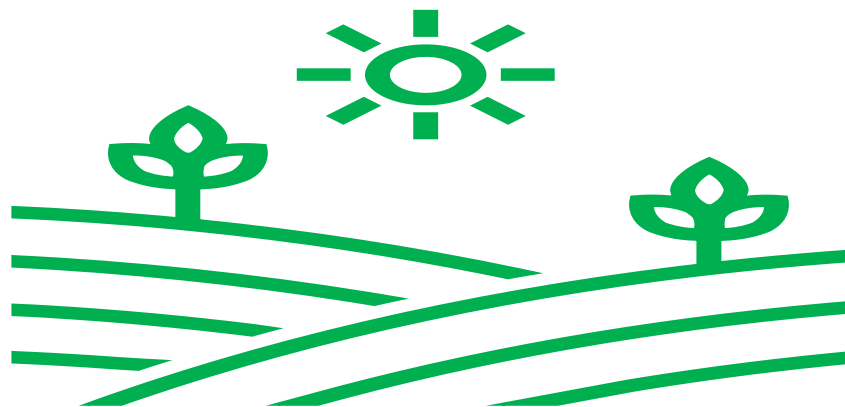


STATE BANK OF INDIA
POLICY ON ISSUANCE AND ALLOCATION OF
GREEN DEPOSITS

2023-24

Version 1.0



ESG & CFU
SBI, Corporate Centre
Mumbai

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BANK'S APPROACH TO SUSTAINABILITY AND GREEN FINANCE

State Bank of India (SBI) is one of the oldest and most reputed financial institutions of India with roots tracing back to the year 1806. With a sterling legacy of over 217 years, we, at SBI, are now serving more than 47 crore customers across the globe.

State Bank of India has always been in the forefront of industry's efforts to pursue the welfare of all its stakeholders-customers, investors, employees and the nation at large. SBI is the largest commercial bank in the country and is considered a proxy to the Indian economy. SBI always places the interests of the common man and the country at its core and sustainable business practices are its key priority. Since its inception, SBI has been constantly evolving with changing times.

SBI is highly committed to issues pertaining to environment. To this end, the Bank has made significant contribution in several ways, by way of financial support and initiatives in the area of renewable energy, as well as by adoption of various measures that testify the importance that is afforded to environmental concerns and energy conservation. Notable in this regard is installation of Windmill capacity aggregating 15 MW for captive use of clean power by the Bank's branches/ offices in Maharashtra, Gujarat and Tamil Nadu, and several other in-house energy efficiency initiatives like switchover to LED lights, installation of star rated ACs, solar powered water heaters, among others.

In line with the approach and commitment in the Renewable Energy space, the Bank has endorsed the International Financial Institutions' Statement on Energy Efficiency Finance which was presented at the Climate Change Conference in Paris, in November – December 2015 by the European Bank for Reconstruction and Development.

State Bank of India launched its first sustainability report in FY 2015-16 which strengthened our commitment to business sustainability. To align with the international best practices in this report, from the Financial Year 2016-17, Sustainability report has been structured around the GRI guidelines.

SBI has formulated a Climate Change Risk Management Policy, which is expected to serve as a guiding light in the Bank's journey towards a low-carbon and climate-resilient future. This policy statement is intended to address climate-related concerns by identifying key risks and opportunities, integrating these considerations into SBI's operations, and helping enhance future-readiness and stakeholder relations.

With the issuance of the ESG financing Framework, we aim to contribute to the further advancement of the sustainable finance market and raise funds for deploying to support our clients to achieve their goals in transforming their business in a climate-friendly manner, as well as to profit from the manifold opportunities provided by a low-emissions economy.

SBI is fully committed to imbibe environment related concerns in its core operations and thus issued a framework that stipulates mandatory rating of ESG criteria for the

specified borrowers. This includes existing borrowers and prospective borrowers in India, with an exposure of over ₹100 crores (for listed borrowers) and over ₹500 crores (for unlisted borrowers) at the time of CRA rating.

Our contribution to a low-carbon economy starts with our own operations, which we try to make as efficient as possible. We have taken proactive steps (Green channel banking, solar ATMs, rainwater harvesting, green building certification, tree plantation etc) to reduce the direct impact of our operations on the environment. From recycling programs to energy conservation in offices and branches, the Bank is working to reduce its operational carbon footprints.

