# IDFC FIRST Bank Limited

| Greenhouse Gases Emissions Management Policy | |
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# Greenhouse Gases Emissions Management Policy

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# 1. Introduction

a. This Policy outlines IDFC FIRST Bank's commitment to managing and reducing Scope 1, 2, and 3 Greenhouse Gases (GHG) emissions as guided by the GHG Protocol Corporate Standard and in alignment with its environmental sustainability goals.

b. As directed by its nature of business, the Bank does not enter into highly energy-intensive activities. However, the Bank takes cognizance of its carbon footprint arising from its daily operations due to infrastructural and other requirements and through its lending and indirect activities.

c. The Bank also takes cognisance of rising physical and transition risks attributed to climate change, and has kickstarted a climate stress testing of its portfolio. The Bank is also an official supporter to the Task Force on Climate-Related Financial Disclosures (TCFD), now subsumed under IFRS Sustainability.

# 2. Definitions

a. **$CO_2$ equivalent:** The universal unit of measurement to indicate the global warming potential of each greenhouse gas, expressed in terms of the global warming potential of one unit of carbon dioxide.

b. **Financed emissions:** The portion of gross greenhouse gas emissions of an investee or counterparty attributed to the loans and investments made by a Regulated Entity (RE) to the investee or counterparty.

c. **GHG Protocol Corporate Standard:** The GHG Protocol Corporate Accounting and Reporting Standard provides requirements and guidance for companies and other organizations preparing a corporate-level GHG emissions inventory. The standard covers the accounting and reporting of seven greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3). It was updated in 2015 with the Scope 2 Guidance, which allows companies to credibly measure and report emissions from purchased or acquired electricity, steam, heat, and cooling.

d. **Greenhouse Gases (GHGs):** Those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of thermal infrared radiation emitted by the earth's surface, by the atmosphere itself, and by clouds. This property causes the greenhouse effect. Carbon dioxide (CO2), methane (CH4), and nitrous oxide (N2O) are the primary greenhouse gases in the earth's atmosphere.

e. **INDC:** Intended Nationally Determined Contributions (INDCs) are the primary means for governments to communicate internationally the steps they will take to address climate change in their own countries.

f. **Net Zero:** A state of balance between anthropogenic emissions and anthropogenic removals.

g. **PCAF:** Partnership for Carbon Accounting Financials (PCAF) is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.

h. **Policy**: Refers to the IDFC FIRST Bank Greenhouse Gases Emissions Management Policy

i. **Scope 1 emissions:** Direct greenhouse gas emissions that occur from sources that are owned or controlled by the RE.

j. **Scope 2 emissions:** Indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by the RE. Purchased and acquired electricity is electricity that is purchased or otherwise brought into the RE's boundary. These emissions physically occur at the facility where electricity is generated.

k. **Scope 3 emissions**: Indirect greenhouse gas emissions (not included in Scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions.

## 3. Policy governance

This Policy will be approved by the Bank's Board of Directors, and governed through the Stakeholders' Relationship, ESG, and Customer Service (SRECS) Board Committee and the ESG Management Committee.

## 4. Sources of emissions

The following are the Bank's notable sources of emissions (at a Standalone level) across various Scopes as defined by the GHG Protocol Corporate Standard.

| Scope | Sources |
|---|---|
| Scope 1 | • Diesel generators used in branches and offices |
| Scope 2 | • Purchased electricity for powering its infrastructure for banking operations |
| Scope 3 | • Purchased goods and services (Category 01)<br>• Business travel (Category 06)<br>• Employee commuting (Category 07)<br>• Financed emissions (Investments under Category 15) |

***Note 01:** The GHG emissions attributed to the Bank are primarily accounted only through $CO_2$, as emissions from other categories under GHG protocol are limited due to the Bank's nature of operations.*

## 5. Measurement of emissions

The Bank's GHG emissions are measured in the following ways across various Scopes as defined by the GHG Protocol Corporate Standard.

