



Sustainable Financing Framework (March 2024, Version 1)

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1. Introduction

1.1. Background

Union Bank of India (“UBI”, “Union Bank”, or “the bank”) is one of the leading public sector banks of the country. The bank is a listed entity and has a network of 8,500+ domestic branches and has operations in, the UAE, the UK and Australia.

UBI provides a wide range of financial solutions globally through four core business segments: corporate/wholesale banking, retail banking operations, treasury operations and other banking products. It offers a range of deposits, accounts and lending solutions, structure finance, forex, trade finance, card products, insurance and investment products.

1.2. Union Bank of India’s Sustainability Vision, Commitments and Strategies

UBI recognizes the urgency of mitigating climate change impacts. This awareness is at the core of its quest to decarbonize the economy, a journey that demands significant behavioral changes and large-scale deployment of non-carbon technologies across sectors.

UBI focuses on generating long-term sustainable value for stakeholders, including shareholders, customers, employee, communities, and regulators. The commitment to sustainability is integrated across the bank and aligned with their strategic priorities.

1.2.1. Union Bank of India’s Vision

UBI is transforming to be amongst India’s foremost banks. Therefore, UBI is focused to corporate sustainability and ESG. UBI believes that the way it can facilitate finance can have positive effects for the society too.

UBI deploys finance responsibly to support people and businesses, acting with empathy and integrity, championing innovation and sustainability, for the common good and the long term.

The bank can do so because of its diversification. As a universal Indian bank, UBI has diversity in the types of customers and clients it serves - from individuals and small businesses to global corporations to governments - as well as the geographies it operates in and the types of income it generates. This diversity gives UBI resilience through economic cycles and gives the bank the platform to deliver a consistent level of financial performance.

That, in turn, means UBI can better serve its stakeholders. The bank aims to deliver for its customers and clients, create a wonderful place to work for colleagues, support society and provide consistent returns to shareholders.

Together for customers and clients

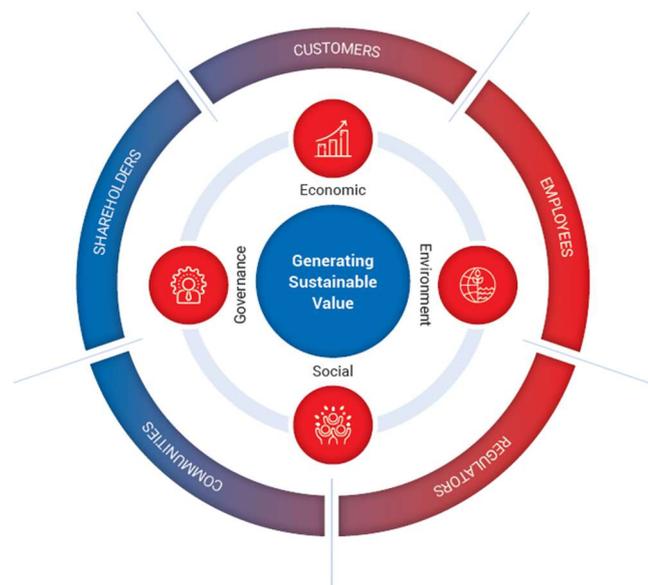
UBI helps those who use its products, services, and expertise realise their aspirations. The bank’s social and environmental financing covers businesses from all sectors. It generates positive social and environmental contributions through financing healthcare systems, educational institutions, affordable housing projects, and green infrastructure projects. Financing these activities, in turn, supports progress on the SDGs¹. (Sustainable Development Goals)

Together for employees

UBI supports employees’ health and well-being, enable them to build their career, and empower and motivate them to be able to provide excellent service. Examples include inclusion and diversity, developing great leaders, evolving employees experience.

Together for society and the environment

Union Bank’s success over the long term is tied inextricably to the progress of the communities, and the preservation of the environment. As the impacts of climate change continue to be felt around the world, UBI is observing significant changes emerge in the way many of their customers do business. These changes are driving a larger economic shift as the push towards decarbonisation accelerates. For many, it is no longer about whether this change will happen but how quickly it will transpire.



The Board directly supervises social and environmental matters, including climate changes.

Together for stakeholders

UBI continues to build a robust and diversified business that can deliver attractive and sustainable returns. To engage stakeholders, UBI has diversified methods of engagement for different stakeholders including shareholders, customers, employees, communities and regulators.

¹ Sustainable Development Goals: <https://sdgs.un.org/goals>

1.2.2. Union Bank of India’s Environmental Strategy and Responsible Products

UBI is committed to addressing climate change and accelerating the transition to a low-carbon economy. Government of India has a vision of achieving net zero emissions by 2070 for India. In line with Government of India’s vision, the Bank is also committed to addressing climate change and accelerating the transition to a low-carbon economy & becoming net zero. Aligning its financing portfolio with the goals of the Paris Climate Agreement, UBI actively oversees social and environmental matters through dedicated committees. By integrating environmental sustainability into its business strategy, UBI supports the development of green technologies, offers sustainable finance solutions, and strives to meet the evolving needs of its customers.

Transition to a Sustainable Future

The transition to a low-carbon economy is today’s defining opportunity for innovation and growth. There is a significant opportunity for UBI to play a leading role in helping to meet the demand for climate change-related financing to support the transition. The bank is directing investment into new green technologies and infrastructure projects to build up low-carbon capacity and capability.



UBI is committed to helping its customers and communities move to a low-carbon, sustainable future and achieve positive social outcomes. The bank seeks to provide its customers with products and services to help them meet their evolving needs.

Climate Risk

UBI is providing the green and sustainable finance required to transform the economies it serves. The bank strategy is underpinned by how it assesses and manage its exposure to climate related risk. Since 2022, climate risk is being treated as a Principal Risk under Union Bank’s Enterprise Risk Management Framework. Today, UBI is one of the premier institutions in the Indian Financial sector and is committed to building a sustainable and climate-risk-resilient organization. The smooth integration of ESG factors in Business Strategy, Business Processes, Internal Governance (Business Verticals, Risk Management & Compliance, and Independent Audit), Policies, Credit Rating/Assessment, Disclosure framework, Data Management and Risk culture of the bank is of prime importance.



The Bank is committed towards reducing carbon footprint of its own operations. The Bank is currently taking several measures to achieve net zero in own operations and is also focusing on aligning its products and services with the United Nations Sustainable Development Goals (SDGs).

Enterprises

UBI's approach to environmental and social issues is becoming increasingly integrated into the work the bank does across its

business and is subject to the governance and oversight of its management and Board structures. The bank intends to identify, accelerate and promote the development of climate and sustainable finance growth opportunities for the benefit of its customers and clients across all its businesses, products and services.



India has a great potential for investment in renewable sector. UBI is committed towards funding requirement for the renewable energy sector, and has been extending credit support to corporates in the renewable sector.

The bank is also leveraging other schemes under renewable energy like compressed biogas schemes, solar power plants, and solarization of pump sets under the PM KUSUM Scheme² to help in achieving sustainable development goals and improving green financing.

The bank has also started capitalizing on considerable investments in Agri Infra Structure, Animal Husbandry and Food Processing through various Atmanirbhar Bharat Schemes like the Agri Infrastructure Fund, Animal Husbandry Infrastructure Development Fund and Pradhan Mantri Formalization of Micro Food Processing.

