



Environmental Social & Governance (ESG) Policy Framework

2024

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1. Introduction

As India's largest private sector Bank, we have always stayed strong in our commitment to positively impact the environment, our customers, employees, and the community at large. Our core values have guided our Environmental, Social and Governance (ESG) practices, which seek to drive growth and empower communities through our corporate decision-making processes. In FY 2014-15, sustainability was officially included as our fifth value, alongside customer focus, operational excellence, product leadership, and people. This is testament to the fact that sustainability is now a part of our DNA.

As an organization, we aim to align our ESG approach with our strategic goals and the experience we seek to offer all our stakeholders. ESG is an area of heightened focus and investment for us and has changed our outlook towards our business.

2. Approach & Policy Governance

The Corporate Social Responsibility and ESG (CSR & ESG) Committee of the Board *inter alia* provide oversight of the ESG strategy and ESG initiatives of the Bank. The ESG function is overseen by the Deputy Managing Director of the Bank.

To further strengthen our vision and focus on ESG, we have established an ESG Apex Council, which is a management level group comprising senior members across major functions at the Bank. The ESG Apex Council reports to the CSR & ESG committee of the Board of Directors on the Bank's ESG strategy, disclosures and road map to achieve set targets. Functionally, the ESG Apex Council is further segregated into 3 working groups for focused discussions.

- **Environment Working Group:** Sets targets and identifies opportunities for improvement in areas of emissions, energy, water and waste
- **Social & Governance Working Group:** Focuses on workplace policies including Code of Conduct, human rights, diversity, safety, stakeholder engagement and corporate governance policies
- **Product Responsibility Working Group:** Focuses on assessing Environmental & Social (E&S) risks, including climate risks in our existing portfolio and identify new business opportunities in the E&S space.

The ESG Apex Council also works on improving the Bank's ESG disclosures in order to effectively demonstrate our ESG commitment to our stakeholders. The above working groups comprise members across different functions like risk, administration, infrastructure, operations, treasury and IT amongst others and will help in identifying ESG related risks and related financial impacts for the Bank.

The ESG policy framework will serve as a guiding document for all ESG initiatives and activities undertaken by the Bank. This framework covers the Bank's operations in India. Overseas offices align with this framework or may require separate frameworks as per extant regulations as applicable.

The framework will be reviewed and updated every two years after ratification by the ESG & CSR Committee of the Board.

3. Approach and Focus Areas

3.1 Climate Change Strategy

Energy & Emissions

We measure, externally verify and disclose our Greenhouse Gas (GHG) emissions every year. In our strategy to combat climate change and transitioning to a low carbon economy, we will strive to reduce our carbon footprint by taking on initiatives to monitor and reduce our energy consumption. Our initiatives will be aimed at:

- Adopting renewable and clean energy in our offices and premises
- Incorporating energy efficient building designs where applicable
- Implementing automated energy management solutions to reduce energy consumption
- Retrofitting existing high energy consuming devices and equipment to maximize performance while consuming less electricity
- Incorporating energy efficiency at our data centres
- The Bank is committed to achieving carbon neutrality on its own operations by FY 32

Waste & Water Conservation

The Bank shall make efforts to dispose waste in the most responsible manner. Electronic waste generated by the Bank will continue to be disposed through authorized personnel. The Bank will ensure that no hazardous electronic waste is sent from the Bank to the landfill.

The Bank is conscious of paper usage in its operations, transactions and customer communications. Our push to go digital across service and product lines will continue to reduce paper consumption, thereby reducing paper waste. Printing and photocopying operations by employees across large offices will also continue to be monitored and regulated in order to reduce wastage of paper.

In FY 2019-20, the Bank phased out single use plastic water bottles from all its offices pan-India. The Bank will strive to reduce the use of all forms of plastic in its offices, branches as well as in its promotional, marketing and outreach events.

The Bank shall focus on effective water management and endeavour to reduce our overall water usage through water saving practices and technologies.

3.2 Environmental & Social Risk Management in Lending

We are cognizant of our environmental and social risks in our lending and hence evaluate these risks as part of our credit appraisal process. As part of our credit policy, the Bank will continue to evaluate loans, of wholesale banking customers by factoring in environmental and social (E&S) considerations. The Bank has formulated a board approved Environmental, Social Governance Risk Management Policy (ESGRM) to strengthen the integration of ESG & climate change risk assessment into the credit appraisal process.

The assessment of ESG & climate change related risks shall be a mandatory section to be included in all Credit Appetite Memos (CAMs) where aggregate credit appetite is above a pre-defined threshold as determined in the ESGRM. The assessment shall be reviewed by the concerned credit approvers.

