

Green Deposit Policy

SMBC India

2023

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1. Introduction

i. The Bank's approach to Sustainability

Climate Change has been recognized as one of the most important challenges faced by the global economy and society in the 21st century. SMBC Group sets three pillars based on the SMBC Group Statement on Sustainability and the Group Environmental Policy: "Promotion of Environmental Businesses" "Management of Environmental Risks" and "Reduction of Environmental Impacts". Concerning climate change issues, SMBC Group is committed to realize Net Zero emissions in our own operations by 2030 and in our overall loan and investment portfolio by 2050.

ii. Rationale

In line with the same and RBI issued guidelines RBI/2023-23/14 DOR.SFG.REC.10/30.01.021/2023-24 dated April 11, 2023 on *Acceptance of Green Deposit Framework*, SMBC India (hereafter referred to as the 'Bank') aims to play a pivotal role in mobilization of resources and their allocation to green activities/projects. The Bank is offering Green Deposits to customers, in order to aid customers to achieve their sustainability agenda, address greenwashing concerns and help augment the flow of green activities/projects.

iii. Definitions

In this framework, unless the context states otherwise, the terms herein shall refer the meaning assigned to them as below:

- a) "**Green Activities/Projects**" means activities and projects meeting requirements prescribed in the RBI regulations under "Use of Proceeds" below, of the Green Deposit guidelines.
- b) "**Green Deposit**" means an interest-bearing deposit received by the Bank for a fixed period, the proceeds of which are earmarked for allocation to Green Finance.
- c) "**Green Finance**" means leading to and or/investing in the activities/projects meeting the requirements prescribed under "Use of Proceeds" below that contribute to climate risk mitigation, adaptation & resilience, and other climate or environmental related objectives- including biodiversity management and nature-based solutions.
- d) "**Greenwashing**" means the practice of marketing products/services as green, when in fact they do not meet the requirements prescribed under green activities/projects.

2. Policy Objective

- i. **Senior Management Oversight & Involvement:** The senior management will provide an effective oversight on identification & evaluation of Green Deposit & related Green Finance opportunities via appropriate committees. Additionally, the Senior Management will actively promote integration of risks related to allocation of Green Deposit & Green Financing into the Bank's risk appetite, strategies & business plans.
- ii. **Green Deposits & Green Financing Risk:** Provide a policy that accounts for identification of material risks & assessment on a customer & portfolio level related to Green Deposits & Green Financing.
- iii. **Green Deposits & Green Financing Framework:** The bank will develop a framework to monitor & manage risks, allocation, third-party verification, impact assessment, disclosures & reporting around Green Deposits & Green Finance.

- iv. **Business Promotion:** Engage with clients to understand their Green Deposits strategy & explore raising of Green Deposits in a fair & responsible manner beneficial for the stakeholders.

3. Policy Scope

- i. **Policy Alignment:** This policy relates to all departments for activities performed by & booked in SMBC India. It complements & does not supersede all the current SMBC policies & regulatory policies which are applicable to SMBC India. This policy will be aligned to existing environment related policies / procedures such as [SMBC India Deposit Policy](#)

4. Policy Governance

- i. **Policy Review Frequency:** Annual
- ii. **Policy Ownership & Review:** Issuances & revisions to the policy and Framework are subject to review from the Management Committee (MC). Further, functional reviews shall be from relevant local/regional stakeholders. The Country Head & Chief Executive Officer (CEO) will be responsible for the approval of this framework.

5. Green Deposit Framework

- i. **Intent of the Framework:** The purpose of Bank's Green Deposit Framework is to establish and develop a Green Deposit product ("Green Deposit") for the Bank while setting out underlying eligible qualifying environmental themes and activities. The development of Green Deposit product is guided by this framework, and it will be ensured that all transactions categorized as Green Deposit will adhere to the Framework.
- ii. **Denomination, Interest Rates & Tenor:** The Green Deposits will be accepted as both 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. Please refer to our [Deposit Policy](#) for further details on Interest Rate on Deposits, as updated from time to time.
- iii. **Board Approval:** This policy has been approved by the Bank's Board.