Micro, Small & Medium Enterprises (MSME)

UBI has traditionally been focusing on delivering credit to the Micro, Small & Medium Enterprises sector. The bank took some

new initiatives to enhance its footprint in its MSME portfolio, including MSME Credit Card, launch of Union MSME First Branches (UMFBs) and Cluster Schemes.



Priority Sector Lending

In line with the Priority Sector Lending³ ("PSL") guidelines by the

Reserve Bank of India, UBI remains committed to extending credit facilities to needy segment with specific lending. UBI continued to prioritise agricultural lending, recognising its crucial role in fostering economic development and reducing rural poverty.



The bank is also focusing on social development and equal opportunities for all parts of society. Accordingly, the bank focus on social upliftment has led UBI to extend credit

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² <https://www.unionbankofindia.co.in/english/pmkusum-scheme.aspx>

³ Priority Sector Lending (PSL) from the Reserve Bank of India (RBI): https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959

facilities to weaker and underserved sections, such as women, minority communities, and self-help groups.

Women Beneficiaries, Minority Communities and Rural Self Employment Training Institute (RSETI)



To promote entrepreneurs among women and make them self-reliant, the bank encourages credit to women entrepreneurs.

UBI is extending finance to minority communities viz. Muslims, Christians, Sikhs, Buddhists, Zoroastrians, and Jains, in line with the Government of India directives on the welfare of minority communities.

To mitigate the employment problem among the rural youth, the bank has established 30 RSETIs in districts where the bank has “Lead Bank Responsibility”.

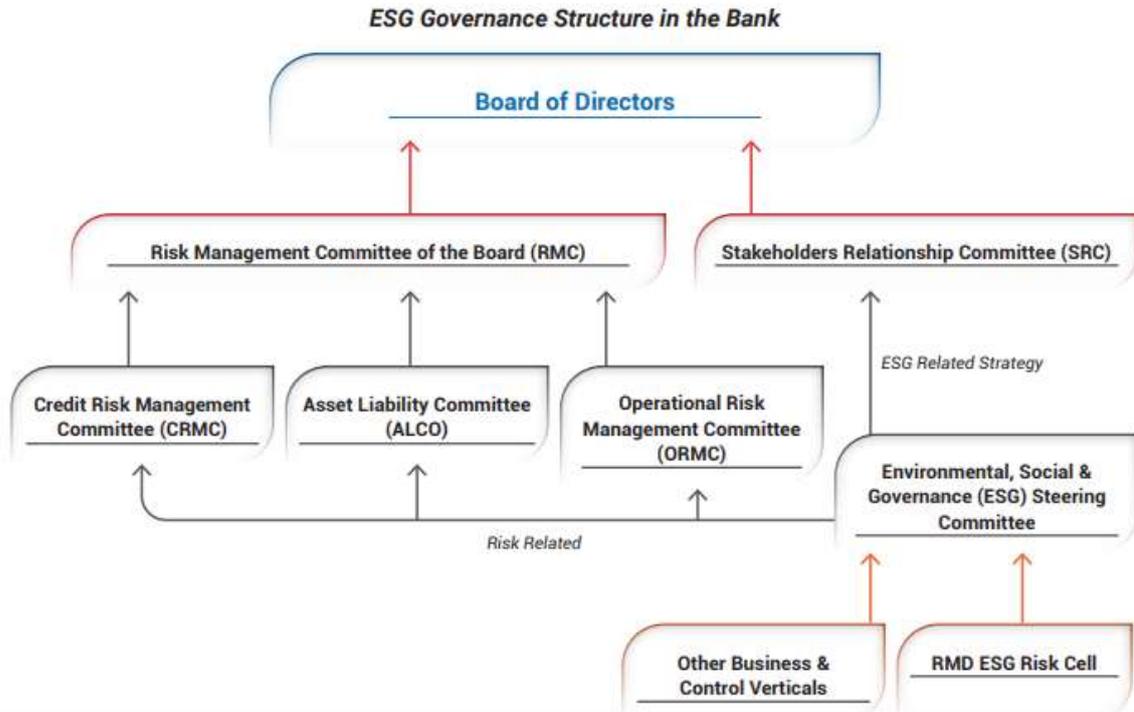
Retail



One of the core priorities is to deliver the next-generation, digitised customer financial services to ensure UBI remains competitive and continue to meet the needs of its customers and clients while maintaining its societal obligations to provide access to banking. UBI is offering its customers a “Digital Experience” by leveraging and implementing the latest innovations in technology, like cloud computing and digital lending and Artificial Intelligence. The bank is transforming the current IT architecture to ensure high-performance access to business systems and cloud-based applications, complying with regulatory norms without compromising security.

1.2.3. Union Bank of India’s ESG Governance Structure

UBI has historically committed to environmental leadership in the financial services sector. During FY2022, the Board of the bank decided to entrust the Stakeholders Relationship Committee of the Board to be responsible for overseeing the ESG commitments through the formation of a dedicated ESG Steering Committee at the Executive Management Level, constituting of members from the Board and the Senior Executive Management team. The ESG Steering Committee will, in turn, form an ESG Cell at the bank’s Operational Level, with members within the bank with domain expertise and department responsibilities for research, goal setting and implementation of various ESG aspects.



1.2.4. Alignment with the United Nations Sustainable Development Goals

UBI is in the process of recognising the Sustainable Development Goals (SDGs) as a set of shared global priorities to be achieved by 2030. These relate to positive human, societal and environmental factors, and are to be reached through committed engagement and multilateral collaboration. It is important for business, governments, society and other stakeholders to work together to make the 2030 Agenda a reality. The bank is committed to playing its part, and working in partnership with its stakeholders to support the delivery of the goals. UBI social and environmental financing covers businesses from all sectors. It generates positive social and environmental contributions through financing of healthcare systems, educational institutions, affordable housing projects, and green infrastructure projects. Financing of these activities in turn supports progress on the SDGs.

2. Union Bank of India Sustainable Financing Framework Overview

UBI’s Sustainable Financing Framework (the “Framework”) was developed with the objective of reinforcing UBI’s capabilities in financing green and social projects as well as offer green deposits, which will contribute to the UN SDGs as well as the Paris Agreement. Through this Framework, UBI aims to mobilise investors to contribute capital towards the realisation of the UN SDGs.

This Framework will apply to UBI as well as its foreign branches, subsidiaries and joint-ventures.

Sustainable Financing Transactions (“SFT”s) will include bonds and loans tailored to contribute to sustainable development by application of the proceeds to Eligible Green Projects and/or Eligible Social Projects as defined in this Framework.

- With respect to bonds, bonds issued under this Framework will be aligned with the 2021 Green Bond Principles⁴ (“GBP”), 2023 Social Bond Principles⁵ (“SBP”) and the 2021 Sustainability Bond Guidelines⁶ (“SBG”) by the International Capital Markets Association (“ICMA”, together the “ICMA Principles”), or as they may subsequently be updated, as well as the ASEAN Green Bond Standards, Social Bond Standards and Sustainability Bond Standards. They will also follow the disclosure requirements from the Securities and Exchange Board of India (“SEBI”) regarding the issuance and listing of green debt securities⁷;
- With respect to loans, loans issued under this Framework will be aligned with the 2023 Green Loan Principles⁸ (“GLP”) and 2023 Social Loan Principles⁹ (“SLP”) including Guidance Notes by the Loan Market Association (“LMA”), the Asia Pacific Loan Market Association (“APLMA”) and the Loan Syndications and Trading Association (“LSTA”), or as they may subsequently be updated. Where the proceeds or an equivalent amount will be exclusively applied to finance or refinance a combination of both Green and Social Projects, the loan will be labelled as “sustainability”.

