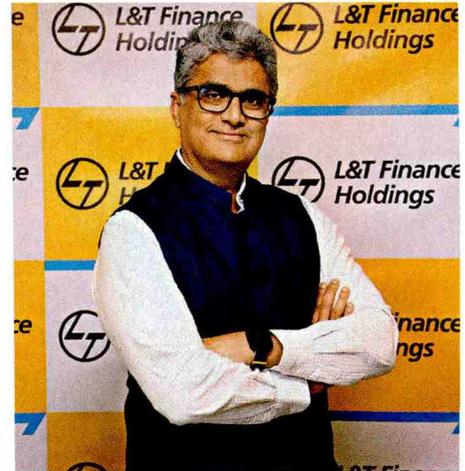


OUR NEW STRATEGIC PLAN 'LAKSHYA 2026' HAS ESG AS ONE OF ITS CORE PILLARS

With Environmental, Social and Governance (ESG) as one of its core strategic pillars, L&T Finance has integrated sustainability closely into its operations with well-intentioned plans for carbon neutrality, the circular economy, green supply chains, biodiversity, and green services. In an interview with Outlook Business, **Mr. Dinanath Dubhashi, Managing Director & CEO, L&T Finance Holdings Ltd.** shares some significant progress the Non-Banking Financial Company (NBFC) has made in this direction. Edited excerpts:



How are you aligned with the parent group's target to achieve carbon neutrality by 2040?

L&T Finance made ESG an intrinsic part of its long-term sustainability programme in 2018, under which measurable goals were established in tandem with our parent group L&T's sustainability goals framework. We truly believe that creating shared value by focusing on stakeholders' progress, people, and the planet is beneficial to the entire ecosystem. Recognising this, our strategic plan 'Lakshya 2026', which was launched last year has ESG as one of its core pillars. I believe, we would be amongst the few NBFCs that have included ESG in the organisational strategy.

At L&T Finance, we are targeting Carbon Neutrality by the year 2035 by pursuing a low-carbon route by incorporating a multi-pronged sustainability strategy for a greener tomorrow. To achieve our Carbon Neutrality goal, we switched to green power for meeting the energy demands of our corporate office in Mumbai and few other branches and also focused efforts on carbon sequestration.

How is ESG shaping up at L&T Finance? How has the journey evolved?

The Company's ESG journey started in 2018-19, making it one of first NBFCs to embrace sustainability at the time. The first year was about extensive preparation and undertaking a detailed gap assessment on sustainability readiness. This

exercise not only included a review of the Company's ongoing sustainability practices but also a study of best-in-class ESG practices among its peers and in the financial services industry. The Company next undertook its first materiality assessment where we engaged with stakeholders to identify a detailed list of material issues to focus on and established a Sustainability Task Force with representation from key functions. In 2019-20, the Company published its first sustainability report. By 2020-21, we started adopting ESG targets and continued to implement a number of ESG initiatives.

The year 2021-22 marked the beginning of a new phase in our ESG journey where significant efforts were made to build an ESG-conscious organisation by adopting an ESG vision and goals. We also set up a Board level ESG committee. We are amongst the first in industry to voluntarily map Business Responsibility & Sustainability Report (BRSR) in Sustainability Report from year one itself.

The integration of ESG as a core pillar in L&T Finance's Lakshya 2026 business plan, is a testament to the Company's unwavering commitment to sustainability.

What are your commitments to achieve water neutrality by FY22, have you been able to meet your commitment?

Water is not only a critical natural resource for operations but also is a material issue for majority of our

rural-based customers dependent on an agricultural economy. In alignment with United Nations Sustainable Development Goal 6- Clean Water and Sanitation, our commitment was to become Water Neutral by FY22 and we have already achieved the same. In fact, we are water positive this year and aim to remain so every year going forward.

How have you mainstreamed ESG practices into business, operations and value chain? Could you cite some examples?

Formal and organised finance helps aspirations and enables access to livelihoods within the community, at the same time also educates customers on the importance of building a positive credit history. Therefore, ESG considerations is actually embedded in our processes across the credit lifecycle. Our products in turn enable customer needs for finance and this is reflected in our lending businesses including rural business finance (erstwhile micro loans), mobility and renewable energy generation financing. The Rural Finance portfolio promotes financial inclusion and boosts economic productivity at the grassroots level.

The Company's digital and data analytics backbone has especially enabled us to disburse loans in areas where historically access to credit was non-existent or helped approve loans to 'new-to-credit' customers, an earlier ignored segment, thereby being a critical partner in creating an inclusive financial ecosystem.