

# Max Life Insurance Company Ltd

## Climate Risk Management Framework

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Version 1.0

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1.0	MRC & REALM	Board	August 13, 2024

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## 1. Background:

Climate change is a reality and is affecting every walk of our life. Compounded by other facets of environmental changes, climate change impacts our natural systems and processes to produce extreme weather events and disasters. These extreme weather events have ceased to be just future projections, and are now evident in the form of a reality, causing serious damages and losses to lives, infrastructure and resources. The adverse impact of climate change, has resulted into frequent *Green Swan* events, leading to warming temperatures, creating environmental harm and wreaking havoc on critical global infrastructures.

Over the last decade, incidences of extreme climate events have risen steadily in India as well, and without adequate adaptation and mitigation measures, will continue to intensify. At the same time, there is a growing realization that the community including businesses and investors need to be more proactive in incorporating climate risk considerations in their operations along with Government which is also focusing on including climate change resilience initiatives in its policies. Insurance Regulatory and Development Authority of India (IRDAI), having realized the significance of such emerging risk, has mandated all the insurance companies to have in place a climate risk management framework in order to mitigate climate risk.

## 2. Objective:

As per IRDAI Guidelines, the Board shall establish a comprehensive Climate Risk Management Framework to facilitate the climate risk management, keeping in view their size, nature and complexity of operations. The framework is based on the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD) and on the initiatives intended to drive progress on the United Nations Sustainable Development Goals (SDGs) and will be aligned with the broader Environmental, Social and Governance (ESG) Policy/Framework of the Company.

## 3. Applicability:

Climate Risk Framework primarily aims to address the risk exposed to the companies because of climate related changes. Climate risks are predominantly categorized into physical risks and transition risks, wherein physical risks are due to the physical effects of climate change such as extreme weather events, rise in sea levels, melting of glaciers etc. and transition risks result from various policy, legal, technology and market changes that makes one shift to a low carbon economy. Both kinds of risk have implications on the long term returns of businesses, particularly on the investors. Max Life will apply its Climate Risk Management Framework throughout the organization by adopting and implementing the framework in its day to day governance, operations and procedures.

## 4. Principles of Climate Risk Management Framework:

Climate Risk Management Framework shall be based on the following principles:

### a. Governance:

**Review of Framework:** Climate Risk Management Framework is to be approved by the Board of the Company and shall be reviewed once in two years or as required.

**Monitoring:** ESG Steering Committee (chaired by CEO and comprising functional heads) and ESG Working Committee (chaired by Head, ESG, and comprising relevant functional stakeholders supporting ESG Steering Committee) shall monitor the progress and targets as part of the Climate Risk Framework and update to the management on semi-annual basis and to the Board via Risk Committee on an annual basis.

**b. Risk management:**

Management shall identify and assess the climate risks through physical and transition risks which may significantly impact its business and stakeholders. Management shall explore if climate risk considerations shall be integrated into underwriting policies, product design & pricing, business operations, investment decisions, etc. and develop risk mitigation strategies towards such risks. Climate Risk management shall be an integral part of the Risk Management Strategy of the company.

**c. Impact area assessment:**

Management shall assess and monitor the impact of climate related risks on the key areas identified over the short/medium/long term horizon. A roadmap shall be in place to achieve the agreed targets, including adaptation and opportunities available to develop a climate resilient organization.

Vectors of climate risk	Key impact assessment
Underwriting & Claims	<ul style="list-style-type: none"> <li>Climate-related disaster (intense heatwaves and subsequent erratic monsoons which are already happening) may have an adverse impact on the claims in the short term and mortality rates in the long term.</li> <li>Management shall assess the impact of such risk on its underwriting policy of the company and product conditions to factor in climate-related physical and transition risks.</li> </ul>
Operations	<ul style="list-style-type: none"> <li>Extreme climatic conditions may have an adverse impact on the operations of some of the key functions and branches, agents, sellers and employees at various locations, thus, affecting their productivity.</li> <li>Climate-related disasters could lead to extended power outages or the destruction of facilities and may also have an impact on data centers, impacting business continuity.</li> <li>Management shall assess the impact of such risk on the operations of the company and test the resiliency of its processes.</li> </ul>
Investments	<ul style="list-style-type: none"> <li>Investments in various asset classes, viz., equity/bonds, real estate, may be vulnerable to climate risk with the increase in frequency and severity of such disasters.</li> <li>Investment losses, either from impairment changes or in the event that assets need to be sold (equity), reduced corporate profitability, or counterparty failure leading to any rating downgrades (bonds), or decline in real estate asset values basis location vulnerability, shall be monitored and required changes, if any, shall be included in the Investment policy.</li> </ul>
Regulatory/ Compliance	<ul style="list-style-type: none"> <li>Considering evolving regulatory landscape, management shall ensure the compliances with regulatory requirements related to climate risk disclosure, reporting and management.</li> <li>Disposal of all kinds of waste shall be done in accordance with the applicable rules and regulations.</li> <li>Any show cause notices due to violation of law with respect to levels of emissions, discharge, waste disposal, fine by the Pollution Control Board, National Green Tribunal, and Coastal Regulation Zone Management Authorities for non-compliance and required corrective actions shall be monitored closely.</li> </ul>
Facilities	<ul style="list-style-type: none"> <li>The Company shall reduce Scope 1 &amp; 2 Greenhouse Gas (GHG) emissions and monitor Scope 3 emissions (in so far the data and methodologies permit) in order to reduce the overall carbon emissions of the company.</li> </ul>

**d. Metrics and Targets:**

Management shall put in place the metrics to be monitored, targets to be achieved, along with a roadmap to achieve those targets. Considering the evolving nature of climate related risks, management shall monitor the progress of the following:

- Reducing carbon emissions
  - by 80% by 2028
- Higher carbon sequestration through tree plantation drives
  - planting 1 tree per employee per year
- Monitoring Responsible Investments
  - 100% ESG integration in equity investment research and decision making
  - 75% of equity portfolio to be ESG compliant at all times
- Monitoring concentration of branches in regions which are prone to extreme climatic conditions
- Monitoring extreme climatic conditions (viz., air pollution, extreme heatwave, etc.) which may have an impact on the health and safety of employees' and to have in place:
  - hybrid work policy for employees during such high risk climatic conditions
- Mechanism for faster processing of claims arising out of any natural calamity, including extreme climatic conditions, to be in place.

**5. Climate Risk sensitization:**

Max Life recognizes the importance of transparency and accountability in all aspects of its operations. Max Life endeavors to include and deliberate the risks due to climate related changes in its Board and Management meetings.

Max Life shall conduct regular sensitisation sessions for all its functions to ensure that each employee understands the relevance of climate changes and risks on the Company's operations.

Max Life shall participate and engage with industry associations, regulators, and peers to share best practices and collaborate on climate risk management initiatives.

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