Capital in Transition:

How Climate-Ready Are India's Banks?



ARE
ASIA RESEARCH
& ENGAGEMENT

INSIGHTS
November 2026



Executive Summary

INDIA'S BANKING SYSTEM is expanding at a pace few large economies can match. The country's lenders remain the main channel through which India's savings become factories, power plants, roads, homes, and vehicles, and bank balance sheets will only keep expanding as India works towards its goal of becoming an advanced economy by 2047.

The composition of that growth matters as much as its pace. Much of the recent acceleration has come in capital and emissions-intensive sectors, such as power, steel, infrastructure, and cement, with credit growing at double-digit rates. Financed assets in these sectors operate for decades, so lending decisions taken today could fix emissions into the 2050s and beyond. Every year that sees credit flow to these industries without credible transition conditions will make the eventual adjustment steeper and raise the risk of stranded assets for borrowers and lenders.

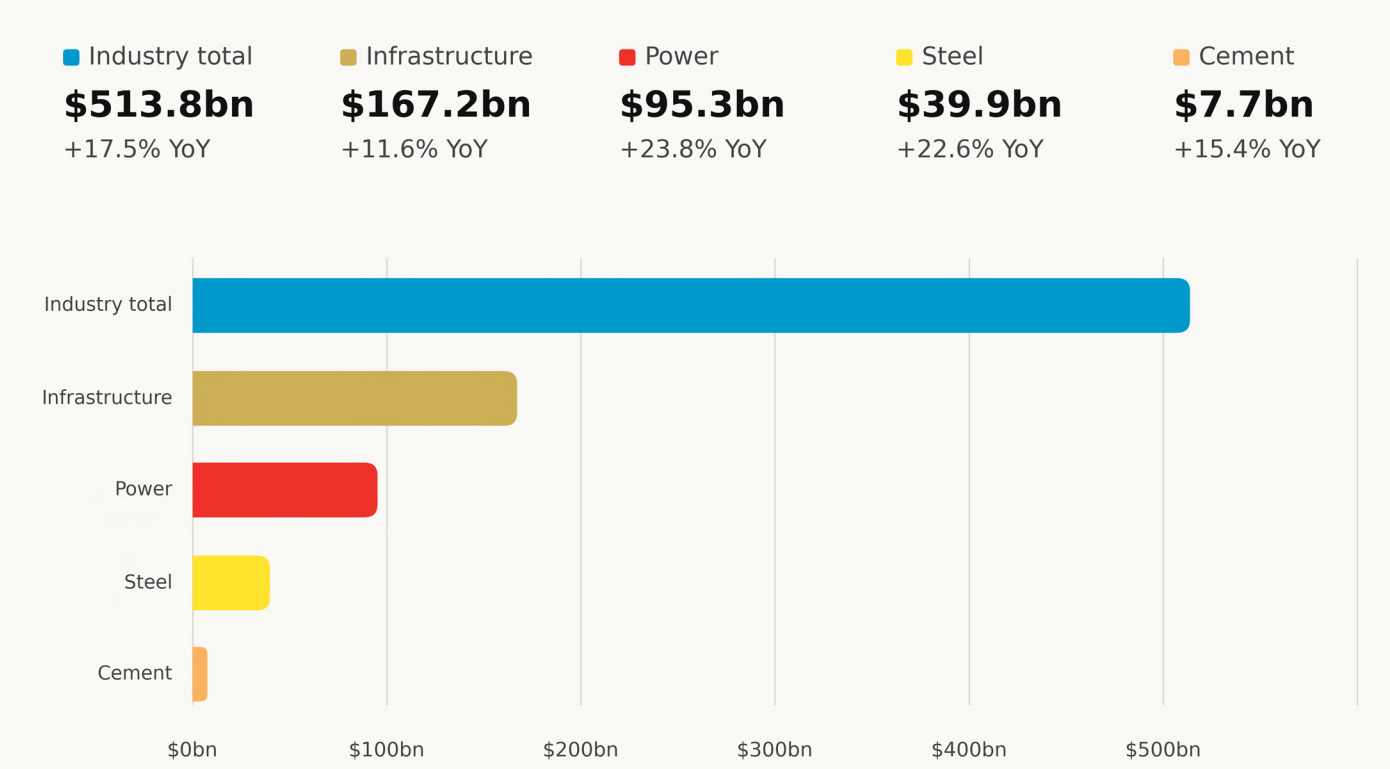
India has committed to net-zero emissions by 2070 and to 500 gigawatts (GW) of non-fossil power capacity by 2030. At least USD10 trillion in cumulative investment will be needed to finance this pathway, according to official estimates. Domestic banks will have to carry much of this load, since international and public finance is only likely to cover a fraction of this.

The enabling architecture is still taking shape, however. There is no national climate finance taxonomy, green-finance disclosures are not comparable across lenders, and regulatory expectations on climate risk are still being phased in.

Building a green lending ecosystem, in which banks measure the emissions they finance, set targets for reducing them, and attach consequences to credit that runs against the pathway, is therefore a condition of steering India's growth in the right direction, not a supplementary goal.

This report examines how far six of the country's lenders have progressed towards that.

Outstanding gross bank credit by industry.



Outstanding gross bank credit as of May 31, 2026. Source: RBI Bulletin, July 2026, Tables 15 & 16. USD conversion at 1 USD = ₹90 (illustrative, not a market rate).

Findings

Banks can grow green lending without necessarily reducing the emissions associated with the rest of their balance sheet. For the purposes of this analysis, we therefore asked whether each bank is building the data, targets, policies, and credit processes needed to reduce financed emissions over time – rather than whether it has a sustainability strategy. Across the six banks that we benchmarked, green and sustainable finance is scaling faster than policies that constrain or reduce high-carbon finance. Measurement is improving, but portfolio-wide targets, coal/fossil-fuel policies, and escalation mechanisms remain uneven.

Why this matters now: As of 31 May 2026, outstanding gross bank credit to industry stood at USD513.8 billion, up 17.5% year on year. Credit to the Power sector grew 23.8% to USD95.3 billion and Steel credit expanded 22.6% to USD39.9 billion. Infrastructure and Cement rose 11.6% and 15.4%, respectively. Several of the fastest-growing credit categories are therefore high-emitting sectors with long-lived assets that can lock in emissions. The transition test for banks is not only how much green finance they originate, but how new credit to these sectors is conditioned on credible transition plans.

Measurement is moving ahead of portfolio alignment: PNB has the broadest disclosed financed-emissions coverage, at 87% of net advances and investments. Union Bank discloses Category 15 emissions by asset class, and YES Bank links measurement in power, cement, and iron and steel to an intensity-reduction target. HDFC Bank has expanded its assessment to USD28.1 billion across 313 listed entities and 39 sectors.

continued p6

Punjab National Bank

Punjab National Bank (PNB) leads on financed-emissions coverage: PNB's FY2025-26 Business Responsibility and Sustainability Report (BRSR states that Partnership for Carbon Accounting Financials (PCAF)-aligned Category 15 measurement covers 87% of net advances and investments. The next credibility test is whether that data is converted into sector targets and lending constraints.

Union Bank of India

Union Bank of India combines measurement with a material transition question: It discloses financed emissions by asset class, reports a sizeable green-finance portfolio, and explicitly refers to a gradual thermal-coal phase-out. However, the phase-out has no disclosed date, threshold, or instrument coverage.

YES Bank

YES Bank has one of the strongest private-bank climate governance structures: It has a sectoral financed-emissions intensity reduction target and third-party-verified financed-emissions disclosure for selected sectors, but coverage is not yet portfolio-wide and no broad coal restriction was identified.

Axis Bank

Axis Bank is strongest on managing disclosed coal/thermal exposure: It reports a cap and glide path for coal and thermal-power exposure. This has greater transition relevance than a low-cost "no coal" policy at a lender with negligible coal exposure, but Axis still lacks a public financed-emissions baseline and portfolio net-zero pathway.

HDFC & ICICI Banks

HDFC Bank and ICICI Bank demonstrate the limits of using green-finance volumes alone: Both have substantial sustainable-finance activity and established climate-risk processes, yet neither currently provides a comprehensive portfolio decarbonisation pathway. HDFC's 27.84% sustainable-finance figure includes a very large social-finance component; its specifically green portfolio is 2.64% of total finance.



Best practices for banks

Reference Emerging Best Practices Among Southeast Asian Banks

Banks across Southeast Asia are increasingly moving beyond climate commitments and toward integrating financed-emissions measurement, sectoral targets, and climate risk considerations into lending decisions. **Singapore's DBS and OCBC** have established sector-specific financed-emissions reduction targets, while **CIMB and Maybank in Malaysia** have introduced frameworks linking climate considerations to portfolio management and financing decisions. **Thailand's Kasikornbank (KBank)** has developed sectoral decarbonisation pathways, while **BPI in the Philippines** has established a time-bound phase-out of coal-power financing. These examples demonstrate how regional banks are adopting different approaches to managing emissions-intensive portfolios.

As India works towards its net-zero target by 2070 alongside its ambition to become a developed economy by 2047, these regional practices offer useful reference points rather than a uniform model for adoption. The following approaches, organised under policy and implementation, illustrate practices emerging across Southeast Asian banks that could inform India's evolving banking transition.

Policy

- Commit to net zero financed emissions

Implementation

- Set sectoral decarbonisation plans with clear standards for clients
- Disclose policies across carbon- and energy-intensive sectors
- Analyse and disclose financed emissions
- Embed climate in risk management infrastructure and assess client transition plans
- Set sustainable finance targets with a robust taxonomy

ICICI Bank remains at pilot stage, while Axis Bank does not yet disclose a financed-emissions baseline. For the more advanced banks, the next step is to translate better data into interim sector pathways and portfolio-level decision rules.

Green-finance growth is not, by itself, evidence of portfolio decarbonisation: Union Bank reports USD4.1 billion of green finance, or about 3.6% of global advances; HDFC Bank reports USD8.2 billion, or 2.64% of total finance, alongside a much larger sustainable-finance book that is predominantly social finance; and ICICI Bank reports USD3.2 billion of green finance. At the same time, public evidence on constraining high-carbon exposure is thinner. Axis Bank's coal and thermal-power cap and glide path, and Union Bank's stated gradual thermal-coal phase-out, are the clearest signals in the sample, although neither amounts to a comprehensive phase-out policy.

Climate-risk systems are generally more developed than borrower-level transition rules. The next phase of credibility will depend on whether banks turn emissions data into sector targets, high-carbon exposure limits, and borrower-level conditions and escalation. Current analysis is an indicator of what we expect over the next few years and how banks are currently positioned to handle this growth.

