

# CLIMATE CHANGE AND FINANCE **IN INDIA:**

BANKING ON THE LOW CARBON INDIAN ECONOMY



THE °CLIMATE GROUP

Indian Banks' Association



PRICEWATERHOUSECOOPERS 

# CLIMATE CHANGE AND FINANCE **IN INDIA:**

BANKING ON THE LOW CARBON INDIAN ECONOMY

---

This report was commissioned by:

**THE CLIMATE GROUP**



**Indian Banks' Association**

Knowledge partner:

**PRICEWATERHOUSECOOPERS** 

# TABLE OF CONTENTS

© The Climate Group  
First published in 2010 by The Climate Group

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means without prior permission of The Climate Group. All content owned by their respective copyright owners.

Report commissioned by:  
Indian Banks' Association  
The Climate Group

Knowledge partner:  
PricewaterhouseCoopers

For further information on the report, contact:

New Delhi Office:  
The Climate Group  
c/o Incube Business Centre  
Level 3, Room No. 301  
18, Nehru Place  
New Delhi 110 019, India

Contact: Aditi Dass  
ADass@theclimategroup.org  
T: +91 (0)11 3061 4613

Mumbai Office:  
Contact: Urvashi Devidayal  
UDevidayal@theclimategroup.org  
T: +91 (0)98 2150 7256

[WWW.THECLIMATEGROUP.ORG](http://WWW.THECLIMATEGROUP.ORG)

Report designed by:  
PIXELS & PULP | [PIXELSANDPULP.COM](http://PIXELSANDPULP.COM)

FOREWORD	3
EXECUTIVE SUMMARY	4
BACKGROUND	6
SECTION ONE: CLIMATE CHANGE AND INDIA'S RESPONSE	7
1.1 CLIMATE CHANGE - THE SCIENCE	7
1.2 CLIMATE CHANGE - THE INTERNATIONAL POLICY RESPONSE	7
1.3 CLIMATE CHANGE - INDIA'S RESPONSE	8
SECTION TWO: BANKING SECTOR RESPONSE TO CLIMATE CHANGE	9
2.1 BANKING RESPONSE TO CLIMATE CHANGE IN INDIA	9
2.2 COMMITMENT AND SENIOR LEADERSHIP CHANGE IN INDIA	10
2.3 MANAGEMENT	11
2.4 MANAGING CARBON EMISSIONS	12
2.5 EXTERNAL REPORTING	12
2.6 INTERNAL COMMUNICATIONS AND EMPLOYEE ENGAGEMENT	12
2.7 ENABLERS FOR CLIMATE CHANGE ACTIVITIES	13
2.8 PERCEIVED BARRIERS TO CLIMATE CHANGE ACTIVITIES	13
2.9 INNOVATION AND ACTION	14
SECTION THREE: CONCLUSIONS AND OPPORTUNITIES FOR FURTHER ACTION	17
3.1 MANAGING OPERATIONAL EMISSIONS	18
3.2 INTEGRATING CLIMATE CHANGE ISSUES AND BUSINESS ACTIVITIES	18
3.3 BROADER ENGAGEMENT WITH STAKEHOLDERS	19
APPENDICES	20
APPENDIX 1: GLOBAL FRAMEWORKS AND SUPPORT ON CLIMATE CHANGE FOR THE FINANCE SECTOR	20
APPENDIX 2: QUESTIONNAIRE ON CLIMATE CHANGE ACTIVITIES IN THE INDIAN BANKING SECTOR	21
APPENDIX 3: FURTHER RESOURCES	28
ACKNOWLEDGMENTS	30

# FOREWORD

Moving to a prosperous low carbon economy can drive innovation, increase productivity and generate new well-paid jobs. However, to achieve this, significant new investment will need to be found and, though government can provide the necessary incentives, it will be the private sector that will provide the bulk of this investment.

Climate change is a significant issue for India. But while the effects of climate change are increasingly a risk to the health, economy and the environment of the country, economists are also recognizing that there are financial rewards from controlling climate change and developing a low carbon economy.

Banks can provide important leadership for the required economic transformation that will provide new opportunities for financing and investment policies as well as portfolio management for the creation of a strong and successful low carbon economy.

In this report we examine how banks can be catalysts for change. We discuss how banks are providing commitment and leadership in creating a low carbon economy and also the challenges to investment.



Steve Howard  
CEO  
The Climate Group



Suresh Prabhu  
Former Union Minister and Promoter Director  
The Climate Group, India

# EXECUTIVE SUMMARY

## INDIAN BANKS: INVESTING IN A LOW CARBON ECONOMY

Economists are clear that substantial funding from the private sector is needed to achieve the level of investment required to control the effects of climate change. The World Bank estimates that the cost of mitigation in developing countries alone ranges from US\$140 billion to US\$175 billion annually until 2030.

Although this is a great challenge, Indian banks are now in a strong position for the leveraging and channelling of this investment and to use the opportunity this provides as the low carbon economy develops. The National Action Plan on climate change has led to opportunities for the financial sector and there have been proactive initiatives across the spectrum of public, private and foreign banks in India.

## ACHIEVING A LOW CARBON ECONOMY

In January 2009, a roundtable discussion for CEOs of financial institutions, convened by The Climate Group, concluded that there was an imminent need for engagement with the Indian Banks' Association (IBA) and a larger cross section of banks to raise awareness on climate change. This report emerged from a meeting in late 2009, when The Climate Group initiated dialogue with the banks operating in India to discuss the most effective ways to tackle climate change.

The Climate Group and the IBA agreed to produce a report outlining best practice in the finance industry in India and recommend action that banks can take to accelerate a low carbon economy. Working with PricewaterhouseCoopers, a survey was carried out to gather this information.

Amongst the report's most important conclusions are:

### 1. A SMALL NUMBER OF BANKS ARE INITIATING CHANGE

There is a small group of banks in India that are leading the sector in tackling climate change and that recognize the commercial advantage this will provide. Energy efficiency is one key focus, with an estimated market worth more than US\$15 billion by 2015.

### 2. TAKING ADVANTAGE OF POLICY

The action being taken by banks is no longer limited to reducing operational emissions – it is focused on taking advantage of domestic and international climate change policy and frameworks, such as the Clean Development Mechanism (CDM) and India's National Action Plan on climate change, to open new markets.

### 3. SUCCESS MEANS TACKLING CLIMATE CHANGE

Four banks rated climate change as 'very important' and in the 'Top Ten Priorities Critical to Success'. However, public sector banks are less involved in voluntary initiatives and appear to be postponing action until regulation is in place.

### 4. LEADERSHIP ROLE

Seven of the eight banks believe that commercial lending banks in India can play a leadership role in the business community in addressing the challenges of climate change.

In the majority of the banks, the climate change agenda is driven by top management. Banks that demonstrate a high level of senior support for addressing climate change also demonstrate a high level of activity around initiatives that address the issue. Six of the eight participating banks highlighted that climate change will significantly impact the way they conduct business. This includes taking advantage of the opportunities but also ensuring financial returns are not impacted by climate change. Banks indicate that integrating sustainable development into the organization's policies and management approach improves morale of employees and provides a strong and confident long-term relationship with stakeholders.

### 5. FINANCIAL INCENTIVES

All participating banks highlight their concern for the environment as being the key driver of the climate change agenda within their respective organizations and that the cost of introducing new processes and products was a barrier to change.

Banks are increasingly aware of the opportunities that are available to stimulate investment—such as through low carbon funds. However, the correct financial incentives are essential to make this a reality and the banks need to proactively engage with the Government in India to ensure that the right incentives are in place.

In addition, there is more that individual banks can do to develop the products and services that clients and consumers need to transition to a low carbon economy. Customers are increasingly demanding such products.

This report is intended as a resource for illustrating the existing scope of climate change activities by banks. We also hope that it provides an opportunity for interested banks to understand avenues for greater involvement. We hope that banks will continue to show engagement—from the boardrooms to the branches of India's impressive financial system—in developing a low carbon, prosperous future.

**BANKS PLAY AN INDISPENSABLE ROLE IN MOBILIZING FINANCIAL RESOURCES ACROSS THE ECONOMY—IN PARTICULAR, PROVIDING CAPITAL FOR LARGE-SCALE INFRASTRUCTURE AND LOW CARBON TECHNOLOGY DEPLOYMENT.**





# BACKGROUND

To understand how banks in India are responding to climate change, the Indian Banks' Association (IBA) and The Climate Group (TCG) commissioned PricewaterhouseCoopers (PwC) to carry out a survey of the leading institutions and provide an overview of the main advances. The report is organized into three main sections:

**SECTION ONE** provides some background on climate change, how India is responding and what this means for the banking sector;

**SECTION TWO** outlines the global response from the banking sector and then presents the findings from surveying the banking sector in India;

**SECTION THREE** provides some conclusions from the survey and recommendations for the banking sector in India to accelerate the growth of the low carbon economy.

