



GREEN DEPOSIT POLICY AND GREEN FINANCING FRAMEWORK



Version 1.0_2024-25



Contents

PREAMBLE.....	3
Part- I: Green Deposit Policy	4
1. INTRODUCTION	5
2. OBJECTIVE.....	5
3. POLICY FRAMEWORK FOR GREEN DEPOSIT ACCOUNT.....	6
4. ELIGIBLE GREEN PROJECTS.....	6
5. DEPOSIT MOBILIZATION	7
Part- II: Green Financing Framework.....	8
6. STRUCTURE OF THE FRAMEWORK	9
7. USE OF GREEN PROCEEDS FOR GREEN ACTIVITIES.....	9
8. ELIGIBILITY CRITERIA, ELIGIBLE GREEN ACTIVITIES/ PROJECTS AND EXCLUSIONS ..	9
9. PRICING OF GREEN FINANCE	9
Part- III: General Guidelines for Deposit Policy and Financing Framework.....	10
10. PROCESS OF EVALUATION AND SELECTION	11
11. MANAGEMENT OF PROCEEDS	11
12. USE OF PROCEEDS	11
13. APPRAISAL OF GREEN PROJECTS	11
14. THIRD PARTY VERIFICATION/ASSURANCE	12
15. IMPACT ASSESSMENT	12
16. REPORTING & DISCLOSURES.....	12
17. STAKEHOLDER ENGAGEMENT.....	14
18. REVIEW AND ENHANCEMENT.....	14
Annexure I	15
Annexure II	17
Annexure III.....	18



PREAMBLE

Green deposits are interest-bearing fixed deposits denominated in Indian rupees similar to regular fixed deposits. The proceeds from green deposits are earmarked for allocation into projects or activities that yield environmental benefits.

Depositors can gain indirect and intangible benefits as their deposit proceeds are allocated towards environmentally and socially conscious activities across various sectors. Over time, these initiatives result in lower emissions, improved air quality, enhanced biodiversity, and fair allocation of natural resources, leading to positive externalities and reduced income inequality.

This policy will define the scope and help accomplish the Bank's purpose to implement the RBI's guidelines in regard to Green Deposits and the Financing Framework thus furthering the Bank's environmental and sustainability agenda. The policy is divided/ segmented in three parts, mentioned as under:

- Green Deposit Policy
- Green Financing Framework
- General Guidelines for Deposit Policy & Financing Framework.

This policy should be considered in its entirety and not in parts and is valid for Three Years, 2025 - 2027. Moreover, all regulatory changes shall become effective immediately and be incorporated into the Policy in due course, ensuring our continuous alignment with evolving regulatory standards.

This Policy conforms to all statutory / regulatory guidelines issued by GOI/ RBI or any other regulatory body.



Dheeraj Kumar Gaur
Chief Risk Officer



Part- I: Green Deposit Policy



1. INTRODUCTION

Climate change has been recognized as one of the most critical challenges faced by the global society and economy in the 21st century. The financial sector can play a pivotal role in mobilizing resources and allocation thereof in green activities/projects.

Green deposit refers to an interest-bearing deposit, received by the Bank for a fixed period and the proceeds of which are earmarked for being allocated towards green finance. In general terms, a green deposit is a fixed-term deposit for those who want to invest in environment friendly projects. Just like a regular FD scheme, the green deposit pays interest to its investors and has a fixed term. Through green deposits, the bank can use the funds to extend loans for projects that support the United Nations Sustainable Development Goals.

Significant Definitions:

In these guidelines, unless the context states otherwise, the terms herein shall bear the meaning assigned to them below:

- (a) **"Green activities/ projects"** means the activities/ projects meeting the requirements prescribed in Annexure-I of these guidelines.
- (b) **"Green deposit"** means an interest-bearing deposit, received by the Bank for a fixed period and the proceeds of which are earmarked for being allocated towards green finance;
- (c) **"Green finance"** means lending to and/ or investing in the activities/ projects meeting the requirements as prescribed in Annexure-I of this policy that contributes to climate risk mitigation, climate adaptation and resilience, and other climate-related or environmental objectives - including biodiversity management and nature-based solutions.
- (d) **"Green washing"** means the practice of marketing products/ services as green, when in fact they do not meet requirements to be defined as green activities/ projects.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under The Banking Regulation Act, 1949 or The Reserve Bank of India Act, 1934, The National Housing Bank Act, 1987 or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

2. OBJECTIVE

With a view to fostering and developing green finance ecosystem in the country, the Bank has decided to put in place the Framework for Acceptance of Green Deposits. The framework shall be construed as in-immediate-effect.

