



भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

Climate Risk Management Framework

Feb 2026

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Contents

1. Introduction	4
1.1. Purpose	4
1.2. Applicability	4
1.3. Scope	4
1.4. Objective	4
2. Climate risk management framework	5
2.1 Governance Approach	5
3. Climate Risk Management	5
3.1 Types of Climate Risks	6
3.2 Integration of Climate Risks into Operations	10
3.2.1 Integration of Climate Risks into the ERM Framework	10
3.2.2 Integration of Climate Risks into Business Continuity Planning (BCP)	11
3.2.3 Integration of Climate Risks into Business processes	11
4.0 Performance Monitoring Mechanism:	13
Appendix	14
Glossary of Terms	14

1. Introduction

1.1. Purpose

The Climate Risk Management Framework (CRMF) outlines Life Insurance Corporation of India's ("LIC" or "the Corporation") approach to identifying, evaluating, mitigating, and reporting climate-related risks relevant to its business. As climate risk management is still developing within the Indian insurance sector and related regulations continue to evolve, the corporation will progressively enhance and refine its approach to integrate climate considerations into the overall risk management framework. The framework support compliance with the IRDAI *Corporate Governance for Insurers (2024)* requirement mandating insurers to maintain a structured climate risk management system suitable to the scale, nature, and complexity of their operations.

1.2. Applicability

The provisions of this framework extend across all business units, departments, and functional areas of LIC. With a diverse insurance portfolio across various regions in India climate-related risks pose both operational and strategic impacts that require coordinated action.

LIC aims to build climate considerations into its corporate governance and day-to-day functioning. Initial integration shall focus on direct operations and underwriting decisions. Over time, this will expand to other critical areas of the corporation. This approach will ensure that climate risks are addressed holistically and form a part of LIC's wider risk management environment.

1.3. Scope

This document forms a part of the focus area 'Climate Change' under LIC's ESG Framework, providing guidance for managing associated risks.

1.4. Objective

This framework outlines LIC's pathway towards a climate-aligned business model. In the short term, LIC will focus on consolidating and strengthening its existing climate initiatives, particularly those linked to risk assessment

and decarbonisation. Over the medium to long term, LIC will refine its climate priorities based on a structured materiality assessment, enabling the organisation to respond proactively to stakeholder expectations and emerging climate trends.

2. Climate risk management framework

2.1 Governance Approach

LIC will adopt a dual-layer governance approach to oversee the management of climate risks.

- **Board oversight:** The CRMF will be approved by the Board of Directors. The Board will review the framework to ensure it remains current and effective.
- **ESG Committee:** The ESG Committee will be responsible for climate risk oversight and will present an annual update to the Board.

An ESG Internal Team, a **cross-functional climate risk working group** has been formed, consisting of representatives of some core departments which shall be extended to include all core departments to identify and manage all climate risk issues. The group will meet Quarterly and will update the ESG Committee on CRMF implementation and KPI monitoring at least once every year.

The working group will coordinate climate-related initiatives within the organization, facilitate risk identification and assessment, and ensure compliance with regulatory expectations. It will also provide progress reports to the Management and the ESG Committee.

3. Climate Risk Management

Understanding the increasing relevance of climate change for the insurance sector, LIC intends to incorporate climate considerations systematically across critical business functions. The Corporation seeks to ensure that climate risks are continually identified, analysed, managed, and monitored across its operations and value chain, including underwriting and investments.

3.1 Types of Climate Risks

LIC categorises climate-related risks into two overarching groups—**Physical Risks** and **Transition Risks**—consistent with globally recognised frameworks such as TCFD and IFRS S2. Each type of risk can potentially impact underwriting, investment performance, operational continuity, and long-term strategic planning.

A. Physical Risks

Physical risks arise from the direct effects of climate and weather-related events. These risks may be **acute** (event-driven and sudden) or **chronic** (slow-onset, long-term).

1. Acute Physical Risks

Sudden, extreme climate-related events that can disrupt operations and drive claim severity.

Examples include:

- Floods and flash floods
- Cyclones, storms, and extreme winds
- Heat waves and heat stress conditions
- Cloudbursts, landslides, and extreme rainfall
- Wildfires and smoke-related health events

Potential impacts on Insurance Sector:

- Increased mortality and morbidity claim due to heat waves, flooding, or catastrophic events
- Business interruptions at branches located in high-risk regions
- Reduced asset values for investments in disaster-affected areas
- Strain on disaster recovery and claims servicing systems during catastrophic events

2. Chronic Physical Risks

Long-term changes in climate patterns that gradually affect business, economic activity, and customer well-being.

