

ಕೆನಲ ಬ್ಯಾಂಕ್ ಕೆನರಾ ಬೆಂಕ Canara Bank

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A Government of India Undertaking

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FY 2025-26

ESG Policy

(Sustainability Framework)

Version 3.0



Risk Management Wing
Head Office, Bengaluru



ESG Policy (Version 3.0)

Main Document

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| Glossary | |
|---------------------|---|
| ALCO | Asset Liability Committee |
| ALM | Asset Liability Management |
| BRSR | Business Responsibility and Sustainability Reporting |
| BSR | Basic Statistical Return |
| CRE | Commercial Real Estate |
| CSR | Corporate Social Responsibility |
| ERM | Enterprise Risk Management |
| ESG | Environmental, Social and Governance |
| GHG | Greenhouse Gas |
| GRI | Global Reporting Initiative |
| GRIHA | Green Rating for Integrated Habitat Assessment |
| IGBC | Indian Green Building Council |
| LODR | Listing Obligations and Disclosure Requirements |
| MIS | Management Information System |
| MSME | Micro, Small & Medium Enterprises |
| NDC | Nationally Determined Contributions |
| NGFS | Network for Greening the Financial System |
| NGO | Non-Governmental Organization |
| ORMC | Operational Risk Management Committee |
| PWD | Persons With Disability |
| RMCB | Risk Management Committee of the Board |
| ROC | Registrar of Company |
| RRE | Residential Real Estate |
| SD & CSR | Sustainable Development & Corporate Social Responsibility |
| SDG | Sustainable Development Goals |
| SEBI | Securities and Exchange Board of India |
| SHG | Self Help Group |
| TCFD | Task Force on Climate-Related Financial Disclosures |
| UNEP FI | United Nations Environment Programme Finance Initiative |
| VOC | Volatile Organic Compounds |

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“A good Bank is not only the financial heart of the community, but has also an obligation of helping in every manner to improve the economic conditions of the common people”

*- Vision of Canara Bank founder
Shri Ammembal Subba Rao Pai*

“To create a measurable positive impact on economic, social and environmental success and brand image of our Bank and group, through well designed, directed and sustainable interventions either own or in partnership with other reputed like-minded organizations in thematic areas of livelihood, education, health and environment aimed at improving the quality of life of weaker and vulnerable sections of people”.

- CSR Philosophy of the Bank

ESG Statement

“Environmental preservation is our Social Responsibility through good Governance. Bank believes in Inclusive Involvement and Inclusive Growth with a commitment to enhance the value of all stakeholders”

Bank’s founding Principles and ESG relevance

| Our Founding Principles | | ESG relevance |
|-------------------------|--|----------------------------|
| Principle 1 | To remove Superstition and ignorance. | Social |
| Principle 2 | To spread education among all to sub-serve the first principle. | |
| Principle 3 | To inculcate the habit of thrift and savings. | |
| Principle 4 | To transform the financial institution not only as the financial heart of the community but the social heart as well. | |
| Principle 5 | To assist the needy. | |
| Principle 6 | To work with sense of service and dedication. | Environmental & Governance |
| Principle 7 | To develop a concern for fellow human being and sensitivity to the surroundings with a view to make changes/remove hardships and sufferings. | |

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PART I: GOVERNANCE: OBJECTIVE, STRUCTURE AND ROLES & RESPONSIBILITIES

1.1 Introduction to Sustainability Framework:

Canara Bank is one of the largest Public Sector Banks in India having presence for more than 118 years with nearly 20,000 banking touch points. Canara Bank is the recipient of 'Bank of the Year Award 2022 - India' by The Banker of Financial Times Group, UK and has been awarded for "Excellent Practices and Adoption of ESG Initiative 2024" by the Indian Chamber of Commerce. In line with its Founding Principles, the Bank is playing a vital role in the socio- economic development of the country. The Bank has identified Environmental, Social and Governance (ESG) issues as emerging concern areas and is committed to creating a positive impact on Society and Environment through implementation of ESG.

Bank has been following the clear laid out principles by its founder Shri Ammembal Subbarao Pai with regard to creating and preserving the environment, remain socially responsive and provide high standard of ethical and good corporate governance with equitable distribution of wealth to all the stakeholders.

The sustainability framework shall be driven by the core values of the founder with customer at the heart of the philosophy and Bank shall focus on the 'Inclusive Growth & Development' so that the Bank remains at the financial heart of the community and simultaneously promote inclusivity in the society by improving economic conditions of the small & marginal farmers, micro & small enterprises and provide banking services at affordable price to the last mile individual /entity in the value chain.

1.2 Bank's ESG Vision:

To emerge as a 'Preferred Bank' by pursuing global benchmarks in Environmental preservation, social empowerment and Governance with a motto of "Inclusive Involvement & Inclusive Growth with commitment to enhance the value of all stakeholders".

1.3 Bank's ESG Mission:

To provide state of the art financial services blended with sustainable practices through:

- Delivery of products & customer service
- Creation of value for all stakeholders
- Adaptation to sustainable ways of operations
- Partnering with peers, policy makers & experts

1.4 The Framework:

The framework shall not only be people centric but also environmentally sensitive and socially responsive. It shall carry the following core values:

- Enhancing customer experience by proactively engaging and educating them about the digital channels and the societal & environmental impact of their action either directly or indirectly through manufacturing, marketing channels & supply chain.
- Engage with internal & external stakeholders so as to develop, build & maintain long term relationship with the aim of 'Together We Can' in sustainable & responsible manner.
- To promote & participate in conserving the rich, natural & cultural heritage of the country while at the same time, create, maintain & manage the positive environmental impact in all area of operations.
- To develop & inculcate leadership which achieves business results in a socially responsible manner and is always conscious of positive impact on the society & the environment.
- Build & maintain ethical, strong & sustainable governance structure.

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1.5 Objective: Key Environmental, Social and Governance Objectives

The following are the ESG elements identified as most relevant to Bank's business and of utmost importance for stakeholders.

Overall Objective:

To create a sustainable environment internally & externally which will enhance the value for all our stakeholders through adaptation to sustainable practices and collaborating with policy makers, peers & experts in the field and ultimately translating the ESG strategy into the organization's ecosystem.

Segment wise objectives:

| | Objectives for own Operations | Objectives for Stakeholder Engagement | Objectives for Business Risks and Opportunities |
|----------------------|--|---|---|
| Environmental | <ul style="list-style-type: none"> Minimizing the environmental and climate impacts by Bank's physical operations. | <ul style="list-style-type: none"> Partnering with organizations to advance environmental conservation & reduction of carbon footprint Sensitizing the impact of climate change directly and indirectly on Bank by working together with customers, vendors and associates. | <ul style="list-style-type: none"> Managing environmental risks, including climate-related risks in Bank's credit and investment portfolios. Developing financial solutions & designing products and services that drive action on climate change, reduce carbon footprint and generate other positive environmental impacts. |
| Social | <ul style="list-style-type: none"> Promoting diversity, equity and inclusion along with providing employees a workplace that is safe and secure, and reduce the occurrences of health and safety-related incidents. Investing in our human capital & establish a working environment that aids in nurturing employees, including the differently abled, and contributes to their overall professional development, while actively promoting a healthy work-life balance. | <ul style="list-style-type: none"> Creating equal opportunities for all the stakeholders by having ethics and transparency. Strengthening consumer financial awareness/health. | <ul style="list-style-type: none"> Develop/Innovate financial solutions that improve quality of life and as well as socioeconomic development. |

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| | | | |
|-------------------|---|---|---|
| Governance | <ul style="list-style-type: none"> • Cultivating a strong risk and control environment by evolving sustainability strategy and integrating it with the business strategy across the group. | <ul style="list-style-type: none"> • Fostering a culture of integrity, transparency and ethical behaviour, aiding capacity creation towards mitigation and adaptation of the effects of climate change. • Safeguarding privacy and cybersecurity. | <ul style="list-style-type: none"> • Identifying opportunities and mitigating risks for sustainable growth across all aspects of banking operations. |
|-------------------|---|---|---|

1.6 Scope of the Policy:

This document shall be taken into account by all the stakeholder Wings in the Bank while evolving business strategy and business policies, specifically in the context of impact of Climate Risk, Impact on Society at Large, and keeping high standards of Corporate Governance.

This Policy shall be applicable to Bank’s domestic & overseas operations. Whenever required, overseas branches may frame their branch specific policies by incorporating local / regulatory guidelines.

The associates, subsidiaries & joint ventures shall follow the prevailing applicable regulatory guidelines for framing the policy framework and shall obtain prior approval from respective Boards.

