

Environment, Social and Governance (ESG) Policy





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Preamble:

Bank of Baroda (BOB), a global financial institution with over a century-long legacy, is committed to sustainable growth and inclusive development. Guided by strong Environmental, Social, and Governance (ESG) principles, BOB integrates sustainability into its operations, fostering economic growth, empowering communities, and serving the underserved. Its Business Responsibility and Sustainability Report (BRSR) reflects its ongoing efforts to create a positive impact on customers, employees, and society while ensuring a better future through responsible business practices.

Objectives of the ESG Policy:

- Promoting Responsible and Sustainable Banking Practices.
- Fostering Responsible Growth through Sustainable Decision-Making.
- Aligning with Global Sustainability Frameworks.
- Mitigating ESG Risks and Seizing Opportunities for a Low-Carbon Future.
- Inculcating an ESG-Centric Culture within the Bank.
- Establishing ESG Measurement Metrics and KPIs.

Purpose and Scope:

The Environment, Social and Governance ("ESG") policy is formulated as a guiding document for all ESG initiatives and activities undertaken by the Bank. This policy document elucidates how the Bank integrates ESG practices across its business strategy and procedures. By adopting this ESG policy, Bank of Baroda reaffirms its responsibility to mitigate environmental risks, promote social well-being, and maintain the highest standards of governance in all aspects of its operations.

The ESG policy is applicable to all the Offices / Branches / units of the Bank in India and Abroad.

ESG Governance Mechanism:





Sr. No.	ESG Governance	Functions
1	Board of Directors	The Board of Directors will be responsible for the overall overseeing of implementation of sustainable strategies, policies and practices including monitoring progress under the Bank's ESG parameters.
2	CSR and Sustainability Committee of the Board	<p>CSR and Sustainability Committee of the Board being a sub-committee of the Board will drive the CSR, ESG, Sustainability and Climate Risk Agenda of the Bank and will report to the Board.</p> <p>Periodicity of meetings: The Committee shall meet at least once every quarter.</p>
3	Core CSR and Sustainability Committee or "Green Cell"	<p>Under the CSR & Sustainability Committee of the Board, a multidisciplinary Core CSR and Sustainability Committee also designated as "Green Cell", would be instrumental in implementing the Bank's ESG, Sustainability and Climate Risk initiatives across all of its functions.</p> <p>Green Cell would act as a dedicated unit focused on promoting and overseeing environmentally sustainable practices within the Bank.</p> <p>Periodicity of meetings: The committee shall meet at least once a quarter to assess the Bank's ESG performance, identify potential risks and opportunities and define a way forward."</p>
4	ESG Department	The Bank will have a dedicated ESG department attached to the Risk management Vertical. This will be the nodal team responsible for driving the ESG strategy, monitoring of the ESG policy framework, reviewing and supporting ESG performance across functions, communication of ESG progress through periodic reports to internal and external stakeholders including the Board Committee and driving an ESG culture across the organization.
5	Zonal Level ESG Committee	A Zonal Level Committee shall spearhead the ESG agenda in the Zones/Regions. This Committee shall meet monthly to assess the Zone's ESG performance.





ESG Pillars:

The following are the 3 pillars of ESG, and the Material focus areas thereof:

- a. Environmental
- b. Social
- c. Governance

5.1. Environmental (E):

Bank of Baroda is committed to reducing the environmental footprint and supporting sustainable growth through Energy Efficiency, Resource Optimization, Green Financing & Climate Risk Management. Bank is also committed to reduce GHG emission intensity in its credit portfolio to support Nationally Determined contribution (NDC) set by our nation by adopting Science based Targets initiative (SBTi). The Bank has fixed its goal to achieve **Net Zero by 2057**.

Environment material focus areas:

a. Climate Risk

By integrating Climate Risk and sustainability into its ESG strategy, the Bank ensures resilience and helps limit global temperature rise to 1.5°C above pre-industrial levels.

The Bank's initiatives focus on assessing climate change risks to business operations, integrating climate-related risks into the Risk Management Framework, and diversifying loan portfolios while promoting green infrastructure and climate-resilient practices. We aim to enhance public disclosures on climate risks and collaborate with stakeholders to develop solutions supporting low-carbon policies. Our efforts align with national low-carbon goals, investing in climate adaptation projects under India's NAPCC, and reducing GHG emissions through renewable energy, with a target of achieving Net Zero by 2057.

b. Environment Stewardship

This will encompass the Bank's initiatives and efforts made towards emission reduction of its own operations. The Bank reaffirms its commitment towards environment protection through its Code of Ethics as- "We are committed to promoting a green future through our activities, including our efforts to mitigate climate impact. We stand committed to playing our part in the transition towards a low carbon and resource efficient economy. We collaborate with our stakeholders and value chain partners to find ways to reduce our carbon footprints and encourage them to be socially and environmentally conscious."

