict adherence to guidelines set forth by the Micro Finance Industry Network (MFIN), the Self-Regulatory Organization, and the Reserve Bank of</p> | <p>(a) Disclose nos. of grievances resolved in a FY and nos. of grievances pending</p> <p>(b) Disclose nos. of grievances exceeding pre-defined TAT in FY</p> <p>(c) Nos. of grievances reported to RBI Ombudsman in FY.</p> | <p>(a) Endeavour to have zero grievances escalated to RBI's Ombudsman mechanism</p> |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|--|--|---|---|
| | | Near-Term | Long-Term |
| | <p>India.</p> <p>Arohan has enhanced its Customer Grievance Redressal Mechanism by implementing a Directly Responsible Individual (DRI) assigned to each grievance received. This strategic initiative has significantly reduced the <u>average Turn Around Time (TAT) from 15 working days in FY 2023 to just 6 working days in FY 2024</u>, ensuring prompt resolution of customer concerns.</p> <p>Arohan has introduced Escalation levels 1 and 2 to further expedite the resolution process. In cases where a complaint is not resolved by the designated DRI within the stipulated timeframe, it is automatically escalated for priority resolution, ensuring that no customer grievance goes unresolved.</p> | | |
| Customer Satisfaction (Customer Protection, Fair | Arohan maintains the highest-rated C1 grading for the sixth consecutive year. The top-notch grading has been awarded to Arohan by CARE Advisory Research | (a) Calculate Net Promoter Score (NPS) scores and Sentiment analysis as a part of Inbound and Outbound Survey from FY26 | (a) Long-term decisions on survey frequency, product offerings, and customer engagement initiatives will be guided by top |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|--|--|---|-------------|
| | | Near-Term | Long-Term |
| Practices, Mis-selling, Transparency in Communication) | <p>and Training Limited (CareEdge Advisory). The score of 95% have been earned on indicators concerning Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal, and Data Sharing.</p> <p>The loan origination process is facilitated through 'Mera Arohan & Apna Arohan App,' which enables real-time credit bureau checks for customer indebtedness, provides automatic guidance on maximum loan amounts, and allows for the upload of customer KYC documents. The App 'Mera Arohan & Apna Arohan' also conducts Group Recognition Tests, a crucial step before onboarding.</p> <p>Arohan has a fair practices code in place as per latest RBI guidelines, MFIN (Microfinance Institutions Network), Sa-Dhan and Smart Campaign's global standards of Customer Protection Principles.</p> <p>The integrated WhatsApp Chatbot</p> | <p>onward.</p> <p>(b) Identify pockets where (i) average NPS customer rating / sentiment may have dipped (ii) products offtake may have dipped or (iii) loan repayment ratio may have dipped in recent past and investigate possible reasons.</p> <p>(c) Frequency of customer survey / technique of customer survey may be increased in these pockets.</p> | management. |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|----------|---|----------------------|-----------|
| | | Near-Term | Long-Term |
| | <p>service enables efficient handling of multiple customer queries simultaneously, significantly improving response times and overall customer satisfaction. Arohan's products and processes are transparent to its clients such that the information communicated to them is clear, sufficient and timely in a manner and language clients can understand so that clients can make informed decisions.</p> <p>Outbound Customer Surveys (Customer Insights). Arohan conducts structured, proactive outreach using outbound calls to gather feedback. In FY 2023–24, they detailed quarter-wise outbound call volumes:</p> <ul style="list-style-type: none"> • Q1: 45,240 calls • Q2: 51,818 calls • Q3: 75,835 calls • Q4: 82,374 calls <p>Inbound Feedback Channels The Annual Report also covers customer interactions via inbound channels:</p> <ul style="list-style-type: none"> • Q1: 12,599 received • Q2: 16,657 received | | |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|------------------------------|---|---|---|
| | | Near-Term | Long-Term |
| | <ul style="list-style-type: none"> Q3: 15,098 received Q4: 19,507 received <p>(Source. Arohan Annual Report FY24. Pg. 42-43)</p> <p><u>384 complaints have been received in FY24 (16 pending) for non-observance of the Fair Practices code, which increased 10.66% over the last year.</u></p> <p><u>Arohan received 202 staff behavior-related complaints in FY24, which increased 100% over FY23. However, 100% complaints have been closed satisfactorily through Arohan's Grievance Mechanism. (Source: Arohan Annual Report. Pg. 194)</u></p> | | |
| Employee Satisfaction | <p>Arohan recorded the highest ever <u>employee satisfaction score of 92</u> in the Great Place to Work® Trust Index® Employee Survey, ranking 35th in the Top 100 companies' list in India, among the Top 25 in the BFSI sector and the coveted Best in the Microfinance Industry in India.</p> | <p>(a) Disclosing nos. of employee grievances in Annual Report / Sustainability Report and have a strong target toward lowering the TAT (received and pending cases).</p> <p>(b) Measure employee satisfaction on an annual basis (i) Great Place of Work® Survey or (ii) smaller</p> | <p>(a) Target improvement in same or similar class of employees by FY30.</p> <p>(b) Roll out new training modules or offer more leadership opportunities.</p> |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|--|---|--|---|
| | | Near-Term | Long-Term |
| | | cohort-wise (e.g., salesperson, IT teams, accountants etc.) or in Geographic pockets to understand patterns- on a yearly or six-monthly basis by FY26. | |
| Employees training & awareness programs | Arohan's FY24 report focuses on qualitative enhancements, automation of training, wider LMS roll-out, >850 induction sessions with 91% effectiveness score. | <p>(a) Track engagement metrics, like (i) Gender and role-aggregate training, (ii) Training recall factor (% after 3 / 6 -months of training), (iii) apparent-benefits derived from training - data being reported at the end of FY26 in Annual Report and Sustainability Report.</p> <p>(b) Increase coverage of ESG awareness and training programs for at least 50% of the RM and Credit Risk Manager by FY26.</p> <p>(c) Introduce new training modules with interactive sessions and LMS.</p> | (a) Increase coverage of skill upgradation programs to over 80% of the employees & workers by FY28. |
| Community Engagement | <p>Arohan, through its focus on community development through ESG practices, has helped move its customers and their communities towards sustainability.</p> <p>Arohan undertakes CSR activities as defined by its CSR Policy. The CSR policy identifies the following activities</p> | <p>(a) Arohan could undertake a peer benchmarking as per Schedule VII of Companies Act by FY27 and present it to the CSR Committee</p> <p>(b) Arohan should endeavor to spent entire 2% of average net profit of last 3 Financial years as CSR</p> | (a) Arohan should consider developing a Theory of Change (ToC) model to ideate the potential benefits arising from their CSR projects to the beneficiaries or to the environment by FY28. |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|---------------------------------|--|--|--|
| | | Near-Term | Long-Term |
| | <p>to be financed under CSR projects.</p> <ul style="list-style-type: none"> Promotion of education, awareness campaigns, child welfare, menstrual hygiene Empowering women and employment enhancing vocational skills, Community development, health care, sanitation, building of school premises <p>Arohan operates in the most financially excluded states of India and its customers belong to communities where access to basic healthcare is inadequate. To address this gap, Arohan organizes free health and awareness camps providing access to medical and basic diagnostic services for the women in such communities.</p> <p><u>Total lives impacted through Corporate Social Responsibility initiatives: ₹ 8,00,000</u></p> | expenses | (b) Identify CSR projects which match Arohan's ToC's model by FY28. Rationale to be provided for each new CSR by the CSR team. |
| Social Impact Assessment | Arohan has been awarded an Alpha Grading and Rating Outlook as Positive in its Social Rating under the CERISE SPI4 tool methodology by MCRIL, | (a) Publish Arohan's Social Impact Assessment (SIA) report with: (i) CSR projects, (ii) methodology for selection, (iii) beneficiaries, (iv) | <p>(a) Track Social Return on Investment (SROI) of their CSR projects by FY28.</p> <p>(b) Arohan should ensure that</p> |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|----------|--|--|---|
| | | Near-Term | Long-Term |
| | <p>based on an assessment conducted in the month of June 2022. The grading is assigned on <u>an 8-point scale with a score of 89%</u>. Valid for two years, the grading reflects Arohan's "Strong social commitment, very good systems, evidence for good adherence to social mission and values" as per the report. This is the first time that Arohan has conducted its Social Rating through the CERISE SPI4 tool (International Standard), which is a social performance audit tool to help financial service providers achieve their social mission.</p> | <p>methodology for assessment, (v) impacts, (vi) case study and (vii) lessons learnt by a credible Third-party agency.</p> <p>(b) To evaluate publishing of 60 dB MFI index for Arohan by FY27</p> | <p>their CSR projects have Social Return on Investment (SROI) > 3:1 from FY30 onwards.</p> <p>(c) If needed modify/expand: (i) Schedule VII (Permitted Activities - Education & Skill Development, Women's Health & Empowerment, Eco-sustainability (water, sanitation), Disaster Relief & Community Participation, Financial Literacy, (ii) Geography (Bihar, West Bengal, Jharkhand, Odisha, Assam, Uttar Pradesh), (iii) NGO Partners (implementation support).</p> |