“The Policy framework is subject to review & annual update with the approval from the Competent Authority”.

1.7 Governance Structure



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1.8 Roles & Responsibilities of Board of Directors ¹:

- To set well defined goals and objectives for achieving milestones in the path of sustainability and Climate-related risk aversion.
- Approval of bank-level ESG Policies, Strategies, Initiatives, Disclosures and Stakeholder Engagement and delegation of specific ESG/Climate Risk related powers to sub-Committee or ESG Committee & Working Group.
- To set and approve targets for key parameters linked to the social objectives stated in the ESG policy.
- To set, review & oversee the risk-appetite for ESG/Sustainability risks, including climate risks in the bank's own operations and for its credit and investment portfolios.
- To exercise effective oversight on risk management & controls and ensure that sufficient internal / external expertise is available for managing the financial risks arising from climate change and environmental degradation.
- To oversee/review the management information, as well as updates on major policy initiatives and developments concerning climate-related and environmental issues.

1.9 Roles & Responsibilities of Risk Management Committee/Operational Risk Management Committee (towards Climate Risk) and Sustainable Development and Corporate Social Responsibility (SD & CSR) Sub Committee of the Board ¹:

- To oversee climate-related and environmental risks and opportunities and assessing the actual and potential impact of these risks on Bank's strategies and plans.
- To oversee development and implementation of all climate-related risk strategies and ensure that such strategies are in line with the vision of the Bank.
- Guiding climate-related policy, strategy, objective-setting, and performance monitoring.
- Mandating processes to identify and manage climate-related and environmental risks and opportunities.
- Monitoring timely and regular updation of the internal risk reports, the mitigation measures and their effectiveness thereof.
- Monitoring and overseeing the progress on relevant goals and targets.
- Monitoring ethics, transparency & compliance.
- Monitoring sustainability related Human Capital including employee engagement, retention, recruitment, succession, planning, talent development, corporate culture, diversity, equity, inclusion, health, safety and compensation programs etc.
- Guiding external disclosures control & measures.
- Overseeing sustainable Cyber security aspects.
- Integration of ESG in Enterprise Risk Management (ERM) (material risk exposures, including climate and sustainability related and other ESG Risks) and related monitoring & mitigation.
- Overseeing engagement on ESG issues with shareholders & other stakeholders.

¹ Roles & Responsibilities defined under this policy are pertaining to sustainability aspects only. The existing operational aspects shall be continued.

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1.10 Constitution, Quorum, Roles & Responsibilities of ESG Committee and ESG Working Group

The ESG committee & Working Group are the primary drivers of ESG implementation in Bank.

1.10.1 Constitution of Committees

Members of the ESG Committee and ESG Working Group:

| Sl. No. | Members of ESG Committee |
|---------|--|
| 1. | CGM/GM, Risk Management Wing |
| 2. | CGM/GM, Financial Management Wing |
| 3. | CGM/GM, Compliance & RBS Wing |
| 4. | CGM, Lead Bank & FI Wing / GM, FI Vertical |
| 5. | CGM, Strategy, Resources & Govt. Services Wing / GM, Resources Vertical and GM, Strategy & Data Analytics Vertical |
| 6. | CGM/GM, Cyber Security Wing |
| 7. | CGM, Technology Services Wing / GM, Centralized Procurement & Vendor Management Vertical, GM, Digital Banking Services Vertical and GM, Technology Operations Vertical |
| 8. | CGM, Treasury & International Operations Wing / GM, Integrated Treasury Vertical and GM, International Operations Vertical |
| 9. | CGM, Corporate Credit & Associates Wing / GM, Large Corporate Credit Vertical and GM, Mid Corporate Credit Vertical |
| 10. | CGM, Retail Credit & General Administration Wing / GM, Retail Assets Vertical, GM, Priority Credit Vertical, GM, MSME Vertical and GM, General Administration Vertical |
| 11. | CGM, Human Resources & Public Relations Wing / GM, Human Resources Management Vertical and GM, Learning & Development Vertical |
| 12. | CGM/GM, Inspection Wing |
| 13. | Convener – DGM, Risk Management Wing (Overseeing ESG/Climate Risk) |

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| Sl. No. | Members of ESG Working Group |
|---------|---|
| 1. | DGM/AGM, Risk Management Wing |
| 2. | DGM/AGM, Financial Management Wing |
| 3. | DGM/AGM, Compliance & RBS Wing |
| 4. | DGM/AGM, FI Vertical |
| 5. | DGM/AGM, Resources Vertical |
| 6. | DGM/AGM, Strategy & Data Analytics Vertical |
| 7. | DGM/AGM, Cyber Security Wing |
| 8. | DGM/AGM, Centralized Procurement & Vendor Management Vertical |
| 9. | DGM/AGM, Integrated Treasury Vertical |
| 10. | DGM/AGM, Large Corporate Credit Vertical |
| 11. | DGM/AGM, Mid Corporate Credit Vertical |
| 12. | DGM/AGM, MSME Vertical |
| 13. | DGM/AGM, Retail Asset Vertical |
| 14. | DGM/AGM, International Operations Vertical |
| 15. | DGM/AGM, Digital Banking Services Vertical |
| 16. | DGM/AGM, Technology Operations Vertical |
| 17. | DGM/AGM, Priority Credit Vertical |
| 18. | DGM/AGM, General Administration Vertical |
| 19. | DGM/AGM, Human Resource Management Vertical |
| 20. | DGM/AGM, Inspection Wing |
| 21. | Company Secretary |
| 22. | Convener – AGM/DM, Risk Management Wing (Overseeing ESG/Climate Risk) |

The ESG Working Group shall be assisting ESG Committee in all aspects for the implementation of ESG Policy throughout the Bank.

1.10.2 Mandatory Members of the ESG Working Group

- Risk Management Wing,
- RBS & Compliance Wing,
- General Administration Vertical,
- FM Wing,
- Large Corporate Credit Vertical,
- Human Resources Management Vertical and
- Resources Vertical

The remaining members and stakeholder wings/verticals of the Bank shall be part of the meetings as special invitees, as and when required based on the agenda of the meetings.

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1.10.3 Mandatory Members of the ESG Committee

- CGM/GM, Risk Management Wing,
 - CGM/GM, RBS & Compliance Wing,
 - CGM, Retail Credit & General Administration Wing / GM, General Administration Vertical,
 - CGM/GM, FM Wing,
 - CGM, Corporate Credit & Associates Wing / GM, Large Corporate Credit Vertical,
 - CGM, Human Resources & Public Relations Wing / GM, Human Resources Management Vertical
 - CGM, Strategy, Resources & Govt. Services Wing / GM, Resources Vertical
- The remaining members and stakeholder wings of the Bank shall be part of the meetings as special invitees, as and when required based on the agenda of the meetings.

1.10.4 Periodicity of meetings

Once in a quarter from the date of Policy approval for Working Group meetings. ESG Committee (CGM/GM level) meetings shall be conducted as and when required.

1.10.5 Roles & Responsibility of the ESG Committee & Working Group:

- The committee shall be responsible to evolve and frame the ESG Policy & Framework, keeping aspects of interaction of the mankind with the nature and the society.
- The committee shall identify the roles and responsibilities of each of the stakeholder Wings in formulating the Bank's ESG policy & framework and training requirements.
- Committee shall also review the timely implementation of ESG framework in the Bank.
- The committee shall work with innovative ideas and deliberate in detail the feasible solutions to overcome the hurdle of implementing ESG framework in smooth fashion.
- While the ESG, if not handled in a planned manner may lead to substantial negative bearing on the business sustainability, its transition phase (regulation/legislation on ban of unsustainable activities and structural change in demand & supply of products and services) is also believed to have significant impact on the business de-growth and thus needs proper attention and redressal by the Committee.
- Identifying opportunities, target setting for improvement in the areas of emissions, energy usage, water security, waste management and harnessing renewable energy sources.
- Scaling up work place matters relating to Human Rights, ethical behavior and Code of Conduct, Grievance handling, gender diversity, training and development, corporate governance practices and stakeholder engagement.
- Identifying business opportunities to make Bank's products and services more inclusive by suggesting introduction of new products and services and meeting the Social aspirations and addressing concerns on environment protection and climate risk.
- Suggest action plan towards reduction in resource utilization, like digitization of internal communication, credit processing proceeds and other such practices which can contribute to the ESG drive of the Bank.

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- To make necessary changes or modifications, as and when required, in the Data Aggregation from Wings (Annexure I), ESG Compliance Annexure (Annexure II) and Climate Risk Assessment Questionnaire (Annexure III).

