

IDFC FIRST Bank

Financed Emissions: Building a Data-driven Pathway for Climate Accountability

IDFC FIRST Bank recognises that climate-related risks and opportunities extend beyond its own operations and into the activities it finances. As a new-age universal bank in India built on the foundations of Ethical, Digital and Social Good Banking, the Bank considers the measurement and understanding of financed emissions an important step towards strengthening climate risk management, enhancing transparency and supporting the transition to a low-carbon economy.

Strengthening Approach through PCAF

In August 2024, IDFC FIRST Bank became one of the earliest private sector banks in India to join the India Chapter of [Partnership for Carbon Accounting Financials \(PCAF\)](#), a global initiative that enables financial institutions to measure and disclose greenhouse gas (GHG) emissions associated with loans and investments using an internationally recognised methodology. PCAF has emerged as a leading framework for accounting for Scope 3, Category 15 emissions, commonly referred to as financed emissions, helping financial institutions better understand the climate impacts embedded within their portfolios.

The establishment of the [PCAF India Chapter](#) has further strengthened industry collaboration by providing financial institutions with technical guidance, peer-learning opportunities and capacity-building support for measuring and disclosing financed emissions. The Bank has remained actively engaged with PCAF through industry discussions and Accelerator sessions designed to support the practical implementation of the PCAF Standard within the Indian financial ecosystem. Notably, IDFC FIRST Bank hosted the inaugural PCAF India Accelerator session in Mumbai, bringing together financial institutions and experts to advance their understanding of financed emissions accounting. As of FY2027, the Bank serves as the Co-Vice Chair of PCAF Chapter in India.

The Bank's Financed Emissions Journey

Recognising the importance of building internal capabilities and improving data availability, the Bank initiated an internal pilot assessment of financed emissions in 2023 for three retail portfolios, along with its wholesale banking portfolio. This was among the very first initiatives of baselining financed emissions (particularly for retail banking) in Indian banking industry. This exercise helped the Bank understand the data dependencies, data quality, standard alignment etc.

Following this exercise, the Bank measured and publicly disclosed financed emissions from its four-wheeler and commercial vehicle portfolios for the year FY2023-24. It also obtained independent third-party assurance on the reported numbers (another early mover initiative). Based on FY 2023-24 loan outstanding data, financed emissions were estimated at 88,482 tCO₂e for the four-wheeler portfolio and 16,62,211 tCO₂e for the commercial vehicle portfolio, resulting in a total financed emissions footprint of 17,50,693 tCO₂e for the vehicles portfolio. The related assurance statements are available under the [ESG Disclosures](#) section of the Bank's website.

Advancing Measurement and Assurance

Building on the learnings from the pilot exercise, the Bank further strengthened its measurement approach in FY 2025-26 by recalculating financed emissions for the vehicles portfolio using the latest portfolio data and emission factors sourced from the PCAF Motor Vehicles Database. The assessment covers the same asset classes, comprising four-wheeler and commercial vehicle loans.

For FY 2025-26, financed emissions from the four-wheeler portfolio stood at 2,50,377 tCO₂e, while those from the commercial vehicle portfolio stood at 14,10,774 tCO₂e, resulting in total financed emissions of 16,61,151 tCO₂e across the vehicles portfolio. The Bank also obtained limited assurance on the financed emissions reported for FY 2025-26.

Looking Ahead

The Bank considers the measurement of financed emissions a foundational step towards understanding the climate impact associated with its lending activities. As methodologies evolve and data quality improves across sectors, the Bank will continue to strengthen its financed emissions framework, expand portfolio coverage where appropriate and enhance climate-related disclosures in line with emerging global standards and stakeholder expectations. Through this journey, the Bank remains committed to building a more informed, transparent and resilient approach to sustainable banking.



INDEPENDENT ASSURANCE STATEMENT

To,

The Board of Directors,
IDFC First Bank Limited
IDFC First Bank Tower, The Square, C-61, G-block, Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051, Maharashtra, India.