Energy conservation and transitioning to clean energy is a key pillar of SBI's efforts to reduce its environmental footprint. It is not only integral to the Bank's commitment to becoming carbon neutral by 2030 (scope 1 & scope 2), but is also helping reduce dependency on fossil fuels, driving business resilience and cost efficiency. This Green deposit policy and Financing Framework will help Bank in achieving its long-term objective in the area of sustainability and green finance.

PART A

1.GREEN DEPOSIT POLICY

Sr. no.	Particulars	Policy guidelines
1.1	Purpose	To draw road map for Issuance and allocation of green deposits, in accordance with RBI green deposit framework dated 11.04.2023
1.2	Denomination, interest rates and tenor of deposits:	<p>Bank shall issue green deposits as cumulative/non-cumulative deposits. On maturity, the green deposits would be renewed or withdrawn at the option of the depositor. The green deposits shall be denominated in Indian Rupees only. The tenor, size, interest rate and other terms and conditions (as applicable to the RE) as defined in the <u>Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 dated March 03, 2016</u>, as amended from time to time, shall also be applicable to green deposits mutatis mutandis.</p> <p>SBI shall formulate the green deposit scheme denominated in Indian Rupees based on the RBI guidelines.</p> <ul style="list-style-type: none">i. Green deposits shall be issued as cumulative/non-cumulative deposits.ii. On maturity, the green deposits would be renewed or withdrawn at the option of the depositor. <p>Specific green deposit products (amount, interest rate, tenor etc) shall be designed by the owner department for mobilizing the green deposit in consultation with ALCO.</p>
1.3	Use of Proceeds:	<p>Proceeds of green deposits shall be used only to finance/ invest eligible green activities/ projects</p> <p>Eligible green activities/ projects that could be financed/ or invested out of the proceeds raised through the green deposits are placed at Annexure '1'</p>
1.4	Project Evaluation:	<p>The green deposit proceeds shall be used only to finance/ or to invest in the projects that fall under the eligible green activities/ projects prescribed by RBI.</p> <p>Operating Units while assessing the projects proposal shall provide justification for considering/ non considering the project under green finance as per the evaluation criterion. Processing units, while providing Go/ No Go to the proposal, shall examine and validate whether the proposal fall under green finance category or not.</p>

		<p>Bank shall examine existing products and tag the product as green financing products with the approval of the respective DMD and the DMD & CCO.</p> <p>While formulating the new green products, justification for considering the product under green finance shall be incorporated in the proposal for approval by the respective approving authority.</p>
<p>1.5</p>	<p>Third-Party Verification/ Assurance and Impact Assessment</p>	<p>SBI shall empanel sufficient number of external validation agencies for validation of allocation of funds raised through green deposits.</p> <p>SBI shall arrange verification/ assurance of allocation of fund raised through green deposits during the financial year from these empanelled agencies at yearly interval. The Third-Party Verification/Assurance Report shall, cover the following aspects:</p> <ol style="list-style-type: none"> I. Use of the proceeds to be in accordance with the eligible green activities/projects indicated in Annexure 1. The Bank shall monitor the end-use of funds allocated against the deposits raised. 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. <p>SBI with the assistance of external firms, shall assess the impact associated with the funds lent for or invested in green finance activities/ projects through an Impact Assessment Report at yearly intervals.</p> <p>In case Bank is unable to quantify the impact of Bank's lending/ investment, it shall disclose, the reasons, the difficulties encountered, and the time-bound future plans to address the same. Considering the fact that impact assessment is an evolving area, as per RBI guidelines, it shall be undertaken on a voluntary basis for the financial year 2023-24 and from the financial year 2024-25, Impact Assessment Report shall be carried out mandatorily.</p> <p>Bank shall place the report of the Third-Party Verification/ Assurance and Impact Assessment Report on Bank's website.</p>

