



IDFC FIRST Bank Limited

Green Deposits Financing Framework

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1. Introduction

1. This Framework is designed to guide the lending to and/or investing in the activities/projects that contribute to climate risk mitigation, climate adaptation and resilience, and other climate-related or environmental objectives - including biodiversity management and nature-based solutions.
2. The aim of this document is to provide information on IDFC FIRST Bank's Green Deposit Financing Framework ("the Framework") and set out underlying eligible environmental themes and activities in line with the RBI guidelines "Framework for acceptance of Green Deposits" dated April 11, 2023 as amended from time.
3. The Green Deposit Financing shall be reliant on the funds sourced through Green Deposits, which shall be further accepted by the Bank as per the guidelines mentioned in the Green Deposit Policy.
4. Financing to these prescribed activities/projects shall be by means of proceeds raised in line with the Bank's Green Deposit Policy. This Framework s line with RBI's Green Deposit Framework vide Circular No. DOR.SFG.REC.10/30.01.021/2023-24, dated 11th April, 2023 and shall be guided by the ESG-related policies and Credit Policy of the Bank, wherever applicable, for the aspects which are not covered under this framework. In the event that clarification on interpretation is required, consultation must first be sought from the ESG Department of the Bank.
5. This policy should be read in conjunction with extant regulatory guidelines issued from time to time and are separately communicated to all the relevant stakeholders and such changes will be updated in the policy during the subsequent renewal/amendment.
6. The Framework would be approved by the Board of Directors and shall be reviewed by Risk Management Committee of the Board at least annually.

2. Key Definitions

1. "Green activities/projects" means the activities/projects meeting the requirements prescribed in paragraph 7 of the RBI guidelines "Framework for acceptance of Green Deposits" dated April 11, 2023.
2. "Green deposit" means an interest-bearing deposit, received by the RE for a fixed period and the proceeds of which are earmarked for being allocated towards green finance;
3. "Green finance" means lending to and/or investing in the activities/projects meeting the requirements prescribed in paragraph 7 of these guidelines that contributes to climate risk mitigation, climate adaptation and resilience, and other climate-related or environmental objectives - including biodiversity management and nature-based solutions;
4. "Greenwashing" means the practice of marketing products/services as green, when in fact they do not meet requirements to be defined as green activities/projects.
5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under The Banking Regulation Act, 1949 or The Reserve Bank of India Act, 1934, The National Housing Bank Act, 1987 or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

3. Deployment of Green Proceeds for Eligible Activities/Projects

1. An amount corresponding to the net proceeds from the Green Deposit Instrument shall be used to finance Bank's Green Asset Portfolio. The portfolio shall be composed of both loans to and investments in corporations, assets, or projects that support the transition to a clean, energy-efficient, and environmentally sustainable global economy and are in line with the requirements of this Framework.
2. The proceeds received from Green Deposits shall be completely used for financing Green Activities/Projects as per the Framework. The temporary allocation of these proceeds which are pending their allocation to the eligible activities/projects, i.e., unallocated proceeds shall be kept invested in liquid instruments up to a maximum original tenure of one year (such as T-Bills).
3. Bank shall have discretion to finance in excess of the funds sourced through Green Deposits, duly following the extant guidelines.

3.1 Eligibility criteria and list of eligible Green Activities/Projects and exclusions:

1. The deployment of the proceeds from Green Deposits shall be based on the Indian Green Taxonomy once the same is finalized. In the intervening time, the Bank will allocate the proceeds raised through green deposits towards the following 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	• Solar/wind/biomass/hydropower energy projects that integrate energy generation and storage. • Incentivizing adoption of renewable energy.
Energy Efficiency	• Design and construction of energy-efficient and energy-saving systems and installations in buildings and properties. • Supporting lighting improvements (e.g. replacement with LEDs). • Supporting construction of new low-carbon buildings as well as energy-efficiency retrofits to existing buildings. • Projects to reduce electricity grid losses.
Clean Transportation	• Projects promoting electrification of transportation. • Adoption of clean fuels like electric vehicles including building charging infrastructure.
Climate Change Adaptation	• Projects aimed at making infrastructure more resilient to impacts of climate change.
Sustainable Water and Waste Management	• Promoting water efficient irrigation systems. • Installation/upgradation of wastewater infrastructure including transport, treatment and disposal systems. • Water resources conservation. • Flood defence systems.
Pollution Prevention and Control	• Projects targeting reduction of air emissions, greenhouse gas control, soil remediation, waste management, waste prevention, waste recycling, waste reduction and energy/emission-efficient waste-to-energy.

