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कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग, प्रधान कार्यालय  
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## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) POLICY

Division : Strategic Management and Economic Advisory  
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**1. Policy Overview:**

- 1.1.** ESG stands for **E**nvironmental, **S**ocial & **G**overnance. These are the three main factors that determine the sustainable and ethical impact of any business. This can be expanded to include:
- 1.2 Environmental:** This defines how the operations of an entity impacts the environment/planet, is it contributing positively towards climate change, reducing carbon footprint, wastewater management, Pollution control and other related issues, etc.
- 1.3 Social:** This aspect explains the relationship of the entity with its immediate surroundings i.e. employees, customers, vendors and the community as a whole. Whether the policies are employee friendly, gender diversity is being given adequate importance, vulnerable sections are supported, etc.
- 1.4 Governance:** This is about how a business is managed and controlled, which includes, corporate governance, ethical business practices, board accountability, executive compensation, transparency in decision making, measures against corruption, shareholders rights, regulatory compliance, etc.

**2. Policy Details**

**2.1 Background**

- 2.1.1** In today's rapidly evolving financial ecosystem, sustainability is a necessity for long-term resilience and inclusive growth. As one of the India's oldest and most trusted banking institutions, the Bank has a proud legacy that dates back to its founding in 1894 by Shri Lala Lajpat Rai, a visionary freedom fighter and social reformer. With over 130 years of service to the nation, bank has consistently stood at the forefront of India's economic development. Building on the legacy, the bank is committed to aligning its operations with global sustainability goals and national priorities, including the UN Sustainable Development Goals (SDGs) and the evolving ESG (Environmental, Social, and Governance) landscape outlined by regulators.
- 2.1.2** In 2015, the United Nations introduced the Sustainable Development Goals (SDGs) as part of the 2030 Agenda for Sustainable Development. This collection of 17 global objectives aims to address a wide range of interconnected global challenges, including poverty eradication, environmental sustainability, social equity, and economic growth, under the guiding principle of 'leaving no one behind'.

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**2.1.5** Recently, RBI has issued Reserve Bank of India (Commercial Banks - Climate Finance and Management of Climate Change Risks) Directions, 2025 dated 28.11.2025, to enable commercial banks to carry out comprehensive assessment of climate change risks, integrate climate change risk considerations into their extant risk management frameworks and structures and optimise flow of credit to green activities / projects overcoming greenwashing challenges, protecting interest of the depositors, and thereby aiding customers to achieve their sustainability agenda.

**2.2 Objective:**

**2.2.1** ESG policy is framed with the objective to integrate Environmental, Social, and Governance principles across all operations by:

- a. Promoting Environmental Sustainability
- b. Strengthening Governance Standards
- c. Adopting Sustainable Finance
- d. Supporting Social Development
- e. Encouraging Employee Participation

**2.3 Scope and Applicability**

The policy will be applicable throughout the Bank and shall serve as an umbrella document for PNB solo and overseas branches; and also serve as a guiding document for group entities as mentioned in the Group Risk Management Philosophy and Policy as updated time to time.

**2.4 ESG Vision:**

To be a catalyst for sustainable progress by embedding Environmental, Social, and Governance (ESG) excellence into our core—empowering communities, protecting the planet, and building a resilient and inclusive financial ecosystem for generations to come.

**2.5 Policy content:** This ESG policy shall not only be people centric but will align with Environmental, Social, and Governance principles. The policy has been organised into following three sections:

- I Environmental** – Supporting sustainable environment by integrating best practices like, encouraging green deposits/ financing and investments in renewable energy, eco-friendly infrastructure, monitoring GHG emissions, water usage and its impact.
- II Social** - Foster financial inclusion through accessible banking services to the needy & vulnerable sections particularly in rural & underserved areas.

III **Governance** - Maintain transparency and accountability through robust corporate governance.

## 2.6 Implementation and Monitoring

2.6.1 Successful implementation of the ESG Policy requires continuous commitment, governance and action by various stakeholders who are collectively responsible for the Bank's approach to sustainable business growth along with contribution to environment. Bank has already established ESG cell to capture the sustainability related opportunities, driving the sustainable practices and greening bank's advances portfolio.

2.6.2 **Group Level:** It is expected that respective group entity should have a Board approved ESG policy. To effectively monitor the implementation, an oversee mechanism shall be developed at the respective entity level with clearly defined Board oversight.