Independent Assurance Statement on Financed Emissions for Vehicle Portfolio of IDFC First Bank Limited (the 'Company') for the period April 01, 2025, to March 31, 2026.

Nature of Assurance

IDFC FIRST Bank Limited (hereafter referred as "IDFC" or "the Company") appointed SGS India Private Limited (SGS India) to provide an independent assurance of the reported financed greenhouse gas (GHG) emissions relating to its vehicle financing portfolio for the reporting period from 01/04/2025 to 31/03/2026. The end date of the reporting period corresponds with the date on which the Principal Outstanding (POS) data was closed and archived by IDFC in its data extract.

Details of Vehicle Portfolio: 4-Wheeler and Commercial Vehicle Loan Portfolio.

The Company quantified and reported its financed emissions in accordance with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard, the GHG Protocol for the Financial Sector, and the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and Reporting Standard for the Financial Industry (2022, Part A: Financed Emissions).

Reporting Framework

Our assurance engagement was conducted in accordance with:

- **ISO 14064-1:2018** (GHG inventories and reporting), and
- **International Standard on Assurance Engagements (ISAE) 3410 – Assurance Engagements on GHG statements.**

The assurance statement has been prepared solely for IDFC in accordance with the terms and conditions of SGS India's engagement. The statement has been issued to IDFC exclusively for the purpose to demonstrating that independent assurance has been obtained over the relevant information. It has been developed to address the specific requirements and needs of IDFC as identified at the time of the engagement. Accordingly, the assurance statement is intended solely for the use of IDFC and shall not be

used or relied upon by any other party, or for any other purpose, without the prior written consent of SGS India. Any third party who obtains access to this Assurance Statement and chooses to rely upon its contents does so entirely at its own risk. To the fullest extent permitted by applicable law, SGS India does not accept or assume any responsibility or liability to any party other than IDFC in connection with this Assurance Statement, its contents, or any reliance placed upon it.

Responsibilities

- **Responsibility of the Company:** The Company is responsible for the preparation and presentation of the financed emissions statement in accordance with the applicable reporting standards, including the GHG Protocol and PCAF. This responsibility includes defining the relevant Company and reporting boundaries, selecting and applying appropriate methodologies, collecting and maintaining relevant data, and establishing and maintaining effective internal controls to support the accuracy and completeness of the reported information.
- **SGS India's Responsibility:** SGS India is responsible to provide an independent assurance opinion on whether the reported financed emissions associated with the Company's vehicle portfolio have been prepared and presented in accordance with the requirements of the **PCAF, Global GHG accounting and Reporting Standard for the Financial Industry (2022, Part A: Financed Emissions)**.

Scope and Criteria

- **Subject Matter:** The subject matter of the assurance engagement comprises the financed GHG emissions associated with the Company's **Vehicle Portfolio – 4-Wheeler and Commercial Vehicle Loan Portfolio** for the reporting period from **01/04/2025 to 31/03/2026**, expressed in metric tonnes of carbon dioxide equivalent (**tCO₂e**).
- **Criteria Applied:** The criteria used for the preparation and assessment of the subject matter comprise:
 1. **PCAF Global GHG Accounting and Reporting Standard (2022)** – methodology applicable to Vehicle Loans and Leases;
 2. **GHG Protocol** – Scope 3, Category 15 (Investments);
 3. **ISO 14064-1** – requirements relating to the quantification and reporting of GHG emissions;
 4. **International Standard on Assurance Engagements (ISAE) 3410** – *Assurance Engagements on Greenhouse Gas Statements*.

Assurance Standard

SGS India conducted a **limited assurance engagement** in accordance with the requirements of **ISAE 3410, Assurance Engagements on Greenhouse Gas Statements**. A limited assurance engagement primarily comprised inquiries with relevant personnel, analytical procedures, and limited examination of the underlying data, records, and supporting documentation.

The nature, timing, and extent of procedures performed in a limited assurance engagement are substantially less than those performed in a reasonable assurance engagement. Accordingly, the level of assurance obtained from a limited assurance engagement is substantially lower than the level of assurance that would have been obtained by a reasonable assurance engagement.

