

IndusInd Bank

Sustainability Policy

Master Policy

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IndusInd Bank Limited
Corporate Office
Mumbai

Version Control

Version	Date	Change Description	Change Author	Change Reviewer
1.0	20-Oct-2020	First Sustainability Policy presented and approved by the CSR Committee	Prashant Ghodake	Adwait Hebbar
2.0	30-June-2022	Scope of the Policy, Responsible Banking, Sustainable Business, Partnerships and Inclusion, Employee Well-being Inclusion & Diversity, Advocacy, Monitoring Evaluation and Reporting	Akshay Bohra	Roopa Satish
3.0	31-July-2023	Revised the commitment section to incorporate 'carbon neutrality' target. Also expanded upon the elements of sustainability, providing a more comprehensive and detailed outline	Akshay Bohra	Roopa Satish

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Sustainability Policy

Introduction

The Banking and Financial Industry plays a crucial role in directing the flow of capital in the economy towards the achievement of UN Sustainable Development Goals. We understand that as a Bank creating an impact through Sustainable Development means that we adopt a two-fold approach. To our clients we bring forth Sustainability linked product offerings and focus on industries which have a positive impact on the environment and society; and on the other hand we incorporate elements of sustainability in the way we manage the bank's own operations, risk management and governance and disclosures. The Bank's Sustainability policy is therefore aimed at defining the guiding principles for integrating Sustainability considerations in our business strategy, practices, decision making, operations, processes and systems that reflect its long-standing view - "Good Ecology is Good Economics".

IndusInd Bank (IBL) includes environmental, social, governance and ethical, as well as financial aspects within the definition of sustainability. This includes respect for and protection of the environment, human rights, labour rights, and business ethics.

Scope

This policy extends to all our stakeholders inter-alia employees (permanent and contractual), investors, business partners, clients, regulators, vendors or suppliers and community members, across all our branches and offices pan India. IBL recommends adoption of this policy by the Bank's subsidiaries. The Banks GIFT City operations will also be guided by this overarching policy.

The policy articulates what Sustainability means for the Bank and how the Bank endeavors to integrate elements of Sustainability in everything we do. We believe that this will provides a governing platform to deliver enable the Bank to progress towards our vision of delivering long term sustainable growth to our stake holders.

Policy Objective and Commitment

The Bank is committed to mitigating business risks related to environmental and social concerns and capitalizing on the myriad opportunities available through responsible, green and sustainable finance solutions. In this manner, the Bank aims to deliver consistent economic growth bolstered by a robust governance structure, along with promoting well-being of our employees creating a sustainable vendor base, protecting our natural surroundings and benefitting the community at large.

Environmental, social, governance and ethical aspects of sustainability are all important to integrate in our risk, operations, and business development. Through careful management of sustainability related risks and opportunities in our businesses, we will build a better future together with our customers.

Environmental aspects refer to our contribution to the sustainable use of Earth's finite resources, promoting biodiversity, and reducing greenhouse gas emissions through all our business decisions. We actively support the green transition in society and recognize the crucial role of the financial sector in directing financing towards activities that foster a low-carbon economy. Additionally, we prioritize environmentally safe operations and strive to decrease our direct carbon footprint by reducing

business travel, paper, electricity consumption, waste management, and the use of office equipment and supplies.

Social aspects refer to involvement in society's development through all our business practices. We are dedicated to promoting human rights, fair working conditions, diversity and inclusion, and are actively engaged with society, specifically sensitive to the rights of vulnerable and marginalized sections of society. Respecting human rights is a fundamental responsibility for us, and we take diligent measures to prevent any infringement on the rights of others in all our activities.

The Bank has adopted a stringent stand against any form of discrimination and demonstrates zero-tolerance towards sexual-harassment. Fostering a safe and healthy work environment that ensures the well-being of IBL employees is vital to the organization. We also believe that fair working conditions not only align with our responsibilities but also provide us with a competitive advantage in attracting talented employees. We actively seek to support businesses that share these values. Diversity and inclusion are core principles in our mission to be an inclusive bank, where we prioritize caring for and being open to all customers and employees, regardless of their economic situation, age, gender, ethnicity, religion, sexual identity, or disability.

