

EXPORT-IMPORT BANK OF INDIA

ENVIRONMENT, SOCIAL AND GOVERNANCE POLICY FOR SUSTAINABLE DEVELOPMENT/ RESPONSIBLE FINANCING

[UPDATED AS OF MARCH 2026]

Background

1. The Bank recognises that sustainable development is an institutional commitment and an integral part of its pursuit of both good corporate citizenship and the fundamentals of sound business practices. In order to become a reality, sustainability needs to be integrated across the institution's policies, processes and operations. In other words, sustainability is central to the corporate identity and culture itself. Responsible Finance is all about good governance, strong emphasis on capital preservation and its quality, effective risk management and proactive social and environmental intervention. Responsible Finance requires integrating Environmental, Social and Governance [ESG] risk management into an FI's business strategy and decision-making processes. Accordingly, the Board, at its meeting held on July 15, 2016, approved the 'Environment, Social and Governance Policy of the Bank for Sustainable Development/ Responsible Financing' [ESG Policy]. The policy shall be reviewed by the Board, based on the market developments, experience of the Bank and revisions in regulatory guidelines, at least once in every three years, with the next review not later than March 31, 2029. However, if there is any need to review the ESG Policy before the next review, the Bank may review the same earlier. The Sustainable Finance Committee [SFC] is responsible for implementation of the ESG Policy.

2. The Indian Banks Association [IBA] had been working on a sustainability framework for Banks. The Working Group of senior bankers and eminent professionals, which was set up by IBA, was tasked with generating the concept of responsible financing and creating training capacity in the financial institutions [FI] to percolate the concept. The Working Group finalised the 'National Voluntary Guidelines [NVGs] for Responsible Financing'. These Guidelines have been approved and passed by the IBA Management Committee for adoption by banks. These guidelines lay down 8 principles, which cover different aspects of ESG responsibilities to informed business action; details as under:

Principle 1: Ethical conduct and E&S Governance
Principle 2: Integration of E&S risk management in business activities
Principle 3: Minimizing environmental footprint in internal operations
Principle 4: Environmentally friendly products, services and investment
Principle 5: Enabling inclusive human and social development
Principle 6: Stakeholder engagement
Principle 7: Commitment to human rights

Principle 8: Disclosure

3. Each principle details its 'Description and Applicability' and 'Areas of Disclosure'. The principles are supplemented with implementation guidance, which would enable FIs to integrate the ESG principles in their business decision making, structure and processes. The Bank's current policy is guided by the NVGs.

Climate Risk and Sustainable Finance

4. RBI vide its Press Release Ref. 2022-2023/599 dated July 27, 2022, released a Discussion Paper on Climate Risk and Sustainable Finance. RBI placed the Draft guidelines on Disclosure framework on Climate-related Financial Risks, 2024 on its website on February 28, 2024. Climate-related risks refer to the potential risks that may arise from climate change or from efforts to mitigate climate change, their related impact and the economic and financial consequences. It can impact the financial sector through two broad channels i.e., physical risks and transition risks. The regulatory guidelines on Climate Risk and Sustainable Finance, as and when released by RBI, will be automatically applicable to the Bank.

Objectives of the Policy

5. The objectives of the ESG Policy are:

a. Enhancing predictability, transparency, and accountability of Bank's financing decisions through measurement and management of ESG risks;
b. Promoting ESG Competitiveness of Indian Companies;
c. Contributing to Government's Carbon Neutrality Goal; and
d. Expanding Social Value creation.

ESG, an integral part of Key Performance Indicators [KPIs]

6. To give a push to the ESG and Sustainability initiatives of the Bank, ESG Metrics and Responsible Financing has been included as one of the KPI for the Bank. The Bank would be setting targets for itself such as [Illustrative List]:

- Process Improvements [such as in appraisal and risk assessment] to align with the ESG principles;
- Green Finance and Social Impact Finance;
- Raising ESG Compliant Resources;
- Adoption of Best HR and Corporate Governance Practices;

- Initiatives to reduce the Carbon Footprint in Operations of the Bank, etc.

