

Materiality Assessment Report

Muthoot Microfin Limited

May 2024

Introduction

This report summarises the approach and results for the materiality assessment of Muthoot Microfin Ltd. to further improve the integration of stakeholder feedback into the Company's sustainability strategy and core business.

Methodology

The materiality assessment is an exercise in which an organization identifies the most impactful sustainability topics and gathers both qualitative and quantitative data to build a foundation and set the priorities of its strategy. The output is a materiality matrix showcasing the importance of each topic to Muthoot Microfin stakeholders.

Topic list

A materiality assessment survey with around 24 topics for the Financial Services industry has been meticulously curated by conducting a thorough competitor analysis for materiality assessments made by the peers of the industry, benchmarking the topics against established and sector-specific ESG Rating providers & Frameworks.

Stakeholder Surveys

A quantitative analysis tool was built to ensure feedback from all relevant stakeholders will be incorporated. Accordingly, a survey needs to be completed across stakeholders. For the survey, a scale of 1-5 was adopted, where respondents rated the topics from 1 (less significant) to 5 (most significant). A diverse set of internal and external stakeholders are to be engaged in this process.

Additionally, CareEdge Team overviewed the Material issues considered by the industry peers to widen the scope and to make the survey comprehensive yet precise. The Environmental, Social, and Governance issues were scrutinized and analysed with reference to Muthoot Microfin's business spectrum.

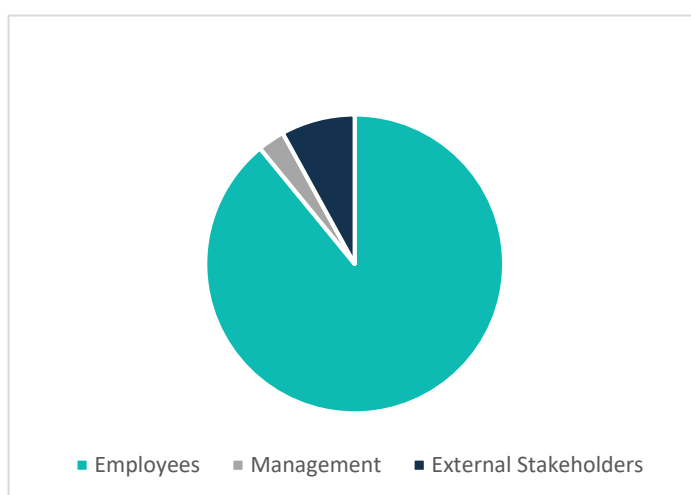
Results Analysis

After data collection, the surveys were analyzed using statistical methods to understand the top priority topics for Muthoot Microfin. The qualitative feedback helped support and add relevant interpretations of the company's most critical topics.

Demographic of Stakeholder Survey

Distribution of responses received

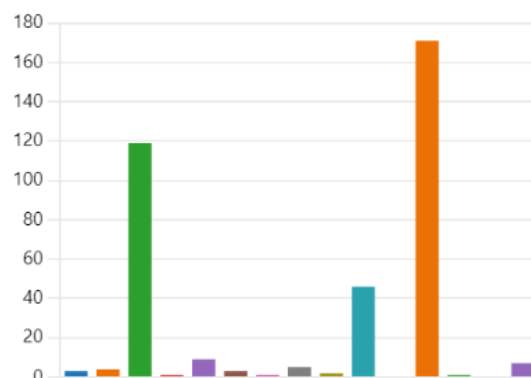
Stakeholder Categories	Number of Responses (%)
Employees	367 (89%)
Management	12 (3%)
External Stakeholders	33 (8%)
Total	412 (100%)



A diverse range of internal stakeholders from relevant departments/functions & external stakeholders were engaged in this survey. Stakeholders were categorized into the following departments:

