INDIA'S BANKS MOVING TOO SLOWLY IN THE FACE OF CLIMATE CRISIS

UNPREPARED 3

climate
risk
horizons

© DECEMBER 2024

AUTHORS

Anusha Das

Research Analyst, Sustainable Finance, anusha.das@climateriskhorizons.com

Sagar Asapur

Head-Sustainable Finance, sagar.asapur@climateriskhorizons.com

ACKNOWLEDGEMENTS

We would like to express our gratitude to Ritaj Kalaskar, Research Analyst, Energy & Sustainable Finance, Climate Risk Horizons, for his invaluable assistance in providing feedback, contributing to the finalisation of revised criteria, and helping to develop a streamlined framework for the RBI draft disclosure guidelines on climate-related financial risks.

SUGGESTED CITATION

Anusha Das and Sagar Asapur. **Unprepared III: India's banks moving too slowly in the face of climate crisis**. Climate Risk Horizons. December 2024.

DISCLAIMER

This report is for information and educational purposes only and based upon a variety of public information sources which have been cited. Climate Risk Horizons believes such information to be reliable but does not guarantee its accuracy, timeliness or completeness, or that it will continue to be accurate in the future.

ABOUT US

Climate Risk Horizons' (CRH) work highlights the systemic risks that disruptive climate change poses to investors, lenders and infrastructure investments. Through a data-driven, research-oriented approach that incorporates a holistic understanding of climate policy, energy infrastructure and regulatory processes, CRH provides advice on risk management strategies to minimise stranded, non-performing assets and economic disruption in the face of climate change. Learn more about us at **climateriskhorizons.com**.

REGISTERED ADDRESS

c/o WeWorkSite №26, Laskar Hosur Road, Adugodi, Bengaluru, KA 560029, INDIA

IMAGES: AdobeStock.com

DESIGN: Pallavi Baasri, pallavibasri@gmail.com

TABLE OF CONTENTS

LIST OF ABBREVIATIONS

ASCI	Advertising Standards Council of India
BIS	Bank for International Settlements
BRSR	Business Responsibility and Sustainability Reporting
BSE	Bombay Stock Exchange
CAFI	Climate Assessment for Financial Institutions
CO_2e	Carbon Dioxide Equivalent
CBAM	Carbon Border Adjustment Mechanism
CCSC	Corporate Centre Sustainability Committee
CDP	Carbon Disclosure Project
C&E	Climate and Environmental
CRH	Climate Risk Horizons
CSR	Corporate Sustainability Responsibility
CSRD	Corporate Sustainability Reporting Directive
DFI	Development Finance Institution
DICGC	Deposit Insurance and Credit Guarantee Corporation
ECB	European Central Bank
ERM	Enterprise Risk Management
ESG	Environmental, Social, and Governance
ESMS	Environmental and Social Management System
ESP	Environment and Social Policy
EU	European Union
EV	Electric Vehicle
GABV	Global Alliance for Banking on Values
GCBC	Global Capacity Building Coalition
GCP	Green Credit Programme

GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
ICAAP	Internal Capital Adequacy Assessment Process
ICMA	International Capital Market Association
IEA	International Energy Agency
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
InvITs	Infrastructure Investment Trust
IPCC	Intergovernmental Panel on Climate Change
ISSB	International Sustainability Standards Board
KPI	Key Performance Indicator
LMA	Loan Market Association
MOEFCC	Ministry of Environment, Forest, and Climate Change
MTI	Ministry of Trade and Industry
NDC	Nationally Determined Contribution
NGFS	Network for Greening the Financial System
NIC	National Industrial Classification
NPA	Non-Performing Asset
NZBA	Net-Zero Banking Alliance
PCAF	Partnership for Carbon Accounting Financials
RBI	Reserve Bank of India
RB-CRIS	Reserve Bank Climate Risk Information System
RE	Regulated Entities

RMC	Risk Management Committee
SASB	Sustainability Accounting Standards Board
SBI	State Bank of India
SBTi	Science Based Targets Initiative
SDG	Sustainable Development Goal
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SEMF	Social and Environmental Management Framework
SFDR	Sustainable Finance Disclosure Regulation
TAAP	Technical Assistance Action Plan
TCFD	Task Force on Climate-Related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
tCO_2e	tonnes of carbon dioxide equivalent
UNGC	United Nations Global Compact
UNEP FI	United Nations Environment Programme Finance Initiative
ULI	Unified Lending Interface
VAST	Vulnerability Assessment and Stress Testing

LIST OF FIGURES

1.0

EXECUTIVE SUMMARY

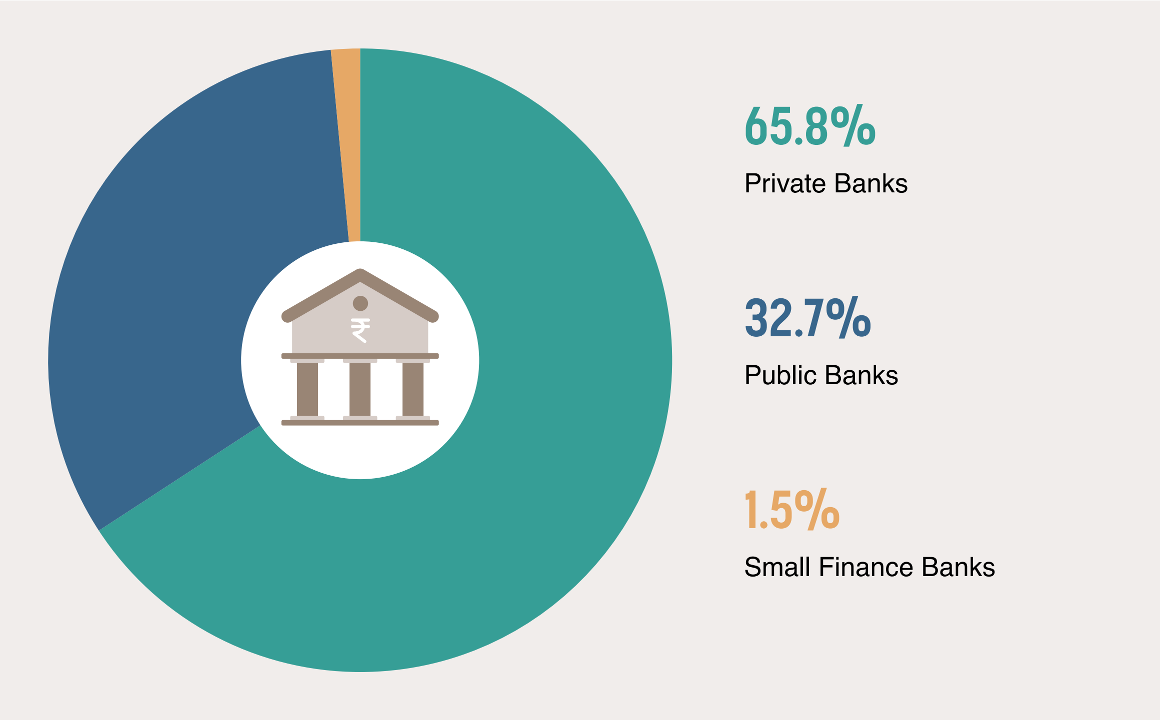
With climate change posing increasing risks to financial stability, Indian banks remain largely unprepared to fully integrate climate-related risks into their operations. The "Unprepared" report by Climate Risk Horizons (CRH) offers an analysis of the Indian banking sector's ability to tackle climate related challenges. The first edition of the report, "Unprepared"[1] (2022), revealed a concerning lack of climate risk integration and absence of long-term net-zero targets in India's banking sector. The second edition, "Still Unprepared"[2] (2023), painted a sobering picture of minimal progress despite the increasing frequency and severity of climate-related events impacting the Indian economy. This third edition, based on updated global climate disclosure standards, examines the sector's limited climate risk management efforts and deficiencies in overall climate-risk preparedness. The 35 banks assessed are the largest scheduled commercial banks in India by market capitalisation on the Bombay Stock Exchange (BSE), with a combined market cap of ₹4,582,292 crore as on March 2024.

THIS EDITION FOCUSES ON THE SECTOR'S LIMITED PROGRESS IN ADOPTING ROBUST CLIMATE RISK MANAGEMENT PRACTICES AND ITS SIGNIFICANT SHORTCOMINGS IN OVERALL PREPAREDNESS.

Out of these 35 assessed banks, 11 are public sector banks, 18 are from the private sector, and six are small finance banks. A handful have made meaningful progress in areas like emissions disclosure, climate risk management and coal divestment. Federal Bank and RBL Bank are the only two banks with explicit coal exclusion policies, while many others still finance high-carbon projects. Only seven banks disclose all Scope 1, 2 and 3 emissions, leaving major gaps in transparency and accountability. This report highlights that the Indian banking sector faces significant challenges in aligning with global climate goals.

FIGURE 1

Share of Market Cap by Bank Type



Source: Authors' analysis (see Appendix)

Despite some progress in adopting frameworks like Partnership for Carbon Accounting Financials (PCAF) and Sustainable Development Goals (SDGs), the majority of Indian banks lack comprehensive climate strategies, adequate green finance portfolios, and integration of climate risks in their credit and lending decisions. On the positive side, climate scenario analysis and climate risk management is gaining traction, but there is an urgent need for capacity building and clearer regulatory guidelines to support a smooth transition towards sustainable banking practices. This report emphasises that the Reserve Bank of India (RBI), government, and industry stakeholders must take decisive action to accelerate the shift towards green finance. Recommendations include providing government-backed guarantees for green projects, revising regulatory frameworks to support green loans, improving climate risk assessments, and enhancing banks' transparency in disclosing financed emissions. Collaboration, capacity building and innovative in financial products are key in driving India's banking sector towards a cleaner future.

2.0

KEY FINDINGS

#1

Scope 1, 2 and 3 emissions: Only eight out of 35 assessed banks disclose all three scope emissions along with their measurement approach, inputs and assumptions. Federal Bank and Punjab National Bank disclosed all scope emissions but provide no further details. This is an improvement from 2021-22 when only six banks had disclosed all scope emissions. However, this time, 20 banks disclose only Scope 1 and 2 emissions; while Central Bank of India, Jammu & Kashmir Bank Ltd., and Punjab & Sind Bank, along with two small finance banks that entered the top 1000 BSE list this year, do not disclose any emissions at all.

#2

Financed Emissions: Yes Bank is no longer the sole bank attempting to measure financed emissions. HDFC Bank, using a sample pool totalling approximately ₹1.5 lakh crore, reported financed emissions of 12.2 million tCO_2e. Meanwhile, Punjab National Bank disclosed only the total amount of its financed emissions in its Business Responsibility and Sustainability Reporting (BRSR), without providing further details.

#3

Climate Scenario: Awareness of climate risk assessment is growing, with 13 out of 35 banks now conducting or at least initiating climate scenario analyses. Two banks, Kotak Mahindra Bank and IDFC First Bank have conducted climate stress tests with detailed change to disclosures.

#4

Coal Policy: The list of banks in top 1000 BSE list with a coal policy stands at two, with RBL Bank now joining Federal Bank in prohibiting the financing of new or existing coal projects.

#5

Climate Risk Management: With 28 banks establishing dedicated committees or policies, climate risk management is becoming a growing priority across the sector.

#6

Sustainable Finance: Many banks are discussing sustainable finance initiatives, but the lack of comprehensive activity lists hinders independent assessments. Most banks do not disclose values of their sustainable financing. It is important to publicly disclose a comprehensive list of sustainable portfolios of banks and a comparison of their year-on-year change. Federal Bank is the only bank to disclose the total amount of sustainable loans given, broken down by the 'green' category, with details on outstanding loans in 3 green categories green buildings, renewable energy, and special climate initiatives.

#7

Associations: Only seven out of 35 banks are members or signatories of global climate initiatives such as CDP, SBTi, PCAF, etc. In 2024, IDFC First Bank, Union Bank of India, and Bank of Baroda joined the PCAF, bringing the total number of Indian banks participating in PCAF to four. ESAF Small Finance Bank has been a PCAF signatory since 2019.

#8

Exclusion List: Eight banks have exclusion lists for certain industries/companies, but most others only exclude ozone depleting industries. Yes Bank, ICICI Bank, and ESAF Small Finance Bank mention that their exclusion lists are inspired by the International Finance Corporation (IFC), but do not explicitly mention the activities that they exclude.

#9

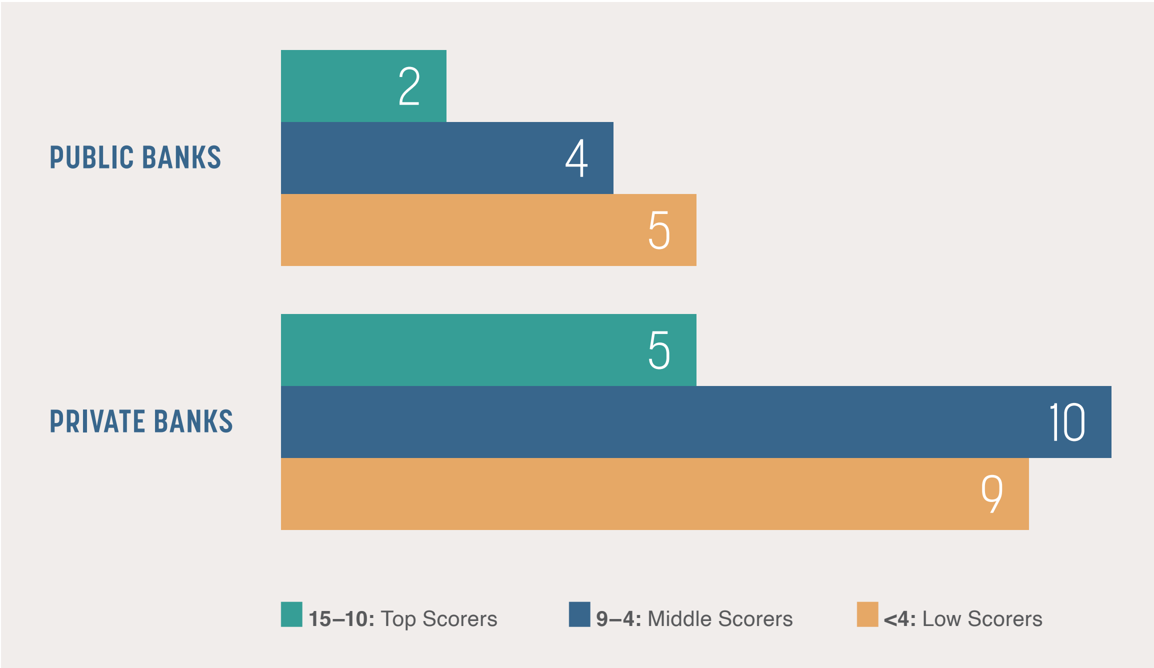
Net Zero Targets: Five banks have set net zero targets but lack specific reduction pathways. This makes it difficult to assess progress and credibility. Yes Bank is the only bank to mention that they are targeting absolute Scope 1 and 2 emissions to achieve their 2030 net zero target. The remaining four—IDFC First Bank, State Bank of India (SBI), Union Bank of India, and Central Bank of India—have set net zero goals without specifying whether they are absolute or intensity-based targets.

#10

Verified Emissions: While the number of banks disclosing third-party verification for their scope emissions has increased, significant improvements are still needed. Only seven out of the 35 banks have disclosed third-party verification for all three scope emissions. Additionally, IDFC First Bank, ICICI Bank, and IndusInd Bank, despite disclosing their financed emissions (Scope 3, Category 15), have not obtained third-party verification for them.

FIGURE 2

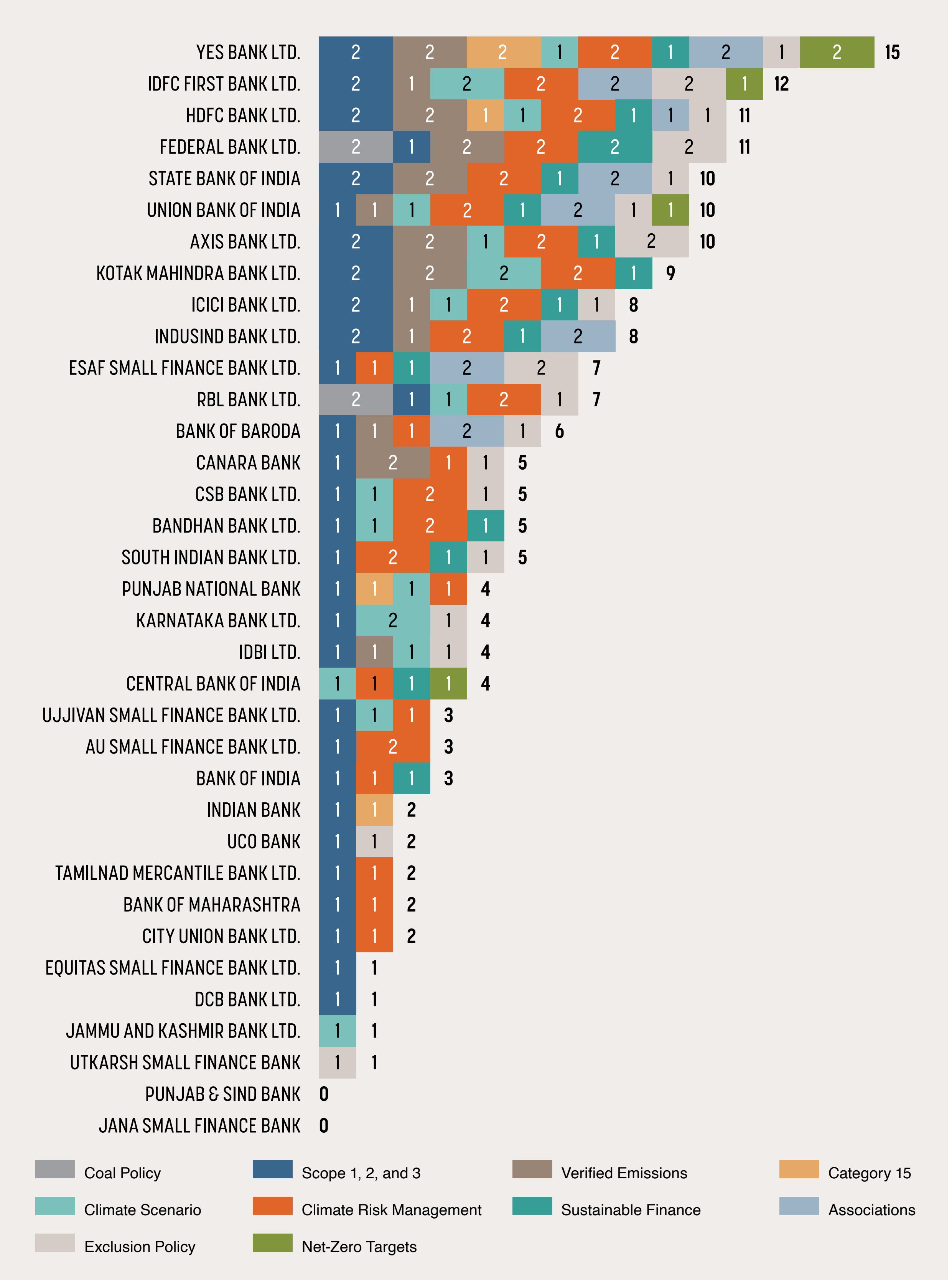
Status of Banks' Scores by Bank Type in the top 1000 BSE List



Source: Authors' analysis

FIGURE 3

Ranking of Indian Banks



Source: Authors' analysis'

3.0

RECOMMENDATIONS

FOR REGULATORS

#1 RBI's Regulatory Clarity and Flexibility

The RBI should issue detailed guidelines on climate risk assessment, management, and disclosure, providing practical tools to help banks, particularly smaller ones, identify and address climate-related risks. Financed emissions disclosure should be made mandatory, at least for large credit exposures, to enhance transparency and support effective risk management. Additionally, the RBI should adopt a flexible regulatory approach for green projects, such as relaxed provisioning requirements or extended loan tenures, to incentivise green financing. A phased implementation plan will enable banks to build the capacity required for these initiatives.

