



ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY OF THE SOUTH INDIAN BANK LTD

Version 3.0

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I. INTRODUCTION

One of the earliest banks in South India, "The South Indian Bank Ltd" came into being during the Swadeshi movement. The establishment of the Bank was the fulfillment of the dreams of a group of enterprising men who joined together at Thrissur, a major town (now known as the Cultural Capital of Kerala), in the erstwhile State of Cochin to provide for the people a safe, efficient and service oriented repository of savings of the community on one hand and to free the business community from the clutches of greedy money lenders on the other by providing need based credit at reasonable rates of interest.

Translating the vision of the founding fathers as its corporate mission, the bank has during its long sojourn been able to project itself as a vibrant, fast growing, service oriented and trend setting financial intermediary.

The ESG policy of the Bank outline the Bank's commitment to integrating Environmental, Social, and Governance factors into operations, risk management, and investment decisions. Our strong foundation of corporate governance and ESG led responsible business practices help us to fulfil our duty as a responsible Banker to conduct business sustainably and make a meaningful difference to all our stakeholders.

Our Bank is committed to promoting sustainable development and social responsibility, while managing ESG risks and opportunities effectively. We recognize that ESG considerations are an integral part of our business strategy and operations and will continue to work towards achieving our ESG goals and objectives.

II. OBJECTIVES OF OUR ESG POLICY

Environmental, Social and Governance (ESG) matters have become increasingly relevant for companies across the Globe. Being in financial sector, the Bank has focused on promotion of sustainable and environmentally friendly assets by identifying and recognising ESG risks viz-a-viz opportunities. The Bank has developed and adopted the ESG Policy with the aim to create a sustainable environment internally & externally which will enhance the value for all our stakeholders through adaptation to sustainable practices and integrating it to our Business. The objectives of the ESG policy includes:

- ❖ Promote sustainable practices and minimize the Bank's environmental footprint.
- ❖ Enhance social impact by considering the needs and interest of various stakeholders.
- ❖ Ensure sound governance practices, transparency and accountability within the Bank's operations.
- ❖ Integrate ESG considerations into risk assessment and management processes.
- ❖ Incorporate ESG Criteria into investment and lending decisions as defined in Environment and Social Management System (ESMS) Policy of the Bank to support sustainable and responsible economic activities
- ❖ Engage with stakeholders to understand their ESG concerns, address their expectations and foster open dialogue on sustainability issues.

- ❖ Provide regular and transparent reporting on Bank's ESG targets, performance and progress.

III. SEGMENT WISE RESPONSIBILITIES

As a financial service provider, we believe that Environmental, Social and Governance (ESG) principles are crucial in our stakeholder satisfaction. We are committed to incorporate ESG considerations into our business strategies and practices, while promoting sustainable development and social responsibility. Our ESG framework reflects Bank's commitment to creating long term value for our stakeholders while contributing to a more sustainable and equitable world. Our Bank recognizes the importance of Environmental, Social and Governance (ESG) factors in decision-making processes and acknowledges the impact its business activities can have on society and the environment. The segment wise responsibilities of the Bank are as follows:

A. ENVIRONMENT

With respect to ESG, Environmental Responsibility outlines the Bank's commitment to addressing climate change, reducing carbon footprint, minimizing waste and pollution, and promoting sustainable energy and infrastructure development. It is our duty to protect and improve our environment. Our Bank is committed to minimizing its impact on the environment and managing environmental risks effectively. We will strive to reduce our carbon footprint and energy consumption, promote sustainable procurement and waste management practices, and comply with relevant environmental laws and regulations. We will also support initiatives that address climate change and promote sustainable development.

Being a service industry, Bank has a limited direct damaging impact on environment, compared to manufacturing industry. Our Environmental Responsibility initiatives shall include but not limited to the following:

1. Responsible Financing

➤ Policy on Environment & Social Management System (ESMS)

The Environmental and Social Management System (ESMS) provides a systematic procedure to check whether our Bank's lending policy may cause any potential adverse environmental and social impacts, to assure that negative impacts are avoided or minimised to the extent possible and the positive impacts are stimulated. The Bank has a Board approved ESMS policy which enables the Bank to minimise negative environmental and social impact posed by the lending activities.

