



Policy on Climate Change

Summary of Version History

Policy Owner	Chief People Officer
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Table of Contents

S.No.	Particulars	Page No.
1.1	Preamble	03
1.2	Objective and Scope of the Policy	04
	Climate Change Management Framework	05
1.3	1.3.1 Governance Framework 1.3.2 Strategy 1.3.3 Risk Management 1.3.4 Metrics	05 - 07
1.4	Reporting and Disclosure	07
1.5	Review and Policy Updates	07

1.1 Preamble

Established in 1988, PNB Housing Finance Limited (PNBHFL) was incorporated under the Companies Act 1956 and is promoted by Punjab National Bank (PNB). PNBHFL is listed on National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) and is specialized in housing finance.

In our pursuit to generate enduring value for our customers, investors, shareholders, and employees, PNBHFL is undertaking comprehensive efforts to build capability around climate change related risks and its management through regular review on evolving regulations.

The company believes that in-depth understanding of climate change and its ramifications is crucial for developing business resilience and continue delivering long-term value to stakeholders.

Introduction and Context Setting

The Securities and Exchange Board of India (SEBI) has mandated **Business Responsibility and Sustainability Reporting (BRSR)** for the top 1,000 listed companies by market capitalization, requiring detailed ESG disclosures through BRSR, to promote sustainability and responsible business practices. PNBHFL provides annual disclosures under SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework, in alignment with SEBI's BRSR requirements. PNB Housing finance Limited also has an ESG policy that explicitly addresses climate-related risks in brief and outlines the role of the Risk Management Department (RMD) in managing these risks.

The Reserve Bank of India (RBI) has issued draft guidelines on climate-related financial risk disclosure in 2024. This disclosure framework expects regulated entities (REs), including housing finance companies, to disclose information on four key pillars: governance, strategy, risk management, and metrics and targets related to climate change.

The draft guidelines emphasize a phased approach for adoption, with full disclosures required for governance, strategy, and risk management starting FY 2025-26 and metrics and targets from FY 2027-28 onward for most institutions. The policy approach underlines integrating climate risk management into organizational policies, aligning with national and international climate goals, and enhancing transparency and accountability in the financial sector. **The draft guideline is yet to be construed as a master direction/circular by the RBI.**

In line with the Reserve Bank of India's (RBI) **Draft** Climate Disclosure Framework, 2024, PNB Housing Finance Limited ("the Company") hereby formulates this **Standalone Policy** on Climate Change ("Policy"). This Policy ensures alignment with upcoming regulatory expectations and supports responsible business decisions.

1.2 Objective and Scope of the Policy

Scope and Applicability

This Policy applies to all business units and employees of the company. Climate risk assessment at the granular level including individual housing loans, retail, LAP, individual plot + housing loan is highly complex and resource-intensive, with limited data availability and high variability in local conditions. The financial impact of climate risk shall be material for retail loans at a cluster level (geography, builder developed properties etc) and for few large exposures of corporate finance book. The financial impact shall be measured in the form of additional charge on the capital and/or through the pricing mechanism. In this regard, the company shall adhere to regulatory guidelines as and when same gets published. This policy is a preliminary document and shall evolve as the draft guidelines become mandatory via circulars/directions. Till that date, we shall be following up/working upon the draft guidelines as part of our self-capability building.

Policy Objectives

The Company shall:

1. Assess, manage and disclose climate-related risks and their mitigation—both physical and transition— as the draft guidelines from RBI gets ratified and from time to time.
2. Follow all applicable regulatory directions and frameworks issued by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) on ESG.
3. Update internal policies and procedures from time to time to reflect evolving regulatory expectations and industry best practices.
4. Disclose climate-related risks and related aspects in accordance with regulatory updates from statutory authorities from time to time.
5. Promote awareness and capacity-building among employees especially risk professionals within the company and stakeholders to strengthen climate literacy.
6. Align with RBI's evolving RB-CRIS framework on capital adequacy and scenario analysis from time to time.
7. Enhance transparency through annual disclosure of climate metrics including GHG emissions – Scope 1, Scope 2 and Scope 3 as applicable.
8. Leverage the expertise of third-party climate and ESG specialists to strengthen its climate risk assessment and management practices.

1.3 Climate Change Management Framework

Position Statement on Climate change: We acknowledge the significant risks posed by the climate change, including increased frequency of severe weather events, temperature extremes, seasonal variabilities, adverse impacts on human health, potential disruption of assets and other physical and transition risks.

