



IDFC FIRST  
Bank

# IDFC FIRST Bank's Progress on Task Force on Climate- Related Financial Disclosures (TCFD)

## Introduction

Climate change has emerged as one of the most formidable challenges of our time, affecting industries, economies, and ecosystems alike. The financial sector is seen as a pivotal player in the global response to climate change, embracing responsibility and recognizing the need for increased transparency. IDFC FIRST Bank (The Bank), being one of the leading private sector lending institutions in India, acknowledges the escalating concerns raised by regulators, investors, and customers regarding the climate-related risks. Thus, in July 2022, IDFC FIRST Bank as a resolute step toward a sustainable future became one of the first Indian banks to be a TCFD supporter. This has helped the Bank align its visions and mission towards global climate action and demonstrate its unwavering commitment to address the implications of climate change on its business and society at large.

## Governance

The Bank has strengthened its ESG Governance practices by establishing Stakeholders' Relationship, ESG, and Customer Service Committee of the Board which will have a primary oversight and monitoring of ESG practices & performance within the Bank. This Board Committee assists the Board and the Bank in monitoring the quality of services rendered to the customers and ensure implementation of directives received from the Reserve Bank of India (RBI) in this regard. The committee is led by the Chairperson, who is a Non-Executive Director, and comprises of a minimum of three members with at least one Independent Director. The Board Committee meets at least four times on a quarterly basis with a gap of not more than 120 days between each meeting. Supporting the Board Committee, the Bank has an ESG management committee (Management Committee) responsible for overseeing, supporting, and advising on actions taken towards the Bank's sustainable business and long-term value creation for stakeholders. The Management Committee is led by the MD & CEO and comprises of key senior members across major functions viz., COO, CFO, CRO, Head-Wholesale, Head- Retail, CHRO, Head-ESG & Consumer lending, CCO, Head-Legal & Company Secretary, Head- Corporate Real Estate & Services, and Head- Investor relations. The Management Committee meets on a quarterly basis preceding the Board Committee meetings. In 2022, the Bank formally established ESG as a dedicated function to undertake strategic steps for integration of ESG practices across its operations and lending processes in line with the direction from the Board and Management Committee.

## Strategy

The Bank has also conducted peer benchmarking to understand industry best practices in addressing climate-related risks to identify opportunities for improvement and gain a competitive edge to meet stakeholder expectations. This has helped the Bank ensure that its climate-related efforts remain aligned with industry standards and that it stays competitive and responsive to investor and stakeholder demands. IDFC FIRST Bank has published its Integrated Report for the fiscal year 2023, focusing on how climate change

considerations are incorporated into the bank's overall business plan and growth objectives. This evaluation ensures that climate-related risks and opportunities are seamlessly integrated into the Bank's strategic decisions and aligns with the recommendations of TCFD. As a responsible financial institution, the Bank is committed to minimizing its own environmental footprint. This includes implementing sustainable practices within its own operations, such as optimizing resource use. The Bank is also currently in the process of formulating its sustainable finance framework which will help it accept green deposits (aligned to the recent RBI framework) and lend under the emerging norms of green finance.

### **Risk Management**

The Bank's Environmental and Social (E&S) Policy outlines the Bank's commitment to address ESG considerations in its operations. The Bank conducts periodic review of this Policy to identify necessary updates or enhancements to ensure that it effectively addresses climate risks and opportunities in line with the Bank's commitment to the TCFD framework. The Bank's Credit Risk and Market Risk teams are working in a collaborative effort to identify, assess, and manage risks associated with climate change. The Bank's Credit Risk team focuses on evaluating the potential impact of climate-related factors on the creditworthiness of borrowers and the overall loan portfolio. Being one of the first Indian financial institution to adopt the Equator Principles for project financing, the Bank's E&S policy helps undertake E&S assessments and categorization of lending transactions above a particular threshold. On the other hand, the Market Risk team assesses climate-related risks as part of its annual ICAAP assessment process. These activities help ensure that the bank's risk management strategies are well-informed and responsive to the evolving of climate-related risks.

### **Metrics & Targets**

The Bank has established a baseline measurement of its own emissions in FY 2023, encompassing Scope 1 (direct emissions), Scope 2 (indirect emissions from energy consumption), and Scope 3 (indirect emissions from sources like air travel). This baseline serves as a reference point for tracking emissions reduction progress from its own operations. The Bank is currently in the process of calculating its baseline for financed emissions, which includes emissions associated with projects or investments financed by the Bank. This step is crucial for understanding the carbon footprint linked to its financial activities.

IDFC FIRST Bank has outlined several key targets to drive sustainability and climate action:

- Achieving 20% renewable energy in the energy mix for large offices by 2025, which promotes a cleaner energy profile.
- Implementing Third-Party Assurance for Scope 1 and Scope 2 emissions, ensuring verification of emission data.
- Formal targets for emissions reduction

- Covering a minimum of three Scope 3 emission categories (indirect emissions) apart from financed emissions by FY2024, indicating a comprehensive approach to emissions tracking.
- Allocating minimum 10% responsible lending (wholesale) by 2027, supporting sustainable energy initiatives.
- Estimating the percentage of offices located in water-stress areas by 2025, highlighting water resource management.
- Implementing water conservation initiatives for all large offices by 2025, indicating a commitment to responsible water usage.
- Aiming for a 20% reduction in domestic waste from the FY2023 baseline, promoting waste reduction and management.
- Covering 25% of value chain partners under Human Rights Assessment by 2025, ensuring ethical and responsible business practices.
- Maintaining employee engagement at healthy levels and aiming for 100% coverage, emphasizing the importance of a motivated and involved workforce.
- Increasing learning hours by 10% year on year

These metrics and targets underscore IDFC FIRST Bank's commitment to sustainability, climate mitigation, and responsible business practices, spanning a range of areas from emissions reduction to employee engagement and ethical supply chain management.