As part of the ESGRM, it is intended that the Bank would, over time, develop suitable databases and metrics which would help in identifying counterparties where it has significant exposure and where there are material risks associated with ESG & climate change and take appropriate measures, in consultation with borrowers to mitigate the same.

The following factors will be reviewed by the Bank before taking any credit call/decision on lending exposures:

- ✓ **Social Considerations:** Employment generation, role in economic development of the region, compliance with labour laws, no exploitative / child / forced labour/ human rights protection
- ✓ **Resettlement & Rehabilitation:** Number of families under rehabilitation, impact on livelihood, Facilities provided to families and its acceptability in the community, number of villages/ population affected by the project
- ✓ **CSR Initiatives:** Schools, hospitals, medical facilities, technical institutes, roads, community buildings etc. provided by the company.
- ✓ **Emissions:** Air, water, noise, waste and comments on its acceptability
- ✓ **Environmental Considerations:** Air pollution / Water pollution / Hazardous waste management / Ecological impact/Emergency and disaster management/ climate change assessments including physical and transition risks
- ✓ **Statutory compliances:** related to environmental and social issues and governance aspects
- ✓ **Positive impacts on E&S:** Efforts towards environment & bio-diversity conservation / afforestation/ Contribution to local communities & livelihoods

3.3 Sustainable Finance Framework

The Bank has adopted a board approved Sustainable Finance Framework which is the basis for the Bank's sustainable financing transactions. This framework provides guidance to the Bank for issuances of green, social, sustainable and sustainability linked financing and elucidates the use, management, monitoring and reporting of such proceeds.

3.4 Value Chain Partners

The Bank is cognizant of its upstream and downstream partners in its value chain and shall strive to ensure that its value chain partners meet sustainable disclosure standards in line with benchmark ESG practices of the Bank and in accordance with extant regulations.

Procurement Practices

The Bank recognizes the need to work closely with our suppliers/vendors to reduce waste, improve efficiency, reduce carbon footprint and engage with them to understand their commitment towards human rights and labour practices. We will thus continue to work towards greater integration of environmental & social considerations in our procurement practices.

The Bank will make efforts to procure products which are –

- Recycled
- Environment friendly
- Energy efficient
- Locally sourced

The Bank will also set clear expectations with suppliers/vendors to abide by labour laws, human rights and regulations in their regions of business. They are expected to adhere to laws addressing child, forced or trafficked labour.

Financed Emissions

Financed emissions are Greenhouse Gas emissions linked to the lending and investment activities of financial institutions. The Bank is cognizant of the importance of financed emissions which form part of its Scope 3 emissions. The Bank shall endeavour to widen its measurement of financed emissions and engage with its borrowers on strategies to move towards a lower carbon trajectory.

3.5 Our Workforce and Employment Practices

Non-Discrimination & Fair Treatment

Our employees are central to everything we do, and satisfaction of our employees is critical to the long-term success of the Bank. The Bank will provide fair and equal employment and advancement opportunities to all its employees and there will be no discrimination on the basis of race, caste, color, age, sex, disability and socio-economic status of the candidate. We ensure a fair recruitment process that helps us identify and hire people with the right values, who are then groomed, encouraged and retained through a combination of financial and non-financial incentives. Remuneration and career progression will be solely driven by individual performance, irrespective of employee gender, caste, creed, religion etc. The Bank will also strive to maintain diversity in its employees to ensure representation across gender, caste, creed, religion, region, physical/mental ability and military/ veteran status.

The Bank is making structured efforts on diversity initiatives. Specific targets on increasing the percentage of women employees in our workforce will be set and publicly disclosed.

Employee Health & Well-being

The Bank will take steps to promote a safe and conducive work environment for its employees and will provide guidance on mental and occupational health and safety, appropriate healthcare benefits and medical cover to all its employees. The Bank will continue to conduct regular health check-up for its employees.

Employee Ethics & Code of Conduct

The Bank has mechanisms to deal with issues related to inhumane treatment including mental or physical coercion or verbal abuse, sexual harassment, sexual abuse, slavery, of employees. This is guided by the Code of Conduct and Ethics Manual available to all employees. The Bank's Conduct Regulations also define good corporate practices, financial transactions & personal account dealings, professional code of conduct and management action that will continue to promote a culture of good integrity and ethics amongst its employees.

Women Safety

The Bank has a Policy on Prevention of Sexual Harassment and an Internal Complaints Committee (ICC) that investigates cases of sexual misconduct and investigates them through a fair and transparent process and takes action against erring employees. The Bank will continue to promote and protect the well-being of all women employees, especially women who are required to work late due to business requirements.

