



AFISAR[©]

**Agents for Impact Sustainability Alignment Rating
based on the Sustainable Development Goals (SDGs)
and Environmental, Social & Governance (ESG) criteria**

RATING REPORT

Mufin Green Finance Limited, India

Industry: Non-Banking Financial Company (NBFC)

Rating Period: FY 2023

COMPANY NAME

Mufin Green Finance Limited

INDUSTRY

Non-Banking Financial Company (NBFC)

COUNTRY

India

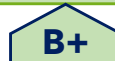


SUMMARY

AFISAR [®] RATING	SDG SCORE	YEAR
B+	70%	FY 2023

ALIGNMENT TO THE SUSTAINABLE DEVELOPMENT GOALS

NOT SUSTAINABLE			SUSTAINABLE			
0% - 8%	9% - 25%	26% - 42%	43% - 58%	59% - 76%	77% - 92%	93% - 100%
NO ALIGNMENT	VERY LOW	LOW	MODERATE	GOOD	VERY GOOD	EXCELLENT
D	C	C+	B	B+	A	A+



INSTITUTIONAL DATA

	Number of borrowers	Number of employees	GLP (outstanding)
Jun-23	 21,643	 248	 USD 31.61m

OVERALL RESULT

Overall **B+** Rating (**70%**), hence the institution's overall SDG alignment & sustainability performance at institutional & portfolio level is above our acceptability threshold (43%).

OVERVIEW

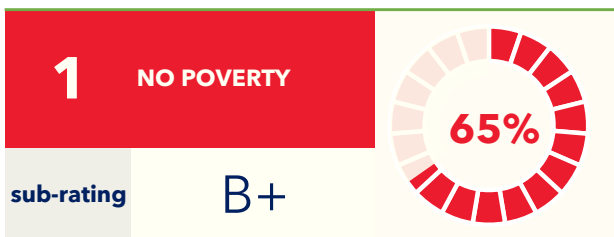
Mufin Green Finance Limited ("Mufin") showed a good collaboration during the FY2023 AFISAR[®] rating process. It figures among the top-5 financial institutions rated on the more nuanced version of the AFISAR[®] questionnaire V 3.0 (introduced as of Jan 2022). In addition to the SDGs, AFISAR[®] V 3.0 offers more distinctive insights into the environmental, social and governance ("ESG") dimensions.

Established in 2016, Mufin's mission is to create equal financial opportunities for the underserved segment in the country using clean technologies. It performs extremely well on rights' protection (90%) due to its focus on processes free from any discrimination and harassment, data privacy as well as effective adoption of workers' rights. It scores high on SDG 16 (82%) driven by good proportion of independence director in Board and well-defined corporate governance policies. The score is also high on SDG 8 (81%) due to high proportion of new jobs created, high client retention rate (99%) and performance appraisal for all staff. It scores moderately on staff (63%) and clients (62%) mainly because of lower proportion of women in these categories.

On Environment, Mufin shows notable performance (51%, above industry-average) mainly due to products with environmental objectives (EV and associated infrastructure) and integration of environmental aspects in lending and risk management (partly) policies. Further, there are systematic efforts to integrate climate-related and environmental aspects into operations through an Environmental and Social Management System which, although it adopted it in Jan 2023, we expect its integration into processes to improve further in future ratings.

AFISAR[®] RESULTS

RESULTS PER SDGs WITH HIGH RELEVANCE TO INCLUSIVE FINANCE



SNAPSHOTS: SDGs WITH HIGH RELEVANCE

SDG 1 (NO POVERTY) Clear vision with low-income individuals, women entrepreneurs, microentrepreneurs, microenterprises and SMEs mostly in rural areas (87.0%); 13.0% clients in urban areas; active targeting of lowest-income individuals, 40% clients below self-defined poverty line; needs-based affordability considerations partly integrated into pricing assessment – limited to regulatory guidelines and competition; preferential loan conditions partly integrated for active targeting of lowest-income segment; financial literacy initiatives are planned for the future; high client growth rate at 336%; dealer network acting as access points (majority of which are in poorest states)