The Bank recognises importance of employee engagement and its role in fostering a sustainable future. We believe that employee volunteering is a powerful way to engage our workforce and make a positive impact on the communities we serve. Through our sustainability policy, we encourage and support our employees in participating in volunteering activities that align with our values and goals. By providing opportunities for our employees to contribute their time and skills to meaningful causes, we aim to, not only enhance employee morale and job satisfaction, but also create lasting social and environmental benefits. Together, we can make a difference and build a more sustainable future for all.

The Bank is deeply engaged in society and local communities. We actively address social issues through microfinance, education, women empowerment, entrepreneurship, and digital inclusion. Our aim is to make a positive impact and contribute to the well-being of the communities we serve.

Governance and ethical aspects refer to responsible corporate governance and ethical practices throughout our operations, including relationships with suppliers. We adhere to the Bank's Code of Conduct, values, and culture in all our decision-making and behavior. Our commitment is to maintain a compliant business and provide transparent disclosures.

We strive to operate with integrity, ensuring that our actions align with our core principles, and are in the best interests of our stakeholders. IBL's business practices, operations and decisions will adhere to our core policies on business ethics including but not limited to Policies on Code of Conduct, Workplace Health & Safety, Remuneration of non-executive directors, Related Party Transaction, Appointment Selection of Directors, Whistle Blower, Protected Disclosure Scheme, Grievance Redressal, Code of Practices & Procedures for Fair Disclosure, Anti-Corruption, Anti-Bribery and Anti-Money Laundering policies.

Carbon Neutrality Commitment

The Bank has officially declared its ambition to achieving Carbon Neutrality in its operations by the year 2032. This commitment aligns with the Bank's overarching objective of diminishing its carbon footprint and actively participating in the fight against climate change. To fulfill this goal, the Bank has implemented a range of strategies, encompassing investments in renewable energy, adoption of energy-efficient technologies, and the integration of sustainable practices. By upholding this

sustainability commitment, the Bank demonstrates its adherence to its core values and its commitment to fostering a greener and more sustainable future.

Elements of Sustainability

In today's rapidly changing world, the concept of sustainability has become increasingly vital across all sectors. As we strive to address pressing environmental, social, and economic challenges, it is crucial to integrate sustainability into our everyday practices. The elements of sustainability encompass three key pillars: environmental stewardship, social responsibility, and economic viability. By prioritizing these elements, we can create a harmonious balance that ensures the long-term well-being of our planet, communities, and businesses.

Embedding ESG in Business Strategy of Bank

For the development of a cohesive ESG integrated business strategy, the Centralized Sustainability Unit collaborates closely with internal stakeholders to develop department-specific ESG linked initiatives. From this collaborative effort, key ESG priorities for the Bank are shortlisted and then a comprehensive ESG Integrated Business Strategy is prepared and submitted to the Bank's Board for approvals. The Bank follows a 3-year planning cycle, further divided into yearly and quarterly ambitions. The Planning Cycle 6 (PC-6) strategy, spanning FY2024 to FY2026, places significant emphasis on ESG as one of the key pillars. In order to demonstrate the Bank's commitment to promoting sustainability throughout its business and banking operations, ESG targets are included in the business targets of each Business Unit (BU). These targets are thoroughly discussed and approved by the Bank's board and subsequently integrated with the Key Performance Indicators (KPIs) of both the BUs and Key Managerial Persons (KMPs).

Sustainable Business Development

At IndusInd Bank, we firmly believe in the power of finance to drive positive change and contribute to the nation's developmental transformation in a sustainable manner. As a socially and environmentally responsible organization, we are dedicated to creating a lending portfolio that aligns with our commitment to sustainability.

Our sustainable business strategy revolves around embedding sustainability into our core operations and product offerings, benefiting both our retail and corporate customers. By focusing on sectors that contribute positively to the United Nations Sustainable Development Goals (UN-SDGs), we aim to generate sustainable and long-term value for all our stakeholders.

We recognize that sustainable development is crucial for long-term business success and the well-being of the global economy. We also emphasize the importance of collaboration between the public and private sectors to achieve genuine sustainable development.