## 2.7 Metrics and Targets:

The Bank will undertake the identification of suitable ESG-related metrics to better understand, assess, and manage associated risks and opportunities. These metrics will serve as a foundation for providing quantitative insights that support decision-making, risk mitigation, and strategic planning. Bank has presently identified the metrics and timelines for achievement of the milestones as under:

- i. **Environment:** To support the Net Zero target of government, bank has prepared medium term target of carbon neutrality by focusing on scope 1 and scope 2 emissions, with the target year of FY2031. Additionally, the Bank will work towards sourcing 100% of its electricity requirements through green energy, utilizing the open access route. Any remaining emissions will be offset through tree plantation initiatives or by exploring carbon credit options.
- ii. **Carbon Offsetting:** To offset our remaining emissions, Bank will engage in extensive reforestation efforts and initiatives include, PNB PALAASH plantation drive through branches/CO/other offices/Verticals.
- iii. **Social:** Bank will ensure to provide training and capacity building to 100% Employees on ESG and related topics. CSR activities will be in alignment with Bank's ESG targets.

iv. **Governance:** Periodical review of all the policies to be done by competent authority and implementation. Bank will ensure training to Board and senior Management on topics related to ethics, cybersecurity, etc.

## 2.8 Disclosures

Bank disclosures related to ESG parameters and performance as per regulatory guidelines following globally accepted standards.

**2.8.1 Sustainability Report:** As the focus on ESG (Environmental, Social, and Governance) and sustainability continues to grow, stakeholders are increasingly keen to understand how organizations influence the environment, engage with employees, interact with customers, and contribute to society. In this regard, Bank has published the inaugural Sustainability report for the FY 2024-25 marking a significant milestone in showcasing the sustainability related initiatives, outcomes & goals to the stakeholders.

**2.8.2 Business Responsibility & Sustainability Report:** The Business Responsibility and Sustainability Report (BRSR) introduced by the Securities and Exchange of India (SEBI) to enhance corporate transparency and accountability in environmental, social, and governance (ESG) matters. Bank will continue to publish the BRSR on its website as per prescribed SEBI guidelines and prevailing global ESG guidelines.

**2.8.3 Annual Review Report (ARR)** shall be placed before the Board of Directors within three months of the end of the financial year which shall, inter-alia, cover the following details:

- I. Amount raised under green deposits during the previous financial year.
- II. List of green activities/ projects to which proceeds have been allocated, along with a brief description of the projects.
- III. Amounts allocated to the eligible green activities/projects.
- IV. A copy of the Third-Party Verification/Assurance Report and the Impact Assessment Report.

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**SECTION 1: Environment**

- 3. Environment:** Bank prioritises environmental responsibility and is actively working to lessen ecological footprint while supporting sustainable growth. Key objectives include: -
- 3.1 Carbon Footprint Reduction:** Bank will implement energy-efficient measures across branches/offices, promoting digital banking to minimize paper usage, and transitioning to renewable energy sources. Driven by its commitment to carbon neutrality by FY 2031, the bank is advancing a comprehensive energy strategy—embracing renewable and clean energy across its premises, integrating energy-efficient architectural designs, deploying intelligent energy management systems, upgrading high-consumption equipment for optimal efficiency, and enhancing sustainability in its data centres.
- 3.2 Green Deposit:** Green deposit is an interest-bearing deposit for a fixed period, proceeds of which will be allocated towards eligible Green projects/activities. The Bank has raised ₹394.31 Cr. under Green Deposits during the previous financial year (2024-2025).
- 3.3 Sustainable Finance:** Bank will emphasize on sustainable finance by lending towards environment friendly and Green projects. Bank has a board approved 'Financing framework for Green, Social and Sustainability linked projects/activities.', to be followed for financing Green, Social and Sustainability linked projects/activities.
- 3.3.1 Green Financing:** As per RBI Direction, on Climate Finance and Management of Climate Change Risk, green finance means lending to the eligible activities projects that contribute to climate risk mitigation, climate adaptation, resilience, and other climate-related or environmental objectives including biodiversity management and nature-based solutions:
- I. Renewable Energy
  - II. Energy Efficiency
  - III. Clean Transportation
  - IV. Climate Change Adaptation
  - V. Sustainable Water and Waste Management
  - VI. Pollution Prevention and Control
  - VII. Green Buildings
  - VIII. Sustainable Management of Living Natural Resources and Land Use
  - IX. Terrestrial and Aquatic Biodiversity Conservation

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**\* Exclusions:**

- Projects involving new or existing extraction, production and distribution of fossil fuels, including improvements and upgrades; or where the core energy source is fossil-fuel based.
- New or existing nuclear power generation projects.
- Projects involving new or existing Direct waste incineration.
- New or existing projects involving alcohol, weapons, tobacco, gaming, or palm oil related activities.
- Renewable energy projects generating energy from biomass using feedstock originating from protected areas.
- Landfill projects.
- Hydropower projects generating more than 25 MW.

