



Environmental Social & Governance (ESG) Policy Framework

2020

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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 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

As a testament to our commitment to the environment, we constituted a board governed environmental policy in 2019, which serves as a framework to understand and manage our environmental risks, impacts and opportunities.

To further strengthen our vision and focus on ESG, we have established an Environmental Social & Governance (ESG) committee, which is a management level committee comprising of senior members across major functions at the Bank, chaired by a member of the senior management team. The ESG Committee reports to the Corporate Social Responsibility (CSR) committee of the Board of Directors on the Bank's ESG strategy and road map to achieve set targets. Functionally, the main ESG committee is further segregated into 3 sub committees for focused discussions.

- **Environment Sub-Committee:** Sets targets and identifies opportunities for improvement in areas of emissions, energy, water and waste
- **Social & Governance Sub-Committee:** Focuses on work place policies including Code of Conduct & Human Rights, diversity, stakeholder engagement and corporate governance policies
- **Product Responsibility Sub-Committee:** 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 Committee also works on improving the Bank's ESG disclosures in order to effectively demonstrate our ESG commitment to our stakeholders. The above sub-committees comprise of members across different functions like Risk, Administration and IT 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 only in India. Subsidiaries and offshore offices may be considered to comply with the requirements of this framework in due course. The framework will be reviewed and updated every year after ratification by the ESG Committee and the CSR Committee of the Board.

3. Approach and Focus Areas

3.1 Climate Change Strategy

Energy & Emissions

We measure, externally verify and disclose our GHG (Greenhouse Gas) 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 solar 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, by reducing server rack space, using Lithium ion batteries in UPS devices and use ozone friendly refrigerants for cooling.

The Bank will strive to reduce its Scope 1 & 2 emissions intensity by 10%, absolute Scope 1 & 2* emissions by 3%, total energy consumption by 3% and its energy intensity by 5% by 2022.

Waste

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.

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 all loans, whether for greenfield projects or for regular capital expenditure, that have a value of more than INR 10

**Scope 1: Direct Emissions Scope 2: Indirect Emissions*

Crore and are for a period more than 5 years, for adherence to Environmental, Health, Social & Safety (EHSS) norms.

- The Credit Appraisal Memorandum (CAM) shall include a Social & Environment Management System (SEMS) annexure. The SEMS annexure shall highlight the environmental (including climate related) & social risks which are likely to impact / affect the project / operations of the borrower's Company.
- The annexure shall be prepared by the Relationship Manager (RM) as a part of the CAM, basis representations from the Client and/or technical due diligence of specific project conducted by the Lenders' Independent Engineer (LIE) that may have been appointed by the Bank.
- Where an LIE is appointed, the assessment of environment and social risks combined with the environment and social impact shall be a part of the scope of work of the LIE. Where an LIE is not appointed, the RM shall obtain the necessary undertakings from the client certifying compliance with environmental and social norms in force.
- Clients / Borrowers will be required, if necessary to prepare an Environmental management plan for formulation, implementation and monitoring of environmental protection measures during and after commissioning of projects, based on the inputs provided by the LIE. The plans would indicate the details as to how various measures for environmental protection have been or are proposed to be taken to mitigate the risks arising from these
- The LIE would visit the project site on regular basis during implementation and report exhaustive and detailed progress of the project, which would include an ongoing assessment of environment risks, status of various approvals and Relocation & Rehabilitation, if involved. A quarterly report highlighting any specific issues shall be provided. The Bank will also conduct regular site inspection to ascertain the project progress and flag off any environment related issues for immediate redressal.
- The Following factors will continue to be reviewed by the Bank before taking any Credit call/decision on long term loans:
 - ✓ **Social Consideration:** Employment generation, Role in economic development of the region, compliance with labour laws, no exploitative / child / forced labour
 - ✓ **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 Consideration:** Air pollution / Water Pollution / Hazardous Waste Management / Ecological impact, Emergency and Disaster management, climate change
- In addition, Bank as a part of its credit policy will not extend finance for:
 - a) Setting up of new units which produce / consume ozone depleting substances (CFC -11, CFC – 12, CFC – 113, Carbon Tetrachloride, Methyl Chloroform, Halons – 1211, 1301, 2402)
 - b) Small & Medium scale units engaged in the manufacture of aerosol units using CFC

3.3 Procurement Practices

The Bank recognizes the need to work closely with our suppliers 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 vendors and suppliers 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.

3.4 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. We 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.

The bank will continue to create an inclusive culture to ensure representation across gender, caste, creed, religion, region, physical ability and military/ veteran status. The Bank is making structured efforts on gender diversity initiatives. The percentage of women in our workforce is at 18% and we aspire to increase this percentage to 25% by 2022.

Employee Health & Well-being

The Bank is committed to continue to take steps to promote a safe and conducive work environment for its employees and will provide guidance on 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, an internal document 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 Zero tolerance 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 take 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 all employees, especially the ESG committee members.

3.5 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.

3.6 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 counseling and market linkage. Further details can be obtained in the Bank's CSR Policy.

3.7 Transparency & Accountability to Stakeholders

By means of the Whistle Blower 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.

3.8 Good Governance practices

We are 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 cyber security, 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 Report to highlight our performance against stated principles of the National Voluntary Guidelines developed by the Indian Ministry of Corporate Affairs (MCA). We report our emissions, energy consumption and our strategy to combat climate change in our annual response to the Carbon Disclosure Project (CDP). We publish in detail, our corporate governance disclosures in our Annual Report. We publish through the Integrated Report, our performance and strategy in conjunction with the six capitals laid out by the International Integrated Reporting Council (IIRC).

We will continue to disclose our ESG information in relevant ESG indices and forums to demonstrate our commitment to stakeholders.

Independent Third Party Assurances on ESG Disclosures

Our Sustainability Report and our Green House Gas (GHG) emissions are externally verified by third party auditors based on the ISAE 3000 and AA 1000 AS (2008) Standards. We will continue to seek third party assurance on our ESG disclosures to demonstrate credibility of our publicly available information.