#2 Integrating RBI's Guidelines and Frameworks with India's Climate Taxonomy

RBI and the Ministry of Finance should expeditiously issue the long-promised climate finance taxonomy, as announced in the Union Budget 2024-25, and align it with the upcoming Climate Scenario Guidelines and Draft Disclosure Framework on Climate-related Financial Risks, 2024. This will enhance green capital allocation and strengthen banks' climate risk management efforts.

#3 RBI's push for Green Finance

RBI should drive the green finance transition through initiatives like Reserve Bank Climate Risk Information System (RB-CRIS), and incentives for green deposits, loans, and bonds.

#4 Government Support for Green Finance

The government should offer guarantees, subsidies, and tax incentives to mitigate lending risks for green projects, especially during initial stages to boost investments. A supportive regulatory framework for green bonds, including tax benefits, could also stimulate the market.

FOR BANKS

#1 Integrate Climate Risks into Risk Management

Banks should embed climate-related risks into their risk management frameworks by conducting portfolio-level assessments to identify climate-exposed sectors and assets and stress tests for climate-related shocks, such as extreme weather events and transition risks.

#2 Climate Data Systems

Banks must develop robust data management systems using digital tools and platforms to collect and analyse climate-related data for more accurate risk assessments.

#3 Innovative Green Financial Products

Climate-linked loans, bonds, and derivatives to fund sustainable projects can be a growth area for banks. Tailored financial terms and conditions, such as offering lower interest rates or longer repayment periods, could make climate-positive investments more appealing and financially viable while developing a potentially lucrative revenue stream.

#4 Collaboration and Partnerships

Banks need to more actively engage in industry collaborations, global climate initiatives, and partnerships to standardise climate risk management practices and share expertise.

#5 Capacity Building

Training across all levels of personnel is essential for banks to manage climate risks effectively.

#6 Improved Climate Disclosures

Banks should enhance transparency by publicly disclosing comprehensive emissions data and green finance portfolios, including year-on-year comparisons and third-party verifications.

4.0

BACKGROUND

With every passing year of increased Greenhouse Gas (GHG) emissions, climate change poses an increasing threat to India's financial stability. Extreme weather events, rising sea levels, and shifting agricultural patterns are damaging infrastructure and disrupting economies, especially in developing countries like India.[3] Floods, droughts, and cyclones devastate businesses and individual lives, making loan repayment difficult. This leads to a notable increase in non-performing assets (NPAs) for banks, impacting financial stability. Climate change can also decrease the value of assets used as collateral for loans.[4] Rising sea levels threaten coastal properties, while extreme weather events damage infrastructure projects.[5] Sectors heavily reliant on bank lending, such as agriculture[6] and real estate, are highly susceptible to climate change. For instance, the Philippines experienced a 2.3% increase in non-performing loans after a 1% rise in typhoon damage.[7] As climate change becomes a global priority, regulatory bodies are likely to impose stricter requirements on banks like mandatory climate risk disclosures and climate stress testing for loan portfolios. By being prepared, banks could avoid fines and reputational damage down the line, as well as reduce losses from investments exposed to physical climate risks.

CLIMATE CHANGE THREATENS INDIA'S FINANCIAL STABILITY BY INCREASING NPAS AND REDUCING THE VALUE OF COLLATERAL ASSETS.

Climate change also offers opportunities for banks to grow and benefit by supporting the critical investments needed in India for sustainable growth. As the energy transition gains momentum nationally and globally, there is a growing demand for financing sustainable and climate-resilient infrastructure, renewable energy projects, and climate-smart agriculture. Banks that can proactively manage climate risks and strategically invest in these areas will gain a competitive edge and contribute to a more sustainable future for India.

THE GLOBAL SCENARIO

The International Monetary Fund (IMF)[8] and the International Sustainability Standards Board (ISSB)[9] are driving efforts to strengthen climate-related financial disclosures and risk management practices. The EU, with its ambitious climate goals, has implemented stringent regulations such as the EU Taxonomy and the EU Carbon Border Adjustment Mechanism (CBAM), which could impact global trade and finance. However, the US, while recognising the need for climate action, has faced regulatory hurdles and inconsistencies in its approach.

KEY GLOBAL DEVELOPMENTS IN 2023 AND 2024

- ### IFRS S1 and S2

  In June 2023, the ISSB issued the International Financial Reporting Standards (IFRS) S1 and IFRS S2, setting global standards for sustainability-related financial disclosures.[10] These standards require companies to disclose their GHG emissions, climate-related risks, and transition plans. The ISSB, in February 2024, highlighted the importance of industry-specific disclosures.[11] Such disclosures offer granular insights into sector-specific risks and opportunities, empowering investors to make informed decisions, compare companies, and assess business resilience.

- ### EU Taxonomy

  The EU Taxonomy, launched in 2020, was expanded in 2023 to include a wider range of environmental objectives, such as water and marine resources, circular economy, pollution control, and biodiversity.[12] This expansion, reflected in the launch of the EU Taxonomy Platform for Sustainable Finance, aims to provide a comprehensive framework for sustainable investment, guiding capital towards activities that contribute positively to these environmental goals.[13] The Platform on Sustainable Finance is established to advise the European Commission on the implementation and usability of the EU taxonomy and the sustainable finance framework.

- **The Network for Greening the Financial System (NGFS) has emphasised the critical role of climate stress testing** and has provided a framework for developing nature-related scenarios.[14] Key components of climate stress tests include defining clear objectives, selecting relevant climate scenarios, and utilising appropriate models to assess financial impacts. Data collection and management are essential for accurate results. While a 30-year time horizon is common, shorter-term assessments are gaining traction to align with financial planning cycles.[15]

- **EU CBAM**
The EU CBAM came into effect in October 2023, imposing a carbon price on certain carbon-intensive imports into the EU. This mechanism aims to level the playing field for EU producers and prevent carbon leakage, and thus significantly impacts those developing countries,[16] that rely heavily on exports of carbon-intensive products to the EU. Indian banks and financial institutions with relevant exposure could be impacted by the CBAM.

- **The European Central Bank (ECB)**
In May 2024, the ECB threatened to impose fines on some banks for the first time ever for failing to adequately assess the risks that climate change poses to their businesses.[17] European regulations require banks to assess climate risks and adjust their capital reserves accordingly, but the ECB says that many banks haven't been doing enough. The ECB's approach towards climate risk management stands in contrast to the stance of the US Federal Reserve. This difference in regulations has caused some European banks to argue that they are at a disadvantage compared to their US counterparts.

- **SEC Climate Disclosure Rule**
In March 2024, the US Securities and Exchange Commission (SEC) issued a rule requiring companies, including banks, to disclose climate-related risks in their filings for the year ending in December 2025. Legal challenges[18] have emerged that threaten to delay or even completely stall the implementation of this rule. Notably, nearly half of the top 12 banks financing fossil fuels globally are from the US.[19]

- **Global Alliance for Banking Values (GABV)**
The Bank Australia became the 35th signatory to GABV's Climate Change Commitment.[20] This initiative compels banks to assess and report their GHG emissions, fostering transparency and accountability.

THE INDIAN SCENARIO

Despite global intentions to phase down or phase out fossil fuels, the financial sector continues to invest heavily in carbon-intensive industries. Between 2021 and 2023, banks globally extended $470 billion to the fossil fuel sector.[21] Major Indian banks like SBI, Axis Bank, and ICICI Bank remain important players in coal financing. Rather than reducing emissions, there is an increasing focus on currently unproven technologies like carbon capture and offsetting, to reduce emissions in the future.[22] Over-reliance on offsets despite concerns about their effectiveness, often distracts from genuine emission reductions.[23]

The Reserve Bank of India (RBI) has acknowledged the grave threats posed by climate change to the country's economic growth, prosperity, and financial stability.[24] This threat stems from both physical risks, such as extreme weather events, and transition risks associated with shifting to a low-carbon economy. The central bank is positioning itself as a proactive player in addressing the environmental challenges that could potentially destabilise the economy.

RBI'S RECENT INITIATIVES ON CLIMATE RISK AND SUSTAINABLE FINANCE

- **The RBI's draft disclosure framework on climate-related financial risks** (2024)[25] is a meaningful step forward. However, it faces challenges in implementation due to data limitations, complexity, integration into existing risk frameworks, standardisation, and capacity constraints, especially for smaller banks. The framework recognises the skill gap in calculating financed emissions. Additionally, the framework's timeline and scope may need further refinement to ensure adequate and comprehensive climate-related risk disclosures.

- **The RBI introduced a framework for green deposits**[26] in April 2023 to promote sustainable projects. However, challenges such as the absence of a clear Indian climate finance taxonomy and inconsistent bank disclosures hinder the full potential of this initiative. The Deputy Governor of the RBI, Michael Debabrata Patra, emphasised the need for *"appropriate deposit insurance coverage for green deposits"* to incentivise investment and manage potential risks. Climate risk-based differential premiums are also being explored, where deposits supporting environmentally friendly projects would have different insurance premiums compared to traditional deposits.[27] He also acknowledged the need for robust risk management practices to ensure the stability of the Deposit Insurance and Credit Guarantee Corporation (DICGC) of India, which would backstop green deposits in case of a bank failure.

Measures such as improved asset-liability management and scenario analysis are being explored to strengthen the DICGC's ability to handle these potential challenges.[28]

- **The newly created Climate Risk Information System (RB-CRIS)** by the RBI in October 2024 is a centralised repository of climate-related data. This initiative aims to provide a repository of high-quality climate-related data, enabling regulated entities to conduct comprehensive risk assessments and comply with the RBI's climate-related financial risk disclosure framework. The RB-CRIS will help banks and financial institutions identify, assess, and manage physical and transition risks.[29]

- **The RBI's infrastructure financing guidelines[30] released in May 2024 and aimed to limit risk in project financing,** may unintentionally hinder green project financing due to stricter provisioning requirements and shorter project tenures. This could create challenges for banks in financing complex, long-term green projects, especially given the data constraints and limited experience in managing climate risks.

- **The RBI is finalising a guidance note on climate scenario analysis and climate stress testing** for financial institutions' to help them assess the vulnerability of their portfolios to climate-related risks.[31]

INDIA'S REGULATORY LANDSCAPE AND CHALLENGES

The Securities and Exchange Board of India (SEBI) has been revising its sustainability regulations, but concerns regarding the potential dilution of standards persist. Issues such as the redefinition of value chain partners, the weakening of assurance requirements, and the inclusion of potentially unreliable green credits as a leadership indicator raise concerns about greenwashing.[32] India's Green Credit Programme (GCP) lacks clear definitions and robust methodologies for calculating credits. In this scenario, a leadership indicator based on potentially dubious green credits could be meaningless and may end up promoting greenwashing. Companies have already been accused of manipulating the BRSR questionnaire by adding or removing information to suit their interests.[33]

STRENGTHENING INDIA'S REGULATORY FRAMEWORK WITH ROBUST STANDARDS, TRANSPARENCY, AND A CLIMATE FINANCE TAXONOMY IS ESSENTIAL TO COMBAT GREENWASHING AND PROMOTE REAL CLIMATE ACTION.

The Advertising Standards Council of India (ASCI) came up with a guideline to counter greenwashing[34] but challenges such as the lack of clear definitions and metrics, enforcement difficulties, and a lack of focus on punitive or remedial action remains. The Union Budget 2024-25 announced the creation of a "climate finance taxonomy" aimed at streamlining capital allocation towards climate adaptation and mitigation efforts. This taxonomy, which is expected to be finalised imminently, is designed to improve the availability of funds for climate-related projects. This long-promised climate finance taxonomy[35] will be a positive step towards promoting sustainable finance. However, the success of this initiative will depend on its ability to establish clear definitions, ensure robust methodologies, and prevent greenwashing.

Against this background, it is crucial to assess the preparedness of Indian banks in addressing climate-related risks and complying with quickly evolving regulatory requirements.

5.0

DATA & METHODOLOGY

There were 35 banks[36] (11 public sector banks and 24 private sector banks, which includes 6 small finance banks) in the top 1000 entities by market capitalisation on the BSE as of 31 March 2024. These are the largest scheduled commercial banks in India by market capitalisation and have a combined market cap of ₹4,582,292 crore.

According to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is mandatory for these banks to file a BRSR from FY 2022–23 onwards. CRH assessed these banks based on their disclosures under ten specific criteria[37] for **FY 2023–24**. This year, the criteria have been revised to incorporate key elements from the IFRS S2: Climate-related Disclosures standards, emphasising enhanced climate-related disclosures and alignment with global practices. CRH has developed a dashboard for interactive data visualisation, allowing users to compare different banks across various criteria. The assessment was based on publicly available information in the latest bank reports, exchange filings, media articles, annual reports, and other public documents.

CRITERIA PRINCIPLES

To conduct a robust and systematic analysis, CRH's methodology was guided by the following principles:

- ### Data Availability
  Bank assessments should be from public reporting like bank publications, exchange filings, annual reports, sustainability reports, Environmental, Social, and Governance (ESG) reports, Integrated reports, other public documents, and recent updates from publicly available information like media articles, bank press notes, etc.

- ### Objectivity
  Banks shall be ranked based on scores received for each bank, with minimal space for subjective interpretation.

- ## Transparency

  Banks shall be asked for their feedback/suggestions/comments if any, or additional documents that may have a bearing on the bank's ranking, before publishing the final ranking on the website of CRH.

- ## Usability

  The ranking should be useful to academia, policy makers, asset owners (including asset managers), and the media.

- ## Consistency

  Criteria should link to, or build on existing initiatives and disclosure frameworks such as the Financial Stability Board (FSB)'s Task Force on Climate-related Financial Disclosures (TCFD)/ ISSB to improve and increase reporting of climate-related financial information.

- ## Completeness

  Criteria scores should be aggregated and must apply to the bank (as a whole).

- ## Coverage

  Criteria score should pertain to the individual bank, and not to their subsidiary companies or foundation(s) or institution(s) or any other organisation(s).

- ## Decision relevance

  The criteria should be contextualized for India, i.e., pragmatic to India's current economic and developmental position on the world stage.

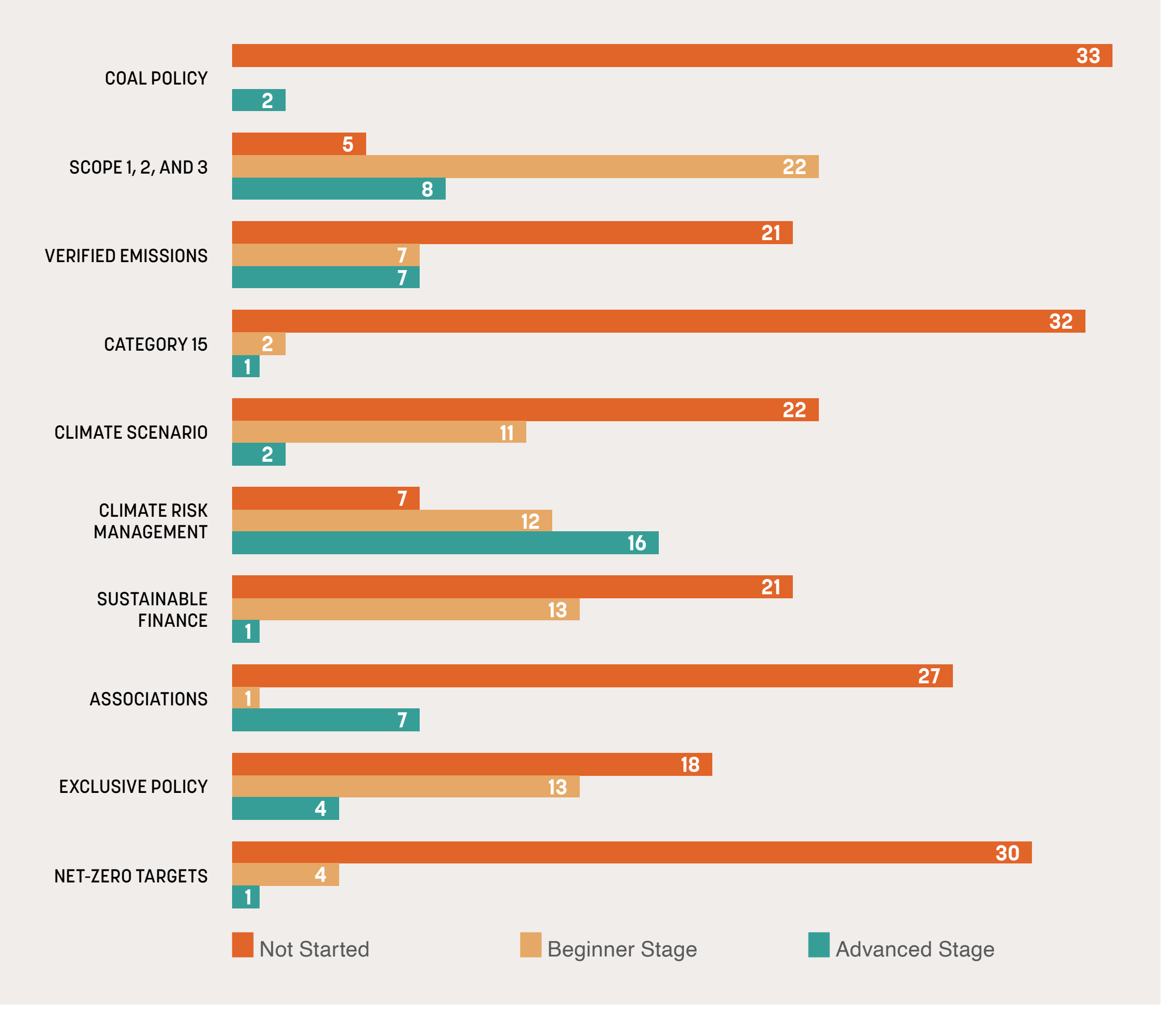
6.0

SUMMARY OF RESULTS

This year's analysis reveals a significant lag in action by banks on critical areas such as Coal Policy, Financed Emissions (Scope 3, Category 15) Disclosures, and Net-Zero Targets, despite some progress in Climate Risk Management. This could result in a missed opportunity to leverage finance to address climate-related risks.