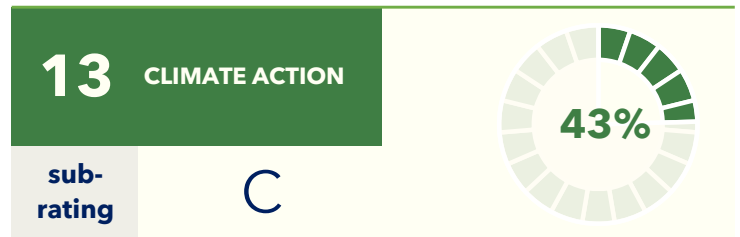
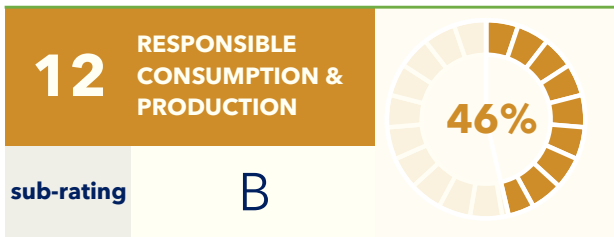
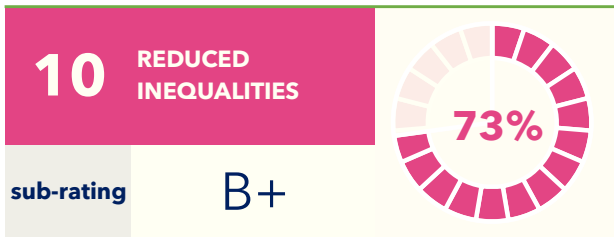
SDG 5 (GENDER EQUALITY) 11.9% female clients, 100% EV financed are mandatorily insured for one-year; low female representation in staff (14.1%), top, senior, and middle management (22.7%), and BoD (1/7); targets and measures defined for increasing female representation in all departments other than field work; wide range of staff benefits for all employees including health care for family members.

SDG 8 (DECENT WORK AND ECONOMIC GROWTH) Moderate staff attrition (29.4) in-line with industry standards, 170 new jobs created, comprehensive staff training along with regular refresher trainings; strategic training programs and workshops to support career progression, performance review/career development for 100% staff (100% female staff); average loan size (disb.) 1,963 USD; **client retention rate 99%.**

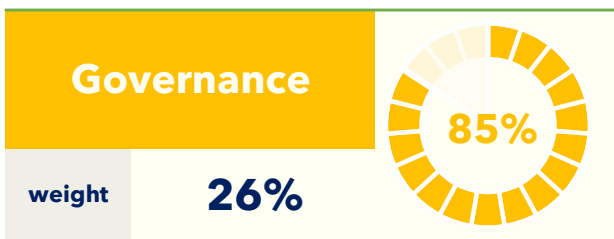
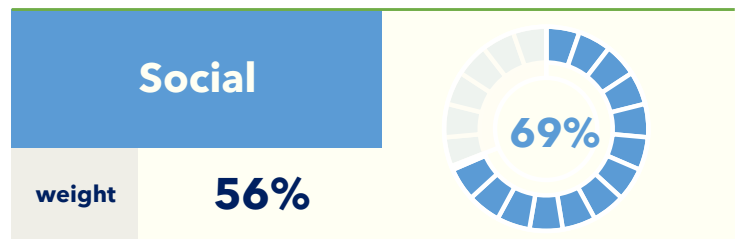
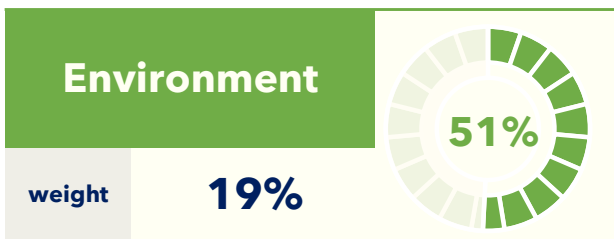
SDG 16 (PEACE, JUSTICE AND STRONG INSTITUTIONS) Good corporate governance and internal controls, good attendance rate in Board meetings (90%), whistleblower policy exists, 5/7 directors are considered independent which is good, well-defined Anti-Fraud and Anti-Bribery and Anti-Corruption policies, discussion of sustainability matters at board and management level can be improved.