## SECTION ONE

# CLIMATE CHANGE AND INDIA'S RESPONSE

### 1.1

#### CLIMATE CHANGE - THE SCIENCE

An overwhelming body of scientific evidence now clearly indicates that climate change is a serious and urgent issue and that the earth's climate is rapidly changing, predominantly as a result of increases in greenhouse gases caused by human activities. Climate change is already evident from observations of increases in global average temperature, sea level rise, precipitation changes, and extreme weather events.

### 1.2

#### CLIMATE CHANGE - THE INTERNATIONAL POLICY RESPONSE

Since the early 1990s, there have been international efforts to gain consensus on how to tackle climate change. Central to this is the United Nations Framework Convention on Climate Change (UNFCCC), which produced the Kyoto Protocol in 1997. As a non-Annex 1 party to the UNFCCC and the Protocol, India is under no legal obligation to curtail its greenhouse gas (GHG) emissions, but India has announced a voluntary plan to reduce carbon emission intensity by 20-25% by 2020. India is keen to be part of the solution and is actively involved in discussions that will lead to a 'post Kyoto' regime that tackles the problem.

Whilst the most recent UNFCCC negotiations, the Conference of Parties (CoP) 15 at Copenhagen, did not deliver any legally binding commitments, the Accord it produced has led to all major countries publishing plans—voluntary in the case of developing countries—on how they will slow or cut their emissions over the coming decades. One of the summit's other major successes was the financial pledges made (US\$30 billion over the three years to 2012, and US\$100 billion a year by 2020). These are intended to support developing countries' mitigation and adaptation plans, along with enhanced technology development and deployment, REDD and capacity building. India is certain to be a major recipient of some of these funds but will need to ensure it has the necessary frameworks in place to take best advantage of them.

**THE GLOBAL AVERAGE SURFACE TEMPERATURE HAS INCREASED BY MORE THAN 0.7°C OVER THE LAST CENTURY AND WILL CONTINUE TO RISE. CURRENT PROJECTIONS OF GLOBAL AVERAGE TEMPERATURE CHANGE ARE IN THE ORDER OF 0.2°C PER DECADE (FROM 1990 TO 2050) OR BETWEEN 1.1°C AND 6.4°C WITHIN A CENTURY (2090 – 2099 RELATIVE TO 1980 – 1999).<sup>1</sup>**

<sup>1</sup> [http://www.ipcc.ch/publications\\_and\\_data/publications\\_and\\_data\\_reports.htm](http://www.ipcc.ch/publications_and_data/publications_and_data_reports.htm)

## INDIA'S NATIONAL ACTION PLAN ON CLIMATE CHANGE ESSENTIALLY PROPOSES EIGHT NATIONAL MISSIONS, NAMELY, SOLAR; ENHANCED ENERGY EFFICIENCY; SUSTAINABLE HABITAT; WATER; SUSTAINING THE HIMALAYAN ECOSYSTEM; GREEN INDIA; SUSTAINABLE AGRICULTURE; AND STRATEGIC KNOWLEDGE FOR CLIMATE CHANGE.

### 1.3

#### CLIMATE CHANGE - INDIA'S RESPONSE

India is a signatory to both the UNFCCC and the Kyoto Protocol. The latter's Clean Development Mechanism (CDM) has provided India with a significant opportunity for reducing carbon emissions at a relatively low price through renewable energy projects and energy efficiency projects, among others. This provides India with the ability to make money through creating and trading carbon credits through regulated carbon emission trading schemes. The CDM allows developed countries to invest in emission reductions where it is cheapest globally. From its inception in 2001 and up to 2012, the CDM is expected to produce 1.5 billion tonnes of carbon dioxide equivalent emission reductions.

India has also developed a National Action Plan on Climate Change which outlines a number of steps to simultaneously advance India's development and climate change adaptation and mitigation objectives. Finance is a key element of the National Action Plan on Climate Change, outlined in the plan's National Missions.

For example:

#### NATIONAL MISSION ON ENHANCED ENERGY EFFICIENCY

The proposed National Mission on Enhanced Energy Efficiency (NMEEE) focuses on the creation of mechanisms that will support financing of demand side energy management programs through capturing the financial benefits of future energy savings.

The Partial Risk Guarantee Fund has been developed to provide commercial banks with partial coverage of risk exposure against loans made for energy efficiency projects. The fund will charge a small fee on all projects seeking the risk guarantee.

India has set voluntary targets to reduce carbon emissions intensity by 20-25% by 2020. The targets are supported by legislation that will require mandatory fuel efficiency norms for all vehicles, introduces green building codes and provides an amendment to the Energy Conservation Act to make it necessary for an initial group of 714 energy intensive businesses to take part in a scheme to cap energy usage and subsequently trade energy efficiency certificates.<sup>2</sup>

<sup>2</sup> <http://www.business-standard.com/india/news/targets-for-industry-to-improve-energy-efficiency-this-year/390958/>

## SECTION TWO

# BANKING SECTOR RESPONSE TO CLIMATE CHANGE

Banks play an indispensable role in mobilizing financial resources across the economy—in particular, providing capital for large-scale infrastructure and low carbon technology deployment.

To date, climate change impacts have only influenced financial decisions at the margins, if at all. The following are just a few international examples of this (see the Appendices for further details about the initiatives mentioned below):

1. Six financial organizations representing total assets of over US\$5.5 trillion have adopted the Climate Principles, a leadership initiative coordinated by TCG. Every organization that adopts the Climate Principles is actively managing climate change across the full range of financial products and services, including: research; asset management; retail banking; insurance and re-insurance; corporate banking; investment banking and markets; and project finance;
2. More than 180 financial institutions support the United Nations Environment Program Finance Initiative (UNEP FI), the oldest and largest partnership between the United Nations and the banking, insurance and investment worlds;
3. The pace of global clean energy investment jumped from US\$60 billion a year in 2006 to US\$150 billion by 2007 and, despite the financial crisis, hit the same level in 2008;

4. Banks controlling more than 80% of global project finance volume have adopted the Equator Principles; and,
5. The world's largest institutional investors, managing assets of US\$18 trillion, have signed the Principles for Responsible Investment.

### 2.1

#### BANKING RESPONSE TO CLIMATE CHANGE IN INDIA

The IBA and TCG wanted to understand more about how banks in India are responding to climate change. The survey carried out for this report focused on five key themes:

#### 1. COMMITMENT AND LEADERSHIP

How committed is the bank and how is this demonstrated?

#### 2. MANAGEMENT

What is the level of management participation around climate change issues and how is the bank tackling its own impact?

#### 3. ENABLERS

What does the bank perceive are the key enablers for pushing the climate change agenda?

#### 4. PERCEIVED BARRIERS

What does the bank perceive are the key inhibitors and barriers which hinder the climate change agenda?

#### 5. INNOVATION AND ACTION

How are banks acting to tackle climate change issues through their core business activities, products and services?

## 2.2

### COMMITMENT AND SENIOR LEADERSHIP CHANGE IN INDIA

Survey Questions: 1.5, 2.1, 2.2

#### PROTOCOLS AND FRAMEWORKS

##### Banks participating in:

Carbon Disclosure Project	5
UNEP FI	2
UN Global Compact	2
Equator Principles	2
Climate Principles	1

- Four banks rated climate change as 'very important' and in the 'Top Ten Priorities Critical to Success'.
- Seven of the eight banks believe that commercial lending banks in India can play a leadership role in the business community in addressing the challenges of climate change.
- In the majority of the banks, the climate change agenda is driven by top management.
- Banks that demonstrate a high level of senior support for addressing climate change also demonstrate a high level of activity around initiatives that address the issue.
- All private sector and international banks are involved in climate change activities through formal partnerships or relationships with external partners at a regional, national or international level.

#### CASE STUDY for 2.2

##### ICICI Bank

ICICI Bank recognizes that care of the environment and the larger society in which it operates is essential both from a business continuity as well as a corporate citizenship perspective.