1.10.6 Roles & Responsibilities of ESG Section and ESG Teams @ Member Wings

- Draft ESG ambition and strategy for the Bank in tune with the evolving aspects of ESG.
- Develop an ESG Policy Framework and review/update the same to align with regulatory directions, corporate objectives and evolving global best practices.
- Develop an operating model to implement ESG strategy.
- Co-ordinate meetings for assessing existing ESG risk position and determine ESG risk appetite for the Bank.
- Create a system to monitor and report performance on ESG with stakeholder Wings.
- Catalyze organizational change and collaborate with all Wings for driving change.
- Undertaking research on global best practices and recommend adoption of the same.
- Undertaking research on environmental sustainability issues, concerns or stakeholder interests.
- Recommend to have ESG related data points and have risk data aggregation for analyzing future trends.
- Arrange awareness programs on ESG related issues amongst employees/customers.
- Work on rating model on ESG/Climate Risk in coordination with model development & validation teams.
- Conduct study on specific climate events and submit its findings to ORMC.
- Any other function based upon requirement.

Roles & Responsibilities defined under this policy are pertaining to sustainability aspects only. The existing operational aspects shall be continued.

1.10.7 Roles & Responsibilities of Stakeholder Wings:

| | Wings/Verticals Name | ESG Action/Initiative |
|----|---|---|
| 1. | Credit Verticals: Large Corporate & Mid-Corporate Credit Vertical, MSME Vertical and Retail Assets Vertical. | <p>The Wing shall explore possibilities for including ESG data points (ESG ratings from third party agencies) in credit process notes and further take steps for adopting ESG related best practices being implemented by peer banks while financing to corporates, such as screening of high carbon emitting sectors, thematic investing for renewable projects etc.</p> <p>On qualitative basis, all Credit Sanctioning Wings/Sections over the period shall strive for assessing corporate borrowers on ESG/Climate Risk Rating Parameters for</p> |

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| | | <p>Qualitative Assessment of Credit proposals and at the time of processing the proposal, steps taken by the Corporate for Net Zero emissions may be adequately captured in the process note.</p> <p>The sanction copy shall contain, ESG message so as to encourage/motivate the borrowers to go ESG compliant along with Bank.</p> <p>“Dear customer, Canara Bank is embracing its journey towards making this world a better living space by adopting sustainable practices. We are committed to Environmental preservation & Social responsibilities through good Governance practices.</p> <p>We welcome you on board too. Together We can!”</p> <p>Educating and hand holding of corporate borrowers in their journey towards sustainability.</p> <p>Wing shall explore ways for tapping into the evolving opportunities in Green finance/Sustainable finance avenues which are backed by Government schemes and programs.</p> <p>Prepare a roadmap for steering the Bank towards Green finance/Sustainable finance related areas and address the challenges faced by Bank in financing towards newly evolving green based projects.</p> |
| <p>2.</p> | <p>Human Resources & Public Relations Wing</p> | <p>Over the time, shall frame/renew policies taking into account the ESG aspects covering Human Capital, Training Needs, Capacity Building, Welfare/safety measures, motivation sessions, grievances redressal, Women empowerment, PWD welfare, integrity/inclusion/diversity/business ethics etc.</p> <p>Initiate employee friendly activities which can boost their morale and help in improving employee productivity.</p> <p>Shall evolve Human Capital of the Bank in a sustainable manner by focusing on aspects like employee engagement, recruitment, succession planning, talent development & retention, corporate culture, diversity & inclusion and employee wellbeing.</p> |

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| 3. | Financial Inclusion Vertical | Over the time, shall frame/renew policies by taking into consideration the ESG aspects like CSR activities, Community welfare, Financial literacy programs, Social impact study, NGO associations for environmental friendly and social development activities etc. |
| 4. | General Administration Vertical | <p>As a policy initiative, wing shall take cognizance of climate impact and strive to create sustainable offices as well as Staff Quarters, over the time.</p> <p>Undertake calculation of Scope 1 & Scope 2 emissions of the Bank on a quarterly basis for analysing bank's own carbon footprint based on its operations.</p> <p>Shall initiate various initiatives like reducing per capita consumption of electricity, using renewable energy, reducing per capita consumption of water etc. The Estate department shall explore possibility to add green vehicles (Electric Vehicle, Flex fuel engine vehicle) in the Bank's fleet of vehicles.</p> <p>Shall explore the feasibility of providing charging stations for staff owned E-Vehicles in administrative offices and expand the same in a phased manner.</p> <p>Encourage usage of energy efficient and eco-friendly equipments like – Low VOC primer and paints in all applications; usage of indoor plants in office premises for air purification; usage of bio-degradable plastic bags as bin bags in offices to reduce plastic consumption, etc.</p> <p>Encourage adoption of solar energy, water conservation, recycling & electricity saving by all the stakeholders.</p> <p>Shall obtain Green Certifications for Bank properties in graded manner as per GRIHA/IGBC guidelines.</p> <p>Awareness campaigns on emission reduction and optimal electricity consumption shall be conducted for staff, value chain partners, vendors etc.</p> |

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| 5. | Centralized Procurement & Vendor Management Vertical | <p>Shall create awareness and educate the Value Chain Partners/ Vendors on ESG matters.</p> <p>Over the time, preference may be given for Vendors who are ESG compliant.</p> |
| 6. | Information Technology Vertical, Digital Banking Services Vertical, Technology Operations Vertical, Cyber Security Wing | <p>Shall increase technological investments to meet the growing digital market and ensuring data safety & data accuracy all the time.</p> <p>Digitization of Bank documents like letters/office notes/forms etc. is to be done with robust support system, over the time.</p> <p>Enhancing the processes and systems on Cyber security aspects.</p> |
| 7. | Priority Credit Vertical | <p>Over the period, Agricultural & Priority Sector loan/product policies may be framed/reviewed considering the ESG factors. Each product can be mapped to pillars of ESG and Sustainable Development Goals (SDGs) & Nationally Determined Contributions (NDCs).</p> <p>Encourage financing of community based sustainable financing for renewable energy/ organic farming etc.</p> <p>Promote financing to Self Help Group (SHG) promoted by Women, SC/ST, OBC, EBC & minorities.</p> <p>Encourage & promote financing to animal husbandry.</p> <p>Educate community and farmers for adoption of mixed farming practices and low water consuming crops and further embrace digital payment eco system through financial institutions.</p> |
| 8. | Integrated Treasury Vertical | <p>Wing shall endeavour for greening of investment portfolio over the time. Sustainable investments and fund raising can be explored by way of Green Bonds/Blue Bonds.</p> |
| 9. | Strategy & Data Analytics Vertical | <p>Ensure strategies developed are in line with the vision of the Bank & aligned to sustainable development goals</p> <p>Deposit products shall be developed considering ESG objectives. Explore possibilities of developing Green Deposits products for funding pro-environment activities in adherence to prevailing regulatory guidelines in the matter.</p> |

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| | | <p>To study and collect information on the retail liability schemes and value-added services of other Banks and analyzing the efficacy of such schemes/services.</p> <p>Economic Research Cell and Research & Development section shall study and prepare analysis to assess the impact of emerging risks on bank and its operations.</p> |
| 10. | Resources Vertical | <p>To run and monitor campaigns related to sustainable products & services for customers/depositors on ESG.</p> <p>Appraising about the development and implementation of sustainable/green deposit products to ALCO on a quarterly basis, once designed.</p> |
| 11. | Financial Management Wing | <p>ESG Factors shall be taken into account while Capital Planning.</p> <p>Presenting ESG related initiatives and lending schemes of the Bank before shareholders/investors/analysts etc. by compiling related data/information from Stakeholder Wings.</p> <p>Analyst/Investor expectations on ESG matters may be taken up with the respective member Wings for compliance.</p> |
| 12. | Associates, Subsidiaries & RRB Vertical | <p>Subsidiaries/Associate Companies shall frame ESG/Climate Risk Policies in adherence to applicable guidelines and shall disclose BRSR & BRSR Core reports as per timeline (wherever applicable).</p> <p>Monitoring the compliance of legal/statutory norms laid down by various regulators like ROC/RBI/Government/SEBI/NHB etc. with respect to ESG/Climate Risk.</p> <p>Assisting Subsidiaries/Associates/Joint Ventures in synergizing their performance with Bank's sustainability objectives.</p> <p>Extending assistance to the Subsidiaries/Associates in their journey towards Sustainability with respect to implementation of ESG related aspects, its awareness creation among borrowers, capacity building etc.</p> |