To promote the Green Initiatives, the bank endeavors to promote placement of green deposits by its customers, protect interest of the depositors, aid customers to achieve their sustainability agenda, address green washing concerns and help augment the flow of credit to green activities/ projects. The Policy prescriptions are in compliance to the directions set



forth by the Reserve Bank of India (RBI) vide its **Circular Ref No RBI/2023-24/14 DOR.SFG.REC.10/30.01.021/2023-24 dated April 11, 2023** and **FAQs** published by RBI on **29-12-2023**.

3. POLICY FRAMEWORK FOR GREEN DEPOSIT ACCOUNT

- Green Deposits can be accepted from Individuals, Firms, Companies, Institutions, and other entities, including Trusts, HUFs, Charitable organizations, and Government agencies, NRI/OCI.
- Bank shall offer specialized green deposit accounts that are designated for green initiatives. These accounts may be in the form of fixed deposits or Recurring deposits for a fixed period.
- The Bank shall issue green deposits as cumulative/ non-cumulative deposits.
- The Bank shall ensure that the funds raised through green deposits are allocated to the eligible green activities/projects (refer Annexure-I).
- On maturity, the green deposits would be renewed or withdrawn at the option of the depositor.
- Bank shall offer loan/ overdraft facility against the Green Deposits to customers.
- The green deposits shall be denominated in Indian Rupees only.
- The tenor, size, interest rate and other terms and conditions (as applicable to the Bank) defined in the Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 dated March 03, 2016 as amended from time to time, shall also be applicable to green deposits *mutatis mutandis*.
- Also, the product features like minimum amount, tenor, interest rate and other terms and conditions of the product shall be fixed by ALCO from time to time as per recommendations of the Bank's NPC (New Product Committee).
- A copy of this policy/ framework shall be made available on the Bank's Website.
- The allocation of proceeds of green deposits, its reporting, third-party verification/ assurance of the allocation of proceeds and the impact assessment to be done as discussed in Part- III in the policy.
- The Treasury Department of the bank may undertake temporary allocation of Green Deposits, which haven't been allocated to the eligible Green Activities/ Projects, into liquid traded instruments up to a maximum original tenure of one year.

4. ELIGIBLE GREEN PROJECTS

Bank shall effectively allocate the proceeds raised through Green Deposits towards the eligible activities/ projects, aimed at encouraging energy efficiency in resource utilization, reducing carbon emissions and greenhouse gases, promoting climate resilience and/or adaptation and valuing and improving natural ecosystems & biodiversity.



5. DEPOSIT MOBILIZATION

- i. Bank shall actively promote Green Deposit schemes through various marketing and promotional campaigns.
- ii. Bank shall encourage its customers to deposit funds in Green Deposit schemes by offering attractive interest rates as prescribed from time to time.
- iii. Bank shall leverage its wide network of branches and Digital Banking channels to mobilize Green Deposits from Individuals, Corporates, Institutions and other entities.
- iv. Bank shall make arrangements for awareness campaigns on Green Deposits and Green Deposit Financing through which Customers will be encouraged to adopt sustainable practices.



Part- II: Green Financing Framework



6. STRUCTURE OF THE FRAMEWORK

The financial sector can play a pivotal role in mobilizing resources and their allocation thereof in green activities/projects. Green finance is progressively gaining traction in India. Bank has established this Green Financing Framework, which aims at providing its clients with access to financing that helps them to pursue the necessary transition to an environmentally sustainable future and to ensure that Bank's commitment and beliefs towards ESG have been put into practice with this Framework.

Green Financing established in terms of this framework will be offered as an investment towards activities/projects meeting the requirements mentioned in this document below, which contribute to/ encourage energy efficiency in resource utilization, reduce carbon emissions and greenhouse gases, promote climate resilience, climate risk mitigation, and other climate-related or environmental objectives. Financing to these prescribed activities/projects shall be by means of proceeds from Bank's Green Deposit product(s).