Figure 1: The 17 sustainable development goals (SDGs)

Sustainable Business approach:

- Lending Portfolio: The Bank aims to develop a lending portfolio that aligns with sustainability principles and contributes positively to the nation's developmental transformation. Priority will be given to sectors that exhibit sustainable practices and create long-term value for customers and stakeholders through a positive impact on the environment or society
- Product Development: The Bank commits to embedding sustainability in product development processes. Across all business units, The Bank aims to introduce innovative products that incorporate ESG considerations. By offering sustainable financial solutions, customers will be empowered to make environmentally and socially responsible choices
- Sector Development: The Bank aims to develop a lending portfolio that aligns with sustainability principles and contributes positively to the nation's developmental transformation. Priority will be given to sectors that exhibit sustainable practices and create long-term value for customers and stakeholders:
 - Microfinance and Social Inclusion: The Bank recognizes the importance of social inclusion and aims to scale its microfinance book, specifically targeting the bottom of the pyramid segment. By providing financial access and support to marginalized individuals and communities, the bank aims to empower them economically
 - Climate & Transition Finance: The Bank is committed to increasing support for climate and transition finance. By financing projects that promote environmental sustainability and facilitate the transition to a low-carbon economy, the bank contributes to global climate change mitigation efforts
 - Specialized Programs: To foster positive social impact, The Bank aims to launch specialized programs in critical areas including healthcare, women empowerment, and education. These programs will contribute to social inclusion and address key societal challenges

The Bank takes pride in its role as a pioneer in developing innovative products that reflect its ethos and commitments to creating a better, socially inclusive, and environmentally friendly business environment. Through our sustainable banking practices, the Bank aims to emerge as a best-in-class bank that contributes to sustainable economic growth while creating value for all its stakeholders.

Partnerships and Inclusion

The Bank believes that partnerships are key to assist Bank in achieving our ESG goals. Partnerships with several Development Finance Institutions, Multilateral Agencies, Foundations and External Consultants help in strengthening our ability to tailor products and solutions to clients, mitigate risks, provide technical expertise and help us adopt best ESG practices, which are evolving rapidly today

The Bank acknowledges that sustainable development requires collaboration between the public and private sectors. The bank actively seeks partnerships and engages in meaningful dialogue with stakeholders to drive collective action towards a sustainable future.

Responsible Banking

Responsible Banking at IBL corresponds to incorporation of Environmental and Social concerns in our overall risk assessment. To this end the Bank has developed the Environment and Social Management System (ESMS) to assess Environmental and Social risk of borrowers.

The primary objective of the ESMS is to mainstream environmental and social considerations into business activities, and to safeguard the Bank's investments from credit, reputational risk and risks associated with ESG driven factors which may translate in to credit/asset value related risks. The policy builds on the existing credit risk framework in the Bank, and is designed to supplement these processes.

The driving principles of the ESMS policy are:

- i. Practicing Sustainability
- ii. Promoting Environmental & Social Principles
- iii. Managing the Impact of our Investments

The Bank approaches Environment and Social (E&S) risk management by clearly defining roles and responsibilities within the system and developing robust frameworks to facilitate the management and mitigation of associated risk. The Bank's E&S management processes involve several key actors across the organization from the Board of Directors, the Managing Director (MD) and Chief Executive Officer (CEO) to Business Heads and Credit Risk Officers as well as individual Relationship Managers (RMs). The ESMS policy believes that Business Team and the Relationship manager is the primary and first line of defense for the Bank and accordingly the responsibility for the initial appraisal of ESG Risk for all proposals begins at this level. Escalations at built in based on the level of ESG risks and delegation powers.

The E&S risk assessment framework comprises the following key elements:

- Exclusion screening
- Industry classification based on Environmental and Social impact
- Scoring mechanism based on detailed E&S due diligence
- Stipulation of additional/case specific conditions/recommendations if any
- Escalations for High ESG Risk and Committee based sanction
- Approval and Monitoring

Benefits of ESG risk assessment:

- Pre-empting regulations: which are likely to be introduced in the country in the near future; this prepares the Bank to be future ready
- Ability to attract stable investors: ESG investing involves long term focus on value creation through Responsible investment and ESG investors bring in capital for a longer horizon

- Reducing cost of capital: Firms with ESG focus have been successful in reducing their cost of capital by having access to cheaper source of funding and having clear focus on ESG is likely to help the Bank in this regard
- Identifying and managing material ESG risks: which are likely to convert in to credit/asset value risks in future for the Bank
- Identifying and mitigating reputational and liability risks: associated with climate change for the Bank
- Enhancing the Brand value and reputation of the Bank: as a responsible financial institution and as an employer of choice

The detailed ESMS policy of the Bank can be accessed at:

<https://www.indusind.com/content/dam/indusind-corporate/generic/ESMS.pdf>

Ethics & Conduct

Policies governing ethics, integrity, transparency and accountability are the strongholds of good corporate governance and form the foundation of sustainability practices at the Bank.