Loans issued under this Framework will also follow the disclosure requirements from the Securities and Exchange Board of India (“SEBI”) regarding the issuance and listing of green debt securities as well as related guidelines of Reserve Bank of India.

SFTs do not place restrictions on the tenor and currency¹⁰, and can include other terms and conditions including covenants, to reflect the financing strategy and plans of UBI as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

The Framework governs the issuance of any debt instruments by UBI and its banking subsidiaries, and includes the following:

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⁴ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

⁵ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

⁶ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁷ https://www.sebi.gov.in/legal/circulars/feb-2023/revised-disclosure-requirements-for-issuance-and-listing-of-green-debt-securities_67837.html

⁸ <https://www.lsta.org/content/green-loan-principles/>

⁹ <https://www.lsta.org/content/social-loan-principles-slp/>

¹⁰ As per RBI Green Deposit Framework: Green Deposit to be issued in INR only

- Green bonds to finance and/or to refinance eligible green assets.
- Social bonds to finance and/or to refinance eligible social assets/infrastructure assets;
or
- Sustainability bonds to finance and/or refinance a mix of eligible green assets and eligible social assets.

The Framework is aligned with the four core pillars of the ICMA/LMA/APLMA/LSTA/RBI Principles:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds; and
4. Reporting.

The Framework also covers the External Review.

The Framework will be in force as long as there are outstanding SFTs. UBI may update this Framework and commits that any new version will keep or improve the current level of transparency and reporting. UBI commits to communicate changes with investors via its official website: <https://www.unionbankofindia.co.in/english/home.aspx>

The Framework also aims to align with the Framework for acceptance of Green Deposits (*see more information in Appendix 1 and 2*) established by the Reserve Bank of India (RBI)¹¹ or as they may subsequently be updated.

The 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 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.

The Bank has already put in a comprehensive Board-approved Policy on Bank Deposits that outlines the aspects related to issuance and allocation of green deposits as per the RBI notification on Framework for acceptance of Green Deposits.

Green Deposits offered by UBI will be aligned with its core components:

A. Purpose/Rationale

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¹¹ <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12487>

- B. Green Deposit Framework
- C. Financing Framework
- D. Use of Proceeds
- E. Third-Party Verification/Assurance and Impact Assessment
- F. Reporting and Disclosures

2.1. Use of Proceeds

The net proceeds of the SFTs/Green Deposits will be used to finance or refinance, in whole or in part, new or existing Eligible Green & Social Projects (“**Eligible Projects**”), which follow the criteria set out in the section 2.1.1 and 2.1.2 below (“**Eligibility Criteria**”).

- The proceeds of a Green Bond/Loan/Deposit issued under this Framework will be applied to projects that fall under the Eligible Green Project Categories set out in Section 2.1.1 below.
- The proceeds of a Social Bond/Loan issued under this Framework will be applied to projects that fall under the Eligible Social Project Categories set out in Section 2.1.2 below.
- The proceeds of a Sustainability Bond/Loan issued under this Framework will be applied to both Eligible Expenditures with Green focus set out in Section 2.1.1, and Eligible Expenditures with Social focus set out in Section 2.1.2.

The selection of Eligible Assets is subject to compliance with relevant policies and an assessment of environmental and social risks as per Bank’s ESMS (Environmental and Social Management System) framework attached as Appendix 3. Eligible Assets may include:

- Loans to businesses and projects for which the use of proceeds meet the Eligibility Criteria; and
- UBI’s own operating or capital expenditures for which the use of proceeds meets the Eligibility Criteria

Eligible Projects may include the projects UBI funded during the 3 years prior to the issuance or signing date of the respective SFTs and during the life of the SFTs, provided they meet the eligibility criteria mentioned in this framework. For Green Deposits, the eligible projects will be governed by RBI guidelines.

2.1.1. Eligible Green Project Categories

The net proceeds of the Green Bonds/Loans/Deposits will be used to fund or refinance, in whole or in part, the Eligible Green Projects that meet one or more of the following

categories of eligibility as recognized in the 2021 GBP and 2023 GLP and RBI Framework for acceptance of Green Deposits:

Eligible Green Project Categories	Eligible Green Projects and Eligibility Criteria	United Nations Sustainable Development Goals (“UN SDGs”) ¹²
<p>Renewable Energy</p> 	<ul style="list-style-type: none"> - Construction, acquisition and procurement of technology and related infrastructure supporting the production of renewable energy from natural environments such as wind, sunlight, water, geothermal, precipitation, and biological organisms: - On- and Offshore Wind Power - Solar Energy Generation (including Building Integrated Photovoltaic) - Solar Thermal Energy - Hydropower Projects (lifecycle GHG emission intensity should be below 100 gCO₂e/kWh¹³ or power density above 5 W/m²) - Biomass power (lifecycle GHG emission intensity should be below 100 gCO₂/kWh¹⁴ and biofuel must be sourced from a sustainable feedstock) - Geothermal Power Generation (lifecycle GHG emission intensity should be below 100 gCO₂e/kWh¹⁵) - Ocean Energy (ocean thermal energy, tidal power generation)¹⁶ - Electricity generation: Hydrogen Fuel Cell technology 	<p><i>SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix</i></p>
<p>Clean Transportation</p>	<ul style="list-style-type: none"> • All infrastructure, infrastructure upgrades, rolling stock and vehicles for electrified public transport, including electrified rail, trams, trolleybuses and cable cars. Buses 	<p><i>SDG 9.1: Quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being</i></p>

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¹² The full list is provided on the UN website: <https://unstats.un.org/sdgs/indicators/indicators-list/>

¹³ Refers to life-cycle emissions of the project

¹⁴ Refers to life-cycle emissions of the project

¹⁵ Refers to life-cycle emissions of the project

¹⁶ This category will not be considered for deploying Green Deposits

  	<p>with no direct emissions (electric and hydrogen).</p> <ul style="list-style-type: none"> • Development, manufacture and acquisition of low-carbon land transport such as <ul style="list-style-type: none"> - Passenger cars and commercial vehicles - zero tailpipe emission vehicles (e.g., hydrogen, fuel cell and electric vehicles) - Hybrid vehicles - with tailpipe CO₂ emissions below 50 gCO₂ per passenger-kilometre (pkm)¹⁷ - Trains and vehicles for public transport - zero direct emission light rail transit, metro, tram or other fleets with direct CO₂ emissions below 75 gCO₂/pkm • Development of infrastructure for low-carbon land transport (private and public) - projects related to capacity or energy efficiency improvement (e.g., station upgrade, improved signalling equipment), electric charging stations, and electricity grid connection upgrade • Infrastructure for zero direct emission water transport - batteries, hydrogen fuelling facilities • Investments and expenditures related to construction, design, and maintenance of CSVs as defined below • Investments and expenditures in relation to retrofit ¹⁸ of existing vessels engines with alternative fuels (Natural gas, methanol or electricity) • Clean and Sustainable Vessels ¹⁹ (“CSVs”) CSVs are defined according to IMO²⁰ and the 	<p><i>SDG 11.6: Reduced adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</i></p> <p><i>SDG 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</i></p>
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¹⁷ This category will not be considered for deploying Green deposits.