AFISAR[®] RESULTS

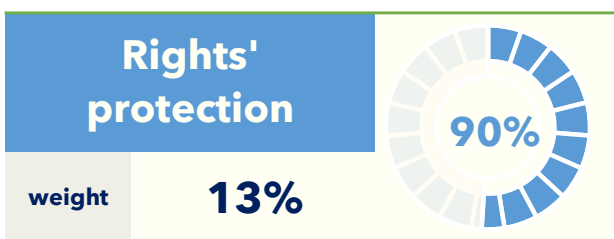
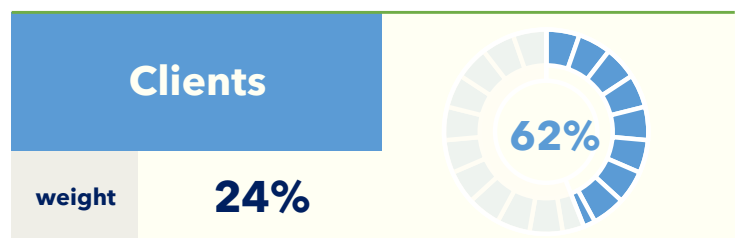
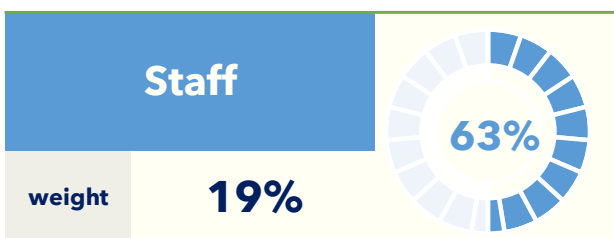
RESULTS PER SDGs WITH MEDIUM RELEVANCE TO INCLUSIVE FINANCE



RESULTS PER KEY CATEGORY (ESG)



BREAKDOWN: KEY CATEGORY "SOCIAL"



REMARKS OF THE RATING COMMITTEE PER KEY CATEGORY (1/6)

Staff aspects:

Gender equality /equal opportunities (+) The Gender Strategy at Mufin highlights gender equal policy and procedures encompassing recruitment, career development and work-life balance; it encourages reporting grievances related to discrimination on the basis of gender/caste/creed/ language/religion/disability etc.); measures to promote gender equal opportunities are partly integrated into operations such as options for remote work, parental leave and childcare support, consideration for interviewing exclusively women for certain positions and selecting 50% women during initial recruitment stages for further rounds, etc.; concrete targets for equal opportunity - female to total staff in HO targeted to be 50% by FY 24 and 52% by FY 25, 40% female to total staff ratio by the end of the year in all departments other than field work; all staff receive performance reviews (100% female staff receive performance reviews) **(SDG 5, 8, 10)**

(-) 14.1% female employees; 22.7% females in top/senior/middle management; comprehensive review of salary data to identify and analyze compensation by gender, job level, and department but not being actively tracked and reported to Board/Senior Management Team (SMT); **opportunity** to track gender equal pay, have other measures to promote diversity (for e.g., strengthening already envisaged women recruitment drive, etc.) and set targets for proportion of women employees at different levels (although difficult to for some positions) **(SDG 5, 8, 10)**

Comprehensive benefits for all employees (+) Mandatory staff benefits are covered under pension scheme, gratuity, and employee state insurance scheme (health care for self and family members, pension fund to cover retirement benefits, and work-related accidents, disability and invalidity coverage and paid parental leave); all the benefits are mandatory, and costs are borne by the employer and employee both **(SDG 1, 3, 8, 10)**

Staff base, trainings & career development (+) Comprehensive staff training (avg. 8 hrs/employee); topics covered during induction include company's history, products and services, mission & vision, culture & values, organizational orientation (how the employee's role fits into the organization), policies and procedures including code of conduct and employee rights. Refresher training is regularly conducted on Credit and Lending Practices, EV Industry Practices, any regulations affecting the operations of the business, subsidies provided by various levels of government, etc. Mufin further provides combination of other formal trainings, mentoring opportunities, and continuous learning workshops to support career progression **(SDG 4, 8)**

(+) 170 new jobs created (218% of previous staff base); (-) moderate staff attrition at 29.4%; tracked for internal purposes **(SDG 8)**

(+) hygiene trainings covering 100% staff but no clients **(SDG 6)**

Note: The indicated SDGs serve to demonstrate the main linkages and are not exhaustive.