(d) Governance Strategy

| | |
|--|--|
| Objective for developing the strategy: | (a) better corporate governance and regulatory compliance, (b) address ESG risks in business operations, (c) develop ESG oversight mechanism to meet and exceed industry norms and to attract existing and new investors. |
| UN SDGs covered: | <div><div><div>16</div><div>PEACE, JUSTICE AND STRONG INSTITUTIONS</div><div></div></div><div><div>13</div><div>CLIMATE ACTION</div><div></div></div><div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div></div></div></div> |

Table 11 - Governance Strategy and Roadmap

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|--|---|---|--|
| | | Near-Term | Long-Term |
| Ensure Regulatory and Legal Compliances | <p>The Company has complied with all the requirements of regulatory authorities. No penalties or strictures were imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to the activities of the Company.</p> <p>Arohan had 2 Women Directors (13.3%) and 5 Independent Director (33.3%) out of 15 Directors as on March 31, 2024.</p> <p>Chairman of the Board is independent as on March 31, 2024.</p> <p>As on March 31, 2024, the Chairpersons of all Board sub-Committees are Independent Directors, with the sole exception of the Share Transfer and Securities Allotment Committee.</p> <p>FY 2019-20 Annual Report –Arohan’s Chairman’s message notes that <i>“Independent Directors meet Statutory Auditors without the management representatives...”</i>, confirming the presence of a market-leading good practice.</p> | <p>(a) Arohan should consider formulating a comprehensive Board Diversity Policy by FY26.</p> | <p>(a) In terms of board independence Arohan will be in-line with regulatory requirement and endeavor to be a notch better progressively</p> <p>(b) Arohan will always have a Non-Executive Chairman</p> <p>(c) Enhance female representation on the Board to Increase female representation on the Board to ~20% by FY30.</p> |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|--|---|---|---|
| | | Near-Term | Long-Term |
| Business Ethics & integrity | <p>At Arohan, our Core Values, encapsulated in the acronym ETHICS, serve as guiding principles for workplace behavior. Ensuring alignment with these values is paramount for all employees. New hires undergo thorough orientation on our Code of Conduct, emphasizing the significance of integrating these values into our actions and interactions.</p> <p>In compliance with the Prevention of Money Laundering Act, 2022, Arohan's Employees receive an annual refresher on Anti-Money Laundering practices and their critical importance.</p> <p>Arohan's Anti Money Laundering (AML) and Know Your Customer (KYC) Version. 10.2. Policy dt. 12 February 2025 (Link)</p> <p>Arohan's Anti-Bribery and Anti-Corruption Policy Version 4. dt. 12 February 2025 (Link)</p> <p>Arohan's Whistle Blower Mechanism Version 6.0 dt. 12 February 2025 (Link)</p> | <p>(a) Training sessions regarding Anti-bribery Anti-corruption (ABAC) policy should be organized during onboarding and periodically to educate employees and senior management about the repercussions of policy violations.</p> <p>(b) (i) No. of training courses conducted, and (ii) % of employees covered under ABAC policy should be disclosed in the Annual Report.</p> <p>(c) Target should be set to cover minimum 70-80% of Arohan's employees by FY27.</p> <p>(d) Arohan may consider disclosing (i) the number of Whistleblower complaints received, (ii) investigations conducted or (iii) substantiated cases in Annual Report FY26 / Sustainability Report in FY26.</p> | <p>(a) Achieve 100% Employee Training on ABAC Policy by FY28.</p> <p>(b) Deploy a secure, anonymous digital whistleblower platform to encourage timely reporting of unethical behavior while ensuring confidentiality and protection from retaliation</p> |
| Independent Assessment of the Board | Arohan has not conducted external evaluation of the Board | Conduct an Independent Evaluation of the Board once in three years from FY26 onwards. | Arohan 's Board to undergo an Independent Evaluation once a year from FY29 onwards. |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|--------------------------------|--|---|--|
| | | Near-Term | Long-Term |
| | | | |
| ESG Oversight | Arohan has established an ESG Sub-Committee responsible for overseeing the implementation of ESG practices, shaping ESG strategy, and monitoring ESG performance, supported by a formal ESG Policy and an Environmental and Social Management System (ESMS) | <ul style="list-style-type: none"> (a) Update ESG Policy and ESMS periodically to meet the (i) latest ESG legal requirements, (ii) industry good practices, (iii) ESG expectations from the investors while ensuring usability for teams. (b) Launch ESG integration projects with the support from the ESG Sub-Committee. ESG integration will include ESG reporting like (i) Business Responsibility and Sustainability Report (BRSR) and (b) Sustainability Report (SR) from FY26 onwards. | <ul style="list-style-type: none"> (a) Develop comprehensive ESG reporting aligned with global frameworks (e.g., GRI, UNSDG) from FY28 onwards. (b) Cultivate a strong ESG culture through regular training and stakeholder engagement. |
| Climate Risk Management | <p>The Business & Risk strategies that were deployed appropriately enable Arohan to remain well-prepared for facing and mitigating challenges throughout the financial year of FY24.</p> <p>In FY24 Arohan' Annual Report, Aavishkaar Grp. The Chairman Mr. Rai highlights that "the impact of climate change and related disruption has</p> | <ul style="list-style-type: none"> (a) Arohan should conduct a detailed assessment of Arohan's loan portfolio exposure to physical climate risks such as floods, droughts, cyclones, and heatwaves using geospatial data and local climate indices. (b) Develop a Climate Risk Policy in line with RBI's Draft Disclosure framework on Climate-related | <ul style="list-style-type: none"> (a) Develop a robust physical risk scoring framework to quantify aggregate portfolio vulnerability and inform strategic decisions such as geographic diversification or sector focus. (b) Integrate physical risk exposure directly into credit risk models to reflect increased probabilities of |

Arohan Financial Services Limited - ESG Report

| ESG KPIs | Current Baseline | Aspirations/ Targets | |
|----------|--|---|--|
| | | Near-Term | Long-Term |
| | <p>significantly increased the challenges in front of [clients]” and recognizes “El Niño-linked cash-flow stress”. This is good practice.</p> <p>The Risk Management function of the Company is led by the Chief Risk Officer (CRO) and has independent reporting to the Risk Management Committee of the Board of Directors, headed by an eminent Independent Director, with regular administrative guidance from the Managing Director of the Company.</p> <p>In addition, Arohan adheres to RBI’s requirement of Business Continuity by having a Business Continuity Management Plan. The plan covers disasters like floods. (Arohan Annual Report, Pg. 59)</p> | <p>Financial Risks, 2024 (Link) by FY27.</p> <p>(c) Develop a Climate Risk ‘Governance’ Mechanism by end of FY26 in line with Task Force for Climate-related Financial Disclosure.</p> <p>(d) Train concerned (i) credit risk team, and (ii) business teams on physical climate risk identification using reputed third-party tools and integration into credit appraisal and monitoring processes.</p> | <p>default and recovery losses in climate-affected areas.</p> <p>(c) Align physical risk measurement and disclosure with draft RBI guidelines (Link) and IFRS S2 (TCFD) recommendations.</p> <p>(d) Any further long-term strategy will be developed after discussion with top management.</p> |

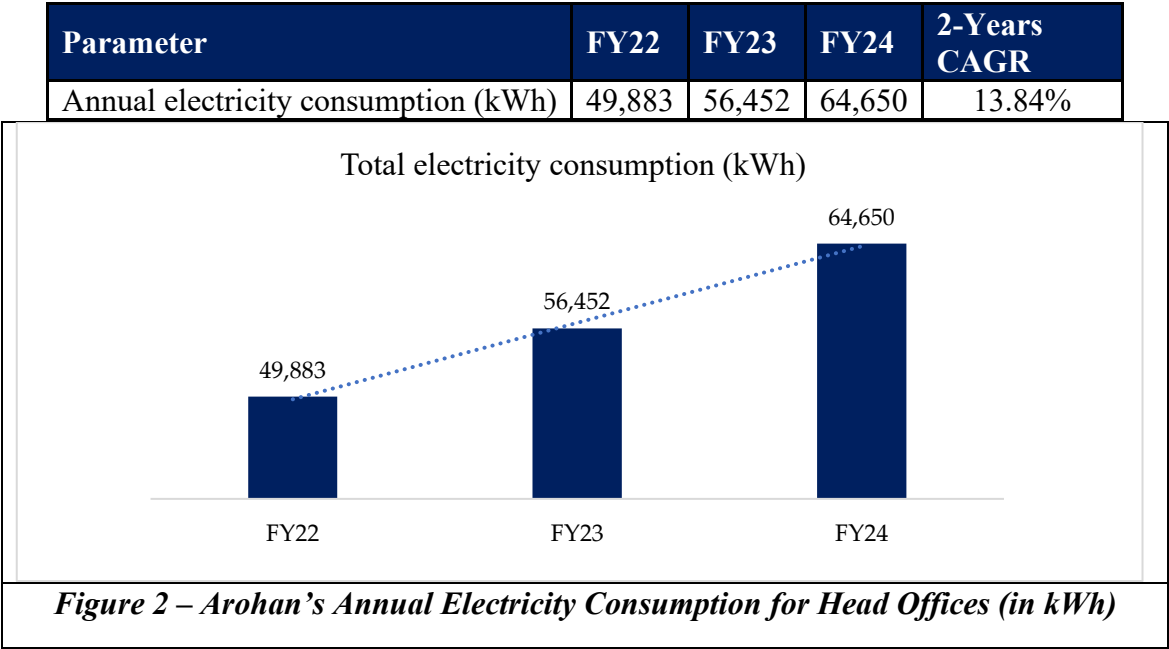
H.Environment Performance

Arohan, as a responsible corporate entity, recognizes the intrinsic connection between its business activities and environmental sustainability. The organization is devoted to empowering the communities it serves while actively working to reduce its carbon footprint. By implementing sustainable practices such as responsible sourcing, energy efficiency initiatives, and eco-friendly measures, Arohan is committed to fostering environmental stewardship and contributing to a sustainable future.