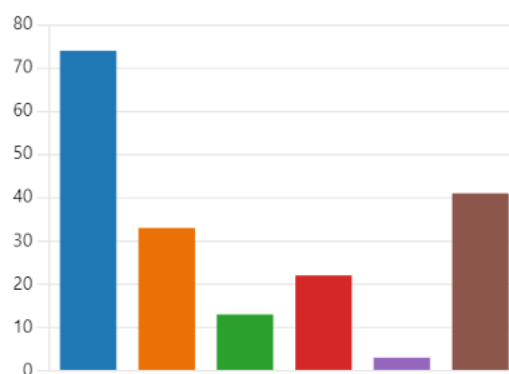
Internal Stakeholders

Board Member	3
Core Management Team / Senior...	4
Human Resources	119
Credit	1
Risk Management	9
Business Development / Sales / ...	3
Compliance and Legal	1
Finance and Accounts	5
IT Department / Information Se...	2
Operations	46
Customer service	0
Internal Audit	171
Investor Relations / Shareholders	1
Corporate Social Responsibility	0
Other	7



External Stakeholders

Customers	74
Investors	33
Vendors	13
Business Partners	22
NGOs	3
Other	41



BACKGROUND

Muthoot Microfin Limited (MML), the microfinance arm of Muthoot Pappachan Group is one of the leading and fast-growing microfinance institutions (NBFC-MFI) in India and headquartered in Kochi, Kerala. The company is focused on providing micro-loans to women customers predominantly in rural regions of India. It aims to deliver financial services to underprivileged and disadvantaged people, living in the rural sectors of Indian society at affordable terms, in quick turnaround time, and with hassle-free processing.

In the year 2024, Muthoot Microfin appointed CareEdge Advisory as an ESG consultant to assist them in integrating ESG principles into its business processes. As a step forward, Muthoot Microfin is conducting its first materiality assessment in **March 2024**, which will help identify key material topics and prioritize them for ESG integration.

This assessment will be used for their journey of ESG integration. This assessment entails a comprehensive stakeholder engagement process and will help them to be in line with ESG best practices. The survey structure will offer more guidance to stakeholders on definitions of topics and provide a distinction between current and future priorities.

The results of the year 2024 assessment will further facilitate the implementation of Muthoot Microfin's sustainability strategy across its business.

MATERIAL TOPICS IDENTIFIED

Around 24 topics were identified, and each was well described to better understand Muthoot Microfin stakeholders.

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

SYNOPSIS OF IMPLEMENTATION

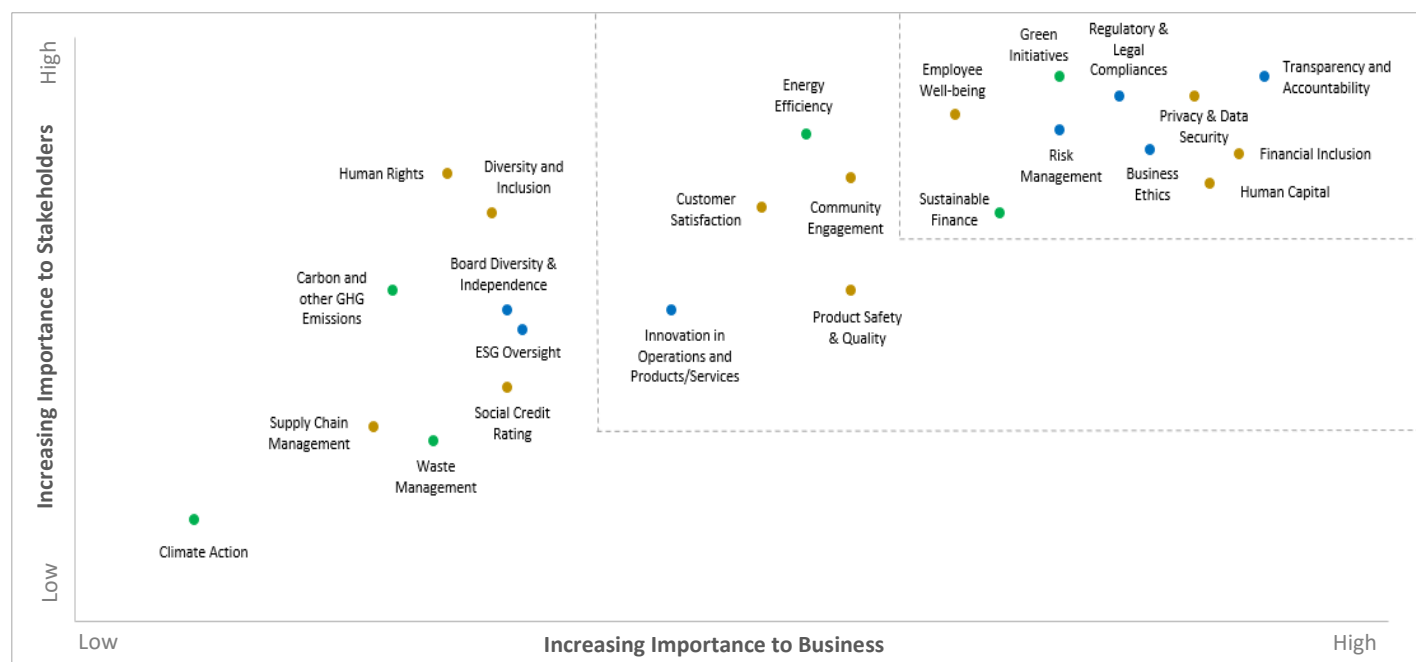
Once material topics were identified, it was circulated to Muthoot Microfin which was further circulated to their stakeholders.