**3.3.2 Sustainability Linked** activities means lending to projects where Borrowers commit to specific improvements in sustainability outcomes, which may be Environmental, Social, and/ or Governance related.

**3.4 Waste and Water Management:** Bank will adopt zero-waste policies within operations, encourage recycling, and improving water conservation measures. Bank does not generate industrial waste water; however, bank has taken proactive steps by installing sewage treatment plants (STP) at some of the larger office premises.

**3.5 Climate Risk Management and Integration:** The Bank's Climate Risk Management policy follows TCFD (Task Force on Climate-related Financial Disclosures) recommendations across governance, strategy, risk management, and metrics.

**3.6 ESG Risk Management:** The ESG Risk Management Framework and the ESG Risk Scorecard Methodology will be prepared by HO: IRMD. The ESG Risk Scorecard will serve as the Bank's ESG risk assessment tool.

**3.7 Nature and Biodiversity:** The Bank integrates biodiversity and ecosystem health into its ESG framework, aligning with TNFD (Taskforce on Nature-related Financial Disclosures) principles to manage risks and promote nature-positive financing. It supports projects that conserve and restore ecosystems while enhancing data quality, green financing, and stakeholder engagement for measurable biodiversity outcomes.

**SECTION 2: Social**

4. **Social:** Banks' commitment to social responsibility is manifested in unwavering focus on financial inclusion, empowerment of marginalized communities, fostering a diverse and inclusive workplace for the employees with Customer focused approach. Bank is also promoting community engagement initiatives and ensuring that banking services are accessible to all segments of society. Key focus areas includes:
- 4.1 **Financial Inclusion:** Bank will continue to expand banking access to underserved populations, support rural banking initiatives, and promote digital literacy for financial empowerment through priority sector lending. Bank is providing training for enhancing financial literacy, upgrading knowledge on agriculture & allied activities.
- 4.2 **Social Finance** means lending to and/ or investing in projects with identified social benefits. Bank will give special focus to the following segments for social upliftment and growth of the society.
- I. Affordable basic Infrastructure.
  - II. Access to essential services.
  - III. Affordable housing.
  - IV. Food security and sustainable food systems.
  - V. Socioeconomic advancement and empowerment.
  - VI. Employment Generation.
  - VII. Priority Sector Lending.
- 4.3 **Corporate Social Responsibility (CSR):** Bank has board approved policy on CSR that ensures sustained CSR efforts to effectively convey a progressive, socially responsible and enlightened attitude. CSR is a commitment to operate in an economically, socially and environmentally sustainable manner, while recognizing the interests of its stakeholders including investors, customers, business partners, local communities, the environment and society at large and contribute to the quality of life of society.
- 4.4. **Stakeholder engagement and Customer satisfaction:** The bank is committed to transparent and responsible communication, engaging with customers, employees, regulators, and communities to address their needs. Responsiveness is ensured through meetings, surveys, feedback, and forums, aligning stakeholder expectations with objectives. A Customer Rights policy guarantees fair treatment, privacy, and non-discrimination across all banking channels. Staff are trained to be responsive, and doorstep banking is offered, with special focus on senior citizens and differently abled customers.

- 4.5 Employee support and Capacity building:** Employee well-being is promoted through professional training and career development opportunities, diversity and inclusion initiatives, health and wellness programs (PNB SPARSH), and a safe, inclusive workplace environment. Leadership development programs specifically designed for women further strengthen empowerment and growth across the organization (Unnati Path).
- 4.6 Occupational Health and Safety:** Safe and healthy workplace is integral to the success and growth of organisation. The major workplace safety related risks include fire safety at branches, administrative buildings and ATM security, security of currency chests, cash in transit, electrical safety of premises, etc. To ensure safe and healthy workplace, bank has already formulated various policies like the safety policy, physical security policy, etc. Bank will regularly assess risks and implement corrective and preventive actions to address safety related incidents and emerging concerns.
- 4.7 Prevention of sexual harassment of women at workplace (POSH):** Bank has a well-established policy - The Policy for Prevention, Prohibition and Redressal of Sexual Harassment of Women at Work Place for implementation of the provisions of “The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.” Bank has constituted Internal Complaints Committee (ICC) at different level for redressal of complaints.

### SECTION 3: Governance

5. Governance is the backbone of ESG, ensuring integrity, transparency, and accountability while managing risks responsibly. It enables strong oversight, ethical conduct, and effective decision-making that align with sustainability goals. Good governance builds trust with stakeholders, strengthens internal controls, and supports long-term value creation. The bank fosters a culture of responsible business conduct, allocating clear roles and responsibilities to implement ESG policies effectively.