Methodology

SGS India's Procedure Includes, but were not limited to:

1. Evaluation of Boundaries and Scope

- i. Assessed whether the Company had appropriately applied the PCAF attribution rules for calculating financed emissions.
- ii. Reviewed the inclusion and exclusion criteria applied to portfolio segments and vehicle categories within the reporting boundary.

2. Methodological Consistency

- i. Verified the application of the relevant PCAF vehicle-specific methodology, including the *PCAF, Global GHG Accounting and Reporting Standard for the Financial Industry (2022), Part A: Financed Emissions, paragraph 5.6 – Motor Vehicle Loans*.
- ii. Evaluated the key assumptions applied in determining emission factors and assessed whether the underlying sources were traceable to publicly available.
- iii. Reviewed the assumption related to annual **kilometres driven by the vehicles**. The annual kilometres driven were estimated conservatively using publicly available reference data. The basis of estimation and the resulting figures were independently verified and reproduced as part of the procedures described under “**Data Verification**” below.

3. Data Management

- i. Conducted discussions and interviews with IDFC management to obtain an understanding of the key processes, systems, and controls established for the preparation and reporting of the Selected Information.
- ii. Reviewed the portfolio data management process, including an assessment of relevant data flows, and compared these with the descriptive narratives and information provided in the submitted GHG model.

4. Data Verification

- i. Verified the reported number of loan cases and selected samples of loan and lease cases/datasets based on the archived data extracted maintained by IDFC as of **31 March 2026**, sourced from the **FinnOne banking application**.
- ii. Performed sample-based verification of vehicle categories and related reported data for **44 randomly selected samples** by comparing the information reported in the GHG worksheet with the corresponding emission factors sourced from the **India GHG Program – India-Specific Road Transport Emission Factors** and the **PCAF Emission Factor Database**, considering IDFC's status as a PCAF signatory.
- iii. Performed a live-data verification of randomly selected loan cases for the **random samples**, including verification of financial exposure and key data attributes such as **Agreement ID, Asset Cost, and Vehicle Category**, against relevant snapshots from the FinnOne banking application. The Principal Outstanding amount used in the calculation was traced to the data dump extracted from IDFC's FinnOne banking application.
- iv. Verified the annual kilometres driven applied in the calculations were conservative when compared with relevant publicly available reference data.

5. Internal Controls and Governance

- i. Assessed the adequacy of the documentation, internal review processes, and management oversight mechanisms established for financed emissions reporting.

6. Consistency with ISO 14064-1 and the GHG Protocol

- i. Reviewed the transparency of disclosures, underlying data sources, key assumptions, and associated uncertainties.
- ii. Evaluated alignment with **Scope 3, Category 15 (Investments)** under the GHG Protocol.
 - a) Our engagement was conducted in accordance with **ISAE 3410, Assurance Engagements on Greenhouse Gas Statements**. We planned and conducted the assurance procedures to obtain sufficient and appropriate evidence as a basis for forming our conclusion. While the procedures performed provide an appropriate basis for forming our conclusion, it should be recognized that GHG information is subject to inherent uncertainties arising from the use of estimates, assumptions, methodologies, and underlying source data. Consequently, there remains an inherent risk that certain material misstatements may not be detected.
 - b) This Independent Assurance Statement is strictly limited to the data and information made available to the assurance team during the course of the engagement. It does not constitute an endorsement, certification, or validation of any environmental claims made by the reporting Company, including, but

not limited to, claims relating to products, manufacturing processes, packaging, or end-of-life disposal. SGS India does not authorize or permit the use of this Assurance Statement to substantiate, support, or promote greenwashing or misleading environmental claims in public communications, marketing materials, advertisements, or other external communications.

c) No interviews or consultations with external stakeholders were undertaken as part of this assurance engagement.

d) The calculation of financed emissions involves the use of secondary data, including vehicle-specific emission factors, which are subject to inherent uncertainties arising from factors such as regional variations in vehicle usage, fuel quality, operating conditions, vehicle characteristics, and vehicle efficiency. Changes in data quality, calculation methodologies, emission factors, regulatory requirements, or reporting practices over time may materially affect the reported results.

e) The estimation of financed emissions is subject to the attribution methodology applied, including, where applicable, the use of outstanding loan balances or collateral values in accordance with the relevant PCAF methodology. Variations in the attribution approach may result in differences in the reported financed emissions.

f) Where complete emissions-related information was not available from certain financed entities or underlying data sources, industry-average emission factors or other relevant proxy data were applied, where appropriate. The use of such proxy data may introduce additional estimation uncertainty into the reported results.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the financed emissions associated with the vehicle portfolio reported by **IDFC FIRST Bank Limited** for the period **01/04/2025 to 31/03/2026** have not been prepared, in all material respects, in accordance with the applicable requirements of the **PCAF Global GHG Accounting and Reporting Standard, the GHG Protocol, and ISO 14064-1**.

Accordingly, we provided **limited assurance** over the reported financed emissions.

- Passenger vehicle's financed emissions

Fuel Type	Vehicle type	Total Km travelled	Emissions (tCO ₂)	Data quality
Passenger Car - Diesel	Used Car	22,49,97,500.00	39,717.02	4.00
Passenger Car -Petrol	Used Car	2,09,63,12,000.00	2,10,295.36	
Passenger Car- Electric	Used Car	49,22,000.00	338.31	
Passenger Car- Petrol/Electric	Used Car	4,02,500.00	26.44	
Total	Used Car	2,32,66,34,000.00	2,50,377.13	

- Commercial vehicle's financed emissions

Vehicles type	Fuel Type	Total Km travelled	Emission (tCO ₂)	Data Quality
3W	Diesel	1,73,38,43,075.00	1,48,324.15	4.00
	CNG	2,69,77,515.00	2,150.86	
	Electric	1,17,65,410.00	676.08	
BUS	Diesel	4,32,00,000.00	18,141.81	
	CNG	1,50,000.00	16.02	
HCV	Diesel	2,26,49,25,000.00	9,79,034.43	
	CNG	7,50,000.00	50.53	
	Electric	7,50,000.00	62.24	
ICV	CNG	30,000.00	3.67	
	Diesel	3,04,80,000.00	21,823.41	
Passenger Car	Diesel	25,000.00	2.68	
	Petrol	35,00,000.00	209.74	
Van	Diesel	21,60,000.00	192.35	
LCV	Diesel	2,58,62,25,000.00	2,11,048.34	
	CNG	33,84,25,000.00	28,699.46	
	Electric	51,75,000.00	338.69	
Total		7,04,83,81,000.00	14,10,774.45	

In the context of GHG reporting, the following principles were considered in evaluating the quality, completeness, and reliability of the reported information:

Reporting Quality: The majority of the data and information within the agreed scope of work, as defined above, was reviewed and verified by SGS INDIA's assurance team. During the assurance process, instances involving reported data, including zero Principal Outstanding (POS) values, were revisited and reconfirmed by IDFC, following which the relevant data was reverified by IDFC. The GHG disclosures have been presented in a balanced and transparent manner, with appropriate clarity in both content and presentation. Based on our assessment, the GHG reporting is in accordance with the prescribed reporting requirements.

Inclusivity: IDFC has appropriately defined the reporting boundary to include its **4-Wheeler and Commercial Vehicle Loan Portfolio**. Relevant data owners within IDFC were engaged through established corporate communication channels. The calculation spreadsheet developed and maintained by IDFC documents the methodology and approach adopted for quantifying emissions in a structured, consistent, and transparent manner, in alignment with the requirements of the **Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and Reporting Standard for the Financial Industry (2022, Part A: Financed Emissions)**. While assurance procedures were performed over the reported information, inherent risks remain in areas including data accuracy, completeness of source information, and consistency in the application of methodologies across facilities.