| Scope | Sources |
|---|---|
| Scope 1 | Diesel consumption through purchase bills (in litres or kilolitres), converted into $tCO_2$ equivalent |
| Scope 2 | Electricity consumption through power bills (in kilowatt-hours or joules), converted into $tCO_2$ equivalent |
| Scope 3 | 1. Purchased goods and services: Conversion of paper consumption into $tCO_2$ equivalent |

| | |
|---|---|
| | 2. Business travel: Calculation of distance travelled and expenses incurred, converted into $tCO_2$ equivalent<br>3. Employee commute: Calculation of distance travelled and expenses incurred, converted into $tCO_2$ equivalent<br>4. Financed emissions: For selected portfolios such as Corporate/Wholesale Banking, Mortgages, Vehicles and Consumer Durables, based on the attributable emissions factors for the respective portfolios. Financed emissions calculations will be guided by PCAF (Partnership for Carbon Accounting Financials) and/or any other relevant standard. |

***Note 02**: In the event of absence of absolute data, necessary assumptions (with rationale) would be adopted while measuring the emissions.*

***Note 03:** Wherever disclosures on non-$CO_2$ emissions need to be made, the Bank may resort to assumptions/sampling for calculation of such emissions.*

## 6. Management of emissions

The Bank strives to minimise GHG emissions in its operations through various initiatives, investments and awareness programmes. The illustrative management approach of GHG emissions under various categories are indicated below.

| **Scope** | **Management approach** |
|---|---|
| Scope 1 | 1. Track and optimise usage of diesel consumption<br>2. Movement to Uninterruptible Power Supply (UPS) systems thereby replacing diesel generators, wherever feasible |
| Scope 2 | 1. Switching to grid-based green power, based on feasibility<br>2. Sensor-based systems in select offices to reduce power consumption<br>3. LED lighting for minimal power consumption<br>4. Awareness campaigns / advisory documents to ensure reduced consumption<br>5. Exploring in-situ renewable power generation, based on feasibility |
| Scope 3 | 1. Purchased goods and services: Reducing paper usage through printing policies and awareness; digital processes and journeys for a large number of products<br>2. Business travel: Ensuring need-basis travel, displaying emissions information due to travel as part of employee awareness<br>3. Employee commute: Exploring and encouraging employee carpooling, provisions for bus commute between select locations, thereby avoiding individual vehicle usage.<br>4. Financed emissions: Exploring transition finance products, responsible lending practices, and encouraging responsible consumer behaviour |

***Note 04:** As the overall ecosystem develops on the renewable energy front, the Bank will seek to adapt its operations, investments and products to the green energy landscape, to minimise its GHG emissions footprint.*

## 7. Targets

The Bank shall take appropriate targets from time-to-time to ensure that its decarbonisation journey is aligned to global and national standards and agreements such as the Paris Agreement, India's Nationally Determined Contributions and India's Net Zero ambitions. Subject to internal approvals, the Bank shall report these targets and progress periodically through its Integrated Report or other publications.

## 8. Monitoring and reporting

| Scope | Monitoring | Reporting |
|---|---|---|
| Scope 1 | Monitoring via bill payments, captured via internal systems | Annual reporting through the Business Responsibility and Sustainability Report (BRSR) |
| Scope 2 | Monitoring via bill payments, captured via internal systems | Annual reporting through the Business Responsibility and Sustainability Report (BRSR) |
| Scope 3 | Purchased goods and services: Monitoring via bill payments, captured via internal systems<br><br>Business travel: Recorded through internal booking systems<br><br>Employee commute: Recorded through expenditure management systems<br><br>Financed emissions: Captured through portfolio analysis, internal assumptions, and external emissions factors | Annual reporting through the Business Responsibility and Sustainability Report (BRSR) and/or Integrated Report |

## 9. Review of the Policy

This policy will be reviewed periodically, and updates will be made to reflect changes in emission reduction best practices, regulatory requirements, and technological advancements.

IDFC FIRST Bank is committed to fostering a sustainable future by actively managing and reducing its environmental impact. This policy will guide our efforts in achieving a low-carbon and environmentally responsible operations.