REMARKS OF THE RATING COMMITTEE PER KEY CATEGORY (2/6)

Client aspects:

Client base (+) 21,643 borrowers, 11.9% female clients, **client retention rate is 99%**; 87.0% rural client base and 13.0% urban clients; needs-based affordability is partly integrated into the pricing assessment and is based on the regulatory guidelines of RBI, competition and earning potential of borrower from e-rickshaw; targeting of lowest income individuals is done with poverty thresholds defined as INR 6,400 (~ USD 76.83) in rural areas and less than INR 11,850 (~USD 142.25) in urban areas per month, approx. 40% borrowers falling below the poverty line as per reported data, preferential loan conditions (in terms of pricing relaxation) are partly integrated into operations for customer convenience **(SDG 1, 5, 8, 9, 10)**

Products & Services (+) Disbursement is done via account transfer and collection via cash, standing instructions via National Automated Clearing House or NACH, and Bharat Bill Payment System (for digitised collections - UPI/QR-code based); no physical branch other than the Head Office, Dealers act as the access points and 77% of these are located in economically disadvantaged areas (1,489 branches located (100%) in economically disadvantaged areas (four identified poorest states - UP, MP, Bihar and Odisha) **(SDG 1, 10)**

(+) Most of the loans are given for services/trade purposes (98%) and only 2% is given for manufacturing activities. The loans are given, thus, for business purposes, income-generation and consumption purposes; mandatory one-year insurance with all the electric-vehicles financed by Mufin, insurance for further years is voluntary **(SDG 1, 2, 4, 5, 7, 10, 13)**

(•) Although no products being offered with social objectives (food security / nutrition, education, housing, WASH), this is not the mission/vision of Mufin **(SDG 1, 2, 4, 5, 7, 10, 13)**

(-) targets are identified across the SDGs being focussed by Mufin along with key performance indicators (KPI) for these targets **opportunity** to define numerical value for these KPIs as well as timeframe to achieve these targets to effectively monitor progress towards these targets **(SDG 1, 5, 8, 10)**

Client protection (+) Mufin adheres to the Client Protection Standards as proposed by the industry and adopted these in its Fair Practices Code, but it has not undergone official CPP certification which is **an opportunity** for next year's rating **(SDG 12)**

Non-financial services, training & Loan conditions (+) Mufin helps its customers in business development and business planning training which involves reviewing and providing feedback on the business plan, helping customers identify KPIs related to EV adoption, and providing guidance on aligning their business goals with EV financing options. It is also in process of contributing with Givfunds for education to the children of our customer base (pilot planned for 100 customers) and also distribute informational materials such as brochures, pamphlets, or online resources that explain the concept of banking, how to deposit EMI, agreement containing loan terms, interest rates, repayment schedules, and the benefits of electric mobility; **opportunity** to include more topics within the financial literacy training such as savings, financial frauds, government benefits, etc., and track number of beneficiaries attending these financial literacy and business development trainings **(SDG 1, 4, 5, 8, 10)**

Note: The indicated SDGs serve to demonstrate the main linkages and are not exhaustive.

REMARKS OF THE RATING COMMITTEE PER KEY CATEGORY (3/6)

Client aspects contd...

Client segmentation & sectors (+) 68.0% portfolio allocated to individual clients and rest to businesses, focus on low-income individuals, women entrepreneurs, microentrepreneurs, microenterprises and SMEs; 99% client retention; client growth rate 336%; portfolio share for women 12.2% **(SDG 1, 5, 8, 9, 10)**

(-) no financial/non-financial support is given for start-ups or clients initiating businesses under the purview of e-vehicles; **opportunity** for skill development trainings to these businesses and financially supporting trained clients **(SDG 1,4, 8, 9)**

Portfolio Effective annual interest rate between 20.0% - 23.0%, GLP 31.61 million USD (outstanding); average loan size (disbursed) 1,963 USD **(SDG 1, 8)**

Rights protection (customers and staff):