¹⁸ In alignment with the EU Taxonomy, until 31 December 2025, the retrofitting activity reduces fuel consumption of the vessel by at least 10 % expressed in grams of fuel per deadweight tons per nautical mile, as demonstrated by computational fluid dynamics (CFD), tank tests or similar engineering calculations. <https://ec.europa.eu/sustainable-finance-taxonomy/activities/activity/217/view>

¹⁹ This category will not be considered for deploying Green deposits.

²⁰ International Maritime Organization: <http://www.imo.org/en/About/Pages/Default.aspx>

	<p>Norwegian shipping²¹ regulations, and would represent Methanol Dual Fuel Vessels under the Framework. In alignment with the EU Taxonomy, CSVs will attain one or more of the following criteria²²:</p> <ul style="list-style-type: none"> - Hybrid and dual fuel vessels derive at least 25 % of their energy from zero direct CO2 emission fuels or plug-in power for their normal operation at sea and in ports - The vessels have attained Energy Efficiency Design Index (EEDI) value 10 % below the IMO’s EEDI requirements applicable on 1 April 2022 if the vessels are able to run on zero direct (tailpipe) CO2 emission fuels or on fuels from renewable sources 	
<p>Energy Efficiency</p>  	<ul style="list-style-type: none"> • The development and implementation of products or technologies that reduce energy use or recover energy. Examples include: <ul style="list-style-type: none"> - Buildings - improvements in lighting, air conditioning, waste heat recovery and district cooling - Public utility networks - installation of energy-efficient lighting and improvements in energy efficiency of public utilities (e.g., electricity, telecommunications and water) - Agriculture and aquaculture processes <ul style="list-style-type: none"> - improvements in energy efficiency of traction, irrigation and other processes in plant-based agriculture, as well as in aquaculture farming and processing - Transmission and distribution systems <ul style="list-style-type: none"> - improvements to reduce energy use 	<p><i>SDG 7.3: By 2030, double the global rate of improvement in energy efficiency</i></p> <p><i>SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</i></p>

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²¹ Norwegian Maritime Authority: <https://www.sdir.no/en/shipping/legislation/>

²² The criteria will apply until December 2025, in alignment with EU Taxonomy, and follow the subsequent updates. <https://ec.europa.eu/sustainable-finance-taxonomy/activities/activity/215/view>

	<p>and/or technical losses and smart grid technologies</p> <p><i>For avoidance of doubt, improvement activities that result in the lock in of fossil fuel technologies will be excluded.</i></p> <p><i>On a best effort basis, UBI will strive to select eligible projects which enable energy savings of at least 30%</i></p>	
<p>Sustainable Water Management</p>  	<ul style="list-style-type: none"> • Construction, development, installation, operation and maintenance of infrastructure or equipment for collection, treatment, recycling or reuse water, rainwater or wastewater • Upgrades of water infrastructure that improve water efficiency or reduce water losses • Promoting water efficient irrigation systems and flood defence systems 	<p><i>SDG 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</i></p> <p><i>SDG 12.2: By 2030, achieve the sustainable management and efficient use of natural resources</i></p>
<p>Green Buildings</p>  	<ul style="list-style-type: none"> • Acquisition, new construction, renovation, maintenance and operation of new or existing buildings that meet or will receive internationally recognized environmental standards such as: <ul style="list-style-type: none"> - LEED gold or above certification, or equivalent certifications under other internationally recognized building standards such as BREEAM (excellent to outstanding)* and Green Star (5 star and 6 star)**, within the last 5 years <p>And</p> <ul style="list-style-type: none"> - Achieve a minimum 30% emissions improvement against ASHRAE 90.1 criteria (a part of the LEED standard) or equivalent stringency of additional emissions improvements under other building standards <p>OR</p>	<p><i>SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</i></p> <p><i>SDG 11.6: By 2030, reduce the adverse per capita, environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</i></p>

	<ul style="list-style-type: none"> - Meet the carbon hurdles set in the IFC's Edge tool²³ - Meet the GRIHA 4 to 5 Star Rating²⁴ and IGBC Gold²⁵ 	
<p>Sustainable Management of Living Natural Resources and Land/Ocean Use</p> 	<ul style="list-style-type: none"> • Environmentally sustainable fishery with certification to Marine Stewardship Council (MSC) or equivalent labels, and aquaculture with Best Aquaculture Practices (BAP) or Aquaculture Stewardship Council (ASC) equivalent certification; • Environmentally-sustainable forestry with certification to Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) or equivalent, including afforestation or reforestation, and preservation or restoration of natural landscapes • Sustainable management of agriculture via implementation of sustainable agriculture techniques and sustainable agricultural production. Examples may include: <ul style="list-style-type: none"> - Remediation and restoration of degraded soil - Minimum or no use of synthetic fertilizer and pesticide - Crop rotation - No-till farming - Precision farming - Drip irrigation - Zero Budget Natural Farming • Projects that manage, conserve, and restore the health of coastal and marine ecosystems 	<p><i>SDG 2.4: By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality</i></p> <p><i>SDG 14.a: Increase scientific knowledge, develop research capacity and transfer marine technology, taking into account the Intergovernmental Oceanographic Commission Criteria and Guidelines on the Transfer of Marine Technology, in order to improve ocean health and to enhance the contribution of marine biodiversity to the development of developing</i></p> <p><i>SDG 15.5: Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2030, protect and prevent the extinction of threatened species</i></p>

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²³ <https://edgebuildings.com/certify/>

* <https://www.breeam.com/discover/how-breeam-certification-works/>

** <https://qbca-web.s3.amazonaws.com/media/documents/introducing-green-star.pdf>

²⁴ <https://www.grihaindia.org/griha-rating>

²⁵ <https://qbndia.wordpress.com/igbc-rating-system-2/>

	<ul style="list-style-type: none"> • Projects that prevent, control, and reduce waste from entering the coastal and marine environments²⁶ • Research on living sources and biodiversity protection 	
<p>Circular Economy and Waste Management</p>  	<ul style="list-style-type: none"> - Eco-efficient and circular economy adopted products, technologies, processes and impact assessments - Projects that contribute to waste prevention and collection, waste reduction and waste recycling such as: <ul style="list-style-type: none"> - The development, operation and upgrade of recycling facilities for metals, plastic or paper - Collection²⁷, treatment or remediation²⁸ of hazardous waste or contaminated soil - Reuse, repurpose, or recycle all waste from landfills and incineration to reduce the impact of electronic waste on the environment - Waste to energy²⁹ with energy recovery efficiency of at least 25% and emissions below 100 gCO₂e/kWh 	<p><i>SDG 11.4: Strengthen efforts to protect and safeguard the world's cultural and natural heritage</i></p> <p><i>SDG 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</i></p>
<p>Pollution Prevention and Control</p> 	<ul style="list-style-type: none"> - Air pollution and greenhouse gas mitigation equipment (e.g., flue gas desulfurisation, selective catalytic reduction, fabric filters, carbon capture) 	<p><i>SDG 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</i></p>

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²⁶ As per the [ICMA's guidance](#) 2023 for bonds to finance the sustainable blue economy: For wastewater management, projects must be within 100 km of the coast. For solid waste management, projects must be within 50 km of the coast or a river that drains to the ocean. For non-point source pollution management, projects must be within 200 km of the coast or within 50 km of rivers (and their tributaries) that flow to the ocean]

²⁷ Waste segregation is to be done as per the type of waste generated from different sources and as per the requirement of prevalent waste management laws.

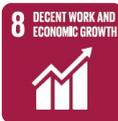
²⁸ The recipient of the loan towards carrying out soil remediation shall not be any entity that itself has caused the need for soil remediation.