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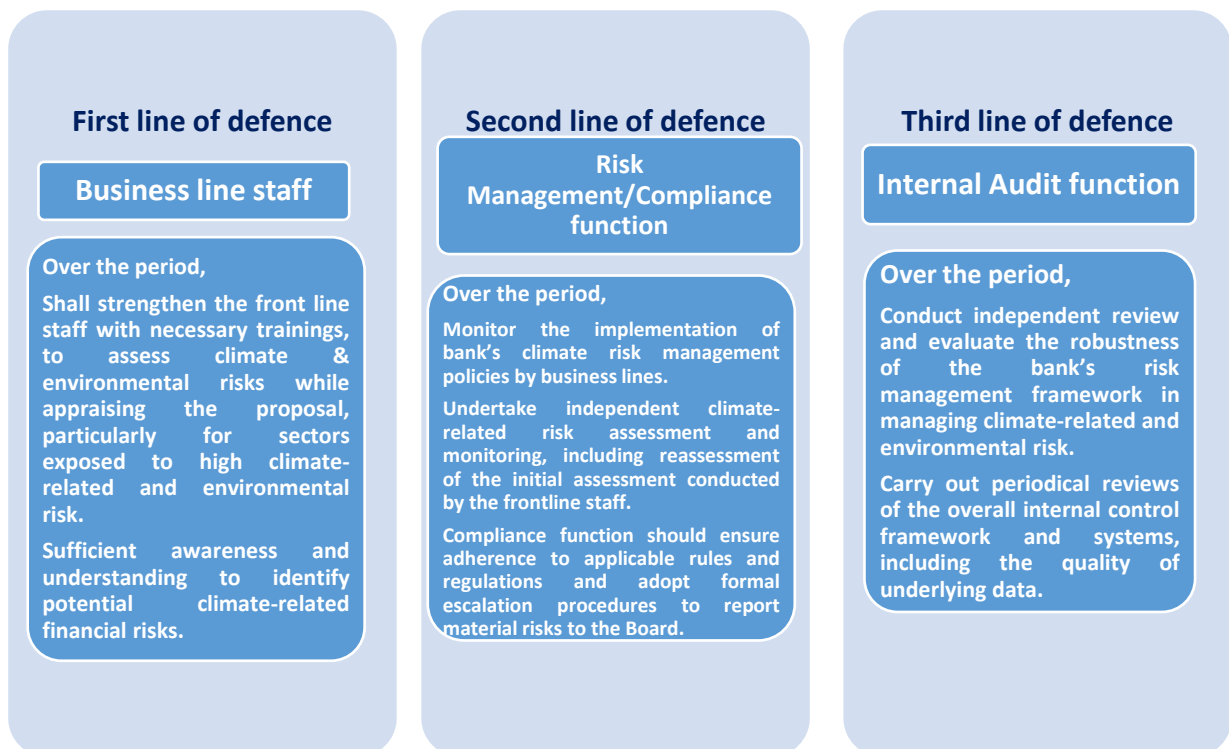
| | | |
|-----|------------------------|---|
| | | <p>Creating ESG awareness amongst employees and customers in coordination with member Wings.</p> <p>Submission of ESG/Climate Risk related surveys and coordination with regulatory bodies on policy related aspects.</p> <p>Attending seminars, meetings, webinars on ESG/Climate Risk.</p> |
| 16. | Inspection Wing | <p>Inspection Wing will conduct an independent assessment of the overall implementation status of ESG policy across the Bank, at least once on an annual basis.</p> <p>Shall apprise ESG Committee about the implementation of various measures adopted by the Bank and based on the direction, same shall be informed to the Audit committee of the Board.</p> |

In addition to the above-mentioned roles & responsibilities, all the Stakeholder Wings of the Bank shall undertake eco-friendly activities like – Reduced paper usage and encourage use of Document Management System (DMS), Optimal usage of electricity & water, Limited use of plastic, etc.

PART 2 RISK MANAGEMENT STRATEGY FOR CLIMATE RISK/ ESG

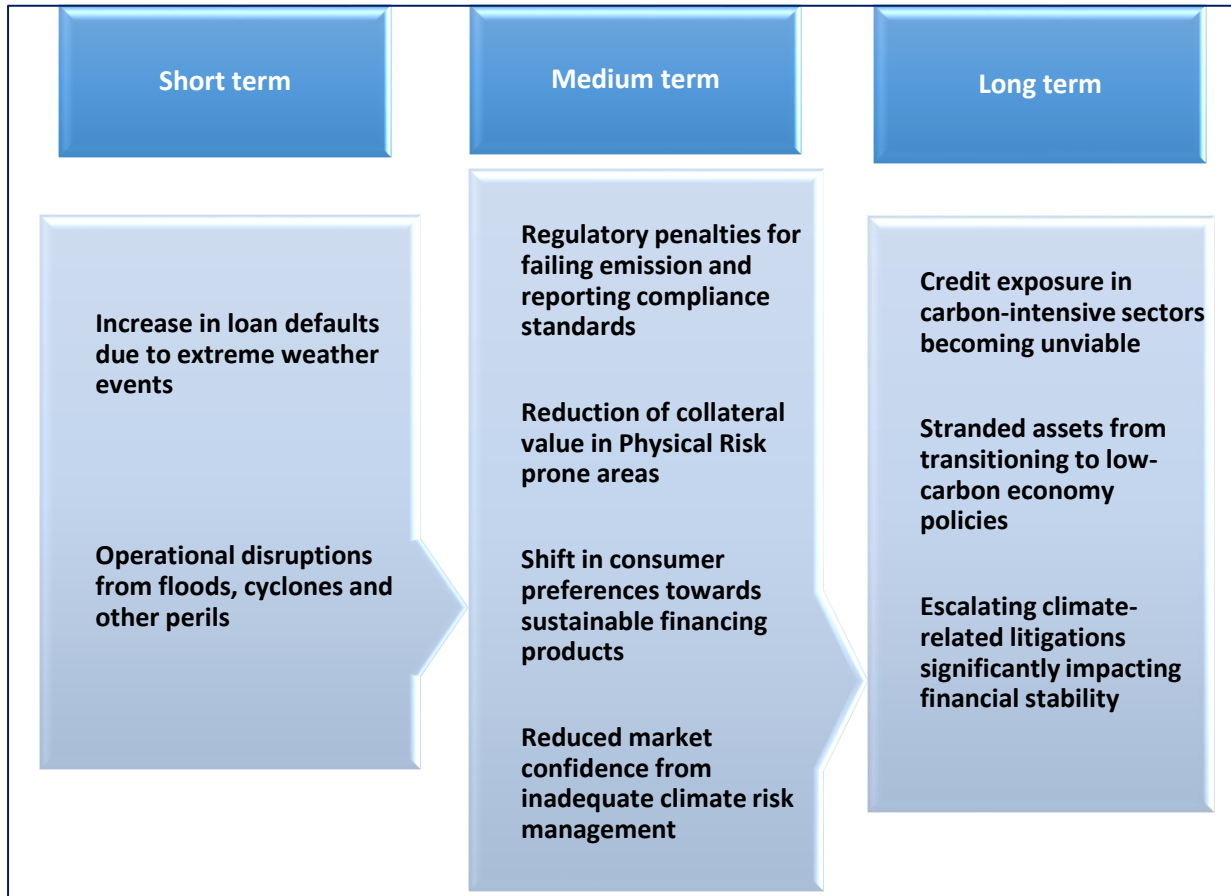
2.1 Policies and Procedures

- To integrate climate-related and environmental risks in the risk management framework of the Bank in a phased manner.
- Clear articulation of roles and responsibilities of business lines and risk functions in accordance with the three lines of defence model.
- To address financial risks arising from climate change and environmental degradation through risk management framework, in line with Board-approved risk appetite statement, risk management strategy and business plan.
- To integrate a climate-risk assessment as part of due diligence process which includes physical and transition risks the customer is exposed to and analyze how these risks may materialize into any future reputational risks.
- Based on the climate risk assessment conducted in sector and portfolio level, exposure limits/thresholds may be assigned on specific sectors and portfolios.
- The three lines of defence shall co-ordinate and work as under:



2.2 Climate related Risks, Opportunities and Financial Impacts:

2.2.1 Climate-Related Risks (Short term, Medium Term & Long term):



All the Climate related risks can be classified into: i) Transition Risks ii) Physical Risks

2.2.2 Transition Risks:

Transitioning to a low-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial risks to Bank. Such as,

- i) Policy and Legal Risks
- ii) Technology Risk
- iii) Market Risk
- iv) Reputation Risk

Guidance on the above

With the evolving scenarios in the industry, Bank shall adopt prevailing guidelines to measure, monitor, analyze and mitigate the risks and tap the opportunities growing from transition risk.

