



Environmental Risk Management Disclosure

As per MAS guidelines, Environmental Risk Management for Banks (ENRM Guidelines) came into effect from June 2022.

Environmental risk is increasingly being recognised as a key risk globally with climate change at the forefront of concerns and issues revolving around the environment are widely acknowledged across the world as a global challenge. For a Bank, Environmental Risk not only poses reputational concerns, but also has potential financial impact on the portfolios and activities which could potentially materialize as a financial loss through physical and transition risks.

As credit risk is eminent in Banking Industry and to consider or evaluate the factors related to environment, which may pose a risk to the business / project, an integrated environmental risk policy is required.

When financing the projects, our decision making process includes climate related risks as an integral part. It is pertinent that climate-change-related risks may potentially impact a customer's ability to repay the loan. Risks and opportunities associated with climate change typically relates to their activities and/or physical locations and vary by customer. Hence the evaluation of climate risk is to be carried out on a case-by-case basis.

Environmental and climate change could translate into the following financial risks. The credit department will diligently consider the following risks while financing its customers.

- Liability Risk
- Financial Risk
- Credit Risk
- Market risk
- Liquidity Risk
- Operational Risk
- Reputational risk

A prospective financing arrangement can have the following risk categories

- High Risk-Projects with potentially significant adverse environmental impact
- Medium Risk-projects with limited adverse environmental impact and
- Low Risk-projects with minimal or no adverse environmental impact

In order to oversee the exposure towards various commodities, commodity wise exposure limits is stipulated in the Environmental Risk Management policy and sectors are classified as High risk, Medium Risk and Low risk sectors.

Projects are categorized based on environmental risk level as below

- Industry sector
- Proximity to environmentally sensitive areas
- Potentially irreversible impacts
- Extent of social and environmental issues

The aspects which are to be considered by the lending officers at the time of evaluating the environment risks, on a case-to-case basis, includes the following:

- Evaluate the operations of customers
- Evaluate customer's commitment, capability and track record of managing climate-related and environmental risks
- Performance of a detailed Environmental Due Diligence

In order to assess the environmental risk posed by borrower, Indian Bank has developed a questionnaire to collect the detailed data about customer & their business to rank them on a low, medium and high risk category. The questionnaire is applicable for customer exposures of USD 10 Mio and above.

The Bank supports CSR activities under 6 pillars - Inclusive Growth, Financial literacy & Enhancing Vocational Skills, **Green Initiative and Environmental Sustainability reducing carbon foot-prints**, Gender Equality and Women Empowerment, Health and wellness and COVID-19 Relief. There are multiple beneficiaries across these activities.

Bank will continue to identify climate-related metrics which will enable to effectively assess the impact of climate-related risks in line with the TCFD recommendations.

Indian Bank is reviewing and enhancing environmental risk disclosures in a progressive manner and will continue to enhance the methodology as data quality and industry best practices become available.