		Bank shall examine and validate the green classification of the exposure to ensure the end use of the fund and compliance of the laid down procedures of internal checks and balances as done for the other loans.
1.6	Temporary allocation of green deposit proceeds:	<p>Bank shall arrange temporary allocation (which would only be in liquid instruments up to a maximum original tenure of one year, as specified under the Financing Framework) of green deposit proceeds, pending their allocation to the eligible activities/projects.</p> <p>Bank shall track the liability under green deposit and allocation of these funds. The report shall be forwarded to ALM wing of the bank for onward placing before the ALCO.</p> <p>Bank shall provide details of the investment made in liquid instruments at yearly interval as per the proforma placed at annexure 2.</p>
1.7	External Review of Financing Framework:	SBI shall arrange to carry out an external review of its financing framework (PART B) and the opinion from the external reviewer shall be made available on Bank's website before implementation of the financing framework.
1.8	Reporting and Disclosures:	<p>SBI shall place a review report before Board of Directors within three months of the end of the financial year which shall, inter-alia, cover the following details:</p> <ol style="list-style-type: none"> 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) Amounts allocated to the eligible green activities/ projects d) Copy of the Third-Party Verification/Assurance Report and the Impact Assessment Report. <p>SBI shall arrange to make appropriate disclosures in the Annual Financial Statements on the portfolio-level information regarding the use of the green deposit funds as per the proforma prescribed in Annexure 2</p>
1.9	Review of the policy	<p>Policy will be reviewed on annual interval.</p> <p>(The competent authority to incorporate interim changes (if any) in the green deposit policy, till next review of the policy, will be the Vertical head)</p>

PART B

2.Green Financing Framework

2.1 PURPOSE OF THE FRAMEWORK

The purpose of the Green Financing Framework is to draw a road map for deployment of the proceeds mobilised under green deposit scheme and to set out the methodology for classifying financing as green for the purpose of tracking and disclosing our performance against our green finance targets.

This framework is constructed in accordance with the green deposit framework issued by the RBI on 11.04.2023 and the best practices adopted by financial sector worldwide. The Green Financing Framework shall be guided by the ESG policy/framework of the bank, wherever applicable, for the aspects not covered under this framework.

The framework will also provide guidelines in determining eligibility criteria for green projects and also contain provisions for ensuring the requisite transparency and disclosures for depositors & investors.

3 USE OF PROCEEDS

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, Bank shall require allocating the proceeds raised through the green deposits towards the eligible sectors only as specified by the RBI in green deposit framework.

An amount corresponding to the net proceeds from any green deposit Instrument issued under the Framework shall be used to finance SBI's Green Asset Pool. The pool is composed of both loans 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 (Eligible Green Assets).

In order to be eligible for inclusion in the Green Asset Pool, the loan or investment must fall into at least one of the sectors described in the table 3.1 below.

3.1 ELIGIBLE SECTORS

List of Green activities/projects, where the proceeds of Green deposit/instrument can be deployed is as under

Sr no	Sector	Description
1	Renewable Energy	Solar/wind/biomass/hydropower energy projects that integrate energy generation and storage
		Incentivizing adoption of renewable energy.
2	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.
3	Clean Transportation	Projects promoting electrification of transportation.
		Adoption of clean fuels like electric vehicles including building charging infrastructure.
4	Climate Change Adaptation	Projects aimed at making infrastructure more resilient to impacts of climate change.
5	Sustainable Water and Waste	Promoting water efficient irrigation systems.
		Flood defence systems.
		Water resources conservation
		Installation/upgradation of wastewater infrastructure including transport, treatment, and disposal systems.
6	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
7	Green Buildings	Projects related to buildings that meet regional, national, or internationally recognized standards or certifications for environmental performance

8	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.
9	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
	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.
		Landfill projects.
		Renewable energy projects generating energy from biomass using feedstock originating from protected areas.
		Hydropower plants larger than 25 M

*Feedback will primarily include: Sewage, manure, wastewater, bagasse, biomass, wood pellets, etc

#Detail guidelines in this regard will be issued subsequently.

Existing green products

SBI has already having pool of existing green products (identifiable by product code) developed under these sectors. The proceeds of the any instrument raised under green deposit framework may be deployed by the bank in these specific products (Annexure 4) or in any other eligible green products approved subsequently, in compliance to all other conditions prescribed by RBI under Green deposit framework, dated 11.04.2023.

3.2 PROCESS OF PROJECT EVALUATION AND SELECTION

Bank will identify Eligible Green Assets that are in line with the Eligible Sectors and the related criteria defined in the “Use of proceeds” section.

Bank will have the system and procedures in place for identification of projects fit for lending/investing within the eligible categories, for monitoring and validating the sustainability information provided by the borrower, by internal checks /external verification/certification.

A list of potential projects and assets will be identified by the business teams/operating units in keeping the environment objectives of the green financing at core.

The projects will be evaluated according to the following criterion

1. Financial Due Diligence (as per loan policy of the Bank)

Green assets financed under the framework inter alia will follow the general guidelines and laid down checks and balances for loans as prescribed by the Bank under loan policy as well as sector specific finance policy such as Renewable Energy Finance policy, if any in place.

2. ESG evaluation of the company (as per ESG framework of the Bank)

The evaluation will take into consideration borrower/company’s commitment to environment issues and track record if any on such issues and quality of reporting on ESG issues.

The evaluation will take into account the assessment made by ESG rating agencies if any and/or to check if appropriate industry standards or certification in place as prescribed by respective regulator/govt ministries/department with respect to environment related issues.

3. Asset level evaluation

The evaluation will take into account information about environmental and social impacts of individual project or asset. SBI has in place ‘ESG rating model’ to assess borrowers (relevant projects) on ESG criteria for facilitating identification of Social, Environmental and Governance risks associated with relevant projects. For the relevant project(s) not covered under the ESG rating framework, SBI shall develop a separate E & S risk assessment methodology, which shall be updated time to time, as necessary.

4. Impact evaluation

The environmental benefit of each project or asset will be assessed, in line with the regulatory guidelines in the matter or as per the global best practices.

Sustainability Committee (“SC”), set up under the ESG framework of the Bank, shall determine the eligibility of project(s) to be considered as part of the green asset pool and shall be responsible for the regular monitoring of the green portfolio thereunder. The SC shall oversee the preparation and validation of relevant reporting for Green Deposit under this framework.

Project level evaluation and risk assessment shall be carried out by the concerned departments/operating units in line with the roles and responsibilities assigned as per the existing internal guidelines.

3.3 MANAGEMENT OF PROCEEDS

Proceeds of green deposit shall be used only to finance/ invest in eligible green activities/ projects as per table 3.1.

The green assets shall be identifiable by the underlying activity selected by the operating units. MIS shall be generated for both green deposit mobilised and green assets financed out of the proceeds, to monitor the green portfolio.

The MIS reports shall enable extraction of the details of green portfolio including deposits/loan account number, customer 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 monitored on a real time basis.

The green Portfolio shall be regularly monitored in order to track any repayment / refinancing in the asset portfolio and new loan portfolio earmarked for the proceeds.

SBI shall arrange temporary allocation (which would only be in liquid instruments* up to a maximum original tenure of one year, of green deposit proceeds, pending their allocation to the eligible activities/projects (*T Bill, Overnight/term placement under TREPS/CROMS/RBI LAF, Dated securities and other coupon-bearing NSLR securities).

State Bank strives, at any point in time, to maintain a larger total amount of eligible Green Assets than the total net proceeds of all green deposit outstanding. To maintain a buffer of eligible green assets in the Inventory over net proceeds of green deposit Instruments, State Bank is dedicated to substituting maturing loans or other financings with an appropriate alternative as timely as practically possible.

SBI will monitor the Inventory to detect potential shortfalls. In case of shortfall if occur anytime, equivalent amount will be invested in the liquid instruments from the green deposit pool.

4 INTERNAL VALIDATION

All credit portfolios recognized under this framework shall have to follow the general guidelines for loans as prescribed for loans under Loan policy of the Bank, which would be meticulously complied by the operating units.

Internal Auditor (RFIA/ Credit Audit) shall examine and validate the green classification of the exposure while auditing the account at the branch to ensure the end use of the funds and compliance of the laid down procedures of internal checks and balances as done for the other loans.

5 THIRD PARTY VERIFICATION/ASSURANCE AND IMPACT ASSESSMENT

SBI shall arrange verification/ assurance of allocation of fund raised through green deposits during financial year from the third-party verification agencies at yearly interval. The Third-Party Verification/Assurance Report shall, cover the following aspects:

1. Use of the proceeds to be in accordance with the eligible green activities/projects indicated in table 3.1. The Bank shall monitor the end-use of funds allocated against the deposits raised.
2. 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.

SBI with the assistance of the external agencies/firms shall yearly assess the impact of the green finance activities/projects funded by green deposit, through an Impact Assessment Report on the basis of impact indicators (annexure 3).

In case Bank is unable to quantify the impact of Bank's lending/ investment, it shall disclose, the reasons, the difficulties encountered, and the time-bound future to address the same. Considering the fact that impact assessment is an evolving area, as per RBI guidelines, it shall be undertaken on a voluntary basis for the financial year 2023-24 and from the financial year 2024-25, Impact Assessment Report shall be carried out mandatorily.

6 REPORTING & DISCLOSURES

SBI shall place a review report before Board of Directors within three months of the end of financial year which shall, inter-alia, cover the following details:

- Amount raised under green deposits during the previous financial year.
- List of green activities/ projects to which proceeds have been allocated, along with a brief description of the projects.
- Amounts allocated to the eligible green activities/ projects.
- Copy of the Third-Party Verification/Assurance Report and the Impact Assessment Report.

SBI shall arrange to make appropriate disclosures in the Annual Financial Statements on the portfolio-level information regarding the use of the green deposit funds as per the proforma prescribed in (Annexure 2)

7 EXTERNAL REVIEW

SBI shall arrange to carry out an independent review of this framework from an external reviewer/consultant. The opinion of the reviewer shall be published on SBI's website: www.sbi.co.in before implementation of the framework.

Following is the list of green activities/projects which encourage energy efficiency in resource utilisation, reduce carbon emissions and greenhouse gases, promote climate resilience and/or adaptation and value and improve natural ecosystems and biodiversity.

Sector	Description
Renewable Energy	<ul style="list-style-type: none"> • Solar/wind/biomass/hydropower energy projects that integrate energy generation and storage. • Incentivizing adoption of renewable energy.
Energy Efficiency	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Projects promoting electrification of transportation. • Adoption of clean fuels like electric vehicles including building charging infrastructure.
Climate Change Adaptation	<ul style="list-style-type: none"> • Projects aimed at making infrastructure more resilient to impacts of climate change.
Sustainable Water and Waste Management	<ul style="list-style-type: none"> • Promoting water efficient irrigation systems. • Installation/upgradation of wastewater infrastructure including transport, treatment and disposal systems. • Water resources conservation. • Flood defence systems.
Pollution Prevention and Control	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Environmentally sustainable management of agriculture, animal husbandry, fishery and aquaculture. • Sustainable forestry management including afforestation/reforestation. • Support to certified organic farming.

	<ul style="list-style-type: none"> • Research on living resources and biodiversity protection.
Terrestrial and Aquatic Biodiversity Conservation	<ul style="list-style-type: none"> • Projects relating to coastal and marine environments. • Projects related to biodiversity preservation, including conservation of endangered species, habitats and ecosystems.

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.

*Feedback will primarily include: Sewage, manure, wastewater, bagasse, biomass, wood pellets, etc

Annexure - 2

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			
<p>* 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.</p> <p>**Under each category, SBI may provide sub-categories based on the funds allocated to each sub-sector. For example, SBI may provide sub-categories like solar energy, wind energy, etc. under “Renewable Energy”.</p>			

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 CO ₂ equivalent, tCO ₂ e)
Waste Management	Waste diverted from landfill per year (tonnes)
Clean Transportation	GHG emissions avoided per year (tCO ₂ e)
	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 (tCO ₂ e)
Afforestation/ Reforestation	GHG emissions reduced/Carbon Sequestration achieved (measured in tCO ₂ e)

Illustrative list of existing Green products

Sr no	Product Name
1	Green Car loan (EV)
2	Financing E rickshaw
3	Financing Solar PV pump sets for agriculture under PM Kusum
4	Financing BIOGAS plant under SATAT scheme
5	Financing for Grid-Connected Rooftop Solar PV Projects

Note: Any other product (new /existing) developed by the bank, complying with the eligibility criterion of green asset as per the RBI green deposit framework will be added in the pool of green asset for deployment of fund raised under green deposit framework.