2.2.3 Physical Risks:

Physical risks resulting from climate change can be event driven (acute) or due to long-term shifts (chronic) in climate patterns. Physical risks may have financial implications for Bank, such as direct damage to assets and indirect impacts from supply chain disruptions. Bank’s financial

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performance may get affected along with impact on its premises, operations, supply chain, transport needs, and employee safety.

- i) Acute Risks: droughts, floods, extreme precipitation and wildfires
- ii) Chronic Risks: rising temperatures, increase in sea-level and an accelerating loss of biodiversity

2.2.4 Financial Risks

Climate Risks, both physical and transition, can ultimately cascade into Pillar 1 risks, as defined below, thereby creating challenges for banks and impacting their overall stability.

- **Credit risk:** Rising frequency and severity of extreme weather events can impair the value of assets held by the banks' customers, or impact supply chains affecting customers' operations, profitability, and their viability.
Bank is having set policies on Credit Risk Management, Risk Rating, Retail lending, MSME etc. Going forward, ESG & Climate Risk related factors shall be incorporated in a phased manner in line with regulatory guidelines.
- **Market risk:** Decline in valuation of market instruments held by Bank and increased volatility in investments because of shifts in investor preferences owing to ESG related factors or climate induced adverse effects on the underlying economic activity.
Treasury & Market Risk Policies of the Bank shall be enhanced to factor-in the ESG & Climate Risk factors in a phased manner in line with regulatory guidelines.
- **Liquidity risk:** Increased demand for liquidity to respond to extreme weather events or the difficulties that may be faced in liquidating assets given the negative impacts of climate change.
ALM Policy of the Bank may take indication from the movement in liquidity in Bank/Banking System considering the impact of ESG & Climate Risk related scenarios and stress testing and define the future course of action for mitigating the same in a phased manner in line with regulatory guidelines. The contingency planning shall be reframed in tune with regulatory guidelines considering sustainability factors.
- **Operational risk:** Disruption in business continuity due to the impact on bank's infrastructure, processes, staff and systems. In addition, exposure to claims from stakeholders who have suffered climate related losses and who then seek to recover those losses.
The Operational Risk Policy and Business Continuity Policy of the Bank to consider the ESG & Climate Risk aspects in defining the course of action. Shall consider case studies of the affected branches /offices for practical solutions.

2.2.5 Climate-Related Opportunities:

Efforts to mitigate risks emerging from climate change events and adapting to climate change transitions, also produce opportunities for the Bank by means of resource efficiency, cost savings, adoption of low-emission energy sources, development of new products & services, and access to new markets.

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- **Resource Efficiency**

Improving efficiency across operations & processes, buildings, and transport/mobility—in particular in relation to energy efficiency and also by including broader materials, water, and waste management.

- **Energy Source**

Improved operating capabilities, and subsequent global adoption of these technologies are significant. Shift of energy usage towards low emission energy sources could potentially save on annual energy costs.

- **Products and Services**

To develop new low-emission/pro-environmental products and services which will help in improving competitive position and capitalize on shifting consumer and producer preferences.

- **Markets**

To pro-actively seek opportunities in new markets by diversifying into new activities with different types of assets and better positioning for transition to a low-carbon economy.

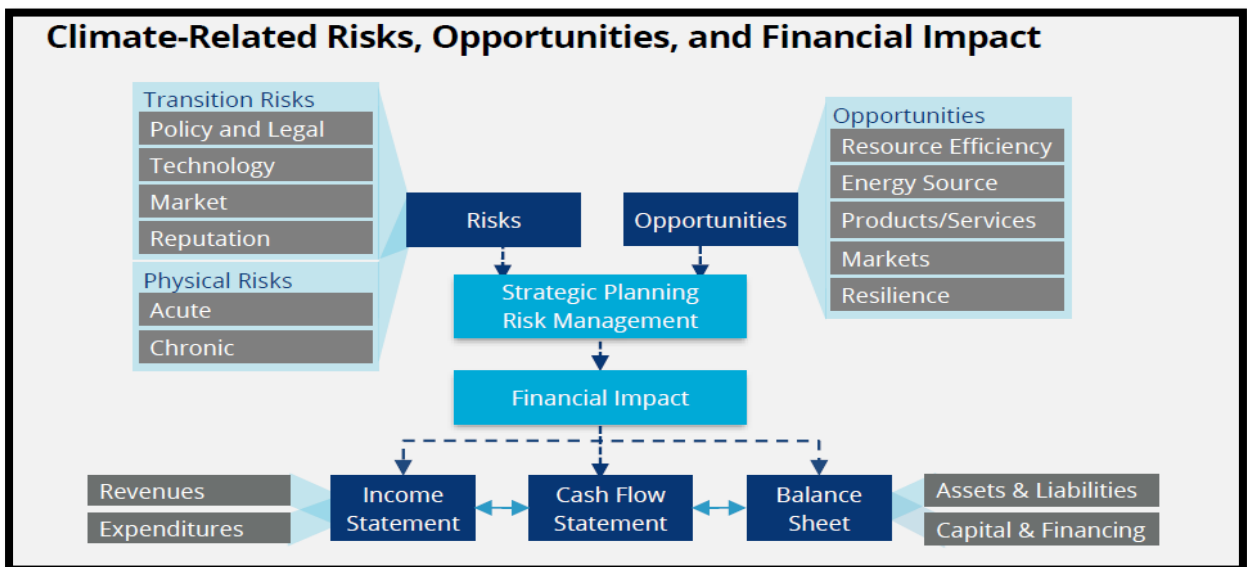
To access new markets by collaborating with governments, development organizations, small-scale local entrepreneurs, and community groups to shift to a lower-carbon economy.

- **Resilience**

To develop an adaptive capacity in response to climate change events for better managing the risks associated and seize opportunities like improving efficiency, designing new processes, and developing new products/services with an ability to respond to transition risks and physical risks.

2.2.6 Financial Impacts:

In order to make more informed financial decisions, there is a need to understand how climate-related risks and opportunities are likely to impact Bank’s future financial position as reflected in its financial statement, cash flow statement, and balance sheet as outlined below:



Source: TCFD

2.3 Risk Identification and Assessment

- To develop a comprehensive methodology to identify risks arising from environmental and climate change and its effect on business models at customer, sector and portfolio level.

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- Identify activities which are exposed to climate-related physical and transition risks and prepare sectoral heatmap based on the nature of these risks.

Illustrative factors to be considered for assessment

- CO₂-intensive assets (or other GHGs).
- Energy level distribution of Residential Real Estate (RRE) and Commercial Real Estate (CRE) portfolios and their green energy ratings.
- Geo-spatial positioning of collateral assets and project location in environmentally vulnerable areas viz. flood/cyclone/drought prone areas, coastal areas, etc.
- Exposures to businesses that will be impacted by melting glaciers of Himalayas due to climate change, further leading to rise in sea-level.
- Exposure to business units with vulnerable supply chain partners.
- Multiple environmental permissions/clearances involved.
- Capturing of carbon emissions data of borrowers.

Understanding Scope 1, 2 & 3 emissions:

As per India GHG program, for delineating direct and indirect emission sources, improving transparency, and providing utility for different types of organizations and different types of climate policies and business goals, three “scopes” (scope 1, scope 2, and scope 3) are defined for GHG accounting and reporting purposes.

Scope 1 Emission:

Scope 1 emissions are defined as those carbon emissions which are resulting directly from a company's operations. For example – CO₂ emissions from bank owned/controlled facilities and vehicles.

Scope 2 Emission:

Scope 2 emissions are indirect emissions generated from purchased electricity of a company. Example: Electricity usage in Bank's branches and offices.

Scope 3 Emission:

Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company. Example: Emissions resulting from the bank's lending and investment portfolio, such as loans to carbon-intensive industries or projects, emissions from employee travel via airplanes, trains, or taxis, employee commuting to and from work and emissions embedded in goods and services purchased by the bank such as office supplies or IT equipment.

As an initial step, Bank shall capture data on Scope 1, 2 & 3 emissions of its borrowers available in the public domain which can be further used for its internal risk assessment exercises.

2.3.1 Identification of Physical and Transitions Risks in Bank's portfolio

In order to understand the exposure of Bank's portfolio towards climate related financial risks, the different industries/sectors through which the Bank is exposed to shall be classified and ranked in terms of the impact of Physical Risks (Acute & Chronic) and Transition Risks (Policy & Legal, Technology, Market and Reputation). The sectors/industries maybe classified based upon the existing BSR codes and ranked as per a sectoral heatmap analysis of physical and

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transition risks. These sector level classifications and rankings may be incorporated in a system level manner for extraction of reports and further analysis.