Muthoot Microfin's stakeholders include employees and management of the company in different functions/departments. The data which is collected from these stakeholders is used to define the company's most material topics and will be a key document in defining some of the questions asked in the BRSR by SEBI.

- Out of the survey sent out, the key managerial persons from various departments like human resources, business development, finance & accounts, marketing, etc have taken this survey.
- The data which is collected from these stakeholders is used to define the company's most material topics and will be a key document in defining stakeholder engagement.

MATERIALITY ANALYSIS – BASED ON PEER ANALYSIS* OF MUTHOOT MICROFIN



Ranking of Material Topics based on Stakeholders' Responses

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

(*Peer analysis includes Arohan Financial Services, Muthoot Finance, Annapurna Finance, Spandana Sphoorty, Fusion Microfinance and CreditAccess Grameen)

Note: The scoring for each topic is based on the increasing importance to Muthoot Microfin stakeholders & management

APPENDIX

Materiality Pointers	Explanation
Environment	
Carbon and other GHG Emissions	This includes the organization's efforts to minimize its environmental footprint by reducing direct and indirect emissions, emissions from business travel, air emitting pollutants through air conditioning, etc.
Energy Efficiency	This includes energy management practices such as reduction in energy consumption, use of renewable sources of energy and assessment of energy efficiency through external agencies
Sustainable Finance	This includes the organization's efforts to assess the environmental, social and governance impacts in their lending process
Green Initiatives	This includes the company's efforts to efficiently manage water and waste within its operations, alongside integrating innovative solutions to mitigate its environmental footprint
Climate Action	This includes initiatives within the company's operations to address and mitigate climate change-related risks, as well as to disclose climate-related financial information in accordance with IFRS S2 and other latest guidelines
Waste Management	This includes efficient waste management practices such as proper storage and collection of waste, as well as timely disposal of waste by partnering with authorized recyclers
Social	
Human Capital Development	This includes the company's efforts to implement employee engagement initiatives and provide the right training and development programs that cultivate employee loyalty toward responsible practices, while also attracting and retaining top talent within the organization
Diversity and Inclusion	This involves initiatives aimed at ensuring that workplace practices demonstrate a commitment to diversity, encompassing aspects such as gender, age, and differently-abled individuals
Privacy & Data Security	This includes the company's approach to identifying and addressing vulnerabilities and threats to customer and employee data security and evaluates the importance of Muthoot Microfin to effectively handle customer grievances related to data management services
Product Safety & Quality	This includes validation of sharing terms and conditions as well as positive E&S Impacts associated with their products/services to its customers and assessing any instances of non-compliance with regulatory standards regarding safety and misrepresentation of products
Human Rights	This includes ensuring fair working conditions, prohibiting child or forced labor, upholding freedom of expression, and maintaining adequate standards of living in both in-house operations and throughout the supply chain
Employee Well-being	This involves offering a workplace that prioritizes the well-being of employees through provisions such as a healthy and safe work environment, opportunities for work-life balance, flexible work arrangements, programs for physical and mental wellness, incentives for wellness, and supportive leadership
Customer Satisfaction	This includes the implementation of customer engagement systems, conducting customer satisfaction surveys, and establishing grievance tracking mechanisms to ensure effective resolution of customer concerns