- Private sector and international banks exhibited strong awareness of the prevalent global frameworks supporting climate change action. Five of the eight responding banks have participated in the Carbon Disclosure Project.
- Public sector banks are less involved in voluntary initiatives and appear to be postponing action until regulation is in place.
- Participating banks have highlighted that they are beginning to form partnerships with government agencies as well as industry associations to effectively discuss and act on climate issues.
- The Reserve Bank of India has issued a notification on corporate social responsibility for banks with reference to the role of banks in sustainable development and non-financial reporting. This highlights that the climate change agenda is being increasingly mainstreamed for the banking sector.
- Six of the eight participating banks highlighted that climate change will significantly impact on the way they conduct business. This includes taking advantage of the opportunities and also ensuring financial returns are not impacted by climate change.

**INDIA ANNOUNCED A VOLUNTARY PLAN TO REDUCE CARBON EMISSION INTENSITY BY 20-25% BY 2020.**

#### CASE STUDY for 2.3

##### IndusInd Bank launches solar-powered ATMs

IndusInd Bank inaugurated Mumbai's first solar-powered ATM as part of its Green Office Project campaign 'Hum aur Hariyali'. It also unveiled a 'Green Office Manual - A Guide to Sustainable Practices', prepared in association with the Centre for Environmental Research and Education (CERE). IndusInd's new Solar ATM replaces the use of conventional energy for eight hours per day with eco-friendly and renewable solar energy. The energy saved will be 1980 kW hrs every year and will be

accompanied by a simultaneous reduction in CO<sub>2</sub> emissions by 1942 kgs. The uniqueness of this solar ATM is the ability to store and transmit power on demand (in case of power failure) or need (time basis). In terms of costs, the savings will be substantial, approximately Rs. 20,000 per year in case of a commercial user with grid power supply. And in areas with erratic power supply the solar will replace diesel generators and translate into savings as high as Rs. 40,200 every year.<sup>3</sup>

##### State Bank of India's Green Banking Policy

The State Bank of India (SBI), as part of its Green Banking Policy, will set up windmills to generate 15 MW of power in Tamil Nadu, Maharashtra and Gujarat for its own consumption. The SBI chairman inaugurated the windmills set up at Panapatti village in Tamil Nadu's Coimbatore district on April 23, 2010.

The mill in Tamil Nadu will generate 4.5 MW of power, while the Maharashtra mill will have a capacity of 9 MW and Gujarat 1.5 MW. SBI was the first Bank in the country to think of generating green power as a direct substitute to polluting thermal power and implement the renewable energy project for captive use.<sup>4</sup>

##### Citi's Equator Principles

The Equator Principles serve as a backbone for Citi's broader Environmental and Social Risk Management (ESRM) Policy, which extends beyond project finance. Citi was a leader in the development of the Equator Principles in 2003. Citi's ESRM policy

was developed in 2003 and has been regularly updated to reflect implementation experience.

## 2.3

### MANAGEMENT

Survey Questions: 1.1, 1.2, 1.3, 1.4, 1.6, 3.1, 3.2, 3.3, 3.4, 4.1, 5.1, 6.1

#### POLICIES AND PROGRAMS

- The majority of banks have formal written statements describing the purposes and objectives of the organization's commitment to climate change. These statements usually form part of the annual report of the bank.
- Several banks are putting in place policies to reduce the footprint of their electrical energy consumption by implementing energy efficiency measures such as smart lighting and replacement of inefficient appliances. Additionally, they have expressed interest in procuring energy from cleaner sources if available.
- The majority of banks have specific policies in place to consider the environmental issues associated with energy use, purchasing, transport, recycling and waste minimization.

<sup>3</sup> [http://www.indusind.com/downloads/Solar\\_atm\\_Launch.pdf](http://www.indusind.com/downloads/Solar_atm_Launch.pdf)

<sup>4</sup> [http://www.dnaindia.com/money/report\\_state-bank-of-india-to-set-up-windmills\\_1373122](http://www.dnaindia.com/money/report_state-bank-of-india-to-set-up-windmills_1373122)

## 2.4

## MANAGING CARBON EMISSIONS

1. The majority of the participating banks have already initiated measures to calculate energy consumption and carbon footprints.
2. External energy audits are now the norm as opposed to the exception. The findings from such audits have enabled banks to make cost savings due to reduction in the consumption of energy.
3. All of the banks indicated that the issue of climate change and sustainability was important to the organization.

## CASE STUDY for 2.4

## Union Bank of India's Energy Efficiency Measures

Union Bank has decided to undertake an electrical energy audit annually. In addition the bank has installed solar water heaters at various facilities maintained by them. The support service department of the Bank has been identified to implement such an energy/emission reduction program.

## 2.5

## EXTERNAL REPORTING

1. All of the participating banks communicate their actions on climate change as part of their Environmental or Corporate Social Responsibility Reports and statements.
2. Five of the eight responding banks are undertaking some form of greenhouse gas (GHG) inventory exercise such as calculating their carbon foot-printing and undertaking energy audits. The banks that participate in the CDP utilize methodologies such as the GHG Protocol to calculate their carbon footprint.
3. Seven of the eight responding banks have an emission reduction or energy reduction plan.

## CASE STUDY for 2.5

## IDBI Bank

IDBI Bank is a member of the Council of National Action Plan on Climate Change (NAPCC). The Bank is also a signatory investor to Carbon Disclosure Project (CDP), which aims to create a relationship between shareholders and corporations regarding the implications for shareholder value and commercial operations presented by climate change.

## 2.6

## INTERNAL COMMUNICATIONS AND EMPLOYEE ENGAGEMENT

1. All of the private sector banks highlighted that climate change issues are discussed and communicated internally.
2. Five of the eight banks have initiated employee engagement programs that tackle climate change. These include visibility to climate change on intranet sites and portals, designating employees as Climate Champions, and building actions on tackling climate change into the performance objectives of employees.
3. Banks indicate that integrating sustainable development into the organization's policies and management approach improves the morale of employees and provides a strong and confident long-term relationship with stakeholders. All participating banks highlight their concern for the environment as being the key thrust propelling the climate change agenda within their respective organizations.

The majority of participating banks have already instituted several employee engagement initiatives including:

1. Information on climate change provided on an internal intranet site;
2. Creating performance objectives for the organization and individuals;
3. Designating certain employees as 'Climate Champions';

4. Creating internal forums and networks dedicated to discussing and tackling the issues of climate change and sustainability;
5. Training employees on specific technical fronts, such as, sustainability screens on lending portfolios, enhanced investment criteria for low carbon projects.
6. Implementing car pools for employees, encouraging employees to cycle to work and other transport initiatives.

## CASE STUDY for 2.6

## HSBC Global Research: Climate Change

The HSBC Climate Change Centre of Excellence was established in 2007 to investigate the likely economic risks and opportunities of climate change for the financial markets and HSBC's business units. Its reports have analysed key issues such as the 'green' components of major economies' stimulus packages, the implications of COP 15 for low carbon growth, and the prospects for specific technologies and sectors. The HSBC Global Climate Change Benchmark Index, also launched in 2007, lists companies across many sectors focused on climate change solutions. The index comprises four investable global sub-indices — HSBC Climate Change Index, HSBC Low Carbon Energy Production Index, HSBC Energy Efficiency and Energy Management Index, and HSBC Water, Waste & Pollution Control Index. Related HSBC research found that global revenues from the low carbon economy amounted to approximately US\$530 billion in 2008.

## 2.7

## ENABLERS FOR CLIMATE CHANGE ACTIVITIES

## Survey Question: 1.7

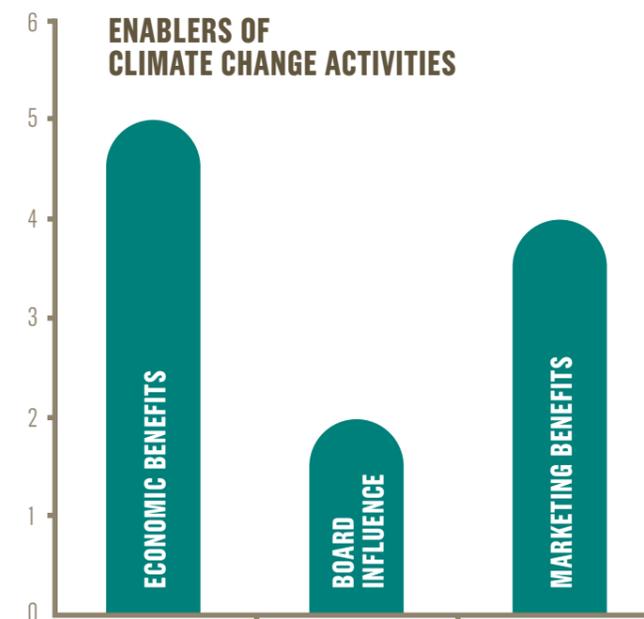
## INTERNAL FACTORS

The top internal factors which drive climate change activity within an organization were: 1) economic benefits and profitability, 2) board influence and 3) marketing benefits (i.e. enhancement of brand and reputation).