*Currency amounts are quoted throughout in USD at a fixed conversion rate of INR90/USD.

1. Why this assessment matters

For banks, the highest material climate impact generally sits outside their operations.

While Scope 1 emissions arise directly from activities such as fuel combustion in company-owned vehicles and generators, Scope 2 emissions result from purchased electricity and other energy consumed in bank operations. A significantly larger source of emissions is often associated with the activities banks finance through loans and investments. These are known as **financed emissions**, classified under Scope 3 Category 15 of the Greenhouse Gas Protocol, and can be orders of magnitude larger than a bank's operational footprint.

As India expands its power, infrastructure, industrial capacity, mobility, and housing, bank capital allocation will influence whether new assets lock in emissions or accelerate lower-carbon alternatives.

A credible banking transition therefore requires more than an operational net-zero target or a growing renewable energy loan book.

> **"A credible banking transition requires more than an operational net-zero target or growing renewable energy loan book."**

A bank needs to know where emissions sit in its credit portfolio, identify the sectors and clients driving those emissions, set measurable transition objectives, integrate climate risk into credit decisions, and establish time-bound consequences for financing activities that are inconsistent with the desired pathway.

This is also why a sustainable-finance target is an input rather than an outcome — a bank can simultaneously increase green finance and increase exposure to emissions-intensive assets.

International banking practices offer examples of how climate commitments can translate into portfolio management. Singapore-based DBS has established sector-specific financed-emissions targets, while Netherlands-based ING uses its Terra approach to assess portfolio alignment and borrower transition plans, with provisions for stricter credit conditions where clients fail to progress. France-based BNP Paribas has complemented sectoral decarbonisation targets with restrictions on fossil-fuel financing and time-bound coal exit policies.

Together, these approaches demonstrate how emissions measurement, sectoral targets and client engagement can inform capital allocation, although progress towards portfolio decarbonisation remains uneven.

The comparison is intended to identify which banks are closest to having an operating model capable of reducing financed emissions, and where investor engagement can move the market from disclosure towards capital-allocation change.

2. Scope and bank selection

The peer group comprises six diversified commercial banks: Union Bank of India, Punjab National Bank, HDFC Bank, ICICI Bank, Axis Bank, and YES Bank. The group is deliberately mixed rather than statistically representative. It combines large public-sector lenders, systemically important private banks, and a relatively smaller private bank with comparatively mature climate disclosures.

Bank group	Banks	Why included
Public-sector banks	Union Bank of India Punjab National Bank	Tests how large public lenders are translating climate-risk architecture and public policy signals into portfolio management.
Large private-sector banks	HDFC Bank ICICI Bank Axis Bank	Captures banks with large, diversified balance sheets, sophisticated risk systems, and substantial corporate lending.
Climate-disclosure comparator	YES Bank	Smaller balance sheet, but relatively advanced governance and sector-level financed-emissions work; useful for testing whether climate maturity scales independently of size.

3. Methodology

The assessment uses public information available up to 14 August 2026. The source hierarchy prioritises FY2025-26 annual reports, BRSR and ESG/sustainability reports, followed by Q1 FY2027 investor presentations, and results material for newer portfolio data. Earnings-call material and policy disclosures were reviewed for material updates.

3.1. What the measurement rewards

Dimension	What constitutes stronger evidence
Measurement	A disclosed financed-emissions baseline with broad portfolio coverage, a recognised methodology such as Partnership for Carbon Accounting Financials (PCAF), and improving data quality.
Targets	Interim and long-term targets that cover financed emissions and material sectors, rather than only Scope 1 and 2 operations.
High-carbon portfolio management	Clear restrictions, caps, glide paths or phase-out mechanisms for high-emitting activities, assessed together with actual exposure materiality.
Credit and risk integration	Evidence that climate risks affect underwriting, credit appraisal, scenario analysis, Internal Capital Adequacy Assessment Process (ICAAP), exposure limits or pricing.
Capital reallocation	Growth in green and credible transition finance, but interpreted alongside the trajectory of the rest of the portfolio.
Accountability	Recurring disclosure, assurance, client transition-plan expectations and escalation where clients do not progress.

Note: The Partnership for Carbon Accounting Financials (PCAF) provides a standardised methodology for measuring and disclosing emissions associated with banks' lending and investment portfolios. For Indian banks, it supports consistent emissions accounting despite gaps in borrower-level data, enabling better identification of high-emitting sectors and comparison across institutions. PCAF alignment is therefore an important indicator of financed-emissions measurement maturity.

3.2 Assessment framework

Indian regulatory context: The assessment framework also considers India's evolving regulatory landscape. The Reserve Bank of India's draft climate-risk disclosure framework emphasises governance, strategy, risk management, and metrics and targets, while the Ministry of Finance's draft Climate Finance Taxonomy seeks to establish criteria for climate-aligned and transition financing. These developments inform the assessment of banks' climate-risk integration, portfolio disclosures and sustainable-finance practices, although the assessment is not a regulatory compliance assessment.

1. **Climate strategy & governance**
   Board oversight, accountable management, strategy integration, and incentives.

2. **Net-zero commitments & transition targets**
   Operational and financed-emissions targets, interim milestones, and sectoral pathways.

3. **Financed emissions & portfolio alignment**
   Baseline, PCAF alignment, coverage, data quality, assurance and alignment metrics.

4. **Coal & fossil-fuel financing policy**
   Restrictions/caps/phase-out, scope across financing instruments, exceptions, and high-carbon exposure trajectory.

5. **Sustainable-finance portfolio**
   Outstanding green/sustainable finance, origination, definitions, and sector composition.

6. **Transition finance & sectoral policies**
   Sector criteria, transition frameworks, technology safeguards, and client transition requirements.

7. **Climate-risk integration in lending**
   Credit appraisal, scenario analysis, stress tests, ICAAP, limits, pricing, and collateral implications.

8. **Client engagement & escalation**
   Transition-plan expectations, covenants, monitoring, escalation, and exit mechanisms.

9. **Sustainable products/capital mobilisation**
   Green deposits/bonds, sustainability-linked finance, and mobilisation tools.

10. **Disclosure, accountability & progress**
    Consistent annual reporting, assurance, methodologies, target tracking, and explanation of gaps.

3.3. Assessment convention and key caveats

Interpretation	Evidence threshold
No qualifying public evidence	No qualifying evidence identified in the materials reviewed. This is not proof that no internal process exists.
Early / limited	General intent, isolated activity, or narrow coverage.
Policy / partial implementation	Formal policy or implementation exists, but scope, coverage or accountability remains limited.
Meaningful implementation	Quantified, time-bound, or operationalised approach with meaningful coverage and recurring reporting.
Leading / comprehensive	Broad portfolio coverage, strong policy design, measurable implementation, and accountability/assurance.

- **Green-finance comparability:** In the absence of a domestic Green Finance Taxonomy, banks use different definitions and units. Some disclose outstanding stock, others cumulative financing or quarterly sanctions.
- **Sustainable vs green:** "Sustainable finance" can include social finance, MSME/housing or other categories that don't directly reduce financed emissions. Where possible, green finance is separated from broader sustainable finance.
- **Coal-policy materiality:** A "no coal" policy at a bank with negligible or zero coal exposure may be strategically low-cost. Policy stringency should therefore be read alongside current exposure and its trajectory. Conversely, an exposure cap/glide path at a bank with material coal/thermal exposure can be relevant to transition, even if it is not a full exclusion.
- **Undisclosed exposure:** Where separate coal exposure is not publicly disclosed, we do not assume the bank has no coal exposure. Instead, we assume the materiality as indeterminate.
- **Public-evidence bias:** The assessment covers what is publicly evidenced. A bank with stronger internal practices but weak disclosure can appear weaker than a more transparent peer.

4. Portfolio context: green finance versus overall finance

The table below deliberately preserves each bank's reported unit. A stock of outstanding green loans is not equivalent to cumulative origination or a quarter's sanctions. This limits direct ranking, but it is itself an important finding: India does not yet have a consistent bank-level disclosure convention for climate-aligned portfolio composition.

Bank	Overall finance / advances	Latest available green / sustainable metric	Metric type	Comparable share	Interpretation
Union Bank	Global advances: USD 115.28bn	Green-finance portfolio: USD4.1bn Renewable energy portfolio: USD3.6bn	Outstanding stock	~3.6% of global advances	Strong current disclosure, but RE figures use different classification bases across publicly available data.
PNB	Global advances: USD 133.87bn	Q1 FY27 sanctions: RE USD879m Solar rooftop USD97m Green Cap USD83m USD 1.1bn (total)	Quarterly flow	N/A	Current flow is visible, but a directly comparable FY26 outstanding green stock is not available.
HDFC Bank	Gross advances: USD 321.85bn	Mar-26: green USD8.2bn Total sustainable USD86.6bn	Outstanding stock	Green = 2.64% of total finance; sustainable = 27.84%	The 27.84% headline is mainly social finance (90.5% of sustainable portfolio). It should not be treated as a green-portfolio share.
ICICI Bank	Advances: USD 171.53bn	Mar-26: green USD3.2bn sustainable USD10.5bn	Outstanding stock	~2.0% green; ~6.4% sustainable vs Mar-26 advances	Good stock disclosure. Green includes RE generation/associated activities and green buildings; sustainable is broader.
Axis Bank	Advances: USD 129.71bn	USD6.4bn cumulative positive-impact wholesale financing by FY26, exceeding revised USD6.3bn FY30 commitment	Cumulative financing	N/A	Achievement is material, but cumulative origination cannot be divided by the current loan book, as we do not know what the outstanding stock is.
YES Bank	Advances: USD 29.98bn	USD809m green finance sanctioned for ~1,182MW RE projects in FY26	Annual flow	N/A	Useful measure of current green origination. Not an outstanding green-portfolio share.

Sources note: Union Q1 FY27; PNB Q1 FY27; HDFC FY26 Integrated Annual Report and Q1 FY27; ICICI FY26 ESG Report and Q1 FY27; Axis FY26 Annual/ESG reporting; YES Q1 FY27. Ratios marked ~ are calculations using disclosed figures and matched reporting dates where feasible.

5. Climate commitments and financed emissions readiness

Note: Operational net-zero dates are useful but should not be confused with financed-emissions alignment. PNB is the only bank with a clearly disclosed long-term Scope 1-3 net-zero objective covering financed emissions at portfolio level, while YES Bank has moved furthest on a sectoral financed-emissions.

