



STATE BANK OF INDIA

Sustainability and Business Responsibility (BR) Policy

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**ESG & Climate Finance Unit
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LIST OF ABBREVIATIONS

SEBI	Securities and Exchange Board of India
ESG	Environment, Social and Governance
BRSR	Business Responsibility and Sustainability Reporting
NGRBC	National Guidelines on Responsible Business Conduct
STEPS	Service, Transparency, Ethics, Politeness & Sustainability
SDGs	Sustainable Development Goals
PoSH	Prevention of Sexual Harassment
SLLs	Sustainability-Linked Loans
SLBs	Sustainability-Linked Bonds
CCSC	Corporate Centre Sustainability Committee
CSC	Circle Sustainability Committees
SMART	Specific, Measurable, Achievable, Realistic and Time-Based

1. Introduction

State Bank of India (SBI) is one of the country's oldest establishments and a premier institution in the financial sector. It has maintained a strong presence for over two centuries with a footprint extending across multiple countries.

The financial sector is one that is in a constant state of flux, necessitating change and transformation as and when required. The Bank is committed to be an agent of positive change and understands that growing its business sustainably is the foundation for creating long-term value for all stakeholders. Recognizing “*Sustainability*” as one of its core values, SBI is focused on offering products and services in a responsible manner that proves beneficial for the stakeholders, whilst simultaneously taking the social and environmental impact of Bank's activities into account.

SBI's *Sustainability and Business Responsibility (BR) Policy* outlines the Bank's commitment to adapt and operate efficiently and sustainably in a dynamic environment characterized by both risks and opportunities. The Bank is continuously evaluating avenues for mitigating risks and seizing opportunities. SBI's operations are envisioned to adhere and comply with its Five (5) core values – Service, Transparency, Ethics, Politeness & Sustainability (*STEPS*) thereby continuing to nurture a working culture that binds this large organization together. SBI is committed to extend its services in an ethical, fair, and sustainable manner to the community at large with an underlying vision to emerge as the Bank of choice for a Transforming India.

The Bank's multi-faceted business model is rapidly evolving to concurrently meet several requirements, such as changing customer expectations, technological advancements, regulatory changes, increasing focus on digitalization, contributing to national development goals, developing communities, improving financial literacy and inclusion amongst underprivileged people, reducing the carbon footprint of its operations and aligning its initiatives to the Sustainable Development Goals (SDGs).

The Bank has been implementing several initiatives across operations to reduce its carbon footprint and design products and services taking in to account environmental and social causes also. As an organization that is supported by a large employee base across India, SBI understands that its sustainability strategy will be successful only if it is proactively adopted by all employees. In view of this, the Bank undertakes several steps towards creating awareness and capacity building among employees on sustainability. Employees are also encouraged to engage in the Bank's activities e.g. Observance of World Environment Day and demonstrate sustainable behaviour.

1.1. References Frameworks

The Policy is aligned with principles of National Guidelines on Responsible Business Conduct (NGRBC), Sustainable Development Goals (SDGs), Securities and Exchange Board of India (SEBI) guidelines on ESG disclosures and other globally accepted frameworks and recommendations with respect to ESG metrics and performance.

2. Objective and Scope of the Policy

The primary objective of the Policy is to direct SBI's sustainability strategy and integrate it with its business strategy. The Policy also identifies the Bank's Environmental, Social and Governance focus areas and outlines the general principles on which its sustainability initiatives will be designed and implemented.

Scope of the policy is applicable to all our business operations. The policy is applicable to all employees, value chain partners and all departments/verticals/business units across the domestic operations of the Bank.

The Policy outlines SBI's approach to manage its economic, environmental and social performance in an integrated manner and help ensure that internationally accepted standards and best practices are applied when identifying, assessing and monitoring environmental, social and governance risks with respect to the Bank's business operations.

