



Overview of Environmental Risk Management Policy of Indian Overseas Bank Singapore

Introduction

Climate change is increasingly being recognized globally as a source of financial risk for banks. The uncertainty about timing and severity of climate related and environmental risk certainly threatens the safety, soundness and resilience of companies and ultimately the stability of overall financial system. In order to manage environmental and climate risks, Indian Overseas Bank Singapore (IOB Singapore or the Bank) has developed the Environmental Risk Management Policy (ERMP) to ensure effective management and disclosure of climate-related risks and opportunities.

Strategy

The Bank ensures that it responds to climate change in a holistic manner, thus creating stakeholder value through innovative services. The Bank's environment risk management strategy currently focuses on:

- Integrating environmental risk parameters into lending decisions
- Environmental risk assessment of high value borrowers
- Proactive risk mitigation by engaging customers that pose high environmental risk and encourage the customers to improve its environmental risk profile and transition towards sustainable business practices over time
- Measuring environmental risk exposure from credit portfolio

IOB Singapore is fully committed towards unlocking innovative financial mechanisms for achieving its internal and Monetary Authority of Singapore (MAS) required targets of combating environmental risk. The strategy shall be reviewed and updated in line with emerging evidence and evolving practices.

Risk Management

The Bank's risk management framework includes coverage of environmental and climate risks. The Bank's ERMP recapitulates its commitments mainstreaming environmental considerations as integral dimensions of business. It enables the Bank to develop processes to recognize, evaluate and monitor environmental impact of its banking operations.

As a financial institution, IOB Singapore is exposed to material environment related risks through its borrowers, customers and counterparties. Environmental risk is identified from the business that the Bank conducts of which the main source of risk is trade finance, loans and advances and bills.



Under its ERMP, the Bank shall require its customers to have a sound environmental risk profile and transition towards sustainable business practices over time to maintain the Bank's risk management standards. The Bank shall also require customers to provide relevant corporate environment related disclosures (to the extent appropriate and applicable), to foster greater awareness of environmental risk and engender responsible behavior.

Metric and Targets

The ERMP was developed to refine IOB Singapore understanding of the sectors and customers that are most sensitive to climate risk. IOB Singapore has also established metrics and targets to assess and manage climate-related risks and opportunities. These metrics and targets would be reviewed and updated in line with emerging evidence and evolving practices.

Moving Forward

Moving forward, the Bank will continue to identify, track, and report climate-related metrics that will enable the Board and Management to more effectively assess the impact of climate-related risks to IOB Singapore's operations, strategy, and targets. In line with the TCFD Recommendations, these disclosures will be subject to materiality. These metrics shall be utilized to assess the impact of these risks over the short-term, medium-term, and long-term horizons and potentially impact future climate-related targets. IOB Singapore will continue to expand partnerships that promote dialogue and collaboration among Singapore banks, MAS and other stakeholders. As IOB Singapore continues to implement the TCFD Recommendations, it aims to increase reporting and transparency on climate-related risk issues in future reports through metrics and progress toward targets. IOB Singapore will continue to monitor upcoming changes, if any, to the TCFD Recommendations to enhance the reporting process.