Bank	Operational target	Financed-emissions status	Portfolio / financed-emissions target	Readiness assessment
Union Bank	Scope 1 & 2 emissions-reduction target by FY2034-35	PCAF signatory; Category 15 disclosed by asset class.	No portfolio-wide net-zero year identified	Good measurement foundation, but needs assured coverage, interim portfolio targets, and a clearer translation into credit policy.
PNB	Scope 1 & 2 net zero by FY2031	PCAF-aligned Category 15 covering 87% of net advances and investments, third-party verification reported.	Net zero Scope 1, 2 and 3 by 2060	Strongest public financed-emissions coverage in the peer set; key gap is sectoral interim targets and decision rules.
HDFC Bank	Carbon neutral Scope 1 & 2 by FY2031-32	FY26 assessment covers USD28.1bn of loan book, 313 listed entities across 39 sectors; boundary expanded 40.89% YoY	No portfolio-wide net-zero target	Meaningful expansion in terms of reporting of financed emissions with coverage reaching 40.89% of the total portfolio, but still partial relative to the balance sheet and not yet tied to a disclosed decarbonisation pathway.
ICICI Bank	Carbon neutral Scope 1 & 2 by FY2032	Pilot PCAF assessment for listed corporate borrowers that disclose Scope 1 & 2. Capability being built for other asset classes	No portfolio-wide net-zero target	Risk infrastructure is advanced, but financed-emissions measurement itself remains at pilot stage.
Axis Bank	No portfolio-level net-zero target identified	No public financed-emissions baseline identified	No public portfolio-wide target	Largest gap in the framework: climate-risk management and coal/thermal exposure controls are ahead of carbon accounting.
YES Bank	Net zero Scope 1 & 2 by 2030	Sector-level financed-emissions measurement covering electricity generation, cement and iron & steel; third-party verified	Financed-emissions intensity reduction target disclosed for covered sectors; no broad portfolio net-zero year	Strongest private-bank link between measurement and a reduction target, but sector coverage must expand materially.

Financed emissions readiness ladder

5. Broad coverage plus long-term goal	**PNB**	87% of net advances and investments covered, plus long-term Scope 1–3 goal.
4. Measurement linked to sector target	**YES**	Sector-level financed-emissions intensity target.
3. Meaningful measurement and disclosure	**Union**	Category 15 disclosed by asset class.
2. Partial measurement with expanding boundary	**HDFC**	Boundary assessed: USD28.1bn
1. Pilot / limited measurement	**Axis**	No public financed-emissions baseline disclosed.
	ICICI	PCAF pilot for listed corporate borrowers.

Interpretation

- **PNB is strongest on coverage depth.**
- **YES stands out for linking measurement to a target in covered sectors.**
- **HDFC has moved beyond pilot work, but still covers only a portion of the balance sheet.**
- **Axis remains the clearest gap on public financed-emissions accounting.**

6. Bank comparison

The matrix assesses public evidence, not absolute climate performance. The more useful reading is the pattern of strengths and gaps across pillars (refer to Section 10 for rationale behind the assessments).

Pillar	Union Bank	PNB	HDFC	ICICI	Axis	YES
Climate strategy & governance	Meaningful implementation	Meaningful implementation	Meaningful implementation	Meaningful implementation	Meaningful implementation	Leading comprehensive
Net-zero commitments & transition targets	Policy / partial implementation	Meaningful implementation	Policy / partial implementation	Policy / partial implementation	Early / limited	Policy / partial implementation
Financed emissions & portfolio alignment	Meaningful implementation	Leading comprehensive	Policy / partial implementation	Early / limited	No qualifying public evidence	Meaningful implementation
Coal & fossil-fuel financing policy	Early / limited	No qualifying public evidence	No qualifying public evidence	No qualifying public evidence	Policy / partial implementation	No qualifying public evidence
Sustainable-finance portfolio	Leading comprehensive	Policy / partial implementation	Leading comprehensive	Leading comprehensive	Leading comprehensive	Meaningful implementation
Transition finance & sectoral policies	Meaningful implementation	Meaningful implementation	Policy / partial implementation	Policy / partial implementation	Meaningful implementation	Meaningful implementation
Climate-risk integration in lending	Meaningful implementation	Leading comprehensive	Meaningful implementation	Leading comprehensive	Leading comprehensive	Leading comprehensive
Client engagement & escalation	Early / limited	Early / limited	Early / limited	Policy / partial implementation	Early / limited	Early / limited
Sustainable products/capital mobilisation	Meaningful implementation	Meaningful implementation	Meaningful implementation	Meaningful implementation	Meaningful implementation	Leading comprehensive
Disclosure, accountability & progress	Meaningful implementation	Leading comprehensive	Meaningful implementation	Meaningful implementation	Meaningful implementation	Leading comprehensive

6.1. How to read the benchmark table

- **Union Bank/YES Bank/PNB:** These banks lead for different reasons – Union Bank for balanced implementation and current green portfolio disclosure; PNB for financed-emissions coverage and scenario analytics; YES Bank for governance and a sectoral emissions-reduction target.
- **Axis Bank:** Transition controls ahead of measurement: Axis is the clearest high-carbon exposure-management case, but its lack of a financed-emissions baseline prevents a stronger overall assessment.
- **HDFC Bank/ICICI Bank:** Green-finance and risk-management capacity ahead of portfolio alignment. Both have meaningful sustainable-finance portfolios and sophisticated risk systems. Their weaker assessments reflect the absence of comprehensive financed-emissions targets and coal/fossil-fuel policies, not weak green origination.

7. Cross-bank analysis

Measurement is improving, but portfolio coverage remains unclear: PNB is the clear leader on disclosed financed-emissions coverage. **Union Bank** also reports Category 15 emissions by asset class but we do not know what percentage of net advances are covered. **YES Bank** has moved from measurement to a sectoral financed-emissions intensity target. **HDFC Bank** has materially widened its assessment boundary to USD28.1bn of loans across 313 listed entities and 39 sectors, but this remains only a portion of its balance sheet. **ICICI Bank** remains at pilot stage for listed corporate borrowers, while Axis does not yet disclose a financed-emissions baseline.

For our analysis, coverage matters as much as a number. A selective assessment can identify hotspots, but a bank cannot credibly claim portfolio alignment until it can show what share of the balance sheet is measured, which sectors dominate emissions, how data quality is improving, and whether results are changing underwriting or portfolio limits.

Targets are the missing bridge between measurement and capital allocation: PNB's long-term Scope 1-3 net-zero objective and **YES Bank's** financed-emissions intensity target provide a clearer direction than operational carbon-neutrality targets alone. However, sectoral 2030-style targets remain limited. This is the most important next step for banks that already have emissions data; translate a baseline into dated, sector-specific outcomes for power, steel, cement, oil and gas, transport, and other material portfolios.

The assessment therefore treats an operational 2030-35 target as weaker evidence than a financed-emissions target, even if the former is nearer in time. The operative question is whether the target changes credit allocation.

Green finance is scaling faster than 'brown' finance is being constrained: Every bank can point to green or sustainable finance. The more difficult question is whether high-carbon financing is being capped, reduced or conditional on credible transition plans. Union's stated thermal coal phase-out and Axis's coal/thermal exposure glide path are the clearest public signals but neither is equivalent to a comprehensive coal phase-out policy. The other four banks do not disclose a broad bank-wide coal restriction in the materials reviewed.

This gap matters because green-finance growth and financed-emissions reduction are not interchangeable. A bank can finance large volumes of renewables while retaining or expanding long-dated exposure to coal power, fossil-fuel infrastructure or emissions-intensive industrial capacity.

Risk systems are more mature than transition decision rules: PNB, ICICI and Axis have relatively advanced climate scenario analysis or stress-testing architecture. HDFC, Union, and YES have progressively embedded ESG/climate factors into governance and credit processes. The weakness remains in evidence that shows scenario results lead to portfolio limits, pricing changes, shorter tenors, collateral adjustments, sector exit decisions or client-level covenants. For financed-emissions reduction, this is the difference between climate risk as an analytical overlay and climate risk as a capital-allocation mechanism.

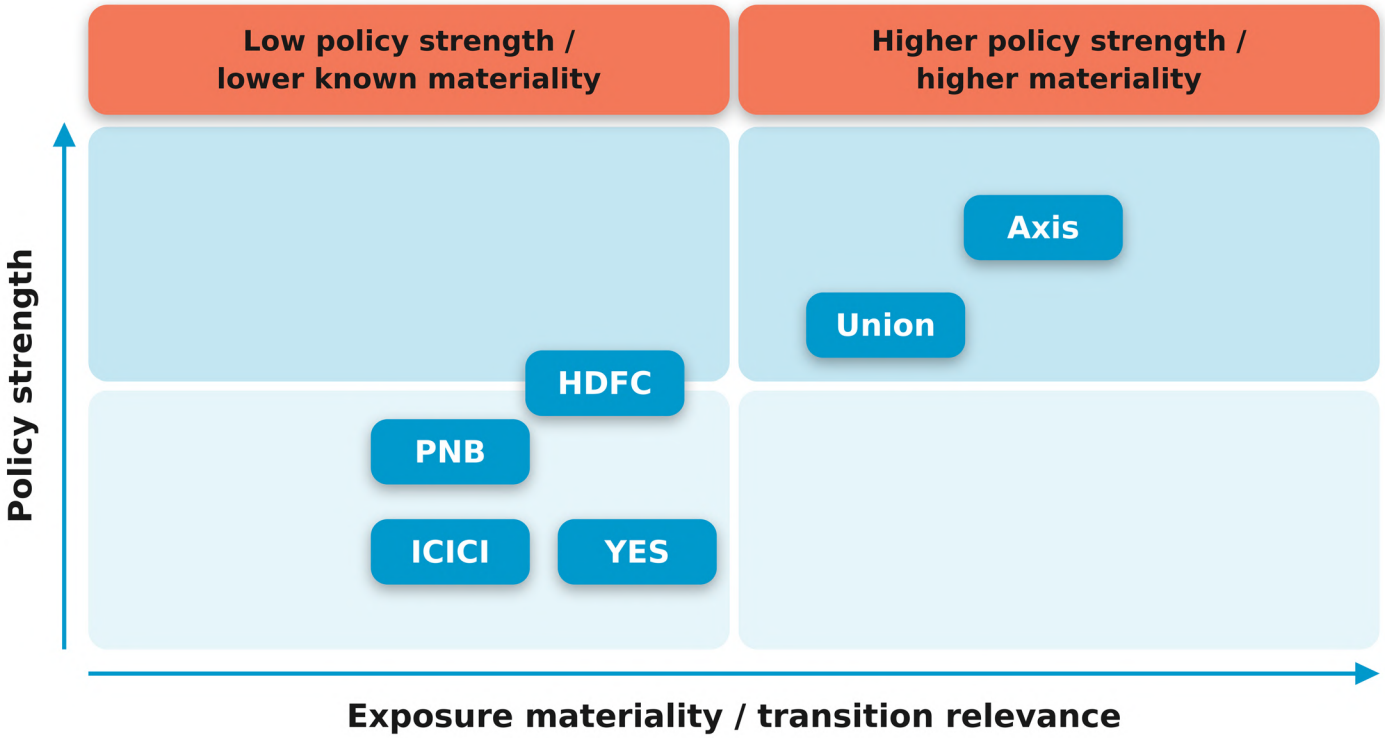
8. Coal policy: exposure is key

A simple binary indicator - "has/does not have a no-coal policy - can produce the wrong conclusion. A bank with almost no coal exposure can adopt a prohibition at limited economic cost, while a bank with a meaningful thermal-power book may face a much harder transition. The assessment therefore keeps policy strength in the core assessment but interprets it alongside disclosed exposure and trajectory.