The guiding principles and values enshrined in the Code of Conduct on which the Bank shall operate and conduct its daily business with its multitudinous stakeholders, Government and regulatory authorities, media, and other counterparties is the center piece of ethics policies at IBL.

The Bank is committed to conducting business in an ethical and honest manner, and is committed to implementing and enforcing systems that ensure zero-tolerance for bribery & corruption at all levels.

The Bank promotes an inclusive culture that fosters open communication among its employees, managers, customers, and all individuals it engages with. The Board of Directors (Board) and the Senior Management of the Bank are committed to the maintenance of higher standards of honesty and integrity, and to promoting and maintaining a corporate culture that adheres to these values. The Whistle Blower Policy, has been established to encourage the Bank's employees, customers, suppliers, shareholders, etc. to bring to the Bank's notice any issue involving compromise/violation of ethical norms, legal or regulatory provisions, etc., without fear of reprisal, retaliation, discrimination or harassment of any kind.

Sustainable Operations

The Bank is committed to furthering the vision of a sustainable planet by greening its Operations. We are cognizant of the impact of our operations on the natural environment, mainly through greenhouse gas emissions and are committed to reducing our carbon footprint. A significant part of this commitment is progressively decarbonizing our electricity and fuel consumption by employing low-carbon alternatives across all operations and by actively pursuing energy efficiency, and energy savings in the area of Technology at Data Centers and other Branch Infrastructure, and by adopting simplified and redesigned work flows.

The Bank is committed to greening company facilities by using sustainable materials, technologies and design. To stay at par with national and global trends in sustainable building design and construction, IBL will continue to be a proponent of green buildings.

To augment our commitment in the area of material conservation and waste management, we endeavor to institutionalize various strategies that promote waste minimization, segregation, recycling, re-use, and recovery.

The Bank is a dedicated proponent of the need to conserve, manage, and augment our water resources, particularly due to the water stresses brought about by climate change.

Sustainable Procurement

The Bank seeks to associate with supply chain partners willing to abide by standard and progressive labor practices while upholding basic human rights. The procurement & outsourcing policy provides guidelines for uniformity in the overall procurement process of the Bank, including guidelines on transparency, safety and the inclusion of human rights.

Employee Well-being, Volunteering & Diversity

The Bank is committed to ensure that its employees (as well as contractors and visitors) remain free from risk to their health and safety at work. The bank is committed to continual improvement of safety performance and the elimination of workplace injury and illness.

The Bank believes in professing the ideologies and principles of human rights as core values for success and sustainability of business. With this in view, the Bank thrives on adopting and following the doctrines of human rights as espoused by the United Nations (UN) and the employment standards acclaimed by the International Labor Organization (ILO). The Bank is committed towards prohibition of all forms of child labor, forced labor, compulsory labor, violence, harassment and sexual harassment.

The Bank strives to empower women, differently abled persons and disadvantaged sections of society by providing equal opportunities for employment, women-friendly policies and ensures to address needs of special infrastructure for seamless integration of differently abled employees.

The Bank does not discriminate with regard to marital status, sexual orientation, religion, belief, political opinion, culture, language, ethnic/social origin, age, color, disability, race, or gender. We seek to foster a culture of diversity and inclusivity through our organizational values, policies and processes.

The Bank aspires to be the most preferred employer and create an environment suitable for the talent to thrive without any discrimination. We are committed to be an organisation with strong respect for human rights, safe working conditions and environmentally sound business practices for employees and customers.

The Bank's employee volunteering is a part of its sustainable banking unit that encourages its workforce to volunteer on projects that benefit the communities in which it operates. The objective of its employee volunteering policy is to promote a unified, vibrant, and enthusiastic approach towards volunteering across the organization.

The detailed Employee Volunteering policy of the Bank can be accessed at: <https://www.indusind.com/content/dam/indusind-corporate/Other/employee-volunteering-policy.pdf>

Advocacy

The Bank believes in becoming a thought leader in matters related to ESG integration. In addition to driving behavioral changes across industry this comes with added advantages like enhanced brand value, and long term benefits of improved productivity, cost savings and reduced regulatory interventions. The Bank actively advocates for business sustainability by launching new ESG linked products.