Increasing investor pressure is a driver for executive boards to take action and is likely to become more significant as initiatives such as the Carbon Disclosure Project become more prevalent.

## EXTERNAL FACTORS

The top external factors which drive climate change activity within an organization were 1) environmental benefits and 2) competitive advantage/new business opportunities.



**CLIMATE CHANGE PRESENTS US WITH BOTH RISKS AND OPPORTUNITIES. WITH INTRODUCTION OF NEW POLICIES BY THE GOVERNMENT, THERE IS POTENTIAL TO MODIFY THE BANK'S GUIDELINES ON FINANCING. THE BIGGEST RISK THAT IS POSED WOULD BE CREDIT RISKS AS POLICIES TO CUT EMISSIONS CAN CREATE COSTS FOR CARBON INTENSIVE SECTORS AND COMPANIES. —YES BANK**

## 2.8

## PERCEIVED BARRIERS TO CLIMATE CHANGE ACTIVITIES

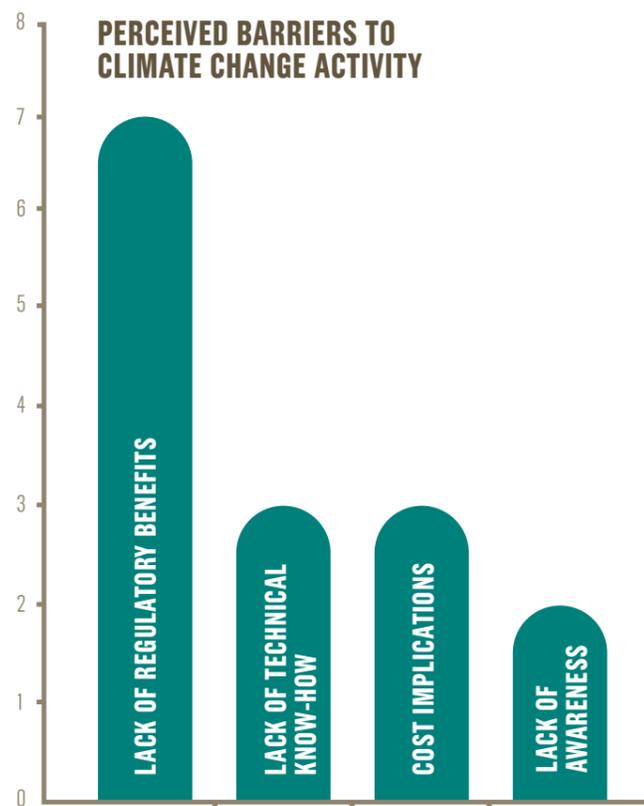
## Survey Questions: 1.8, 6.2

The top barriers to implementing climate change agenda indicated by the banks include: 1) lack of regulatory benefits and policy, 2) lack of technical knowhow and 3) cost implications.

One of the key findings from the survey was that many banks want to see more regulation that provides an enabling framework.

Some banks suggested lack of general awareness about climate hinders their ability to move initiatives forward.

Cost implications were cited by three of the eight banks as a barrier to addressing climate change. Though it is not the top inhibitor, it does have a bearing on actions that are taken by an organization and the products that are developed for clients. However, as there are often additional benefits such as improved reputation or increased customer loyalty many cost concerns can be overcome.



**IT IS RIGHT TO STATE THAT COMMERCIAL LENDING BANKS CAN CONVERT SOCIO-ENVIRONMENTAL RISKS INTO A BROAD RANGE OF OPPORTUNITIES TO ADDRESS THE CHALLENGES OF CLIMATE CHANGE. —YES BANK**

2.9

## INNOVATION AND ACTION

**Survey Questions: 3.1, 3.2, 3.3, 3.4, 5.1, 6.1**

The assessment of innovation and action taken by the banks uses the Climate Principles framework to present the findings from key business lines.

### RESEARCH

1. Currently, research on climate change is being carried out by only two of the responding banks.
2. There is limited amount of sophisticated research pursued by banks in India.
3. Moreover, the research in some of the banks is driven at a global level and very limited knowhow is available for local implementation and analysis.

### RETAIL BANKING

1. Half of the responding banks highlighted that their organization has incorporated climate and carbon issues into the retail banking arena.

### CASE STUDY for 2.9

#### SBI Green Home Loans

The State Bank of India has adopted a Green Banking Policy with the objective of contributing towards the fight against climate change. One of the initiatives approved by the board for this purpose is giving incentives to customers who choose green projects, i.e. those projects which reduce carbon emissions and promote renewable energy. "Green Housing" or "Green Home" is one of the types of projects identified for this purpose. The new Green Home Loan Scheme will support environmentally-friendly residential projects and will offer various concessions—reduced margins, lower interest rate and zero processing fee. These loans will be sanctioned for projects rated by the Indian Green Building Council (IGBC). The new loans offer several financial benefits—by offering a 5% concession in margin, 0.25% concession in interest rate and waiver of processing fees.<sup>5</sup>

2. These initiatives are primarily about integrating cultural sensitization to climate change and environmental issues such as encouraging customers to switch to electronic statements and launching green campaigns at branch outlets.

### CORPORATE BANKING

1. Several of the participating banks responded that many initiatives in corporate banking are underway which facilitate a transition to a low carbon economy. However, there is very limited information in the public domain to understand what this means in practice.
2. Banks are also cognizant of how client default risks may increase from unanticipated or underestimated mitigation

### CASE STUDY for 2.9

#### ICICI Bank's Environmentally Sustainable Finance Initiatives

##### 1. Corporate Environmental Stewardship Initiatives

The Corporate Environmental Stewardship Programme with the Bombay Natural History Society (BNHS) was pioneered by ICICI Bank to sensitize various corporate bodies, financial institutions/banks and government agencies involved in project planning on issues regarding biodiversity, wildlife habitats, various environmental laws and conventions. As part of the programme, BNHS has institutionalized a "Green Governance Award" to recognize the efforts of companies and other organizations that promote biodiversity conservation of habitats, flora and fauna.

##### 2. ICICI's Clean Technology Initiatives

ICICI Bank has been assisting various organizations to undertake clean energy and environmentally sustainable projects/initiatives. ICICI Bank has assisted projects that would specifically promote energy efficiency, renewable energy, biomass co-generation, biomass gasification, demand side management (by utilities), waste heat recovery, energy service companies (ESCOs) that demonstrate substantial savings in energy on a shared savings basis as well as projects that lead to pollution prevention and waste minimization at source. ICICI Bank has assisted ESCOs to facilitate various urban local bodies and manufacturing companies in reducing their energy bills. ICICI Bank introduced the municipal shared saving ESCO model for the first time in India.

costs, physical damages to corporate assets connected to extreme weather events or regulatory risks and are looking at the best way to tackle this.

### CASE STUDY for 2.9

#### IDBI Carbon Desk

IDBI Bank has an exclusive team working on CDM advisory services. IDBI Bank provides end-to-end services right from documentation through to registration of CDM Projects for the commercialization of carbon credits. The bank has launched an innovative product for up front financing against the carbon credits/carbon credit receivables. IDBI Bank also facilitates registration of CDM Projects with UNFCCC and trading of carbon credits generated by the CDM Projects. The Bank has also implemented a refinance scheme for energy saving projects for micro, small and medium enterprises (MSME) sector.

### PROJECT FINANCE

1. Lack of technical knowhow to evaluate the climate change risks and opportunities associated with projects and insufficient availability of standard benchmarks appear to be a major factor in hindering the consideration of climate change in project finance.

### CASE STUDY for 2.9

#### YES Bank's YES Community

Through the retail branches, Yes Bank is incorporating community development initiatives such as clean and green drives, energy efficiency practices, workplace health and safety and the development of local disaster management plans through its Yes Community initiatives. Yes Community engages with the local communities surrounding our bank branches in India through micro-events under the aegis of 'Planet Earth' on the sub-themes of:

- a. Pollution Prevention
- b. Recycling and Minimizing Waste
- c. Conserving Energy
- d. Conserving Water
- e. Improving Sanitation and Cleanliness

<sup>5</sup> <http://www.sbi.co.in/user.htm?action=viewsection&lang=0&id=0,1,20,115,741,750,786>

- Renewable energy technologies, given their innovative character, often face a number of additional barriers compared to other projects, e.g. technical problems or higher up front costs. Therefore it is necessary to develop specific expertise and financial involvement in low carbon energy and the options for managing the associated risks.