(a) Energy Management

Arohan demonstrates its dedication to sustainability by actively exploring the application of Renewable Energy its branches as a strategic initiative to reduce its carbon footprint. By adopting renewable energy solutions, the organization reinforces its environmental commitment, contributing to a cleaner and more sustainable future for all. **Table 12** provides a comparison of annual electricity consumption.

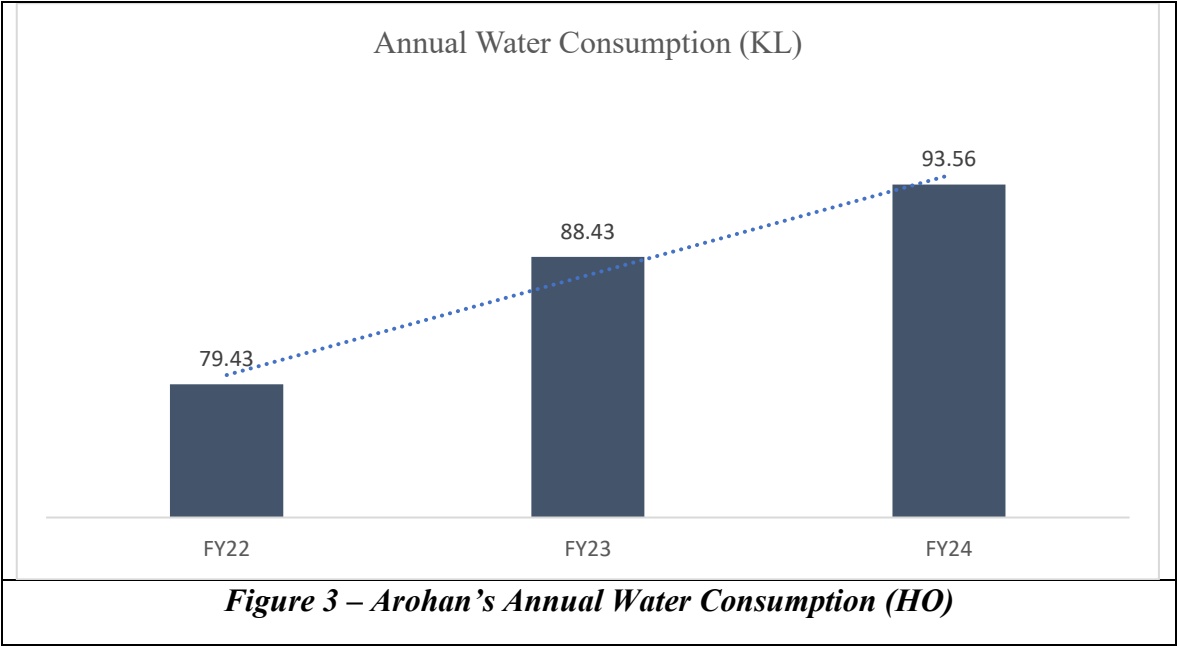
Table 12 – Arohan’s Electricity Consumption for Head Offices



(b) Water Management

Arohan’s HO’s water consumption through drinking water consumption has increased by a 2-years CAGR of 8.53% over FY22.

| Parameter | FY22 | FY23 | FY24 | 2-Years CAGR |
|-------------------------------|-------|-------|-------|--------------|
| Annual Water Consumption (KL) | 79.43 | 88.43 | 93.56 | 8.53% |



I. Social Performance

For a Non-Banking Micro-Finance Institution (NBFC – MFI) like Arohan its Social performance is extremely important.

(a) Talent Management

i. Hiring

Arohan's hiring practices are grounded in a strong commitment to equal opportunity, ensuring that job applications are evaluated impartially, regardless of age, gender, marital status, disability, nationality, or religion. Selection decisions are based purely on merit, drawing from referrals, direct applications, and internal talent pools.

- *External Hiring*

Arohan actively promotes gender diversity within its field workforce by adopting a diversity charter with specific annual targets for increasing gender representation over the next three years.

- *Internal Hiring*

The company prioritizes internal talent development by offering equal opportunities for cross-functional growth through a structured Internal Job Posting (IJP) process, fostering career progression for existing employees.

Table 13 – Growth of Employees

| Parameters | FY22 | FY23 | FY24 | 2-Years CAGR |
|-------------------|------|------|------|--------------|
| Employee Strength | 7160 | 8030 | 9333 | 14.17% |

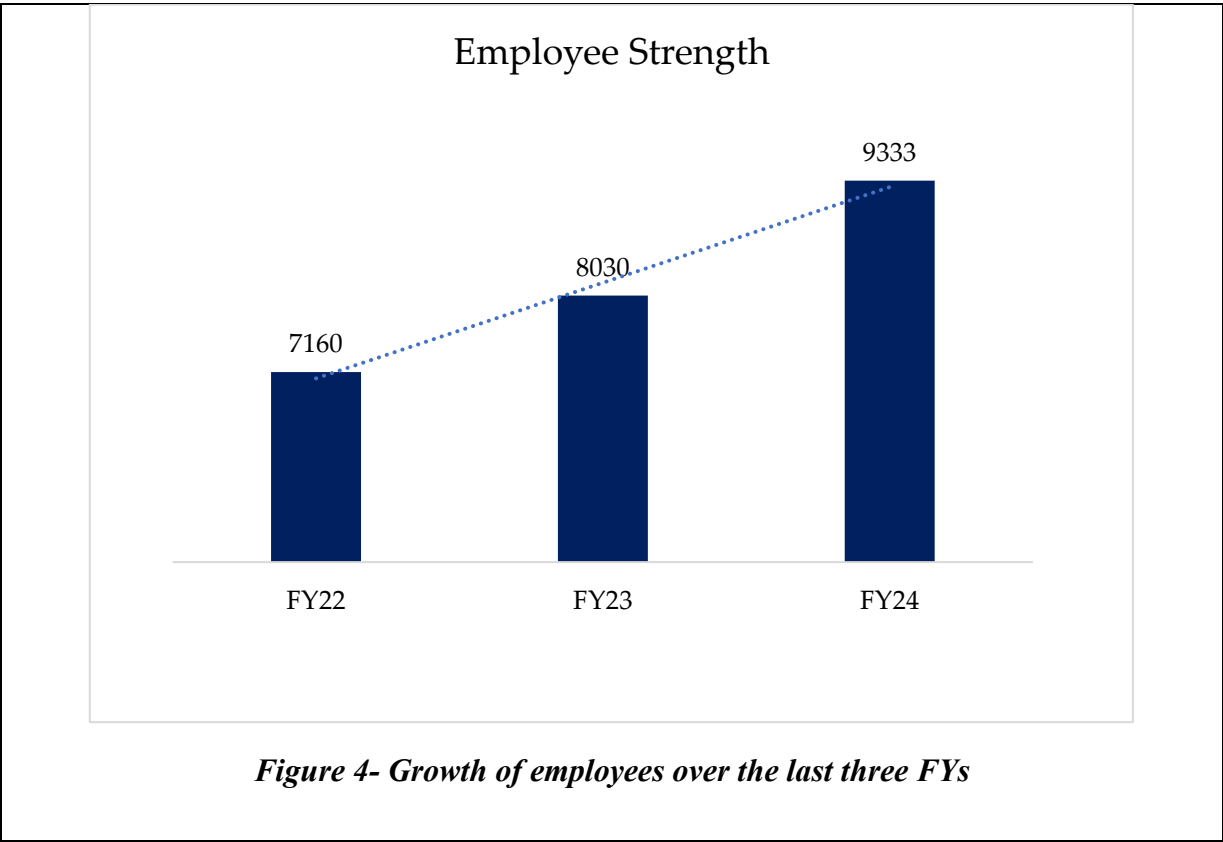


Table 14 Growth of Employees in Arohan in Last 3 FYs

| Parameters | FY22 | FY23 | FY24 |
|--------------------------------------|--------|--------|--------|
| New Hires in FY | 3549 | 5120 | 7255 |
| % of Newly Employed Female Employees | 26.97% | 15.29% | 14.27% |

