

Managing Climate-related Risks and Opportunities

The Bank continues to focus on strengthening its risk-management capabilities and has in place a Comprehensive Risk Management Framework. The Bank has been leveraging advanced analytics and frameworks and is continually refining its risk measurement systems including automation of processes, to drive risk management.

The Board of the Bank is the apex governance body on all matters of risk management, driven by an independent Risk function led by the Chief Risk Officer. The Risk Governance structure of the Bank can be accessed on page 103 – Risk Governance, in its Annual Report 2020-21.

The Bank takes a precautionary approach to the impact of our organisational activities wherever applicable.

Integrating Climate Risk into Risk Architecture

The Bank's overall risk appetite and philosophy is codified in its Risk Appetite framework that also serves as a guidance for the Bank on the desired levels of risk across various kinds of risk in the long term, helping steer critical portfolio decisions. In addition, the Internal Capital Adequacy Assessment Process (ICAAP) assesses all the significant risks associated with various businesses.

As a part of Axis Bank's organisation-wide ESG Strategy and Action plan that it initiated during the year, we are working to design and implement structures and processes to help manage and govern climate risks across the bank, as well as enhance disclosure to ensure transparency for clients, shareholders and regulators. Led by the Risk Department and overseen directly by the Chief Risk Officer, the multi-

year action plan envisages putting in place ESG risk-related governance structures to integrating it into transactional and portfolio-level decision making.

During the reporting year, as the first priority, the Bank initiated the exercise to begin integrating pertinent climate and other ESG-related risks into its ICAAP document. Currently, the exercise includes disclosures on pertinent environmental and social risks within the document and linking it with the Bank's business and non-business practices that are aligned to positive environmental and social outcomes.

The Bank is also working its focusing on strengthening its governance layers in line with best practices as well as IFC guidelines.

Over the next two reporting years, the Bank shall be working towards achieving the priorities it has set for itself, including, but not limited to, building and deploying appropriate risk assessment toolkits that also cover ESG stress testing and scenario analysis, building a climate risk dashboard, embedding ESG into its credit discussions and decision, and continual improvement of its overall risk frameworks.

Across the organisation, the Bank has also focused on integrating ESG imperatives into its key policies and governance systems such as in human capital management, business operations, relevant products and services, enhanced transparency and disclosures, and thought leadership and advocacy.

We are aware of the opportunities presented by positive climate action and alignment with the global sustainable development agenda, and are committed to steering our business and non-business activities on an ESG-aligned pathway. With the guidance and oversight of the ESG Committee of the Board, we are actively crystalising our commitments that shall be announced in FY 2021-22.