FIGURE 4

Criteria-wise Bank Performance



Source: Authors' analysis

CRITERIA-WISE ANALYSIS

COAL POLICY

The global shift away from coal is gathering pace. Financial institutions are increasingly wary of coal investments.[38] The data on the serious health and environmental risks associated with coal-fired power plants continues to grow.[39] While the transition is challenging in regions like Asia-Pacific,[40] the cost-advantages offered by renewable energy technologies make a shift away from coal feasible and financially attractive.

Despite global efforts to phase out coal, many banks, particularly in India and China, continue to support coal projects.[41] This contradicts the growing momentum towards renewable energy, India's net zero targets and a cleaner future.

RBL Bank and **Federal Bank** are the only two banks with explicit coal policies. Federal Bank has committed to end funding for new or expanded coal mines and coal-fired power plants, and aims to phase out existing coal-related sub-project exposures by December 2030.[42] RBL Bank, a recent addition to the list of banks with coal policies, has restricted exposure to coal-based thermal power generation to 2.5% of total exposure until FY 2026–27, and has committed to eliminating coal-based thermal power generation financing by FY 2033–34.[43]

Other banks such as **Indian Bank, HDFC Bank, IDFC First Bank,** and **Axis Bank** are also taking steps to reduce their exposure to coal and other carbon-intensive sectors, even though they do not have formal coal exclusion policies. Indian Bank[44] and HDFC Bank[45] say they are limiting their exposure to coal and mining to 1% or less, while IDFC First Bank[46] says it is working to reduce its exposure to large-scale infrastructure loans, including coal-fired power generation. Axis Bank[47] claims to be on a glide path to scale down exposure to carbon-intensive sectors, including coal and thermal power, but has not offered any metrics or targets on which to assess this claim. Bandhan Bank claims to have 0.006% outstanding loans in the coal sector.

SCOPE 1, 2 AND 3, AND VERIFIED EMISSIONS

During a webinar held in March 2024, the **Federal Bank** pointed out that while SEBI's BRSR guidelines are mandatory for the top 1,000 listed companies, a vast majority of listed entities and the entire unlisted space remain exempt from reporting.[48] Sectors like retail and agriculture also lag behind in climate reporting. Disclosing sector and borrower-wise financed emissions poses a major challenge for banks due to the lack of readily available and high-quality data from borrowers. The experience of Singapore's Ministry of Trade and Industry (MTI) is instructive. It has taken a proactive approach by introducing a Sustainability Reporting Grant to assist companies in meeting upcoming mandatory climate-related reporting requirements.[49] Indian authorities could similarly support banks and companies in addressing the challenges they face in implementing proper climate disclosures. CRH' analysis indicates that banks' performance in disclosing scope emissions has significantly improved. In 2023, 71% of the analysed banks had not disclosed any scope emissions. This has dropped to 14%. However, a deeper dive reveals room for further improvement; only eight out of 35 banks have disclosed all scope emissions along with measurement approach, inputs, and assumptions. The rest have only disclosed their emissions without much detail. Of the 30 banks that disclosed scope emissions, only 14 were verified by a third party and only 7 out of these 14 obtained third-party verification for all their scope emissions.[50]

FINANCED EMISSIONS (SCOPE 3, CATEGORY 15)

The issue of financed emissions and the absence of bank transition plans to align their portfolios with net zero is global. A recent study[51] found that the five largest banks in Sweden are collectively responsible for financing nearly 100 million tonnes of GHG emissions annually, exceeding the country's territorial emissions.

In India, **Yes Bank, HDFC Bank** (a pilot study), and **Punjab National Bank** are the only banks to have publicly disclosed any data on measurement of financed emissions. Yes Bank uses the Global GHG Accounting and Reporting Standard for the Financial Industry, focusing on its electricity generation portfolio for now. They claim to expand this approach to other climate-intensive sectors in the future.[52] However, they have stayed limited to the electricity generation sector for several years now. HDFC Bank has run a pilot to calculate financed emissions for its lending portfolio. By using the PCAF standard and collecting data on Scope 1 and Scope 2 emissions,

HDFC Bank used a sample pool totalling approximately ₹1.5 lakh crore which had financed emissions of 12.2 million tonnes of CO2e.[53] Punjab National Bank has only disclosed the numbers on its financed emissions in its BRSR without further details of measurement and assumptions.[54]

SBI,[55] **Federal Bank**,[56] and **IDFC First Bank**[57] are still in the process of measuring their financed emissions. **Union Bank of India** claims to have computed its financed emissions for FY 2022–23 and FY 2023–24 at a portfolio level, using the PCAF methodology and allocating emissions based on each borrower's exposure size, but has not disclosed any values.[58]

Bankers have emphasized the need for a regulatory mandate on financed emissions disclosure.[59] They argue that voluntary disclosure could put banks at a competitive disadvantage, as they would need to request climate data from borrowers, potentially alienating clients. A standardised regulatory approach would level the playing field and encourage a more comprehensive assessment of climate-related risks across the financial sector.

CLIMATE SCENARIO ANALYSIS

The RBI conducted a pilot Climate Vulnerability Assessment and Stress Testing (VAST) exercise in 2022.[60] The exercise found that climate change could substantially increase credit risk for banks and estimated that floods and cyclones alone could increase credit losses by over 65%. Transition risks, related to the shift to a low-carbon economy, could also have a major impact with credit losses potentially rising by over 100% by 2050. The exercise also highlighted challenges such as limited data availability and a lack of expertise in climate risk assessments.

This analysis reveals a growing awareness of climate risk assessments. **Kotak Mahindra Bank** and **IDFC First Bank** were the only banks that have conducted climate stress tests with detailed disclosure. 11 additional banks claimed to perform climate scenario analyses but did not disclose details. Federal Bank, State Bank of India, and Canara Bank are in various stages of conducting climate stress tests but are yet to share their findings. The remaining 19 banks have not addressed climate risk assessments in their disclosures or reports.

CLIMATE RISK MANAGEMENT

Climate Risk Management is gaining prominence in the international banking sector: the ECB threatened to fine 20 European banks for failing to address climate risks adequately, imposing daily penalties of up to 5%.[61] This follows earlier recommendations on best practices for bank governance regarding climate risk, including assessing materiality and disclosing carbon-related assets. The ECB expects banks to manage climate risks with the same diligence as other material risks. Climate risk management is gaining considerable traction within the Indian banking sector. 16 out of 35 banks have established dedicated ESG risk/climate risk committees or policies at the board-level and disclosed the methodology and process for identifying ESG/climate-related risks and opportunities along with details for mitigating these risks. 12 other banks have also established climate-related committees but are yet to disclose details on how they manage climate-related risks.

SUSTAINABLE FINANCE

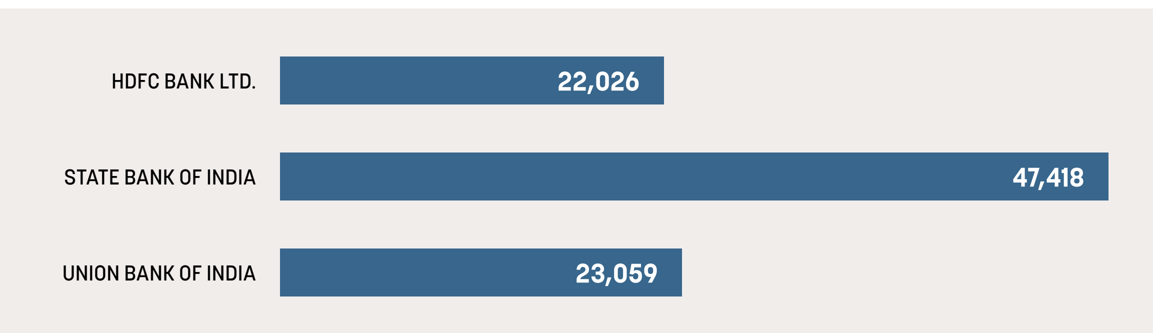
While 14 out of 35 banks disclose details of sustainable financing initiatives, a crucial gap exists—a lack of a comprehensive green financing activity list and the total amount of sustainable finance broken down by asset classes. This applies to both current and past years, hindering clear assessment and comparison of each bank's actual green financing contributions. The rest of the 12 banks either do not mention their sustainable finance initiatives at all or do not disclose any values for them.

Federal Bank's climate-positive activities include energy-efficient buildings, clean transportation, renewable energy, and sustainable agriculture. The bank also provides a breakdown of the total loans given, categorised by green activities aligned with the taxonomy of Multilateral Development Banks (MDBs). While this offers a clearer picture of Federal Bank's contributions to energy transition and sustainable finance, a more granular breakdown by asset class would further enhance transparency and comparability with other banks.

Indian banks could be missing a significant growth sector. Global investment in energy transition reached a record $1.8 trillion in 2023, with electrified transport surpassing renewable energy as the leading driver.[62] Other emerging areas like green hydrogen and energy storage also showed robust growth. Investment in the global clean energy supply chain (battery metals, equipment factories etc) grew as well,[63] reaching a record high of $135 billion in 2023.

FIGURE 5

Cumulative Renewable Energy Financing by Banks (in ₹ Crore)



Source: Authors' analysis from Banks' Annual Reports FY 2023–24

ASSOCIATIONS

Among the 35 banks assessed, only seven actively support climate action. Yes Bank participates in United Nations Environment Programme Finance Initiative (UNEP FI) is a CDP capital market signatory and commits to SBTi targets. While SBI and IndusInd Bank are capital market signatories to the CDP,[64] Axis Bank and Kotak Mahindra,[65] despite not being signatories, continue to receive CDP scores. IDFC FIRST Bank recently became a PCAF signatory, is an official participant of the United Nations Global Compact (UNGC), an official supporter of TCFD (now part of IFRS Sustainability Standards), and compliant with the Equator Principles for project finance. Two public sector banks, Union Bank of India and Bank of Baroda also became PCAF signatories this year.[66]

Beyond UNEP FI, other organisations like the GABV promote not just sustainability but also financial inclusion and social responsibility.[67] In India, ESAF Small Finance Bank is the only member of the GABV since 2018[68] along with being a PCAF signatory. They are committed to measuring carbon footprints, promoting green loans, and adopting digital practices.

EXCLUSIONS

Only four out of the 35 banks have released publicly available exclusion lists, whereas 13 banks have an exclusion policy but do not disclose clearly and comprehensively the specific industries/ activities excluded, other than those involved in ozone-depleting substances and chlorofluorocarbons. Internationally, a study[69] on 26 global banks found that an exclusion policy can be an excellent tool for banks to withdraw financing from carbon intensive sectors. While a small number of banks have committed to immediate exclusion of new thermal coal financing activities, none have pledged complete phase-out by the recommended 2040 target.

NET-ZERO TARGETS

Out of the 35 banks analysed this year, six have established net-zero targets, while 25 still lack disclosed climate action plan, a slight improvement from 30 banks in 2021-22. HDFC, ICICI, IndusInd, and RBL have committed to carbon neutrality targets. While both Carbon Neutrality and Net-Zero Targets contribute to climate action, Net-Zero represents a more ambitious commitment, requiring comprehensive reduction of all GHG emissions to near-zero levels, with only unavoidable emissions offset through atmospheric removal. Achieving Net-Zero also requires absolute targets that demonstrate total emission reductions, and not intensity-based targets that allow continued emissions and the possibility of total emission growth. Additionally, a clear timeline with interim milestones would help solidify this commitment and demonstrate progress over time. Carbon Neutrality on the other hand implies a reliance on offsets and carbon removal, which have significant issues around technical viability and leakage.

FIGURE 6

Net-Zero and Carbon Neutrality Targets by Banks (Scope Emissions)

Source: Authors' analysis

TOP 10 BANKS FOR FY 2023–24

YES BANK LTD.

According to the S&P Global Corporate Sustainability Assessment, among Indian banks, Yes Bank[70] claims to have achieved the highest ESG score of 74 out of 100 and was rated 'A-' (Leadership Band) by CDP, making it the highest rated for climate disclosures. In CRH's assessment as well, Yes Bank has retained the top spot with a score of 15, but this score has been stagnant since the last two CRH's assessments.

Yes Bank has disclosed Scope 1, 2, and 3 emissions, including part of their financed emissions (Scope 3, Category 15) along with their calculation methodology, with third-party verification, and has disclosed the assurance letter. The bank has used the Global GHG accounting and reporting Standard for the Financial Industry as a guide to measure financed emissions. However, it continues to only measure financed emissions for its electricity generation portfolio, and has yet to extend this approach to other carbon-intensive sectors. Yes Bank is however still ahead of its peers in disclosing details of its financed emissions (Scope 3, Category 15) and has hence scored the maximum on this criteria.

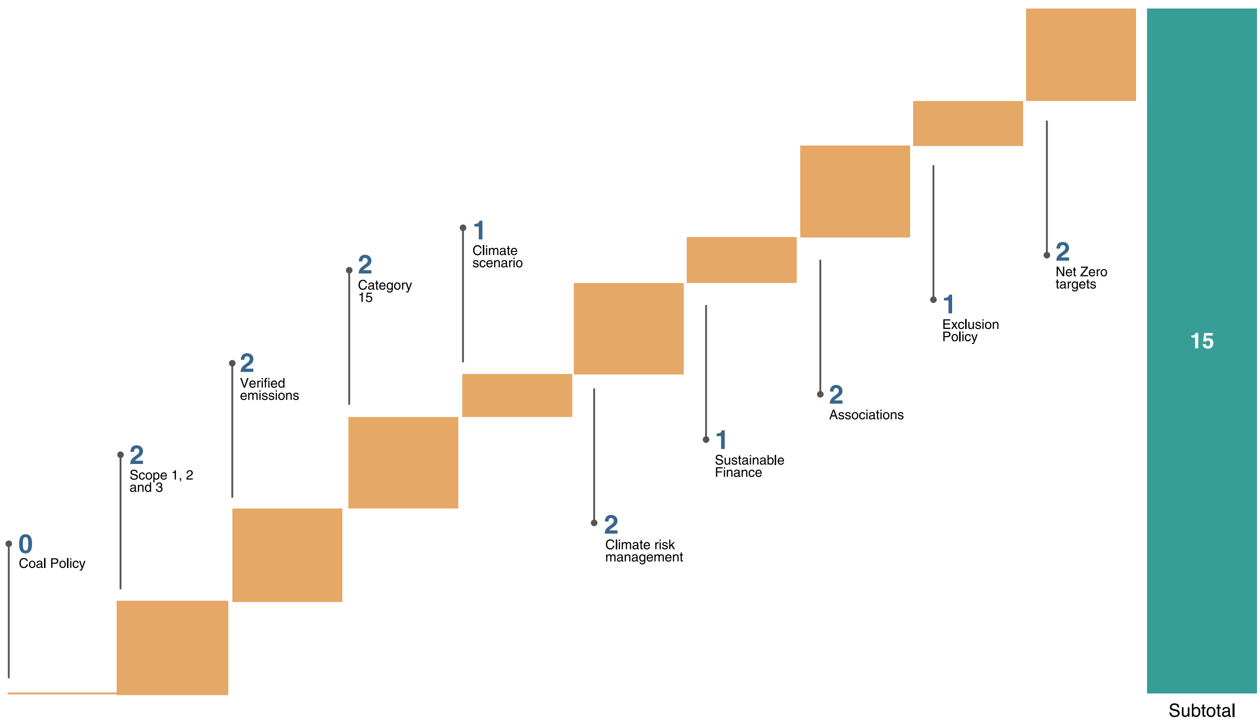
Yes Bank has also committed to reducing its operational greenhouse gas emissions to net zero by 2030, covering both Scope 1 and Scope 2 emissions but not Scope 3.

The bank supports climate-aligned sectors like electric vehicles and has sanctioned debt facilities of ₹3,819 crore for projects totaling 637 MW of renewable energy capacity in FY 2023–24.[71]

Yes Bank has adopted an Environment and Social Policy (ESP) that includes a list of prohibited activities which is based on the IFC's exclusion list. It however does not disclose the actual excluded activities.

FIGURE 7

Yes Bank Scores



IDFC FIRST BANK LTD.