➤ Green Deposit Policy and Green Financing Framework

As part of ESMS Policy the Bank has a Green Deposit Policy and Green Financing Framework. The objective of the Green Deposit policy is to promote environmental friendly initiatives by encouraging depositors to invest in green projects and activities that contribute to sustainable development. The policy aims to mobilize deposits and use the proceeds for funding projects and activities that promote environmental conservation, renewable energy, energy efficiency and other green initiatives. Green

Deposits can be accepted from Individuals, Firms, Companies, Institutions, and other entities, including Trusts, HUFs, Charitable organizations, and Government agencies.

➤ **Introduction of loan products suitable for environmentally positive activities.**

The Bank will persistently explore and introduce new loan products that contribute to environmental sustainability.

➤ **Climate Risk Assessment**

The Bank employs a comprehensive grading model to assess environmental and social risks, focusing on climate risk for high-value credit.

2. Green Energy and Energy Conservation

- Promote renewable energy by implementing solar plants and setting targets for its growth.
- Retrofit high energy-consuming devices and prioritize energy-efficient equipment for replacements and new purchases.
- Set air conditioner temperature to 24°C across all branches, departments, offices, and ATMs.

3. Sustainable Consumption and Conservation Practices

- Track and reduce electricity and water consumption with set targets and corrective actions.
- Implement water harvesting plants and track water conservation efforts.
- Develop cleaner and greener processes for construction and renovation.
- Promote paperless practices by digitizing processes and using recycled paper.
- Ensure sustainable purchases from local suppliers at fair prices.

4. Green House Gas (GHG) Emissions

- Reduce fuel usage for Bank vehicles and generators, and promote E-vehicles with DC fast charging stations.
- Conduct carbon footprint assessments and implement phased initiatives to reduce GHG emissions.

5. Waste Management

- Ensure proper disposal of E-waste through authorized collectors and monitor disposal.
- Minimize plastic and paper use, and promote reusable and recycled products.
- Develop processes for safe reclamation, recycling, and disposal of waste.

6. Environment friendly projects

➤ **Assistance for ESG friendly CSR Projects:**

Inclusion of projects like conservation of natural resources and maintaining quality of soil, air and water, renewable energy, tree plantations etc. into the preview of CSR initiatives.

7. Environmental Compliance

The Bank shall comply with all the applicable environmental laws and regulations in its premises and operations.

B. SOCIAL

Social responsibility articulates the Bank's approach to addressing social issues such as human rights, labor standards, community development, diversity and inclusion, and customer protection. Social responsibility is a moral obligation on a company or an individual to take decisions or actions that is in favor and useful to society. The South Indian Bank is committed to promoting social responsibility and addressing social issues within the communities in which we operate. We will prioritize diversity and inclusion, equal opportunities, and human rights, and strive to create a workplace culture that fosters respect and fairness. We will also support initiatives that promote education, health, and well-being, and address social and economic inequality.

Our Social Responsibility will include but not limited to the following:

1. Social Commitment

➤ Corporate Social Responsibility

The Bank has a Board approved CSR Policy. In line with our CSR Policy and in accordance with Schedule VII, Section 135 of the Companies Act, 2013, the Bank has actively engaged in various CSR initiatives aimed at uplifting communities and fostering sustainable development, which have had a significant impact on society. From promoting education and healthcare to environmental conservation and community welfare, our efforts have touched lives across the regions we serve.

➤ Community relations

Ensure the Bank is maintaining good community/Customer relations through educating about safe and responsible usage of product, regular engagement and speedy resolution of complaints.

➤ Focusing on customer satisfaction

Ensure customer satisfaction and protection through fair treatment, suitability, transparency, privacy and grievance redressal. Increased use of technology to provide services and convenience.