2.3.2 Usage of Geo-spatial data for assessment of Climate related risks

As mentioned under Para 2.2.3, Physical risks can have direct financial implications on the Bank by affecting its own assets and operations and also can impact indirectly by affecting the collateral assets of the borrowers and their unit locations. In order to analyze the impact of physical risks on the Borrowers' unit locations and collateral assets in different geographical areas, geo-spatial data (Longitude & Latitude details) shall be captured in the system for estimating the probable amount of losses which can be incurred due to such events and also in identifying the areas which are prone to climate related physical risks.

2.4 Mitigation tools

The due diligence part of an appraisal plays an important role in mitigating risks from the beginning, and this shall include the following aspects.

- At the time of assessing the risks emulating from climate change events, Bank shall adopt pro-active approach and engage with the customers to put in suitable risk mitigation strategies in consonance with regulatory & statutory prescriptions. In case, the portion of risk is partially mitigated/not fully mitigated, the same shall be addressed through various credit risk mitigants or may be suitably priced to cover additional credit costs.
- For Customers whose production is directly dependent on weather conditions, may require taking out insurance against extreme weather events (e.g., seasonal droughts, floods).
- Customers in CO₂ / GHG intensive industries may require having a transition strategy for adopting sustainable energy practices.

2.5 Risk Reporting

- Timely reports on climate-related risk exposures including adherence to risk appetite, progress on strategic & business plans, information on implementation of control & mitigation should be provided to the Board of Directors/Sub-Committees/ESG Committees. The nature and periodicity of reports shall be covered under MIS section of this Policy.
- Any regulatory guidelines on ESG/Climate related financial risks when comes into effect will be implemented by the Bank. The Bank shall take steps for implementing these guidelines in its Climate risk and ESG related practices and report the same to the Board of Directors/Sub-Committees/ESG Committee as per requirement.

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PART 3: METRICS AND TARGETS

Sustainability framework is an evolving aspect at present and its adoption by the Bank shall be aligned with the strategic priorities set out, so as to synchronize with the risk management framework of the Bank.

As the evolution of ESG is highly dynamic, its applicability may not be immediate, but may be in a phased manner. Therefore, ESG/Climate Risk aspects can be viewed in three dimensions as detailed under:

3.1 Dimensions for ESG/Climate Risk implementation

| | Dimension | Action to be taken | Action by | Timeline * |
|----|---|---|---|--------------|
| 1. | Bank's own compliance & and measurement of emissions under Scope 1, 2 and 3. | <p>Involves the process of creating awareness, voluntary pro ESG initiatives (water & waste management, energy efficiency, go green activities etc.), framing policies & frameworks, assigning roles & responsibilities, initiating qualitative assessment of credit proposals, reporting & disclosure under Scope 1, 2 & 3 emissions etc.</p> <p>Scope 1 & 2 GHG emissions and its related risks. If feasible, Scope 3 greenhouse gas (GHG) emissions, and its related risks.</p> <ul style="list-style-type: none"> ○ GHG emissions should be calculated in line with the GHG Protocol methodology to have unified data aggregation and comparability across industry and jurisdictions. ○ If required, Bank to consider generally accepted industry-specific GHG efficiency ratios. ○ Describe processes for prioritizing climate-related risks, including how materiality determinations are made within Bank. <p>The emissions disclosure under Scope 1, 2 & 3 will form integral part of SEBI's BRSR Disclosure.</p> | <p>All stakeholder Wings</p> <p>BRSR shall be coordinated by Secretarial Department (Compliance & RBS Wing)</p> | 1 to 3 years |

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| | | | | |
|----|---|---|---|--------------|
| 2. | To meet the stakeholders' expectations | Designing products & services in compliance to ESG aspects for meeting stakeholder expectations; Initiating stakeholder engagement activities; updation of policies & procedures considering ESG aspects. | All stakeholder Wings. | 2 to 3 years |
| 3. | Adopting ESG & Climate risk aspects in the appraisal process of loans & deposit products and in its pricing. | Developing comprehensive risk rating models, climate scenario analysis & stress testing models in line with regulatory guidelines and drawing its impact on the risk management process, credit assessment and product pricing. | Risk Management Wing, all Credit Verticals and Resources Vertical | 3 to 5years |

* The above timelines are subject to change in accordance with the regulatory guidelines, government priorities & market dynamics.

3.2 Strategy for implementing ESG & Climate Risk financing

In this backdrop, Bank shall adopt the following strategy for implementing ESG & Climate Risk across the organisation.

| | Dimension | Action to be taken | Action by | Timeline * |
|----|---|---|---|--------------|
| 1. | Creating Awareness, Voluntary Initiatives and Disclosure | Awareness creation shall be for the financial ecosystem, customers and general public. The awareness shall be by way of various modes of communication like government announcements, workshops for customers, through industrial boards etc. Reporting & Disclosure shall be in-line with regulatory guidelines. | All Stakeholder Wings | 1 to 3 years |
| 2. | Knowledge Building | Capacity Building/trainings within organization and at Industry level. Seminars/workshops for customers (Corporates, MSMEs, Agri business entities etc). | Human Resources & Public Relations Wing and All Stakeholder Wings | 1 to 3 years |
| 3. | Data Aggregation | Explore possibilities for augmenting data gaps and capturing of necessary carbon emissions data for mapping them with Bank's portfolio. | ESG Working group | 1 to 3 years |

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| | | | | |
|----|---|---|-----------------------|--------------|
| 4. | Developing Models and impact assessment | The process shall include development of rating models, stress testing scenarios which shall be industry specific (Power, Iron/Steel, Service, etc.) and based on the data availability/accessibility. | Risk Management wing | 2 to 3 years |
| 5. | Effecting ESG weightage in rating models and pricing | <p>Once the Bank is through the initial four stages, the actual implementations of credit appraisal process through a sustainable angle shall start in a phased manner.</p> <ol style="list-style-type: none"> 1. Ratings of customer/borrower in compliance to ESG parameters shall be conveyed to them before factoring it in pricing, by providing the timelines for implementation of ESG. 2. Parallely, the better rated borrowers under ESG parameters shall be incentivized in order to encourage others to follow and the poor rated borrowers shall be cautioned. 3. The relevance of a credit rating will also depend on the broader credit profile of the borrower, including its ability to absorb or pass on higher costs, or its reliance on particular funding sources. 4. Final pricing of the borrower shall be made effective by considering its ESG rating and overall risk factor of the sector. <p>Regulatory guidelines shall be referred for the same.</p> | All Stakeholder Wings | 3 to 5 years |
| 6. | Review & renew | Further improvements/enhancements in policies shall be done by taking into account updated regulatory guidelines & market developments, extension of coverage to other sectors under ESG regime, additional ESG rating parameters, etc. | All Stakeholder Wings | As and when |

*** The above timelines are subject to change in accordance with the regulatory guidelines, government priorities & market dynamics.**

PART 4 SCENARIO ANALYSIS

Climate Risk Assessment in India is at nascent stage with regulatory guidelines still taking shape. The Scenario Analysis & Stress Testing models shall be in line with industry practices/ regulatory guidelines.

The Scenarios can be broadly designed on the following aspects.

4.1 Overview of Scenario Analysis

Scenario analysis can be qualitative with reliance on descriptive and written narratives, or quantitative, based on numerical data and models, or a combination of both.

Qualitative scenario analysis explores relationships and trends for which little or no numerical data is available, while quantitative scenario analysis can be used to assess measurable trends and relationships using models and other analytical tools & techniques.

4.2 Exposure to Climate-Related Risks

Climate-related physical and transition risks can have a wide range of impact on specific sectors, industries, individual organizations and geographies. As an initial step, Bank can consider applying a basic level of climate scenarios in its stress testing model for analysing its impact in strategic planning and risk management processes of the Bank.

4.2.1 Exposure to Transition Risks

Transition risk scenarios may comprise of two major aspects – climate change outcomes and type of transitions involved wherein assumptions are to be made on whether emissions are reduced gradually (known as “orderly” transition) or abruptly (known as “disorderly” transition).

Transitions risks can be relevant for resource-intensive organizations with high GHG emissions within Bank’s value chains where policy actions, technology, or market changes aimed at emissions reductions, energy efficiency, subsidies or taxes, or other constraints or incentives may have a direct effect.

4. 2.2 Exposure to Physical Risks

Vulnerability of a Bank’s exposure depends on the geographical location of its borrowers and its collateral assets.

The assessment of physical risk scenarios shall be majorly driven by analysing its climate risk drivers which are events like Floods, Cyclones, Droughts, Rise in Sea level and Increase in temperature.