Bank has a dedicated ESG and Climate Finance Unit to facilitate the achievement of the long-term goals of the Bank in ESG and Climate Finance. The Unit is guided by:

- The mission to achieve Carbon Neutrality by 2030 in Scope 1 & 2 emissions. The Bank will make requisite efforts towards reducing the carbon footprint of its own operations by enhancing the consumption of renewable energy, promoting sustainable practices on the demand side and retiring carbon offsets for the residual emissions. Bank has developed a roadmap with year-on-year reduction targets to achieve the same by 2030.
- The Bank is committed to ensure that a minimum of 7.5% of its domestic gross advances to be 'green' by the year 2030.
- The vision to achieve the Bank's Net Zero targets (Scope 1, 2, & 3) by 2055, Centenary year of SBI formation. Bank is in process of developing the roadmap for achieving this vision. In this direction, the Bank has also initiated measures to access its carbon footprint in its lending and investment portfolio using globally acceptable standards.

SBI aims to balance its business and sustainability performance and has, therefore, identified core Environmental, Social and Governance areas based on the principles of National Guidelines for Responsible Business Conduct (NGRBC), aspirations of the United Nations Sustainable Development Goals (UN SDGs), SEBI guidelines on Business Responsibility and Sustainability Reporting (BRSR), engagement with both internal and external stakeholders for identifying material issues, positive/negative impact of its business operations on society and environment and assessment parameters of various national and international ESG rating entities. The Bank has outlined its approach with key focus areas for ESG as follows-

2.1. Environmental Areas

i. **Reducing Carbon footprint:** The initiatives on this front are to be taken with the objective of achieving Carbon Neutral status in scope 1 & 2 for the Bank by 2030. Bank's activities directed at reducing carbon footprint inter-alia include-

- Measurement and reporting of Scope 1, 2 and certain categories of scope 3 emissions with emissions intensity as per regulatory guidelines along with external verification.
- Setting up a Carbon Neutrality roadmap with year-on-year reduction targets to achieve Bank's mission to be Carbon Neutral in its internal operations in Scope 1 and 2 by 2030.
- Reducing the energy consumption and thereby associated Greenhouse Gas (GHG) emissions of the Bank by enhancing energy conservation & energy efficiency practices by adopting high efficiency equipment, optimizing processes, and implementing energy management systems.
- Increasing the share of renewable energy in energy consumed at Bank's offices/branches.
- Adopt and integrate the energy and environmental considerations for all new/existing infrastructural facilities and obtaining relevant Green Building certifications wherever possible.

ii. **Reducing paper consumption:** Enhancement of product and services delivery through digital banking platforms. Bank invests in providing digital solutions to customers and encourages their adoption thereby reducing usage of paper. The Bank also promotes digitization of internal records and digitalization of processes and operations.

iii. **Waste Management:**

- Natural Resource Management including managing waste generation and disposal, reducing paper consumption and water footprint.
- Responsible waste reduction and conserving natural resources by adapting "3 R" (Reduce, Reuse and Recycle) approach towards waste, promoting paperless banking, minimizing plastic usage, and ensuring effective waste disposal including electronic waste through certified recyclers as per e-waste management policy of the Bank.
- Reporting on waste management initiatives as per mandatory regulatory disclosures

iv. Reducing Water Consumption and ensuring Water security:

- Reducing water wastage & prioritizing water conservation by implementing rainwater harvesting systems and Sewage Treatment Plants to optimize water usage, reduce wastage, and enhance sustainability across operations.
- Reporting on water management initiatives as per mandatory regulatory disclosures.

v. Support biodiversity and habitat conservation, prevent own operation's direct impact on the same, and comply with biodiversity and conservation-related laws and regulations.

vi. Explore avenues and promote the transition to non-polluting transportation by Bank staff.

vii. Make efforts to procure products which are environment- friendly, energy efficient and locally sourced. Engagement with Bank's suppliers and other vendors to create awareness on business sustainability and minimizing the environmental impact of products and services.