Examples include:

- Rising average temperatures
- Sea-level rise affecting coastal infrastructure
- Long-term droughts, water scarcity, and agricultural distress
- Shifts in monsoon patterns, seasonal unpredictability
- Changing disease vectors (e.g., heat-related illnesses, vector-borne diseases)

Potential impacts on Insurance Sector:

- Long-term changes in underwriting assumptions for life and health products
- Erosion in value of real estate or infrastructure investments located in vulnerable geographies
- Reduced financial resilience in agriculture-dependent or climate-stressed communities
- Potential need for revised pricing, product features, or risk selection mechanisms

B. Transition Risks

Transition risks arise from the economic, regulatory, legal, technological, and societal changes occurring as India and the global economy move toward a low-carbon and climate-resilient future.

Transition risks include four key components: **policy & regulatory risks, technology risks, market & reputational risks, and liability risks.**

1. Policy and Regulatory Risks

Changes in climate-related rules, reporting requirements, or emission standards that affect LIC directly or its investee companies.

Examples include:

- New climate-related disclosure requirements (e.g., BRSR Core, TCFD/IFRS S2-aligned reporting)
- Sector-specific emission reduction mandates affecting energy, transport, and manufacturing
- Carbon pricing, green tax frameworks, or environmental compliance norms

Potential impacts on Insurance Sector:

- Increased compliance expectations in risk disclosures, governance, and portfolio assessments
- Changes in creditworthiness of firms impacted by climate policy
- Adjustments to risk appetite and strategic investment decisions

2. Technology Risks

Disruption caused by emerging low-carbon and climate-resilient technologies that displace older or carbon-intensive models.

Examples include:

- Rapid adoption of renewable energy over fossil fuels
- Electrification of transportation
- Digital and automated insurance processes impacting traditional distribution

Potential impacts on Insurance Sector:

- Reduced investment performance in industries unable to adapt
- Need for upgraded digital infrastructure to support climate-related data and modelling

3. Market & Reputational Risks

Shifting customer expectations, investor preferences, and stakeholder scrutiny related to sustainability performance.

Examples include:

- Customers preferring insurance products with sustainability features
- Investors shifting capital toward green or ESG-compliant portfolios
- Negative perceptions regarding exposure to high-emission industries

Potential impacts on Insurance Sector:

- Changes in premium inflows from climate-sensitive sectors
- Potential loss of market share if products do not reflect climate-conscious expectations
- Reputational exposure if LIC is perceived as misaligned with national climate goals

4. Legal Risks

Legal risks arise from evolving compliance and fiduciary expectations tied to climate change. As climate norms sharpen, businesses—including insurers—face increasing scrutiny around disclosure, risk management, and environmental responsibility.

Examples include:

- Legal action against corporates for environmental harm or inadequate climate disclosures, leading to claims under liability insurance products
- Litigation alleging misleading statements or omissions in insurance product documentation relating to climate risks
- Claims arising from environmental damage or public health impacts linked to climate change
- Regulatory fines or penalties for non-compliance with climate-related governance or disclosure requirements

Potential impacts on Insurance Sector:

- Increased claims from insured entities exposed to environmental litigation
- Heightened expectations on LIC for accurate climate disclosures and governance compliance
- Reputational consequences or legal scrutiny for insufficient integration of climate risks in underwriting and investments
- Need to continuously update policy terms, product disclosures, and risk selection guidelines

3.2 Integration of Climate Risks into Operations

3.2.1 Integration of Climate Risks into the ERM Framework

Climate risks will be embedded into LIC's Enterprise Risk Management (ERM) framework through:

1. Risk Identification

- Use of climate data, hazard maps, regulatory updates, as a part of Climate Risk Assessment study.
- Integration of climate risks into individual departmental risk registers

2. Risk Assessment & Measurement

- Integration of climate-specific parameters into existing risk assessment processes has been done.
- Scenario analysis (short, medium, long term) for acute and chronic climate risks.
- Materiality assessments aligned with IFRS S2.

3. Risk Mitigation & Control

- Adjusting underwriting guidelines to incorporate climate exposures.
- Portfolio-level investment risk screening for climate-sensitive sectors.
- Operational resilience measures for extreme weather risks.

- Efficient use of Reinsurance to plug the large size claims due to natural or manmade disasters.

4. Risk Monitoring & Reporting

- Any updates to the climate risks will be updated by the ESG Committee to the Board.
- Periodic monitoring of KPIs and control effectiveness.