Water conservation, waste management, and digitizing operations are key priorities, alongside initiatives like tree planting for loan disbursements. We're phasing out single-use plastics, promoting employee volunteering, and expanding paperless account openings via VCIP. Our green financial products are certified for environmental sustainability.



c. Sustainable Finance

The Bank realizes the need for and importance of funding sustainable and socially responsible projects which contribute to a more stable and resilient economy. Sustainable Finance is the cornerstone of the ESG framework of the Bank, supporting environmentally friendly initiatives, such as renewable energy projects, emission reduction projects, energy efficient buildings and sustainable agriculture. By aligning lending practices with ethical considerations, the Bank practices positive change and builds a resilient and sustainable financial ecosystem. Through this policy, the Bank aims to mainstream the credit outflow for reducing environmental and social risks. Additionally, the Bank has developed a framework for green deposits, in line with RBI guidelines, to promote sustainable finance and support the transition to a low-carbon economy.

The Bank's initiatives will focus on lending/sponsoring to green projects in renewable energy, pollution control, green buildings, biodiversity conservation, clean transportation, climate change adaptation, and sustainable water and waste management. It will also invest in social projects, such as affordable housing, employment generation, and community development, especially for marginalized groups like the elderly, EWS, SC/ST, and rural communities. Additionally, the Bank encourages the adoption of renewable energy and electric vehicles through targeted financing. As per policy, the Bank does not finance businesses producing or consuming Ozone Depleting Substances (ODS) or small/medium units manufacturing aerosol products using chlorofluorocarbons (CFCs).

5.2. Social (S):

Bank is fostering social well-being and inclusivity by promoting equitable opportunities, community development and customer-centric practices.

Societal Material Focus Areas:

a. Customer Privacy and Information Security

The Bank prioritizes customer privacy and information security to maintain trust and adhere to statutory and regulatory frameworks that mandate confidentiality. Protecting sensitive customer data, including financial and personal details, is an ethical responsibility, with robust measures in place to prevent unauthorized access, breaches, and cyberattacks. By safeguarding this data, the Bank not only meets high standards of privacy but also contributes positively to society.

The Bank's Privacy Policy applies to all visitors and customers interacting with its website or providing information for establishing a relationship. The Bank ensures that its officials will never request sensitive details like passwords, PINs, OTPs, card numbers, or CVVs. Additionally, the Customer Protection Policy limits customer liability for unauthorized electronic transactions due to negligence, fraud, or breaches, fostering trust in digital banking. The Bank also adheres to the Digital Personal Data Protection Act 2023, ensuring the protection of personal data while processing it for lawful purposes, further enhancing confidence in digital payments.



b. Promoting Digitization

Digitization can help in improved customer acquisition, customer experience, data-driven decision making, and enhance convenience of banking. Bank of Baroda has embraced technology to streamline operations and reduce costs associated with physical infrastructure and manual processes, while also reducing emissions from customer travel to branches.

To simplify banking for customers, the Bank has implemented several initiatives, including the adoption of the mobile banking app 'bob World,' deployment of the Account Aggregator (AA) framework for secure data sharing, and enhanced transaction processing through the UPI platform. The Bank also offers digital banking products and services through Digital Banking Units, improves the VCIP (Video KYC) process, facilitates fund releases under government schemes, and promotes the use of Central Bank Digital Currency (CBDC). Additionally, a Digital Lending Platform has been deployed as a one-stop solution for digital lending products.

c. Financing Social Inclusion

Being one of India's leading financial institutions, the Bank has embraced the innovative concept of social lending to transform the way individuals and communities access credit. With a strong focus on financial inclusion and empowerment, The Bank has leveraged technology to create a secure and transparent environment for both, borrowers and lenders.

The Bank undertakes several initiatives under this area, including Priority Sector Lending, which directs credit to sectors vital for economic development and uplifting marginalized communities. It also makes significant efforts to provide advances to SC/ST communities for their socio-economic empowerment. The Gold Loan portfolio offers financial solutions for customers seeking immediate funds against their gold assets. Additionally, the Bank is committed to financial inclusion, providing universal banking services to rural, semi-urban, and urban poor through branches and a BC network. Technology is leveraged to serve unbanked areas, ensuring broad access to financial services.

d. Customer Centricity

The Bank consistently strives to establish industry standards and spearhead innovations in product development, process optimization and service delivery. These endeavours are crucial in delivering seamless experiences to our valued customers.