➤ Disability friendly premises

Ensure that the existing premises of the Bank including its Branches and ATMs are accessible to differently abled visitors and ensure the same to all new branches and ATMs.

➤ Financial literacy and Credit Counselling

Development and implementation of well-defined Financial Literacy Plan to spread awareness and inculcate the habit of financial savings among rural customers. Reach out and impart financial education and create awareness of banking services in the

unbanked and under-banked areas of the country by way of engagement with financial counsellors, business correspondents etc. The rural branches shall conduct one financial literacy camp to the customers on every 3rd Friday of the month after the business hours in the branch premises. The respective Branch Manager/Head is responsible for conducting the financial literacy camp.

➤ **Data hygiene, privacy and security**

Ensure data security and mitigate risks related to data privacy. Educate customers and employees about safe and responsible digital banking. The Bank shall provide cyber security awareness to its customers on a continuous basis through various channels like SMS/Email/Website/Social media, etc. Cyber Jagrookta (Awareness) Diwas is to be observed on the first Wednesday of every Month to create awareness for prevention of cybercrimes.

2. Employee Wellbeing

- Promote diversity and inclusion by offering equal opportunities and supporting disabled employees, and extend inclusivity to stakeholders.
- Ensure safe and healthy working conditions with regular health and safety training for employees, suppliers, and partners.
- Provide ongoing training to employees to enhance functional, technical, and behavioural skills while incorporating NGRBC principles in the training.
- Implement Environmental Social Management System (ESMS) policy and train staff on responsible lending practices.
- Uphold non-discrimination and fair treatment policies, with a grievance redressal framework for those experiencing discrimination.
- Enforce strict actions against any form of harassment, including coercion, verbal abuse, or slavery
- Implement stringent framework to address allegations under the Sexual Harassment of women at Workplace (Prevention, Prohibition & Redressal) Act, 2013.
- Foster a responsible work culture with high ethical standards and respect for individual dignity.
- Ensure compliance with minimum wage laws for both employees and contract workers.

3. Stakeholder Engagement

Stakeholder engagement is the process by which Bank involves people who may be affected by the decisions it makes or can influence the implementation of its decisions. Stakeholders of the Bank are:

- Shareholders
- Investors
- Employees
- Customers

- Regulators
- Value chain partners

Modes of Communication with stakeholders

Stakeholder	Method of Engagement	Frequency of engagement
Shareholders	Annual General Meeting Investor presentation Email Earning call Financial Results Stock exchange filing Press release Website	As and when required.
Employees	Email Training Circulars Internal Portal MD's Town hall meeting Staff meetings Siblink Student Economic Forum	On a regular basis
Customers	Emails Letters Social Media Direct interaction Over Phone Customer Experience Group	Ongoing. Based on customer needs / regulatory requirements / educating customers
Regulators	Letters Email Regulator platforms Stock Exchange filing RBI Returns	On a regular basis
Community	Email Letters	Ongoing.
Value chain partners	Email Letters	As and when required

C. GOVERNANCE

Governance highlights the bank's principles and standards for good governance, transparency, accountability, and risk management. This may include measures to prevent corruption and promote corporate integrity. We recognize the importance of strong governance and ethical practices in building trust and credibility with stakeholders. We will strive to maintain a culture of integrity, transparency, and accountability, and ensure that our operations are conducted in compliance with applicable laws and regulations.

The Governance responsibility of the Bank will include but not limited to the following:

Composition of Board of Directors:

The Board of Directors of the Bank is broad based and varied in terms of experience of the members of the Board. The Board of Directors of the Bank has an optimum combination of Executive and Non-Executive Directors with one Woman Director. The Chairperson of the Board is a Non-Executive Independent Director. The Board functions either as a full Board or through various Committees constituted to oversee specific areas.