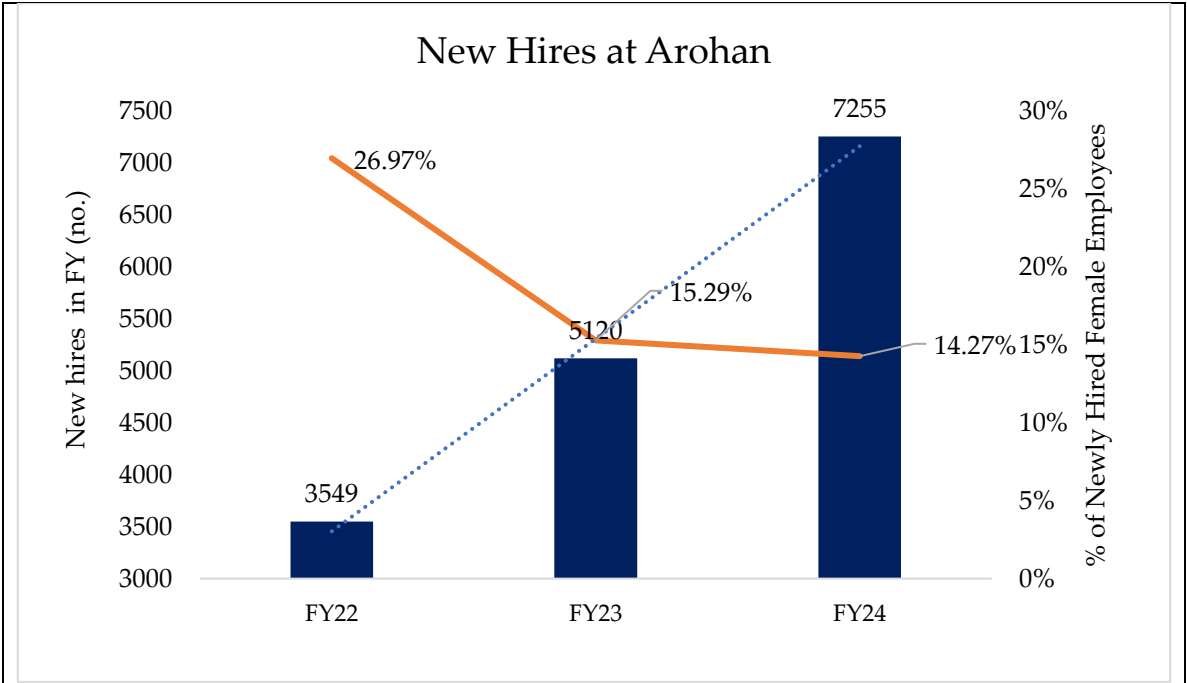


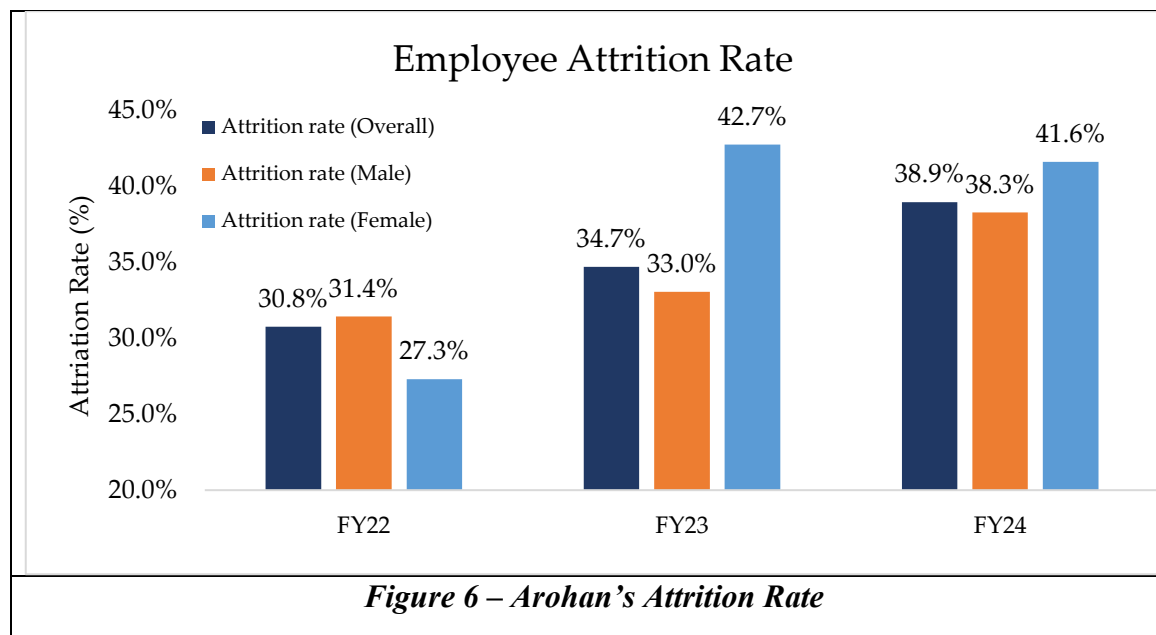
Figure 5 – Growth of New Hires in Arohan in over the last three FYs

ii. Employee Turnover

Employee turnover in India’s micro-finance NBFCs remains structurally high, averaging 50 – 60% esp. in frontline roles. In FY 2023-24 data in NBFC-MFI industry show attrition ranging from 31-60%. The gender-disaggregated attrition data for Arohan is presented below in **Table 15**. This shows comparatively higher attrition rate in FY24, and in female employees.

Table 15 – Attrition Rate in Arohan

| Parameters | FY22 | FY23 | FY24 | 2-Years CAGR |
|--------------------------|-------|-------|-------|--------------|
| Attrition rate (Overall) | 30.8% | 34.7% | 38.9% | 12.38% |
| Attrition rate (Male) | 31.4% | 33.0% | 38.3% | 10.44% |
| Attrition rate (Female) | 27.3% | 42.7% | 41.6% | 23.44% |



(b) Human Capital Development

Arohan, we firmly believe that our people are our most valuable asset. With a well-defined human capital framework, we are equipped to pursue ambitious goals confidently. A core element of our philosophy is the continuous upskilling of our workforce, ensuring they remain ahead of industry trends and aligned with best practices. Additionally, our employees are dedicated to driving meaningful change beyond the organization, fostering a culture of positive impact.

In FY 2024, Arohan achieved significant advancements in strengthening its operational infrastructure. This included enhancing processes and policies while standardizing workforce-related procedures to align with industry-leading standards and stringent information protection protocols. Under this initiative, key policies covering Recruitment & Selection, Onboarding, Exit Procedures, Internal Job Postings, Leave Management, Working Hours, Attendance Tracking, Staff Loans, and Salary Advances were extensively revised. Each policy update was complemented by detailed process manuals, ensuring clarity, consistency, and operational excellence.

i. Performance Driven Culture

At Arohan, promotions are driven by merit and performance rather than solely by tenure. The organization cultivates a culture where career advancement is based on demonstrated skills, contributions, and readiness for higher responsibilities. A rigorous evaluation process assesses employees on key factors, including performance and professional maturity.

Additionally, Arohan encourages employees to aspire for higher roles through its Internal Job Postings (IJP), offering opportunities for growth and development within the company.

ii. Diversity & Inclusion

Arohan has significant progress in enhancing gender diversity, with the ratio improving from 4.9% in April 2019 to 13.71% in FY 2024. In last three years Arohan's female representation has fallen marginally over the period, from about 17% in FY22 to about 14% in FY24, despite absolute female headcount rising as the company expanded.

Table 16 – Growth of Male and Female Employees of Arohan

| Parameters | FY22 | FY23 | FY24 | 2-Years CAGR |
|---|-------|-------|-------|--------------|
| Nos. of Women Employees | 1217 | 1149 | 1279 | 2.52% |
| Nos. of Men Employees | 5943 | 6881 | 8054 | 16.41% |
| Total Nos. of Employees | 7160 | 8030 | 9333 | 14.17% |
| Women Employees as % of Total Employees | 17.0% | 14.3% | 13.7% | - |
| Men Employees as % of Total Employees | 83.0% | 85.7% | 86.3% | - |

Arohan has undertaken following initiative through the establishment of a dedicated Gender Diversity Council (see Annual Report FY23):

All Women Branches: Arohan has pioneered a distinctive model of empowerment by establishing branches in various states that feature an all women workforce. These All Women Branches embody the spirit of diversity and inclusivity, where the entire business flourishes under their expertise, creativity, and resilience. To uphold a standardized and supportive approach for these All Women Branches, Arohan has implemented an All-Women Branch Policy. This policy serves as a comprehensive guide, offering clear directives for our Field Team.

Travel for Women: To ensure the complete safety of women during their travel, all female employees at Arohan are eligible to claim a minimum of one notch-up travel reimbursement. Also, all women employees, who may need to work late in the office, have been made eligible for cab services arranged by the Company, to drop them off at their home locations.

Work from Home: With Arohan being home to a diverse workforce and the new hybrid work culture that employees prefer in today's scenario, the Company offers Work From Home (WFH) facility to those employees who have the necessary infrastructure and whose jobs allows them to operate from home, while ensuring that employees perform to the organisation's work expectations from the role.

iii. Employee Wellness

Arohan's compensation framework is designed to address the diverse needs of its workforce through a three-tiered approach:

Entry-Level Employees: The focus is on maximizing "cash in hand" to help meet daily expenses, supplemented by performance-linked incentive schemes to encourage productivity.

Middle Management: The emphasis is on striking a balance between long-term retirement benefits and immediate cash needs, ensuring financial stability alongside current flexibility.

Senior Leaders: Compensation prioritizes value creation through Employee Stock Option Plans (ESOPs), tax-saving benefits, and variable pay tied to the company's profitability, fostering alignment with organizational success.

iv. *Great Place to work® Certification*

Arohan achieved an exceptional score of 92 in the Trust Index[®] Employee Survey conducted by the Great Place to Work Institute, marking the fourth recognition of its High-Trust, High-Performance Culture. This accomplishment highlights Arohan's dedication to creating an environment where employees can excel and thrive.