The Bank enhances customer experience by improving digital channels and ensuring 24/7 support in multiple languages. It focuses on both quantitative and qualitative grievance redressal, with dedicated nodal officers and an Internal Ombudsman. Customers can lodge complaints through various channels, and a grievance management system tracks and resolves issues efficiently. The omni-channel approach of bob World ensures seamless service, while eco-friendly initiatives like Virtual Debit Cards promote sustainability.

e. Employee well-being and development

Employee well-being plays a vital role in the success of any organization. Recognizing the importance of a healthy and motivated workforce, the Bank carries out various initiatives to prioritize employee wellbeing.





The Bank places a strong emphasis on employee wellness through comprehensive health programs, including medical facilities, health check-ups, yoga, and counselling services. The “Baroda Anubhuti” employee engagement program fosters team bonding, collaboration, and a positive workplace environment, with mandatory community service activities every six months. The Bank also offers an “Injury while on Duty” scheme and provides a range of health and wellness activities such as yoga, health drives, group health insurance, and employee counselling. The Bank also offers Employee Assistance Programs for mental health support, helping employees and their families cope with personal challenges. For employee engagement, the Bank encourages open communication through surveys, town hall meetings, and focus groups, rewarding contributions through various recognition programs. The Bank’s Human Rights Policy and ‘Baroda Samadhan’ grievance redressal mechanism ensure that employee concerns are addressed, including sexual harassment issues. The Bank is deeply committed to Diversity, Equity, and Inclusion (DEI), reflecting its belief that business success is strengthened by a diverse and inclusive workforce. The DEI policy supports ongoing initiatives to promote these values within the organization.

5.3 Governance (G):

Bank of Baroda recognizes that strong governance is essential for building trust, ensuring accountability, and driving long-term sustainability. A strong governance and Ethics is the foundation of the successful business.

Governance Material Focus Areas:

a. Compliance Oriented Culture

Incorporating compliance management into the ESG framework ensures that our Bank’s operations are conducted responsibly and ethically, aligning with relevant laws, regulations, and industry standards, the Bank demonstrates the commitment to environmental and social stewardship while maintaining the highest standards of governance. Compliance management not only builds investor trust but also aligns the Bank’s operations with the expectations of socially responsible investors. It ensures that the Bank operates within legal, regulatory, and ethical boundaries, supporting sustainable and responsible practices.

The Bank has a Board-approved Compliance Policy, which defines the compliance philosophy, role, and structure of the compliance team. This function ensures adherence to various statutory provisions such as the Banking Regulation Act, RBI Act, Anti-Money Laundering Act, and internal policies. To further strengthen compliance, the Bank has implemented a web-based compliance management solution for certification and monitoring of regulations at all levels. The process for obtaining information from insiders as defined in the SEBI Code of Fair Disclosure is also automated.

Additionally, the Bank conducts on-site and off-site compliance checks, performs an annual Compliance Risk Assessment (CRA), and uses the CRA matrix to prepare a Risk Oriented Activity Plan to ensure timely compliance with regulatory requirements. An E-Governance portal has also been developed to collect real-time data on penalties, warnings, and other compliance-related matters, enabling the Bank to monitor and take corrective actions swiftly.