The sustainability team of the bank is responsible for conducting regular upskilling and training sessions for all the relevant stakeholders of the bank at all levels to sensitize them towards ESG related issues and also publish an organization-wide, periodic newsletter to discuss and share the most recent happenings in the domain as well as to educate the employees about ESG & business sustainability.

The Bank also advocates for sustainability by incorporating integrated thinking into its reporting and following various reporting platforms and guidance frameworks laid out by standard setters such as, International Integrated Reporting Council (IIRC), Global Reporting Initiative (GRI), Carbon Disclosure Project (CDP), Dow Jones Sustainability Index (DJSI), etc., for assessment and accountability in sustainability performance.

Monitoring, Evaluation and Reporting

The Sustainability team is responsible for developing policies, procedures and products that align with organizations ESG commitments and continuously monitors the Banks ESG performance.

We shall also report on and make suitable external disclosures on our ESG performance and progress, with external third party assurance on our ESG disclosures to demonstrate credibility of our publicly available information.

The Bank shall monitor the effectiveness of this policy and shall review the implementation of it on annual basis and assess its suitability, adequacy and effectiveness.

Governance Mechanism

Sustainability at IBL is governed at the apex the CSR and Sustainability Committee at the Board level. The Committee constitutes of at least three directors, out of which one director shall be an independent director. The CSR and Sustainability Committee will be chaired by an Independent director. Below the board level, Sustainability Council of top management at the CET Level that engages leadership across business units, zones, and functions to provide further oversight and strategic guidance. Sustainability department plays the role of strengthening the integration of environmental and social principles into business practices and enriches related public disclosures while engaging with stakeholders, inside and outside the company and assess where the bank is on sustainability and monitor perception.

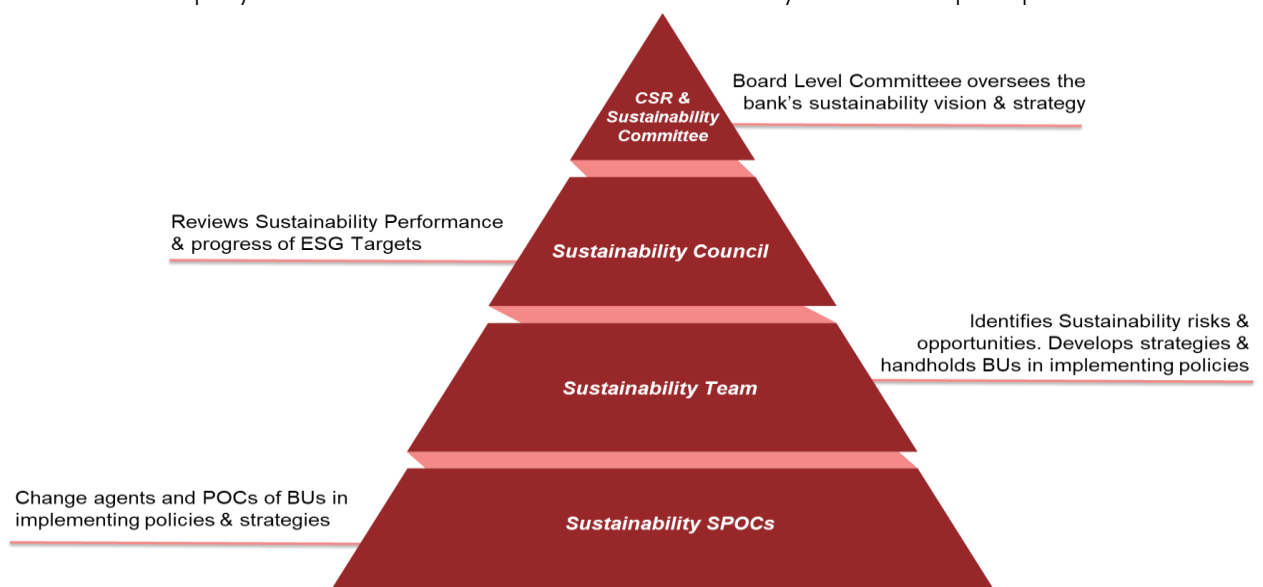


Figure 2: Governance structure of Sustainability unit

Review of the Sustainability Policy

This Sustainability policy document will be reviewed periodically and any changes, if necessary, will be approved by the CSR & Sustainability Committee of the Board.