6. Financing Framework

The Bank will come up with a separate Financing Framework, which will be published on the website, in line with RBI Regulations. This framework will be externally reviewed before implementation. For an effective allocation of Green Deposits, the following needs to be considered:

- i. Bank has identified the green activities/projects that could be financed out of the proceeds raised through Green Deposits, as permitted under Use of Proceeds (UoP) of the [RBI Green Deposit Framework](#).
- ii. Bank will lay down a process for project evaluation & selection of the identified projects that fit for lending/investing within the eligible categories, monitoring and validating the sustainability information provided by the borrower.
- iii. Bank will put up a framework for allocation of proceeds of Green Deposits & its reporting, appoint a Third-Party Verification/Assurance of the allocation of proceeds & the Impact Assessment as required by the extant regulation.
- iv. Unallocated Green Deposit beyond one year will cease to be categorized as a Green Deposit.
- v. Any unallocated Green Deposit amount would temporarily be deployed in liquid instruments up to a maximum original tenure of one year, pending their allocation to eligible activities/projects.
- vi. Allocation for Green Deposits will be based only on Green Fund-based Lending.

7. Use of Proceeds (UoP)

The allocation of proceeds for the Bank’s branches will be based on the official Indian green taxonomy. Since the official India Green Taxonomy is still pending issuance, as an interim measure the Bank will deploy the proceeds of Green Deposits towards the following Green Activities/Projects that encourage energy efficiency in resource utilization, reduce carbon emissions and greenhouse gases, promote climate resilience and/or adaptation 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 & 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 LED) • 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 & 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 defense systems
Pollution Prevention & Controls	<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. Standards like Leadership in Energy and Environmental Design (LEED) Gold or above, Building Research Establishment Environmental Assessment Methodology (BREEAM) Excellent or above, or Comprehensive Assessment System for Built Environment Efficiency (CASBEE) A or above
Sustainable Management of Living Natural Resources & Land Use	<ul style="list-style-type: none"> • Environmentally sustainable management of agriculture, animal husbandry, fishery, and aquaculture • Sustainable forestry management including afforestation/reforestation

Sector	Description
	<ul style="list-style-type: none"> • Support to certified organic farming • 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 <ul style="list-style-type: none"> • 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. 	

The funds raised through Green Deposits will be allocated to the eligible Green Activities/Projects only.

8. Third-Party Verification/Assurance and Impact Assessment

- i. The allocation of funds raised through Green Deposits by the Bank during the financial year will be subject to an independent Third-Party verification/Assurance which shall be done on an annual basis. The Bank will continue to verify the end-use of funds as per the laid down procedures of internal checks and balances as applicable to other loans. The related terms and conditions to be additionally fulfilled by the borrowers to meet the requirements mentioned above under Financing Framework & Use of Proceeds will act as additional check points while verifying end-use of funds.
- ii. The Third-Party Verification/Assurance Report shall, cover the following aspects:
 - Use of the proceeds to be in accordance with the eligible Green Activities/Projects indicated in the “Use of Proceeds” section above. The Bank shall monitor the end-use of funds allocated against the Green Deposits raised.
 - Policies & 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.
- iii. The Bank, with the assistance of external firms / vendors, will annually assess the impact associated with the funds lent for or invested in Green Finance Activities/Projects through an Impact Assessment Report. The Third-Party Verification/Assurance and Impact Assessment Report will be made available on the Bank’s website also.
- iv. SMBC will appoint a third-party vendor / external party to provide Third-Party Verification/Assurance Report & support in providing Impact Assessment Reports as per Annex 1.

9. Reporting & Disclosures

- i. A Review Report will be placed before the Bank’s Board of Directors within three months of the end of financial year covering the following details:
 - Amount raised under Green Deposits in the preceding financial year.
 - List of Green Activities/Projects to which proceeds have been allocated, along with a brief description of projects.
 - Amounts allocated to the eligible Green Projects/Activities.

- Copy of the Third-Party Verification/Assurance Report and the Impact Assessment Report.
- ii. The Bank will make appropriate disclosures in its Annual Financial Statement on the portfolio level information regarding the use of Green Deposit funds as per Annex 2.

10. References

[RBI Green Deposits Regulations](#)

- [Comprehensive Deposit Policy](#) (SMBC India)
- Green Financing Framework (SMBC India)

11. Annex 1 - Illustrative List of Impact Indicators

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

*The above table provides an indicative list of the parameters and their units of measurement against each Project Category. This is not an exhaustive list of the measurement parameters.

**The thresholds for green financing are not specified.

12. Annex 2 - 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			

* The cumulative amount since the Bank started offering Green Deposits. Example, if a bank has commenced raising Green Deposits from June 1,2023, then the financial statement for the period ending March 31, 2025 would contain particulars of Deposits raised and allocated from June 1, 2023 till March 31, 2025

** Under each category the Bank can segregate the funds allocated under each sub-sector. Example, solar energy, wind energy, etc under 'Renewable Energy'