Figure 7 – Arohan’s Great Place to Work® Certificate

As a result, Arohan has been recognized among India’s Best Workplaces in BFSI 2024: Top 25. With 4,338 employees participating in the survey conducted in January 2024, the results underscore the organization’s distinctive culture and values.

This recognition reinforces Arohan’s belief in the strong connection between an outstanding workplace and exceptional people. Guided by its Core Values (ETHICS), the company remains committed to fostering employee satisfaction and well-being, acknowledging that the success of the organization is deeply intertwined with the happiness and fulfilment of its team members.

(c) Employee Health & Safety

i. Safety at Branches

With the growing number of women employees, Arohan prioritizes their safety by carefully selecting branch locations. All women-only or mixed-gender branches are equipped with CCTV cameras to ensure a secure working environment.

ii. Field Employees' Road Safety

Recognizing the risks associated with fieldwork, Arohan emphasizes road safety for employees traveling on two-wheelers. Through its #YourLifeIsPrecious campaign, the company promotes adherence to Road Safety Guidelines, which are published in vernacular languages for better accessibility. The initiative includes interviews with field employees featured in the monthly internal newsletter, Srishti, highlighting best practices for road safety. These efforts underscore Arohan's commitment to the well-being of its workforce.

(d) Training and Development

Arohan views employee development as a cornerstone for organizational growth and success. By continuously investing in learning and development, the company fosters a culture of innovation, adaptability, and excellence. Arohan is committed to upskilling its workforce, nurturing high-potential individuals ready to lead the organization into its Vision 2028.

Arohan Financial Services' FY 24 annual report describes a strongly tiered learning ecosystem (Pragati, Saksham, Hi-Pot, etc.). Av. Training hour has grown over 12% over the FY23's average.

Table 17 – Year-on-Year Employee Training related information

| Training Parameters | FY23 | FY24 |
|--|--------|--------|
| Av. training hours per employee/Yr. | ~11.48 | ~12.86 |
| % of male employees covered under safety trainings | 93% | 93% |
| % of female employees covered under safety trainings | 91% | 90% |
| % of skill-upgradation trainings | 22% | 21% |

Table 18 – Various Types of Training Program at Arohan

| Cluster | Module / Programme | Primary audience | Frequency / delivery mode | Purpose |
|---|---|--|---|---|
| Front-line capability | Pragati – Unnati ki Oor | Customer Service Representatives (CSRs) & branch staff | 1-hr live micro-session every working Saturday | Ongoing process/product refresh, business metric push |
| | Weekly Communication Hour | Area / branch managers | Weekly, ‘train-the-trainer’ cascade | Policy updates, peer problem-solving |
| Digital & self-paced | Saksham (LMS certification) | Critical roles across field & HO | Online, proctored; mandatory pass mark | Policy/process mastery; audit readiness |
| | Bite-sized e-Learning modules | >8600 field employees | Mobile, multi-lingual | Just-in-time refresh on KYC, AML, client protection |
| Leadership pipeline | Hi-Pot Development Programme | Assistant Manager to SVP as ‘future leaders’ | 12-month blended (projects, mentoring, class) | Accelerated career progression, succession depth |
| | Leadership Development Programme (Top 100) | Cross-functional high performers | 7-month external provider (assessment centre + modules) | Strategic, people & digital leadership skills |
| | ‘Margdarshak’ | Branch Heads | Behavioural intervention workshops | Empathy, people development, retention |
| Knowledge sharing & trainer uplift | Thank God It’s Friday! | Internal trainers | Fortnightly forum | Swap best-practice training techniques |
| | Corporate Training | Support-function staff (HO & 9 zones) | Rolling calendar, classroom/virtual | Functional & behavioural up-skilling |
| Statutory / risk | Code of Conduct, AML, Client-Protection & Poverty Index | All employees (new joiners + annual) | Induction plus annual refresher | Legal & ethical compliance |

(e) Grievance Redressal

Arohan has a 3+1 level grievance redressal structure, the most granular framework among NBFC-MFIs with explicit TAT at each tier. Arohan has strengthened its Customer Grievance Redressal Mechanism by introducing a Directly Responsible Individual (DRI) to handle each grievance. This initiative has significantly reduced the average turnaround time from 15 working days in FY 2023 to just 6 working days in FY 2024, ensuring faster resolution of customer issue.

Arohan's grievance-redressal mechanism is compliant with, and in certain respects more detailed than, contemporary RBI expectations. The aggrieved party could seek external recourse through both MFIN and RBI ombudsman at any point of time.

This exceeds the minimum two-tier requirement under RBI Master Direction (Scale-based Regulation) 2023, and the 30-day closure obligation under the Integrated Ombudsman Scheme 2021.

Arohan operates below 0.5 complaints per 100 borrowers—well inside the 1 per-100 benchmark observed across NBFC-MFI members in MFIN's latest industry dashboard.

(f) Digitization

Arohan has embraced digitization to increase their reach operational excellence, risk analysis, and speed of delivery. Few instances are provided below.

Table 19 – Application of Digitalization in Arohan

| | | | |
|---|--|---|--|
| <p>Operational Excellence: Arohan’s April 2024 Newsletter states it is serving 2.4 million borrowers spread across 975 branches, operating in 19 states with an employee base of over 9300 as of March 2024.</p> <p>Arohan’s FY 23-24 Pg. 64 annual report states “averaging over 3,00,000 transactions daily.</p> | <p>Arohan has developed a model validation for 300 data points per customer (FY 22-23 report, Pg. 60; reiterated FY 23-24, Pg. 64).</p> | <p>Arohan has deployed a credit scoring model, in partnership with CRIF’s digital decisioning platform, “Strategy One,” which is customizable and supports streamlining of lending processes and controlling credit risk.</p> | <p>Core Banking System: Profile –from FIS - “Automatic Loan Management using ‘Profile’, Arohan’s Core Banking System from FIS - FY 23-24, Pg. 64</p> |
| <p>Business Intelligence Platform: “Arohan has created a Data Warehouse for business-intelligence and data analytics to generate dashboards and reports for field staff and management.” Annual Report FY22, Pg. 72 - 73</p> | <p>Apna Arohan – a mobile suite - Public login page shows live production instance.</p> | <p>Prismatic – Arohan uses CRIF High Mark’s “Prismatic” data analytics for its area selection process when expanding into new geographies. Details could be obtained from Arohan Annual Report FY23, Pg. 60 & FY22 report, Pg. 71.</p> | <p>Diligent – board-governance software. Governance webpage states “Board-related activities in a paperless, transparent, timely manner”.</p> |

| | | | |
|---|--|--|--|
| <p>Adrenalin HRMS is a comprehensive Human Resource Management System that automates and streamlines end-to-end HR processes, from recruitment to payroll. It enables organizations to enhance workforce efficiency, compliance, and employee experience through a single integrated platform.</p> | <p>Mera Arohan is a proprietary all-in-one suite of mobile applications, in line with the vision of 'Digital Arohan,' which enables all core business functions and other non-core activities to be digitally executed. MeraArohan covers all facets of Loan Origination, Repayments and Recoveries, Cross Sell marketplace, Internal Audit system, Field Monitoring application, Document Management System, and many more modules spanning every aspect of operations and business support.</p> | <p>Swagatam is a recruitment-to-onboarding platform designed to manage the complete hiring lifecycle. It helps recruiters source, screen, and track candidates efficiently while ensuring smooth coordination between hiring managers, training team and HR teams. The system supports offer management, document collection, and compliance checks, reducing manual effort and turnaround time. With its end-to-end functionality, Swagatam delivers a seamless experience for both candidates and recruiters, ensuring faster and more efficient onboarding</p> | <p>Arohan has implemented completely paperless customer lifecycle management, integrating digital platforms across branch selection, loan origination, validation, quality checks, and repayment monitoring. This ensures efficiency, reliable data analytics, targeted customer profiling, and customized risk-based products for enhanced customer satisfaction</p> |
|---|--|--|--|

(g) Data Privacy and Security

Arohan's Information Security Management System (ISMS) is certified with ISO/IEC 27001:2013 by BSI, reflecting its adherence to international standard. RBI's new *Master Direction on IT Governance, Risk, Controls and Assurance Practices* (April 2023) applies in full to all *Middle- and Upper-Layer* NBFCs. It obliges each RE to appoint a senior-rank Chief Information Security Officer (CISO) who reports directly to Chief Risk Officer (CRO). Arohan a Middle-Layer NBFC-MFI, has appointed a CISO w.e.f. April 1, 2024.

Current data-security controls disclosed by Arohan includes the following:

- Arohan has adopted a board-approved IT and cyber-security policy, Cyber Crisis Management Plan and annual Vulnerability Assessment -Penetration Testing (VA-PT) & Security Operations Centre (SOC) SOC monitoring.
- VA-PT and Red-Team tests aligned to RBI direction, conducted by CREST-certified vendor (disclosed in MD&A),
- Security Operations Centre (SOC) & Security Information and Event Management (SIEM) monitoring (mentioned in IT-risk roadmap section of MD&A).
- Customer data-privacy clause in Fair-Practice Code and KYC-AML policy Datacenter & DR segregation and *Sanjaya* real-time field-monitoring platform (annual report).
- Employee cyber-awareness training integrated into LMS "Saksham" (training section).