Bank	Coal-policy assessment	Public policy signal	Disclosed exposure / proxy	Transition relevance
Union Bank	Early / limited	Transition plan refers to a gradual phase-out of thermal coal; no date, threshold or comprehensive instrument scope disclosed.	Thermal: USD1.64bn = 1.47% of domestic advances (Jun-26). Petroleum/Coal/Nuclear combined: USD2.1bn = 1.87%.	High: the bank has identifiable thermal exposure, so a dated phase-down would have real portfolio consequences.
PNB	No qualifying public evidence	No comprehensive bank-wide coal exclusion identified; climate strategy refers to a cautious approach to brown sectors.	Separate coal exposure not available in public domain.	Indeterminate: absence of a quantified exposure prevents judging how costly or impactful a future no-coal policy would be.
HDFC Bank	No qualifying public evidence	No explicit bank-wide coal financing restriction or phase-out identified.	Coal & Petroleum Products combined: USD 6.34bn = 1.6% of total industry exposure (Jun-26); coal-only amount not disclosed.	Materiality exists at least at the combined sector level, but coal cannot be isolated from petroleum.
ICICI Bank	No qualifying public evidence	Exclusion screening exists, but no explicit bank-wide coal prohibition, cap or phase-out identified.	Separate coal exposure not available in public domain.	Indeterminate: generic exclusions should not be treated as evidence of a coal phase-out.
Axis Bank	Policy / partial implementation	Public cap and glide path to scale down coal and thermal-power exposure; FY26 exposure reported below targeted cap.	As of Mar-25, coal mining/logistics/trading plus thermal-power generation = 1.2% of total exposure	High: this is an actual exposure-management mechanism, although it lacks a full phase-out date and comprehensive ban.
YES Bank	No qualifying public evidence	No broad coal restriction or phase-out identified despite a relatively mature exclusion architecture.	Separate current coal exposure not identified in reviewed public material.	Indeterminate: policy gap is clear, but portfolio materiality cannot be quantified from the reviewed disclosures.

Note: A no-coal policy should not automatically earn a high transition assessment if the bank has no meaningful coal exposure. For stewardship purposes, the more decision-useful test is: What is the starting exposure, what new activity is prohibited or capped, what is the reduction trajectory, and does the policy cover project finance, corporate lending, refinancing and underwriting?

Coal policy materiality matrix

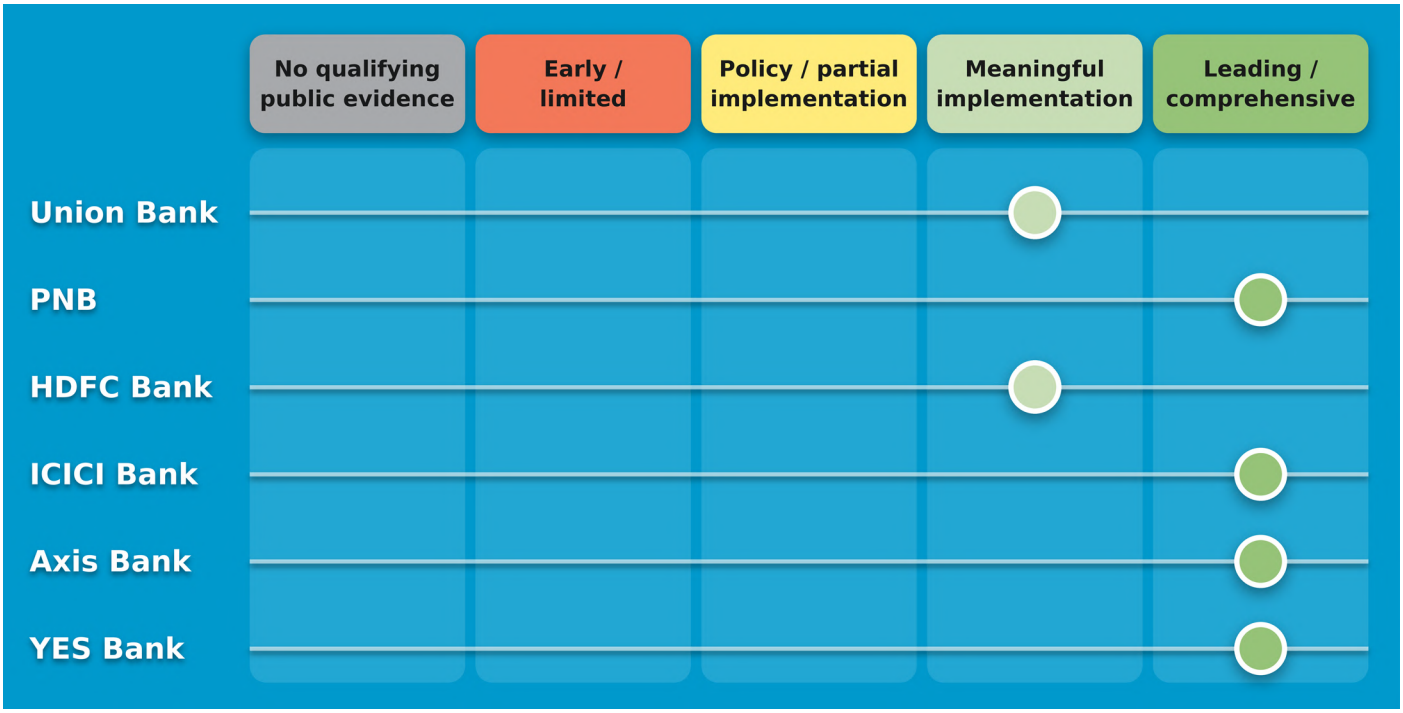


9. Climate risk exposure & integration

All six banks face physical and transition risk through borrowers. The relevant differentiator is the extent to which those risks are translated into credit decisions and capital planning. Public disclosure is strongest on analytical frameworks and weakest on quantified financial consequences.

Bank	Physical-risk approach	Transition-risk approach	Credit / capital integration	Assessment
Union Bank	Pilot climate stress testing. Climate-risk policy within Board-approved ESG framework.	Transition plan recognises thermal-coal phase-down. Scenario detail is less developed publicly.	ESG Risk Framework and Climate Risk Policy are formalised. Quantified financial implications not disclosed.	Meaningful foundation but needs stronger disclosure of scenario outputs and how they change risk appetite.
PNB	Physical-risk assessment across the lending portfolio, including hazards such as floods, droughts and cyclones.	Network for Greening Financial Systems (NGFS)-aligned transition analysis using multiple scenarios and carbon-price pathways.	Strong analytical architecture but public disclosure does not yet show quantified impacts on capital/portfolio decisions.	Peer-leading climate-risk analytics, but still a gap between modelling and observable capital-allocation rules.
HDFC Bank	Retail physical-risk framework based on geography/natural-catastrophe severity is being refined.	Wholesale transition-risk methodology/framework under evaluation. Exposures include recognised high-risk sectors.	ESGRM incorporated into credit due diligence above defined thresholds. Formal transition plan intended.	Solid credit integration, but transition-risk methodology and portfolio consequences remain work in progress.
ICICI Bank	Annual physical-risk scenario analysis for priority wholesale counterparties and retail portfolios.	Transition-risk analysis for top wholesale counterparties. ESG tool covers 20 sectors including hard-to-abate sectors.	Findings incorporated into financial planning and ICAAP; SEMF can trigger enhanced diligence.	One of the strongest risk-integration frameworks in the peer group.
Axis Bank	Climate/ESG are formal risk categories. Stress testing/scenario analysis used.	Scenario work includes a 2°C pathway. Coal/thermal exposure cap and glide path provide a portfolio control.	Board Risk Committee oversight. ICAAP treats physical and transition risks as material.	Strong integration. Financed-emissions data remains the missing link for portfolio alignment.
YES Bank	Mature ESG governance and ESRMS framework; board-level oversight.	Sectoral financed-emissions measurement creates a basis for transition-risk prioritisation.	ESG KPIs embedded in top-management goals. Detailed scenario-result disclosure is less extensive than the leading peers.	Strong governance and accountability. Needs wider portfolio coverage and more decision-useful risk outcomes.

Climate risk integration profile





10. Bank-by-bank assessment

The overall assessment is most useful when the underlying drivers are visible. The bank-level tables below therefore unpack each institution's assessment across all 10 pillars. Each rationale explains what public evidence merited the assessment, what is missing for a stronger assessment, and, where possible, anchors the judgement in portfolio size, coverage, exposure, or target data. A finding of no qualifying public evidence continues to mean that no qualifying public evidence was identified. It does not assume that the bank has no internal policy, process, or exposure.