Materiality: The principle of materiality was considered to ensure that all loan cases applicable to the **4-Wheeler and Commercial Vehicle Loan Portfolio** were appropriately included within the reporting scope. This was assessed through consistency checks performed using Excel functions to reconcile the reported data with the Principal Outstanding (POS) data downloaded and archived by IDFC. The GHG calculation spreadsheet was reviewed to confirm that the reported emission values and material matters were appropriately reflected. In accordance with relevant stakeholder requirements, IDFC has considered the significant and relevant sources of emissions within the defined reporting boundary. Nevertheless, as with all GHG inventories, the application of boundary-setting criteria and estimation methodologies may introduce inherent uncertainties that could affect the reported values.

Responsiveness: IDFC has demonstrated responsiveness through the reporting of financed emissions associated with its vehicle portfolio. Matters and concerns relating to GHG reporting are addressed through established processes in a timely and transparent manner. The GHG information is intended for public disclosure, demonstrating IDFC's commitment to stakeholder engagement, transparency, and accountability. The principal assurance risks in this area relate to the consistent capture, assessment, and incorporation of relevant stakeholder feedback into subsequent reporting cycles.

Impact: IDFC has established processes and systems for monitoring and measuring environmental Key Performance Indicators (KPIs) through its GHG reporting framework, including emissions associated with its **4-Wheeler and Commercial Vehicle Loan Portfolio**. These systems enable management to assess environmental impacts, monitor performance over time, and incorporate sustainability considerations into relevant decision-making processes. As GHG information is subject to changes in emission factors, calculation methodologies, data quality, and applicable regulatory requirements, reported environmental impacts may vary across future reporting periods.

Risk Mitigation of Assurance Engagement

1. Data Completeness Risk

a) Description: Portfolio data may not fully capture all relevant vehicle loans or leases, potentially resulting in underreporting of financed emissions. Due to information security and banking protocols, only limited data was made available to SGS India for verification.

b) Mitigation: We reviewed portfolio coverage and tested samples from the FinnOne banking application against the POS data dump as of 31/03/2026 to assess completeness.

2. Data Accuracy and Reliability Risk

a) Description: Vehicle attributes, including vehicle type, fuel efficiency, and mileage, may be derived from borrower-provided information or secondary sources, which may result in data inaccuracies.

b) Mitigation: We assessed the PCAF data quality score and reviewed the use of primary and estimated data. Reliance on secondary data was appropriately disclosed, with a PCAF score of **4** assigned for the reporting period.

3. Methodological Risk

a) Description: The application of PCAF methodologies, including attribution factor formulas and emission factor selection, involves professional judgment. Misapplication could materially affect results.

b) Mitigation: We recalculated a representative sample of financed emissions, verified consistency of formulas, and cross-checked with PCAF 2022 guidelines.

4. Boundary and Categorization Risk

a) Description: Inappropriate classification of financed emissions under **Scope 3, Category 15 (Investments)** or inconsistent definition of the portfolio boundary may result in misalignment with the GHG Protocol and ISO 14064-1 requirements.

b) Mitigation: SGS India reviewed the vehicle portfolio boundary, including the applicable inclusion and exclusion criteria, and confirmed its consistency with the relevant GHG Protocol reporting requirements.

5. Uncertainty in Emission Factors

a) Description: Vehicle emission factors may vary based on fuel type, vehicle make and model, driving conditions, geographic region, and lifecycle stage (tank-to-wheel or well-to-wheel). Such variability may affect the reported emissions. Where PCAF emission factors were unavailable, annual emission factors (tCO₂e/year) were estimated using the average emission factors of comparable vehicle makes/models or relevant fuel types.

b) Mitigation: We reviewed the sources of emission factors, assessed their consistency with recognized datasets, and reviewed the related methodological assumptions and disclosures.

6. Attribution Risk

a) Description: The PCAF attribution factor, calculated as the outstanding loan balance relative to the borrower's enterprise value or vehicle value, may be subject to estimation uncertainty where the underlying financial or valuation data is incomplete or outdated.

b) Mitigation: We tested the attribution calculations and reviewed their consistency across relevant loan and lease segments. Sample-based consistency checks were also performed against the FinnOne banking application. During the review, anomalies in the reported data, particularly POS data, were identified due

to data migration. The affected data was subsequently reviewed and resubmitted by IDFC with revised calculations.