No regulator-reportable cyber-security incident or data loss has been disclosed up to Q4 FY 2024-25. No public notice, RBI penalty or media report indicates any data breach at Arohan up to June 2025.

(h) Business Continuity

RBI's *Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices, 2023* places all “upper- and middle-layer” NBFCs under a common resilience code. Key BCP obligations include (b) Board-approved BCP/DR policy updated after every material change, (b) Half-yearly disaster-recovery drill for critical systems, with full switch-over for at least one working day, and reconciliation of data on return, and (c) Near-zero RPO and the shortest practicable RTO for critical applications etc.

Arohan's Business Continuity Plan (BCP), spearheaded by the Risk Unit, has been successfully implemented and audited by the Reserve Bank of India, earning a satisfactory evaluation. The policy ensures seamless operations with minimal disruptions during calamities and other unforeseen events, allowing the company to maintain its "Business as Usual" status.

Table 20 – Arohan’s Business Continuity Practices (BCP)

| Dimension | BCP practice | Alignment with RBI 2023 direction |
|-----------------------------|---|---|
| Governance | Risk function owns BCP; company-wide BCP committees trained; latest RBI onsite audit (2022) rated the framework as ‘satisfactory’ | Meets requirement for board-level oversight. |
| Scope & triggers | Plan covers “calamities and other disruptions”, with explicit reference to pandemic lessons learned. | Qualitative scope is adequate; no published mapping of critical vs non-critical processes or stated (Recovery Time Objective (RTO) / Recovery Time Objective (RPO) targets. |
| Cyber resilience | CISO appointed April 1, 2024, reporting to CRO as mandated | Fully compliant. |
| Testing cadence | Statement of “least disruption” during events | Needs explicit disclosure of twice-yearly DR drills and vendor participation to evidence compliance. |

(i) Customer Centricity

At Arohan, understanding and responding to the evolving needs and preferences of our customers is a core value. The Company actively monitors customer trends and continually refines its processes and services to ensure a seamless and satisfying customer experience. This commitment to customer-centricity forms the foundation of Arohan's strategy for sustainable growth, where protecting and promoting customer interests is a fundamental priority.

Arohan's dedication to these principles has been recognized with the prestigious Gold Standard certification for Client Protection Principles (CPP). Awarded by CERISE & SPTF, this certification is a testament to Arohan meeting 99.1% of the established indicators for client protection. The awarding committee emphasized that the Gold level represents the highest achievement, signifying compliance with the most rigorous standards outlined in the Universal Standards for Social Performance Management.

(j) CSR

Where Arohan's CSR Policy prioritizes six themes: eco-sustainability, education & child development, health & women's empowerment, disaster relief, livelihood promotion and employee volunteering. Rural health, WASH and livelihood skilling dominate, aligning with **items (i), (ii) and (ix)** of Schedule VII. Disaster-relief funding under item (xii) remains episodic.

Arohan's CSR Projects are concentrated in its operating states of West Bengal, Assam, Bihar, Odisha and Jharkhand, with preference to local communities as required under section 135(5).

Table 21 – CSR Details of Arohan

| FY | Amount spent (₹ lakh) | Average net profit under § 135 (5) (₹ crore) | % of CSR obligation met |
|------|--------------------------|---|-------------------------|
| FY22 | 68.67 | 34.33 | 2.00% |
| FY23 | 21.83 | 10.91 | 2.00% |
| FY24 | 0 | -14.97 | 0.00% |

(k) Financial Inclusion

In line with its mission to advance financial inclusion, Arohan actively supports the microfinance ecosystem by providing organic and inorganic loans. The details are provided below:

Table 22 -Arohan's Financial Inclusion Products & Attribute as on FY24

| Inorganic Loan | Organic Loan | | | |
|--|---|------------------|--------------|--|
| Typical ticket size per counterparty is approx. up to ₹25 crores. Tenor: 12 -36 months. | Organic product ticket size and other details are as below: | | | |
| | Products | Avg. Ticket Size | Avg. Tenor | Borrower Specification |
| | Saral (flagship JLG Loans) | ₹25,000–1,00,000 | 24–30 months | Women borrowers in Low Income Areas |
| | Micro Enterprise Loan | ₹50,000–5,00,000 | 18–30 months | Working capital for small traders (predominantly male customers) |
| | Arohan Privilege (fully digital lending) | ₹5,000–75,000 | 5–30 months | Seasoned clients; live in 13 states |
| <ul style="list-style-type: none"> New structures: Three Direct Assignment (DA) transactions with peer MFIs to create liquidity for sellers and diversify Arohan's own book. Product window: Term-loans of ₹30 crore remains the core, complemented by “Sourcing & Collection” (S&C) tie-ups where the partner originates on Arohan's balance-sheet Development lens: The Inorganic vertical continues to channel debt into low-income and climatically fragile districts, | <ul style="list-style-type: none"> Development lens Focus on Bottom-of-Pyramid women and first-time borrowers in under-banked East, North-East and now Karnataka. Goal to “<i>impact 28 million lives by 2028</i>” and cross ₹10,000 Cr. AUM through responsible pricing. Branch-level climate-and-migration heat-map used to steer expansion (“Vistaar” SOP). Impact in FY24: (a) Active customers ↑20% YoY to 24 lakhs; GLP↑ 32.8 % YoY to ₹ 7,112 cr. (b) 975 branches (+146 since FY2023) and >9,300 jobs supported. (c) Digital | | | |

| | |
|--|---|
| <p>giving small MFIs capital, technology and risk-management support.</p> <ul style="list-style-type: none"> • Impact: Cheap wholesale funding plus DA cash releases were cited by partner MFIs as allowing them to add ~2 lakh new women borrowers in Eastern and Central India in FY24, pushing the cumulative outreach past the one-million mark. The inorganic channel gives Arohan a low-cost route into leaner geographies or where opening its own branches would breach RBI exposure caps. • Risk profile: Ticket sizes are capped at ₹25 crore, partners share first-loss in S&C models and DA exposures are off-balance sheet – all in line with RBI limits on concentration and qualifying assets. • Economic value-add: Average lending rate to partner MFIs is lower than their market alternative, helping small MFIs meet leverage norms and onward-lend at sub-24% annual rate. • Development impact: By channelizing wholesale lines through local microfinance partners—via term loans, Sourcing & Collection and Direct Assignment—Arohan scales last-mile credit in underserved districts. At prevailing ticket sizes of ₹25,000–₹60,000, every ₹1 crore typically supports ~150–400 end loans, the vast majority to women borrowers, with roughly one-quarter being first-time users of formal credit; the approach expands outreach without branch build-out while strengthening partner capacity and portfolio quality. | <p>channel disbursed > ₹100 Cr. across 30,000 borrowers.</p> <ul style="list-style-type: none"> • Risk profile: (a) Gross Non-Performing Assets (NPA) down to 1.67% (FY23: 2.86%) (b) Early-Portfolio-At-Risk (PAR), 12-month PAR tracked daily; geo-concentration and ring-leader flags built into Loan Origination System (LOS). (c) Zero-draw on reserves; top 20 borrower exposure < 3.2 % of advances. • Economic value-add: (a) Lending rate 24–25% p.a. – typically 30–40% points below local money-lender cost. (b) Average ticket size ₹ 55,000–60,000 supports working-capital cycles of micro-traders⁸; monthly disbursements ₹500–600 cr., (c) Rating upgrade to <i>A (Stable)</i> trimmed cost of funds and enabled a 25-bps rate cut to clients. • Development impact: (a) Independent BII case-study finds higher sales and income growth among borrower households and MSMEs⁹. (b) Strong gender dividend – over 85% of Saral clients are women; improved decision-making autonomy reported in client surveys. (b) Recognized through <i>Gold CPP</i> (client-protection), three 2023 SKOCH Order-of-Merit awards and <i>Asset Triple A</i> awards for digital collections |
|--|---|

⁸ Arohan MFI Aims To Enhance Lending Through Digital Mode. Outlook Business. 24 Nov 2023. <https://www.outlookbusiness.com/news/arohan-mfi-aims-to-enhance-lending-through-digital-mode>.

⁹Evaluating BII's Financial Services Portfolio. Reviewing the impact of microfinance in India: A case study of Arohan financial service. Prepared by Genesis Analytics and IPE Global. 2023. https://assets.publishing.service.gov.uk/media/65521d98ce0b3a000d4915f2/Reviewing_the_impact_of_microfinance_in_India_-_Arohan_case_study.pdf

(I) Social Assessments

- GOLD Standard in Client Protection Principle by the MFR Certification Committee
- COCA Assessment score of C1 (top grade) indicating “Excellent Performance on COCA Dimensions”
- CARE MFI 1 Grading, highest on an 8-point scale
- Alpha Grading and Rating Outlook as Positive in its Social Rating under the CERISE SPI4 tool methodology by MCRIL

J. Governance Performance




Arohan is unwavering in its commitment to upholding the highest standards of Corporate Governance, ensuring that its operations adhere to sound and ethical corporate practices. A well-defined Code of Conduct and Ethics, integral to the organization's governance structure, provides clear behavioural standards and establishes guiding principles for internal and external interactions.