²⁹ As per Green Deposit Framework: Feedstock will primarily include: Sewage, manure, wastewater, bagasse, biomass, wood pellets etc.

<p>Climate Change Adaptation and Resilience</p>  	<ul style="list-style-type: none"> Climate change adaptation infrastructure - flood defense, climate observation and early warning systems Sustainable management of resilience of natural and urban eco-systems such as integrated watershed management, public health, food security, drainage, network infrastructure, etc. 	<p><i>SDG 12.2 By 2030, achieve the sustainable management and efficient use of natural resources</i></p> <p><i>SDG 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</i></p>
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2.1.2. Eligible Social Project Categories

The net proceeds of the Social Bonds and Loans will be used to fund or refinance, in whole or in part, the Eligible Social Projects that meet one or more of the following categories of eligibility as recognized in the 2023 SBP and 2023 SLP:

Eligible Social Project Categories	Eligible Social Projects and Eligibility Criteria	UN SDGs
<p>Socioeconomic advancement and empowerment</p>   	<ul style="list-style-type: none"> Loans to companies in aspirational districts³⁰ Support projects for target population such as persons with disabilities and young people, and equal pay for work of equal value Nari Shakti Scheme ³¹ to support women founded start-ups/MSMEs ³² which are majority-owned or majority-managed by women 	<p><i>SDG 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</i></p> <p><i>SDG 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</i></p> <p><i>SDG 8.5: By 2030, achieve full and productive employment and</i></p>

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³⁰ List of India's least developed Districts, a list of about 100 districts identified by NITI aayog called aspirational districts. <https://www.niti.gov.in/sites/default/files/2023-07/List-of-112-Aspirational-Districts%20%281%29.pdf>

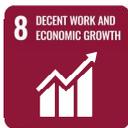
³¹ The Nari Shakti Scheme is for all the women who own and manage MSMEs engaged in manufacture and production or SHGs having Udyam Registration. <https://www.unionbankofindia.co.in/english/union-nari-shakti.aspx>

³² The definition of MSMEs will be as per Government of India (GoI), Gazette Notification S.O. 2119 (E) dated June 26, 2020 read with circular RBI/2020-2021/10 FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 read with FIDD.MSME & NFS. BC. No.4 /06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time. <IndianGazzate02072020.pdf> (rbi.org.in)

		<p><i>decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</i></p> <p><i>SDG 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</i></p>
<p>Access to Essential Services</p>   	<ul style="list-style-type: none"> • Financing related to the construction and operation of, or supply of equipment to, public hospitals and healthcare facilities • Financing related to the construction and operation of, or supply of equipment to, public education facilities (e.g., schools, universities, teaching and vocational centres), and related infrastructure (e.g., student housing) • RSETI³³ Centres and training courses with the objectives of providing self-employment training programmes 	<p><i>SDG 3.8: Health coverage and access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all</i></p> <p><i>SDG 4.b: Substantially expand globally the number of scholarships available to developing countries for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries</i></p> <p><i>SDG 11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities</i></p>

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³³ RSETIs are Rural Self Employment Training Institutes, an initiative of Ministry of Rural Development (MoRD) to have dedicated infrastructure in each district of the country to impact training and skill upgradation of rural youth geared towards entrepreneurship development. <http://nirdpr.org.in/rseti/>

<p>Employment Generation</p>   	<ul style="list-style-type: none"> • Creation of meaningful and fair employment for targeted communities such as female • MSME ³⁴ financing and microfinance: support MSMEs under TReDS³⁵: <ul style="list-style-type: none"> - Providing loans at discounted rate and enlarged lending volume - Waiving collateral requirement with accelerated process • Loans to entities involved in assisting the decentralized sector in the supply of inputs and marketing of output of artisans, village and cottage industries³⁶ • Bank loan to street vendors under PM Svanidhi³⁷ 	<p><i>SDG 4.4</i> By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p> <p><i>SDG 5.b:</i> Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women</p> <p><i>SDG 8.3:</i> Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p>
<p>Affordable Housing and Social Infrastructure</p>  	<ul style="list-style-type: none"> • Bank loans for affordable housing projects under Pradhan Mantri Awas Yojana • Corporate loans to public agencies for development and construction of affordable housing • Corporate loans used for the development and construction of housing mandated for low income individuals or households • Development of affordable basic infrastructure (e.g. clean drinking water, sewers and sanitation) 	<p><i>SDG 1.4:</i> By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance</p> <p><i>SDG 8.3:</i> Promote development-oriented policies that support productive activities, decent job</p>

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³⁴ The definition of MSMEs will be as per Government of India (GoI), Gazette Notification S.O. 2119 (E) dated June 26, 2020 read with circular RBI/2020-2021/10 FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 read with FIDD.MSME & NFS. BC. No.4 /06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time. [IndianGazette02072020.pdf \(rbi.org.in\)](https://www.reservedbanking.com/indianGazette02072020.pdf)

³⁵ Trade Receivables Discounting System is a welcoming step by the RBI to regulate the trade between MSMEs, Large Corporates and Financiers. TReDS is an institutional mechanism set up in order to facilitate the discounting of trade receivables of MSMEs from corporate buyers through invoice discounting by multiple financiers. <https://www.m1xchange.com/treds.php>

³⁶ The bank shall strive to ensure that funding in this category is provided only to eligible entities as defined by the GoI and RBI.

³⁷ The PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) was launched by the Ministry of Housing and Urban Affairs in 2020 for providing affordable Working Capital loan to street vendors to resume their livelihoods that have been adversely affected due to Covid-19 lockdown

	<ul style="list-style-type: none"> • Telecommunication projects to promote digital inclusion in unconnected or underserved communities; 	<p>to <i>creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</i></p>
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The aforementioned project categories/criteria may provide direct or indirect benefit(s) to one or more of the following target populations:

- Low-income households and those living below the poverty line³⁹
- Micro, Small and Medium-sized enterprises (MSMEs)
- Rural/indigenous and/or marginalised communities
- People with disabilities
- Migrants and/or displaced persons
- The undereducated
- The underserved, owing to a lack of quality access to essential goods and services
- The unemployed
- Sexual and gender minorities
- Vulnerable youth and the elderly
- Other vulnerable groups, including as a result of natural disasters

2.1.3. Exclusionary Criteria

Proceeds will not knowingly be allocated to finance projects or activities that have been assessed by UBI as being any of the following (“Exclusions”):

- Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage)
- Child labour or forced labour
- Adult entertainment

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³⁸ Underserved is defined as communities which either: Has access to at least mobile service by one operator with limited broadband capacity. The backhaul or access capacity of the given site does not allow for a quality Internet experience; or access to 2G/3G or limited 4G for mobile networks or copper for fixed networks.

³⁹ \$1.90 per day as defined by the World Bank: <https://www.worldbank.org/en/topic/poverty>

- Alcohol/alcoholic beverages, weapons & military contracting, tobacco & tobacco products, gaming, or palm oil industries
- Renewable energy projects generating energy from biomass using feedstock originating from protected areas.
- Gambling
- 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.
- Hydropower plants larger than 25 MW
- Landfill projects
- Direct waste incineration
- Nuclear power generation, and
- Production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans.