Union Bank of India

USD4.14bn
Green-finance portfolio, June 2026

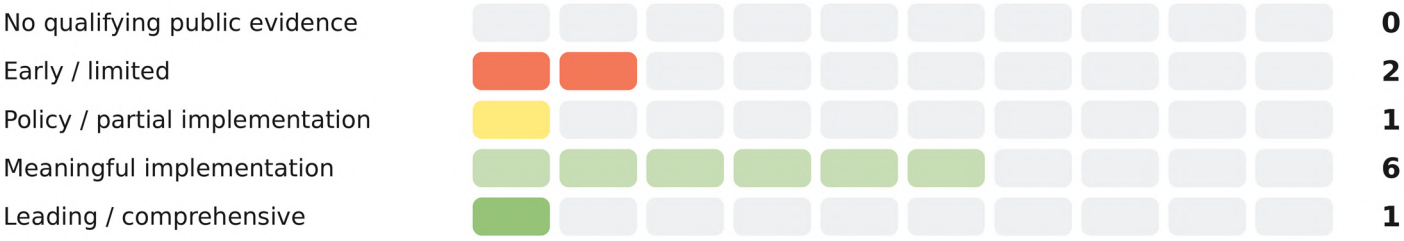
3.6%
of global advances

USD1.64bn
Disclosed thermal exposure

1.47%
of domestic advances

Pillar assessments

10 pillars assessed



Positioning: Union Bank has one of the most balanced transition propositions in the group: a current green-finance portfolio, PCAF participation, financed-emissions disclosure by asset class, and a formal climate-risk policy. It also has identifiable thermal exposure, which makes its stated "gradual phase-out of thermal coal" economically relevant rather than purely symbolic.

Pillar-by-pillar rationale: Union's assessment reflects breadth rather than leadership in a single area. June 2026, its green-finance portfolio was USD4.14bn, or about 3.6% of global advances, while disclosed thermal exposure was USD1.64bn, or 1.47% of domestic advances. The central transition question is therefore whether its financed-emissions measurement and stated thermal-coal phase-down become dated portfolio limits and sector targets.

Key strengths

- Green-finance portfolio of USD4.14bn at June 2026
- PCAF signatory
- Category 15 disclosed by asset class
- Formal ESG/Climate Risk policy
- Pilot stress testing
- Explicit thermal-coal phase-down direction.

Key gaps

- No dated coal phase-out or disclosed coverage across corporate finance/refinancing/underwriting
- Financed-emissions assurance remains incomplete
- No portfolio-wide net-zero year or sectoral financed-emissions targets identified.

Priority question: By when will the bank convert its "gradual phase-out" of thermal coal into a quantified exposure trajectory, and how will financed-emissions data be used to set 2030 targets for power and other high-emitting sectors?

Union Bank of India

Pillar	Assessment	Why this assessment / number-led evidence
Climate strategy & governance	Meaningful implementation	A Board-approved ESG framework includes an ESG Risk Framework and a Climate Risk Policy, giving climate issues formal governance and risk ownership. This supports a meaningful implementation assessment. A stronger assessment would require clearer public evidence that financed-emissions outcomes are tied to executive incentives, board-level performance tracking, or other accountability mechanisms.
Net-zero commitments & transition targets	Policy / partial implementation	Union Bank has a Scope 1 and 2 emissions-reduction target for FY2034-35, but no portfolio-wide financed-emissions net-zero year or 2030-style sector targets were identified. The target is formal, but it primarily addresses operations rather than the balance sheet, which keeps the assessment at 2.
Financed emissions & portfolio alignment	Meaningful implementation	The bank is a PCAF signatory and discloses Category 15 financed emissions by asset class, which moves it beyond pilot-stage carbon accounting. However, the public materials reviewed do not provide a comparable portfolio-coverage percentage, and Category 15 was not fully assured in the cross-check used. That supports 3 rather than 4.
Coal & fossil-fuel financing policy	Early / limited	The transition plan refers to a gradual phase-out of thermal coal, but no date, threshold, no-new-coal restriction, or instrument scope is disclosed. This matters because thermal exposure was USD1.64bn, or 1.47% of domestic advances, and the broader petroleum/coal/nuclear bucket was USD2.09bn, or 1.87%. The signal is relevant, but still early.
Sustainable-finance portfolio	Leading / comprehensive	Union Bank reports an outstanding green-finance stock of USD4.14bn, equivalent to about 3.6% of global advances. Renewable energy accounts for USD3.61bn, or roughly 87% of that green portfolio. The combination of a current stock figure, sector composition, and recurring disclosure is among the strongest in the peer set, supporting a leading / comprehensive assessment.
Transition finance & sectoral policies	Meaningful implementation	Union has moved beyond generic green lending through a stated thermal-coal phase-down direction and a sustainable-financing framework. These are meaningful transition signals, but the bank does not yet disclose dated sector pathways, borrower decarbonisation thresholds, or technology-specific safeguards across high-emitting sectors, limiting the assessment to meaningful implementation.
Climate-risk integration in lending	Meaningful implementation	The bank has formalised climate risk through its ESG Risk Framework and Climate Risk Policy and has conducted pilot climate stress testing. This shows operational integration rather than acknowledgement alone. Public disclosure does not yet quantify the effect on risk appetite, pricing, limits, capital, or provisioning, so the assessment remains at meaningful implementation rather than leading / comprehensive.
Client engagement & escalation (5%)	Early / limited	Public disclosures show ESG and climate-risk screening, but they do not set out systematic requirements for high-emitting clients to publish transition plans, meet emissions milestones, accept climate-linked covenants, or face escalation if progress stalls. The absence of a disclosed escalation ladder supports a early / limited assessment.
Sustainable products / capital mobilisation (3%)	Meaningful implementation	Union has a sustainable-financing framework and a sizeable green book, with renewable energy representing about 87% of the USD4.14bn green portfolio. This demonstrates active product deployment and capital mobilisation. A 4 would require stronger evidence of differentiated instruments at scale, such as outcome-linked products, labelled issuance, or mobilisation structures with quantified results.
Disclosure, accountability & progress (5%)	Meaningful implementation	Union discloses financed emissions by asset class, current green-finance stock, and thermal-sector exposure, providing investors with several decision-useful datapoints. The main disclosure gaps are a financed-emissions coverage ratio, full assurance, dated coal milestones, and evidence of how climate analysis changes credit decisions. This supports a 3.

Punjab National Bank

87%
of net advances and investments covered

USD1.06bn
Q1 FY27 green-related sanctions

2060
Scope 1-3 net-zero objective

83%
Renewable energy share of disclosed flow

Pillar assessments 10 pillars assessed



Positioning: PNB is the strongest peer on the breadth of financed-emissions measurement, and climate-scenario analytics. Its public architecture is therefore uncommonly well positioned to identify where portfolio emissions and transition risk sit. The central issue is conversion: disclosure and modelling need to become sector-level portfolio targets and financing decisions.

Pillar-by-pillar rationale: PNB's assessment is driven by measurement and risk analytics rather than by a large, comparable green-finance stock. Its PCAF-aligned Category 15 assessment covers 87% of net advances and investments, while Q1 FY27 green-related sanctions totalled USD1.06bn. The key issue is conversion: PNB has broad emissions data, but it has not yet shown how that data changes sector limits, client requirements, or high-carbon financing policy.

Key strengths

- PCAF-aligned Category 15 measurement across 87% of net advances and investments
- Long-term Scope 1-3 net-zero objective by 2060
- Strong physical-risk and NGFS-based transition scenario work
- Third-party verification reported in independent assessment.

Key gaps

- No comprehensive coal policy identified
- No current directly comparable outstanding green-finance stock found in the reviewed FY26/Q1 FY27 material
- Limited public evidence that scenario outputs change exposure limits, pricing or sector strategies.

Priority question: What financed-emissions reduction targets will PNB set for 2030 in its highest-emitting sectors, and what lending restrictions or client-transition requirements will apply if those sectors do not align?

Punjab National Bank

Pillar	Assessment	Why this assessment / number-led evidence
Climate strategy & governance	Meaningful implementation	PNB has a formal climate strategy, financed-emissions reporting, and climate-risk analysis embedded in its public sustainability architecture. That is sufficient for meaningful implementation. The assessment remains at meaningful implementation because public disclosure does not clearly link financed-emissions performance to executive remuneration, board scorecards, or other outcome-based accountability.
Net-zero commitments & transition targets	Meaningful implementation	PNB has a near-term operational target of net zero for Scope 1 and 2 by FY2031 and a long-term Scope 1, 2, and 3 net-zero objective by 2060. Unlike most peers, the long-term commitment reaches financed emissions. However, no 2030 sector-level financed-emissions targets were identified, preventing a leading / comprehensive assessment.
Financed emissions & portfolio alignment	Leading / comprehensive	PNB is the peer leader on disclosed coverage: PCAF-aligned Category 15 measurement covers 87% of net advances and investments, and third-party verification is reported in the independent cross-check. Broad coverage, a recognised methodology, and verification meet the assessment's leading-practice threshold, even though sectoral alignment targets still need to follow.
Coal & fossil-fuel financing policy	No qualifying public evidence	No comprehensive bank-wide coal exclusion, cap, or phase-out was identified. PNB refers to a cautious approach to brown sectors, but that is not a financing restriction. Separate coal exposure was also not identified, so the practical materiality of the policy gap is indeterminate; the no qualifying public evidence assessment reflects missing policy evidence, not an assumption that coal exposure is high.
Sustainable-finance portfolio	Policy / partial implementation	Q1 FY27 disclosures show USD1.06bn of green-related sanctions: USD879m for renewable energy, USD97m for solar rooftops, and USD 83m for Green Car. Renewable energy therefore represents about 83% of the disclosed flow. Because this is a quarterly sanction flow rather than a comparable outstanding green stock, portfolio share cannot be assessed, keeping the assessment at policy / partial implementation.
Transition finance & sectoral policies	Meaningful implementation	PNB combines broad financed-emissions measurement with green, social, and sustainability-linked financing architecture and explicit recognition of brown-sector transition risk. This gives it a credible foundation for sector transition finance. However, the bank has not publicly translated the 87% emissions coverage into sector-specific eligibility thresholds, technology criteria, or client transition-plan requirements, so the assessment is 3.
Climate-risk integration in lending	Leading / comprehensive	PNB conducts physical-risk assessment across the lending portfolio and NGFS-aligned transition analysis using multiple scenarios and carbon-price pathways. This is the broadest analytical architecture in the sample and supports a leading / comprehensive assessment. The next improvement is to disclose quantified effects on expected loss, capital, exposure limits, or portfolio allocation rather than only the analytical process.
Client engagement & escalation	Early / limited	Despite strong analytics, the reviewed disclosures do not set out a consistent client-engagement ladder for high-emitting borrowers, including transition-plan requirements, covenants, milestone monitoring, pricing consequences, or exit rules. The gap between portfolio analysis and client-level consequences supports a early / limited assessment.
Sustainable products / capital mobilisation	Meaningful implementation	PNB reports activity across RE, rooftop-solar, and green-vehicle products, with USD1.06bn of green-related sanctions in Q1 FY27, and it has green, social, and sustainability-linked financing architecture. Product breadth is meaningful, but the disclosed datapoint is a flow rather than evidence of sustained labelled capital mobilisation at peer-leading scale, supporting a meaningful implementation assessment.
Disclosure, accountability & progress	Leading / comprehensive	PNB discloses an 87% financed-emissions coverage ratio, uses PCAF, reports a Scope 1-3 net-zero objective, and has third-party verification reported in the independent cross-check. These are unusually decision-useful disclosures for the Indian banking peer set. Gaps remain on green-portfolio stock and capital-allocation consequences, but the transparency standard merits a 4.

HDFC Bank

USD8.23bn
Green finance, March 2026

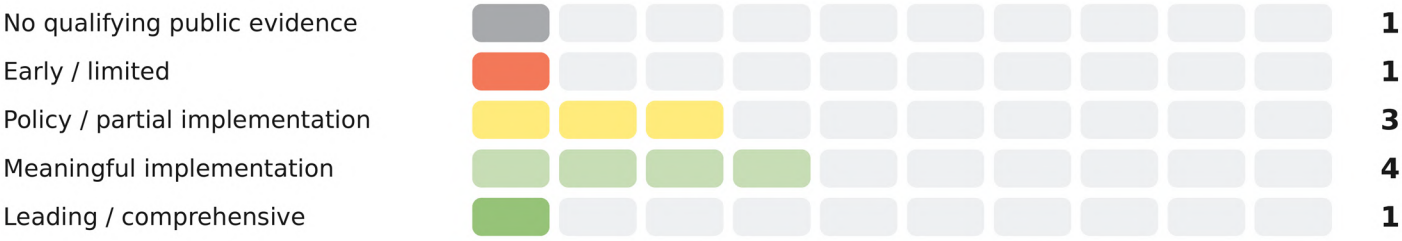
USD86.65bn
Sustainable finance, March 2026

USD28.1bn
Financed-emissions assessment boundary

8.7%
of gross advances assessed

Pillar assessments

10 pillars assessed



Positioning: HDFC Bank has a large and increasingly transparent sustainable-finance portfolio and has materially widened its financed-emissions assessment. Its main transition weakness is that neither high-carbon exposure nor financed-emissions measurement is yet connected to a public portfolio decarbonisation target.

Pillar-by-pillar rationale: HDFC's assessment reflects a sharp contrast between sustainable-finance scale and portfolio decarbonisation readiness. At March 2026, green finance was USD8.23bn, or 2.64% of total finance, while broader sustainable finance was USD86.65bn, or 27.84%. Its financed-emissions assessment covered USD28.08bn across 313 listed entities and 39 sectors - only about 8.7% of gross advances - so the next step is to connect this expanding measurement boundary to portfolio targets.

Key strengths

- Green portfolio of USD8.23bn by March 2026
- Sustainable-finance portfolio of USD86.65bn
- Financed-emissions assessment boundary expanded to USD28.08bn across 313 listed entities and 39 sectors
- ESGRM integrated into credit due diligence.

Key gaps

- The 27.84% sustainable-finance headline is dominated by social finance; green finance is 2.64% of total finance.
- No portfolio-wide net-zero target or explicit coal phase-out identified.
- Transition-risk methodology and formal transition plan remain under development.

Priority question: When will HDFC publish a portfolio-wide financed-emissions baseline and 2030 sector targets, and how will its disclosed coal/petroleum and other high-carbon sector exposures be managed down or conditioned on transition plans?

HDFC Bank

Pillar	Assessment	Why this assessment / number-led evidence
Climate strategy & governance	Meaningful implementation	HDFC has formal ESG risk-management architecture and integrates ESGRM into credit due diligence above defined thresholds. This demonstrates governance and operational ownership rather than a standalone sustainability programme. A leading / comprehensive assessment would require clearer public evidence of board-level financed-emissions accountability and climate-linked management incentives or performance consequences.
Net-zero commitments & transition targets	Policy / partial implementation	The bank targets carbon neutrality for Scope 1 and 2 by FY2031-32, but no portfolio-wide financed-emissions net-zero target or sectoral interim pathway was identified. The target is time-bound and credible for operations, but it does not yet govern the emissions associated with lending, which limits the assessment to policy / partial implementation.
Financed emissions & portfolio alignment	Policy / partial implementation	HDFC's FY26 assessment covers USD28.08bn of loans across 313 listed entities and 39 sectors, and the boundary expanded 40.89% year on year. Relative to gross advances of USD321.87bn, the assessed boundary is about 8.7%. That is meaningful expansion from pilot work, but still partial and not yet a portfolio baseline, supporting a policy / partial implementation assessment.
Coal & fossil-fuel financing policy	No qualifying public evidence	No explicit bank-wide coal financing restriction, cap, or phase-out was identified. Coal and petroleum products together account for USD6.34bn, or 1.6% of disclosed industry exposure, but coal is not separately reported. The combined exposure suggests potential materiality, while the lack of a coal-only figure prevents a precise transition assessment; no policy credit is awarded.
Sustainable-finance portfolio	Leading / comprehensive	HDFC reports USD8.23bn of green finance and USD86.65bn of total sustainable finance at March 2026. Green finance is 2.64% of total finance, while sustainable finance is 27.84%. Importantly, 90.5% of the sustainable portfolio is social finance, meaning green finance is only about 9.5% of the sustainable total. Scale and stock disclosure merit a 4, but the composition caveat is material.
Transition finance & sectoral policies	Policy / partial implementation	The bank has a Sustainable Finance Framework and has identified transition-risk work as an area for further development, but a formal portfolio transition plan, sector decarbonisation pathways, and borrower transition thresholds are not yet publicly established. This is more advanced than generic green lending, but still partial implementation, supporting a policy / partial implementation assessment.
Climate-risk integration in lending	Meaningful implementation	ESGRM is incorporated into credit due diligence above defined thresholds. HDFC is also refining a geography-based retail physical-risk framework and evaluating a wholesale transition-risk methodology. These are meaningful risk-management steps, but scenario outputs and portfolio consequences are still under development, so the bank ranks 3 rather than 4.
Client engagement & escalation	Early / limited	HDFC's ESG due-diligence processes can identify higher-risk borrowers, but the reviewed disclosures do not establish public expectations for client transition plans, climate covenants, emissions milestones, or escalation where transition performance is inadequate. Risk screening without a disclosed escalation framework supports an early / limited assessment.
Sustainable products / capital mobilisation	Meaningful implementation	The bank's Sustainable Finance Framework supports a large stock of sustainable assets, with USD86.65bn reported at March 2026. However, only USD8.23bn is specifically green, and the public evidence is stronger on portfolio classification than on distinctive capital-mobilisation instruments or outcome-linked products. This supports a 3 rather than 4.
Disclosure, accountability & progress	Meaningful implementation	HDFC provides detailed green and sustainable portfolio figures, discloses the USD28.08bn financed-emissions assessment boundary, and reports its 40.89% year-on-year expansion. However, it does not yet disclose a portfolio-wide emissions baseline, sector targets, a coal-specific exposure figure, or a complete transition pathway. Disclosure is meaningful, but not comprehensive, supporting a meaningful implementation assessment.

ICICI Bank

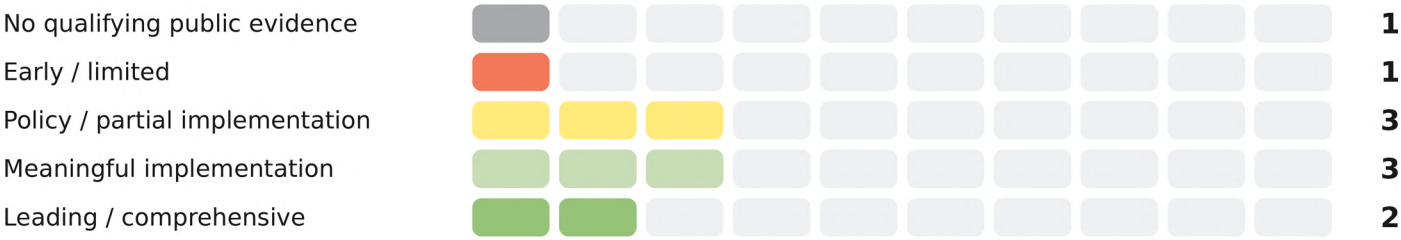
USD3.23bn
Green finance, March 2026

USD10.5bn
Sustainable finance, March 2026

2.0% / 6.4%
Green / sustainable share of advances

20
Sectors in ESG borrower assessment

Pillar assessments 10 pillars assessed



Positioning: ICICI has one of the most sophisticated climate-risk integration frameworks and a substantial outstanding green/sustainable portfolio. Its emissions-accounting architecture, however, remains less mature than its risk systems: financed-emissions work is still a pilot for a subset of listed corporates.

Pillar-by-pillar rationale: ICICI's assessment is stronger on climate-risk management than on financed-emissions accounting. March 2026, it reported USD3.23bn of green finance and USD10.5bn of sustainable finance, reported in the portfolio comparison as roughly 2.0% and 6.4% of advances, respectively. Its ESG borrower assessment covers 20 sectors, but financed-emissions work remains a pilot for a subset of listed corporate borrowers, leaving a material gap between risk analytics and portfolio alignment.

Key strengths

- USD3.23bn green and USD10.5bn sustainable-financing portfolios at March 2026
- 20-sector ESG borrower assessment
- Annual physical/transition scenario analysis
- Findings incorporated into financial planning and ICAAP
- SEMF provides enhanced diligence architecture.

Key gaps

- No portfolio-wide financed-emissions baseline or target identified
- No explicit coal cap/phase-out
- Public data do not allow separate coal-exposure materiality assessment.

Priority question: What is ICICI's timetable for expanding PCAF measurement from pilot corporates to the full material loan book, and when will scenario analysis translate into sector exposure limits and financed-emissions targets?