Further, the assessments can be carried out by mapping of borrower’s long-lived/fixed assets, locations of operations in climate-sensitive regions (e.g., coastal and flood zones), reliance on availability of water and value chains exposed to the above-mentioned climate risk drivers.

4.3 Approach to Scenario Analysis

(1) Using scenario analysis to help inform strategic and financial planning processes and

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(2) Disclosing how resilient strategies are to a range of plausible climate-related scenarios.

A critical aspect of scenario analysis is the selection of a set of scenarios that covers a reasonable variety of future outcomes, both favourable and unfavourable. In this regard, usage of scenarios derived from NGFS (Network for Greening the Financial System) which are – Orderly transition, Disorderly transition, Hot house world and Too little too late can encompass aspects of both physical and transition risks. Further, scenarios related to country's Nationally Determined Contributions (NDCs) and other upcoming regulatory guidelines can also be used for internal risk assessments.

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PART 5 MIS/REPORTING

| Sl. No | Name of the report | Frequency | Placed by | Placed to whom |
|--------|---|-------------|---|----------------|
| 01. | Activity note | Monthly | ESG Section | DGM |
| 02. | Information note on ESG – capturing evolving aspects in ESG & Climate risk around the globe and internal ESG/Climate risk matters in the Bank | Quarterly | ESG Section | CGM |
| 03. | Information note on progress in ESG implementation | As and When | ESG section (data to be submitted by all members Wings) | ORMC |
| 03. | ATR & Data for committee meetings. | As and when | All Stakeholder Wings | ESG Section |
| 04. | Data aggregation on ESG aspects from all Stakeholder Wings – As per Annexure I of ESG Policy. | Quarterly | All Stakeholder Wings | ESG Section |

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PART 6: BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING (BRSR)

Bank discloses ESG related disclosures as per SEBI’s Business Responsibility & Sustainability Reporting (BRSR) by comprising the additional BRSR Core guidelines and strive for adopting globally accepted disclosures in future.

Compliance & RBS Wing (Secretarial Department) is the Nodal Wing for BRSR and all Stakeholder Wings are responsible for submission of required data as per format.

| GOVERNANCE STRUCTURE OF BRSR | |
|--|--|
| Full Name | Business Responsibility and Sustainability Report (BRSR) |
| Applicable Regulations | <p>SEBI (LODR) Regulations, 2015, Regulation 34 (2) (f)</p> <p>SEBI mandated top 1000 listed entities to include new reporting requirements on ESG parameters called the Business Responsibility and Sustainability Report (BRSR) in Annual Report with effect from FY 2022-23.</p> <p>In addition to the above, it is mandatory for top 150 listed entities to obtain assurance of the Business Responsibility and Sustainability Report Core (BRSR Core) indicators.</p> |
| Complied by | Secretarial Department, Compliance and RBS Wing |
| Data owner Wings | <p>Compliance and RBS Wing</p> <p>Financial Management Wing</p> <p>Retail Credit and General Administration Wing</p> <p>Human Resources and Public Relations Wing</p> <p>Technology Services Wing</p> <p>Corporate Credit and Associates Wing</p> <p>Lead Bank & Financial Inclusion Wing</p> <p>Operations Wing</p> <p>Risk Management Wing</p> <p>Strategy, Resources and Govt. Services Wing</p> <p>Further, any other Wing may be included as per requirement.</p> |
| Periodicity of Submission | To be submitted Annually along with Annual report |
| Details of highest authority responsible | Board of Directors |

PART 7: SUSTAINABILITY REPORT

In the growing times of ESG and Sustainability, investors and stakeholders keen to know on how organizations are affecting the environment, how they treat their employees, clients and communities, and if they conduct their business ethically. In this context ESG reporting/Sustainability report by an organisation becomes a tool for shedding light on its ESG activities while improving investor transparency and inspiring other organizations to do the same.

In addition to the existing disclosures like Annual Report and BRSR, Bank discloses its Sustainability Report on annual basis for its stakeholders and investors community through which it demonstrates that the organisational goals it is meeting with and the sustainable aspects it has embarked on, are genuine and paves way for the Bank reach greater heights in a sustainable way.

Risk Management Wing (ESG Section), shall be the Nodal Wing for disclosing Sustainability Report and all the Stakeholder Wings of the Bank shall be responsible for submission of required data as and when needed.

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PART 8: INDICATIVE ESG & CLIMATE RISK RATING PARAMETERS FOR QUALITATIVE ASSESSMENT

The qualitative assessment shall be undertaken by the credit Wings/loan processing/rating units, for Corporate Proposals above a certain threshold. The indicative parameters are listed below, shall be incorporated in Rating Process/Credit Appraisal by making necessary changes in the process & assigning the suitable weightage in a phased manner.

| Indicative ESG & Climate Risk Rating Parameters for Qualitative Assessment of Credit proposals (Shall be incorporated in Credit Appraisal/Rating Process) | | | | | |
|---|--|------------|--------------------------|-----------|----------------------------|
| | Particulars | Yes | Partially Yes | No | Furnish Details |
| I | Environmental | | | | |
| 1 | Whether the firm's line of business, nature of products/ services , location of the unit etc. have any direct impact on environment /biodiversity ? | | | | |
| 2 | Whether the firm is having set policy guidelines on management of water & waste , recycle practices & energy efficiencies ? | | | | |
| 3 | Whether the firm's operations contribute majorly to the carbon emissions (GHG)? If so, whether Environmental clearances from Competent Authorities in place? Status of compliance to norms and details of penalties, if any. | | | | |
| 4 | Whether the firm has initiated any Go Green activities viz. recycling, plastic free, paperless work, plantations etc. | | | | |
| 5 | Whether firm is associated with any of the pro environmental campaigns , organizations working towards such goals? | | | | |
| II | Social | | | | |
| 1 | Employee welfare , safety measures, redressal mechanism, training & development and equal treatment policy in the firm | | | | |
| 2 | Community Welfare : Social development initiatives ,CSR activities , community engagement , redressal mechanism etc | | | | |
| 3 | Women Empowerment , equal opportunities, equal pay | | | | |
| 4 | Supply chain/Distribution channel engagement | | | | |
| 5 | Data security & privacy policy | | | | |
| III | Governance | | | | |
| 1 | Board level awareness/ oversight/ committee on ESG and Board diversity | | | | |
| 2 | Business ethics , transparency and integrity practices prevailing in the firm | | | | |

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| | | | | | |
|-----------|---|--|--|--|--|
| 3 | Board approved policy on ESG, Corporate Governance , Risk Management and other ESG related aspects | | | | |
| 4 | Stakeholder Engagement: protecting the interest of stakeholders, enhancing the value of stakeholders, voting rights | | | | |
| 5 | Disclosure reporting practices: BRSR/GRI/TCFD etc | | | | |
| IV | Climate Risk | | | | |
| 1 | Are the firm/firm's assets having proximity to disaster prone areas? Which exposes the firm to Physical Risk | | | | |
| 2 | The industry in which Firm is operating - Is it exposed to transitional changes like migration to low carbon emissions ? | | | | |
| 3 | Whether the firm has been affected by any major climate change events? - Physical risk events like Cyclone, Floods, Drought, Storms | | | | |
| 4 | Whether the firm has been affected by Transitional Risk events? - Impact on business costs, change in product line-up and policies, more expenditure in tech and R&D for transiting to low carbon emissions | | | | |
| 5 | Whether the firm has announced any Net Zero targets ? | | | | |

8.1 ESG Compliance as an Annexure to Credit Proposal Notes

In the road to Sustainability, Bank needs to create awareness among its borrowers on ESG and Climate risk related aspects and also needs to take steps for capturing pre-requisite data on the same. Further, in order to reduce carbon emissions and achieve Net Zero organizational strategies, the Bank will have to keep a check on its financed emissions.

As a part of initial steps, the Bank has included an annexure on 'ESG Compliance' in the Credit Proposal Notes, through which data aggregation on ESG & Climate risk related aspects can be catered to and awareness for the borrowers on ESG and Climate change aspects can be created. The annexure requires all the proposals equal and above Rs. 50 Crores to disclose their accomplishments under ESG aspects.

The 'ESG Compliance' parameters for credit proposals equal and above Rs. 50 Crores have been detailed out in Annexure – II of this policy.

8.2 Climate Risk Assessment Questionnaire as a part of credit assessment for top 1000 listed entities

The growing importance of climate risk management in the banking sector, as emphasized by stakeholders and regulators, necessitates proactive measures to integrate climate considerations into bank's credit appraisal process. In line with this, a Climate Risk Assessment Questionnaire, tailored to aid the bank in evaluating its borrowers' exposure to climate-related risks has been developed.

