

GREEN BOND FRAMEWORK

1. BACKGROUND

Having its origin in 1806, State Bank of India (SBI) is the oldest commercial bank in the Indian subcontinent, strengthening the nation's economy and serving the aspirations of its vast population. It is India's largest commercial bank in terms of assets, deposits, profits, branches, number of customers and employees, enjoying the continuing faith of millions across the social spectrum. Headquartered at Mumbai, SBI provides a wide range of products and services to personal, commercial enterprise, large corporate, public body and institutional customers through its branches and outlets, joint ventures, subsidiaries and associate companies.

Green Banking and Sustainability

As India's largest Public Sector bank, State Bank of India (SBI) has embarked on its sustainability journey with an objective to create a positive impact on the environment. Green Banking and Sustainability have long been areas of priority and in an early delineation of this approach, SBI had enunciated its Green Banking Policy a decade back.

Among the green initiatives rolled out by the Bank are:

- Installation of windmills for captive power consumption – a first in the Indian Banking Industry.
- Concessional interest rates for renewable energy projects
- Separate incremental exposure limit for the renewable energy sector.
- Agreements with Multilateral/Bilateral Agencies for lines of credit for launching Rooftop Solar and other projects in the renewable energy space.
- SBI has given commitment to Govt. of India to finance viable renewable energy projects worth Rs 81,600 crore over the five year period (2015-2020).
- SBI is the first Public Sector Bank in India to come out with a separate Sustainability Report. Also, SBI is a signatory to the Carbon Disclosure Project (CDP) and has been

reporting thereunder since 2012.

- SBI has been presented “Outstanding Performance Award-2016” by the Government of India for measures taken to support Renewable Energy sector. Additionally, the National Excellence Award for Rooftop Solar Power Projects has also been conferred on SBI.

2. PURPOSE

The purpose of the Green Bond Framework is to draw a road map to issue Green Bonds and to use the proceeds for Green projects falling under the ambit of the Green Bond portfolio of the Bank. This framework is constructed in accordance with the Climate Bonds Standard Version 2.1 developed by Climate Bonds Initiative (CBI) (for more details, please visit: (<http://www.climatebonds.net/standards/standards-V2.1>)).

The framework will also serve in determining eligibility criteria for Green projects and also provide the requisite transparency and disclosures for investors.

3. SELECTION CRITERIA AND EVALUATION

BANK'S APPROACH TO CREDIT: The Reserve Bank of India issues instructions/ guidelines/ Master Directions on loans and advances, income recognition and asset classification, restructuring and prudential provision and various notifications under Foreign Exchange Management Act (FEMA) etc. The Bank's instructions pertaining to these areas conform to RBI directions. The Bank has in place its Board approved Loan policy for guidance and compliance by operating functionaries across the Bank. The Policy, which is reviewed annually, prescribes guidelines for exposure norms in respect of Single Borrower / Borrower Group, Business rules for Bank's different business groups for handling their business like Large Corporate, Mid Corporate, Small and Medium Enterprise (SME), Retail and Agriculture, Due Diligence process, Credit Assessment, Monitoring and Supervision, Pricing (factors determining interest rates and other charges), Delegation of Sanction Powers, Non-Performing Asset (NPA) Management, Documentation Standards etc.

PROJECTS UNDER GREEN BOND: The appraisal and sanction of all projects are as per the extant guidelines of the Bank and in accordance with laid down Delegation of Sanction Powers. All Projects recognized under this framework will also have to go through the above due diligence

structure and process and only upon being sanctioned by the competent authority shall be reckoned for allocation under Green Bond proceeds. Further, the proceeds from Green Bond will be allocated to projects broadly identifiable under mentioned areas:

1. **Renewable Energy:** To include Solar energy, Wind Energy, Hydropower*, Geothermal
2. **Low Carbon Buildings:** New Residential, New Commercial, Retrofit
3. **Industry and Energy-Intensive Commercial*:** Energy Efficiency Processes, Energy Efficiency Products, Energy Efficient Appliances and Data Centers
4. **Waste & Pollution Control*:** Recycling facilities, Waste to Energy
5. **Sustainable Transportation Projects:** Projects aiming at low energy or low emission transportation systems and infrastructure, including electrical vehicles, electrified mass transit projects.

GREEN BOND COMMITTEE (GBC) – A separate committee will be set up in order to decide the eligibility of a project under Green Bond framework and also for regular monitoring of the portfolio thereunder. The members of the GBC shall be:

- i. Chief General Manager - Credit Policy and Procedures
- ii. Deputy General Manager – Green Banking & Sustainability – shall be the nodal officer
- iii. Deputy General Manager – Treasury Management Group under International Banking Division
- iv. Deputy General Manager - Credit Policy and Procedures Department

Any project to be reckoned under Green Bond shall have to be cleared by GBC as per the eligibility criteria stipulated above and will be labeled in Core Banking Solution (CBS) for monitoring and tracking purpose. The overall portfolio position under Green Bond shall be monitored quarterly by the GBC. Any changes to the overall portfolio considered under the Green Bond or removal and addition of individual projects from the Green Bond portfolio shall have to be cleared by the GBC.

5. MONITORING OF ASSETS UNDER GREEN BOND

A labeling mechanism shall be developed in CBS/ Loan Life Cycle Management System (LLMS) / Management Information System (MIS) for existing projects/accounts earmarked under Green

Bonds. The label will enable extraction of the details of Green Portfolio including loan account number, Borrower name, use of proceeds, sanctioned amount, amount of loan drawn and outstanding, loan maturity and other necessary information so that the aggregate of issuance proceeds and use or allocation of proceeds can be recorded on a real time basis.

The Green portfolio will be regularly updated in order to track assets refinanced or repaid and new loans earmarked for the proceeds.

Unallocated proceeds will be invested or allocated in Money market Instruments, Government securities, as deemed fit by the bank.

6. REPORTING

The Bank will report the Use of Proceeds for each green bond issued through a separate section in the Bank's Annual Sustainability Report. The annual sustainability report is available on Bank's website at [https:// bank.sbi](https://bank.sbi)

Reporting will confirm that use of proceeds of the Green Bond is in alignment with the Bank's Green Bond Framework. Wherever possible, the Bank shall endeavor to report on quantitative impacts of projects financed through green bond proceeds.

7. ASSURANCE

For each Green Bond issuance under the Bank's Green Bond framework, the Bank intends to engage a CBI approved independent assurance provider to assure the Bond and certify compliance with the requirements of Climate Bonds Standard both at the pre-issuance and post issuance stage. The Bank will also seek pre and post issuance certification from CBI based on the assurance statement provided by the verifier.