

## Summary of YES BANK's Environmental & Social Policy

YES BANK has incorporated the ethos of Responsible Banking, through which it has been mainstreaming sustainable development and aligning it with core business strategies of the Bank. It has evolved with an inclusive approach wherein it successfully engages with the ecosystem in order to maximize stakeholder value.

The Bank recognizes climate change as a material aspect to its functionality and proactively addresses it through Environment and Social Policy (ESP). Due to the increased incidence of climate-change, the financial sector is moving towards developing measures to monitor and mitigate Environmental, Social and Governance (ESG) risks. We believe that it is important for the financial sector to stay ahead of the curve and meet short term profitability expectations through traditional lending and investing and also nurture sustainable finance business verticals that will deliver triple bottom line results in the long term. In order to have a 360 degree risk mitigation framework, YES BANK has instituted this policy in 2006, drawn from the Equator Principles, IFC guidelines and other international best practices. YES BANK has therefore adopted an Environment and Social Policy which goes beyond the realm of financial risk mitigation.

In detail, the implementation of ESP is structured under two major categories: (i) mainstreaming environmental and social considerations, and (ii) safeguarding the environment and society and managing risks. This involves a multi-step process as indicated below:

- **Identification and Mitigation of risks:** The environmental and social appraisal includes consideration of three key elements: (i) the environmental and social impacts and issues associated with the proposed project; (ii) the capacity and commitment of the client to address these impacts and issues in accordance with this Policy; and (iii) the role of third parties in achieving compliance.
- **Pre-investment process:** The policy includes pre-investment procedures to assess adverse environmental and/or social impacts, to check compliance to environmental & social requirements, along with templates for E&S due diligence reports, E&S requirement checklist, corrective action plan, if and when applicable.
- **Monitoring & Reporting:** The Bank monitors compliance as relevant through annual reports on projects and site visits. In cases where considered necessary, the Bank may undertake a due diligence process, capturing the engagement with clients on ESP compliance in the client file.
- **Training:** The Bank conducts ESP related training for the relevant risk management and relationship management teams. In addition, a comprehensive module on the ESP is included in the structured induction programme for new employees, run every quarter.

This process is driven by a designated team under the aegis of Responsible Banking & Risk Management under the guidance of MD & CEO.