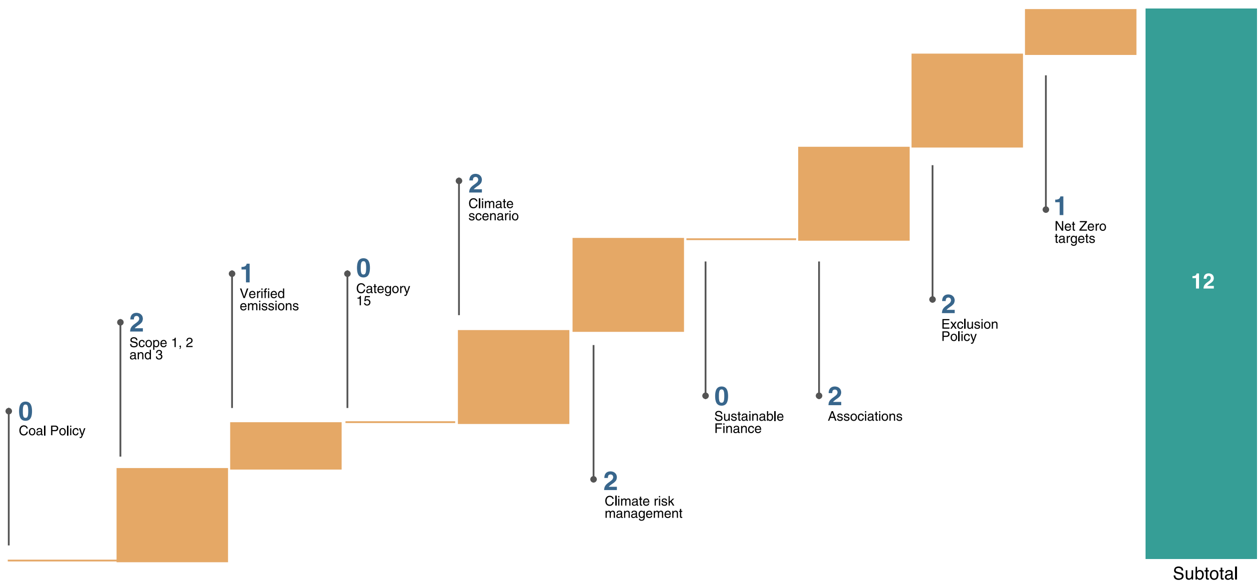
IDFC First Bank recently became a PCAF signatory and is in the process of measuring its financed emissions. It participates in the UNGC and supports the TCFD. The bank adheres to the Equator Principles and maintains an exclusion list[72] comprising sectors which it will not finance. As per its disclosures, it has conducted stress tests on its portfolio to assess physical and transition risks, incorporating region-wise exposure concentration, vulnerability to extreme weather events, and correlation between event severity and credit loss. Environmental and social risks are evaluated before loan disbursal, and the bank has identified sectors most susceptible to transition risk. For the retail portfolio, IDFC has found minimal exposure to areas prone to natural disasters, and no notable impact from past calamities on its mortgage and unsecured loan portfolios. For the wholesale portfolio, the bank has categorised borrowers based on their potential exposure to severe weather events, allowing it to prioritise risk mitigation strategies for high-risk borrowers. However, the bank does not explicitly detail the specific impacts on the bank's business. It primarily focused on identifying and categorising exposure rather than quantifying the potential impact on factors like input costs, operating costs, revenues, supply chain, business interruption etc. The bank scores a full 2 for this year's assessment, since its disclosure on climate scenario analysis is more detailed than most of its peers.

IDFC First Bank has also conducted a detailed exercise to understand its financed emissions using the PCAF methodology, but specific values have not been disclosed. The bank also did not disclose any values for its sustainable financing.

The bank has set a target of achieving Net-Zero (Scope 1 and 2) by 2050 and has identified decarbonisation levers (such as automation of ESG data collection; identification of possible responsible lending opportunities; and proactive assessment of climate risks through scenario analysis, etc.) to reduce emissions from its own operations.

FIGURE 8

IDFC First Bank Scores



HDFC BANK LTD.

HDFC Bank does not have a coal policy per se but claims to have just a 1% exposure to fossil fuels, including coal and lignite.

The bank has initiated a pilot exercise using PCAF methodology to estimate financed emissions within its lending portfolio. The sample pool totaled approximately ₹1.5 lakh crore and had financed emissions of 12.2 million tonnes of CO2e.[73] As per the bank's disclosures, it is integrating climate risk considerations into its financial planning processes and evaluating the potential impact of climate change on its lending practices, customer base, and operational costs. HDFC Bank has established a comprehensive framework that encompasses risk identification, assessment, and mitigation. The bank's risk identification process involves considering climate-related factors such as physical (acute and chronic) and transition risks within its lending portfolio. It claims to have developed several initiatives to manage climate-related risks at the project, portfolio, and organisational levels.

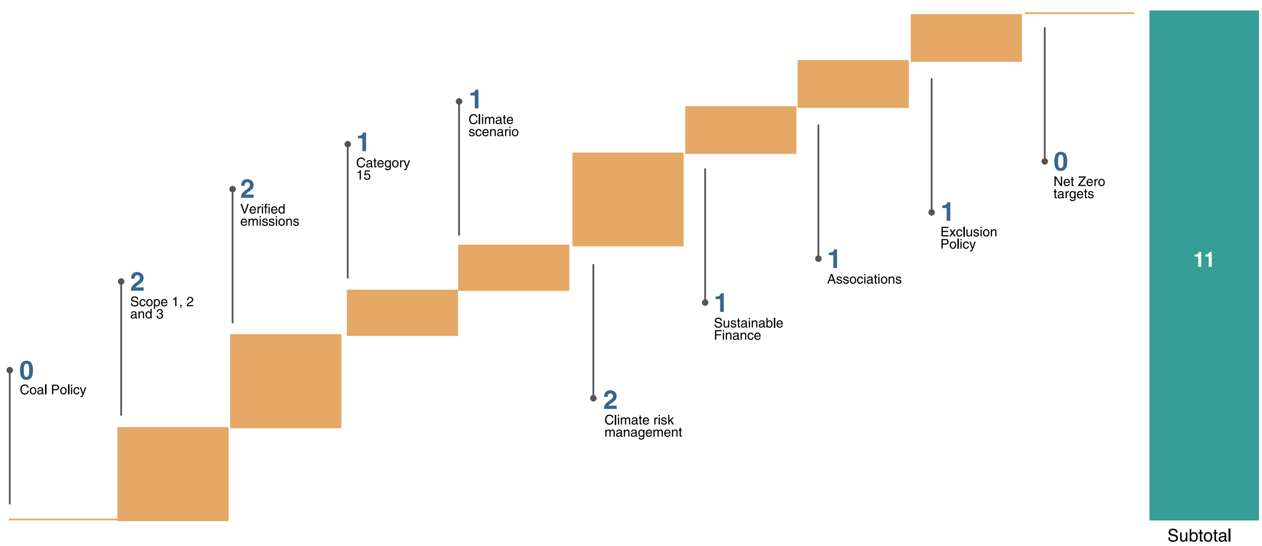
Although this is just a pilot survey, HDFC Bank has been given a score of 1 for its efforts in measuring its financed emissions. The bank discloses all its scope emissions along with its detailed calculation methodology in its CDP disclosure. Its emissions are verified by a third party along with a public assurance letter. The bank's sustainable finance framework aligns with the International Capital Market Association (ICMA) Bond Principles and Loan Market Association

(LMA) Loan Principles. The bank actively reports to the CDP and achieved a 'B' rating in 2023 but is not a CDP capital market signatory for 2024.

HDFC Bank has set a target of achieving carbon neutrality for its Scope 1 and 2 emissions by FY 2032. The bank has issued sustainable bonds worth $300 million in February 2024 and its cumulative underwritten renewable energy financing stands at ₹22,026 crore in FY 2024.[74]

FIGURE 9

HDFC Bank Ltd. Scores



FEDERAL BANK LTD.

Federal Bank is one of the two banks in our analysis to have a coal policy. It has committed to not fund any new project or major expansion related to thermal coal mines/coal-fired power plants and has also set a coal phase-out target date of December 2030 for existing coal-related exposure.

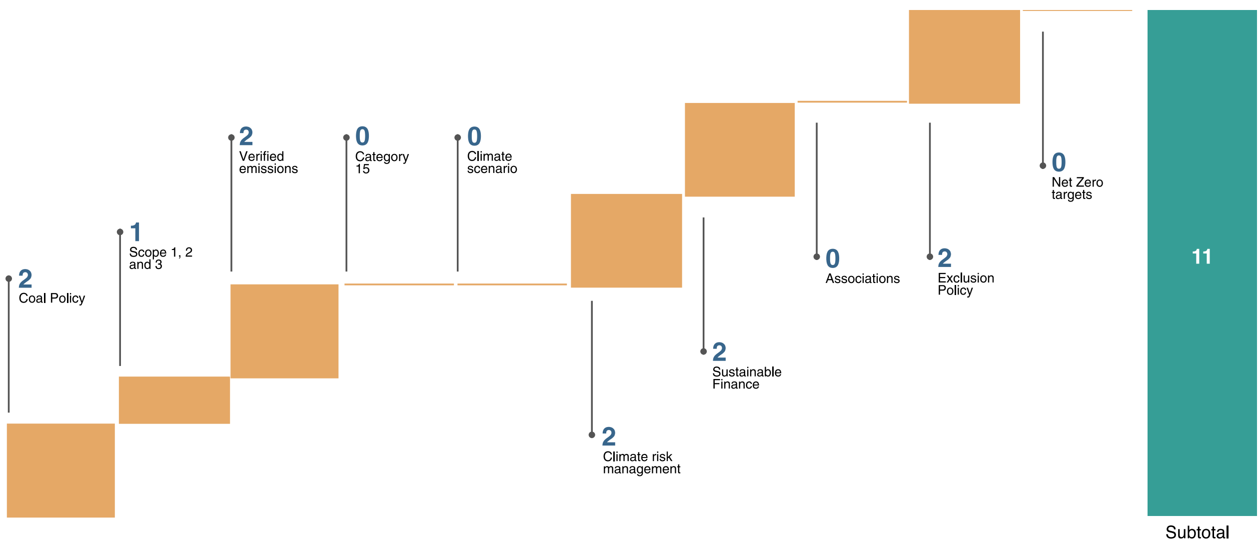
Although Federal Bank is one of the early movers to integrate climate change considerations in its banking operations, it loses out on potentially low-hanging fruits; it is not affiliated with any national/international climate initiatives/strategies (through partnerships or memberships), does not disclose the methodology and assumptions of calculating its scope emissions and has not set a net-zero target. It has started measuring GHG emissions in some of its operations and plans to measure its financed emissions.

Federal Bank has third-party verification of its emissions and has made the assurance letter public. The bank's Risk Management Committee (RMC) oversees ESG and climate risk management initiatives. Before sanctioning proposals, the bank conducts E&S Due Diligence to assess potential environmental and social risks.

The bank funds climate-positive activities, aligning its 'Green' definition with MDBs' taxonomy. Green loans are assessed using the Climate Assessment for Financial Institutions (CAFI) tool.[75] Federal Bank's outstanding green loans stands at ₹6,962 crore, with financed activities including green buildings, renewable energy, and special climate initiatives like EVs, waste management, and renewable energy-related activities.[76] The bank's ESMS Framework features a publicly accessible exclusion list[77] that outlines specific climate-harming activities that the bank will not finance.

FIGURE 10

Federal Bank Ltd. Scores



STATE BANK OF INDIA (SBI)

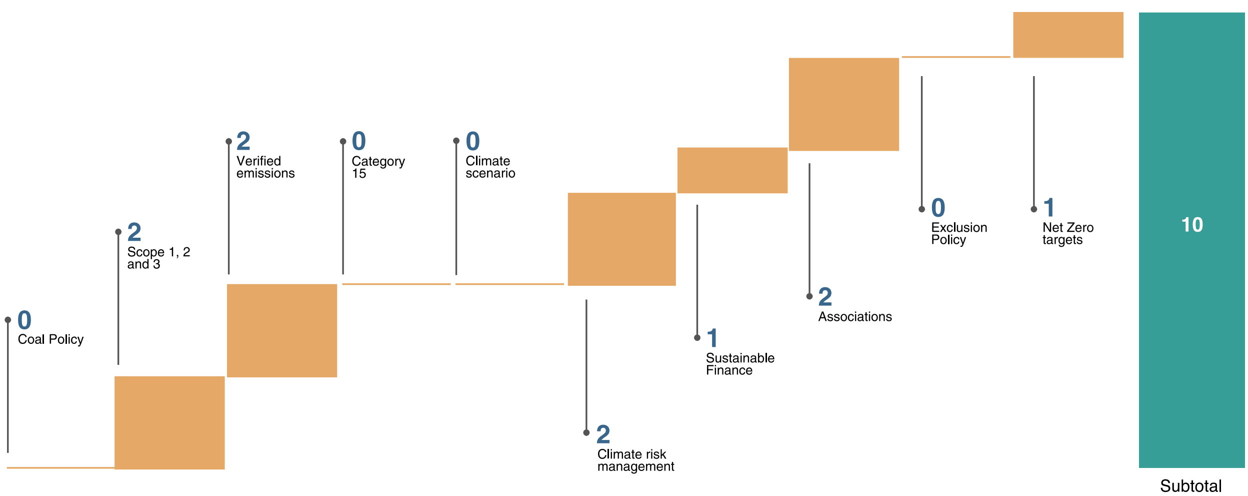
SBI discloses all of its scope emissions along with the detailed calculation methodology in its CDP disclosure. It also gets its emissions verified by a third party along with public disclosure of its assurance letter. The bank says it is developing a framework to identify climate-related risks in its portfolio and create mitigation plans. The bank is in the process of measuring its financed emissions and plans to use scenario-based assessments to integrate climate sustainability into its portfolio. The bank also is in the process of assessing portfolio emissions and developing a roadmap to manage them.

SBI has established a Climate Change Risk Management Committee (headed by SBI's Managing Director) and a Corporate Centre Sustainability Committee (CCSC) to oversee its climate and sustainability initiatives. The bank has a Climate Change Risk Management Policy and a framework to assess risk culture.

SBI has set a target of achieving a green portfolio ratio of 7.5% in domestic advances by 2030 and has raised funds through green bonds to support green initiatives. It reports that it has financed renewable energy capacity of 31,787 MW worth ₹47,418 crore.[78] SBI continues to be a CDP capital markets signatory and has set an aspiration to achieve net zero by 2055 covering Scope 1, 2, and 3 emissions.

FIGURE 11

State Bank of India Scores



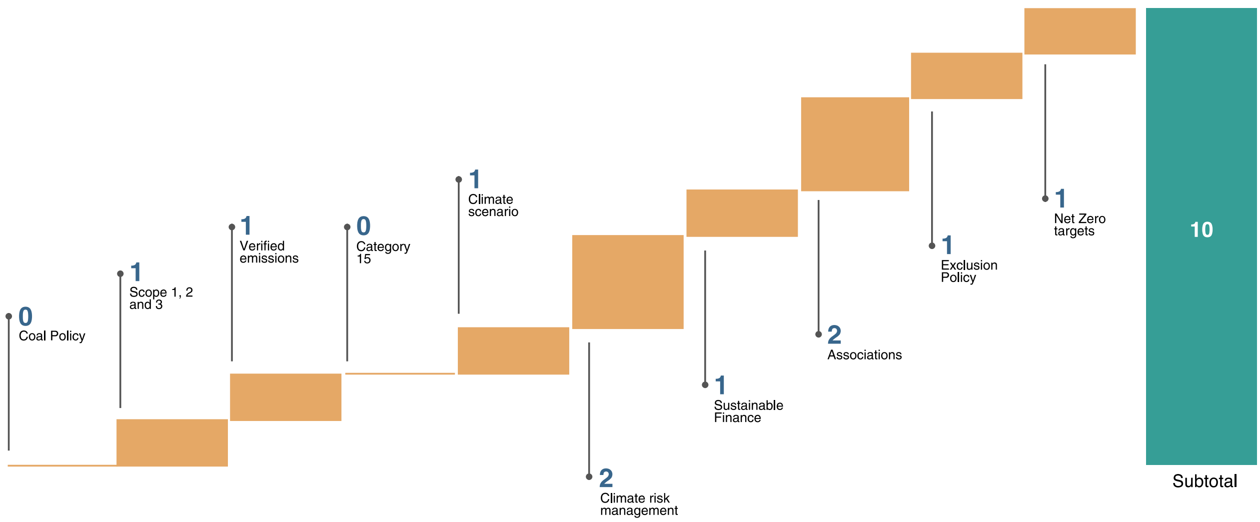
UNION BANK OF INDIA

The Union Bank of India is a new entry in the list of top 10 banks. The bank says it has developed capabilities for climate stress testing and has started to assess physical and transition risks in its credit underwriting process. This includes identifying physical risks at the district-level and evaluating physical and transition risks for corporates under different climate scenarios.

The bank has a governance framework led by the ESG Steering Committee, which includes monitoring exposure to high-emission sectors, increasing green lending, and investing in capacity building. The bank has sanctioned ₹23,059 crore for renewable energy and ₹462 crore for electric vehicles.[79] The bank recently became a PCAF signatory and has a net-zero target year of 2070. The bank fails to disclose its Scope 3 emissions or any assurance letter for the verification of its emissions.

FIGURE 12

Union Bank of India Scores



AXIS BANK LTD.

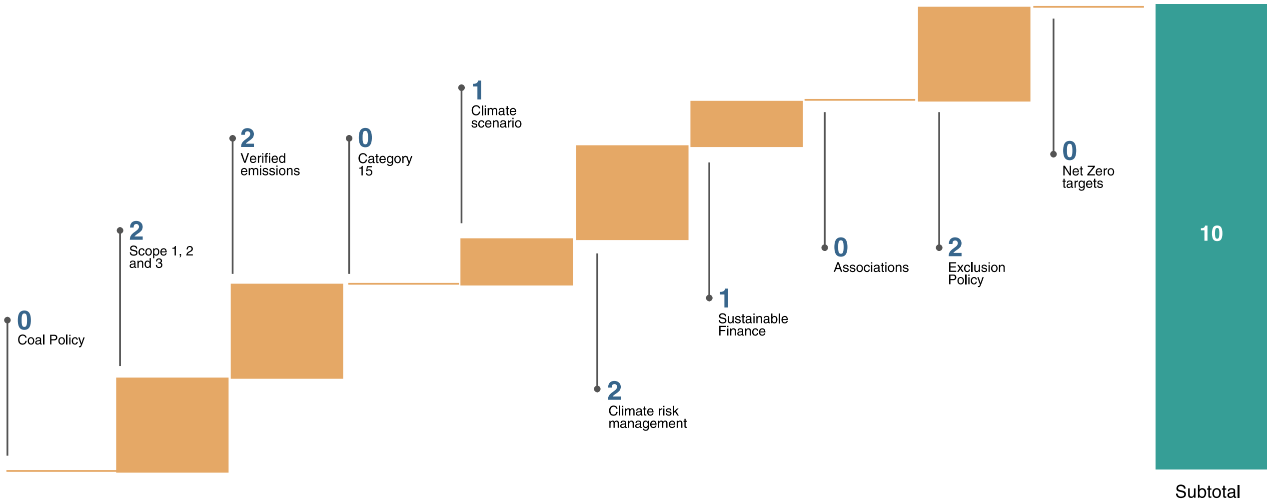
Although Axis Bank claims it is on a glide path to scale down exposure to carbon-intensive sectors, including coal and thermal power, it lacks a coal policy and a net-zero target. The bank participates in key ESG ratings and scores, including CDP, S&P Dow Jones Sustainability Indices, S&P BSE CARBONEX Index, FTSE4Good, MSCI India ESG Leaders Index, and the Nifty100 ESG Sector Leaders Index.