These would be monitored on an annual basis. Integration with KPIs would achieve the objective of effective oversight by the Top Management and the Board. These KPIs would be disseminated within the organization to achieve the objective of desired alignment of all employees and ensure transparency.

ESG Risk Assessment

7. The Bank has integrated Environment, Social and Governance due diligence with the overall credit risk assessment framework to identify underlying ESG risks. The Bank has adopted a committee-based approach for approving ESG score and risk categorisation for all the credit proposals of the Bank. The Sustainable Finance Committee [SFC] will review and approve the scorecards to be adopted for ESG risk assessment. The Operating Groups will assess the ESG risks in the credit proposals based on these scorecards. The ESG risk score and categorisation for each of the credit proposals will be approved by the SFC. Such ESG risk categorisation will be included in the Appraisal Memorandum/ Approval Notes, being put up to the sanctioning authority. The risk assessment as per the scorecard is an essential first step in analysing the possible negative impacts on ecosystems, communities and the climate. If these impacts are unavoidable, these should be minimszed and mitigated and where residual impact remains, Borrowers should provide remedy to offset the environmental impact, as appropriate. The SFC may recommend remedial actions for mitigation.

ESG Risk Parameters

8. The Bank has developed internal scorecards, drawn from the Equator Principles, local regulations and international best practices, to identify and assess environmental, social and governance risks in credit proposals. The climate risk related factors are also included among the environmental parameters taken into consideration in the scorecards. The indicative list of ESG parameters (as may be modified by SFC from time to time), for risk assessment, is given below at Annexure-I.

ESG Risk Categorisation

9. Based on the due diligence and risk assessment, the credit proposals will be categorised as High, Medium or Low on each of Environment, Social and

Governance parameters and also an overall ESG risk categorisation will also be arrived at. The description of these risk categorisations is given at **Annexure-II**.

Process Flow

10. The ESG risk assessment will be done on entity level for corporate lending, including funding towards brownfield expansion or a greenfield project under a new company/SPV. The ESG risk assessment is on an activity level for lending under BC-NEIA or Policy business of the Bank.

a) Commercial Loans including Buyer's Credit under NEIA

It is proposed that the Bank would adopt the following process for commercial facilities [funded and non-funded] and Buyer's Credit under the National Export Insurance Account [NEIA]:

i) Check every proposal against an Exclusion List [as at **Annexure-III**] and do an assessment. If the proposal falls in the Exclusion List, the financing will be a 'no-go' from the Bank. If the proposal is in conformity, risk categorisation of the Project/ Borrower, as per ESG parameters will be carried out.

ii) Every credit proposal will be referred to the SFC, post in-principle clearance by the Preliminary Screening Committee and obtention of necessary and relevant data points. Proposals for refinance loans or credit lines to Banks/ FIs and facilities under Bank's Trade Assistance Programme [TAP] and proposals under Inter Bank Participation Certificates (IBPC) programme will be excluded for this purpose. At present, the SFC comprises officials from the Bank who at arm's length from the proposal i.e. the Sponsor will not be a part of the Committee for the particular proposal. The SFC may seek opinion from industry experts/ subject experts if it is considered that technical expertise required is not internally available with the Bank.

iii) The Bank will, as a part of its internal review and due diligence, categorise the Project/ Borrower based on the magnitude of potential environmental, social and governance risks. Such categorisation shall be based on the ESG scorecards approved by the SFC.

iv) Based on the due diligence, projects/ Borrowers will be categorised into High, Moderate and Low risk. Such risk categorisation will be approved by the SFC.

v) For Projects under High Risk Category [for Social and Environment Risk], Independent Environment and Social Impact Assessment [ESIA] [which may be part of TEV] will have to be submitted.

vi) In case of projects falling under Medium Risk Category, if the SFC considers that an ESIA is necessary, it may stipulate the same and would give its recommendation on the matter only upon receipt of the ESIA.

vii) In large syndicated/ consortium lending transactions involving infrastructure projects and core industries which are perceived to carry higher Environmental and Social Risks, requisite ESIA is normally carried out by the consortium. Further, Exim Bank is usually a minority lender in such projects. Accordingly, Exim Bank would accept assessment of Environment and Social Risks as carried out by the consortium or as included in TEV and will not insist upon a separate ESIA. Based on the assessment carried out by the consortium, ESG risk categorisation of the project would be approved by the SFC.

viii) In the instances where Exim Bank is proposing to assist projects in which Multilateral Financial Institutions [MFIs] are also co-lenders, Exim Bank may, at its option, not insist on separate ESIA since MFIs have very high appraisal standards and stringent compliance requirements as regards Environmental and Social impact issues for participating in any project. Based on the assessment of the MFIs, ESG risk categorization of the project would be approved by the SFC.

ix) A note detailing the findings/ risks identified in ESIA and suggested measures proposed to address/ mitigate the same would be presented to the SFC. The Committee may advise any additional due diligence or additional measures/ mitigants to be undertaken to address sustainability/ governance issues.

x) Once the proposal clears the above due diligence, the Bank will proceed with the normal credit processes.

xi) In case mitigants are stipulated which need monitoring, the monitoring and review of Borrower's/ Project's ESG performance post disbursement of funds/ facility through reporting procedures shall also be done.

b) Policy Business

The Policy business of the Bank comprises Lines of Credit [LOCs] and the Concessional Financing Scheme [CFS].

i) Lines of Credit

- Exim Bank extends the Government of India [GoI] supported Lines of Credit [LOCs] to the foreign governments or their nominated agencies under the Indian Development and Economic Assistance Scheme [IDEAS] guidelines, issued by the Ministry of Finance, Department of Economic Affairs; the latest guidelines were issued vide F.No.5/7/2019-IDEAS dated March 31, 2022. The IDEAS Guidelines, *inter alia*, stipulate the terms of credit, classification of countries, requirement of import of goods and services from India, as well as operational guidelines on selection of projects, bidding and procurement procedures, award of contracts, monitoring of projects and evaluation etc. The LOCs are funded, operated, and monitored by Exim Bank as a Lending Bank.
- In case of the projects, the Detailed Project Report [DPR] is insisted, which would generally address Environment and Social impact of the project considering the local laws and requirements. The said DPR will then be referred to the GoI for its approval/comments.
- Based on the approved DPR and other details, ESG risk assessment of the project, would then be referred to the SFC for approval of its ESG risk categorization. Process for inclusion of EPC/works, PMC or other contracts under the LOC would then follow. However, the projects/contracts where DPR is not required (like supply contracts), reference to SFC will be based on type of goods/services required to be supplied/delivered under the contract. In this case, the ESG risk rating approval by the SFC, will precede inclusion of supply/service contract under the LOC. In cases where LOCs also account for appointment of a consultant for preparation of DPR for the project, such consultancy contracts need not be referred to SFC.
- In cases where information could not be made available due to confidential nature of the projects/ contracts or any other reason, the SFC may waive the ESG risk assessment for such projects/contracts.

ii) Concessional Financing Scheme

- Government of India has approved the Concessional Financing Scheme to enable Exim Bank to offer concessional finance to support Indian companies bidding for strategically important infrastructure projects overseas. The CFS, just like LOCs, are administered through Exim Bank and follow similar operational modalities of LOC defined in IDEAS, and specific instructions

received from GoI from time to time. Reference to SFC, will therefore, follow the same process as that of LOCs.

Proactive Finance for Sustainability

11. Bank would be incentivizing and proactively looking for financing projects which catalyse Bank's objective of Sustainable Development and Responsible Financing. The Bank would be looking to strengthen climate change related finance and also environmentally and socially conscious financing. As an approach to sustainable financing, Exim Bank has been promoting various programs domestically and internationally. The Board at its meeting held on November 7, 2023 approved Sustainable Finance Programme (SFP), to finance green, transition, social and sustainability linked investments of the eligible borrowers, along with its structure and broad contours. Under SFP, the Bank may extend direct finance or by way of refinance of both fund based and non-fund based financial assistance inter-alia term loan, working capital, guarantees etc. for such transactions/activities as permissible under any of the lending programmes of the Bank as defined in the Bank's Loan Policy Document for Commercial Credit (LPD-CC). The ultimate intent / purpose of extending such an assistance should primarily fall under green, transition, social or sustainability-linked finance. The broad categories, mentioned in the Framework for acceptance of Green Deposits, issued by RBI, shall be referred for classifying the eligible activities as 'green' under the SFP. Transition finance includes any form of financial support that helps companies to lower their Green House Gas emissions. The broad categories viz. access to essential services and basic infrastructure, food security and sustainable food systems and affordable housing, as mentioned in the Bank's ESG Framework, shall be referred for classifying the eligible activities as 'social' finance. Sustainability-Linked Finance comprises financial products and instruments that are designed to incentivize and reward companies for achieving predefined sustainability targets. The SFP, along with its terms and conditions, has been subsumed in the LPD-CC.
The Bank has been financing projects in renewable energy, energy efficiency, waste management, water management, mass transportation and energy efficient transport. Similarly, Grass Root Initiatives and Development [GRID] program addresses the livelihood needs of the underserved sections of society by creating new business opportunities for enterprises working with traditional artisans and rural entrepreneurs.

Sustainability Linked Resources

12. The Bank had successfully launched a 5 year Reg S Green Bond issue of USD 500 mn during April 2015. The Bank issued its first ever Socially Responsible Bond for USD 50 million in October 2019. The funds raised from the bond were allocated to infrastructure projects in the Mekong Region covering projects in Cambodia, Myanmar and Vietnam. It is in this context that the Bank in December 2021, has developed the Environmental, Social and Governance Framework [ESG Framework] under which it intends to issue sustainability bonds and loans and use the proceeds to finance or refinance in whole or in part, existing or future projects that advance the transition towards a sustainable economy and provide social benefits in developing countries. The ESG Framework defines eligibility criteria in Six Green [Eligible Green Categories - Renewable Energy, Sustainable Waste and Water Management, Pollution Prevention and Control, Clean Transportation, Green Buildings, Energy Efficiency] and Four Social Areas [Access to Essential Services and Basic Infrastructure, Food Security and Sustainable Food Systems, MSME Financing, Affordable Housing]. The Bank's SFC will decide eligible projects in accordance with the ESG Framework's eligibility criteria. In addition, the SFC will conduct review of the all the eligible projects and recommend remedial action with respect to projects which are no longer eligible as per the ESG Framework. Under the ESG Framework, the Bank has successfully issued a 10-year Sustainability Bond of US$ 1 bn in the 144A/Reg-S format in January 2023. Further, given the increased investor interest in the Bank's first sustainability issuance under the Framework, the Bank issued its second Sustainability Bond of USD 98.50 mn in the Reg-S format in March 2023, by way of private placement. During FY 2024, the Bank issued two short term sustainable bonds under the Bank's ESG Framework through private placements aggregating USD 200 mn. During FY 2024, the Bank also issued its first Green Floating Rate Bond of USD 150 mn in the private placement format. During FY 2025, the Bank also issued two sustainability bonds aggregating USD 150 mn equivalent in the private placement format under the Bank's ESG Framework. The current outstanding ESG Borrowings is approx. USD 1.30 bn.

ESG related Disclosure

13. The Bank published its maiden Sustainability Report for FY 2022-23 on its website. This Sustainability Report provides an overview of the Bank's sustainability strategy, policies, initiatives, and performance. The Bank identifies

the material ESG topics through stakeholder engagement. The Bank assesses and reports its Scope 1 and Scope 2 emissions in the Sustainability report.

Capacity Building

14. Capacity building in ESG refers to the process of developing the knowledge, skills, and resources needed to integrate ESG factors into business operations, risk assessment and decision-making. Capacity building can involve a range of activities, such as training, education, consulting, and stakeholder engagement. Bank will be training its officials on issues pertaining to ESG by nominating them to training, programmes, events, etc.

Collaboration on ESG with other Institutions

15. Bank shall collaborate with Government, Regulator, Developmental Financial Institutions, Agencies, Banks and likeminded organisations so that the objectives of sustainability i.e. strengthening climate change related finance, environmentally and socially conscious financings and investments which would result in :

- Promoting ESG Competitiveness of Indian Companies
- Contributing to Government's Carbon Neutrality Goal
- Expanding Social Value creation

Bank has been part of deliberations led by the Indian Bank Association [IBA] on Sustainability Framework for Banks. Exim Bank has signed Memorandum of Understanding [MOU] with the development Banks of BRICS nations to further its sustainability commitment. It is proposed that the Bank would continue to draw from the deliberations under the IBA framework.

Governance aspects

16. The Risk Management Committee of the Board, which provides oversight of the Bank's risk management function, also reviews the Bank's policies, including those related to ESG. Further, Bank has a Lender's Fair Practices Code [hosted on the website], a Grievance Redressal Mechanism and a Whistle-Blower Policy.

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Annexure I

[Refer para 8]

Indicative List of ESG Risk Parameters

Environmental	• Emission intensity and reduction • Pollution abatement and testing, • Resource efficiency, • Impact on biodiversity, • Effluent discharge and treatment, • Waste management, • ESG disclosures and reporting, • Environment Policy of the company, • Susceptibility to physical and transition risk, etc.
Social	• Fair compensation and livelihood restoration, • Socio-Economic Impact, • Health and Safety, • Workers and living conditions, • Stakeholder engagement and conflict management, • Business Responsibility and Sustainability Reporting, • CSR contributions, etc.
Governance	• Board composition and independence, • Executive compensation, • Internal controls and risk management, • Related party transactions, • Gender diversity, • Frequent changes in Board of Directors and KMPs, etc.

Annexure II

[Refer para 9]

ESG Categorisation of Projects/ Borrowers

Parameters	High Risk Category	Medium Risk Category	Low Risk Category
Environment	A proposed investment is classified as High Risk if it is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented.	A proposed investment is classified as Medium Risk if its potential adverse impacts on environmentally important areas are less adverse than those of High Risk investments but more adverse than Low Risk investments.	A proposed investment is classified as Low Risk if it is likely to have minimal or no adverse environmental impact.
Social	A proposed investment is classified as High Risk if it is likely to have significant adverse impacts on human populations that are sensitive, diverse or unprecedented.	A proposed investment is classified as Medium Risk if its potential adverse impacts on human populations are less adverse than those of High Risk investments but more adverse than Low Risk investments.	A proposed investment is classified as Low Risk if it is likely to have minimal or no adverse impact on human populations.
Governance	The proposed investment does not have any elements of good corporate governance.	The proposed investment has only some elements of good corporate governance.	The proposed investment has strong elements of good corporate governance.

Annexure III

[Refer para 10]

Exclusion List

The following are the restricted activities:

1. Production or activities involving harmful or exploitative forms of forced labor[1]/ harmful child labor[2].
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
3. Production or trade in alcoholic beverages [excluding beer and wine].[3]
4. Production or trade in tobacco.[3]
5. Gambling, casinos and equivalent enterprises.[3]
6. Trade in wildlife or wildlife products regulated under CITES.[4]
7. Production or trade in radioactive materials.[5]
8. Production or trade in or use of unbonded asbestos fibers.[6]
9. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest.[7]
10. Production or trade in products containing PCBs.[8]
11. Production or trade in pharmaceuticals subject to international phase outs or bans.[9]
12. Production or trade in pesticides/herbicides subject to international phase outs or bans.[10]
13. Production or trade in ozone depleting substances subject to international phase out.[11]
14. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
15. Production or trade in wood or other forestry products other than from sustainably managed forests.
16. Production or trade in weapons and munitions *[Except for those in receipt of approvals from Government of India]*.[3]

A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

Notes:

[1] Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

[2] Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

[3] This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

[4] CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species is available from the Environment Division of IFC.

[5] This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.

[6] This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is <20%.

[7] Please refer IFC Independent Evaluation Group (IFC OP 4.36) on *Forestry*.

[8] PCBs: Polychlorinated biphenyls—a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

[9] A list of pharmaceutical products subject to phase outs or bans is available from the Environment Division of IFC.

[10] A list of pesticides and herbicides subject to phase outs or bans is available from the Environment Division of IFC.

[11] Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from the Environment Division of IFC.

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