2.2. Process for Project Evaluation and Selection

UBI has set up a ESG Steering Committee (“ESGSC”) to assume the responsibility of SFTs/Green Deposits. The ESGSC has entrusted responsibilities to various departments to oversee the implementation of various ESG-related topics and it has identified single point of contact within these departments. The ESGSC is composed of representatives from the below departments with the required level of expertise and seniority:

- All Executive Directors (EDs)
- Chief Risk Officer
- Chief Financial Officer
- Vertical Head (Treasury)
- Vertical Head (Large Corporate & Transaction Banking (LCV))
- Vertical Head (Strategy)
- Vertical Head (Board Secretariat)

The ESGSC will have the below mentioned Scope of Work:

- i. Understanding the Climate related Public Policies /Guidelines /Principles /Recommendations released by local/global authorities/regulators/task force and to guide the concern verticals in ESG related initiatives

- ii. Adoption of best practice towards ESG Transition while keeping the National priorities and constraints
- iii. Adopting systematic imperatives prescribed by the Supervisor for resilience
- iv. Proper execution of the Bank's transition plan to Carbon Neutral Bank
- v. Develop an understanding of & monitor ESG effects on macroeconomic conditions, relevant sectoral businesses, change in customer preferences, shift in technology etc.
- vi. Identify and achieve investors' expectations across the spectrum
- vii. Invest in Capacity building within the Bank

The ESGSC normally meets at quarterly intervals to discuss on different aspects of ESG transition and submit its recommendations to CRMC / ORMC (Operation Risk Management Committee) / ALCO (Asset Liability Committee) or any other relevant Committee for information / approval.

The progress is updated to RMC / Board on regular intervals.

A sub-committee (Sustainable Committee) on sustainable finance will review eligible projects according to the criteria outlined in Sections 2.1.1 and 2.1.2 mentioned above.

The sub-committee will then present the projects to the ESGSC during a meeting occurring every three months for review. Project level evaluation and risk assessment shall be carried out by the respective departments / operating units in line with the roles and responsibilities assigned as per existing internal guidelines.

The ESGSC will ensure that the selected projects will comply with the use of proceeds and process of project evaluation and selection, as well as with UBI's ESG Policy & ESMS Framework, which offers risk management tools to mitigate related ESG risks. Projects will be selected with the United Nations Sustainable Development Goals in mind and guided by UBI's risk management, internal control systems & policies and ESMS Framework.

In addition, the ESGSC will also be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds.

Eligible Projects may include new projects, projects under construction or in UBI's portfolio, with a disbursement date no older than 3 years.

2.3. Management of Proceeds

UBI's treasury team will manage the net proceeds from each SFT/Green Deposit issued and the proceeds of each SFT/Green Deposit will be credited to a sub-account, moved to a sub-portfolio. An amount equalling the net proceeds from each SFT/Green Deposit will be earmarked for allocation to Eligible Projects, in accordance with the UBI's Sustainable Financing Framework.

UBI has a loan tagging mechanism in place as part of MIS to be monitored by the sub-committee of Sustainable Financing Group (comprising of credit verticals) to keep track of the use of proceeds for each SFT/Green Deposit. The MIS will contain the following information including:

2.3.1. Type of Funding Transaction

Key information includes issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number in the case of a bond transaction.

2.3.2. Allocation of Use of Proceeds

- Name and description of Eligible Projects to which the proceeds of the SFTs/Green Deposits have been allocated in accordance with the Framework
- Allocation of the proceeds of SFTs/Green Deposits to Eligible Projects
- The balance of unallocated proceeds
- Information regarding temporary investments for unallocated proceeds

UBI is committed to allocating all proceeds from the SFTs/Green Deposits to Eligible Projects on a best effort basis within one year of the SFT/Green Deposits issuance in accordance with the evaluation and selection process set out above.

UBI will monitor the allocation to Eligible Projects and track the net proceeds through its internal accounting system. UBI has a loan tagging mechanism in place.

Proceeds yet to be allocated towards Eligible Projects may be managed in line with UBI's liquidity management policy, including investing the as of yet unallocated proceeds in cash or cash equivalents, as well as short term deposits and money market funds. The temporary allocation would only be in liquid instruments up to a maximum original tenure of one year. During the life of the SFT/Green Deposits issued, if the designated Projects cease to fulfil the Eligibility Criteria as defined in Section 2.1, the net proceeds will be re-allocated to

replacement Projects that comply with the Eligibility Criteria as defined in Section 2.1, as soon as reasonably practicable.

2.4. Reporting

UBI will provide information on the allocation of the net proceeds and associated impact metrics of its SFTs/Green Deposits in UBI's Integrated Annual Reports and/or website. Such information will be provided on an annual basis throughout the life of outstanding SFTs/Green Deposits. UBI may consolidate information of all SFT(s)/Green Deposits into one single report.

Post issuance, as recommended by the ICMA Principles and required by the SEBI guidelines and RBI, UBI will engage an external auditor, or other third party, to verify the internal tracking and the allocation/environmental and/or social impact of Eligible Green/Social Projects funded by SFTs/Green Deposits. A review report shall be placed by the sub-committee of Sustainable Financing Group (comprising of credit verticals) of UBI before its Board of Directors within three months of the end of the financial year.

The published reports will contain at least the following details:

2.4.1. Allocation Reporting

UBI will provide the following information for the net proceeds of all the SFTs during the period:

- Confirmation that Eligible Assets included in the Portfolio comply with the Framework
- Total amount of Eligible Assets
- List of Green, Social and Sustainability Bond issued with their outstanding amount
- Breakdown of Eligible Assets by Eligible Category
- Aggregate amount of proceeds that has been allocated to Eligible Projects
- Amount of unallocated proceeds and type of temporary investment at the reporting end-period
- Share of proceeds use for financing vs. refinancing purposes, and
- Illustrative examples describing Eligible Projects to which SFT net proceeds have been allocated (subject to confidentiality disclosures)
- Where feasible, case studies of projects financed⁴⁰.

⁴⁰ Subject to confidentiality constraints

For Green Deposits:

- 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
- The amounts allocated to the eligible green activities/projects
- A copy of the Third-Party Verification/Assurance Report and the Impact Assessment Report.

2.4.2. Impact Reporting

UBI will report on the environmental and social impacts associated with the Eligible Projects funded with the net proceeds of the SFT(s)/Green Deposits. For Green Deposits, the impact assessment would be voluntary for 2023-24 and mandatory from 2024-25 onwards.

On a best effort basis and subject to data availability, the impact reporting may include, but is not limited to, the impact metrics as outlined in the table below. The bank might take assumptions on units in use as well as the relevant benchmark emissions and will clearly state these in the reporting:

Eligible Categories	Impact Indicators ⁴¹
Green Eligible Assets	
Renewable Energy	<ul style="list-style-type: none"> • Total renewable Capacity (in MW) • Energy generated per year (MWh) • GHG emissions avoided per year, reported in tonnes CO₂-equivalent (tCO₂e)
Clean Transportation	<ul style="list-style-type: none"> • GHG emissions avoided per year (tCO₂e) • New clean transportation infrastructure built (km) • Number of electric or low emission land and water transport vehicles produced
Energy Efficiency	<ul style="list-style-type: none"> • Energy savings per year (MWh) • GHG emissions avoided per year (tCO₂e)
Sustainable Water Management	<ul style="list-style-type: none"> • Amount of water/wastewater purified or reused (litres) and % reduction • Wastewater treated per year (litres)
Green Buildings	<ul style="list-style-type: none"> • Building assets by type and green building certification level • Energy savings per year (MWh) • Annual GHG emissions reduced/avoided (tCO₂eq)