7. Assurance Evidence Risk (ISAE 3410 Specific)

a) Description: By its nature, a limited assurance engagement provides a lower level of assurance than a reasonable assurance engagement, and there remains a risk that certain material misstatements may not be detected.

b) Mitigation: We performed risk-based assurance procedures, including analytical reviews and targeted testing, and obtained sufficient and appropriate evidence to support our conclusion.

8. Forward-looking Risk

a) Description: The reported financed emissions reflect the loan exposures and data available for the reporting period and do not indicate future portfolio performance or the potential impact of decarbonization measures.

b) Mitigation: The assurance scope specifies that future projections, emission reduction targets, and carbon offset claims are excluded from the assurance engagement.

Quality Control

The assurance team adheres to applicable quality control standards, ensuring that the engagement partner possesses the required expertise and that the team collectively demonstrates the competence necessary to conduct the engagement in accordance with relevant standards and regulatory requirements. The team upholds the fundamental ethical principles of integrity, objectivity, professional competence, due care, confidentiality, and professional behaviour. In accordance with the International Standard on Quality Control, SGS India maintains a comprehensive quality control system supported by documented policies and procedures designed to ensure compliance with ethical obligations, professional standards, and applicable legal and regulatory requirements.

Limitations

While reasonable efforts were undertaken to obtain sufficient and appropriate evidence in accordance with **ISAE 3410** and **ISO 14064-3**, certain inherent limitations apply to the assurance of financed GHG emissions:

- a) Use of secondary and industry-average emission factors where borrower-specific data was unavailable;
- b) Dependence on the completeness and accuracy of IDFC's data inputs;
- c) Potential changes to **PCAF** and **GHG Protocol** methodologies;

d) Limited assurance does not provide absolute assurance; and

e) Improved POS data may affect attribution factors and reported financed emissions.

These limitations do not affect our overall conclusion that the financed emissions statement for the vehicle portfolio has been prepared, in all material respects, in accordance with **ISAE 3410, ISO 14064-1, the GHG Protocol, and the PCAF Standard**.

Disclaimer and Responsibility

SGS India disclaims any liability or co-responsibility for decisions or actions taken by any individual or Company based on the contents of this Assurance Statement. The Assurance Statement is intended for the management of IDFC. Management is solely responsible for the preparation and accuracy of the information presented in the GHG emissions spreadsheet, including the underlying processes for data collection, analysis, and reporting.

SGS India's responsibility under this engagement was limited to providing assurance over the GHG inventory and associated emissions reported by IDFC in the GHG emissions spreadsheet, within the agreed scope of work. The engagement was conducted on the basis that the data and information provided by IDFC were complete, accurate, and truthful to the best of management's knowledge at the time of the assurance engagement.

Ethical Standards

SGS India complies with the **IESBA (International Ethics Standards Board for Accountants) Code** and applies a threats-and-safeguards approach to maintaining independence. Potential threats, including self-interest, self-review, advocacy, familiarity, and intimidation, are identified and appropriately addressed. The assurance team is safeguarded against undue influence or intimidation throughout the engagement. SGS India provides only verification and assurance services and does not undertake consulting or other non-assurance services that could compromise its independence.

SGS India's Independence and Objectivity

SGS India is an independent and impartial third-party Company providing carbon and GHG verification and assurance services through qualified environmental and GHG professionals. SGS India confirms its independence and impartiality in relation to this engagement. During the reporting period, SGS India had no engagements with IDFC that could compromise the independence or objectivity of its findings and conclusions.

SGS India was not involved in preparing the GHG spreadsheet, report, or underlying data, other than this Assurance Statement. The preparation and content of the GHG information remain the sole responsibility of IDFC. SGS India maintained impartiality throughout the engagement, including in its interactions with

personnel and stakeholders, and had no prior involvement that could impair the objectivity of its findings or recommendations.

For and on behalf of SGS India Private Limited



Kalpesh Thombare

National Manager – ESG & Sustainability Services, SGS India.

5th October 2026.