The Green Deposit Financing Framework is in line with **RBI's Green Deposit Framework vide Circular No. DOR.SFG.REC.10/30.01.021/2023-24, dated 11th April, 2023, & FAQs dated 29.12.2023**. Amendments or changes, if any, in this Framework shall be reviewed annually and approved by the Board of Directors, after recommendations from the ESGC and RMC.

7. USE OF GREEN PROCEEDS FOR GREEN ACTIVITIES

An amount corresponding to the net proceeds from the Green Deposit Instrument shall be used to finance Bank's Green Asset Portfolio. The portfolio shall be composed of both loans to and investments in corporations, assets, or projects that support the transition to a clean, energy-efficient, and environmentally sustainable global economy and are in line with the requirements of this Framework. The proceeds received from Green Deposits shall be utilized for financing Green Projects as per the finance framework.

8. ELIGIBILITY CRITERIA, ELIGIBLE GREEN ACTIVITIES/ PROJECTS AND EXCLUSIONS

The allocation of proceeds raised from green deposits shall be based on the official Indian green taxonomy. Pending finalization of the taxonomy, as an interim measure, the Bank is required to allocate the proceeds raised through green deposits towards the green activities/projects which encourage energy efficiency in resource utilization, reduce carbon emissions and greenhouse gases, promote climate resilience and/or adaptation and value and improve natural ecosystems and biodiversity. Detailed list of the eligible green activities/projects has been attached as Annexure-I in the policy.

Further, HRD training cell to arrange for trainings for the risk officers in field and controlling offices to help them in analyzing the green activities/ projects while allocating the Bank's green deposits.

9. PRICING OF GREEN FINANCE

The loan pricing shall be done as per extant guidelines.



Part- III: General Guidelines for Deposit Policy and Financing Framework.



10. PROCESS OF EVALUATION AND SELECTION

The process of evaluation and selection of green activities/projects shall be based on the project's economic viability, technical feasibility & eco-friendly nature, out of the Green Activities/Projects listed out in the Annexure- I for effective allocation of green deposits of the Bank and as per ongoing practices adhering to Loan Policy, Credit Risk Management Policy and other lending policies of respective credit verticals. Addition/ Deletion of such green projects may also be revised based on updates from Regulator and market standards.

11. MANAGEMENT OF PROCEEDS

- The proceeds accepted via Green Deposits during the Financial Year will be utilized for financing to/ investing in Green Activities/ Project. Further, temporary allocation of these proceeds which are pending their allocation to the eligible activities/projects, shall be only in liquid instruments up to a maximum original tenure of one year (T-Bills).
- An amount corresponding to the net proceeds from the Green Deposit Instrument shall be used to finance Bank's Green Asset Portfolio. The portfolio shall be composed of both loans to and investments in corporations, assets, or projects that support the transition to a clean, energy-efficient, and environmentally sustainable global economy and are in line with the requirements of this Framework.
- Any Working Capital finance renewed during the financial year will be considered as fresh green finance during the year.
- Risk Management Department to assess the mismatch of funds received and funds deployed and also ensure the coverage from interest rate risk and liquidity risk while managing the Green Deposits & their deployment.

12. USE OF PROCEEDS

- In order to avoid the instances of Greenwashing & for effective allocation, Bank shall utilize the funds deposited in Green deposit accounts exclusively for financing the eligible green activities/ projects mentioned under Annexure-I. Further, same Annexure to be referred for any exclusions to such methods of green deposit financing.
- Bank shall establish a robust monitoring and reporting mechanism to ensure that the funds are utilized as per the predefined guidelines.

13. APPRAISAL OF GREEN PROJECTS

The appraisal of Green Projects shall be done as per the ongoing practice (alike other projects), duly adhering to Loan Policy, Credit Risk Management Policy, Delegation of Lending Powers and other lending policies of Bank. Business/ Credit team shall be validating the sustainability information provided by the borrower.

The feasible projects may be considered by the Credit Department/ Treasury Department for financing to/ investing in such eligible projects duly following a scrupulous appraisal



process, out of the allocated funds. Credit Department shall maintain a database of credit flow to such projects.