Compliance Management:

The Bank has institutionalised a strong compliance culture and mechanism across the organisation, in pursuit of its strategic goals of transparency and trust, among all its stakeholders. The Bank has a dedicated independent Compliance Department which operates as per a well-documented compliance policy for ensuring regulatory compliance, across all businesses and operations. The Bank has a well-defined and structured mechanism to assess the compliance risk and monitor its mitigation measures, thereby ensuring the effectiveness of the compliance function in managing the compliance risk.

Risk Management:

The Bank has in place a robust risk management structure which proactively identifies the risks faced by the Bank and helps in mitigating the same, while maintaining proper trade-off between risk and return thereby maximising shareholder value. The risk management processes are guided by well-defined policies appropriate for various risk categories, independent risk oversight, and periodic monitoring through the sub-committees of the Board of Directors. The objective of risk management is not to prohibit or prevent risk taking activity, but to ensure that the risks are consciously taken with full knowledge, purpose and clear understanding so that it can be measured and mitigated.

Internal Controls

The Bank has a system of internal control which examines both the financial effectiveness and operational effectiveness to ensure reliability of financial and operational information and all statutory/regulatory compliances.

Protected Disclosure Scheme and Whistle Blower Policy

The Bank has formulated a Whistle Blower Policy with a view to provide a mechanism for employees of the Bank to approach the Chairman of the Audit Committee of the Bank/Ethics Counsellor (Chief of Internal Vigilance) in case they observe any unethical and improper practices or any other alleged wrongful conduct in the Bank. No unfair treatment will be meted out to a Whistle Blower by virtue of his/her having reported a Disclosure under this Policy. All Disclosures reported under this Policy will be thoroughly investigated after the initial review of the disclosure by the Chairman of the Audit Committee. The identity of the whistle blower shall be kept confidential to the extent possible as permitted under law.

Anti-Corruption and Bribery

The Bank has zero tolerance towards all forms of bribery and should be especially sensitive to this aspect in our dealings with the various entities that we come in contact with. In particular, the Bank prohibits offering, promising, giving or authorizing others to give anything in either directly or indirectly, to any person or entity. Under no circumstances may you offer, promise or grant anything of value to anyone for the purpose of influencing the recipient.

Code of conduct for Board Members and Senior Management Personnel

This Code of Conduct attempts to set forth the guiding principles on which the Bank shall operate and conduct its daily business with its multitudinous stakeholders, government and regulatory agencies, media, and anyone else with whom it is connected. It recognises that the Bank is a trustee and custodian of public money and in order to fulfil its fiduciary obligations and responsibilities, it has to maintain and continue to enjoy the trust and confidence of public at large.

Policy on Materiality of and dealing with Related Party Transactions

This policy is intended to ensure proper approval and reporting of transactions between the Bank and any of its related party/ies in the best interest of the Bank and its Stakeholders. The Policy aims at addressing issues of conflict of interest which might arise in dealing between the Bank, KMPs and its Related Parties.

Grievance Redressal Mechanism & Escalation Process

The Bank has implemented a transparent Grievance Redressal Mechanism to ensure the swift and effective resolution of complaints. All stakeholders, including customers, can reach us through multiple channels such as the call centre, mobile banking app, the Bank's website, net banking applications, and at branches. Customers or stakeholders have the right to file a complaint if they are dissatisfied with the services provided. If a complaint is not resolved within the prescribed timeframe or if the resolution is unsatisfactory, they may escalate the issue to the Banking Ombudsman or explore other available legal avenues for grievance redressal. The Grievance Redressal policy is available on the Bank's website.

IV.ESG GOVERNANCE FRAMEWORK

ESG Governance Framework

The Bank's governance framework includes robust oversight and implementation of ESG initiatives.

- The Board shall have the overall responsibility to oversee and ensure effective implementation of the ESG strategy of the Bank.
- Corporate Social Responsibility Committee of the Board is responsible for overseeing Environmental, Social and Governance activities of the Bank.
- Managing Director & CEO has been authorized as the designated Director for implementing ESG in the Bank for BRSR reporting.