Green Buildings	• Projects related to buildings that meet regional, national or internationally recognized standards or certifications for environmental performance.
Sustainable Management of Living Natural Resources and Land Use	• Environmentally sustainable management of agriculture, animal husbandry, fishery and aquaculture. • Sustainable forestry management including afforestation/reforestation. • Support to certified organic farming. • Research on living resources and biodiversity protection.
Terrestrial and Aquatic Biodiversity Conservation	• Projects relating to coastal and marine environments. • Projects related to biodiversity preservation, including conservation of endangered species, habitats and ecosystems.

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

3.2 Selection of Green Projects

1. The selection of Green Activities/Projects shall be based on the feasibility of the project being economically viable, technically feasible & eco-friendly, out of the Green Activities/Projects listed above and as per ongoing practices adhering to Credit Policy and other lending policies of the Bank.
2. The section may also be guided by updates from Regulators, Government Authorities and market standards.

3.3 Evaluation of Green Projects

1. Any eligible financing (including lending done under lending programs or project/capex loans etc.) identified under the RBI Framework (i.e. climate-related or environmental objectives detailed above) shall adhere to the Credit Appraisal Standards (including aspects like monitoring and validating the sustainability information provided by the borrower) outlined in the Board approved Credit Policy.
2. As stipulated in the Board approved Credit Policy, project finance loans may also be structured with covenants like DSCR, equity contribution, debt restrictions, security structures on project assets, DSRA, Trust and Retention account, etc. as well as adherence to financial norms viz. Debt Equity Ratio and Debt Service Coverage Ratio for financing of Projects.
3. The Bank also has an Environmental and Social (E&S) policy, which is approved by the Board as part of Credit Risk policy. As per the policy all project loans are allocated an environmental category based on the magnitude of its potential environmental and social risks and impacts.

3.4 Management of proceeds

1. A dedicated account shall be maintained by Treasury to ensure proceeds from Green Deposits issued under this Framework are ring-fenced for allocation to eligible activities/projects.
2. The eligible loans / loan products shall bear a flag / identifiers as Green/Sustainable Finance to enable generation of MIS as required. Such flags shall enable extraction of key details of the portfolio so that the aggregate of issuance proceeds, and their allocation can be monitored.

3.4.1 Monitoring

1. If, for any reason, allocated proceeds no longer align with the 'Eligible Activities/Projects' enlisted in section 3 above, it shall be withdrawn from the portfolio as part of the periodic review process and corresponding amount shall be allocated to 'Eligible Activities/Projects', on a best effort basis within 12 months from the date of such re-evaluation. The proceeds shall be parked in appropriate liquid instruments by the Bank's Treasury team until the time they are reallocated for new eligible projects/activities.
2. Unallocated proceeds, if any, would be invested by the Treasury team in liquid money market instruments, government securities, as deemed fit by the Bank with strict exclusion to sectors or activities identified in the exclusion criteria mentioned in this Framework. Unallocated proceeds would be temporarily parked in liquid instruments like Treasury Bills (T-Bills), Commercial Paper (CP), Certificates Of Deposit (CD) and Collateralized Lending & Borrowing Obligations (CBLO) having a maximum original tenure of one year.

4. Audit and Third-Party Verification/Assurance

1. The Bank shall engage an independent third party to conduct annual post-issuance assurance on the allocation of funds raised through instruments issued under this Framework. The third-party verification/assurance Report shall at the minimum cover aspects related to use of proceeds, internal controls such as project evaluation and selection criteria, management of proceeds, and validation of the sustainability information provided by the borrower.
2. The Bank shall place the report of the third-party verification/assurance on their website, as required by the RBI.

5. Reporting

5.1 Annual disclosures

1. Within three months of the end of each financial year, the Bank shall place before its Board of Directors a report covering information on total amount of funds raised through instruments issued under this Framework, list of the projects (with description) along with amount allocated and a copy of third-party verification/assurance and impact assessment report.
2. The Bank will also publish up to date information on the portfolio level regarding the use of the proceeds from instruments raised under this framework in its Annual Financial Statements in the format indicated in Appendix 6.1 below The Bank shall report allocation of net proceeds annually until full allocation or maturity, and in case of any material developments.

5.2 Impact reporting

- The Bank shall also assess the impact associated with the funds allocated to eligible activities/projects through an Impact assessment report on an annual basis until full allocation or maturity, and in case of any material developments. The impact of the use of proceeds shall be reported basis the most relevant and applicable metrics (some illustrative impact indicators are given in Appendix 6.2 below). The Bank shall place this report Impact Assessment Report (IAR) on its website.

6. Appendix

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

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			

6.2 Indicators for impact assessment of green projects

- The below is an illustrative and indicative list of indicators for Impact Reporting identified by the RBI. The Bank may choose to add/use metrics as relevant and measurable to communicate the impact.

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)