Axis Bank is integrating climate-related factors into its stress testing exercises and developing capabilities for climate-related stress testing and scenario analysis. This is being done in line with TCFD recommendations and under the guidance of the ESG Committee and regulatory guidance. Axis Bank has integrated climate risk into its risk management framework; the ESG Committee of the Board guides the bank's efforts to strengthen ESG practices, including managing climate-related risks. The Chief Risk Officer leads efforts to enhance the bank's capabilities in ESG and climate risk management at the enterprise-level. The Internal Capital Adequacy Assessment Process (ICAAP) evaluates ESG and climate risks as material risks, including both physical and transition risk.

Axis Bank's green corporate lending portfolio amounted to ₹18,907 crore. Financing for electric vehicles in the two-wheeler portfolio has increased to 3.62%.[80]

FIGURE 13

Axis Bank Ltd. Scores



KOTAK MAHINDRA BANK LTD.

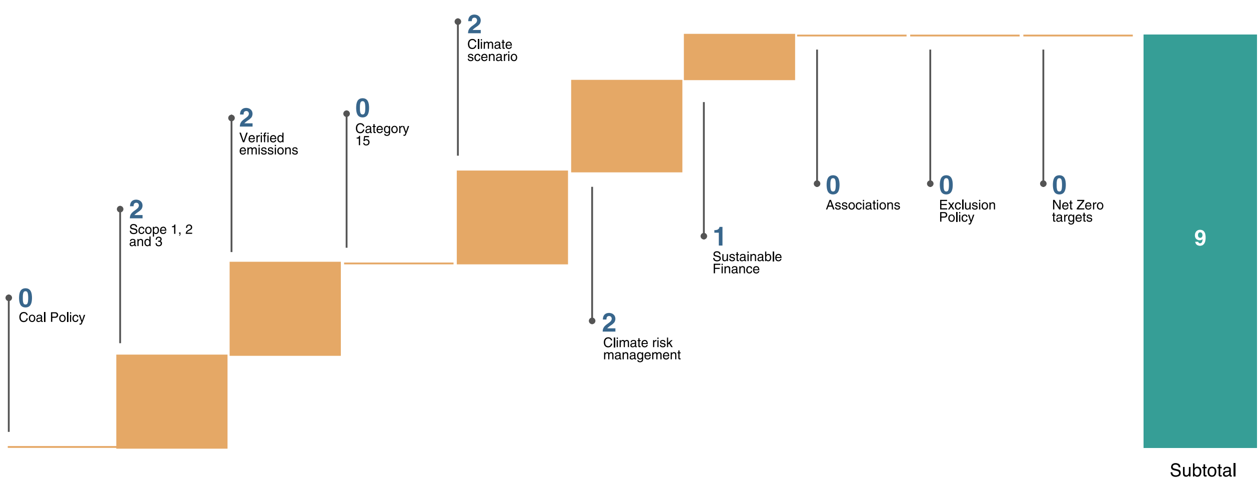
Kotak Mahindra Bank discloses all its scope emissions along with their detailed calculation methodology in its CDP disclosure. It also gets its emissions verified by a third party along with public disclosure of its assurance letter. However, it has neither a coal policy nor a net-zero target.

The bank has conducted a scenario-based climate risk assessment aligned with TCFD recommendations, focusing on physical risks. This assessment aimed to identify potential climate change impacts on the bank's operations and portfolio. While the bank claims that the estimated annual financial impacts are within operational risk appetite, the disclosure lacks detailed methodologies and a comprehensive analysis of potential impacts on various business factors. The analysis is primarily focused on physical risks and their impact on the bank's operations. Despite these limitations, the bank has been given a score of 2 for this year's assessment, in recognition of the fact that its disclosure around climate scenario analysis conducting climate scenario analysis surpasses the efforts of most of its peers.

The CSR and ESG Committee of the Board is responsible for managing and providing strategic direction for the bank's ESG performance and strategy. As of March 31, 2024, the bank had a green asset book of over ₹6,000 crore, primarily invested in solar energy projects, waste management initiatives, and water infrastructure projects promoting efficiency.[81]

FIGURE 14

Kotak Mahindra Bank Ltd. Scores



ICICI BANK LTD.

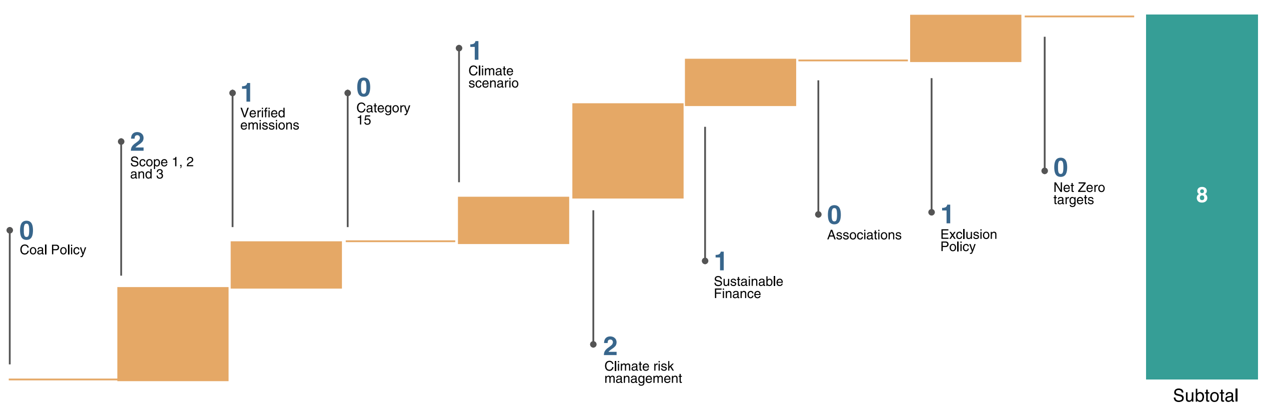
ICICI Bank disclosed all scope emissions including their measurement approach in its CDP disclosure, however it obtained third-party verification only for Scope 1 and Scope 2 emissions. It makes no mention of a net-zero target or a coal policy. The bank conducts climate scenario analysis to quantify the impact of climate-related financial risks on capital and provisioning. The analysis includes assessment of the potential impact of physical risks on the top counterparties within the wholesale banking portfolio but the results of the scenario analysis are not disclosed. The output of this exercise has been incorporated in the bank's financial planning as a part of ICAAP.

ICICI Bank's outstanding loans to sectors like renewable energy, electric vehicles, green certified real estate, waste management, water sanitation or supply, and lending to weaker sections under RBI's priority sector norms, was ₹68,528 crore at March 31, 2024. Of this, the bank claims, green financing portfolio accounted for 28.3%, or approximately ₹19,366 crore.[82] However, a detailed list of green activities financed remains unavailable.

The bank's Social and Environmental Management Framework (SEMF) includes screening through an exclusion list broadly drawn from the lists published by IFC and the list of highly polluting sectors published by MOEFCC in India, seeking a declaration from borrowers and independent due diligence as per the criteria defined in the SEMF. However, a comprehensive exclusion list remains absent from the public domain.

FIGURE 15

ICICI Bank Ltd. Scores



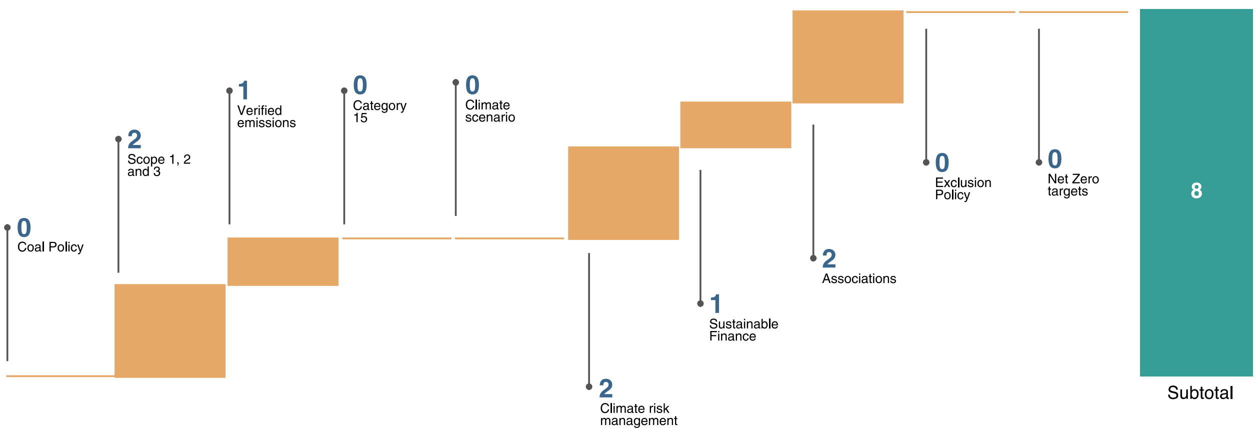
INDUSIND BANK

IndusInd continues to be one of the three banks, along with SBI and Yes Bank, that are CDP capital market signatories. The bank has maintained its leadership position in the FY 2023 rankings by CDP and second position among the top five private sector banks in India in the S&P Global ESG Index. The bank discloses all its scope emissions with details of measurement in its CDP disclosure but gets third party verification only for Scope 1 and Scope 2; it has also not made an assurance letter available.

As per the bank's disclosures, it actively integrates ESG principles into its business operations, from deal origination and product development to risk management and sustainability initiatives. The bank has implemented an Environment and Social Management System (ESMS) to evaluate ESG risks in wholesale banking and claims to have developed industry-specific checklists to assess ESG risks in high-risk sectors.[83] Additionally, the bank offers green and social loans, partners with Development Finance Institutions, and is actively engaged in climate risk assessment and disclosure, including participating in the Taskforce on Nature-related Financial Disclosures (TNFD) Pilot Program.[84] The bank has publicly announced its board-approved goal of achieving carbon neutrality by 2032 but remains silent on a net-zero goal, as well as on a coal policy.

FIGURE 16

IndusInd Bank Scores



7.0

CAPACITY BUILDING TO SCALE UP SUSTAINABLE FINANCE

The Paris Agreement recognises the need for enhanced capacity building as a key tool to tackle climate change.[85] Financial institutions, in particular, need to enhance their capacity to assess and manage climate-related risks and to scale up sustainable finance.

WHY CAPACITY BUILDING MATTERS

- ### Climate Risk Assessment
  Every financial institution must be equipped to analyse the potential impacts of climate change on their portfolios and operations. This requires banks to develop strong internal capacity to manage climate and environmental (C&E) risk effectively. While leadership and dedicated committees with independent C&E risk specialists are crucial, awareness cannot be limited to the top. Everyday employees, such as loan officers assessing mortgages, need to understand how climate and environmental issues could impact their work.

- ### Regulatory Compliance
  Adherence to climate-related regulations requires a deep understanding of the regulatory landscape. The RBI's differentiated glide path acknowledges the varying capacities of different banks.[86] This allows banks to take initial steps based on their current capabilities and gradually build their climate risk management expertise over time. By prioritising climate risk capacity building, banks can ensure compliance and safeguard their financial well-being.

- ### Seizing Opportunities
  Capacity building enables banks to identify and capitalise on emerging opportunities in sustainable finance.

- **Building a Sustainable Future**
  By integrating climate considerations into their decision-making processes, banks can contribute to a search for a more sustainable future.

GLOBAL AND NATIONAL INITIATIVES ON CAPACITY BUILDING

- **The G20 Sustainable Finance Technical Assistance Action Plan (TAAP)**, developed during India's G20 presidency addresses the challenges faced by developing countries such as India in navigating the complexities of sustainable finance. The TAAP is a multi-year document, to be reviewed periodically, and will take into consideration the developments of sustainable finance markets and needs of sustainable finance practitioners.[87] TAAP is supposed to establish a framework for peer learning, facilitate interoperability with global best practices in sustainable finance and offer targeted technical assistance in critical areas like risk analysis and transition planning.[88] This multi-year initiative is still at a nascent stage - recent updates, if any, are unavailable.

- **The EU's Sustainable Finance Action Plan** emphasises the need for capacity building to implement its measures effectively. With initiatives like EU Taxonomy, Sustainable Finance Disclosure Regulation (SFDR), and the EU Green Bonds Standard, the framework aims to promote sustainable investment and manage climate risks. However, the complexity of these regulations requires National Competent Authorities (NCAs) and the European Securities and Markets Authority (ESMA) to develop robust expertise. ESMA plays a pivotal role in fostering collaboration and harmonising supervisory practices across the EU. By facilitating knowledge-sharing platforms and creating a unified supervisory culture, these efforts address challenges such as greenwashing, enhance transparency, and ensure the long-term success of the Sustainable Finance Action Plan.[89]

- **Similarly, the IMF offers training programmes and knowledge-sharing initiatives** designed to equip regulators and supervisors with the skills they need to navigate this new landscape. This not only aims to identify risks but also foster a financial system that supports, rather than hinders, climate action. By bolstering the capacity of supervisors, the IMF is laying the groundwork for a virtuous cycle: a stable financial system that encourages climate investments and sustainable practices, in turn, contribute to a more resilient financial system.[90]

- **In India, the Unified Lending Interface (ULI)**, developed by RBI may serve as a capacity-building tool for banks. The platform is supposed to facilitate the seamless flow of a customer's digitized financial and non-financial data from multiple data service providers to lenders, including income statements, bank statements, credit reports, land records, property ownership information, satellite imagery and government data. This wide range of data is supposed to streamline the credit underwriting process for both borrowers and lenders. Additionally the ULI has the potential to serve as a centralized repository for climate risk data, including climate hazard maps, vulnerability assessments, scenario analysis, and climate stress test tools along with appropriate mitigation strategies. By integrating the promised climate finance taxonomy in its system, ULI could help banks identify and classify climate-friendly investments and comply with regulatory requirements for climate-related financial risk disclosures as well as BRSR seamlessly.

BUILDING CAPACITY WITHIN BANKS—CHALLENGES AND RECOMMENDATIONS

There are concerns about the readiness of banks and financial institutions to implement the new draft framework rules[91] by the RBI, indicating a need for significant capacity building. While some efforts are in place, there is a lack of shared understanding of which content and delivery methods are most impactful.

CHALLENGES	RECOMMENDATIONS
SKILL GAPS	Combine online and in-person training to maximise learning and engagement. While online training could be a valuable tool for reaching a wide audience and delivering foundational knowledge.[92] In-person training is advantageous for comprehensive learning and fostering peer interaction, which could be crucial for deeper understanding. Training programmes should be relevant to the specific needs and challenges of the region. Incorporating global best practices and successful strategies from around the world could be highly beneficial. Both top-down and bottom-up training are necessary to drive change within an organisation. Senior leadership buy-in is crucial for creating a culture of sustainability, but also ensuring all employees have the necessary skills is essential for successful implementation. Additionally, focusing on practical application by encouraging participants to implement their learnings through projects could solidify the knowledge gains and lead to more sustainable financial practices within organisations. It is imperative for banks to become signatories of organisations such as UNEP FI and access training programmes aimed at equipping banking professionals for climate-risk related skills. [93]

CHALLENGES	RECOMMENDATIONS
DATA GAP	As per the Bank for International Settlements (BIS), three broad categories of data[94] are needed to assess climate-related financial risk: 1. **Climate Risk Data:** Information about climate-related events like floods, droughts, or heatwaves, and how they might affect different regions and industries. 2. **Exposure Data:** Details about the assets, loans, and investments of financial institutions, including their geographic location and the sectors they are involved in. 3. **Financial Data:** Information about the financial health of institutions, such as their income, expenses, and debt. In order to collect and properly use this data, BIS has developed the Viridis platform. It provides supervisors with a suite of tools and insights to achieve this goal. Viridis analyses climate data to identify sectors and entities most vulnerable to climate-related financial risks. It provides a comprehensive view of the banking system's exposure to carbon-intensive industries, maps geographic risk, and helps identify data gaps. This platform facilitates collaboration between supervisors and banks, enabling them to effectively assess and manage climate-related risks. The Global Capacity Building Coalition (GCBC) launched a digital platform in September 2024 to support financial institutions in emerging markets and developing economies. This platform provides resources and tools to help these institutions develop climate action strategies and transition to a low-carbon economy.[95] On similar lines, the RBI has proposed the Reserve Bank Climate Risk Information System (RB-CRIS),[96] a public web directory listing data sources (meteorological, geospatial, etc.) and a private data portal with processed datasets available to regulated entities.

CHALLENGES	RECOMMENDATIONS
REGULATORY COMPLIANCE	RBI's draft disclosure framework mandates climate risk integration, posing challenges for smaller institutions due to resource constraints, expertise gaps, and data access limitations. The draft framework requires Regulated Entities (REs) to collect and analyse data on climate risk drivers, counterparty vulnerability, and potential impacts on their portfolios. This necessitates changes in data management processes and infrastructure. REs must ensure the accuracy, reliability, and consistency of their climate-related data to make informed decisions. They need to integrate climate data with existing financial data to assess the overall impact of climate risks on their operations and portfolios. Advanced data analytics tools could help REs identify patterns, trends, and potential vulnerabilities related to climate risks. Regulation Technology (Regtech)[97] solutions could address these challenges by: • **Automating processes:** Streamlining data collection, analysis, and reporting. • **Standardising formats:** Ensuring consistency and comparability in climate risk disclosures. • **Defining 'green' and 'sustainable':** Creating clear definitions for sustainable financial products. • **Facilitating sustainable finance:** Development of green financial products and connecting investors with issuers. • **Integrating ESG criteria into credit assessments** • **Monitoring borrower compliance:** Automate the monitoring of borrower compliance with ESG standards and regulatory requirements.

In order to address these challenges the RBI's framework mandates disclosures in four key areas: governance, strategy, risk management, and metrics and targets. The framework establishes two levels of disclosure: baseline, mandatory for all REs, and enhanced, optional but recommended for larger entities. Enhanced disclosures provide more detailed information on climate-related risks and opportunities, such as scenario analysis and financial impacts.
To assist banks in enhancing their climate-related financial disclosures, CRH has organised the RBI's draft disclosure framework into a clear, actionable structure. This structure clarifies what each requirement involves and provides recommended actions for banks to strengthen their disclosures on climate-related financial risks.