2.2. Social Areas

i. Promoting Human Rights:

Bank endeavors to ensure that Human Rights of all individuals are given the utmost respect. Bank promotes Human Rights through prohibition of human trafficking, forced labour, and child labour throughout all Bank operations including suppliers; safeguarding rights of freedom of association, equal remuneration, and collective bargaining, applying to all employees, permanent and contractual, and implementing processes and remediation plans to address and mitigate human rights risks, among all stakeholders.

ii. Encouraging workforce diversity:

A diverse workforce is integral to enhance business productivity. The Bank promotes gender, race, ethnicity, generational and cultural diversity in its workforce and prohibits discrimination in the workplace. The Bank adheres to the Equal Remuneration Act, 1976 and makes no discrimination in remuneration on the basis of gender or any other form of diversity. The Bank remains committed to providing equal opportunities in employment and creating an inclusive workforce in which all employees are treated with respect and dignity.

iii. Talent development and Retention:

Bank fosters a culture of continuous learning, leadership development, and career progression, ensuring an engaged, skilled, and future-ready workforce. Bank promotes a working environment that aids in nurturing employees, including the differently abled and contributes to their overall professional development.

iv. Encouraging Financial inclusion and financial literacy:

Bank promotes financial inclusion and enhances financial literacy by enhancing access to banking services, providing essential financial resources and opportunities to empower individuals and communities. Bank promotes digital and micro finance solutions for low-income customers and women micro entrepreneurs along with a network of access points for these customers. Bank also invests in innovating continuously to develop financial products and services that enable environmental conservation as well as socioeconomic development. Bank believes in building empowered and sustainable communities, in line with national priorities of growth and development.

v. Employee health & Wellbeing:

Bank takes steps to promote employee well-being and safety by ensuring a safe working environment and pre-emptively identifying and eliminating any kind of risk. Bank offers a variety of employee benefit programs to its staff to ensure a motivated, secure, and well-supported workforce which span across multiple areas, including financial security, health and wellness, work life balance, housing and accommodation, retirement planning, career advancement opportunities, family and social support and employee assistance programs.

vi. Enhancing Customer satisfaction:

Delivering exceptional customer satisfaction as a fundamental aspect of banking services and enhancing customer experience through service excellence, digital innovation, and a strong grievance redressal framework. Bank encourages constructive engagement and has established strong grievance redressal mechanisms across stakeholder groups to generate long-term value. The Bank has set up Customer Data privacy and robust cyber security mechanism through advanced security infrastructure, fraud detection and compliance with regulatory standards.

2.3. Governance Areas

- i.** Implement ethical business practices, preventing fraud, corruption, bribery, and facilitation payments.
- ii.** Conduct banking transactions and other investments with professional integrity, conforming to the highest ethical standards and in compliance with the regulatory and other statutory requirements through a more holistic cultural approach to compliance.
- iii.** ESG disclosures and assurance in accordance with regulatory guidelines
- iv.** Gradually and progressively adopt socially and environmentally sustainable policies and practices across value chain.
- v.** Integrate ESG (including climate change risk) into the Bank's lending and procurement processes and decisions.

- vi. Actively participate in dialogues and consultations with policy makers to influence policies that promote sustainable development, financial inclusion and responsible banking practices
- vii. Conduct day-to-day operations and business transactions in line with its mission to provide simple, responsive and innovative financial solutions in a responsible manner.
- viii. Identify and mitigate risks and identify opportunities for sustainable growth across all aspects of banking operations.
- ix. Aid internal capacity creation necessary to address climate change mitigation and adaptation within our organization.

3. Environmental, Social and Governance (ESG) framework for Rating Borrowers on ESG criteria

As a large banking institution, risks are inherently present in Bank's business activities. These can be related to credit, products and services, strategic decisions, market presence, operational activities, and environmental and social impact, to name a few areas. Acknowledging material impact of ESG parameters on the financial performance of corporates, Bank has developed an in-house model for rating corporate borrowers on ESG parameters. This applies to borrowers (existing/prospective) in India with existing/proposed total exposure with SBI of above INR 100 crore (for listed borrowers) and above INR 250 crore (for unlisted borrowers). Industries are classified into groups based on the E, S and G impact of the industry. The E, S and G scores are assigned based on the specific weightage of each major industry.

a) Environmental Concerns:

Under the E parameter, the company's energy consumption is monitored. Additionally, the emissions of toxic gases, water, and solid waste during the production process are observed, along with the presence of mechanisms for emission reduction.

b) Social Concerns:

Under the Social parameter, the company's concern towards society and employee well-being and skill development are monitored. Inclusive growth and equitable development are given due weightage, with a focus on data privacy. Negative news about the company is also closely monitored.

c) Governance Concerns:

Under the governance parameter, focus is on the composition of the company's board, financial disclosures, adherence to regulatory guidelines, related party transaction and ethical standards are taken into account.