Community Engagement	This includes the company's efforts to contribute and give back to the community, promote sustainable livelihood development, local employment generation, and encourage employee engagement in volunteering and donating to the local communities
Supply Chain Management	This involves the sustainable sourcing of products & services and engaging with suppliers to encourage the adoption of sustainable procurement practices
Financial Inclusion	This includes the company's efforts to provide financial literacy and access to affordable and appropriate financial services to the economically weaker and underserved sections of society
Social Credit Rating	This includes having a unified record system that measures social behaviours to evaluate their trustworthiness. This is usually measured as positive social behaviours like donating to charity, blood donations, cleaning initiatives, education initiatives, caring for the aging population, medical camps, etc
Governance	
Board Diversity & Independence	This involves initiatives aimed at enhancing the diversity of the company's board structure, strengthening independent oversight, governance of sustainability, and defining the roles of the CEO and Chairman
ESG Oversight	This includes the oversight of ESG aspects across the business operations and strategies as well as the implementation of ESG policies and practices into the decision-making process
Business Ethics	This includes standards and practices adopted by the company to address business ethics, as well as providing channels for internal or external stakeholders to raise anonymous concerns (whistleblowing)
Regulatory & Legal Compliances	This includes compliance with local & statutory regulatory acts, transparent disclosure of business and sustainability information, and efforts to avoid fines and penalties
Risk Management	This refers to the identification and management of risks including operational risks, legal risks, compliance risks, brand or reputational risks, strategic risks, etc., and getting all the necessary NOC & approvals from government authorities
Transparency and Accountability	This refers to the openness and accessibility of information to the stakeholders and taking responsibility for their actions and decisions
Innovation in Operations and Products/Services	This refers to the addition of the latest technological advancements for improving the efficiency in operations and quality of products & services like digitization, process automation, AI, Blockchain, IoT, Analytics, etc

MATERIALITY TOPICS

1 - Carbon and other GHG Emissions

Overall Responses	Percentage
Less significant (1)	5.3%
Of little significance (2)	6.1%
Somewhat significant (3)	11.2%
Significant (4)	19.7%
Most significant (5)	57.8%

2 - Energy Efficiency

Overall Responses	Percentage
Less significant (1)	4.9%
Of little significance (2)	5.3%
Somewhat significant (3)	12.4%
Significant (4)	17.7%
Most significant (5)	59.7%

3 - Sustainable Finance

Overall Responses	Percentage
Less significant (1)	4.1%
Of little significance (2)	3.6%
Somewhat significant (3)	10.7%
Significant (4)	19.9%
Most significant (5)	61.7%

4 - Green Initiatives

Overall Responses	Percentage
Less significant (1)	4.1%
Of little significance (2)	4.9%
Somewhat significant (3)	11.7%
Significant (4)	18.0%
Most significant (5)	61.4%

5 - Climate Action

Overall Responses	Percentage
Less significant (1)	4.9%
Of little significance (2)	4.4%
Somewhat significant (3)	12.6%
Significant (4)	24.0%
Most significant (5)	54.1%

6 - Waste Management

Overall Responses	Percentage
Less significant (1)	5.3%
Of little significance (2)	3.9%
Somewhat significant (3)	11.2%
Significant (4)	22.1%
Most significant (5)	57.5%

7 - Human Capital Development

Overall Responses	Percentage
Less significant (1)	4.4%
Of little significance (2)	3.9%
Somewhat significant (3)	8.3%
Significant (4)	17.2%
Most significant (5)	66.3%

8 - Diversity and Inclusion

Overall Responses	Percentage
Less significant (1)	4.4%
Of little significance (2)	3.6%
Somewhat significant (3)	5.6%
Significant (4)	23.3%
Most significant (5)	63.1%

9 - Privacy & Data Security

Overall Responses	Percentage
Less significant (1)	4.4%
Of little significance (2)	3.6%
Somewhat significant (3)	8.3%
Significant (4)	14.8%
Most significant (5)	68.9%

10 - Product Safety & Quality

Overall Responses	Percentage
Less significant (1)	3.9%
Of little significance (2)	3.4%
Somewhat significant (3)	8.3%
Significant (4)	19.2%
Most significant (5)	65.3%