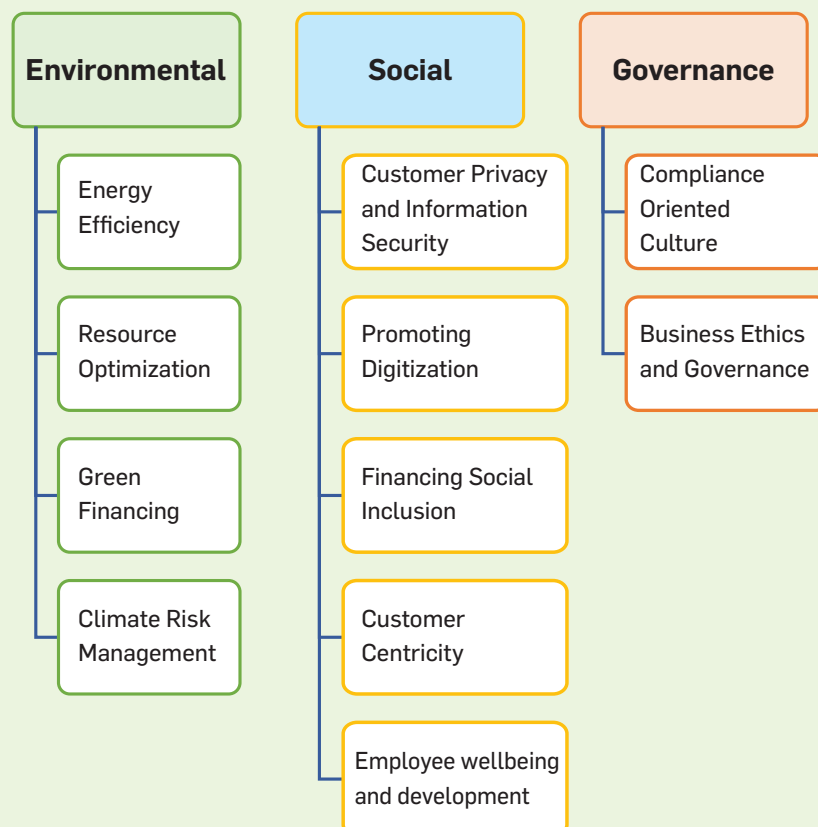


b. Business Ethics and Governance

Building a culture of ethics and transparency is linked with the fulfilment of mandates as well as strengthening relationships with stakeholders. The Bank recognizes strong corporate governance is crucial in achieving competitive advantage and maximizing profitability. The Bank is committed to adopting corporate governance practices that are recognized as the best in the industry. This is reflected through its core values of Integrity, Courage, Innovation, Passionate ownership, Excellence, Customer centricity and Respect.

Ethics serves as the cornerstone of the Bank's comprehensive ESG framework, embodying unwavering dedication to upholding the highest standards of integrity and responsibility. The Bank's commitment to ethics extends from transparent financial practices to fair treatment of employees, clients, customers and partners. By adhering to the Code of Ethics that encompasses integrity, accountability, and respect, long-term trust and confidence of stakeholders is ensured. The Bank has established a Corporate Ethics Department and an Apex Level Ethics Committee, which focus on developing and implementing the Code of Ethics, conducting ongoing education and awareness programs, and devising metrics to measure ethical behaviour. These efforts ensure long-term trust and confidence among stakeholders.

In addition to ethical conduct, the Bank prioritizes internal controls, the protection of sensitive data, and open communication to foster transparency and accountability. A robust Board of Directors oversees strategic decisions and risk management, ensuring diversity and expertise in leadership. The Bank also maintains a well-established Grievance Redressal Mechanism (GRM), providing employees and customers with multiple channels to raise concerns, seek resolutions, and ensure transparency throughout the process.



6. ESG Metrics and Targets:

ESG metrics are performance indicators related to sustainability and responsible practices, offering insights into environmental impact, social responsibility, and internal governance. These metrics help the bank manage risks and build a positive market reputation.

This framework includes guiding principles for identifying, assessing, documenting, and measuring ESG commitments. The performance and reporting on ESG metrics can also help to improve the ESG rating/score of the Bank and facilitate smooth industry collaborations.

Some ESG reporting metrics and targets include:

Sr. No.	Target	Short Term	Medium Term	Long Term	PRB/SDG
	Timeline	2027	2029	2034	
Environment					
1	Reduction in Scope 1 and Scope 2 emissions from base year of 2024	20%	40%	75%	PRB - Impact and target setting SDG 13 - Climate Action
2	Achieving Net Zero			2057	PRB - Impact and target setting SDG 13 - Climate Action
3	Finance to Renewable Energy Sector as a percentage of Total Energy Sector	40%	50%	-	PRB - Impact and target setting SDG 7- Affordable and Clean Energy
4	Climate Risk Assessment for all accounts having Exposure of Rs 50 crs and above	100%	100%	-	PRB- Impact and target setting SDG 12- Responsible consumption and production
Social					
1	Employee training and capacity building on ESG and Climate Risk	100%	-	-	PRB- Stakeholders SDG 4- Quality Education



Governance					
1	Training to the Board and senior management on the Ethical use of AI, Cybersecurity, Data Privacy and on Ethics, Code of Conduct to establish a culture across the organization	100%	-	-	PRB - Governance & Culture
2	Participation/Membership in ESG and Climate Risk related initiatives and alliances	2	5	-	PRB - Governance & Culture

The metrics and targets shall be reviewed annually to incorporate evolving stakeholder demands & regulatory requirements.

7. ESG Disclosure and Reporting:

- Annual Sustainability Report the Bank discloses its ESG performance in the Annual Sustainability Report, following global standards like GRI and RBI frameworks.
- The BRSR report provides insights into the Bank's financial and non-financial performance, aligning with national and global ESG guidelines.
- This transparency highlights the Bank's commitment to responsible, sustainable banking practices.





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