- For effective implementation of ESG in our Bank, Bank has constituted an Executive Level ESG Committee which reports to the Board level committee. Executive Level Committee is responsible for supervision and implementation of ESG in the Bank. The Executive committee will monitor, measure and report on ESG performance. The Executive Level Committee shall be headed by an Executive one level below the Executive Director. The member shall include HR Head, Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer, Company Secretary, Chief Information Officer, Chief Security Officer.
- The decisions of the Executive Level ESG Committee will be communicated to the respective Departments / Regional Offices for follow-up and action.



V. Measures and procedures adopted to implement ESG policy

- Conduct E &S risk assessments for high value borrowers to address identified risks.
- Develop an ESG action plan with measurable targets and timelines, and regularly review progress against the plan.
- Integrate ESG considerations into decision-making processes, including lending, investments as per ESMS policy, and procurement decisions.
- MD & CEO is authorized and identified as highest authority for implementing ESG in the Bank.
- Provide training and awareness programs for employees on ESG issues and the importance of incorporating ESG considerations into their work.
- Engage with stakeholders, including customers, supply chain partners, employees, and shareholders, to understand their ESG concerns and expectations.
- Report on our ESG performance regularly as per statutory requirements.
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VI. Sustainable Development Goals (SDGs) & National Guidelines on Responsible Business Conduct (NGRBC).

Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The 17 SDGs are integrated—







they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability. Countries have committed to prioritize progress for those who're furthest behind. The SDGs are designed to end poverty, hunger, AIDS, and discrimination against women and girls. The creativity, knowhow, technology and financial resources from all of society is necessary to achieve the SDGs in every context.










United Nations Sustainable Development Goals (SDGs) are available on <https://sdgs.un.org/goals>

National Guidelines on Responsible Business Conduct (NGRBC).

The Ministry of Corporate Affairs (MCA), Government of India, released a set of guidelines in 2011 called the National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business (NVGs). This was expected to provide guidance to businesses on what constitutes responsible business conduct. In order to align the NVGs with the Sustainable Development Goals (SDGs) and the 'Respect' pillar of the United Nations Guiding Principles (UNGP) the process of revision of NVGs was started in 2015. After, revision and updation, the new principles are called the National Guidelines on Responsible Business Conduct (NGRBC). As with the NVGs, the NGRBC has been designed to assist businesses to perform above and beyond the requirements of regulatory compliance. The National Guidelines on Responsible Business Conduct comprises nine thematic pillars of business responsibility that are known Principles. These principles are interdependent, interrelated and non-divisible.

National Guidelines on Responsible Business Conduct is available on https://www.mca.gov.in/Ministry/pdf/NationalGuideline_15032019.pdf

Environmental/ Social/ Governance	Sustainable Development Goal	NGRBC Principle
Environmental	<div> <div>6 CLEAN WATER AND SANITATION </div> <div>7 AFFORDABLE AND CLEAN ENERGY </div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE </div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES </div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION </div> <div>13 CLIMATE ACTION </div> </div>	<p>Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe.</p> <p>Principle 6: Businesses should respect and make efforts to protect and restore the environment.</p>

Social	       	<p>Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains.</p> <p>Principle 4: Businesses should respect the interests of and be responsive to all their stakeholders.</p> <p>Principle 5: Businesses should respect and promote human rights.</p> <p>Principle 8: Businesses should promote inclusive growth and equitable development.</p> <p>Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner.</p>
Governance		<p>Principle 1: Businesses should conduct and govern themselves with integrity in a manner that is Ethical, Transparent and Accountable.</p> <p>Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.</p>

VII. DISCLOSURE & REPORTING

The Bank will assess and track the impact of its ESG policy through the Business Responsibility & Sustainability Report (BRSR), which will be published annually in the format prescribed by SEBI for ESG disclosures.

VIII. REVIEW OF POLICY

The Bank's policy will be reviewed annually or sooner if significant changes arise, to ensure it aligns with the Regulatory directives, or guidelines issued by the Government of India (GoI), the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), or any other relevant statutory or regulatory authority.