### CASE STUDY for 2.9

#### ICICI Bank's Support for Clean Technology

##### 1. Clean Coal Technologies

In the area of coal technologies, ICICI Bank has been responsible for introducing innovative concepts like deep beneficiation of coal (coal washeries) and coal bed methane for the first time in the country. Through a demonstration project ICICI assisted the first coal washery in the country for providing a solution to Indian coal, which has high ash content and is highly polluting, via the process of deep beneficiation of coal. ICICI Bank also assisted the first company to successfully demonstrate the concept of coal bed methane in India. The replication potential of this demonstration project has been significant.

##### 2. Zero Emission Vehicles

ICICI Bank has taken steps to promote a cleaner urban environment by providing concessional assistance to projects that endeavor to manufacture vehicles with zero emissions. The project that designed and built the first passenger electric car in the country and that developed electric drive systems to manufacture electric three-wheelers in India, were assisted under this initiative.

##### 3. Finance for Innovative Products

ICICI assisted a company for the development of a product which provides an eco-friendly air-conditioning alternative to conventional air conditioners (ACs). This product works with indirect evaporative cooling technology by incorporating a wet plate and a cross flow heat exchanger in its design. It provides 100% filtered cool fresh air and consumes about 35% power compared to an AC making it about 65% more energy efficient. Besides, it also does not need chlorofluorocarbons (CFC), as it does not run on compressor-based technology. The company is currently working on improving the product's heat exchanger efficiency, minimum offer temperature and product miniaturization.

- Some of the forward-looking banks in India are now actively supporting cleaner projects including clean coal technologies and renewable energy projects. This presents a good business case as the future outlook for the low carbon energy market is promising. According to the International Energy Agency investment in cleaner energy at present is US\$20 billion a year, mainly to solar and wind power and is expected to grow to US\$100 billion globally within ten years.

#### ASSET MANAGEMENT

This area of the finance sector is in its infancy in India. Only one bank has launched a fund that takes account of ESG issues.

### CASE STUDY for 2.9

#### ABN AMRO (Royal Bank of Scotland)

ABN AMRO launched the Indian Sustainable Development Fund, opening up a new emerging market for socially responsible investors. The formidable task for the India SRI fund is finding companies that meet global standards for environmental, social and corporate governance (ESG) issues.

This is the first broadly-screened Indian SRI mutual fund. Work is being done by CRISIL and Boston-based KLD Research & Analytics to systematically evaluate Indian companies.

ABN AMRO Asset Management is planning to put 65% of the fund's assets in screened companies, and the remainder in other stocks, debt and money market instruments. The fund is structured as a three-year close ended equity fund with an automatic conversion to an open-ended scheme after the three years are over. Long-term capital growth is the fund's investment objective, using an actively managed portfolio of SRI companies focusing on sustainable development. It offered the regular plan with growth and dividend options.

Working with CRISIL, whose majority shareholder is Standard and Poor's (S&P), ABN AMRO chose which companies to include in the Indian Sustainable Development Fund. CRISIL has selected 245 companies from the S&P CNX 500 based on the companies' ESG practices. The S&P CNX 500 is a broad-based equity index covering the Indian capital market.

CRISIL plans to evaluate two hundred and forty five companies from the S&P CNX 500 on a yearly basis to identify SRI companies in India.

## SECTION THREE

# CONCLUSIONS AND OPPORTUNITIES FOR FURTHER ACTION

The Indian National Action Plan on Climate Change has become central to setting the country on a low carbon development path. Last year the Indian Government approved a national trading scheme for carbon credits and energy-efficiency certificates that it claims could be worth more than 750 billion rupees (US\$15 billion) by 2015. This provides a significant opportunity for the banking sector and a proposed perform, achieve-and-trade scheme also incentivizes banks through partial risk guarantees for lending to energy efficient projects. Even in the absence of certainty around climate regulations and policy, there are sufficient commercial drivers for banks to be proactive in facilitating the transition to a low carbon economy by dedicating greater amounts of finance for renewable and clean energy projects. Between 2009 and 2011 UNEP estimates that a minimum of US\$750 billion is needed to finance a sustainable economic recovery by investing in the greening of five key sectors of the global economy: buildings, energy, transport, agriculture and water.

Internationally, banks realize that responsible finance is no longer a marginal issue but a matter of good business practice. The proliferation of frameworks and protocols to this effect further testifies to the urgency.

It is only correct that the focus of the Government of India will be on maintaining economic development and alleviating poverty for the foreseeable future and should not be expected to implement policies that will in any way jeopardize these objectives. Nevertheless, the opportunities for businesses and financiers that are emerging—both

domestically and internationally—as the world moves on to a lower carbon development, are ones that India cannot afford to pass up.

Implementing the climate change agenda may appear to entail additional resources. Banks in India can carefully evaluate which areas would be most complementary to their inherent organizational structure and ideology. Budget allocations may be set aside and cost benefit analysis completed. Cost implications will only exist as long as banks view climate change initiatives as a cost centre for philanthropic purposes. As soon as banks can capitalize on the inherent opportunities which are now available, the concern over costs will diminish.

In summary, climate change mitigation and adaptation is becoming increasingly important to the Indian banking sector. It is also going to get harder for banks to neglect or delay action. India, the world's fourth-largest greenhouse gas emitter, though still low on per-capita emissions, is under pressure to cut emissions to battle climate change.

One of the most fruitful findings of this study is that it identified the tremendous array of opportunities. Several banks operating in India have already made inroads into the wealth of opportunities which are now available as highlighted. The focus for further potential action is presented below.

### 3.1 MANAGING OPERATIONAL EMISSIONS

#### ENERGY, INFRASTRUCTURE AND TRANSPORT

1. Undertake GHG inventory of operations.
2. Put in place policies for procurement of energy from renewable sources.
3. Put in policies for transportation such as carpooling, video conferencing facilities to reduce inter-city commute, among others.
4. Implement energy efficient practices such as encouraging staff to switch off computers and equipment, energy efficient lighting systems, energy-smart ATMs and branches.
5. Go for LEED certification of buildings and ensuring all new buildings and office spaces are LEED certified.

### 3.2 INTEGRATING CLIMATE ISSUES INTO BUSINESS ACTIVITIES

#### RESEARCH ACTIVITIES

1. Initiate research that can be used to develop products and services for added revenue streams.
2. Get top-level management buy in for research initiatives. This could be achieved by explaining the process by which research has led to revenue and product development or commercial benefits.
3. Identify areas where research is likely to bring in new opportunities. Some departments have a financial incentive to introduce new products that facilitate low carbon development. This encourages links between research activities and core operations.

#### RETAIL BANKING

1. Develop a range of climate-sensitive products and services for their clients. These may include programs to help consumers purchase more energy-efficient homes and appliances, and to invest their deposits in more climate-positive ways.
2. Create financing programs to help home owners install solar power systems, and to purchase more energy efficient homes.
3. Banks may look to create savings and investment instruments that invest in renewable energy and energy savings initiatives.

#### CORPORATE BANKING

1. Seize business opportunities to provide services and develop financial techniques that foster mitigation and accommodate adaptation to climate change.
2. Dedicate greater amounts of finance for renewable and clean energy projects.
3. Apply social and environmental risk screens across all corporate and investment banking operations.
4. Offer advisory services on sustainability issues to their clients and seek to ensure that they operate in accordance with bank policies.
5. Build on policies to engage with clients to ensure that clients develop a strategy to measure, manage and disclose their carbon footprint.
6. Train employees on environmental and social risks in lending to ensure that climate change is taken into account in corporate banking decisions.



### 3.2 INTEGRATING CLIMATE ISSUES INTO BUSINESS ACTIVITIES CONTINUED...

#### PROJECT FINANCE

1. Evaluate low carbon project activities for their lending potential and revenue streams. Evaluate the risks of these project activities in the light of long term benefits offered by these projects environmentally.
2. Undertake market assessment studies to analyze the potential market size of renewable and cleaner technologies in order to make sound investment decision for operationalizing additional revenue streams.
3. Set up internal departments which have specialized knowledge and expertise in financing these projects and can judge with discretion the value add to the banks' investment portfolio.

#### ASSET MANAGEMENT

1. Develop policies to guide their investment decisions pertaining to climate-friendly technologies and projects. Earmarking a separate percentage of funds may also form part of these policies.