ICICI Bank

Pillar	Assessment	Why this assessment / number-led evidence
Climate strategy & governance	Meaningful implementation	ICICI has formal ESG governance, a Social and Environmental Management Framework, and climate-risk processes that feed into financial planning and ICAAP. This demonstrates integrated governance. The assessment remains at meaningful implementation because public disclosure does not show portfolio-wide financed-emissions accountability, sector decarbonisation targets, or climate-linked executive incentives at a level that would meet the assessment's leading threshold.
Net-zero commitments & transition targets	Policy / partial implementation	ICICI targets carbon neutrality for Scope 1 and 2 by FY2032, but no portfolio-wide financed-emissions net-zero target or sectoral interim pathway was identified. The target is formal and time-bound, but it does not yet address the bank's largest climate footprint - financed emissions - so the assessment is policy / partial implementation.
Financed emissions & portfolio alignment	Early / limited	The bank has conducted a PCAF pilot for listed corporate borrowers that disclose Scope 1 and 2 emissions and is building capability for other asset classes. No portfolio-coverage percentage, comprehensive baseline, or alignment target is yet disclosed. The work is therefore at an early implementation stage, which supports a early / limited assessment.
Coal & fossil-fuel financing policy	No qualifying public evidence	ICICI's SEMF and exclusion screening provide environmental safeguards, but no explicit bank-wide coal prohibition, exposure cap, no-new-coal rule, or phase-out was identified. Separate coal exposure is also not publicly available in the reviewed material. The assessment is therefore 0 on policy evidence, while the practical materiality of that gap remains indeterminate.
Sustainable-finance portfolio	Leading / comprehensive	At March 2026, ICICI reported USD3.23bn of green finance and USD10.5bn of sustainable finance. The portfolio comparison reports these as approximately 2.0% and 6.4% of March 2026 advances, respectively. The availability of outstanding stock data, rather than only cumulative origination, and clear differentiation between green and broader sustainable finance support a leading / comprehensive assessment.
Transition finance & sectoral policies	Policy / partial implementation	ICICI's ESG borrower tool covers 20 sectors, including hard-to-abate sectors, and its SEMF can trigger enhanced diligence. These mechanisms can identify transition risk, but the bank does not yet publish dedicated transition-finance pathways, technology thresholds, or financed-emissions criteria for material sectors. The architecture is useful but still partial, supporting a policy / partial implementation assessment.
Climate-risk integration in lending	Leading / comprehensive	ICICI conducts annual physical-risk scenario analysis for priority wholesale counterparties and retail portfolios, transition-risk analysis for top wholesale counterparties, and ESG assessment across 20 sectors. Findings are incorporated into financial planning and ICAAP, and SEMF can trigger enhanced diligence. This is one of the strongest integrations in the peer group, supporting a leading / comprehensive assessment.
Client engagement & escalation	Policy / partial implementation	The SEMF can require borrower declarations, enhanced due diligence, and, where relevant, independent assessment. This creates a stronger client-level mechanism than simple screening. However, public disclosure does not set out a consistent transition-plan requirement, emissions milestones, pricing consequences, or exit framework for misaligned clients, so the assessment is 2 rather than 3.
Sustainable products / capital mobilisation	Meaningful implementation	ICICI has meaningful outstanding green and sustainable portfolios - USD3.23bn and USD10.5bn, respectively - showing established product deployment. The public evidence is less clear on peer-leading labelled issuance, blended-finance mobilisation, or outcome-linked structures with quantified results. Product breadth is meaningful, but not leading, supporting a meaningful implementation assessment.
Disclosure, accountability & progress	Meaningful implementation	ICICI provides detailed ESG risk methodology, scenario-analysis information, and green and sustainable portfolio stocks. However, a comprehensive financed-emissions baseline, coverage ratio, coal exposure, and portfolio decarbonisation target remain absent. The bank therefore gives investors strong risk-process disclosure but incomplete portfolio-alignment disclosure, supporting a meaningful implementation assessment.

Axis Bank

USD6.5bn
Positive-impact financing by FY26

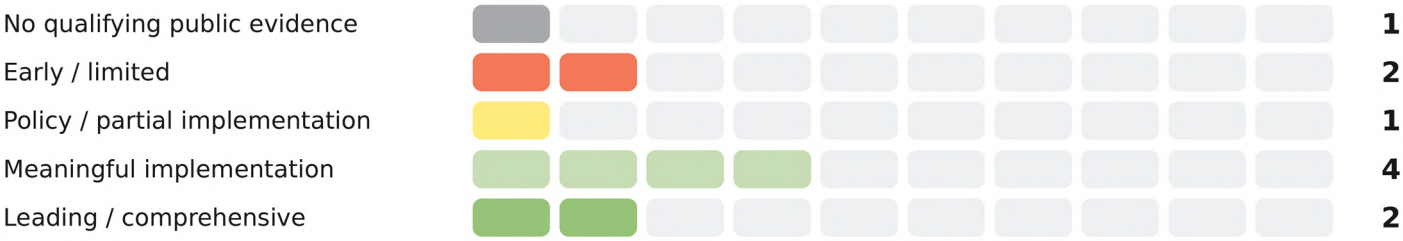
USD6.3bn
Revised FY30 commitment

1.2%
Coal/thermal share of exposure, March 2025

4 years
Early delivery against the FY30 commitment

Pillar assessments

10 pillars assessed



Positioning: Axis stands out because it has taken a direct portfolio-management approach to coal and thermal power through a cap and glide path. This is a useful signal of transition action, but the bank has not yet published the emissions baseline or portfolio target needed to show whether that exposure path is sufficient for overall financed emissions reduction.

Pillar-by-pillar rationale: Axis's assessment is unusual because direct high-carbon exposure management is ahead of emissions accounting. Coal mining, logistics, trading, and thermal-power generation represented 1.2% of total exposure in March 2025, and the bank manages the exposure through a cap and glide path. At the same time, USD6.5bn of cumulative positive-impact wholesale financing had already exceeded the revised USD6.3bn FY2030 commitment by FY2026, while no public financed-emissions baseline had been disclosed.

Key strengths

- Coal/thermal exposure is managed against a cap/glide path and was reported below the targeted cap in FY26
- USD6.5bn cumulative positive-impact wholesale financing
- In-house ESG rating, climate scenario analysis and ICAAP integration.

Key gaps

- No public financed-emissions baseline or portfolio-wide net-zero target identified
- Coal/thermal glide path lacks a disclosed full phase-out date and does not amount to a comprehensive no-new-coal policy.

Priority question: What absolute or intensity reduction in coal/thermal exposure does the glide path imply through 2030, and when will Axis publish financed emissions so investors can test whether the glide path is consistent with portfolio decarbonisation?

Axis Bank

Pillar	Assessment	Why this assessment / number-led evidence
Climate strategy & governance	Meaningful implementation	Climate and ESG are treated as formal risk categories, the Board Risk Committee has oversight, and ICAAP treats physical and transition risks as material. This is meaningful governance integration. A leading / comprehensive assessment would require clearer public linkage between climate outcomes, financed-emissions performance, management incentives, and board accountability beyond the risk-governance structure.
Net-zero commitments & transition targets	Early / limited	No portfolio-wide financed-emissions net-zero target or sectoral emissions pathway was identified. Axis does have a positive-impact financing commitment and a coal/thermal exposure glide path, but neither is equivalent to a financed-emissions reduction target. Because transition direction exists without a portfolio decarbonisation objective, the assessment is early / limited.
Financed emissions & portfolio alignment	No qualifying public evidence	No public financed-emissions baseline was identified in the reviewed material. Without a baseline, portfolio coverage, or sector emissions profile, investors cannot test whether the coal/thermal glide path and growth in positive-impact financing are sufficient to reduce total financed emissions. The assessment is therefore 0 on qualifying public evidence.
Coal & fossil-fuel financing policy	Policy / partial implementation	Axis has a public cap and glide path to scale down coal and thermal-power exposure, and FY26 exposure was reported within the targeted cap. At March 2025, coal mining/logistics/trading plus thermal-power generation represented 1.2% of total exposure. This is an actual portfolio control, but no full phase-out date, no-new-coal ban, or comprehensive instrument scope is disclosed, supporting a policy / partial implementation assessment.
Sustainable-finance portfolio	Leading / comprehensive	Axis reported USD6.5bn of cumulative positive-impact wholesale financing by FY26, exceeding its revised USD6.3bn FY30 commitment. That is 102.2% of the stated target achieved about four years early. Although cumulative origination is not directly comparable with an outstanding green stock, the quantified commitment and delivery record are strong enough for a 4 per our framework.
Transition finance & sectoral policies	Meaningful implementation	Axis combines an in-house ESG rating model with a coal/thermal exposure glide path and a large positive-impact financing programme. These are direct mechanisms for shaping sector exposure rather than only classifying green assets. However, there is no financed-emissions baseline or public sector emissions pathway against which the glide path can be tested, limiting the assessment to meaningful implementation.
Climate-risk integration in lending	Leading / comprehensive	The bank uses stress testing and scenario analysis, including a 2°C pathway, treats physical and transition risks as material in ICAAP, and has Board Risk Committee oversight. The coal/thermal cap also provides evidence that risk analysis can translate into an exposure control. This breadth and decision linkage support a leading / comprehensive assessment.
Client engagement & escalation	Early / limited	Axis has borrower-level ESG assessment, but the reviewed disclosures do not establish a public transition-plan requirement, climate-linked covenant framework, escalation ladder, or exit rule for high-emitting clients that fail to transition. The absence of disclosed client consequences limits the assessment to early / limited.
Sustainable products / capital mobilisation	Meaningful implementation	The USD6.5bn cumulative positive-impact wholesale financing programme demonstrates material product deployment and target-based mobilisation. However, the figure is cumulative rather than an outstanding stock, and public disclosure is stronger on origination than on labelled capital-market instruments, blended finance, or outcome-linked structures. That supports a 3.
Disclosure, accountability & progress	Meaningful implementation	Axis discloses progress against its positive-impact financing target and gives investors a direct coal/thermal exposure management signal through the cap and glide path. However, it does not disclose financed emissions, a portfolio net-zero pathway, or a full coal phase-out date. Transparency is useful but incomplete, supporting a meaningful implementation assessment.

YES Bank

USD809m
FY26 green-finance sanctions

~1,182MW
Renewable-energy projects financed, FY26

2030
Net zero for Scope 1 and 2

3 sectors
With verified financed emissions

Pillar assessments

10 pillars assessed



Positioning: YES Bank has one of the strongest climate governance and accountability structures in the peer set and is notable for linking sectoral financed-emissions measurement to an intensity reduction target. The challenge is scale: covered sectors need to expand across the portfolio, and the bank still lacks a broad coal restriction.

Pillar-by-pillar rationale: YES Bank's assessment is driven by governance, sector-level emissions measurement, and climate-finance product depth. It reports verified financed emissions for electricity generation, cement, and iron and steel, with an intensity-reduction target for the covered sectors. In FY26, it sanctioned USD809m for about 1,182MW of renewable-energy projects. Coverage is not yet portfolio-wide, and coal exposure is not separately disclosed.

Key strengths

- Net Zero 2030 for Scope 1 and 2
- Board CSR & ESG Committee and Sustainability Council
- ESG KPIs in top-management goals
- Financed emissions disclosed and verified for electricity generation, cement and iron & steel
- USD809m FY26 green-finance sanctions for RE.

