



IDFC FIRST Bank Limited

Environmental, Social & Governance (ESG) Policy

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Version history

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1.0	April 25, 2026	Environmental, Social and Governance (ESG)	Adoption of the Policy

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1. Introduction

This Policy outlines IDFC FIRST Bank's commitment to integrating Environmental, Social and Governance (ESG) considerations into its business, risk management, operations and disclosures.

The Bank recognises that ESG risks and opportunities can materially influence financial performance, customer trust, regulatory expectations and long-term value creation. The Policy therefore guides how ESG principles are embedded across lending, operations, governance and stakeholder engagement.

India's ESG regulatory framework is governed by multiple laws, including Regulation 34(2)(f) of the SEBI Listing Regulations and SEBI Circular dated May 10, 2021, which mandates the top 1,000 listed entities to disclose a Business Responsibility and Sustainability Report (BRSR). The BRSR aligns disclosures with the National Guidelines on Responsible Business Conduct (NGRBC) and allows inter-operability with global ESG frameworks. In addition, the draft Climate Finance Taxonomy (May 2025) released by the Ministry of Finance, and the Reserve Bank of India's Climate Finance and Management of Climate Change Risks Directions (Nov 2025), strengthen climate-aligned financial regulation and transparency.

The Bank acknowledges India's regulatory landscape, including requirements from the Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI), and the Government of India. The Bank commits to progressive alignment with these requirements.

2. Definitions

Environmental, Social & Governance (ESG): A set of non-financial criteria evaluating performance in sustainability, ethics, stakeholder responsibility and governance oversight.

Sustainable Finance: Financial products and services that support environmentally and socially beneficial activities as defined in the Bank's Sustainable Finance Framework.

Financed Emissions: The portion of Greenhouse Gas (GHG) emissions attributable to the Bank's lending and investment activities, calculated using recognised standards (e.g., PCAF).

ESG Rating Agencies: Independent bodies assessing ESG performance based on disclosed and submitted information.

ESG Data Governance: Processes ensuring completeness, auditability and accuracy of ESG-related data (e.g., portfolio tagging, environmental footprint, disclosures).

3. Applicable Regulations

Below is a list of applicable regulations (non-exhaustive) material to this Policy:

Date	Circular No.	Document Title
May 10, 2021	SEBI/HO/CFD/CMD-2/P/CIR/2021/562	Business responsibility and sustainability reporting by listed entities
Jul 10, 2024	No.SEBI/LAD-NRO/GN/2015-16/013	SEBI (LODR) Regulations, 2015 [Last amended on July 10, 2024]
May 7, 2025	-	Draft Framework of India's Climate Finance Taxonomy
Nov 28, 2025	RBI/DOR/2025-26/172	Reserve Bank of India (Commercial Banks - Climate Finance and Management of Climate Change Risks) Directions, 2025

4. Policy Governance

This Policy is approved by the Board of Directors and will be governed through the CSR and ESG Committee (CEC) of the Board.

5. ESG Integration in Business & Operations

The Bank will integrate the below aspects in its day-to-day business and operations:

- ESG considerations into decision-making across businesses, including lending, risk assessment, product development, treasury activities and internal operations. This includes areas such as decarbonization, green infrastructure, and other internal initiatives to reduce the Bank's carbon footprint.
- All relevant functions will follow the processes, controls and roles specified in the ESG SOP to ensure consistent execution, internal coordination, quality checks and regulatory alignment.
- ESG considerations will include climate risks, social impact, inclusion, responsible governance and taxonomy alignment for sustainable finance.

6. Sustainable Finance

Across assets and liabilities, the Bank shall:

- Mobilise lending towards eligible green and social activities—such as EVs, renewable energy, affordable housing and MSMEs, aligned with an internal Sustainable Finance Framework, informed by national and international taxonomies.
- Utilise Green Deposits and similar products for channeling funds to sustainable lending. The activity allocation preference for proceeds from Green Deposits will be based on:
 - a. The availability and accuracy of data for impact assessment with reference to the disbursements done against the eligible activities (as defined by the RBI), and external data available for estimation of impact (such as emission factors).
 - b. Scale of impact from the financed activities
- Maintain readiness for multilateral funding and instruments such as labelled bond issuances when market conditions permit, governed by approved frameworks and controls.

Publish annual allocation and impact reporting for sustainable finance with appropriate assurance.

7. ESG Risk Management

With regard to ESG Risk Management, the Bank shall:

- Integrate ESG risks including climate, environmental, social and governance risks—into the Bank’s risk management processes, as relevant.
- Define and periodically review sector-level thresholds for segments with higher transition risk (e.g., coal and other emission-intensive industries).
- Progressively estimate financed emissions for selected portfolios.

8. Monitoring, Reporting & Transparency

From a monitoring, reporting and transparency standpoint, the Bank will:

- Monitor ESG performance through internal systems consistent with the ESG SOP, including portfolio tagging, environmental footprint, public targets, ESG ratings, and policy compliance.

- Disclose performance annually through the Business Responsibility & Sustainability Report (BRSR), Integrated Report, Green Deposits Allocation Report and Impact Assessment, and other regulatory and voluntary submissions supported by internal controls and external assurance where relevant.
- Make timely and relevant submissions to ESG Rating Agencies.
- Adhere with the Bank's Internal Audit standards and Risk Management Framework.

9. Stakeholder Engagement, Policy leadership & Grievance Redressal

To ensure strong stakeholder engagement and contribute to policy and industry voice on sustainable development, the Bank shall:

- Ensure transparent and timely communication with regulators, investors, customers, employees and global bodies as per established protocols.
- Participate in industry forums, relevant platforms and global/national bodies to accelerate the cause of sustainability. The Bank would also strive to positively influence and lead conversations on climate change, and align with global and national guidelines.
- Enable stakeholders to raise ESG-related queries through established channels as provided in the BRSR.

10. Review of the Policy

This Policy will be reviewed annually, or earlier if regulatory, operational or strategic developments necessitate updates. Amendments shall be approved by the designated authority as per the Bank's policy governance standards.

Note: This Policy will be implemented in tandem with the general policies of the Bank and other relevant ESG-aligned policies and Frameworks of the Bank such as the GHG Emissions Management Policy, Green Deposits Policy (as part of the Interest Rates on Deposits Policy), Green Deposits Financing Framework, and any others.