### 3.3 BROADER ENGAGEMENT WITH STAKEHOLDERS

#### GOVERNMENT ENGAGEMENT

1. Proactively engage policy makers to ensure that the banking industry is not subject to sudden regulation with little or no advance preparedness.
2. Assume a leadership role in forming partnerships with industry associations, government agencies, think tanks and nonprofit organizations to ensure adequate representation of financial industry concerns across all levels.

#### EMPLOYEE AND CUSTOMER ENGAGEMENT

1. Sensitize customers towards the environment through e-statement campaigns, energy saving campaigns at branches and ATMs, etc.
2. Build the momentum on employee engagement by introducing newer and more varied means of staff participation.

# APPENDICES

## A.1

### GLOBAL FRAMEWORKS AND SUPPORT ON CLIMATE CHANGE FOR THE FINANCE SECTOR

There are several international initiatives that have been developed to provide guidance for the finance sector in tackling a range of environmental, social and governance (ESG) issues and some that specifically focus on climate change. A list of the key initiatives is summarized below:

#### 1. THE CLIMATE PRINCIPLES

The Climate Principles ([www.theclimateprinciples.org](http://www.theclimateprinciples.org)) provide a fully comprehensive and voluntary framework to guide the finance sector in tackling the challenge of climate change. They provide strategic direction on managing climate change across the full range of financial products and services, including: research activities; asset management; retail banking; insurance and re-insurance; corporate banking; investment banking and markets; project finance.

#### 2. UNEP FINANCE INITIATIVE

UNEP Finance Initiative ([www.unepfi.org](http://www.unepfi.org)) is part of the United Nations Environment Programme and engages a broad range of financial institutions in a constructive dialogue about the nexus between economic development, environmental protection, and sustainable development. It is a strategic public-private partnership between UNEP and the global financial sector. UNEP FI works with over 180 banks, insurers and investment firms,

and a range of partner organizations, to understand the impacts of environmental, social and governance issues on financial performance and sustainable development.

#### 3. THE EQUATOR PRINCIPLES

The Equator Principles ([www.equator-principles.com](http://www.equator-principles.com)) provide a set of financial industry benchmarks for determining, assessing and managing social and environmental risk in project financing. Equator Principles Financial Institutions (EPFIs) commit to not providing loans to projects where the borrower will not or is unable to comply with their respective social and environmental policies and procedures that implement the EPs.

#### 4. UN PRINCIPLES FOR RESPONSIBLE INVESTMENTS

UN Principles for Responsible Investment ([www.unpri.org](http://www.unpri.org)) provides a set of voluntary ESG principles that investors should take account of due to the potential affect they can have on the performance of investment portfolios.

Those organizations that sign the Principles are demonstrating senior level support for sustainable investment. Currently, 728 organizations globally have signed the Principles.



## A.2

### QUESTIONNAIRE ON CLIMATE CHANGE ACTIVITIES IN THE INDIAN BANKING SECTOR

In total, eight banks responded to the survey which includes two public sector Indian banks, two international banks and four private sector Indian banks.

The depth and standard of response from India's leading banks to the questionnaire is a measure of their engagement with the issue of climate change. The responses demonstrate the many positive steps that have been taken by banks in India over the past year. Climate change is becoming an increasingly important issue and banks are keen to share information on their carbon performance and climate risks and opportunities with investors and other stakeholders. The following table encapsulates the responses received to the questionnaire quantitatively.

PARAMETERS	NO. OF BANKS
Total No. of Banks invited to participate	16
Number of Banks which Responded	8
No. of banks which Participated in Best Practice Sharing	5
Private Sector Participants	4
Public Sector Participants	2
Multinational Bank Participants	2

**THE DEPTH AND STANDARD OF RESPONSE FROM INDIA'S LEADING BANKS TO THE QUESTIONNAIRE IS A MEASURE OF THEIR ENGAGEMENT WITH THE ISSUE OF CLIMATE CHANGE.**

# QUESTIONNAIRE PART ONE

## SECTION 1: AWARENESS/BACKGROUND

### 1. Climate Change and Sustainability

1.1 How important of an issue is climate change and sustainability to your organization today?

- Not Important
- Somewhat Important
- Important
- Very Important
- Top 10 Strategic Priority Critical to Success

1.2 Who is leading your organization's climate change efforts today? (Check all that apply)

- CEO/CXO Suite
- Chief Sustainability Officer
- Director of Sustainability/Sustainability Manager
- Individual Employees
- Sustainability Department
- Environmental Health and Safety (EHS)
- Corporate Affairs
- Marketing/Communications
- Other
- No one is working on this topic

If other, please provide details: \_\_\_\_\_

1.3 Does your organization have any of the following? (Check all that apply)

	If Yes:			Is it reviewed annually?		Is it communicated to all staff?		Is it published?	
A Sustainability/Sustainable Development policy or plan?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A	<input type="checkbox"/> Y	<input type="checkbox"/> N	<input type="checkbox"/> Y	<input type="checkbox"/> N	<input type="checkbox"/> Y	<input type="checkbox"/> N
A Corporate Social Responsibility (CSR) policy?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A	<input type="checkbox"/> Y	<input type="checkbox"/> N	<input type="checkbox"/> Y	<input type="checkbox"/> N	<input type="checkbox"/> Y	<input type="checkbox"/> N
An environmental policy?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A	<input type="checkbox"/> Y	<input type="checkbox"/> N	<input type="checkbox"/> Y	<input type="checkbox"/> N	<input type="checkbox"/> Y	<input type="checkbox"/> N

Please give details of any plans or reports: \_\_\_\_\_

1.4 Is climate change an agenda of internal discussion amongst organizational stakeholders?

- Yes
- No
- N/A

If yes, please give details: \_\_\_\_\_

1.5 Does your organization believe that climate change will significantly impact the way it conducts business?

- Yes
- No
- N/A

If yes, please give details: \_\_\_\_\_

1.6 Does your organization believe that commercial lending banks in India can play a leadership role in the business community in addressing the challenges of climate change?

- Yes
- No
- N/A

If yes, please give details: \_\_\_\_\_

1.7 What factors drive the importance of climate change activity in your organization today? (Choose up to 3 each)

#### Internal Factors

- Improved shareholder value
- Investor pressure, including socially responsible investing
- Board influence
- Economic benefits and profitability; cost reductions
- Marketing benefits - reputation and brand
- Employee attraction and retention
- Other (please specify): \_\_\_\_\_

#### External Factors

- Competitive advantage/business opportunities
- Government benefits/regulations
- Environmental benefits
- Social and community benefits/responsibility
- Customer demand
- Pressure groups
- Other (please specify): \_\_\_\_\_

1.8 What challenges and barriers do you face in implementing climate change activity in your organization today? (Choose up to 5)

- Lack of management focus/buy in
- Lack of awareness about climate change
- Cost Implications
- Lack of employee motivation
- Not seen as important
- Time constraints
- Lack of business opportunities
- Lack of Regulatory Benefits/Policy
- Lack of technical know-how
- No peer group organizations doing it
- Others (please specify): \_\_\_\_\_

## 2. Frameworks, Protocols and Reporting

2.1 Is your organization a member/signatory to any of the protocols/frameworks? (Check all that apply)

Protocols/Frameworks	Aware		Participant	
UNEP FI	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> No
The Climate Principles	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Equator Principles	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> No
UN Global Compact	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Carbon Disclosure Project	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> No

2.2 Does your organization articulate any formal written statements describing the purposes and objectives of the organization to reflect a commitment to climate change activities? (Such statements include policy and planning documents, annual reports, brochures, catalogues, etc.)

- Yes
- No
- N/A

If yes, please give details: \_\_\_\_\_

## SECTION 2: INTERNAL PRACTICES

### 3. Carbon Foot-Printing

3.1 Does your organization currently undertake any activity to calculate GHG inventory or measure its carbon footprint?

Yes  No  N/A

If yes, please give details: \_\_\_\_\_

3.2 Please state the methodology, assumptions, calculation tools, databases, emission factors and global warming potentials you have used for calculating emissions. \_\_\_\_\_

3.3 Does your organization have an emission reduction/energy reduction plan?

Yes  No  N/A

If yes, please give details: \_\_\_\_\_

3.4 Is your organization involved in climate change activities work through formal partnerships or relationships at regional, national or international levels? (Such as projects and partnerships with primary and secondary schools, NGOs, local governments and businesses; or international cooperation in solving climate change challenges through conferences, etc.)