The organization has meticulously implemented all mandated and essential policies designed to enhance transparency and operational efficiency. This commitment is reinforced by a robust governance framework that involves active participation from the Board of Directors and various Management Committees, ensuring effective oversight and strategic alignment with its ethical principles and regulatory obligations.

(a) Board Structure



Arohan's Board Structure is presented in Table 23.

Table 23- Arohan's Board Structure

| | |
|--|---|
|  <p>Dinesh Kumar Mittal</p> | <p>Mr. Dinesh Kumar Mittal is the Independent Non-Executive Chairman of Arohan Financial Services, appointed on May 15, 2018. An IAS officer from the 1977 batch, he holds a master's degree in physics from the University of Allahabad. He has served as Secretary in key ministries (Finance, Corporate Affairs, Financial Services), CEO of IL&FS, and held senior roles in Uttar Pradesh State.</p> |
|  <p>Manoj Kumar Narayan Nambiar</p> | <p>Mr. Manoj Kumar Nambiar is the Managing Director of Arohan Financial Services, a position he has held since October 2012. A Mechanical Engineering graduate from VJTI and an MMS from JBIMS Mumbai, he has enhanced his leadership credentials with programs from Harvard Business School, INSEAD, IMD and London Business School. Under his stewardship, Arohan has expanded significantly in microfinance and financial inclusion space. He also leads the MFIN Governing Board, championing sector-wide governance and impact.</p> |
|  <p>Vineet Chandra Rai</p> | <p>Mr. Vineet Chandra Rai is the Founder and Group Chairman of Arohan Financial Services, serving on its board since October 2013 as a promoter-nominee of Aavishkaar Venture Management. He holds a PG Diploma in Forestry Management from IIFM Bhopal and is an Honorary XLRI Alumni Association member. A recognized social-change leader—awarded by TiE Mumbai and featured on Forbes India—he also serves on SEBI and global sustainability committees.</p> |

| | |
|---|---|
|  <p>Rajat Mohan Nag</p> | <p>Mr. Rajat Mohan Nag is an Independent Non-Executive Director at Arohan Financial Services since January 31, 2015. An IIT Delhi alumnus with master's degrees from the University of Saskatchewan and LSE (Economics), he's a former Managing Director General of the Asian Development Bank (2006–2013) and a distinguished fellow/professor in global development forums.</p> |
|  <p>Anurag Agrawal</p> | <p>Mr. Anurag Agrawal is a Non-Executive Promoter-Nominee Director at Arohan since October 3, 2012. He holds a BBA and M. Com from University of Madras and a PGDM from T.A. Pai Institute, Manipal. A partner at Aavishkaar Capital, he co-founded Intellectap (formerly CEO) and previously worked at ICICI Bank.</p> |
|  <p>Sumantra Banerjee</p> | <p>Mr. Sumantra Banerjee has been an Independent Non-Executive Director at Arohan Financial Services since April 29, 2014. He holds a B.Tech in Chemical Engineering from IIT Kharagpur, an M.Sc., and an MBA from the University of Connecticut. His prior roles include Managing Director at CESC Limited and Sector Head at Spencer's Retail.</p> |
|  <p>Wilhelmus Marthinus Maria Van Der Beek</p> | <p>Mr. Wilhelmus Marthinus Maria van der Beek has served as a Non-Executive Nominee Director on Arohan's Board since December 5, 2016. He holds a PhD in Economics and Business Economics from Erasmus University, Rotterdam, and completed the European Leadership Course at Comenius Leergangen. He is the founder of Goodwell Investments BV in the Netherlands, with extensive expertise in financial structuring, investment management, and private equity focused on financial inclusion.</p> |
|  <p>Piyush Goenka</p> | <p>Mr. Piyush Goenka is a Non-Executive Nominee Director at Arohan Financial Services since March 31, 2015, nominated by Tano. He holds a B. Com from the University of Calcutta, an MBA-equivalent PGPM from MDI Gurugram, and is a CFA charter holder. He is Founder and Managing Partner of Prath Ventures, with over two decades in private equity and banking.</p> |

| | |
|--|--|
|  <p>Stephen Dongwon Lee</p> | <p>Mr. Stephen Dongwon Lee is a Non-Executive Nominee Director at Arohan Financial Services, nominated by the Teachers Insurance and Annuity Association of America, joining in December 2022. Currently Senior Director & Head of Asia on Nuveen's Private Equity Impact Investing team. He holds degrees from the University of Pennsylvania and Georgetown University and is a former Fulbright Scholar.</p> |
|  <p>Vemuru Chandramouli</p> | <p>Mr. Vemuru Chandramouli is a Non-Executive Nominee Director at Arohan Financial Services, appointed by SIDBI on May 12, 2023. An Electrical Engineering graduate, he brings over 30 years of experience in development finance. He currently serves as General Manager at SIDBI and has held key roles including COO at TREDs/RXIL.</p> |
|  <p>Nitish Chawla</p> | <p>Mr. Nitish Chawla is a Non-Executive Nominee Director at Arohan Financial Services since August 7, 2023. An Investment Director at IFU, he previously managed investments in logistics, renewables, hospitality, and real estate for a family office. Nitish holds a Computer Science degree and an MBA from IIM-Indore, and is a CFA charter holder</p> |
|  <p>Karina Isabel Alva Alfaro</p> | <p>Ms. Karina Isabel Alva Alfaro is a Non-Executive Nominee Director at Arohan Financial Services since November 10, 2023. As an Investment Manager on Maj Invest's Financial Inclusion private equity team. She has previously worked in Latin American credit ratings and began her career at USAID, supporting small-business finance and technical assistance, with over a decade in global credit and PE.</p> |
|  <p>Rupa Rajul Vora</p> | <p>Ms. CA Ms. Rupa Rajul Vora is a Non-Executive Nominee Director at Arohan Financial Services since September 2023. A seasoned Chartered Accountant, she previously served as Group Director & CFO at IDFC Alternatives, and as CFO in the Indian operations of Antwerp Diamond Bank and KBC Bank. She has received multiple honours including "India's Top Women in Finance 2023," and holds fellow membership in the Institute of Directors.</p> |

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|  <p>Ulhas Sharadkumar Deshpande</p> | <p>Mr. Ulhas Sharadkumar Deshpande is a Non-Executive Independent Director at Arohan Financial Services, appointed on January 15, 2024. An HR postgraduate from TISS, he began his career with GSK in 1982 with founding Adventity Global Services (a KPO/BPO firm) and incubating successful microfinance startups. He also served in senior roles at RPG Enterprises and Bharti-Axa, mentors startups, and supports a school for differently-abled children near Mumbai.</p> |
|  <p>John Arunkumar Diaz</p> | <p>Mr. John Arunkumar Diaz is a Non-Executive Independent Director at Arohan Financial Services, appointed on January 3, 2024. A Mathematics graduate with an MBA from XLRI Jamshedpur, he spent 28 years with Standard Chartered Bank across India, Europe, the Middle East and Asia-Pacific. He has held leadership roles including Head of Reuters Consulting South Asia and MD of Jain Sons Finlease Limited, and has also been an entrepreneur in healthcare. An active TiE-Mumbai member, he mentors startups and invests in early-stage ventures</p> |

(b) Committees of the Board

Committee of Board include the following:

- Audit Committee
- Risk Management Committee
- Corporate Social Responsibility Committee
- Nomination and Remuneration Committee
- Share Transfer and Securities Allotment Committee
- Information Technology Strategy Committee
- Stakeholders Relationship Committee

(c) Board Performance Evaluation

The Board, together with the Nomination & Remuneration Committee, sets clear performance-evaluation benchmarks for the whole Board and for each category of director. Assessments are carried out as peer reviews, and the director under review does not take part in his or her own appraisal. Some of the performance indicators based on which the directors were evaluated includes:

- Participation in the meeting
- Value addition
- Time devoted to analyze and examine governance and compliance issues
- Compliance with Law and relevant standards
- Effectiveness of Governance
- Risk Evaluation
- Independence of management from Board of Arohan confirms that the Independent Directors fulfill the conditions specified in the regulations and are independent of the management

(d) Ethics and Compliance

Arohan's ETHICS values guide daily conduct and are explained to every new employee during Code-of-Conduct orientation to embed integrity and accountability at all levels(arohan.in).

The RBI's Master Direction on IT Governance, Risk, Controls and Assurance Practices (April 2023) obliges all regulated entities to designate a Chief Information Security Officer who reports directly to the Chief Risk Officer, ensuring focused cyber-risk oversight.