Training & Development

The Bank recognizes the importance of having a skilled workforce with necessary competencies to deliver on the Bank's strategic and operational plans through well-structured training modules to assist in job specific development as well as personal development of the employees. The Bank is committed towards providing an environment that is conducive to and promotes training and development opportunities to all employees. Periodic training and updates on ESG are provided to the Board of Directors and employees.

3.6 Our Customers

We recognize that maintaining the trust and regard of our customers is important for our success and longevity, in a fiercely competitive market. Through our digital platforms and initiatives, we will provide our customers, the flexibility to access and consume our banking services over any digital platform of their choice. We recognize that product quality and service delivery is vital for our business growth. The Bank seeks to achieve this by regularly reviewing service levels and capturing feedback from customers.

Abiding by its Customer Privacy policy, the Bank will continue to treat customers' data with utmost sensitivity and privacy. The Bank will also undertake initiatives to combat cybercrime and data theft by means of a comprehensive mechanism of information and data security.

3.7 Community & Society

Guided by our board governed Corporate Social Responsibility (CSR) policy, the Bank will continue to create value for marginalized communities in the country, through well-structured programs and interventions. Our umbrella of social initiatives 'Parivartan' has touched millions of lives and helped empower and strengthen communities. Our CSR programmes focus on 5 distinct areas of intervention namely: Rural Development, Promotion of Education, Skill Development & Livelihood Enhancement, Healthcare & Hygiene and Financial Literacy & Inclusion.

Our Sustainable Livelihood Initiative (SLI) has been a key driver in pushing for financial inclusion among families, especially women, in un-banked and under-banked areas. The initiative has had a major socio-economic impact by focusing on lending financial aid to Self Help Groups (SHG) for women. Besides providing credit, we also train people in occupational skills, financial literacy, credit counselling and market linkage. Further details are in the Bank's CSR Policy.

3.8 Transparency & Accountability to Stakeholders

By means of the Whistleblower Policy, the Bank will continue to empower and encourage various stakeholders including employees, customers, suppliers, vendors, shareholders and other stakeholders to bring to the notice of the Bank, any issue involving compromise/ violation of our code of conduct/ ethical norms, legal or statutory provisions without fear of reprisal, retaliation, discrimination or harassment. Our Chief of Internal Vigilance receives and addresses these concerns by initiating a thorough enquiry conducted by the appropriate authoritative body within the bank.

3.9 Good Governance Practices

The Bank is committed to maintaining the highest levels of ethical standards of integrity, corporate governance and regulatory compliance. These parameters form the bedrock of our corporate governance policy. We have proactively upheld good governance practices and are constantly striving to enhance our standards. Our Board of Directors is responsible for setting the course for and evaluating the bank's performance with regards to corporate governance. The parameters of evaluation include compliance, internal control, risk management, information and cybersecurity, customer service, social & environmental responsibility.

The Bank's corporate governance framework complies with the Indian companies Act, the regulations and guidelines of the Securities and Exchange Board of India ("SEBI") and the requirements of the listing agreements entered into, with the Indian stock exchanges.

We will continue to adopt and adhere to the best recognized corporate governance practices and is continuously benchmarking itself with best-in-class practices across the globe.

4. Disclosures & External Standards

ESG Disclosures & Reports

Since 2014, we have been publishing our ESG performance in our Sustainability Report, following the Global Reporting Initiative (GRI) standards. We also publish an annual Business Responsibility & Sustainability Report to highlight our performance against stated principles of the National Voluntary Guidelines developed by the Indian Ministry of Corporate Affairs (MCA). We participate in various ESG questionnaires and disclosure platforms on climate risk which enable benchmarking of the Bank's ESG disclosures. We publish in detail, our corporate governance disclosures in our Annual Report. We publish through the Integrated Annual Report, our performance and strategy on various ESG initiatives. We will continue increase our ESG disclosures through a combination of voluntary and regulatory disclosures.

Independent Third-Party Assurances on ESG Disclosures

Disclosures in our sustainability reporting and our Greenhouse Gas emissions are externally verified by third party assurance providers in accordance with the Standard on Sustainability Assurance Engagements 3000 "Assurance Engagements on Sustainability Information" and the Standard on Assurance Engagements 3410 "Assurance Engagements on Greenhouse Gas Statements", both issued by the Sustainability Reporting Standards Board of the ICAI and the International Standard on Assurance Engagement ("ISAE") 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and the ISAE 3410 "Assurance Engagements on Greenhouse Gas Statements". We will continue to seek third party assurance on our ESG disclosures to demonstrate credibility of our publicly available information.