Yes  No  N/A

If yes, please give details (including any key events your organization has been involved in to create visibility). \_\_\_\_\_

### 4. Employee Engagement

4.1 Does your organization have any specific employee engagement practises to address climate change?

<b>Climate Champions</b>	<input type="checkbox"/> Staff whose role it is to promote or who receive/offer training in SD/climate change
<b>Training</b>	<input type="checkbox"/> Offer courses to employees which address climate change and low carbon activities
<b>Performance Objectives</b>	<input type="checkbox"/> Criteria for recognizing employee contributions to sustainability and climate change
<b>Intranet Site</b>	<input type="checkbox"/> Give visibility to climate change on organization intranet site
<b>Internal Networks</b>	<input type="checkbox"/> Create and promote internal networks on climate change initiatives
<b>Internal Communication</b>	<input type="checkbox"/> Communicate examples of good environmental practice to your staff

### 5. Energy, Water and Waste

5.1 Have you undertaken audits of your organization's consumption and management of the following?

<b>Energy</b>	<input type="checkbox"/> Yes Please give details _____	<input type="checkbox"/> No <input type="checkbox"/> N/A
<b>Water</b>	<input type="checkbox"/> Yes Please give details _____	<input type="checkbox"/> No <input type="checkbox"/> N/A
<b>Waste</b>	<input type="checkbox"/> Yes Please give details _____	<input type="checkbox"/> No <input type="checkbox"/> N/A

### 6. Other Internal Practices

6.1 Does your organization have any specific policies to address climate change with respect to the following areas? (Check all that apply)

<b>Purchasing</b>	<input type="checkbox"/> Procurement policies that reflect social, environmental and economic costs
	<input type="checkbox"/> Educating Suppliers
<b>Education</b>	<input type="checkbox"/> Embedding climate change related training into organization's courses or programs
<b>Recycling/</b>	
<b>Waste Minimization</b>	<input type="checkbox"/> Recycling office paper; Reusing scrap paper
	<input type="checkbox"/> Promoting efficient use of resources
<b>Energy</b>	<input type="checkbox"/> Energy saving programs
<b>Transport</b>	<input type="checkbox"/> Policy to reduce environmental impact of travel (promoting public transport/car pooling/buses)

6.2 Which of the following do you view as barriers to adoption of environmental activities? (Check all that apply)

<input type="checkbox"/> Cost implications	<input type="checkbox"/> Management time
<input type="checkbox"/> Knowledge and skills	<input type="checkbox"/> Lack of regulatory/policy drivers
<input type="checkbox"/> Not seen as important in the organization	<input type="checkbox"/> Other (please specify): _____
<input type="checkbox"/> Other priorities are more important	

## SECTION 3: BUSINESS OPPORTUNITIES

### 7. Investment Decision Criteria

7.1 Does your organization have any sustainability benchmarks while evaluating investment/lending opportunities? (Such as assessing any social or environmental risk of the project. These could include sustainable development and use of renewable natural resources, socio-economic impacts, etc.)

Yes  No  N/A

If yes, please give details: \_\_\_\_\_

7.2 Does your organization employ any special or enhanced criteria for evaluating clean energy/low carbon/environmentally-friendly projects for the purposes of lending or investment? (Such as having separate parameters for evaluating renewable energy projects, different credit scoring matrices, etc.)

Yes  No  N/A

If yes, please give details: \_\_\_\_\_

7.3 Does your organization perceive any additional risks/barriers associated with clean energy/low carbon/ environmentally-friendly projects as opposed to other projects? (Such as cost implications, knowledge and skills within the organization for effectively evaluating these projects, inadequate thrust on supporting these projects, etc.)

Yes  No  N/A

If yes, please give details: \_\_\_\_\_

## 8. Specific Project Details

8.1 Is your organization involved in the trading of project-based carbon credits as a separate business activity, or in direct support of a business activity such as investment/lending to or the provision of CDM services?

Yes  No  N/A

If yes, please give details: \_\_\_\_\_

## QUESTIONNAIRE PART TWO

### BEST PRACTICES: CASE STUDIES

This section is intended to gauge some of the current best practises by taking into account the efforts of Indian financial institutions and the resultant outcomes. The premise is that the financial services industry is key to sustainability as it raises, allocates and prices capital, and provides risk coverage, influencing access to financing and risk protection and determining which government, business or individual activities get financed or protected against risks. The intent is to draw out case study based illustrations from the information collected which can afford the industry peers exemplar benchmarks. It is also intended to glean some of the opportunities that may be available to banks to either engage in some of these practices or enhance current activities. Each of the opportunities highlighted would be accompanied by a sample of initiatives currently underway based on the information provided by the respondents.

Additionally, this section will also borrow from the responses provided by you in section 8 with respect to specific projects undertaken.

## 9. Best Practices

9.1 Products & Services: Has your organization launched any products or services to customers that promote low carbon products and services? (Such as loans for environmentally-friendly products or projects, etc.)

Yes  No  N/A

If yes, please give details: \_\_\_\_\_

9.2 Retail Banking: Has your organization incorporated any climate and carbon issues into retail banking arena till date? (Such as carbon focused products/services/campaign, etc.)

Yes  No  N/A

If yes, please give details: \_\_\_\_\_

9.3 Research Activities: Has your organization incorporated any climate and carbon issues into your research activities till date?

Yes  No  N/A

If yes, please give details: \_\_\_\_\_

9.4 Corporate Advisory Solutions: In terms of Corporate Advisory for your organization's clients, have you developed any tools/skills necessary to advise clients of the potential financial implications of carbon and climate risks and opportunities associated with their business transactions? (Such as creating a carbon trading desk, CDM advisory services, etc.)

Yes  No  N/A

If yes, please give details: \_\_\_\_\_

9.5 Engaging with government/policy bodies: Several government bodies within India have been promoting a plethora of programs and incentives to stimulate a more conducive environment for environmentally sustainable activities which are financially viable as well. Has your organization identified any opportunities to engage with government on the same? (Such as engaging with IREDA to emulate best practises for financing renewable energy projects, etc.)

Yes  No  N/A

If yes, please give details: \_\_\_\_\_

9.6 Project Finance: Has your organization been involved in the origination of project-based carbon credits? If so, please provide details including:

Your role in the project(s) \_\_\_\_\_

The locations and technologies involved \_\_\_\_\_

The standard/scheme under which the projects are being/have been developed \_\_\_\_\_

Whether emissions reductions have been validated or verified \_\_\_\_\_

The annual volumes of generated/projected carbon credits \_\_\_\_\_

9.7 Has your organization been involved in the funding of other clean energy/low carbon/environmentally-friendly projects? (Not part of the CDM process).

Yes  No  N/A

If yes, please give details: \_\_\_\_\_

9.8 Others: Please provide details of any other best practices you wish to highlight in the given context. You may also provide details of any planned initiatives. \_\_\_\_\_

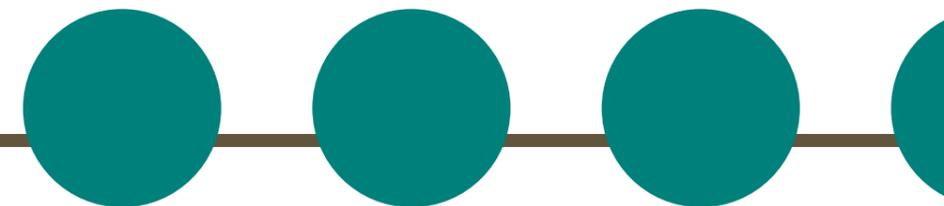
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## FURTHER RESOURCES