3.2.2 Integration of Climate Risks into Business Continuity Planning (BCP)

LIC enhances operational resilience by integrating climate-related disruptions into its **BCP and Disaster Recovery (DR) mechanisms**:

- Climate hazards (floods, cyclones, etc.) are listed as risk scenarios in the BCP.
- Alternate operation sites and remote work capabilities are maintained for climate emergencies.
- Technology infrastructure, data centres, and customer service channels have redundancy protocols considering climate-induced outages.
- Initiating Green Energy initiatives to reduce carbon related footsteps, like use of Solar Energy.
- Periodic BCP drills incorporate climate-related extreme-event simulations.
- Coordination with government disaster management authorities for emergency response.

3.2.3 Integration of Climate Risks into Business processes

Underwriting

Climate-related factors — including exposure to climate-sensitive locations and high-risk zones is integrated into LIC's underwriting decisions. These considerations guide risk selection and pricing to ensure that physical climate risks are appropriately reflected in underwriting outcomes.

Investments

LIC's investment portfolio includes government securities, government-backed bonds, corporate debentures, and bonds, which are typically stable. However, the Corporation recognizes that climate risks such as physical damage from extreme weather or transition risks arising from policy changes could influence asset value and credit risk. Therefore, LIC will monitor climate-linked risks as part of its investment due-diligence and risk assessment processes.

Direct Operations

LIC is undertaking targeted initiatives to minimise its environmental impact and enhance operational resilience. Some of the environment initiatives taken are as follows:

1. Incorporation of renewable energy in the overall energy mix.
2. Adoption of cloud-based servers in place of physical servers help in reduction of overall energy consumption. It also minimises the exposure of immobile assets to climate-related risks and strengthens overall resilience.
3. For conservation of water, LIC has implemented rainwater harvesting at some of its location which helps replenish the nearby ground water.
4. LIC also promotes paperless and digital underwriting initiatives, such as ANANDA and other online platforms, to reduce paper usage and enhance operational efficiency.

The Corporation maintains a comprehensive Business Continuity Management Policy and a Disaster Recovery Plan that explicitly covers climate-related disruptions, such as floods, fires, and other extreme climate events. The plan applies across all processes and employees and ensures that operations, claims processing, and customer service continue with minimal interruption during climate-related emergencies.

Customer Engagement

LIC recognises the importance of informed consumers and is committed to enhancing customer awareness on sustainability-related matters. The Corporation will integrate climate risk and climate resilience themes into its communication channels, ensuring policyholders receive relevant information that supports responsible decision-making.

Governance:

In changing climate scenario embedding climate risk across operations like underwriting, investments, direct operations supported and establishing strong climate risk governance shall prove to be an essential enabler for resilience. Robust governance over climate data shall ensure consistency. Use of standardized data metrics shall ensure improved data quality and assumptions promoting transparency.

4.0 Performance Monitoring Mechanism:

LIC has identified climate focus areas along with Key Performance Indicators (KPIs) and designated process owners. KPI progress will be tracked internally and reviewed every six months by Management. These KPIs are from the climate-risk perspective, whereas the KPIs with respect to Direct Operations are being tracked via the ESG Framework.

The Board will receive an annual review of climate-related risks, ensuring strategic direction and accountability.

Table 1: Climate-related KPIs for review and monitoring

	Area	KPI	Frameworks
1	Underwriting practices	Issuance of Policies in EIA (E-Insurance Account) facilitating reduction of carbon emissions	UN Principles for Sustainable Insurance (UN PSI)
		% of online sales	

2	Investment portfolio management	Develop an approach to integrating climate risk assessment process for investments.	UN Principles of Responsible Investment (UN PRI)
3	Climate-related capacity building and awareness	Number of training or awareness programmes conducted on ESG including climate risks for Employees and Agents.	Global Reporting Initiative (GRI)
4	Customer Engagement	Inclusion of climate-related topics in engagements with customer	UN Principles for Sustainable Insurance (UN PSI)
5	Business continuity	Integration of climate-related risks into the Business Continuity Plan (BCP) and Disaster Management framework	UN Principles for Sustainable Insurance (UN PSI) TCFD/IFRS S2

Appendix

Glossary of Terms

BCP	Business Continuity Plan
CRMF	Climate Risk Management Framework
IRDAI	Insurance Regulatory and Development Authority of India
KPI	Key Performance Indicator
TCFD	Task Force for Climate-related Financial Disclosures
IFRS	International Financial Reporting Standards
UN PRI	United Nations Principles of Responsible Investment
UN PSI	United Nations Principles of Sustainable Insurance