Key gaps

- Financed-emissions coverage is sectoral rather than portfolio-wide
- No broad coal phase-out identified
- Separate current coal exposure not disclosed, limiting materiality assessment.

Priority question: What is the timetable for extending financed-emissions targets beyond power, cement and steel, and will YES introduce high-carbon financing thresholds that are explicitly linked to those sectoral pathways?

YES Bank

Pillar	Assessment	Why this assessment / number-led evidence
Climate strategy & governance	Leading / comprehensive	A Board CSR and ESG Committee, a Sustainability Council, and ESG KPIs in top-management goals create explicit oversight and accountability. This is the clearest peer evidence that climate objectives are tied to governance and performance, supporting a leading / comprehensive assessment.
Net-zero commitments & transition targets	Policy / partial implementation	YES targets net zero for Scope 1 and 2 by 2030 and has a financed-emissions intensity target for the sectors it measures. Because that target covers selected sectors rather than the full portfolio, and there is no broad portfolio net-zero year, the assessment remains at policy / partial implementation.
Financed emissions & portfolio alignment	Meaningful implementation	Financed emissions are measured for electricity generation, cement, and iron and steel, and are third-party verified. The covered sectors also have an intensity-reduction target. This is stronger than measurement alone, but no portfolio-wide baseline or coverage ratio is disclosed, supporting a meaningful implementation assessment.
Coal & fossil-fuel financing policy	No qualifying public evidence	No broad coal restriction, exposure cap, no-new-coal rule, or phase-out was identified. Separate coal exposure is also not disclosed. The 0 reflects missing policy evidence; the practical materiality of the gap remains indeterminate because current coal exposure cannot be quantified publicly.
Sustainable finance portfolio	Meaningful implementation	YES sanctioned USD809m for approximately 1,182MW of renewable-energy projects in FY26. This is meaningful annual origination, but it is not an outstanding green-finance stock and cannot be compared directly with the USD29.9bn advances book, supporting a meaningful implementation assessment.
Transition finance & sectoral policies	Meaningful implementation	The ESRMS is combined with financed-emissions measurement and reduction targets for power, cement, and steel. That creates a stronger transition-finance basis than a generic green taxonomy, but sector coverage remains narrow, and no explicit coal or broader high-carbon thresholds were identified, supporting a meaningful implementation assessment.
Climate-risk integration in lending	Leading / comprehensive	Mature ESG governance, the ESRMS, sector-level financed-emissions data, and management ESG KPIs provide a strong basis for prioritising transition risk and accountability. Scenario-result disclosure is less extensive than at some peers, but overall integration is sufficiently mature for a 4.
Client engagement & escalation	Early / limited	The ESRMS provides structured screening and due diligence, but public disclosures do not establish client transition-plan requirements, climate covenants, milestone-based escalation, or exit rules for non-alignment. Risk screening without a disclosed transition-engagement ladder supports a 1.
Sustainable products / capital mobilisation	Leading / comprehensive	YES combines current green lending with a long track record of sustainable-finance instruments, including green-bond issuance, and is a Green Climate Fund accredited entity. FY26 green sanctions were USD809m. The breadth of mobilisation channels is stronger than the peer norm, supporting a leading / comprehensive assessment.
Disclosure, accountability & progress	Leading / comprehensive	YES discloses sector-level financed emissions, obtains third-party verification, reports a reduction target for covered sectors, and links ESG KPIs to top-management goals. Measurement, target-setting, and accountability are therefore connected; the main gap is portfolio breadth rather than disclosure architecture, supporting a leading / comprehensive assessment.

Conclusion

From Climate Commitments to Capital Allocation

INDIA'S BANKING SECTOR is making measurable progress in integrating climate considerations into its operations, risk management and financing activities. However, this assessment of six major banks reveals a persistent gap between the ability to measure and manage climate-related risks and the ability to demonstrate reductions in financed emissions. While sustainable-finance portfolios are expanding and climate-risk frameworks are becoming more sophisticated, the mechanisms required to translate these developments into portfolio-wide decarbonisation remain limited.

The six banks demonstrate different aspects of transition readiness. PNB leads in disclosed financed-emissions coverage, Union Bank has established a foundation for measurement and articulated a thermal-coal phase-down direction, and YES Bank has linked sectoral financed-emissions measurement to reduction targets. Axis Bank demonstrates an approach to managing high-carbon exposure through caps and a glide path, while HDFC Bank and ICICI Bank have developed substantial sustainable-finance activities and climate-risk management capabilities.

Nevertheless, none of the banks currently demonstrates a comprehensive combination of portfolio-wide emissions measurement, interim sectoral targets, high-carbon financing restrictions, and borrower-level transition requirements.

The next phase of progress must therefore shift from building climate-finance capabilities to demonstrating their influence on lending decisions.

Three priorities emerge:

- **Translate measurement into targets:** Establish comprehensive financed-emissions baselines and measurable, time-bound reduction targets for material sectors, including power, steel, and cement.
- **Connect climate risk to credit decisions:** Integrate borrower transition performance into credit appraisal, financing conditions, exposure limits, and ongoing portfolio monitoring.
- **Strengthen accountability for high-carbon financing:** Establish transparent sectoral financing policies, disclose exposure trajectories, and introduce clear mechanisms to address borrowers that fail to make credible transition progress.

> **"While sustainable-finance portfolios are expanding, the mechanisms required to translate them into portfolio-wide decarbonisation remain limited."**

For banks, these actions represent an opportunity to manage emerging financial risks while supporting the investment required for India's industrial and energy transition. For investors and regulators, they provide a more meaningful basis for assessing progress than sustainable-finance volumes or operational net-zero commitments alone. Ultimately, the credibility of a bank's climate strategy will depend not simply on how much green finance it mobilises, but on whether its broader lending portfolio is demonstrably moving towards a lower-emissions economy.

The defining test of transition readiness is whether climate commitments translate into measurable changes in capital allocation.

Glossary

Term	Definition
Scope 1 Emissions	Direct greenhouse gas emissions from sources owned or controlled by an organisation, such as company vehicles and diesel generators.
Scope 2 Emissions	Indirect emissions associated with purchased electricity, heating, steam or cooling consumed by an organisation.
Scope 3 Emissions	Indirect emissions arising across an organisation's value chain, excluding Scope 2. For banks, these include emissions associated with lending and investment activities.
Scope 3 Category 15 (Investments)	The category under the GHG Protocol covering emissions associated with investments and financing activities. It is the principal reporting category for banks' financed emissions.
Financed Emissions	The share of greenhouse gas emissions from borrowers and investees attributable to a bank's loans and investments. These emissions can substantially exceed those from the bank's own operations.
Partnership for Carbon Accounting Financials (PCAF)	A global initiative providing standardised methodologies for financial institutions to measure and disclose emissions associated with their lending and investment portfolios.
Greenhouse Gas Protocol (GHG Protocol)	An internationally recognised framework for measuring and reporting greenhouse gas emissions, including the Scope 1, 2 and 3 classifications.
Emissions Intensity	Greenhouse gas emissions expressed relative to a unit of economic activity or output, such as tonnes of CO_2 equivalent per tonne of steel produced.
Net Zero	A state in which greenhouse gas emissions are deeply reduced and any remaining residual emissions are balanced by equivalent carbon removals.
Operational Carbon Neutrality	Balancing emissions from an organisation's own operations through reductions and, where applicable, carbon credits. It does not necessarily address emissions arising from a bank's financing activities.

Glossary (continued)

Term	Definition
Physical Climate Risk	Financial risks arising from climate-related events or long-term environmental changes, including floods, droughts, extreme heat and rising sea levels.
Transition Climate Risk	Financial risks arising from the shift towards a lower-carbon economy, including changes in regulations, technology, energy prices, markets and consumer preferences.
Climate Scenario Analysis	A forward-looking assessment of how different plausible climate and policy outcomes could affect borrowers, asset values and a bank's financial position.
Network for Greening the Financial System (NGFS)	An international network of central banks and financial supervisors that develops guidance and climate scenarios to support the assessment of climate-related financial risks.
Carbon-Price Pathway	An assumed trajectory of carbon prices over time, used to assess how future emissions costs could affect borrowers' operating costs, profitability and creditworthiness.
Internal Capital Adequacy Assessment Process (ICAAP)	A bank's internal process for assessing material risks and determining whether it holds sufficient capital to withstand them, including relevant climate-related risks.
ESG Risk Management (ESGRM)	Processes used to identify, assess and manage environmental, social and governance risks within lending and other financial activities. The report references HDFC Bank's ESGRM framework.
Social and Environmental Management Framework (SEMF)	A framework for identifying and assessing environmental and social risks associated with borrowers or financed projects. The report references ICICI Bank's SEMF.
Environment and Social Risk Management System (ESRMS)	A structured system for screening, evaluating, monitoring and managing environmental and social risks associated with financing activities. The report references YES Bank's ESRMS.
Materiality / Exposure Materiality	The significance of a particular risk, issue or financing exposure to a bank. In this assessment, exposure materiality helps evaluate climate policies in relation to the actual scale of lending to high-emitting sectors.

Disclaimer

ARE has taken all reasonable precautions to ensure that the information contained in this Report is current and accurate as of the date of benchmarking. No representations or warranties are made (expressed or implied) as to the reliability, accuracy, or completeness of such information. Although every reasonable effort is made to present current and accurate information, ARE does not take any responsibility for any loss arising directly or indirectly from the use of, or any responsibility for any loss arising directly or indirectly from the use of, or any action taken in reliance on any information appearing in this Report.

Copyright

ARE wishes to support the distribution of this material subject to the licence granted below. We also seek to find solutions to the challenges the report presents. Please do contact us if you have any questions relating to the contents.

Unless otherwise indicated, the copyright in this report belongs to Asia Research and Engagement Pte. Ltd. (ARE). This report is licensed for use and distribution subject to citation of the original source in accordance with the Creative Commons Attribution (CC BY) licence.

You may distribute the full report or extract sections from it. Where you extract from the report, you must give appropriate credit and indicate if changes were made. You may provide credit in any reasonable manner, but not in any way that suggests an endorsement from ARE. Credit is not required where information is available elsewhere in the public domain.

This licence only provides you usage rights to this report where the copyright belongs to ARE. Not all material contained in this report belongs to ARE. As such, this licence may not provide you with all the permissions necessary for use. info@asiareengage.com

Copyright 2026 by Asia Research and Engagement Pte. Ltd.