RBI Notification on Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting – Role of Banks	<a href="http://rbidocs.rbi.org.in/rdocs/notification/PDFs/82186.pdf">http://rbidocs.rbi.org.in/rdocs/notification/PDFs/82186.pdf</a>
India's National Action Plan on Climate Change	<a href="http://www.emt-india.net/NAPCC/main.htm">http://www.emt-india.net/NAPCC/main.htm</a>
Draft National Mission on Enhancing Energy Efficiency	<a href="http://www.emt-india.net/NAPCC/NMEEE-forPublicComments.pdf">http://www.emt-india.net/NAPCC/NMEEE-forPublicComments.pdf</a>
Equator Principles	<a href="http://www.equator-principles.com">http://www.equator-principles.com</a>
International Finance Corporation: Environmental and Social Standards	<a href="http://www.ifc.org/ifcext/sustainability.nsf/Content/EnvSocStandards">http://www.ifc.org/ifcext/sustainability.nsf/Content/EnvSocStandards</a>
The Institutional Investors Group on Climate Change	<a href="http://www.iigcc.org">http://www.iigcc.org</a>
Institute for Financial Management and Research, Centre for Development Finance	<a href="http://www.ifmr-cdf.in/">http://www.ifmr-cdf.in/</a> ; <a href="http://ifmr-cdf.in/pg/groups/1224/environmentally-sustainable-finance&amp;type=Program%20area&amp;int=1224">http://ifmr-cdf.in/pg/groups/1224/environmentally-sustainable-finance&amp;type=Program%20area&amp;int=1224</a>
IIGCC 2010 Investor Statement on Catalyzing Investment in a Low-Carbon Economy	<a href="http://www.igcc.org.au/Content/Documents/Document.ashx?DocId=100071">http://www.igcc.org.au/Content/Documents/Document.ashx?DocId=100071</a>
IndusInd Solar ATMs	<a href="http://www.indusind.com/downloads/Solar_atm_Launch.pdf">http://www.indusind.com/downloads/Solar_atm_Launch.pdf</a>
Major Investor Groups Urge Tougher Action on Climate Change	<a href="http://www.nasdaq.com/aspx/stock-market-news-story.aspx?storyid=201001141429dowjonesdjonline000594&amp;title=major-investor-groups-urge-tougher-action-on-climate-change">http://www.nasdaq.com/aspx/stock-market-news-story.aspx?storyid=201001141429dowjonesdjonline000594&amp;title=major-investor-groups-urge-tougher-action-on-climate-change</a>
SAM Yearbook Publication: Banking & Climate Change: Opportunities and Risks, An Analysis of Climate Strategies in more than 100 banks worldwide.	<a href="http://www.sam-group.com/html/yearbook/downloads/sam_studysummary_banking_e.pdf?CFID=1777626&amp;CFTOKEN=617e2822c95bb7ef-8922E180-98CD-F80A-D654D964013585C7">http://www.sam-group.com/html/yearbook/downloads/sam_studysummary_banking_e.pdf?CFID=1777626&amp;CFTOKEN=617e2822c95bb7ef-8922E180-98CD-F80A-D654D964013585C7</a>
UNEP FI	<a href="http://www.unepfi.org">http://www.unepfi.org</a>
UN Global Compact Principles	<a href="http://www.unglobalcompact.org/aboutTheGC/TheTenPrinciples">http://www.unglobalcompact.org/aboutTheGC/TheTenPrinciples</a>
UN Principles for Responsible Investing	<a href="http://www.unpri.org/principles">http://www.unpri.org/principles</a>
Banktrack Publication: What Banks Must Do to Combat Climate Change	<a href="http://www.banktrack.org/download/a_challenging_climate_2_0_what_banks_must_do_to_combat_climate_change/091210_banktrack_climate_paper.pdf">http://www.banktrack.org/download/a_challenging_climate_2_0_what_banks_must_do_to_combat_climate_change/091210_banktrack_climate_paper.pdf</a>

## FURTHER RESOURCES CONTINUED...

Carbon Disclosure Project	<a href="http://www.cdproject.net">http://www.cdproject.net</a>
Balancing Energy, Development and Climate Priorities in India, September 2007	<a href="http://www.developmentfirst.org/Publications/DevelopEnergyClimate_India.pdf">http://www.developmentfirst.org/Publications/DevelopEnergyClimate_India.pdf</a>
Global Reporting Initiative	<a href="http://www.globalreporting.org">http://www.globalreporting.org</a>
The Climate Group	<a href="http://www.theclimategroup.org">http://www.theclimategroup.org</a>
The Climate Principles	<a href="http://www.theclimateprinciples.org">www.theclimateprinciples.org</a>
UNEP Publication: Global Trends in Sustainable Energy Investment 2009	<a href="http://www.unep.org/pdf/Global_trends_report_2009.pdf">http://www.unep.org/pdf/Global_trends_report_2009.pdf</a>
UNEP Publication: Catalyzing Low Carbon Growth in Emerging Economies.	<a href="http://www.unep.org/PDF/PressReleases/Public_financing_mechanisms_report.pdf">http://www.unep.org/PDF/PressReleases/Public_financing_mechanisms_report.pdf</a>
UN Global Compact Publication: Connecting Financial Markets to a Changing World	<a href="http://www.unglobalcompact.org/docs/issues_doc/Financial_markets/who_cares_who_wins.pdf">http://www.unglobalcompact.org/docs/issues_doc/Financial_markets/who_cares_who_wins.pdf</a>
UN Global Compact Publication: New Frontiers in Emerging Markets Investment	<a href="http://www.unglobalcompact.org/docs/issues_doc/Financial_markets/WCW_2007.pdf">http://www.unglobalcompact.org/docs/issues_doc/Financial_markets/WCW_2007.pdf</a>
Indian Renewable Energy Development Agency Limited	<a href="http://www.ireda.in">http://www.ireda.in</a>
World Bank Publication: World Development Report 2010: Development and Climate Change, September 2009	<a href="http://siteresources.worldbank.org/INTWDR2010/Resources/5287678-1226014527953/Overview.pdf">http://siteresources.worldbank.org/INTWDR2010/Resources/5287678-1226014527953/Overview.pdf</a>
World Bank Publication: Economics of Adaptation to Climate Change, September 2009	<a href="http://beta.worldbank.org/content/economics-adaptation-climate-change-study-overview">http://beta.worldbank.org/content/economics-adaptation-climate-change-study-overview</a>



# ACKNOWLEDGEMENTS

This report is the product of valuable contributions and insights of a large number of people who participated in its development, writing, and review.

## INDIAN BANKS' ASSOCIATION

Dr. Ramakrishnan, Chief Executive

Mr. K. Unnikrishnan, Deputy Chief Executive

Ms. Rema Menon, Senior Vice President, Communication

## PRICEWATERHOUSECOOPERS (PWC)

Prashant Vikram Singh, Sustainability-Financial Advisory Services

Deeksha Vats, Sustainability-Financial Advisory Services

Prakriti Bhatia, Sustainability-Financial Advisory Services

## THE CLIMATE GROUP

Rajeev Palakshappa

Urvashi Devidayal

Emily Farnworth

Georgina Kenyon

Mark Kenber

## PARTICIPATING BANKS

ABN AMRO

Bank of Baroda

Citibank

HDFC Bank

HSBC Bank

ICICI Bank

IDBI Bank

Union Bank of India

Yes Bank

## ABOUT THE INDIAN BANKS' ASSOCIATION

IBA was formed in 1946. Currently, IBA has 149 members comprising of public, private and foreign banks with offices in India, urban cooperative banks, developmental institutions, federations, merchant banks, mutual funds and housing finance corporations. More information on the IBA is available at: [www.iba.org.in](http://www.iba.org.in)

## ABOUT PRICEWATERHOUSECOOPERS (PWC)

PricewaterhouseCoopers ([www.pwc.com](http://www.pwc.com)) provides industry-focused tax and advisory services to build public trust and enhance value for our clients and their stakeholders. More than 163,000 people in 151 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice. In India, PwC ([www.pwc.com/India](http://www.pwc.com/India)) offers a comprehensive portfolio of advisory and tax and regulatory services. PwC has offices in Ahmedabad, Bangalore, Bhubaneswar, Chennai, Delhi National Capital Region, Hyderabad, Kolkata, Mumbai and Pune.

## ABOUT THE CLIMATE GROUP (TCG)

The Climate Group ([www.theclimategroup.org](http://www.theclimategroup.org)) is an independent, not-for-profit organization working internationally with government and business leaders to advance smart policies and technologies to cut global emissions and accelerate a low carbon economy. Its global coalition of 78 leading companies, states, regions and cities around the world recognise the economic and environmental imperatives of taking decisive action now. The Climate Group was founded in 2004 and has operations in Australia, China, Europe, India and North America.





[WWW.THECLIMATEGROUP.ORG](http://WWW.THECLIMATEGROUP.ORG)

### INDIA OFFICES

#### New Delhi Office:

The Climate Group  
c/o Incube Business Centre  
Level 3, Room No. 301  
18, Nehru Place  
New Delhi 110 019, India

Contact: Aditi Dass  
[ADass@theclimategroup.org](mailto:ADass@theclimategroup.org)  
T: +91 (0)11 3061 4613

#### Mumbai Office:

Contact: Urvashi Devidayal  
[UDevidayal@theclimategroup.org](mailto:UDevidayal@theclimategroup.org)  
T: +91 (0)98 2150 7256

### UK OFFICE

The Climate Group  
The Tower Building, 3rd Floor  
York Road  
London SE1 7NX  
United Kingdom

#### General Enquiries:

T: +44 (0)20 7960 2970  
F: +44 (0)20 7960 2971  
[info@theclimategroup.org](mailto:info@theclimategroup.org)