GOVERNANCE—BASELINE DISCLOSURE

DISCLOSURE AREA	RBI BASELINE DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
GOVERNANCE STRUCTURE	Governance structure (which could be Board, Committee or equivalent body(ies) or individual positions) responsible for the oversight of climate-related issues.	Specify the dedicated body overseeing climate risks, such as a board committee or climate unit.	• **Establish a dedicated Climate Risk Committee** that reports directly to the board. • This committee should have specific responsibility for climate risk oversight and strategy.
RESPONSIBILITIES FOR CLIMATE ISSUES	Responsibilities for climate-related issues in the terms of reference,mandates, role descriptions and other related policies applicable to the body(ies) or individual position(s).	Climate governance body's responsibilities should be clearly outlined in terms of reference, mandates, and policies.	• Ensure the **roles and responsibilities for climate-related issues are documented** in terms of reference for relevant committees, and integrate them into executive roles and responsibilities.
AVAILABILITY OF SKILLS/ COMPETENCY	Whether appropriate competencies and skills are available or will be developed by the body(ies) or individual positions to oversee the strategies for responding to climate-related issues	A clear assessment of the current skill sets and expertise available within the governance body or relevant management positions and any plans for developing or acquiring necessary competencies that may be lacking and any plan of the bank in investing in the capacity building of their employees in climate issues	• Develop a **training and development plan** to ensure staff have the required climate-competencies
INFORMATION FLOW	The processes and frequency by which the body(ies) or the individual position(s) is informed about climate-related issues	Disclose mechanisms of gathering and disseminating climate-related information to bodies/individuals responsible for handling climate issues	• The governance body should **receive regular updates on climate-related risks, opportunities, and the bank's performance against its climate goals** . • The frequency of these updates should be appropriate to the bank's level of exposure to climate risks and the complexity of its operations.

DISCLOSURE AREA	RBI BASELINE DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
ROLE, CONTROL AND PROCEDURE	The role of management in the governance processes, controls and procedures and whether it is delegated to a specific management-level position or a Committee and how is the oversight exercised over that position or Committee	Disclose the role of management in implementing climate strategies and managing risks, including the structure of delegated responsibilities and the oversight mechanisms in place.	• **Delegate climate-related responsibilities** to board-level and management-level positions or committees. • **Mandate processes** by which the governance body would oversee management's performance in managing climate risks and implementing the climate strategy. • **Regularly provide climate-related updates to the governance body**, ensuring that it has access to timely information for effective decision-making. • **Specify how the governance body reports** to the board or other relevant stakeholders on climate-related matters.

GOVERNANCE—ENHANCED DISCLOSURE

DISCLOSURE AREA	RBI ENHANCED DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
STRATEGIC CLIMATE GOVERNANCE	Whether the body(ies) or the individual position(s) consider climate-related issues while (a) reviewing and guiding strategy, major plans of action, risk management policies, annual budgets and business plans (b) setting the organisation's performance objectives, monitoring implementation and performance, and (c) overseeing their strategy, major capital expenditures, acquisitions, and divestitures, risk management processes and related policies	Disclose if climate factors are considered in key business decisions such as strategy, budgets, capital expenditures, mergers and acquisitions decisions etc	• **Incorporate climate risk analysis** into strategic planning processes, review and guidance of overall strategy, including business plans, action plans, and risk management policies. • **Consider climate factors** when setting annual budgets and allocating resources, decisions regarding major capital expenditures, and the evaluation of potential acquisitions and divestitures.
TARGET SETTING AND MONITORING	How the body(ies) or the individual position(s) oversees the setting of targets and monitors the progress to achieve those targets related to climate-related issues. If so are the performance metrics factored in the remuneration policies	Disclose climate targets, monitoring processes, and their linkage to remuneration	• **Set specific climate-related targets,** including goals for reducing emissions, increasing renewable energy use, or improving climate resilience, describe the processes used to monitor progress towards achieving these targets, including the use of key performance indicators (KPIs). • **Climate-related performance metrics need to be factored into the remuneration policies of senior executives.**
REGULAR DISCUSSION AND REVIEW	Whether key aspects and issues of climate-related issues are discussed and reviewed by the body(ies) or the individual positions during the financial year	Frequency and scope of climate-related discussions within the governance body.	• **Climate-related issues** such as physical risks, transition risks, and climate opportunities **should be discussed and reviewed** by the governance body or individual positions regularly

DISCLOSURE AREA	RBI ENHANCED DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
OVERSIGHT CONTROLS AND PROCEDURES	Whether senior management uses controls and procedures for oversight and, if so how, are they integrated with other internal functions for climate-related issues	Climate-related controls, procedures, and integration with other internal functions	• **Place specific controls and procedures** to oversee climate-related risks and opportunities. • These **controls and procedures should be integrated with other internal functions,** such as risk management, compliance, and sustainability.
TRANSPARENCY & ACCOUNTABILITY	Whether the RE is required to make/ has voluntarily adopted any climate-related financial disclosures as per any national standards (as applicable) or international disclosure standards	Adoption of national and international climate-related financial disclosure standards, including the scope of implementation	• **Adopt voluntary standards** for climate-related financial disclosures along with mandatory ones. This could include standards issued by a country's central bank, securities regulator, standards developed by organizations such as the TCFD, the Sustainability Accounting Standards Board (SASB), or the Global Reporting Initiative (GRI). • **Specify the scope of their adoption,** indicating which aspects of the standards have been implemented and which may be partially or fully implemented in the future.

STRATEGY—BASELINE DISCLOSURES

DISCLOSURE AREA	RBI ENHANCED DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
MATERIAL CLIMATE-RELATED ISSUES	Climate-related issues that could reasonably be expected to affect the RE's prospects (in terms of strategy, business model, decision-making, revenue, costs, assets, etc.)	Disclose the potential risks to lending portfolio, investments, and operations, explain how climate factors into credit risk assessments, investment decisions, and operational planning, potential financial impacts due to climate change on revenue streams like increased loan losses, change in energy prices. Assessment of assets vulnerable to climate change, including stranded assets	• Conduct a **thorough climate risk assessment** to identify material risks.
TIME HORIZONS	Description of what they consider is 'short term', 'medium term' and 'long term' horizon and how are these definitions linked to the planning horizon for strategic decision-making	Clarify the RE's time horizons for short, medium, and long term	• **Align the definition of different time horizons with strategic planning cycles** to ensure effective risk management.
SPECIFIC CLIMATE-RELATED ISSUES	Description of specific climate related issues that would arise over various time horizons (short/ medium/ long term) and the material impact it could have on the RE	Describe the anticipated climate risks and their potential effects.	• **Develop/Use climate scenarios** to assess the impact of different climate change scenarios on business like credit quality, market valuations, operational costs.
IMPACT ON BUSINESS MODEL	Description of the current and anticipated effects of climate-related financial risks and opportunities on the business model of the RE	Evaluate the potential effects of climate change on the RE's business model.	• **Assess the need for adjustments to the current business model** to address climate risks and seize opportunities.

STRATEGY—ENHANCED DISCLOSURES

DISCLOSURE AREA	RBI ENHANCED DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
CLIMATE-RELATED FINANCIAL EFFECTS	The effects (and the anticipated effects) of climate-related issues on the financial position and financial performance for the financial year, over short, medium and long term, taking into consideration how those climate-related issues have been factored into financial planning	Disclose the effects of climate change on financial metrics.	• **Conduct financial stress testing** using climate scenarios to assess potential impacts.
CLIMATE RESILIENCE OF STRATEGY	The climate resilience of RE's strategy including the business model to climate-related changes, developments and uncertainties	Disclose the RE's ability to respond to climate-related challenges.	• **Develop a climate resilience strategy** that outlines adaptation measures, including potential risks and opportunities and an assessment of ability to withstand and recover from climate-related shocks.
UNCERTAINTY AND ADAPTATION CAPACITY	The significant areas of uncertainty considered in the assessment of climate resilience and the RE's capacity to adjust or adapt its strategy and business model to climate change over the short, medium and long term. This shall include (a) the availability of and flexibility in the existing financial resources to respond to the effects identified in the climate scenario analysis for addressing climate-related financial risks as also to take advantage of climate-related opportunities, and (b) the effect of the current and planned investments in climate-related mitigation, adaptation and opportunities for climate resilience	Identify significant uncertainties, flexible resources and impact of investments	• **Conduct a thorough assessment of uncertainties of climate resilience,** such as data limitations, policy changes, and technological advancements • Evaluate the availability and flexibility of financial resources to address climate-related risks or opportunities. • Analyse the impact of current and planned investments in climate-related mitigation, adaptation, and opportunities.

DISCLOSURE AREA	RBI ENHANCED DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
CHANGES TO BUSINESS MODEL	The current and anticipated changes to the business model, including resource allocation to address climate-related financial risks and opportunities	Disclose the need for business model shifts	• **Formulate a process of allocation of resources to address climate-related financial risks and opportunities,** including potential diversification or refocusing.
MITIGATION AND ADAPTATION EFFORTS	The current and anticipated direct (like adopting energy efficient methods) and indirect (such as, by working with counterparties) mitigation and adaptation efforts	Describe mitigation and adaptation activities.	• **Develop a comprehensive plan for mitigation and adaptation efforts,** both directly (e.g., energy efficiency) and indirectly (e.g., supporting sustainable practices in lending, becoming member of a climate association like GABV, PCAF etc).
RESOURCE ALLOCATION AND DEVELOPMENT	The information on the available resources and the plan to raise/ develop resources to identify, assess, monitor and manage the climate-related issues	Identification of available resources to address climate change and plans for their development	• **Allocate sufficient resources (qualitative & quantitative) for climate risk management** and develop plans to raise additional resources, if necessary.
PROGRESS ON RESOURCE DEVELOPMENT PLANS	The quantitative and qualitative information about the progress of plans to raise/develop resources, disclosed in previous financial years, along with an analysis in case of non-achievement	Quantitative and qualitative information on resource development plants and explanation for their non-achievement	• **Identify potential funding sources for climate-related initiatives,** such as green bonds, climate funds, or partnerships with external organizations. • Track progress of resource development plans, including any deviations from previous targets and the reasons for any shortfall in achieving resource development goals.
CLIMATE-RELATED TARGETS	The plans of RE to achieve any climate-related targets, including any greenhouse gas emission reduction targets	GHG reduction targets	• **Set ambitious climate targets** and develop a plan to achieve them.

DISCLOSURE AREA	RBI ENHANCED DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
TRANSITION PLAN	Does the RE has any climate-related transition plan, and if yes, information about the key assumptions used in developing and factors which would influence the transition plan	Climate related transition plan and its assumptions	• **Develop a comprehensive transition plan** that aligns with the overall strategy.
INCORPORATION OF CLIMATE RISKS INTO INTERNAL PROCESSES	Whether climate-related financial risks are identified, quantified and those assessed as material over relevant time horizons are incorporated into the Internal Capital and Liquidity Adequacy Assessment Processes, including their climate scenario analysis programmes, where appropriate	Quantification of climate risk and its integration in internal processes.	• Incorporate **climate scenario analysis into internal risk assessment** processes.
CLIMATE SCENARIO ANALYSIS	How and when the climate scenario analysis was carried out, along with the information on (i) climate scenarios used for the analysis and source of the scenarios, (ii) whether it included a diverse range of climate scenarios, (iii) whether it was associated with climate-related transition risks or physical risks, (iv) whether it included a scenario aligned to the Nationally Determined Contribution, (v) the reasons for choosing the climate scenarios (i.e., why they are relevant to assessing the RE's resilience to climate-related changes, developments or uncertainties), (vi) the time horizons used in the analysis, (vii) the scope of climate scenario analysis; (vii) the assumptions used like the climate-related policies at the national/state levels, macroeconomic trends, national/state-level variables	Details of climate scenario analysis, its relevance and alignment with national goals	• Conduct detailed climate scenario analysis, including various scenarios, time horizons, and assumptions. Analysis could be focused on climate-related transition risks, physical risks, or both. • The **analysis should align with the Nationally Determined Contribution** • The **choice of climate scenarios based on relevance to resilience of entity.**

RISK MANAGEMENT—BASELINE DISCLOSURES

DISCLOSURE AREA	RBI BASELINE DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
ASSESSMENT OF CLIMATE RISK	How the nature, likelihood and magnitude of effects of climate-related financial risks are assessed (for example, whether the RE considers qualitative factors/quantitative thresholds/ a combination of both)	Specify which qualitative and quantitative factors were used in the assessment of climate risk	• Develop a detailed methodology to assess climate-related financial risks, integrating both qualitative and quantitative assessments • Establish **cut-off levels for risk and set minimum thresholds for resilience** for assets located in high-risk areas
CREDIT RISK	Whether credit risk management systems and processes considered material climate-related financial risks and how the impact of climate-related risk drivers on the credit risk profiles are assessed	Indicate how climate risk is integrated into credit risk management. Detail the specific tools and methodologies, such as stress testing and scenario analysis, that are utilized to quantify and assess climate-related risks within credit portfolios	• Identify how climate risk affects loan portfolios and the potential for default due to climate-related factors • **Develop risk mitigation strategies that incorporate climate risk into credit scoring models** and shift loan portfolios toward climate-resilient investments and borrowers
MARKET RISK	Methodologies employed to understand the impact of climate-related risk drivers on the market risk positions (how the potential risk of losses on and increased volatility of the portfolio are evaluated)	Indicate the methodologies used to evaluate how climate risk drives market risk positions, including both qualitative and quantitative approaches	• Evaluate the impact of climate risk on commodity prices, interest rates, and geopolitical events to determine portfolio sensitivity to climate factors • Integrate **climate-adjusted metrics into traditional Value-at-Risk models and scenario analysis to mitigate volatility and potential losses** • Conduct regular stress testing to assess the resilience of portfolios under various climate scenarios and market conditions

DISCLOSURE AREA	RBI BASELINE DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
LIQUIDITY RISK	Methodologies employed to understand the impact of climate-related risk drivers on the liquidity risk profiles (including impacts of climate-related financial risks on net cash outflows like increased drawdowns of credit lines, accelerated deposit withdrawals or the value of assets comprising their liquidity buffers)	Indicate the methodologies used to evaluate how climate risk drives liquidity risk, focusing on the assessment of cash flow dynamics under varying climate scenarios	• Assess the potential for increased deposit withdrawals due to climate shocks and evaluate the **impact of these shocks on the value of assets** used as liquidity buffers • Develop early warning indicators based on results from stress tests specifically designed to capture the potential impact of climate risk on liquidity • **Establish contingency funding plans** that address potential liquidity shortfalls arising from climate-related events
OPERATIONAL RISK	Methodologies employed to understand the impact of climate-related risk drivers on the operational risk	Indicate the methodologies used to evaluate how climate risk drives operational risk, including assessments of vulnerabilities and potential disruptions	• Simulate the impact of climate risk on business disruption, loss of data, and damage to physical and digital infrastructure to identify critical vulnerabilities • Develop **comprehensive disaster recovery plans that address potential climate-related disruptions,** ensuring business continuity
TRANSITION RISKS	Whether and how the impact of climate-related risk drivers on other risks are considered	Indicate how climate risk is integrated into other risk categories, including strategic, reputational, regulatory, and litigation or liability risks	• **Identify the impact of transition risks triggered by changes in ratings, regulatory developments, and shifts in consumer preferences** on overall risk profiles • Engage with stakeholders to assess perceptions and expectations related to climate risks and their implications for brand reputation and customer loyalty

DISCLOSURE AREA	RBI BASELINE DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
INTEGRATION INTO RISK MANAGEMENT	Whether and how climate-related financial risks are incorporated into the internal control framework across the three lines of defence to ensure sound, comprehensive and effective identification, measurement and mitigation of material climate-related financial risks;	Incorporate climate-related financial risk into the internal control framework through identification, measurement, and mitigation	• Update Enterprise Risk Management (ERM) systems to **include a risk materiality map that highlights climate-related risks alongside other significant risks** • Develop comprehensive climate risk policies that enhance the identification, measurement, and mitigation of climate-related financial risks • Conduct regular **internal audits to assess the effectiveness of risk mitigation measures and ensure compliance with established climate risk policies** • Implement **training programs for employees at all levels to ensure awareness and understanding of climate-related financial risks**
CLIMATE RISK MONITORING	How the climate-related financial risks are monitored	Explain monitoring mechanisms, key risk indicators etc for climate related financial risks	• Create accurate economic models that integrate risk assessment tools, third-party climate data, and risk management software to monitor short, medium, and long-term climate-related risks • **Implement real-time data integration systems that combine physical and transition risk indicators for continuous monitoring of climate risks**
PRIORITISATION OF CLIMATE RISK	Whether the climate-related financial risks are prioritised over other types of risks and, if yes, describe the process adopted for the same	Indicate if climate-related financial risks are prioritised over other types of risks	• **Prioritise climate-related financial risks according to portfolio sensitivity and exposure**

RISK MANAGEMENT—ENHANCED DISCLOSURES

DISCLOSURE AREA	RBI ENHANCED DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
ASSESSMENT RISK ASSESSMENT PARAMETERS	The inputs and parameters used to identify, assess, prioritise and monitor climate-related financial risks (for example, information about data sources, economic sectors covered, counterparties covered, etc.)	Disclose the rationale for the selection of parameters and data sources to analyse climate risk	• Use latest scientific climate models, geographical and historical climate data, along with the latest regulatory guidance and recommendations to create sector-specific KPIs
INTEGRATION OF CLIMATE RISK	How the processes for identifying, assessing, prioritizing and monitoring climate-related financial risks and opportunities are integrated into the overall risk management process	Showcase how climate risk is embedded into the overall risk management framework	• Mainstream climate risk into due diligence, assessment verification process across all teams • Establish both bottom-up and top-down processes for valuing climate risk and pricing it appropriately • Conduct regular training sessions for staff to enhance understanding of climate risks and their integration into the risk management framework
CHANGES IN CLIMATE RISK MANAGEMENT PROCESSES	Has the RE changed the processes for management of climate-related financial risks it used compared to the previous financial year and, if yes, provide the details	Disclose any changes to the risk management process, in relation to climate risk management	• Disclose key changes or improvements made in the overall risk management framework to better represent climate risk, including the implementation of climate-specific strategies and the outcomes of internal risk assessments