1.3.1 Governance Framework

Board Oversight

The Board of Directors holds the ultimate responsibility for climate change related risk oversight. The Board shall:

- Oversee the integration of climate risk responsibilities into an existing Risk framework.
- Review and approve the Policy on Climate Change and its related strategies.
- Ensure that the Company's climate-related disclosures fully comply with RBI guidelines once they are finalized.

Management Responsibility

Executive Risk Management Committee (that is the ERM) shall be accountable for implementation of this Policy. The CRO and CPO shall have joint oversight on the climate risk assessment and reporting process. RMD team and ESG team shall be jointly responsible for identifying, mitigating and monitoring Climate related risks including the following -

- Lead the climate risk management function.
- Integrate climate considerations into risk frameworks and business strategy.
- Coordinate with business units to operationalize climate risk assessments and reporting.
- Represent the Company in RBI climate risk forums and data submissions as per RB-CRIS.

The Core ESG team shall provide necessary capability building and support to the risk team on quantification of the climate related risks, models/templates as prescribed/required by the regulator or in line with the industry best practices.

1.3.2 Strategy

With the growing awareness of risks posed by climate change and the accelerated mandates from RBI, we are positioning ourselves to prioritise our attention on climate risk management through a structured framework and adequate internal control measures.

However, unlike the other risk categories, climate risk poses several unique challenges and limitations. Some of these are:

- Inadequate availability of climate hazard data sets.
- Non – availability of off the shelf models having a prolonged climate scenario building measure.
- Limited understanding of risk transmission channels to credit, operational risks etc.
- Translation and Transformation of climate risk into quantitative financial impact i.e capital charge, spread, cost etc.

Physical and Transition Risks that climate change might present, shall be identified in accordance with RBI guidelines. Recognizing the uncertainty associated with the impact of climate change, suitable scenario analysis exercise for assessment of forward-looking climate change risks shall be undertaken in accordance with RB_CRIS platform as the RB_CRIS platform is rolled out by RBI and mitigation strategies would be worked out for orderly climate transition aligned with the timelines suggested by RBI regulations.

The Company shall systematically identify climate-related risks arising from:

- **Physical Risks:** Direct damages and disruptions from climate events (floods, heatwaves).
- **Transition Risks:** Financial impacts from shifts to a low-carbon economy including regulatory changes, potential introduction of carbon pricing, market shifts, carbon tax, and technology transitions.

1.3.3 Risk Management

Climate Risk identification processes include:

- Use of climate data, scenario analysis to assess portfolio vulnerabilities using RB-CRIS and other reputable data sources such as Shared Socio-Economic Pathways (SSPs)/ Network of greening the financial system (NGFS).

Implementation and Climate Risk Management Approach

The Company will adopt a comprehensive risk management approach comprising the following elements:

- **Risk Mitigation through portfolio diversification:** Adjust lending and investment policies to modify exposure to climate vulnerable areas.
- **Capacity Building:** Regularly train employees on climate risk trends, regulatory requirements, and risk management practices.
- **Climate Scenario Analysis:** In line with RBI guidelines, the Company shall conduct forward-looking climate scenario analyses to:
 - Evaluate potential financial impacts of different climate pathways.
 - Inform strategic planning, capital allocation, and risk appetite calibration.

- Identify vulnerabilities and refine risk mitigation plans.

Scenarios assessed will include various local warming trajectories, regulatory transition pathways, and physical climate event projections.

1.3.4 Metrics

- **Climate Metrics:** The company shall monitor and report climate-related metrics such as GHG emissions as the part of the larger sustainability journey.

1.4 Reporting and Disclosure

The Company will maintain transparency through:

- Report and Disclose on ESG aspect as per the SEBI BRSR requirements annually.
- The Company will adopt RBI's draft phased disclosures timeline for governance, strategy, and risk management disclosures, metrics and targets. Disclosure shall be done in alignment with RB-CRIS repository formats and timelines as the guidelines are ratified.
- Regular internal reporting to the Board and senior management.
- Updating risk management frameworks and policies periodically based on evolving regulatory guidance, scientific evidence, and market practices.

Data Governance and Use of RB-CRIS

As and when available, the company shall be utilizing the Reserve Bank–Climate Risk Information System (RB-CRIS), to:

- Access standardized high-quality climate data for risk assessment.
- Use RB-CRIS tools for scenario analysis and stress testing.

1.5 Review and Policy Updates

This Policy will be reviewed at least annually.