4. Corporate Governance, Business Ethics and Sustainability

SBI mandates professional behaviour that encapsulates strong moral values. The ethos of the organization upholds zero tolerance towards unethical business practices. The Bank expects each of its employees to abide by its working culture by conducting themselves professionally, with integrity and in compliance with applicable laws and regulations. The Bank also upholds its employees' right to collective bargaining and provides opportunities for active engagement and consultation. Further, Bank's Corporate Governance practices are aimed at enforcing the right practices at all levels of functioning. The Bank has instituted a vigilance mechanism, which is built on three primary behavioral aspects – *Preventive, Punitive and Participative*.

Implementation of the Sustainability and Business Responsibility (BR) Policy is also supplemented inter alia by:

- ✓ **Bank's Code of Conduct & Code of Ethics:** The Code of Conduct and Code of Ethics applies to Bank's all employees, whether full-time, part-time or appointed on a contractual basis. These Codes lay principles of ethical business practices and prescribe adherence to applicable laws and regulations as a bare minimum requirement.
- ✓ **Whistle Blower Policy:** The Whistle blower policy allows any employee to communicate a concern or complaint confidentially and anonymously with an assurance that there will be no retribution or negative consequences.
- ✓ **Prevention of Sexual Harassment (PoSH) Policy:** Policy has been formulated along-with the guidelines for prevention, prohibition and redressal of matters & complaints related to sexual harassment of women at workplace in the Bank. The policy is known as 'GARIMA' or 'Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Policy' of the Bank.
- ✓ **Conflict of Interest policy:** The Conflict-of-Interest policy is to spell out in general terms the norms of the conduct expected from the employees when facing a conflict-of-interest situation.
- ✓ **Equal Opportunity Policy for Persons with Disabilities:** Bank's policy is in accordance with the provisions of the "The Rights of Persons with Disabilities Act, 2016.
- ✓ **Climate Change Risk Management Policy:** To guide the Bank to transition towards low carbon and climate resilient operations and investments. The policy underscores the importance of proactive measures against climate change to mitigate climate related risks.
- ✓ **ESG Financing Framework:** Handbook for issuance(s) of Green, Social, or Sustainable instruments (Bonds and/or Loans) which shall be used for the financing or refinancing of eligible assets / projects with environmental or social benefits.

- ✓ **CSR Policy:** To participate in activities which benefit community development, social responsibility, and environmental sustainability, so as to reach out to socially & economically disadvantaged sections of society.
- ✓ **Anti-Bribery and Anti-Corruption Policy:** The Bank has zero tolerance towards all forms of bribery and/or corruption and it has resolved to initiate proactive measures to mitigate such risks including formulation of this policy.
- ✓ **Sustainability Linked Loan Policy:** Handbook for SBI for issuance(s) of Sustainability-Linked Bonds (SLBs) and availing Sustainability-Linked Loans (SLLs) as well as for extending Sustainability-Linked Loans (SLLs) to Bank's customers to achieve predefined Sustainability/ ESG objectives, so as to extend SBI's sustainability strategy and contribute to the sustainable development of Indian economy.
- ✓ **Policy on Financing Renewable Energy Projects:** To guide on appraisal and processing of Renewable Energy proposals.

5. Sustainability Governance Framework & Regulatory Compliance

- 5.1. Deputy Managing Director & Chief Credit Officer (CCO), who is also the designated Chief Sustainability Officer (CSO), oversees the overall environmental and social performance of the Bank. The execution of the Bank's sustainability-related issues is monitored by the Corporate Centre Sustainability Committee (CCSC) which comprises members drawn from varied Departments/Verticals/Business Units. The committee meets on a quarterly basis to steer Bank's sustainability vision.