DISCLOSURE AREA	RBI ENHANCED DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
CLIMATE SCENARIO ANALYSIS AND STRESS TESTING	Whether the climate scenario analysis is used for identification of climate-related financial risks	Report if scenario analysis is employed as tool for identifying climate-related financial risks	• Integrate scenario analysis into stress testing frameworks to evaluate the resilience of portfolios under various climate change pathways • Develop in-house expertise to contextualize scenario analysis according to strengths and weaknesses of the Indian economy
MANAGEMENT OF CLIMATE RELATED OPPORTUNITIES	The processes used to identify, assess, prioritise and monitor climate-related opportunities, including information if and how climate scenario analysis/ climate stress testing is used for identification of climate-related opportunities	Share the strategy and approach for understanding and managing climate-related opportunities	• Use scenario analysis to identify potential opportunities such as sustainability-themed products or services • Assess potential risks and challenges associated with new climate-related opportunities to ensure they are viable and aligned with long-term goals • Conduct regular climate stress testing to evaluate the financial benefits of climate-resilient assets, including cost savings, revenue growth, and greenium"

METRICS AND TARGETS—BASELINE DISCLOSURES

DISCLOSURE AREA	RBI BASELINE DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
MANDATORY CLIMATE-RELATED TARGETS	The targets set and required to be met by statute or regulation for mitigating/ adapting to climate-related financial risks. The information on metrics used by the governance body or management to measure progress towards these targets	Disclose compliance with regulatory targets for climate risk mitigation and adaptation and outline the applicable regulations and any sector- or project-specific requirements	• Engage top-level management to ensure they play an active role in setting and monitoring climate-related targets to meet regulatory compliance • Provide transparency by disclosing the rationale and sources that informed the target-setting, including relevant regulations for each sector or project

DISCLOSURE AREA	RBI BASELINE DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
OBJECTIVE OF TARGETS	The objective of the target (for example, mitigation/ adaptation/ conforming to the science-based initiatives	Set targets with clear objectives to address both mitigation and adaptation to physical and transition risks	• Synthesize available resources and global best practices from leading financial institutions • Expand objectives beyond carbon emissions, incorporating broader environmental and social metrics such as double materiality and setting quantitative targets for key areas like water, biodiversity and nature • Support targets by established frameworks and guidelines such as those provided by the Science Based Targets initiative (SBTi), Glasgow Financial Alliance for Net Zero (GFANZ), Net-Zero Banking Alliance (NZBA), International Energy Agency (IEA), UNEP Finance Initiative (UNEP FI), Intergovernmental Panel on Climate Change (IPCC), and Network for Greening the Financial System (NGFS)
METRICS AND METHODOLOGIES FOR TARGET SETTING AND TRACKING	The metric used to (a) set the target, (b) period for which the target is related and the base period from which progress is measured, (c) the milestones and interim targets set, if any, if the target is an absolute greenhouse gas emission target or a greenhouse gas emission intensity target (emission intensity per unit revenue) (d) whether the target and the methodology for setting the target have been validated by a third party, (e) the processes adopted for reviewing the target, (f) the metrics used to monitor progress towards reaching the target and (g) if the metrics have third party validation, any revisions to the target and an explanation for those revisions). Also disclose if the targets are aligned with India's Nationally Determined Contribution	Explain the metrics used for setting targets and how these are measured and reviewed	• Develop a comprehensive plan detailing the baseline year, target year, and types of targets (absolute vs. intensity-based) • Set interim targets for short-, medium-, and long-term horizons, benchmarked against industry best practices • Obtain third party assurance and second opinion on methodologies adopted target-setting • Revise targets periodically based on performance and ensure alignment with India's Nationally Determined Contribution (NDC) goals • Establish quantitative emissions reduction targets across operations and all other banking activities • Ensure data quality and transparency in methodologies, with clear reference to standards and frameworks"

DISCLOSURE AREA	RBI BASELINE DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
PERFORMANCE AGAINST TARGETS	Information about the performance against each climate-related target and an analysis of trends or changes in the RE's performance	Analyze and report trends and patterns in the performance of each climate-related target, highlighting progress made and identifying areas for improvement	• Ensure targets are ambitious but realistic in order to avoid easily achievable targets • Regularly update and revise metrics, strategies, and goals based on performance evaluations to maintain alignment with evolving best practices • Conduct a critical evaluation of unmet targets to identify performance gaps, while accelerating progress on targets where effective decarbonisation solutions exist"
GHG EMISSIONS	RE shall disclose which greenhouse gases are covered by the target, and whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target	Measure the greenhouse gas emissions in accordance with the standards prescribed by the Greenhouse Gas Protocol.	• Set independent targets for each emissions scope (Scope 1, Scope 2, and Scope 3) • Align targets with sector-specific standards to ensure relevance and effectiveness

METRICS AND TARGETS—ENHANCED DISCLOSURES

DISCLOSURE AREA	RBI ENHANCED DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
ABSOLUTE GHG EMISSIONS	Absolute gross greenhouse gas emissions generated during the financial year, expressed as metric tonnes of CO2 equivalent (Scope 1 and 2 greenhouse gas emissions). Scope 3 greenhouse gas emissions may be disclosed in so far as data and methodologies permit	Measure and report Scope 1, Scope 2 and Scope 3 emissions	• Establish comprehensive emissions monitoring and calculation systems across all activities, including real estate, loans, offshore investments, and other relevant sectors • **Adopt GHG Protocol standards for calculating Scope 3 emissions** to ensure accuracy and consistency

DISCLOSURE AREA	RBI ENHANCED DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
SCOPE 3 EMISSIONS CATEGORIES	Disclose the categories included within the measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)	Disaggregate emissions according to each of the 15 categories outlined in the GHG Protocol Tool, ensuring that financed and facilitated emissions are accurately measured and reported	• **Build internal technical expertise aligned with international standards** to enhance reporting capabilities beyond the basic requirements of the Business Responsibility and Sustainability Report (BRSR) • Establish **partnerships with suppliers and clients to track and collect emissions data across the value chain**
ABSOLUTE GROSS FINANCED EMISSIONS	Absolute gross financed emissions, disaggregated by Scope 1, Scope 2 and Scope 3 greenhouse gas emissions for each industry by asset class. If the RE does not have the skills/ capabilities/data availability/ resources to provide that information, RE may disclose by stating the reasons for not providing the information	Measure and report absolute gross financed emissions	• Build expertise to **disaggregate absolute gross financed emissions by Scope 1, Scope 2, and Scope 3 for each industry** as classified under the National Industrial Classification (NIC). • **Categorise emissions by asset classes** such as loans, investments, undrawn loan commitments, and project finance.
ASSUMPTIONS	Disclose the approach, inputs and assumptions used to measure the greenhouse gas emissions alongwith the reasons	Provide the rationale and explanation for assumptions used to measure GHG emissions; include a clear outline of the methodologies applied and the context in which the assumptions were made	• **Create an inventory of the assumptions such as emission factors, activity level, carbon sequestration, leakage rates,** and other factors for which data is unavailable or of poor quality

DISCLOSURE AREA	RBI ENHANCED DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
CHANGES TO MEASUREMENT METHODOLOGIES	Disclose if any changes are made to the measurement approach, inputs and assumptions during the financial year along with the reasons therefor	Disclose any methodology changes and revision in GHG emissions calculations, providing an explanation for any variations resulting from these changes	• Incorporate changes to measurement and calculation methodologies that reflect ongoing advancements in accuracy across measurement tools • Ensure that **revised GHG emissions calculations capture previously excluded scopes** across the supply chain • Align changes to methodologies and calculations with the latest applicable emission factors and standards
GROSS EXPOSURE BY INDUSTRY	Disclose its gross exposure to each industry by asset class	Disclose fund-based exposures to each industry by asset class, and undrawn exposures as part of gross exposure	• Analyse the data to identify and **reduce exposure to high-risk industries and vulnerable assets**
FINANCED EMISSIONS DISCLOSURE	Disclose the percentage of the gross exposure included in the financed emissions calculation. If the percentage of the gross exposure included in the financed emissions calculation is less than 100 per cent, disclose information that explains the exclusions, including the type of industry/ assets excluded. For fund-based exposures, exclude from gross exposure impacts of risk mitigants, if applicable. Disclose the percentage of undrawn loan commitments included in the financed emissions calculation	Disclose the entirety of financed emissions and any exclusions, if applicable, providing a breakdown by industry and sector	• Collect **asset-level data on emissions and undertake a comprehensive impact assessment of collaterals, guarantees, loans, equities,** and other relevant financial instruments
FINANCED EMISSIONS METHODOLOGY	Disclose the methodology used to calculate financed emissions, including method of allocation to attribute its share of emissions in relation to the size of its gross exposure	Provide a clear explanation of the methodology for calculating financed emissions	• **Formulate a clear methodology for calculation of financed emissions,** including proportional allocation, activity-based allocation, weighted average, or sector-specific allocation factors

DISCLOSURE AREA	RBI ENHANCED DISCLOSURES	WHAT IT INVOLVES	RECOMMENDED ACTIONS FOR BANKS
ASSET EXPOSURE	Disclose the climate-related physical and transition risks - amount and percentage of assets vulnerable to both the risks	Disclose amount and percentage of assets by class (e.g., loans, equities, bonds) vulnerable to physical and transition risk	• Engage with borrowers and clients to communicate the implications of identified risks and any strategies in place to mitigate these exposures
ASSET OPPORTUNITIES	Disclose the climate-related opportunities - amount and percentage of assets aligned with climate-related opportunities	Provide details on the amount and percentage of assets that are aligned with climate-related opportunities	• Identify **emerging climate-related opportunities across various sectors and asset classes** • Increase the amount and percentage of assets aligned with climate-related opportunities and document the associated financial benefits
CAPITAL DEPLOYMENT	Disclose the capital deployment - amount of financing or investment deployed towards climate-related risks and opportunities	Provide a clear disclosure of capital deployment for addressing climate-related risks and opportunities	• **Increase the allocation of capital deployed towards addressing climate risks and opportunities,** and establish mechanisms to track the use of proceeds effectively
CLIMATE CONSIDERATIONS IN REMUNERATION	Disclose whether and how climate-related considerations are factored into remuneration of Whole Time Directors/Chief Executive Officers/Material Risk Takers. Also disclose the percentage of remuneration recognised in the current financial year that is linked to climate-related considerations.	Link climate-related performance metrics in executive remuneration policies for top level management, and disclosing the percentage remuneration tied to these metrics	• **Align executive compensation with climate performance indicators** (e.g., emissions reduction targets • Disclose the percentage of executive pay linked to climate goals, and ensure transparency in remuneration policies

8.0

CONCLUSION

The Indian banking sector is at a critical juncture when it comes to addressing climate risks and accelerating finance flows to meet the country's sustainability and climate targets. While some banks have made incremental progress in aligning their operations with climate goals, the sector as a whole remains unprepared to handle the risks posed by climate change. To avoid being left behind in the global shift towards a low-carbon economy, Indian banks must rapidly improve their climate risk management frameworks, enhance transparency in emissions disclosures, and scale up investments in green projects.

The RBI and government must play a proactive role in providing regulatory clarity and financial incentives to encourage banks to prioritise climate-positive investments. For their part, banks must invest in internal capacity building, develop innovative green financial products, and collaborate with industry peers to standardise best practices in climate risk management. Only through concerted efforts by regulators, banks, and other stakeholders can the Indian financial system successfully transition to a sustainable and resilient future.

APPENDIX

SL NO.	LIST OF BANKS IN THE TOP 1000 ENTITIES BY MARKET CAPITALIZATION AT THE BSE AS ON MARCH 31, 2024[98]	
	BANK NAME	MARKET CAPITALIZATION* (IN INR CR.)
01	HDFC Bank Ltd.	11,00,185
02	ICICI Bank Ltd.	7,69,543
03	State Bank Of India	6,71,666
04	Kotak Mahindra Bank Ltd.	3,54,998
05	AXIS Bank Ltd.	3,23,549
06	Punjab National Bank	1,36,922
07	Bank of Baroda	1,36,627
08	IndusInd Bank Ltd.	1,21,083
09	Union Bank	1,17,138
10	Canara Bank	1,05,419
11	IDBI Ltd.	87,008
12	Indian Bank	70,130
13	Yes Bank Ltd.	66,741
14	UCO Bank	62,434
15	Bank of India	62,372
16	IDFC First Bank Ltd.	53,300
17	Central Bank of India	51,895
18	Bank of Maharashtra	44,110
19	Punjab & Sind Bank	40,491
20	AU Small Finance Bank Ltd.	37,844

SL NO.	LIST OF BANKS IN THE TOP 1000 ENTITIES BY MARKET CAPITALIZATION AT THE BSE AS ON MARCH 31, 2024[98]	
	BANK NAME	MARKET CAPITALIZATION* (IN INR CR.)
21	Federal Bank Ltd.	36,552
22	Bandhan Bank Ltd.	29,014
23	Jammu and Kashmir Bank Ltd.	14,756
24	RBL Bank Ltd.	14,519
25	Equitas Small Finance Bank Ltd.	10,487
26	City Union Bank Ltd	10,003
27	Ujjivan Small Finance Bank Ltd.	8,679
28	Karnataka Bank Ltd.	7,897
29	Tamilnad Mercantile Bank Ltd.	7,687
30	South Indian Bank Ltd.	7,139
31	CSB Bank Ltd.	6,142
32	Utkarsh Small Finance Bank Ltd.	5,152
33	Jana Small Finance Bank Ltd.	4,294
34	DCB Bank Ltd.	3,726
35	ESAF Small Finance Bank Ltd	2,790

ENDNOTES

1. Climate Risk Horizons. (2021). Unprepared: Indian banks' response to the climate crisis. Climate Risk Horizons. Retrieved from **https://climateriskhorizons.com/research/Unprepared.pdf**.
2. Climate Risk Horizons. (2022). Still Unprepared: Indian banks' response to the climate crisis. Climate Risk Horizons. Retrieved from **https://climateriskhorizons.com/research/Still-Unprepared.pdf**.
3. Indian Express. (2023). Asia disasters 2023: Extreme weather killed over 2000, WMO report. Indian Express. Retrieved from **https://indianexpress.com/article/india/asia-disasters-2023extreme-weather-killed-over-2000-wmo-report-9285807/lite/**.
4. Greencap. (n.d.). Climate-related stranded assets represent significant credit risk to banks. Greencap Insights. Retrieved from **https://www.greencap.live/insights/climate-related-stranded-assets-represent-significant-credit-risk-to-banks**.
5. Hindustan Times. (2023). Sea level rise a major threat to India, other nations: WMO. Hindustan Times. Retrieved from **https://www.hindustantimes.com/india-news/sealevel-rise-a-major-threat-to-india-other-nationswmo-101676400422024.html**.
6. Kreft, S., et al. (2017). Global Climate Risk Index 2019: Who Suffers Most from Extreme Weather Events? Weather-related Loss Events in 2017 and 1998 to 2017. PreventionWeb. Retrieved from **https://www.preventionweb.net/files/63287_climatelossesrevised.pdf**.
7. World Economic Forum. (2024). Navigating Climate Risks: Key Strategies for Resilient Financial Institutions. World Economic Forum. Retrieved from **https://www.weforum.org/agenda/2024/07/navigating-climate-risks-key-strategies-for-resilient-financialinstitutions/**.
8. International Monetary Fund (IMF). (2024). Preparing Financial Sectors for a Green Future: Managing Risks and Securing Sustainable Finance. IMF Departmental Papers. Retrieved from **https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2024/02/12/PreparingFinancial-Sectors-for-a-Green-Future-Managing-Risks-and-Securing-Sustainable-540602**.
9. Financial Stability Board (FSB). (2023). Guidance on Climate-related Financial Risk Metrics and Methods. Financial Stability Board. Retrieved from **https://www.fsb.org/wp-content/uploads/P121023-1.pdf**.
10. Ernst & Young (EY). (2023). ISSB Issues Inaugural IFRS Sustainability Disclosure Standards. EY Insights. Retrieved from **https://www.ey.com/en_gl/technical/ifrs-technical-resources/issb-issues-inaugural-ifrs-sustainabilitydisclosure-standards**.
11. International Financial Reporting Standards (IFRS). (n.d.). Webcast on the Importance of Industry-specific Disclosures to Investors. IFRS. Retrieved from **https://www.ifrs.org/supporting-implementation/supporting-materials-for-ifrs-sustainability-disclosurestandards/ifrs-s1/webcast-on-the-importance-of-industry-specific-disclosures-to-investors/**.
12. European Commission. (2023). Sustainable Finance Package 2023. European Commission. Retrieved from **https://finance.ec.europa.eu/publications/sustainable-finance-package-2023_en**.

13. European Commission. (2023). EU Taxonomy Platform for Sustainable Finance Launch. European Commission. Retrieved from https://finance.ec.europa.eu/news/eu-taxonomy-platform-sustainable-finance-together-commission-launching-today-stakeholder-request-2023-10-17_en.

14. Network for Greening the Financial System (NGFS). (2024). Guidance Note on Scenario Analysis for Climate Risk.NGFS. Retrieved from https://www.ngfs.net/sites/default/files/medias/documents/press-release_2024-01-23_guidance-note-scenarios.pdf.

15. UNEP FI. (2024). A Comprehensive Review of Global Supervisory Climate Stress Tests. UNEP Finance Initiative. Retrieved from https://www.unepfi.org/themes/climate-change/a-comprehensive-review-of-global-supervisory-climatestress-tests/.

16. Carnegie Endowment for International Peace. (2023). A Political Economy Perspective on the EU's Carbon Border Tax.Carnegie Endowment. Retrieved from https://carnegieendowment.org/research/2023/05/a-political-economy-perspective-on-the-eus-carbonborder-tax?lang=en.

17. Bloomberg. (2024). ECB to Impose First-ever Fines on Banks for Climate Failures. Bloomberg. Retrieved from https://www.bloomberg.com/news/articles/2024-05-29/ecb-to-impose-first-ever-fines-on-banks-forclimate-failures.

18. Reuters. (2024, April 4). U.S. SEC stays climate disclosure rule amid legal challenges. Retrieved from https://www.reuters.com/legal/us-sec-stays-climate-disclosure-rule-amid-legal-challenges-2024-04-04/.

19. Banking on Climate Chaos. (2024). Fossil Fuel Finance Report 2024. Banking on Climate Chaos. Retrieved from https://www.bankingonclimatechaos.org/wp-content/uploads/2024/05/BOCC_2024_vF.pdf.

20. Global Alliance for Banking on Values (GABV). (n.d.). Bank Australia Joins 3C Initiative. GABV. Retrieved from https://www.gabv.org/news/bank-australia-joins-3c/.

21. Urgewald. (n.d.). Still Banking on Coal. Urgewald Briefing. Retrieved from https://stillbankingon-coal.org/sites/default/files/download_public/Urgewald_briefing_StillBankingonCoal_0.pdf.