Support systems for staff/clients (+) The Code of Conduct for Employees addresses non-discrimination in all aspects of employment on basis of race, ethnicity, religion, gender, age, national origin or any other protected class; for clients, the fair practices code addresses non-discrimination on the basis of gender, caste and religion; Grievance redressal mechanism in place both for clients and employees with confidentiality prescribed only for employees, opportunity to include confidentiality aspects in Customer Grievance Redressal Policy and clients but TAT and escalation matrix is defined only for customer grievances; **opportunity** to define TAT and escalation matrix for employee grievances as well; anti-violence and harassment stresses upon in various policies such as anti-violence policy, Code of Conduct & Fair Practices Code as well as Prevention of Sexual Harassment Policy (POSH); induction training covers the aspects related to Code of Conduct **(SDG 5, 8, 16)**

(+) Regular staff trainings and informative displays as preventive methods against discrimination and violence; grievance redressal mechanism along with Internal Audit (IA) checks for POSH and internal complaints annual report but **opportunity** to proactively include detection of discrimination during audit visits **(SDG 5, 16)**

(+) No reported incident of discrimination or harassment for the reporting period **(SDG 5, 16)**

Employees'/Workers Rights (+) Workers' rights are covered by the Human Resources Policy and Code of Conduct in detail; Staff grievance redressal mechanism, and whistleblower policy exists for employees to express their concerns; workers' rights are extensively discussed at the Board level (e.g. staff attrition, training, recruitment, grievances, employee benefits, work-life balance, health & safety, employee engagements, employee feedbacks and diversity & inclusion), channels such as regular team meeting, virtual meetings with CEO, staff satisfaction surveys exist for staff to express their opinion/concerns; Mufin also recognises employees' right to join, form or not to join an employee union without fear of reprisal, intimidation or harassment and that management will hold constructive dialogues with chosen representatives of such a legally recognised union **(SDG 8)**

Note: The indicated SDGs serve to demonstrate the main linkages and are not exhaustive.

REMARKS OF THE RATING COMMITTEE PER KEY CATEGORY (4/6)

Governance:

(+) **Directors** Board & Audit Committee in place and audit committee is independent; 90% attendance rate; (5/7) Directors are independent; sustainability matters in the dimensions of ESG are partly discussed at the Board level (mostly regarding governance, grievances and compliances) and at the management sub-committee level (environmental sustainability - green financing, carbon emissions, recycling, etc., social impact - trainings and awareness raising, access to EVs, etc., ethical conduct and governance - risk management, innovation and research, etc.)

(-) 1/7 Board of Directors are women; achievement of sustainability performance objectives not linked to variable remuneration of executive management team **opportunity** to improve gender representation at the board level, define strategic targets towards sustainability as well as activities (in order to assess the progress) for these targets and link executive mgmt's performance on these targets to their variable remuneration **(SDG 16)**

Corporate governance

(+) Defined control mechanisms (conflict of interest policy, procurement policy, code of conduct), staff trained on processes and policies at the time of onboarding; whistleblower policy is in place and final decision-making authority is the Board on recommendation of Audit Committee, investigation conducted by the Whistle Committee appointed by Whistle Officer; internal committee responsible for prevention of cases against sexual harassment **(SDG 8, 16)**

(+) Well defined Anti-Fraud Policy with clear definition, types of fraud, reporting and investigation procedure, the scope all internal and external stakeholders including vendors, suppliers, borrowers or any third-party in business relationship with Mufin **(SDG 16)**

(+) Well defined Anti-Bribery and Anti-Corruption (ABAC) policy with clear definitions, responsibilities for Audit Committee/Board and Compliance Officer, communication & training and reporting & investigation procedure, scope of the policy includes all employees, agents, consultants and contractors; public statement through Code of Conduct for Directors and Senior Management that there will be no room for discrimination, harassment, retaliation or any form of corruption in company's operations **(SDG 16)**

(-) The onus of fraud prevention lies with the internal/external stakeholder themselves and on the nodal officer; **opportunity** to strengthen fraud prevention through regular and periodic trainings, awareness messages and proactive Internal Audit checks Trainings given to employees on existing fraud and corruption processes; Internal Audit checks and vigilance inspection for detecting fraud, zero instances of corruption during reporting period; trainings on ABAC policy is given to employees but covers only 50% employees during reporting period, opportunity to cover more employees in regular ABAC trainings **(SDG 16)**

(+) no instances of fraud, corruption or regulatory non-compliance the reporting period **(SDG 16)**

Note: The indicated SDGs serve to demonstrate the main linkages and are not exhaustive.