11 - Human Rights

Overall Responses	Percentage
Less significant (1)	4.4%
Of little significance (2)	3.9%
Somewhat significant (3)	8.3%
Significant (4)	21.4%
Most significant (5)	62.1%

12 - Employee Well-being

Overall Responses	Percentage
Less significant (1)	4.4%
Of little significance (2)	3.6%
Somewhat significant (3)	9.2%
Significant (4)	16.5%
Most significant (5)	66.3%

13 - Customer Satisfaction

Overall Responses	Percentage
Less significant (1)	4.6%
Of little significance (2)	2.9%
Somewhat significant (3)	10.2%
Significant (4)	16.7%
Most significant (5)	65.5%

14 - Community Engagement

Overall Responses	Percentage
Less significant (1)	4.1%
Of little significance (2)	2.7%
Somewhat significant (3)	9.2%
Significant (4)	19.9%
Most significant (5)	64.1%

15 - Supply Chain Management

Overall Responses	Percentage
Less significant (1)	4.9%
Of little significance (2)	2.9%
Somewhat significant (3)	10.9%
Significant (4)	19.7%
Most significant (5)	61.7%

16 - Financial Inclusion

Overall Responses	Percentage
Less significant (1)	4.1%
Of little significance (2)	3.4%
Somewhat significant (3)	7.3%
Significant (4)	18.9%
Most significant (5)	66.3%

17 - Social Credit Rating

Overall Responses	Percentage
Less significant (1)	4.4%
Of little significance (2)	3.4%
Somewhat significant (3)	11.2%
Significant (4)	18.4%
Most significant (5)	62.6%

18 - Board Diversity & Independence

Overall Responses	Percentage
Less significant (1)	3.9%
Of little significance (2)	3.2%
Somewhat significant (3)	7.5%
Significant (4)	24.0%
Most significant (5)	61.4%

19 - ESG Oversight

Overall Responses	Percentage
Less significant (1)	3.4%
Of little significance (2)	4.9%
Somewhat significant (3)	11.4%
Significant (4)	20.6%
Most significant (5)	59.7%

20 - Business Ethics

Overall Responses	Percentage
Less significant (1)	3.2%
Of little significance (2)	4.6%
Somewhat significant (3)	9.0%
Significant (4)	17.2%
Most significant (5)	66.0%

21 - Regulatory & Legal Compliances

Overall Responses	Percentage
Less significant (1)	4.4%
Of little significance (2)	2.7%
Somewhat significant (3)	8.5%
Significant (4)	16.5%
Most significant (5)	68.0%

22 - Risk Management

Overall Responses	Percentage
Less significant (1)	3.9%
Of little significance (2)	4.4%
Somewhat significant (3)	7.0%
Significant (4)	18.0%
Most significant (5)	66.7%

23 - Transparency and Accountability

Overall Responses	Percentage
Less significant (1)	3.6%
Of little significance (2)	3.6%
Somewhat significant (3)	8.5%
Significant (4)	15.8%
Most significant (5)	68.4%

24 - Innovation in Operations and Products/Services

Overall Responses	Percentage
Less significant (1)	3.9%
Of little significance (2)	3.2%
Somewhat significant (3)	9.2%
Significant (4)	19.9%
Most significant (5)	63.8%

Contact

Kedar Deshpande	Director	kedar.deshpande@careedge.in	022 6837 4402
Vikram Thirani	Director	vikram.thirani@careedge.in	022 6837 4434

About CARE Analytics and Advisory Pvt Ltd (CareEdge Advisory)

CareEdge (CARE Group) is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics capability and detailed research methods. CareEdge (CARE Ratings Limited) is one of the leading credit rating agencies in India. It has an impressive track record of rating companies for almost three decades and has played a pivotal role in developing the corporate debt market in India. CareEdge provides near real time research on all domestic and global economic developments. CARE Analytics and Advisory Pvt Ltd is a wholly owned subsidiary focused on providing advisory and consultancy services including the following:



CARE Analytics and Advisory Pvt Ltd

(Wholly-owned subsidiary of CARE Ratings Ltd.)

A-Wing, 1102-1103, Kanakia Wall Street, Chakala, Andheri-Kurla Road, Andheri East, Mumbai- 400093

Phone: +91-22-68374400

Connect :