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⁴¹ Appropriate environmental and social impact indicators will be determined in reference to frameworks and resources published by ICMA, such as the Harmonized Framework for Impact Reporting June 2023: <https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/> as well as the SEBI 2023 guidelines: https://www.sebi.gov.in/legal/circulars/feb-2023/revised-disclosure-requirements-for-issuance-and-listing-of-green-debt-securities_67837.html

Sustainable Management of Living Natural Resources and Land/Ocean Use	<ul style="list-style-type: none"> • Area covered by sustainable agricultural land management practices (hectares) • Annual average quantity of pollutants/plastics removed/diverted from the ocean (tonnes) • Area of protected or restored land/ocean habitat (ha)
Circular Economy and Waste Management	<ul style="list-style-type: none"> • Number of products with circular design • Waste diverted from landfill per year (tonnes) • Waste that is prevented, minimised, reused or recycled (tonnes)
Pollution Prevention and Control	<ul style="list-style-type: none"> • GHG emissions or pollutants reduced/avoided per year(tCO₂eq)
Climate Change Adaptation and Resilience	<ul style="list-style-type: none"> • Number and type of adaptation and resilience measure installed
Social Eligible Assets	
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> • Number of start-ups / SMEs supported or funded • Number of beneficiaries, by gender • Number of locations reached (number of villages, blocks or towns) • Jobs created, supported, and/or retained
Access to Essential Services	<ul style="list-style-type: none"> • Number of beneficiaries / potential beneficiaries • Number of locations reached (number of villages, blocks or towns) • Number of people provided with skill development / vocational training
Employment Generation	<ul style="list-style-type: none"> • Number of jobs created, by gender • Number of SMEs and start-up supported or funded
Affordable Housing and Social Infrastructure	<ul style="list-style-type: none"> • Number of housing units built or refurbished • Amount of housing/social infrastructure loans disbursed to qualifying borrowers

Transparency is of particular importance in communicating the expected and/or achieved impact of projects. UBI will use qualitative performance indicators and, where feasible, quantitative performance measures and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination.

3. External Review

3.1. Pre-Issuance

UBI shall engage an independent entity to provide a Second Party Opinion (“SPO”) on its Sustainable Financing Framework. The SPO, together with the Framework will be available on the company website.

3.2. Post-Issuance

An independent third party will be engaged to review and verify the internal tracking and allocation of funds from the SFTs/Green Deposits to Eligible Projects, as well as the estimated/actual impact of Eligible Projects that are disclosed in the SFT/Green Deposits Annual Reporting.

Appendix

Appendix 1: Green deposits

Environmental, Social, Governance (ESG) objectives are gaining to focus, with more socially responsible investment options emerging in India through equities and deposits.

Green bonds /Blue Bonds/Yellow Bonds/Infrastructure Bonds are the most common fixed income ESG product in India, and now new ones like green deposits are gaining significance.

A green deposit is a fixed term deposit for investors who are looking to invest their surplus cash reserves in environmentally beneficial projects and initiatives.

As per RBI guidelines, green deposit is an interest-bearing deposit, received by banks which are earmarked for being allocated towards green finance.

For green deposit, the deposit proceeds are typically used to finance or refinance assets that come under areas which include energy efficiency, renewable energy, clean transportation, waste management etc. Here, the proceeds will be allocated in line with the RBI guidelines of Financing Framework.

Depending on the product offered, individual investors, corporations, clubs, trusts associations, among others, can invest in green deposits.

While they help investors achieve their sustainability agenda, green deposits typically provide stable principal and predictable returns, and are placed using a process similar to regular term deposit.

Most traditional ESG investment alternatives expose investors to the volatility and potential loss of principal associated with the securities markets, but green deposits have the same characteristics of a regular bank deposit.

Appendix 2: RBI requirements for green deposits⁴²: 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 RE started offering green deposits. For example, if a 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, REs may provide sub-categories based on the funds allocated to each sub-sector. For example, REs may provide sub-categories like solar energy, wind energy, etc. under “Renewable Energy”.</p>			

Appendix 3-- Environmental and Social Management System (ESMS)

Introduction

Background

- The Bank is committed to integrating environmental and social considerations into its lending operations through the Environmental and Social Management System (ESMS).

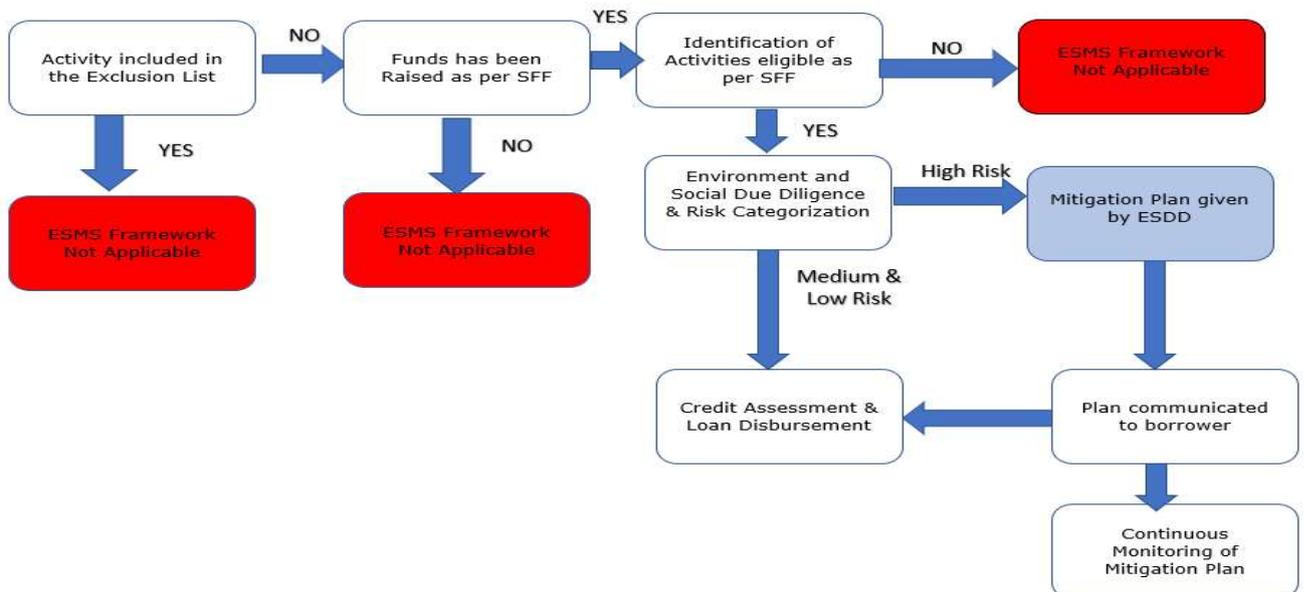
Objectives

- To strengthen E&S risk management, align financing activities with sustainability, and enhance long-term shareholder returns.
- Incorporate E&S risk considerations into financing activities and set strategic E&S objectives.
- Review and monitor transactions, ensuring compliance with national regulations and promoting sustainable infrastructure.

Scope

- The ESMS policy will be applicable to Sustainable Finance project loans above Rs 250 Cr for which funds have been raised based on Sustainable Finance Framework as per ICMA, GLP, SLP, LMA, APLMA and LSTA principles. The applicability of ESMS can be modified by ESG steering committee.