Further, to bring additional focus to sustainability matters, the CCSC is further supported by 3 sub-committees:

- a) **Environment Sub-Committee:** Responsible for identifying opportunities and target setting for improvement in the areas of emissions, energy usage, water security and waste management.
- b) **Social & Governance Sub-Committee:** Responsible for scaling up workplace matters relating to Human Rights, ethical behaviour and Code of Conduct, grievance handling, gender diversity, training and development, corporate governance practices and stakeholder engagement.
- c) **Product & Services Sub-Committee:** Responsible for identifying business opportunities to make the Bank's products and services more inclusive, meeting social aspirations and addressing concerns on environment protection and climate risk

To percolate the Sustainability measures at Circle level, *Circle Sustainability Committees (CSC)* have also been established to monitor sustainability performance at the Circle level. The Sustainability Department, ESG & Climate

Finance Unit at the Bank's Corporate Centre is the nodal Department to monitor issues relating to the Bank's sustainability matters.

- 5.2.** The Bank has instituted a '*Sustainability Pledge*', which draws strength from the Bank's vision to drive its sustainability agenda throughout the organization at all levels. Bank's entire workforce reiterates its commitment to this pledge while observing *World Environment Day (05th June)* every year.

5.3. Compliance to regulatory ESG disclosures:

Bank makes regulatory ESG disclosures as per SEBI guidelines on Business Responsibility and Sustainability Reporting (BRSR) format mandated for top 1000 listed entities. Bank also undertakes Reasonable Assurance of BRSR Core indicators.

To showcase ESG performance, Bank also publishes annual Sustainability Report incorporating the Business Responsibility and Sustainability Report (BRSR) disclosures, prescribed by the Securities and Exchange Board of India. The report is prepared in accordance with the Global Reporting Initiative ("GRI") standards and also draws its content from the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD). To demonstrate credibility of our public disclosures, Bank also undertakes limited assurance of identified GRI indicators. The Bank publishes Sustainability Report annually which is made available on the Website of the Bank.

For the Business Responsibility and Sustainability disclosure requirements, Bank shall comply with the in-force guidelines and frameworks, issued by the appropriate regulatory authority/entity (ies).

- 5.4.** On Governance, leadership, and oversight on Business Responsibility matters, the BRSR disclosure inter-alia also mandates for mention of –
- i. Statement by the director responsible for the Business responsibility report, highlighting ESG related challenges, targets, and achievements; and
 - ii. Details of the highest authority responsible for implementation and oversight of the Business responsibility Policy (ies).

Accordingly, in compliance with the SEBI mandate, MD (R, C & SARG) of the Bank is entrusted with the Business Responsibility functions. (Reporting of DMD, CCO & Chief Sustainability Officer is to MD (R, C and SARG)).

6. Stakeholder Engagement and Materiality Assessment

Bank identifies its critical stakeholders encompassing both internal and external, on the basis of its activities, business relationships and impact on its operations. Bank addresses the expectations and requirements of its stakeholders and engages with them through continuous feedback process, online and offline, and integrating it into its operations to create meaningful impact. The stakeholders identified through a comprehensive stakeholder engagement mechanism include the Board, regulatory bodies, shareholders, employees, vendors, customers, and the communities in which it operates.

Bank adopts a consultative approach and actively engages with its key stakeholders to identify material topics, as per GRI standards, representing its most significant impacts on the economy, environment, and people. Bank reviews its material topics regularly to account for impacts resulting from changes in the organization's activities and business relationships. Bank reports on its material topics in annual Sustainability report.

Corporate Centre Sustainability Committee (CCSC), highest governance body for Sustainability matters oversees the process and reviews and approves the material topics.

7. Access to the Policy and Transparency

Bank's Sustainability and Business Responsibility Policy is approved by Central Board and is valid for one year from the date of issue. Policy shall be reviewed annually to reflect changes in regulations, best practices, and internal developments. The Policy is published on the official Bank website ensuring that stakeholders are well-informed about the Bank's sustainability strategy, governance practices, and performance.