#### 5.1 Governance Structure and Responsibilities:

5.1.1 **Board:** The Board of Directors is the Bank's apex decision-making body. The Board will integrate ESG considerations into its oversight duties – this includes reviewing ESG risks and opportunities, approving ESG strategies and policies, and monitoring progress.

5.1.2 **Risk Management Committee (RMC):** The Risk Management Committee is a Board-level Sub-committee including MD & CEO and EDs, overseeing the risk management through its executing committees, i.e., CRMC, GRMC, ALCO, MRMCM, ORMC, SARC and Steering Committee on Information Security, should incorporate ESG risks into its mandate.

5.1.3 **Sustainability and Resilience Committee (SARC):** The committee is entrusted with the responsibilities regarding policies and frameworks for activities related to sustainability, monitoring of targets in line with mandated goals, climate risk stress testing, sustainability and environmental disclosures.

5.1.4 **Divisions:** All Divisions are responsible for implementing ESG measures in their domain.

5.1.5 **ESG cell:** To capture the climate and sustainability related opportunities, a dedicated ESG cell is functioning in the bank. The cell is headed by Group Chief Sustainability Officer (GCSO). The cell is presently focusing on:

- a) Core functions related to Green asset/liability product development
- b) Monitoring of green assets/liabilities portfolio
- c) Facilitating tie-ups for new products
- d) PNB Palaash initiatives
- e) Oversee Corporate Social Responsibility (CSR) initiatives.
- f) All functions related to compliance, audit and other sustainability related functions.

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- 5.1.6 Cross Functional Team on Sustainability:** The formation and operational functioning of the Cross-Functional Team on Sustainability shall be governed by the Bank's extant guidelines.
- 5.1.7 Capacity Building:** Capacity building on ESG/ Climate Risk / Sustainable finance shall be carried out as per the need for the same listed in various recommendations/ regulating documents.
- 5.2 Group Level Governance:** To maintain healthy growth and compliance culture at group companies, all group entities shall prepare their forward-looking policy on an annual basis, approved by their Board.
- 5.3 Focus areas:**
- 5.3.1 Ethical Business Practices:** The bank embeds ethics and strong conduct culture across all operations, guided by values like integrity, innovation, and customer centricity. Its Code of Conduct, compliance programs, and training ensure ethical practices and long-term sustainability.
- 5.3.2 Compliance Culture:** The bank prioritizes ethics, transparency, and integrity in compliance, making it a core part of governance alongside risk management and internal controls. It strictly adheres to regulatory guidelines, updating policies to meet the highest standards of accountability and sustainability.
- 5.3.3 Cyber security and data privacy governance structure:** Bank will ensure to protect information and related infrastructure in internet/cyberspace, build capabilities to prevent and respond to cyber threats, reduce vulnerabilities and minimize damage from cyber incidents through a combination of institutional structures, people, processes, and technology. Bank has framed Cyber Security (CS) Policy on the basis of stipulated RBI guidelines, the Information Technology Act and as per international standards.
- 5.3.4 Information Security:** Bank has put in place Information Security Policy to mitigate the technology risk. Bank is committed to the security of Organizational Information Assets, including data of all associated customers.
- 5.3.5 Risk Management:** The risk management philosophy envisages ensuring sustained and diversified growth of the Bank's business with healthy net returns, commensurate with the risks taken in a controlled risk environment.

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**Appendix**

**Glossary**

ALCO	Asset Liability Committee
ARR	Annual Review Report
BRSR	Business Responsibility and Sustainability Report
ESG	Environmental, Social and Governance
CRMC	Credit Risk Management Committee
CRMD	Credit Review and Monitoring Division
CSR	Corporate Social Responsibility
GCISO	Group Chief Information Security Officer
GCRO	Group Chief Risk Officer
GCSO	Group Chief Sustainability Officer
GHG	Greenhouse Gas
KPI	Key Performance Indicator
MRMC	Market Risk Management Committee
NGFS	Network for Greening the Financial System
ORMC	Operational Risk Management Committee
POSH	Prevention of Sexual Harassment
PRB	Principles for Responsible Banking
RMC	Risk Management Committee
SARC	Sustainability and Resilience Committee
SDG	Sustainable Development Goals
SLL	Sustainability Linked Loan
SMEAD	Strategic Management & Economic Advisory Division
STP	Sewage Treatment Plant
TNFD	Taskforce on Nature-related Financial Disclosures
UNEP FI	United Nations Environment Programme – Finance Initiative