ESMS Framework Flow chart



Identification of Sustainable Finance & Exclusionary Criteria

- Identification of Sustainable Finance & Exclusionary Criteria is mentioned in Sustainable Finance Framework.

Environment and Social Due Diligence (ESDD)

- For all Sustainable Finance project loans above Rs 250 Cr for which funds have been raised according to Sustainable Finance Framework, Bank will appoint external agency on its behalf to conduct E&S due diligence on all the environmental and social matters.
- E&S due diligence conducted externally should include detail as mentioned in Annexure-I at the minimum. The broader scope of E&S due diligence should include the following:
 - To check that all the Environmental and Social approvals and permits are obtained by the borrower. In cases where some of the approvals are pending, it should be ensured that all the necessary approvals are obtained before proceeding with financing.
 - Identification of history of any environmental and social incidents.
 - Compliance of National E&S laws and E&S performance standards
 - Identify and categorise the borrower into Low risk, Medium Risk and High Risk based on the ESDD compliance.
 - Identify the residual Risk due to non-compliance.
 - Understand how the same are being managed by the borrower and the residual risks which are not capable of cure.
 - Provide appropriate action to mitigate the residual risk.

Risk Categorization

- External agencies in their due diligence report will categorised the borrower as Low risk, Medium Risk and High Risk based on the activity, environmental impact and Social impact. For borrowers classified as High Risk, detailed mitigation plan shall be provided by external agency in consultation and mutual agreement with the borrower.

Credit Assessment and Monitoring

- For borrowers categorised as High Risk, Bank will communicate the mitigation plan to the borrower and discuss the steps that needs to be taken to improve the E&S category. For borrowers categorised as Low risk and Medium Risk normal credit assessment and loan disbursement will continue.
- Bank will communicate to the borrower to improve their Environment and Social Performance and act as per the mitigation plan. The commitment given by the borrower will be held on record. Continues monitoring of the performance of the borrower on Environment and Social Risk will be undertaken.

Conclusion

- ESMS framework for lending activities will enable Bank to remain committed for the cause of sustainable development as desired by the government, regulators and other stakeholders. The framework ensures funding to the borrowers whose business activity are sustainable.
-

Screening and Appraisal Format

Environmental and Social Aspects Screening Checklist	
Borrower Name:	Location:
Loan Amount and Purpose:	
Industry Sector:	Brief Borrower Description:
Completed by:	Reviewed by:
Date:	Date:
Category <ul style="list-style-type: none"> <input type="checkbox"/> Low Risk <input type="checkbox"/> Medium Risk <input type="checkbox"/> High/Substantial Risk (<i>do not proceed</i>) <p style="margin-top: 10px;">Rationale (please summarise the reasons for the category selected):</p>	
Compliance with the Applicable Requirements – Check all that apply:	
Exclusion List Activities Yes <input type="checkbox"/> No <input type="checkbox"/> (<i>if there are exclusion list activities identified do not proceed</i>) National regulatory requirements Yes <input type="checkbox"/> No <input type="checkbox"/> <input type="checkbox"/> Environmental, health and safety permits granted: (_____) <input type="checkbox"/> Injuries and fatalities have occurred: (how and when: _____) <input type="checkbox"/> Labour-related fines: (when and why: _____) <input type="checkbox"/> Environmental incidents and fines: (when and why: _____)	

Site(s)—Check all that apply:

- Non-urban/undeveloped land
- Proximity to river/stream/pond/lake
- Proximity to protected area (e.g. forest/endangered species)/ecologically sensitive area (e.g., river/protected areas)
- Proximity to culturally sensitive/indigenous area

Environmental Issues - Check all that apply:

<p><i>Air emissions</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Boilers <input type="checkbox"/> Generators <input type="checkbox"/> Vehicles and equipment <input type="checkbox"/> Furnaces and incinerators <input type="checkbox"/> Welding and soldering <input type="checkbox"/> On-site burning <input type="checkbox"/> Use of solvents <input type="checkbox"/> Use of fumigation <input type="checkbox"/> Use of exhaust ventilation 	<p><i>Waste water</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Waste water discharged to: _____ <input type="checkbox"/> Oil separators <input type="checkbox"/> Cleaning operations <input type="checkbox"/> Cleaning operations <input type="checkbox"/> Spraying operations <input type="checkbox"/> Separation tanks or filters <input type="checkbox"/> Foul sewers and septic tanks <input type="checkbox"/> De-watering/water pump out <input type="checkbox"/> Water treatment units
<p><i>Solid waste</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Waste generated <input type="checkbox"/> Types of waste: _____ _____ <input type="checkbox"/> Hazardous waste (e.g., waste oils, pesticide washings, solvents, clinical waste, asbestos) Waste disposed to _____ 	<p><i>Hazardous chemicals, fuels, and pesticides</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> On-site chemicals or fuels storage <input type="checkbox"/> Protective measures against leaks/spills <input type="checkbox"/> Signs of leaks/spills <input type="checkbox"/> Protective measures against rain <input type="checkbox"/> Signs of corrosion on tanks/containers <input type="checkbox"/> Secured storage areas against theft <input type="checkbox"/> On-site spill clean- up equipment <input type="checkbox"/> Training on proper handling of chemicals and fuels <input type="checkbox"/> Pesticide use and management

<p>Resource use</p> <p><input type="checkbox"/> Main Materials used: _____ _____</p> <p><input type="checkbox"/> Use of renewable natural resources</p> <p><input type="checkbox"/> Use of tools and equipment</p> <p><input type="checkbox"/> Water source: _____</p> <p><input type="checkbox"/> Energy source: _____</p>	<p>Nuisance</p> <p><input type="checkbox"/> Dust</p> <p><input type="checkbox"/> Noise</p> <p><input type="checkbox"/> Odours</p> <p><input type="checkbox"/> Fumes</p> <p><input type="checkbox"/> Vibration</p> <p><input type="checkbox"/> Traffic congestion</p>
<p>Based on the above are there any issues (e.g. poor practices, hazardous conditions, non-compliance with local requirements etc.)? If so, please describe:</p>	

Community Interactions – Check all that apply:

No designated person in charge of responding to questions from the community

No procedures for managing community complaints

Use of security personnel

Based on the above are there any issues (e.g. community complaints, problems with the community and security personnel, etc.)? If so, please describe:

Social issues - Check all that apply:

Land acquisition required (do not proceed)

Displacement/resettlement of local settlements (do not proceed)

Impact on local settlements/livelihood (do not proceed)

Impact on indigenous peoples (do not proceed)

Complaints from neighbours/communities

On or adjacent to site of cultural/archaeological importance (do not proceed)

Based on the above please describe briefly any issues:

Labour issues –Check all that apply:

- No Personal Protective Equipment provided (e.g., safety goggles/hard hat/protective glove)
- Inadequate employee health and safety measures (e.g. fall prevention/ventilation)
- Inadequate working conditions (e.g., air quality/lighting/confined spaces/on-site hygiene)
- Inadequate terms of employment (e.g., working hours/rest breaks/time off/overtime pay)
- Unequal employment opportunities (e.g., discrimination against gender/ethnic group/age)
- Payment below minimum wage
- Employees below minimum age
- Child or forced labour (do not proceed)
- No process for employees to voice complaints
- No recognition of employee organizations/labour unions

Comments (any issues identified):

Additional comments

Please provide further details (e.g. number of persons affected due to E&S gaps identified, types of emissions, hazardous substances found, etc.) for better clarity of the E&S condition at the investee company and attach any supporting documents where applicable.

Comments: