UK PACT

A first-of-its-kind assessment of knowledge and practice in Indian financial institutions in handling ESG issues in credit decisions and balance sheet risk assessments

ESG and climate risk management in the Indian financial sector

A landscape analysis of 10 leading financial institutions

16/03/2022

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1 Introduction

Financial institutions play a central role in an economy and therefore they are instrumental in determining the progression of a country's sustainable development. Banks, insurance companies, pension funds, asset managers and other financial actors shape environmental, social and governance (ESG) outcomes through lending, investment and other financial decisions.

Given the urgent challenge posed by climate change, India is on its path to improve the climate consistency and resilience of its financial system. This can be evidenced through national actions such as the Indian Ministry of Finance's status as a founding member of the International Platform on Sustainable Finance, which is currently in the process of creating a national sustainable finance taxonomy. The Reserve Bank of India has also joined the Network of Central Banks and Supervisors for Greening the Financial System in 2021, demonstrating its commitment to scaling green finance and climate action. Additionally, the Indian Banks' Association that represents nearly 250 public and private sector banks is a member of the Sustainable Banking and Finance Network.

Many Indian financial institutions have also begun exploring opportunities to reduce the carbon intensity of their portfolios and exposure to climate risks. These efforts build on the extensive experience of addressing other ESG priorities such as gender equality and social inclusion. However, there is no comprehensive evidence on the state of knowledge or common practices that are applied by Indian banks towards ESG or climate risk management.

The aim of this landscape analysis is to map the current knowledge of risk management and credit-lending teams in participating institutions and document the gaps in knowledge of ESG and climate risk management. This first-of-its-kind assessment outlines how 10 front-running Indian financial institutions handle ESG issues in credit decisions and balance sheet risk assessments.

This research has been undertaken by ODI, auctusESG and Climate Bonds Initiative, generously funded by the UK Partnering for Accelerated Climate Transitions (PACT) India programme by the UK government's Department for Business, Energy and Industrial Strategy. This programme, through the UK's International Climate Finance, works in partnership with countries with high emissions reduction potential to support them to implement and increase their ambitions for tackling climate change.

2 Methodology

The findings in this landscape analysis are drawn from a set of three questionnaires, which were shared with 10 financial institutions: Axis Bank, Bandhan Bank, HDFC Bank, ICICI Bank, IndusInd Bank, the National Bank for Agriculture and Rural Development (NABARD), Punjab National Bank, SEWA Bank, State Bank of India and SBI Mutual Fund. These 10 institutions are participants of a wider project funded by the UK PACT, which offers training on ESG and climate risks and opportunities to credit and risk officers. The responses from the three questionnaires have also informed the design of these training modules.

The three questionnaires (highlighted below) were each intended to be completed by a different stakeholder within the participating institutions.

Questionnaire A	Questionnaire B	Questionnaire C
Captures current practices around identification, assessment and measurement of ESG and climate risks Aimed at the chief risk officer	Captures current knowledge of credit and risk officers around ESG and climate risks Aimed at those credit and risk officers nominated by the chief risk officer	Captures current practices around governance, strategy and disclosures related to ESG and climate risks Aimed at the chief financial officer, company secretary, chief sustainability officer or investor relations team

In addition, Questionnaire D was developed for and shared with one institution, since its business was in investment management rather than credit/loan disbursals. The questionnaire templates are included in the annexes.

Responses across the questionaires are summarised below.

- For **Questionnaire A and C,** all 10 financial institutions responded.
- For **Questionnaire B**, 154 responses were received in total from nominated credit and risk officers across all 10 institutions.
- For **Questionnaire D**, one response was received.

All findings from these questionnaires have been anonymised and aggregated to ensure confidentiality for the participating individuals and institutions.

While there was an approximate gender balance among those who completed Questionnaires A and C, 63% of the individuals who completed Questionnaire B were men, reflecting the existing gender ratio within credit and risk departments in participating institutions. Only a small minority identified themselves as a member of a socially disadvantaged group (Table 1). The response rates are likely representative of gender and social disparities within the banking sector.

Table 1 Response rates disaggregated by gender and self-identification as a member of social disadvantaged groups

Questionnaire	Number of responses	Gender (male/female/did not disclose)	Disadvantaged groups (yes/no/did not disclose)
Questionnaire A	10	3/3/4	0/6/4
Questionnaire B	154	97/55/2	4/139/11
Questionnaire C	10	2/5/3	0/7/3

3 Institution-level results

The questionnaires that were used to conduct this analysis were developed using the Taskforce for Climate-related Financial Disclosures (TCFD) guidelines as a reference point. Hence, the findings emerging from the responses by participating institutions were categorised into three broad areas: governance; risk management and strategy; and targets and metrics. This section captures institution-level results across these three areas.

3.1 Governance

This subsection details responses from participating institutions around their current governance practices in relation to ESG and climate risk management.

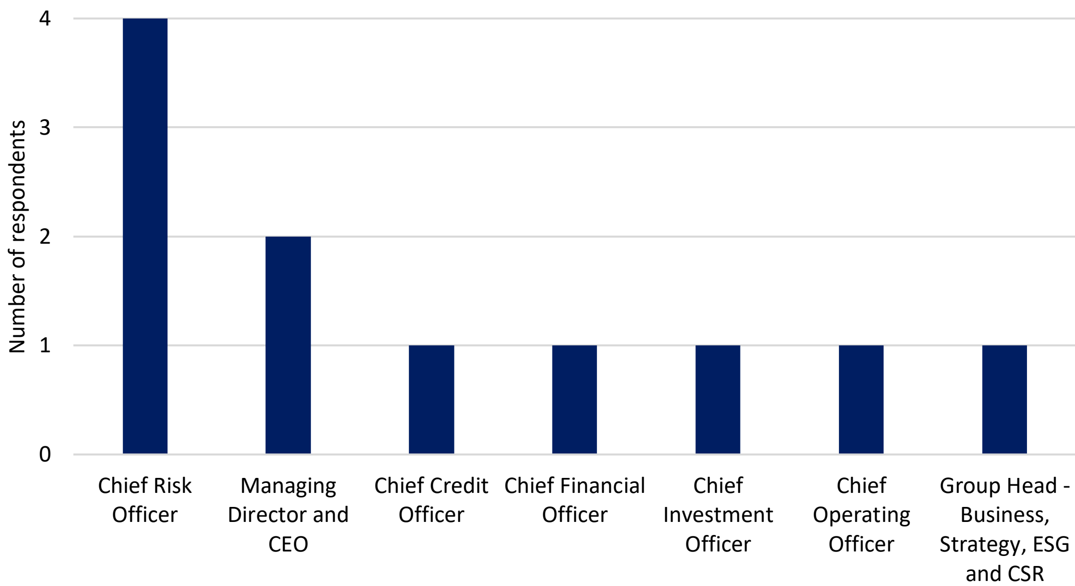
In 4 of the 10 participating institutions, the Board of Directors have direct oversight of ESG and climate issues, while another four declined to disclose the same. Out of the 10 institutions, 4 indicated that Board-level committee(s) such as the Corporate Social Responsibility Committee, the Audit Committee and (in one case) a distinct ESG Committee oversee ESG and climate issues in these institutions. On the other hand, seven of the participating institutions do not have any Board members with specialised ESG or climate expertise, while three declined to disclose. Out of these seven, one institution employs an agriculture/rural economy expert on its Board. Promisingly, five participating institutions have made provisions to raise awareness of ESG and climate issues at the Board level.

Six institutions indicated that leaders in various divisions and at different levels of seniority in the management team are responsible for ESG and climate issues (Figure 1). It must be noted that one out of these six institutions chose as many as five management personnel who hold responsibility for ESG and climate issues, due to which the total number depicted in Figure 1 equals 11.

Strikingly, none of the respondents considered roles such as the chief sustainability officer, company secretary, chief ethics officer or corporate governance officer as being the primary custodian for ESG and climate issues.

Additionally, in four institutions, the agendas of the Board-level Nomination and Remuneration Committees (or their equivalent) do not link management compensation and ESG responsibilities or performance, while another four declined to disclose.

Figure 1 Mandate for ESG and climate issues within the management team of exemplar Indian financial institutions



In terms of ESG and climate risk knowledge within participating institutions, one institution has a dedicated environmental and social analyst as part of their current risk management team, while seven do not. Two institutions declined to disclose the same. Participating institutions also indicated limited provisions to fill this capacity gap. One institution offers training to all relevant employees on these issues, including topics such as the principles of the Environmental and Social (E&S) management policy, sector-specific procedures, collection of appropriate (technical) evidence from the clients and appropriate skills in client engagement. Another institution offers training on these issues specifically to the ESG team. The remaining eight do not have such provisions.

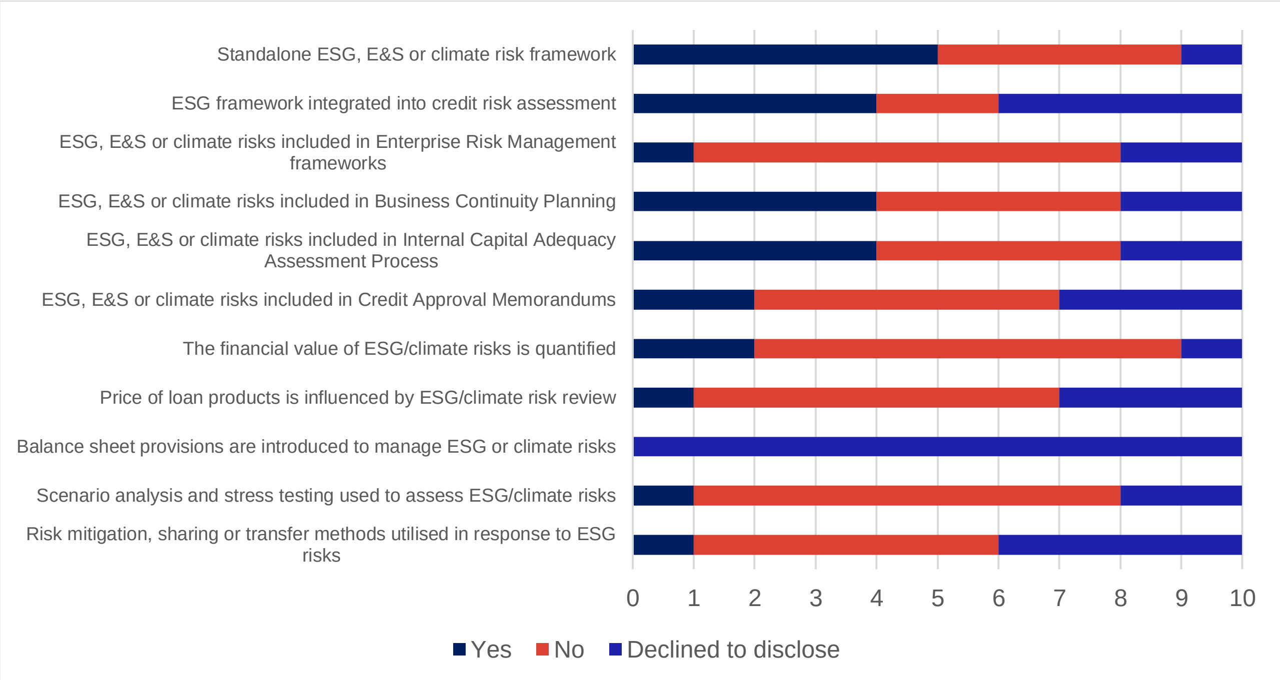
Six institutions have adopted hiring policies to enhance gender equality and social inclusion within the workplace through improved representation of women, people with disabilities, people from socially disadvantaged groups and people from rural areas.

3.2 Risk management

This subsection captures responses from participating institutions around their current practices in relation to ESG and climate risk management.

Figure 2 reveals that less than half of the participating institutions systemically identify, quantify and use ESG and climate risks to guide financial decisions. Almost half of the participating banks do not have a standalone framework for assessing some combination of environmental, climate, social and governance risks. Half of the institutions indicated that they do not consider gender equity and social inclusion in their risk assessment process, while two declined to disclose.

Figure 2 Integration, estimation and application of ESG and climate risks by exemplar Indian financial institutions



Four of the participating institutions integrate the results of their risk assessment processes into the Internal Capital Adequacy Assessment Processes, Business Continuity Planning and credit risk assessments. Two institutions integrate the results into their Credit Approval Memorandum. Out of the other two institutions, one institution integrates the results into Enterprise Risk Management frameworks and the other does so in loan product pricing.

While one institution has adopted methods to mitigate, share or transfer identified ESG and climate risks, none disclosed on making balance sheet provisions for the value at risk.

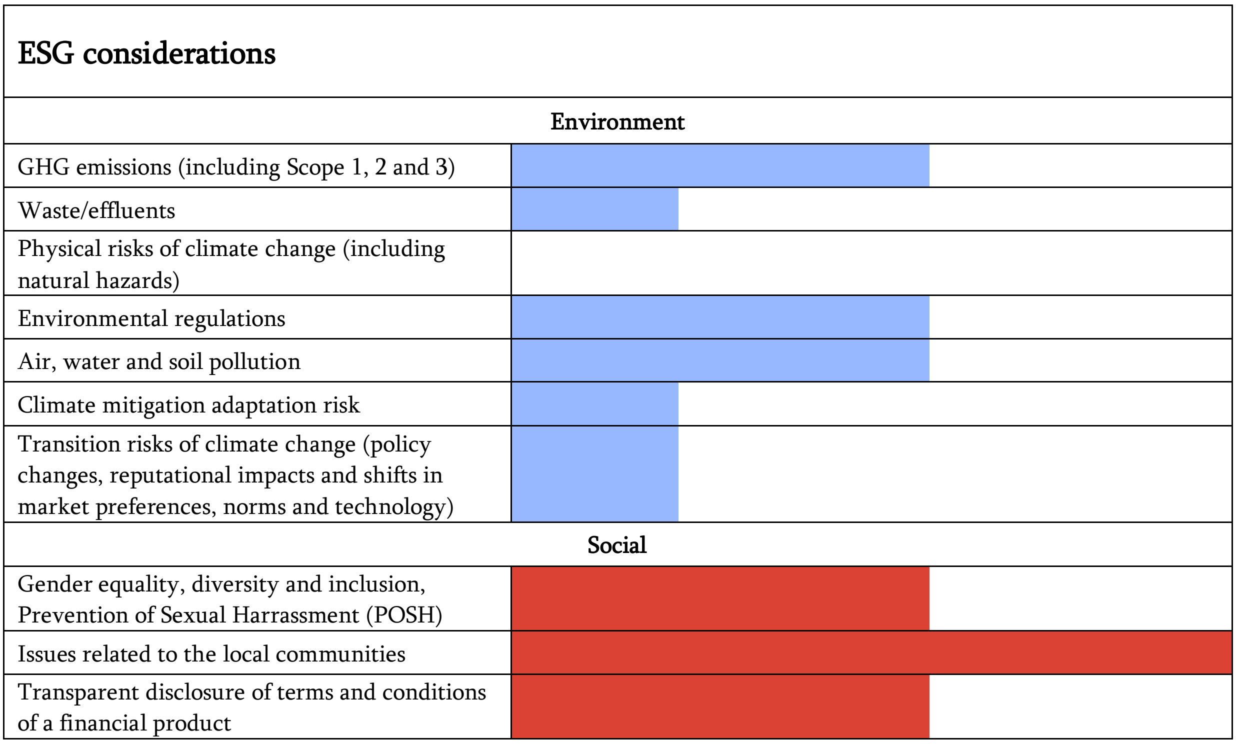
Some responses included qualitative information about institutional policies and processes. Two of the participating institutions underscored the difficulty of identifying and quantifying ESG and climate risks without standard methodologies or regulatory/internal guidelines. One other institution highlighted lack of knowledge, while another pointed to the absence of internal targets about these risks as primary reasons for paltry adoption of ESG and climate risk management processes.

Further information about some of the ESG risks that they considered in their standalone framework was also provided (Figure 2). The responses suggest that Indian financial institutions are engaging more with social and governance risks, such as occupational health and safety or supplier relations, than with climate risks. Additionally, none of the participating institutions indicated that key performance indicators (KPIs) relating to physical or transition risks are in place.

Most institutions declined to disclose how individual environmental, social and governance considerations were assessed as part of their adopted ESG methodologies. However, responses from the remaining institutions showed that social and governance considerations were assessed relatively more than environmental considerations. For instance, three institutions identified considerations such as business ethics, labour/Health, Safety and Environment (HSE) and issues around local communities, while two institutions indicated gender/diversity, product disclosures, supplier relations and governance/oversight as key considerations in risk management.

In comparison, two institutions chose environmental considerations such as greenhouse gas (GHG) emissions, pollution and environment regulations, and only one indicated waste/effluents, climate mitigation/adaptation risks or climate-related transition risks. None identified climate-related physical risks as considerations in risk management. Beyond these, two institutions indicated other considerations, such as resettlement and rehabilitation, land acquisition and compensation, that are also more in line with social considerations.

Figure 3 Types of ESG risks included by participating institutions while assessing their ESG/E&S methodology



Labour laws, health/safety, grievance redressal and whistle blower and employee privacy	
Relations with debtors (suppliers)	
Governance	
Ethical practices, anti-corruption and anti-bribery practices	
Governance and oversight mechanisms within the institution	
Other (please specify)	

3.3 Strategies

This section captures responses from participating institutions around their current strategies and disclosure practices in relation to ESG and climate risk management.

Out of the 10 participating institutions, 7 indicated that they have integrated ESG and climate considerations into their business strategy. For the remaining three institutions, one stated that it has not experienced external pressure to do so and two declined to disclose information on the same.

For the seven institutions that are integrating ESG and climate considerations into their business strategy, the major motivations included:

- reducing reputation risks and strengthening the brand (5)
- portfolio diversification and new business opportunities (5)
- safeguarding against credit risks and non-performing assets (4)
- unlocking new, low-cost capital from dedicated green funds (3).

Three of these institutions are targeting business segments that align with the Sustainable Development Goals, the Paris Agreement or India's Nationally Determined Contribution.

Of the total, only four institutions have set up specific business targets to reduce their portfolios' exposure to identified risky sectors.

Participants from five institutions shared information about the KPIs used to assess progress towards ESG considerations in the institutions' business strategies. KPIs included allotting all portfolio assets with a standardised ESG rating score, incremental financing for impact sectors, affordable housing and setting a target for electric vehicles in the retail two-wheeler portfolio.

Some of the participating institutions have also introduced financial products that place an impetus on gender equality and social inclusion. The responses identified financial products targeting women, rural businesses, youth-led businesses and businesses operated by people from socially disadvantaged backgrounds.

3.4 Metrics and disclosures

Four institutions have a formal process in place for disclosure of ESG and climate risks and their impacts. Three verify their disclosures through an independent third party, while another three declined to disclose. Four institutions – largely the same institutions as those undertaking formal risk disclosures – conduct a materiality exercise as part of their ESG-related reporting, demonstrating a clear gap in this avenue among front-running Indian financial institutions.

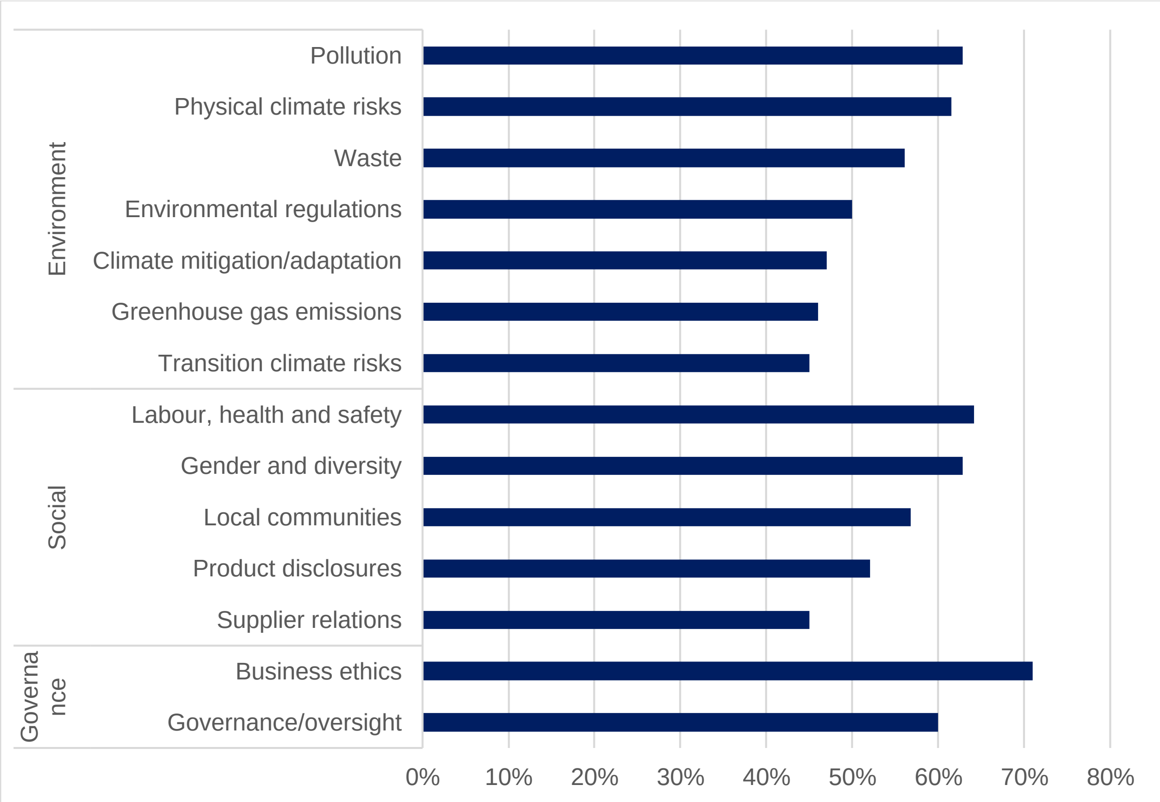
Participants identified two key challenges for introducing disclosure processes for ESG and climate risks: (1) the lack of capacity to analyse and report the data, and (2) the lack of data, data collection tools and understanding of frameworks.

Nonetheless, five institutions noted that shareholder demand for improved disclosure of climate risks drive disclosures, whereas three institutions identified regulators as the main driver.

4 Individual results

Of the 154 credit and risk officers nominated to participate in Questionnaire B, 77% stated they are generally aware of concepts related to ESG and climate risks. However, self-reported levels of knowledge vary considerably across specific issues (Figure 4). In terms of understanding specific types of ESG risks, the respondents collectively provided 325 responses. Credit risks are widely recognised (111 responses), followed by reputational risks (104 responses). Fewer participants identified market risks (62 responses), liquidity risks (31 respondents) or interest rate risks (9 responses), as ones that they are aware of. Eight respondents selected none of the above.

Figure 4 The proportion of respondents rating their own awareness as 3-and-above a scale of 1 to 5 on specific ESG issues



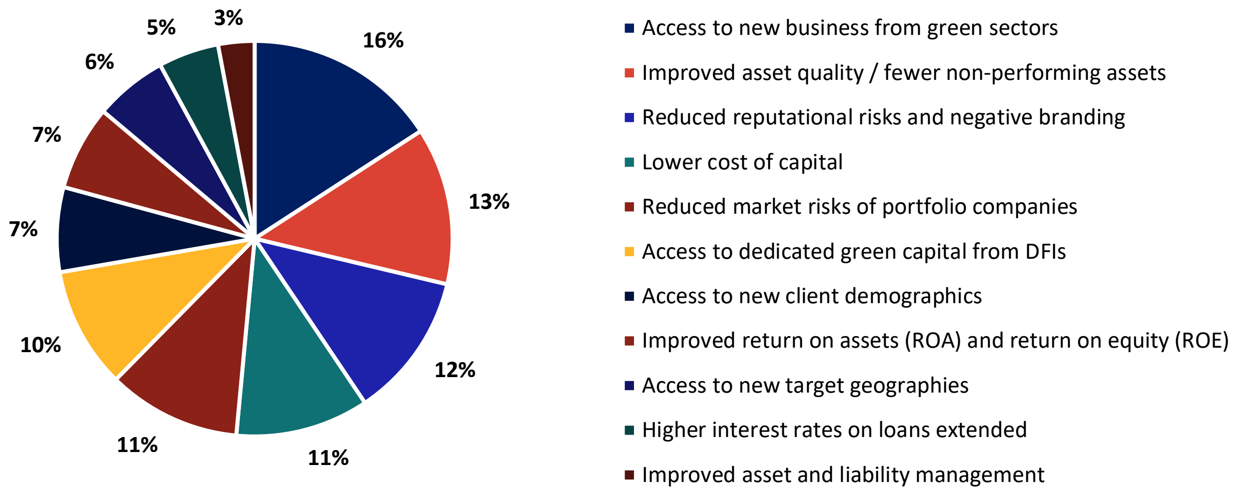
Overall, 45% of respondents stated that they are aware of specific ESG rating methodologies. Of the responses received, the most widely recognised methodology was MSCI (38%) followed by Sustainalytics (18%), Bloomberg (17%), Acuite (11%), Crisil (10% each) and RobecoSAM (6%). However, only 17% of respondents are aware of specific standards or guidelines for assessing ESG lending risks, like IFC Performance Standards, Equator Principle or Environment and Social Risk Analysis.

While there is some awareness of ESG concepts and methods, only a few of the respondents have practical experience in applying them: 35% have estimated the materiality and financial implication of ESG risks during project/portfolio risk analysis; 17% have applied or know how to use ESG risk methodologies to compare and analyse projects; 14% of the respondents said that they consider ESG-related risks while applying risk weightings during project appraisal; and 16% said that they have some experience in risk mitigation measures to safeguard their credit book from ESG risks.

Given that this sample is drawn from the credit-lending and risk management teams across 10 financial institutions, these findings suggest a significant skills gap across the Indian financial sector. There is also little financial incentive for officers to build their own capacities. While 31% of the respondents are aware of green finance targets adopted by the institution, only 9% have their performance assessments linked to them.

Encouragingly, 73% of the respondents believe that integrating ESG and climate risk assessments into credit processes would help their institution. There is, therefore, appetite among credit and risk officers to build their capacities and implement new policies that might strengthen the resilience and performance of participating institutions. Of those who responded, the main benefits of enhanced ESG performance identified are captured in Figure 5.

Figure 5 Benefits emerging from enhanced ESG performance



5 Conclusion

This landscape analysis aims to capture the current practices of managing ESG and climate risks at leading Indian financial institutions, across areas including governance, risk management, and strategy and disclosures. It also demonstrates the current level of knowledge and skills of ESG and climate risks among credit appraisal and risk management officers. The findings show there is a basic awareness of ESG/climate risks within the institutions and among the officers. However, these are yet to be applied in credit and risk processes, be it to quantify the financial implications of ESG/climate-related risks during project or portfolio analysis, apply ESG/climate risk assessment methodologies to analyse projects and portfolios, add risk weightages or price loans, or to devise mitigation measures as a safeguard against such risks.

This gap suggests the need for building capacities within the financial institutions to strengthen ESG and climate risk assessment, including how such risks can be addressed and opportunities can be leveraged. Promisingly, these considerations are slowly being integrated into business strategy, and many credit and risk officers understand that integrating these emerging risks into processes would further benefit their institutions. These tailwinds augur well for curating training programmes and bolstering the greening of the overall Indian financial system.

Annex 1: Questionnaire A

Risk Management: These questions are targeted for the office of the Chief Risk Officer (CRO) to respond to

No.	Question	Yes	No	N/A
1	Does your institution have either a standalone E&S, ESG or climate risk framework, which is used to screen in/out loans beyond a threshold?			
1a	If Yes, state if there is any threshold, type of ESG/climate risks identified in the framework, and any methodology applied to mitigate? Please describe briefly:			
2	Does the methodology include assessment based on the following? (Please select)			

Environment		Social		Governance
GHG emissions (including Scope 1, 2 & 3)	Air, water and soil pollution	Gender equality, diversity and inclusion, POSH	Labour laws, health/safety, grievance redressal, whistle blower and employee privacy	Ethical practices, anti-corruption and anti-bribery practices
Waste/effluents	Climate mitigation adaptation risk	Issues related to the local communities	Relations with debtors (suppliers)	Governance and oversight mechanisms within the institution
Physical risks of climate change (including natural hazards)	Transition risks of climate change (including policy changes, reputational impacts, and shifts in market preferences, norms & technology)	Transparent disclosure of terms and conditions of a financial product	Other (Please specify)	Other (Please specify)
Environmental regulations	Other (Please specify)			

No.	Question	Yes	No	N/A
3	Does your institution's risk assessment include impact on women and socially disadvantaged groups?			
4	Is the framework integrated with credit risk assessment process?			
5	Are covenants on E&S, ESG or climate risks (physical and transition risks) included within:			

	Credit Approval Memorandum (CAM)			
	Internal Capital Adequacy Assessment Process (ICAAP)			
	Broader Enterprise Risk Management (ERM) framework			
	RBI's risk-based supervision process (voluntary basis)			
	Business Continuity Planning			
	If any of these is Yes, please describe briefly:			
6	Are there mechanisms to future-proof portfolios from an ESG/climate risk lens?			
6a	If Yes, are provisions being made in the balance sheet basis ESG/climate parameters? Please describe briefly:			
7	Is pricing of loans considered on the basis of ESG/climate risks?			
7a	If Yes, please describe briefly:			
8	Does the risk assessment process quantify the ESG/climate risks towards financial implication or Value at Risk (VaR) of a project or portfolio?			
8a	If Yes, please describe briefly:			
8b	If No, please describe briefly the barriers:			
9	Are there any risk mitigating, risk sharing, risk transfer or hedging methods that your institution utilises to reduce the VaR and to safeguard from ESG/climate issues?			
9a	If Yes, please describe briefly:			
10	Is there a provision to conduct scenario analysis or stress testing of potential impact of different ESG/climate risks on the portfolio?			
10a	If No, please describe the barriers to do so:			

11	Has your institution set targets to reduce exposure to identified risky sectors?			
11a	If Yes, please describe briefly:			
12	Are there E&S/ESG risk analysts as a part of the risk management team?			
13	Do training programs at your institution cover E&S, ESG or climate risks-related topics?			
13a	If Yes, please describe briefly:			

Please nominate 10-20 staff members from your institution's risk and credit teams to undertake the Questionnaire B? Once this form is received, a short 5-minute survey would be sent to the nominated staff members using an online form link to assess their current level of knowledge and the learning gaps. The respondents would be eligible for the free training session that forms part of this project. Results submitted through this survey link, and their personal details, would be kept confidential.

Name	Designation & Department	Email	Mobile	Gender

Respondent details

1. Name:
2. Designation:
3. Department:
4. Institution Name:
5. Email ID:
6. Phone number:
7. Gender:
8. Do you identify yourself as a member of a socially disadvantaged group? Please select any of the three options below:
    a. Yes
    b. No
    c. Choose not to disclose

Annex 2: Questionnaire B

Questionnaire B is meant to be completed by the participating institutions' risk and credit team members, to facilitate the consortium's landscape study. These responses would help customise the free training module that will be delivered individually to each participating bank. This questionnaire aims to assess the institution's credit and risk teams' knowledge and understanding of ESG and climate risk assessment.

Nominated credit and risk team members are requested to please complete the questionnaire online through this Google Forms link: https://forms.gle/1WGkVhXiSxW3wduCA

No	Question	Yes	No	N/A
1	Are you familiar with concepts of ESG and climate related financial risks?			
1a	If Yes, which of the following concepts related to ESG, or climate are you aware of in the context to risk and lending? (Please rate each of these items on a scale to 1 (low) to 5 (high))			

Environment		Social		Governance
GHG emissions (including Scope 1, 2 & 3)	Air, water and soil pollution	Gender equality, diversity and inclusion, POSH	Labour laws, health/safety, grievance redressal, whistle blower and employee privacy	Ethical practices, anti-corruption and anti-bribery practices
Waste/effluents	Climate mitigation adaptation risk	Issues related to the local communities	Relations with debtors (suppliers)	Governance and oversight mechanisms within the institution
Physical risks of climate change (including natural hazards)	Transition risks of climate change (including policy changes, reputational impacts, and shifts in market preferences, norms & technology)	Transparent disclosure of terms and conditions of a financial product	Other (Please specify)	Other (Please specify)
Environmental regulations	Other (Please specify)			

No	Question
2	Which of these risk elements, do you think are most impacted by ESG or climate risks?

Credit risk	Market risk	Liquidity risk	Reputational risk	Interest rate risk	None of these

<table>
<tr><td>3</td><td>Have you applied, or are aware of, ESG and climate risk assessment methodologies to compare and analyse projects and portfolios?</td><td></td><td></td><td></td></tr>
<tr><td>3a</td><td colspan="4">If Yes, please describe briefly the methodology used:</td></tr>
<tr><td>4</td><td>Do you estimate materiality and financial implication of ESG and climate-related risks during project or portfolio risk analysis?</td><td></td><td></td><td></td></tr>
<tr><td></td><td colspan="4"></td></tr>
<tr><td>5</td><td>Does integration of ESG and climate risk into the credit process help your institution?</td><td></td><td></td><td></td></tr>
<tr><td>5a</td><td colspan="4">If Yes, which of the following are relevant? (Select all the options that are relevant)
<table>
<tr><td>Lower cost of capital on funds received</td><td>Higher interest rates on loans extended</td><td>Improved asset quality/lower NPA</td><td>Reduced market risks of portfolio companies</td><td>Improved ROA and ROE of the bank</td><td>Access to new business from green sectors</td></tr>
<tr><td>Reduced reputational risk/negative branding</td><td>Access to dedicated green capital from DFIs</td><td>Reduced risk of asset Liability Mismatch</td><td>Access to new target client demographics</td><td>Access to new target geographies</td><td>Other (Please specify)</td></tr>
</table></td></tr>
<tr><td>6</td><td>Are you aware of, and do you apply, IFC Performance Standards, Equator Principles, ESRA (Environment and Social Risk Analysis) to analyse the relevant data during overall risk assessment of loans?</td><td></td><td></td><td></td></tr>
<tr><td>6a</td><td>If Yes, do you consider these risks while applying risk weightages?</td><td></td><td></td><td></td></tr>
<tr><td>7</td><td>Are you aware of ESG rating methodologies like MSCI, ISS-Oekom, Sustainalytics, Bloomberg, RobecoSAM, etc.?</td><td></td><td></td><td></td></tr>
<tr><td>7a</td><td colspan="4">If Yes, please select the ones you are most familiar with:</td></tr>
</table>

MSCI	ISS-Oekom	Sustainalytics	Bloomberg	RobecoSAM	Other (Please specify)

8	Do you have any experience or exposure towards risk mitigation measures to safeguard your institution and credit book from ESG and climate risks?			
8a	If Yes, please describe briefly:			
9	Are you aware of any targets that your institution has taken towards green finance?			
9a	If Yes, are these targets linked to your performance?			
10	Please describe briefly climate-related physical and transition risks, as well as opportunities, that can impact your institution's future financial position as reflected in its income statement, cash flow statement and balance sheet?			

Respondent details

1. Name:
2. Designation:
3. Department:
4. Institution Name:
5. Email ID:
6. Phone number:
7. Gender:
8. Do you identify yourself as a member of a socially disadvantaged groups? Please select any of the three options below.
    a. Yes
    b. No
    c. Choose not to disclose

Annex 3: Questionnaire C

Governance, Strategy and Disclosures: This is targeted for either the office of the CFO, Company Secretary, CSO or Investor Relations to respond to

Part 1: Governance

No	Question	Yes	No	N/A

1	Does the Board of Directors have direct oversight on ESG and climate risks and opportunities (excluding CSR)?			
1a	If Yes, do any of the following committees have the mandate?			
	Risk committee			
	Credit committee			
	Audit committee			
	Nominations and Remunerations committee			
	CSR committee			
	Other (Specify)			
2	Does the Nomination and Remuneration Board committee's agenda include linkages between ESG responsibilities and Key Management compensation			
3	Who in the management team has overall responsibility of ESG or climate risks?			
	MD and CEO			
	Chief Risk Officer			
	Chief Financial Officer			
	Chief Credit Officer			
	Chief Sustainability Officer			
	Company Secretary			
	Chief Ethics and Corporate Governance Officer			
	Chief Operating Officer			
	Other (Specify)			

4	Does the institution have gender equality and social inclusion as part of its hiring policy?			
4a	If Yes, which of these categories does it cover?			
	People with disabilities			
	People from socially disadvantaged groups			
	Women (including provision for fair compensation)			
	Employment in rural regions through last-mile banking			
	Others (Specify)			
5	Does the Board of Directors include ESG or climate experts?			
6	Are there any provisions for awareness, education and training of the Board of Directors on these topics?			
Part 2: Strategy				
No	**Question**	**Yes**	**No**	**N/A**
1	Are ESG or climate considerations being integrated into the institution's business strategy and growth targets?			
1a	If Yes, what factors motivated the integration?			

Achieve better ROE and ROA	Better risk-adjusted pricing/managing interest rate risk	Safeguarding from market risks related to portfolio companies	Safeguarding from credit risk/Non-Performing Assets	Competition/market dynamics	National/international regulations
Growth in PSL norms/ portfolio	Mandate from DFIs who have provided funding to the bank	Raise incremental funding from dedicated green funds based abroad	Portfolio diversification/new business opportunities	Reduced reputation risk/Improved branding owing to aligning with ESG or climate goals	Other (Please specify)

1b	If No, has the institution's experience with either COVID-19 or institutional investor/shareholder pressure influenced ESG or climate parameter integration into its overall business strategy?			
2	Does your institution target business segments that align with SDGs, Paris Goals or India's NDCs			
2a	If Yes, what percentage of the incremental loan book during the last financial year considered such ESG or climate aspects? Please describe briefly:			
3	State if any new business opportunities or financial products have been, or are being, launched that emphasise on social inclusion?			
3a	If Yes, does it include any of the following:			
	Women-owned businesses			
	Youth-led businesses			
	Rural-based businesses			
	Businesses operated by those from socially disadvantaged groups			
	Business operated by people with disability			
	Other (Please specify)			
3b	If No, are there any in the pipeline as indicated below? Please select as relevant:			

Interest rate subvention	Risk guarantee	Sustainability/green bond	ESG-linked loan/sustainability-linked loan	Social Impact bond
Technical grant	Structured product	Outcome-based loan/Results-based loan	COVID-19 pandemic-linked loan	Other (Please specify)

Part 3: Metrics and Disclosures

No	Question	Yes	No	N/A
1	Has the institution adopted a formal process to disclose ESG risks and impacts?			
1a	If No, please indicate the challenges in doing so:			
	Lack of understanding of frameworks			
	Lack of availability of data			
	Lack of technological tools to collect and aggregate data			
	Lack of capacity to analyse that data and develop the disclosures			
	Other (Please specify)			
2	Does the institution conduct a materiality exercise as part of ESG and climate-related reporting?			
2a	Please indicate the top-5 Material issues from the box below:			

Environment		Social		Governance
GHG emissions (including Scope 1, 2 & 3)	Air, water and soil pollution	Gender equality, diversity and inclusion, POSH	Labour laws, health/safety, grievance redressal, whistle blower and employee privacy	Ethical practices, anti-corruption and anti-bribery practices
Waste/effluents	Climate mitigation adaptation risk	Issues related to the local communities	Relations with debtors (suppliers)	Governance and oversight mechanisms within the institution
Physical risks of climate change (including natural hazards)	Transition risks of climate change (including policy changes, reputational impacts, and shifts in market preferences, norms & technology)	Transparent disclosure of terms and conditions of a financial product	Other (Please specify)	Other (Please specify)
Environmental regulations	Other (Please specify)			

3	Does the institution use an independent, third party assessor to verify the ESG and climate-related disclosures?			
4	What are the key performance indicators (KPIs) used by the institution to assess its progress against the ESG or climate change targets it had set? Please describe briefly:			
5	Does it have separate KPIs for physical or transition risks within climate risks			
6	Mention which stakeholder/s (out of shareholders, regulators, ministries, customers or funding agencies) are most likely to demand TCFD-style disclosures from your institution?			

Respondent details

1. Name:
2. Designation:
3. Department:
4. Institution Name:
5. Email ID:
6. Phone number:
7. Gender:
8. Do you identify yourself as a member of a socially disadvantaged group? Please select any of the three options below:
    a. Yes
    b. No
    c. Choose not to disclose

Annex 4: Questionnaire D

Specific questions for the asset management company from an investment management perspective, in addition to Questionnaires A, B and C

No.	Question	Yes	No	N/A
1	Does the fund have a framework in place to enable ESG integration?			
1a	If Yes, describe briefly the process followed in the framework?			

<table>
<tr><td>2</td><td>Does the framework look at all the three levels, i.e., organisation, portfolio and investee level?</td><td></td><td></td><td></td></tr>
<tr><td>2a</td><td colspan="4">If Yes, what are the elements of E, S and G that form part of the framework? (Please select)
<table>
<tr><th colspan="2">Environment</th><th colspan="2">Social</th><th>Governance</th></tr>
<tr><td>GHG emissions (including Scope 1, 2 & 3)</td><td>Air, water and soil pollution</td><td>Gender equality, diversity and inclusion, POSH</td><td>Labour laws, health/safety, grievance redressal, whistle blower and employee privacy</td><td>Ethical practices, anti-corruption and anti-bribery practices</td></tr>
<tr><td>Waste/effluents</td><td>Climate mitigation adaptation risk</td><td>Issues related to the local communities</td><td>Relations with debtors (suppliers)</td><td>Governance and oversight mechanisms within the institution</td></tr>
<tr><td>Physical risks of climate change (including natural hazards)</td><td>Transition risks of climate change (including policy changes, reputational impacts, and shifts in market preferences, norms & technology)</td><td rowspan="2">Transparent disclosure of terms and conditions of a financial product</td><td rowspan="2">Other (Please specify)</td><td rowspan="2">Other (Please specify)</td></tr>
<tr><td>Environmental regulations</td><td>Other (Please specify)</td></tr>
</table>
</td></tr>
<tr><td>3</td><td>Is this framework followed across all the sectors?</td><td></td><td></td><td></td></tr>
<tr><td>3a</td><td>If Yes, has the fund identified sector-specific materiality issues as part of its framework?</td><td></td><td></td><td></td></tr>
<tr><td>4</td><td colspan="4">Does the framework look solely at ESG risks, or does it also give weight to ESG opportunities? Please describe briefly</td></tr>
<tr><td>5</td><td>While taking the investment decisions, does the fund solely look at the ESG rating/score of the company under study?</td><td></td><td></td><td></td></tr>
<tr><td>5a</td><td>If Yes, does the fund also compare this score with the company reports?</td><td></td><td></td><td></td></tr>
<tr><td>6</td><td>Does it apply information from the company disclosures into a proprietary rating model, while taking the investment decisions?</td><td></td><td></td><td></td></tr>
<tr><td>6a</td><td colspan="4">For this, what are the sources of ESG information considered? Please describe briefly</td></tr>
</table>

7	Describe briefly the ESG-oriented metrics of companies the fund gives maximum weight to?			
8	Describe briefly the ESG-oriented metrics of companies the fund gives maximum weight to?			
9	Does the fund conduct an ESG audit of its investee companies periodically?			
9a	If Yes, describe briefly the audit process followed?			
10	Who holds oversight for the adherence to ESG aspects in the fund's investing process? Please mention			
11	Does the fund have an ESG investment committee which approves final investments?			
11a	If No, does this responsibility sit with the fund manager?			
12	Does the fund issue periodic reporting on ESG aspects in its own disclosures?			
12a	If Yes, describe briefly the disclosure practices followed?			
13	Have ESG targets been set whose progress are measured and disclosed?			
13a	If Yes, mention briefly the targets?			
14	Has the fund institutionalised ESG-oriented policies and practices in its own organisation?			
14a	If Yes, describe briefly the initiatives?			

15	Does the fund impart periodic training to staff on ESG issues?			
15a	If Yes, describe briefly the topics covered and the frequency of the training?			
16	Does the fund actively engage in investor stewardship, i.e. engaging with the portfolio companies to get them to initiate positive changes?			
16a	If Yes, describe briefly the stewardship initiatives it has engaged in?			
16b	What is the frequency of engagement with the investee companies?			
16c	Has it integrated ESG considerations within its Investor Stewardship Code?			
16	Is the fund signatory to the UN PRI, or similar forums?			

Respondent details

1. Name:
2. Designation:
3. Department:
4. Institution Name:
5. Email ID:
6. Phone number:
7. Gender:
8. Do you identify yourself as a member of a socially disadvantaged group? Please select any of the three options below:
    a. Yes
    b. No
    c. Choose not to disclose

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For any enquiries, please get in touch via email at communications@ukpact.co.uk