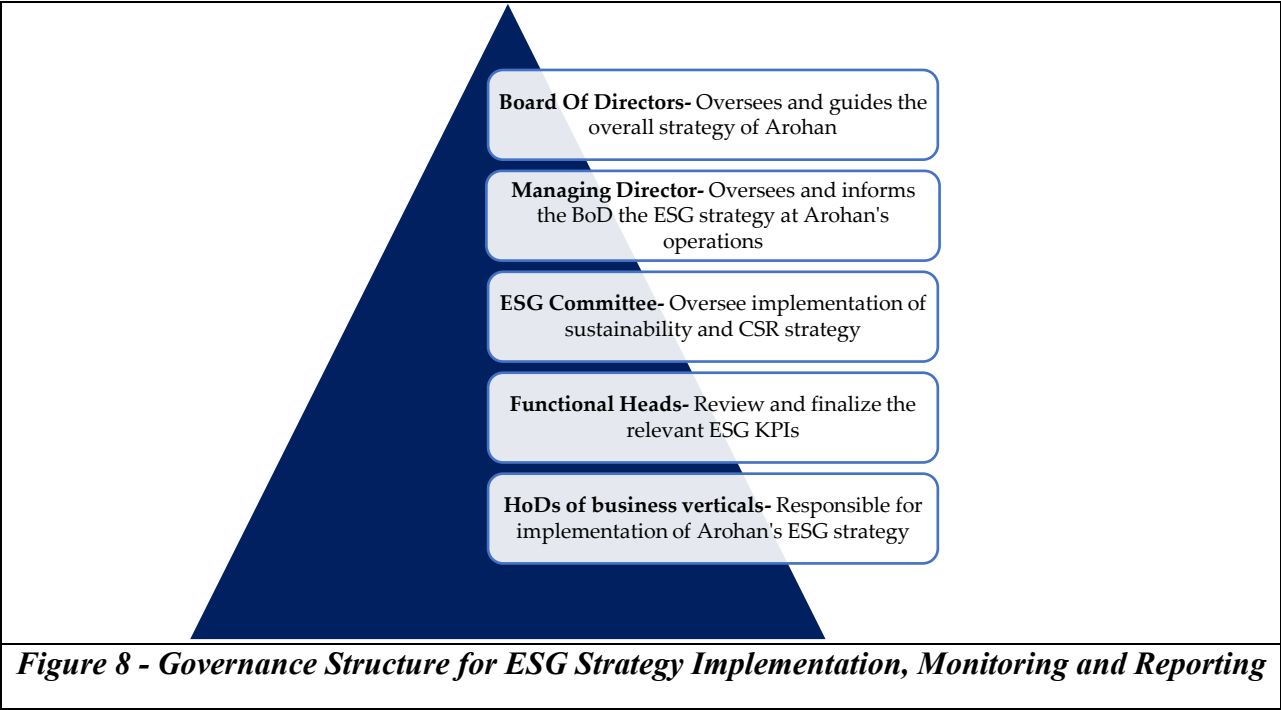
Complying with this directive, Arohan appointed a General Manager-level officer CISO with effect from 1 April 2024, reinforcing its information-security and risk-management framework. CISO report to CRO directly, consistent with RBI's mandate.

(e) Policies

The following relevant policies, their version nos., effective date and links are provided below.



| | | | |
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| Prevention of Sexual Harassment Version 6.0 Effective date 6 August 2024 Link | Anti-Bribery and Anti-Corruption Policy Version 4.0 Effective date: 12 February 2025 Link | Anti-Money Laundering (AML) & Know Your Customer (KYC) Policy Version 10.2 Effective date: 12 February 2025 Link | Policy on Whistle Blower Mechanism Version 6.0 Effective date: 12 February 2025 Link |
| Corporate Governance Policy Version 7.0 Effective date: 12 February 2025 Link | Fair Practice Code Version 3.0 Effective date: 12 February 2025 Link | Customer Grievance Redressal Policy Version 8.0 Effective date: February 2025 Link | Corporate Social Responsibility Policy Version 2.7 Effective date: 12 February 2025 Link |
| Code of Conduct for Independent Directors Version 5.0 Effective date: 12 February 2025 Link | Policy on Appointment of Statutory Auditor Version 4.0 Effective date: May 2025 Link | | |

(f) ESG Oversight




K. Alignment of Arohan's CSR & ESG projects with UN SDGs

Table 24 – Commitment to UN SDG

| SDGs | | Arohan's Activities in FY 2023-24 |
|--------------------------------------|---|---|
| SDG 3: Good Health and Well-being |  | <p>Arohan has partnered with VAANI Deaf Children's Foundation for screening and early detection of hearing impairment. Through this programme, Arohan has benefitted 1600 newborns in Serampore area of Hooghly District in West Bengal, with early detection of hearing loss. Through this programme, the parents of the newborns have also been provided with proper counselling with respect to their child's hearing impairment. Recognising such efforts, the Government of West Bengal (Department of Health & Family Welfare) has awarded a Letter of Appreciation to the programme on its successful completion of one year and creating meaningful impact.</p> |
| SDG 4: Quality Education |  | <p>Arohan has tied up with IGT Plus Consultants, a Kolkata based Education Organisation which works for low-cost schools. IGT has developed an educational app for class VI – IX students of Bengali Medium schools. The app is in the regional language focusing on different chapters of Bengali Medium school curriculum. The app called E-Capsule has been installed in mobile phones of parents, free of cost, from where the students can login to the app and access the chapters, this is the pilot project which has been implemented with 100 students this year.</p> <p>Arohan with its implementing partner Samabhavana has established STEM (Science, technology, engineering, and mathematics) Mini Science centres in schools of West Bengal and Rajasthan catering to around 3200 students. Each science lab has 80 plug & play models which helps students to learn using modern scientific methods. Also, in order to cater to the needs of specially abled students, Arohan has installed additional STEM models at the Calcutta Deaf and Dumb School.</p> |

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| SDG 5: Gender Equality |  | <p>Arohan is committed to the well-being and safety of not just its employees but also their families. ‘Arohan Avalamban Yojana,’ a death in harness scheme, was launched with the objective of providing support to the families of the employees who lost their lives while in service at Arohan or have suffered permanent disabilities resulting in loss of ability to work.</p> |
| SDG 6: Clean Water & Sanitation |  | <p>Arohan embraces a triple-bottom-line approach, emphasizing People, Planet, and Profit, as the foundation of its sustainability efforts within the communities it serves. The Company’s integrated water and sanitation programme addresses gaps in implementation and strategic management in the Water, Sanitation, and Hygiene sectors, ensuring investment effectiveness, linking revenue returns to social benefits, and fostering collaborative partnerships.</p> <p>Arohan endeavours to enhance agricultural productivity for its customers while championing the conservation of natural resources. The Company invests in water conservation projects to bolster agricultural production in rain-fed and semi-arid regions. These interventions focus on improving soil and vegetation management in these areas.</p> |
| SDG 8: Decent Work & Economic Growth |  | <p>Given the prevalence of natural calamities like floods and cyclones in the regions where Arohan operates, disaster relief is a key focus area of its Corporate Social Responsibility commitment. Arohan provides aid and support to affected communities through supply distribution, volunteer engagement, and resource mobilization efforts. These initiatives underscore the Company’s dedication to community safety and well-being. Arohan implements preventive and preparedness measures in alignment with its Business Continuity Policy. Collaborating with local communities, the Company develops emergency response plans to mitigate the impact of disasters. In addition to immediate relief efforts, Arohan supports long-term recovery and rebuilding initiatives through various community development projects. Demonstrating its commitment to the welfare of beneficiaries, especially during crises, Arohan and its employees have provided disaster relief materials to over 49,000 individuals affected by floods and cyclones.</p> <p>Financial literacy holds immense potential for empowering rural women, enabling them to effectively manage their finances, save for the future, and make informed decisions regarding investments and financial products. Key areas of focus in financial literacy programmes for rural women typically include fundamental concepts such as saving, budgeting, and income management.</p> |

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| <p>SDG 10: Reduced Inequalities</p> |  | <p>In FY 2024, Arohan, under the Aavishkaar Foundation, initiated an Organic Vegetable (Potato) Cultivation Training Programmes at Mayurakshi, West Bengal along with implementing partner Gram Jagat. The project is designed to use the environment safely, preserve ecological balance, and reduce dependency on expensive technologies. As a part of this project, Arohan trained a total of 251 beneficiaries and potato seeds were distributed among 220 farmers.</p> <p>In FY 2024, Arohan, under the Aavishkaar Foundation, conducted a Duckling Cultivation Training and Distribution Programme in West Bengal with its implementing partner. The project has been designed to provide an additional source of income for the households of the members of the communities that Company caters to operationally, wherein the members were imparted training on duckling cultivation. As a part of this project, Arohan distributed five ducklings each to a total of 200 beneficiaries.</p> <p>Arohan, under the Aavishkaar Foundation, also initiated a Livelihood Promotion Project, at Mayurakshi West Bengal along with implementing partner Gram Jagat in FY 2024. Targeted beneficiaries were trained for paddy farming, and paddy seeds were distributed to further encourage them to earn their livelihoods. As a part of this project, Arohan distributed paddy seeds to 258 beneficiaries.</p> |
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Contact

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About us

CareEdge is a knowledge-based analytical group offering services in Credit Ratings, Analytics, Consulting and Sustainability. Established in 1993, the parent company CARE Ratings Ltd (CareEdge Ratings) is India's second-largest rating agency, with a credible track record of rating companies across diverse sectors and holding leadership positions in high-growth sectors such as BFSI and Infra. The wholly-owned subsidiaries of CareEdge Ratings are (I) CARE Analytics & Advisory Private Ltd previously known as CARE Risk Solutions Pvt Ltd, and (II) CARE ESG Ratings Ltd, previously known as CARE Advisory Research and Training Ltd. CareEdge Ratings' other international subsidiary entities include CARE Ratings Africa (Private) Limited in Mauritius, CARE Ratings South Africa (Pvt) Ltd, and CARE Ratings Nepal Limited.



CARE Analytics and Advisory Private Limited (Wholly-owned subsidiary of CareEdge Ratings)

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