The questionnaire shall be incorporated in the bank's existing credit appraisal notes for top 1000 listed entities (Credit Wings to exclude the accounts under consortium where we are not the leader, while identifying top 100 accounts for adding of Climate Risk Assessment in credit

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proposal notes) and will be mandated for other borrowers as and when regulatory guidelines on climate risk related aspects evolve.

The parameters of “Climate Risk Assessment Questionnaire” for top 1000 listed entities have been detailed out in Annexure – III of this policy.

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Annexure – I

Wing wise Quarterly ESG Data Update

| <u>General Administration Vertical</u> | | |
|--|--|--|
| 1. | Energy Consumptions for quarter | |
| 1.a | Total Electricity Consumption in Units (KWh) | |
| 1.b | Total Energy Consumption (Electricity) (GJ) | |
| 1.c | Total Fuel Consumption by DG Sets (Litres) | |
| 1.d | Total Fuel Consumption by Bank Owned Vehicles (Litres) | |
| 1.e | Total Energy Consumption (Fuel) (GJ) | |
| 1.f | Total Energy Consumption (Fuel + Electricity) (GJ) | |
| 1.g | Turnover (INR Cr.) | |
| 1.h | Energy Intensity (Total Energy Consumption / INR Cr.) | |
| 2. | GHG Emissions for quarter | |
| 2.a | Scope 1 Emissions (tCO2) | |
| 2.b | Scope 2 Emissions (tCO2) | |
| Emission Factor used for Fuel- | | |
| Emission Factor used for Electricity- | | |
| 2.c | Total GHG Emissions (Scope 1 & Scope 2) (tCO2) | |
| 2.d | Emission Intensity (Total GHG Emissions /INR Cr.) | |
| 3. | Energy Saving Initiatives taken up in quarter | |

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| <u>Lead Bank & Financial Inclusion Wing</u> | |
|--|--|
| 1. | Details of CSR activities conducted by bank related to ESG aspects |
| | |
| 2. | Details of Financial Literacy Activities carried out by Bank |
| | |
| 3. | Details of Entrepreneurship Development Training Programmes conducted by Canara Bank RSETIs/ RUDSETIs/CBIITs/ATIs |
| | |

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Annexure - II

ESG COMPLIANCE

For all Credit proposals equal and above Rs 50.00 Crores, please furnish details on the below mentioned particulars.

| PARTICULARS | COMPLIANCE |
|---|------------|
| Status of the company with respect to Board approved Policy/ies on any of the followings: (i) ESG Policy (Which covers climate change issues) (ii) Health & Safety Policy for Employees (iii) Corporate Governance Policy (iv) Data Security & Privacy policy If so, mention the policy/ies: | |
| Whether the firm's operations contribute majorly to the Carbon emissions/Green House Gas (GHG) emissions? If so, whether Environmental clearances from Competent Authorities are in place? Status of compliance to norms and details of penalties, if any. | |
| Whether the firm is having set policy guidelines on management of water & waste, recycle practices & energy efficiencies ? | |
| Whether the firm is taking any steps for decarbonizing its operations and initiating sustainable practices in its organization by taking help of industry knowledge partners/consultants or through self-assessment basis? If so, please furnish details. | |
| Steps taken by the firm towards community welfare: Social development initiatives, CSR activities, community engagement, redressal mechanism etc. | |
| Does the company conduct customer satisfaction surveys and has methods to address customer complaints? | |
| Whether the firm's HR policy addresses aspects like Women Empowerment, specially-abled employees, equal opportunities, pay parity? | |

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| | |
|--|--|
| Status of the company in pursuing its corporate governance: (i) Board Independence (ii) Shareholder Rights (For listed companies) (iii) Disclosures (iv) Compliance & Business Ethics standards. | |
| For NBFC and Financial Services Industry Borrowers exclusively – Firm’s exposure to environmentally sensitive sectors. | |
| Notable ESG related activities undertaken by the Company in the past one year. | |

Climate Risk Assessment Questionnaire

A. Historical Emissions Data

1. What is the firm's current and historic (5 years) scope 1, scope 2, and scope 3 greenhouse gas emissions at group level?

| Year Reported | Total Emissions | Scope 1 | Scope 2 | Scope 3 | Measurement Unit | Source of Information |
|---------------|-----------------|---------|---------|---------|------------------|-----------------------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |

1.1 Is the above data on emissions disclosed or provided, validated by a third party?

1.2 If yes for 1.1, then name the firm which has validated borrower emission data.

B. Physical Risk Assessment

2. Are any of the firm's critical infrastructure or facilities located in or in the proximity of areas with probability of high physical risk perils such as floods, cyclones, heat stress, drought, landslides, etc.?

2.1 If yes for 2, then list all such infrastructure or facilities operated and/or managed by the firm

| Facility Name | State | District | Peril classification* | Source of Information |
|---------------|-------|----------|-----------------------|-----------------------|
| | | | | |
| | | | | |
| | | | | |

| | |
|-------------------------------|---|
| Peril Classification*: | Coastal Flood/Riverine Flood/Urban Flood/Cyclone/Landslide/Extreme Heat (Select the most appropriate option) |
|-------------------------------|---|



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3. Whether the firm has been affected by any major climate change events in the past? - Physical risk events like Cyclone, Floods, landslides, Drought, etc.

Yes/No

3.1 If yes for 3, then describe the business and financial impact of such event on the firm

Reply

3.2 If yes for 3, then describe if the firm has acted or currently undertaking activities to strengthen its physical risk resilience? E.g., enhanced business continuity plan, physical infrastructure, insurance coverage, etc.

Reply

C. Transition Risk Assessment

4. Provide the BSR code of the company

| BSR Code | BSR Description |
|----------|-----------------|
| | |

5. Provide the industry classification of the company

| Industry Classification [#] | UNEP FI classification |
|--|------------------------|
| <i>(Refer below mentioned options)</i> | |

| Industry Classification [#] (Select the most appropriate option) | UNEP FI Classification |
|--|------------------------|
| Oil & Gas | High |
| Agriculture | Moderate |
| Real Estate | Moderate |
| Power Generation | Moderately High |
| Metals and Mining | Moderate |
| Industrials | Moderate |
| Transportation | Moderate |
| Services and Technology | Low |

D. Governance and Leadership

6. Does the firm have a governance mechanism at the Board/Management level to manage climate-related risks and opportunities?

| | |
|---------------|----------------|
| <i>Yes/No</i> | <i>Remarks</i> |
|---------------|----------------|

E. Net Zero Strategy

7. Has the firm publicly disclosed its strategy for Net Zero or has a strategy/plan to omit any material Scope 1, 2, and/or 3 emissions?

| | | |
|---------------|-------------|----------------|
| <i>Yes/No</i> | <i>Year</i> | <i>Remarks</i> |
|---------------|-------------|----------------|

7.1 If yes for 7, then does the firm have an annual capex allocation for implementing its Net Zero strategy or undertaking decarbonization activities?

| | |
|---------------|----------------|
| <i>Yes/No</i> | <i>Remarks</i> |
|---------------|----------------|

7.2 If yes for 7, then has the firm made any substantive mergers and acquisitions relevant or has significantly invested in research & development towards it's Net Zero/decarbonization strategy?

| | |
|---------------|----------------|
| <i>Yes/No</i> | <i>Remarks</i> |
|---------------|----------------|

F. Production

8. Choose a primary production sector

| | |
|---|-------------------|
| Sector Names (Select the most appropriate option) | Electricity |
| | Oil and Gas |
| | Power Generation |
| | Transportation |
| | Cement |
| | Chemicals |
| | Refined Petroleum |
| | Steel Metals |
| | Agriculture |
| | Others (Specify) |

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8.1 Material Produced

| Material* | If others, specify | Measurement Unit# |
|--|--------------------|--|
| <i>(Refer below mentioned options)</i> | | <i>(Refer below mentioned options)</i> |

| | |
|--|---------------------|
| Material* (Select the most appropriate option) | Thermal Power |
| | Hydroelectric Power |
| | Biomass Energy |
| | Nuclear Power |
| | Geothermal Power |
| | Others (Specify) |

| | |
|--|--------------------------------|
| Measurement Unit# (Select the most appropriate option) | Megawatt-hours (MWh) |
| | Kilowatt-hours (kWh) |
| | Metric tonnes (MT) |
| | Cubic metres (m ³) |
| | Litres |
| | Kilograms |
| | Barrels (bbl) |
| | Others (Specify) |