22. Down to Earth. (2024). Carbon Controversy: Corporate Climate Action Watchdog's New Decision Regarding Use of Offsetting Causes Backlash. Down to Earth. Retrieved from https://www.downtoearth.org.in/blog/climate-change/carbon-controversy-corporate-climate-actionwatch-dog-s-new-decision-regarding-use-of-offsetting-causes-backlash-95545.

23. Vidal, J. (2023). Revealed: Forest Carbon Offsets by Biggest Provider Are "Worthless." The Guardian. Retrieved from https://www.theguardian.com/environment/2023/jan/18/revealed-forest-carbon-offsets-biggest-providerworthless-verra-aoe.

24. Reserve Bank of India (RBI). (n.d.). Report on Currency and Finance. RBI Publications. Retrieved from https://rbi.org.in/Scripts/AnnualPublications.aspx?head=Report%20on%20Currency%20and%20Finance.

25. Reserve Bank of India (RBI). (n.d.). Climate Change and Sustainable Finance. RBI Resources. Retrieved from https://www.rbi.org.in/Scripts/bs_viewcontent.aspx?Id=4393.

26. Reserve Bank of India (RBI). (2024). Green Financing Guidelines. RBI Notifications. Retrieved from https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12487.
27. Reserve Bank of India (RBI). (2024). RBI Bulletin, June 2024. RBI Documents. Retrieved from https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/0RBIBULLETINJUNE202404EC73E247C64EFB960FB-CF565370E76.PDF.
28. BusinessLine. (2024). RBI Exploring Appropriate Deposit Insurance Coverage for Green Deposits: M.D. Patra.The Hindu BusinessLine. Retrieved from https://www.thehindubusinessline.com/money-and-banking/rbi-exploring-appropriate-deposit-insurance-coverage-for-green-deposits-md-patra/article68303380.ece.
29. Reserve Bank of India (RBI). (2024). Press Release on Climate-related Financial Risks. RBI Press Releases. Retrieved from https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58851.
30. Reserve Bank of India (RBI). (n.d.). Guidelines for Climate Risk and Sustainable Finance. RBI Content Repository. Retrieved from https://www.rbi.org.in/Scripts/bs_viewcontent.aspx?Id=4428.
31. BusinessLine. (2024). Climate-related Financial Risk: RBI to Release Guidance Notes on Scenario Analysis, Stress Testing. The Hindu BusinessLine. Retrieved from https://www.thehindubusinessline.com/money-and-banking/climate-related-financial-risk-rbi-to-releaseguidance-notes-on-scenario-analysis-stress-testing/article68445310.ece.
32. Securities and Exchange Board of India (SEBI). (2024). Consultation Paper on Recommendations of the Expert Committee for Business Responsibility and Sustainability Reporting (BRSR). SEBI Reports. Retrieved from https://www.sebi.gov.in/reports-and-statistics/reports/may-2024/consultation-paper-on-therecommendations-of-the-expert-committee-for-facilitating-ease-of-doing-business-with-respect-tobusiness-responsibility-and-sustainability-report-brsr-_83551.html.
33. Down to Earth. (2024). SEBI's Green Reporting Mechanism Vital but Needs to Be More Consistent. Down to Earth. Retrieved from https://www.downtoearth.org.in/governance/sebi-s-green-reporting-mechanism-vital-but-needs-to-bemore-consistent-rigorous-cse-suggests-steps-to-enhance-system-96337.
34. Advertising Standards Council of India (ASCI). (2024). Guidelines for Advertisements Making Environmental/Green Claims. ASCI Guidelines. Retrieved from https://www.ascionline.in/wp-content/uploads/2024/01/Guidelines-for-Advertisements-MakingEnvironmental-Green-Claims.pdf.
35. The Hindu. (2024). Budget 2024: FM Sitharaman Says India to Prepare Climate Finance Taxonomy. The Hindu. Retrieved from https://www.thehindu.com/business/budget/budget-2024-fm-sitharaman-says-india-to-prepare-climatefinance-taxonomy/article68435875.ece.
36. Referenced in the appendix.
37. The detailed criteria and methodology for the assessment are available here.
38. Glasgow Financial Alliance for Net Zero (GFANZ). (2023). Managed Phaseout of Coal in Asia-Pacific: Consultation. Retrieved from https://assets.bbhub.io/company/sites/63/2023/05/gfanz_consultation_managed-phaseout-of-coal-inAsia-Pacific.pdf.

39. The Hindu. (2023). Air Pollution Causes Over 2 Million Deaths Annually in India: BMJ Study. Retrieved from https://www.thehindu.com/sci-tech/health/air-pollution-causes-over-2-million-deaths-annually-in-indiabmj-study/article67590177.ece.

40. The Economic Times. (2024). Coal Keeps Powering India as Booming Economy Crushes Green Hopes. Retrieved from https://economictimes.indiatimes.com/industry/renewables/coal-keeps-powering-india-as-boomingeconomy-crushes-green-hopes/articleshow/109328975.cms?from=mdr.

41. Global Energy Monitor. (2024). Boom and Bust Coal 2024: Tracking the Global Coal Plant Pipeline. Retrieved from https://globalenergymonitor.org/report/boom-and-bust-coal-2024/.

42. Federal Bank. (2024). Annual Report 2023–2024. Retrieved from https://www.federalbank.co.in/documents/10180/959761173/.

43. RBL Bank. (2024). Integrated Annual Report 2023-24. Retrieved from https://ir.rblbank.com/pdfs/financial-highlights/rbl-bank-ar-23-24.pdf.

44. Indian Bank. (2024). Annual Report 2023-24. Retrieved from https://www.indianbank.in/wp-content/uploads/2024/05/2023-24.pdf.

45. HDFC Bank. (2024). Integrated Annual Report FY24. Retrieved from https://www.hdfcbank.com/content/bbp/repositories/723fb80a-2dde-42a3-9793-7ae1be57c87f/?path=/Footer/About%20Us/Investor%20Relation/annual%20reports/pdf/2024/july/HDFC-Bank-IAR-FY24.pdf.

46. IDFC First Bank. (2024). Integrated Annual Report FY 2023-2024. Retrieved from https://www.idfcfirstbank.com/content/dam/idfcfirstbank/pdf/annual-report/IDFC-FIRST-Bank-LimitedIntegrated-Annual-Report-FY-2023-2024.pdf.

47. Axis Bank. (2024). Annual Report 2023-2024. Retrieved from https://www.axisbank.com/annual-reports/2023-2024/index.html.

48. ADFIM, AuctusESG, and ADFIAP. (2024). Webinar on “Climate Transition–A Banker’s Perspective” [Video]. Retrieved from https://www.youtube.com/watch?v=Sc5tCHuu5jg.

49. ESG Today. (2024). Singapore to Provide Funding for Companies to Meet New Climate Reporting Requirements. Retrieved from https://www.esgtoday.com/singapore-to-provide-funding-for-companies-to-meet-new-climate-reportingrequirements/.

50. Climate Risk Horizons. (2024). Still Unprepared: India’s Banking Sector and the Climate Crisis. Retrieved from https://climateriskhorizons.com/research/Still-Unprepared.pdf.

51. Fair Finance Guide Sweden. (2024). The Real Carbon Footprint of Swedish Banks. Retrieved from https://fairfinanceguide.se/media/498480/the-real-carbon-footprint-of-swedish-banks_jan-2024.pdf.

52. YES Bank. (2023). Integrated Annual Report 2022-23. Retrieved from https://www.yesbank.in/pdf?name=integrated_annual_report2022_23.pdf.

53. HDFC Bank. (2024). Integrated Annual Report FY24. Retrieved from https://www.hdfcbank.com/content/bbp/repositories/723fb80a-2dde-42a3-9793-7ae1be57c87f/?path=/Footer/About%20Us/Investor%20Relation/annual%20reports/pdf/2024/july/HDFC-Bank-IAR-FY24.pdf.

54. Punjab National Bank (PNB). (2024). Annual Report FY2023-24. Retrieved from https://www.pnbindia.in/downloadprocess.aspx?fid=sJ1GddIxx1Ht9oQ3HCp46Q==.
55. State Bank of India (SBI). (2024). Sustainability Report 2024. Retrieved from https://sbi.co.in/documents/17826/17948/270524-SBI+Sustainability+Report+2024.pdf.
56. Federal Bank. (2024). Annual Report FY2023-24. Retrieved from https://www.federalbank.co.in/documents/10180/959761173/File+B+Annual+Report+for+the+Financial+Year+2023-24.pdf/af0ac1fa-793a-26cf-10d830fb9273b485?t=1723222911626.
57. IDFC First Bank. (2024). Integrated Annual Report FY2023-2024. Retrieved from https://www.idfcfirstbank.com/content/dam/idfcfirstbank/pdf/annual-report/IDFC-FIRST-Bank-LimitedIntegrated-Annual-Report-FY-2023-2024.pdf.
58. Union Bank of India. (2024). Integrated Annual Report FY2024. Retrieved from https://www.unionbankofindia.co.in/pdf/UBI-IAR2024-Final-Stitched-Book-Englishcompressed-26-06-2024.pdf.
59. Association of Development Finance Institutions of Malaysia. (2024, March 14). Webinar on Climate Transition – A Banker's Perspective. [Video]. Retrieved from https://www.youtube.com/watch?v=Sc5tCHuu5jg.
60. Reserve Bank of India (RBI). (2024). RBI Bulletin. Retrieved from https://www.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=22327.
61. Livemint. (2024). ECB to Impose Penalties on Banks for Climate Risk Failures. Retrieved from https://www.livemint.com/industry/banking/ecb-to-impose-penalties-on-20-banks-if-they-fail-to-addressissues-in-climate-risk-management-report-11700644290211.html.
62. BloombergNEF. (2024). Energy Transition Investment Trends 2024. Retrieved from https://assets.bbhub.io/professional/sites/24/Energy-Transition-Investment-Trends-2024.pdf.
63. BloombergNEF. (2024). Energy Transition Investment Trends 2024. Retrieved from https://assets.bbhub.io/professional/sites/24/Energy-Transition-Investment-Trends-2024.pdf.
64. CDP. (2023). CDP Investor Signatories 2023. Retrieved from https://cdn.cdp.net/cdp-production/comfy/cms/files/files/000/007/621/original/CDP_Investor_Signatories_2023.pdf.
65. CDP. (2023). Responses Query for Kotak Mahindra. Retrieved from https://www.cdp.net/en/responses?queries%5Bname%5D=kotak+mahindra.
66. PCAF. (2024). Financial Institutions Taking Action. Retrieved from https://carbonaccountingfinancials.com/financial-institutions-taking-action.
67. Global Alliance for Banking on Values (GABV). (n.d.). Retrieved from https://www.gabv.org/.
68. ESAF Bank. (2023). Annual Report 2022-23. Retrieved from https://www.esafbank.com/pdf/01%20ESAF%20BANK%20AR%2022-23%20SMK%20Small%2023-112023.pdf.
69. Transition Pathway Initiative (TPI). (2023). Banks and the Net Zero Transition: Tracking Progress with the TPI Net Zero Banking Assessment Framework. Retrieved from https://www.transitionpathway-initiative.org/publications/uploads/2023-banks-and-the-net-zero-transitiontracking-progress-with-the-tpi-net-zero-banking-assessment-framework.

70. YES Bank. (2023). Integrated Annual Report 2022-23. Retrieved from https://www.yesbank.in/pdf?name=integrated_annual_report2022_23.pdf.
71. YES Bank. (2024). Integrated Annual Report 2023-24. Retrieved from https://www.yesbank.in/pdf?name=integrated_annual_report2023_24.pdf.
72. IDFC First Bank. (n.d.). Environment and Social Policy Framework. Retrieved from https://www.idfcfirstbank.com/content/dam/idfcfirstbank/pdf/corporate-governance/Environment-andSocial-Policy-Framework.pdf.
73. HDFC Bank. (2024). Integrated Annual Report FY24. Retrieved from https://www.hdfcbank.com/content/bbp/repositories/723fb80a-2dde-42a3-9793-7ae1be57c87f/?path=/Footer/About%20Us/Investor%20Relation/annual%20reports/pdf/2024/july/HDFC-Bank-IAR-FY24.pdf.
74. HDFC Bank. (2024). Integrated Annual Report FY24. Retrieved from https://www.hdfcbank.com/content/bbp/repositories/723fb80a-2dde-42a3-9793-7ae1be57c87f/?path=/Footer/About%20Us/Investor%20Relation/annual%20reports/pdf/2024/july/HDFC-Bank-IAR-FY24.pdf.
75. Climate Assessment for Financial Institutions (CAFI). (n.d.). Web-Based Platform Overview. The tool helps financial institutions assess projects' alignment with international standards for climate finance.
76. Federal Bank. (2024). Annual Report FY2023-24. Retrieved from https://www.federalbank.co.in/documents/10180/959761173/File+B+Annual+Report+for+the+Financial+Year+2023-24.pdf/af0ac1fa-793a-26cf-10d830fb9273b485?t=1723222911626.
77. Federal Bank. (n.d.). Environmental and Social Management System (ESMS) Policy. Retrieved from https://www.federalbank.co.in/documents/10180/45777/Environmental+and+Social+Man-agement+system+%28ESMS%29+Policy.pdf/d8b4df0b-d6c6-9dfc-ff778903886b-d541?t=1627993730353.
78. State Bank of India (SBI). (2024). Sustainability Report 2024. Retrieved from https://sbi.co.in/documents/17826/17948/270524-SBI+Sustainability+Report+2024.pdf.
79. Union Bank of India. (2024). Integrated Annual Report FY2024. Retrieved from https://www.union-bankofindia.co.in/pdf/UBI-IAR2024-Final-Stitched-Book-English-compressed-26-06-2024.pdf.
80. Axis Bank. (2024). Annual Report FY2023-2024. Retrieved from https://www.axisbank.com/docs/default-source/annual-reports/for-axis-bank/annual-report-for-theyear-2023-2024.pdf.
81. Kotak Mahindra Bank. (2024). Integrated Annual Report 2023-24. Retrieved from https://www.kotak.com/content/dam/Kotak/investor-relation/Financial-Result/Annual-Reports/FY-2024/ko-tak-mahindra-bank/Error-Clarification-Integrated-Annual-Report-2023-24.pdf.
82. ICICI Bank. (2024). ICICI Bank ESG Report 2023-24. Retrieved from https://www.icicibank.com/content/dam/icicibank/managed-assets/docs/investor/annual-reports/2024/icici-bank-esg-re-port-2023-24.pdf.
83. IndusInd Bank. (2023). Annual Report 2022-23. Retrieved from https://www.indusind.com/con-tent/dam/indusind-corporate/investor-resource/latest-annual-report/annual_report_2022-23.pdf.
84. Global Canopy. (2024). IndusInd Bank: TNFD Case Study. Retrieved from https://globalcanopy.org/wp-content/uploads/2024/01/IndusInd-TNFD-case-study.pdf.

85. World Resources Institute (WRI). (2024). 3 Reasons Why Capacity Building Is Critical for Implementing the Paris Agreement. Retrieved from https://www.wri.org/insights/3-reasons-why-capacity-building-critical-implementing-paris-agreement.
86. The Hindu BusinessLine. (2023). Greening Financial Entities. Retrieved from https://www.thehindubusinessline.com/opinion/greening-financial-entities/article68157071.ece.
87. G20 Sustainable Finance Working Group. (2023). TAAP One-Pager. Retrieved from https://g20sfwg.org/wp-content/uploads/2023/09/TAAP_One-Pager_vf.pdf.
88. YouTube. (2024). Video on Financial Institutions and Climate Action. Retrieved from https://youtu.be/1RjehZbSDW4?feature=shared.
89. European Securities and Markets Authority (ESMA). (n.d.). Sustainable Finance Roadmap 2022-2024. Retrieved from https://www.esma.europa.eu/sites/default/files/library/esma30-379-1051_sustainable_finance_roadmap.pdf.
90. International Monetary Fund (IMF). (2024). Taking Steps to Ensure Financial Stability in Sub-Saharan Africa Amid Climate Change. Retrieved from https://www.imf.org/en/News/Articles/2024/01/19/sp012424-taking-steps-ensure-financial-stability-subsaharan-africa-climate-change.
91. Green Central Banking. (2024). India's Climate Risk Disclosure Plan for Banks: A Positive Step. Retrieved from https://greencentralbanking.com/2024/03/15/indias-climate-risk-disclosure-plan-for-banks-a-positive-step/.
92. Central Bank of Ireland. (2024). Capacity Building Working Group. Retrieved from https://www.centralbank.ie/docs/default-source/tns/events/capacity-building-working-group.pdf?sfvrsn=5d-2b631a_1.
93. UNEP Finance Initiative (UNEPFI). (n.d.). PRB Academy. Retrieved from https://www.unepfi.org/banking/bankingprinciples/prb-academy/.
94. Bank for International Settlements (BIS). (2024). The Role of Central Banks in Climate Risk and Green Finance. Retrieved from https://www.bis.org/publ/othp85.pdf.
95. Capacity Building International. (n.d.). Retrieved from https://capacity-building.org/.
96. Business Standard. (2024). RBI Announces Creation of Climate Risk Information System. Retrieved from https://www.business-standard.com/amp/markets/capital-market-news/rbi-announces-creation-ofclimate-risk-information-system-124100900398_1.html.
97. Regtech refers to the use of technology to solve regulatory compliance problems.
98. Bombay Stock Exchange (BSE). (2024). Top 1000 Companies as on 31 March 2024 Based on Market Capitalisation. Retrieved from https://www.bseindia.com/downloads1/Top1000Companies_as_on_31March2024_based_on_market_capitalisation_updated.zip.

ABOUT US

Climate Risk Horizons' (CRH) work highlights the systemic risks that disruptive climate change poses to investors, lenders and infrastructure investments. Through a data-driven, research-oriented approach that incorporates a holistic understanding of climate policy, energy infrastructure and regulatory processes, CRH provides advice on risk management strategies to minimise stranded, non-performing assets and economic disruption in the face of climate change. Learn more about us at **climateriskhorizons.com**.

REGISTERED ADDRESS

C/O WeWorkSite №26, Laskar Hosur Road, Adugodi, Bengaluru, KA 560029, INDIA

climate
risk
horizons

INDIA'S BANKS MOVING TOO SLOWLY IN THE FACE OF CLIMATE CRISIS

UNPREPARED 3

climate
risk
horizons

© DECEMBER 2024