REMARKS OF THE RATING COMMITTEE PER KEY CATEGORY (5/6)

Environment:

Environment - Resources

(+) Mufin measures its water and electricity consumption in HO and has reported estimated figures for paper waste produced (**SDG 6, 12, 13**)

(-) Although measuring of water and electricity consumption is there, tracking of changes in consumption of these environmental resources in order to reduce is currently not being done; **opportunity** to measure (in order to reduce) waste produced (including paper, plastic and other residual waste) and track changes (for water & energy consumed as well) to define targets and steps for future reduction (**SDG 6, 12**)

Environment - Strategy

(+) Well-documented Environmental and Social Management System (ESMS) with partial integration of strategy to reduce company's resource utilization (mostly digitisation of lending operations, not well-defined steps for other resources, etc.); some steps have been adopted/applied to reduce natural resource utilization, a move to paperless systems is a significant step in reducing dry waste considering the size of the organization; staff awareness to adopt environment-friendly practices in their daily work routine - environmental awareness of clients is limited only to the origination efforts; systematic efforts to integrate climate-related and environmental aspects into operations through ESMS, at portfolio level - strategy to finance e-buses and trucks, at on topics of company level - defined ESG KPIs, annual EHS and social monitoring checklist; partly integrated strategy to reduce its exposure to climate-related and environmental risks, and to identify opportunities (**SDG 6,12, 13**)

(-) the policy is a significant step but does not define any environmental and social goals or targets; targets for reduction/utilisation of resources is not yet defined; **opportunity** to define and document environmental and social goals of the company beyond staff proportion in workplace, define targets for reducing impact of operations on environmental resources, better integration of climate and environmental aspects at portfolio level by evaluating other green products and identification of further opportunities, etc.; environmental awareness raising trainings can be provided to larger client base and community; also there is an opportunity to conduct third party environmental audit (**SDG 6, 12, 13**)

Note: The indicated SDGs serve to demonstrate the main linkages and are not exhaustive.

REMARKS OF THE RATING COMMITTEE PER KEY CATEGORY (6/6)

Environment:

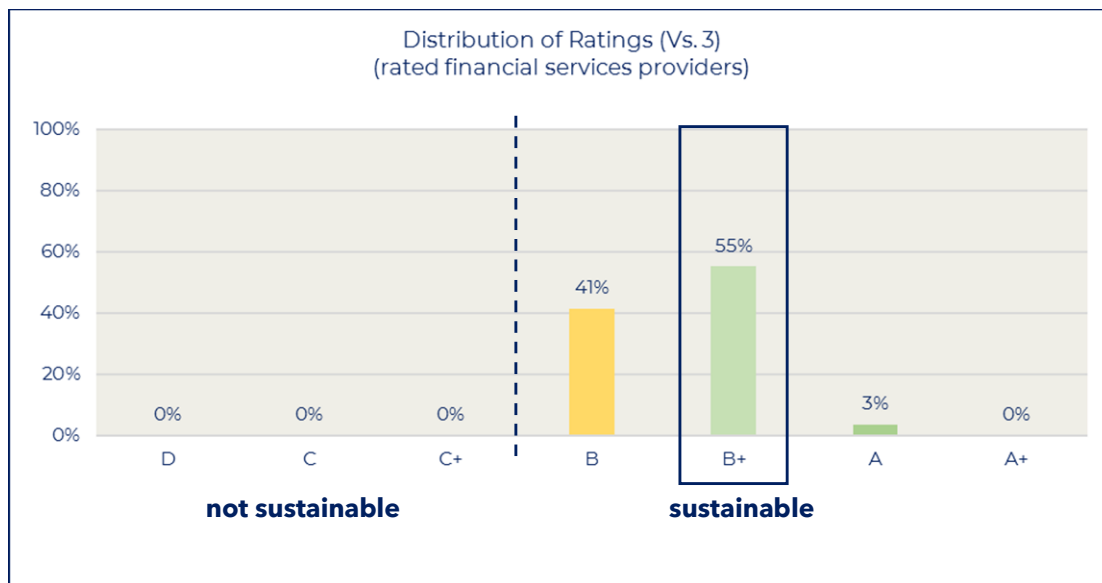
Environment - Portfolio & Risk

(+) Being an electric vehicle and its supporting infrastructure Financing company, Mufin offers loan products that provide access to clean energy and thus, products with environmental objectives; a well-defined ESMS policy which highlights environmental assessment under loan appraisal and to a partial extent risk management as well- adoption of IFC exclusion list, E&S risk categorization, as well as E&S action plan for medium and high risk customers, loan applications have also been rejected in case products lack necessary certifications prescribed by Government of India; extreme weather events are considered during the time of area election as areas prone to natural calamities are avoided; additional risk mitigation due to extreme weather events is done via adopting business continuity plans, emergency response plans and insurance coverage for natural disasters and portfolio losses are tracked by tracking natural disasters in areas where the borrower resides, risk rating criteria exists for assessing impact of an event on natural environmental as well as company's profitability **(SDG 13, 16)**

(-) no categorization of customers based on their exposure and vulnerability to climate-related and environmental risks **opportunity** to monitor and analyse portfolio losses due to extreme weather events, categorize of customers based on their exposure and vulnerability to extreme weather events (based on sectors, and regions - especially when risk rating criteria is defined) and better integrate environmental and extreme weather-related (i.e., physical climate) risks under risk policies, assessment and management beyond area selection **(SDG 13,16)**

Note: The indicated SDGs serve to demonstrate the main linkages and are not exhaustive.

BENCHMARKING



NOT SUSTAINABLE			SUSTAINABLE			
0% - 8%	9% - 25%	26% - 42%	43% - 58%	59% - 76%	77% - 92%	93% - 100%
NO ALIGNMENT	VERY LOW	LOW	MODERATE	GOOD	VERY GOOD	EXCELLENT
D	C	C+	B	B+	A	A+

RELEVANCE OF SDGs TO INCLUSIVE FINANCE

#	SDG	Relevance
1	SDG 1: No Poverty	High Relevance
2	SDG 2: Zero Hunger	Lower Relevance
3	SDG 3: Good Health & Well-Being	Lower Relevance
4	SDG 4: Quality Education	Lower Relevance
5	SDG 5: Gender Equality	High Relevance
6	SDG 6: Clean Water & Sanitation	Lower Relevance
7	SDG 7: Affordable & Clean Energy	Lower Relevance
8	SDG 8: Decent Work & Economic Growth	High Relevance
9	SDG 9: Industry, Innovation and Infrastructure	Lower Relevance
10	SDG 10: Reduced Inequalities	Medium Relevance
11	SDG 11: Sustainable Cities & Communities	Low Relevance
12	SDG 12: Responsible Consumption & Production	Medium Relevance
13	SDG 13: Climate Action	Medium Relevance
14	SDG 14: Life below Water	Low Relevance
15	SDG 15: Life on Land	Low Relevance
16	SDG 16: Peace, Justice and Strong Institutions	High Relevance
17	SDG 17: Partnership for the Goals	Low Relevance

METHODOLOGY

The assessment of a company's sustainability performance is based on an integrated set of indicators, selected specifically for the rated company's industry, based on the Sustainable Development Goals (SDGs). A holistic approach is applied to identify positive and negative contributions to the SDGs. The indicators cover qualitative and quantitative information at institutional and portfolio level in the dimensions environmental, social and governance (ESG). Whereas the four SDGs identified as most crucial for the inclusive finance sector are: SDG 1 "No poverty", SDG 5 "Gender equality", SDG 8 "Economic growth" and SDG 16 "Peace, justice & strong institutions", the majority of the SDGs is covered under the AFISAR® Tool.

Based on the organisational structure and business model, the five key categories assessed are staff, clients, rights' protection (both staff and clients), governance and environment. The weight of each SDG, ESG dimension and key category may differ to a minor extent in case an indicator cannot be fully assessed.

The rating is largely based on information provided by the rated company (questionnaire and additional data provided by rated company via email), interview conducted on 12th July 2023 & to a limited extent, publicly available information. An unanswered question results in the

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- b) Use this report for research, educational or commercial purposes; and
- c) publish and share the name and logo of the rated institution/company on its official website as a one of the customers evaluated by our AFISAR® Tool.

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