14. THIRD PARTY VERIFICATION/ASSURANCE

The allocation of funds raised through green deposits by the Bank during a financial year shall be subject to an independent Third-Party Verification/Assurance which shall be done on an annual basis. The third-party assessment would not absolve the Bank from its responsibility regarding the end-use of funds, for which the laid down procedures of internal checks and balances would have to be followed as in the case of other loans. The related terms and conditions to be additionally fulfilled by the borrowers to meet the requirements of the framework laid above would be the additional check points while ascertaining the end-use of funds.

The Third-Party Verification/Assurance Report shall, at the minimum, cover the following aspects:

- (i) Use of the proceeds to be in accordance with the eligible green activities/ projects. (Annexure - I).
- (ii) Policies and Internal Controls including, inter-alia, project evaluation and selection, management of proceeds, and validation of the sustainability information provided by the borrower to the Bank and Reporting and Disclosures.

Bank shall engage with any appropriate and reputed domestic/ international agency for external review of the Financing Framework, Third party Verification/Assurance and Impact Assessment of the green activities/ projects. The allocation of proceeds of green deposits by the Bank during a financial year shall be subject to an independent Third-Party Verification/Assurance which shall be done on an annual basis. This report to be placed on the Bank's website.

15. IMPACT ASSESSMENT

Bank shall annually assess the impact associated with the funds lent for or invested in green finance activities/projects through an Impact Assessment Report, which will be undertaken on a voluntary basis for FY 2023-24 and become mandatory from FY 2024-25. Bank shall place the Impact Assessment Report on Bank's website.

An illustrative list of impact indicators is given in Annexure-II of this framework.

16. REPORTING & DISCLOSURES

- Bank shall maintain transparent and comprehensive reporting on its green deposit mobilization, fund utilization, and impact assessment.
- Bank shall comply with all applicable regulatory and statutory requirements related to Green Deposits and Green Financing.



Green Deposit Policy & Green Financing Framework – HO RMD

- A review report shall be placed by the Bank before its Board of Directors within three months of the end of the financial year which shall, inter-alia, cover the following details:
 - (a) Amount raised under green deposits during the previous financial year
 - (b) List of green activities/projects to which proceeds have been allocated, along with a brief description of the projects
 - (c) The amounts allocated to the eligible green activities/projects.
 - (d) A copy of the Third-Party Verification/Assurance Report and the Impact Assessment Report.

Appropriate disclosures are to be made in the Annual Financial Statements on the portfolio-level information regarding the use of the green deposit funds as prescribed in Annexure-III.

Bank shall place review report before the Competent Authority covering the following aspects & in the frequency detailed here below:

SN	Nature of Reporting	Frequency	Submitted to	Concerned Departments
1	Amount raised under green deposits and allocated to the eligible green activities/projects during the previous financial year against the targets fixed, if any.	Annually	ESG Committee	P & D
2	Green activities/projects which are financed/invested out of Green Funds allocated, along with a brief description of the projects	Annually	ESG Committee	Credit Monitoring as the Nodal Department to co-ordinate with other departments and place a consolidated note.
3	Third-Party Verification/Assurance Report by External Agency.	Annually	ESG Committee, RMC & Board	RMD (ESG Cell)
4	Impact Assessment Report- Voluntary for FY 2023-24 Mandatory for FY 2024-25 (externally)	Annually	ESG Committee, RMC & Board	RMD (ESG Cell)
5	Relevant disclosures in Annual Report	Annually	ESG Committee, Board & SEBI	Accounts & Audit Department, Compliance Department
6	Assessment of mismatch in Funds received and Funds deployed	Quarterly	ESGC & ALCO	RMD



17. STAKEHOLDER ENGAGEMENT

- Bank shall actively engage with its customers, employees, shareholders, regulators, and other stakeholders to raise awareness about its Green Deposit policy.
- Bank shall encourage its customers and employees to participate in green initiatives and adopt environmentally responsible practices.
- Bank shall collaborate with external stakeholders, including government agencies, non- governmental organizations, and industry bodies, to promote environmental sustainability and green financing.

18. REVIEW AND ENHANCEMENT

- Bank shall periodically review and assess the effectiveness of its green deposit policy and make necessary enhancements based on changing regulatory requirements, market conditions, and stakeholder feedback at least once in three years.
- Bank shall continuously improve its processes, systems and controls related to Green Deposits and Green financing to ensure alignment with industry best practices and global standards.



Annexure I

Eligible Green Activities/ Projects for allocation of Green Deposits:

Sector	Description
Renewable Energy	- Solar/wind/biomass/hydropower energy projects that integrate energy generation and storage. - Incentivizing adoption of renewable energy.
Energy Efficiency	- Design and construction of energy-efficient and energy-saving systems and installations in buildings and properties. - Supporting lighting improvements (e.g. replacement with LEDs). - Supporting construction of new low-carbon buildings as well as energy-efficiency retrofits to existing buildings. - Projects to reduce electricity grid losses.
Clean Transportation	- Projects promoting electrification of transportation. - Adoption of clean fuels like electric vehicles including building charging infrastructure.
Climate Change Adaptation	Projects aimed at making infrastructure more resilient to impacts of climate change.
Sustainable Water and Waste Management	- Promoting water efficient irrigation systems. - Installation/ upgradation of wastewater infrastructure including transport, treatment and disposal systems. - Water resources conservation. - Flood defense systems.
Pollution Prevention and Control	Projects targeting reduction of air emissions, greenhouse gas control, soil remediation, waste management, waste prevention, waste recycling, waste reduction and energy/emission-efficient waste-to-energy.
Green Buildings	Projects related to buildings that meet regional, national or internationally recognized standards or certifications for environmental performance.
Sustainable Management of Living Natural Resources and Land Use	- Environmentally sustainable management of agriculture, animal husbandry, fishery and aquaculture. - Sustainable forestry management including afforestation/ reforestation. - Support to certified organic farming. - Research on living resources and biodiversity protection.
Terrestrial and Aquatic Biodiversity Conservation	- Projects relating to coastal and marine environments. - Projects related to biodiversity preservation, including conservation of endangered species, habitats and ecosystems.
Sovereign Green Bonds (SGrBs)	Investments in SGrBs



Exclusions-

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



Annexure II
Illustrative list of impact indicators

Eligible Project Category	Impact Indicators - Examples
Renewable Energy	Total renewable capacity (in MWh)
	Energy generated per year (MWh)
	GHG emissions avoided per year (measured in tonnes CO2 equivalent, tCO2e)
Waste Management	Waste diverted from landfill per year (tonnes)
Clean Transportation	GHG emissions avoided per year (tCO2e)
	New clean transportation infrastructure built (km)
	Number of electric or low emission vehicles produced
Energy Efficiency	Energy savings per year (MWh)
	GHG emissions avoided per year (tCO2e)
Afforestation/ Reforestation	GHG emissions reduced/Carbon Sequestration achieved (measured in tCO2e)



Annexure III

Portfolio-level information on the use of funds raised from green deposits-

(Amount in ₹ crore)

Particulars	Current Financial Year	Previous Financial Year	Cumulative*
Total green deposits raised (A)			
Use of green deposit funds**			
(1) Renewable Energy			
(2) Energy Efficiency			
(3) Clean Transportation			
(4) Climate Change Adaptation			
(5) Sustainable Water and Waste Management			
(6) Pollution Prevention and Control			
(7) Green Buildings			
(8) Sustainable Management of Living Natural Resources and Land Use			
(9) Terrestrial and Aquatic Biodiversity Conservation			
Total Green Deposit funds allocated (B = Sum of 1 to 9)			
Amount of Green Deposit funds not allocated (C = A – B)			
Details of the temporary allocation of green deposit proceeds pending their allocation to the eligible green activities/projects			

* This shall contain the cumulative amount since the Bank started offering green deposits. For example, if Bank has commenced raising green deposits from June 1, 2023, then the annual financial statement for the period ending March 31, 2025 would contain particulars of deposits raised and allocated from June 1, 2023 till March 31, 2025.

** Under each category, Bank may provide sub-categories based on the funds allocated to each subsector.

For example, Bank may provide sub-categories like solar energy, wind energy, etc. under "Renewable Energy".

