

# **INDIAN OVERSEAS BANK**



## **FINANCING FRAMEWORK ON 'GREEN FINANCE'**

**First Annual Review 2025**

**Credit Support Services Department**

**Central Office, Chennai**

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## **FINANCING FRAMEWORK ON 'GREEN FINANCE'**

### **1. Purpose:**

'**Green Deposits**' means an interest-bearing deposit, received by the Bank for a fixed period and the proceeds of which are earmarked for being allocated towards '**Green Finance**'.

For offering 'Green Deposits' to customers, Bank shall actively promote Green Deposit accounts through various marketing and promotional campaigns.

'**Green Finance**' refers to the financial system that supports and **enables investments in environmentally sustainable projects** and activities.

It includes a range of financial products, such as **green bonds, green loans, green insurance and green funds**, that are designed to be designed to promote environmentally friendly practices and projects.

The green finance ecosystem aims to create a financial system that supports the transition to a **low-carbon, resource-efficient, and sustainable economy**, while also addressing the risks and opportunities associated with environmental issues such as **climate change**, pollution, and biodiversity loss. Green finance is an enabler to accelerate decarbonisation.

In compliance to RBI guidelines vide its Circular DOR.SFG.REC.10/30.01.021/2023-24 April 11, 2023, this financial framework has been framed.

The framework shall enable the credit verticals to launch Green activities / projects loan products and operational guidelines.

IOB has issued a Board Approved ESG Vision Document which comprises the roadmap to achieve net Zero in Scope 1 emissions by 2030 and strategies to achieve the targets of Scope 1 emissions and reduce Scope 2 emissions. Also, a dedicated separate cell has been established in the Bank to deal with the green financing / ESG Framework and frequent review to be conducted in respect of implementation of green finance and ESG Framework.

In this regard, various credit schemes have been formulated to support the Green Finance framework. Also, issuance of Green deposits have been initiated.

With respect to ESG disclosure reporting in annual report of the Bank, IOB has started the Business Responsibility and Sustainability Reporting (BRSR reporting) and the first report was published in the Annual report of FY 2022-23 thereby complying the regulatory guidelines.

## **2. Definitions:**

In these guidelines, unless the context states otherwise, the terms herein shall bear the meaning assigned to them below:

- a) "Green activities/projects" means the activities/projects meeting the requirements prescribed in paragraph **5** of these guidelines.
- b) "Green deposit" means an interest-bearing deposit, received by the Bank for a fixed period and the proceeds of which are earmarked for being allocated towards **green finance**.
- c) "Green finance" means lending to and/or investing in the activities/projects meeting the requirements prescribed in paragraph **5** 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.
- d) "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.

## **3. Financing Framework**

Bank shall put in place a Board-approved Financing Framework (FF) for effective allocation of green deposits covering, inter-alia, the following:

- i) The eligible green activities/projects that could be financed out of proceeds raised through the green deposits (as permitted below in paragraph **5** under "**Use of Proceeds**").
- ii) The process for project evaluation and selection by the Bank (i.e., climate-related or environmental objectives) including identifying the projects fit for lending/investing within the eligible categories, monitoring and validating the sustainability information provided by the borrower.
- iii) The allocation of proceeds of green deposits and its reporting, third-party verification / assurance of the allocation of proceeds and the impact assessment (as per the details given below in the paragraphs **6 and 7** under '**Third party Verification/Assurance and Impact Assessment**'); and
- iv) The particulars of the temporary allocation (which would only be in liquid instruments up to a maximum original tenure of one year, which shall be specified under the Financing Framework) of green deposit proceeds, pending their allocation to the eligible activities/projects.

- 4.** A copy of the 'Financing Framework' specifying the above aspects shall be made available on the website of the Bank. The Bank shall also arrange to carry out an external review of their FF and the opinion from the external reviewer shall be made available on its website before implementation of the FF.

**A. Use of proceeds**

5. The allocation of proceeds raised from green deposits shall be based on the official Indian green taxonomy. Pending finalization of the taxonomy, as an interim measure, Bank shall allocate the proceeds raised through green deposits towards the following list of green activities / projects which encourage energy efficiency in resource utilization, reduce carbon emissions and greenhouse gases, promote climate resilience and/or adaptation and value and improve natural ecosystems and biodiversity.

<b>Sector</b>	<b>Description</b>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Solar/wind/biomass/hydropower energy projects that integrate energy generation and storage.</li> <li>• Incentivizing adoption of renewable energy.</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Design and construction of energy-efficient and energy-saving systems and installations in buildings and properties.</li> <li>• Supporting lighting improvements (e.g. replacement with LEDs).</li> <li>• Supporting construction of new low-carbon buildings as well as energy-efficiency retrofits to existing buildings.</li> <li>• Projects to reduce electricity grid losses.</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>• Projects promoting electrification of transportation.</li> <li>• Adoption of clean fuels like electric vehicles including building charging infrastructure.</li> </ul>
<b>Climate Change Adaptation</b>	<ul style="list-style-type: none"> <li>• Projects aimed at making infrastructure more resilient to impacts of climate change.</li> </ul>
<b>Sustainable Water and Waste Management</b>	<ul style="list-style-type: none"> <li>• Promoting water efficient irrigation systems.</li> <li>• Installation/upgradation of waste water infrastructure including transport, treatment and disposal systems.</li> <li>• Water resources conservation</li> <li>• Flood defence systems.</li> </ul>
<b>Pollution Prevention and Control</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• Projects related to buildings that meet regional, national or internationally recognized standards or certifications for environmental performance.</li> </ul>

<b>Sustainable Management of Living Natural Resources and Land Use</b>	<ul style="list-style-type: none"> <li>• Environmentally sustainable management of agriculture, animal husbandry, fishery and aquaculture.</li> <li>• Sustainable forestry management including afforestation/reforestation.</li> <li>• Support to certified organic farming.</li> <li>• Research on living resources and biodiversity protection</li> </ul>
<b>Terrestrial and Aquatic Biodiversity Conservation</b>	<ul style="list-style-type: none"> <li>• Projects relating to coastal and marine environments.</li> <li>• Projects related to biodiversity preservation, including conservation of endangered species, habitats and ecosystems.</li> </ul>
<p><b>Exclusions</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Nuclear power generation.</li> <li>• Direct waste incineration.</li> <li>• Alcohol, weapons, tobacco, gaming, or palm oil industries.</li> <li>• Renewable energy projects generating energy from biomass using feedstock* originating from protected areas.</li> <li>• Landfill projects.</li> <li>• Hydropower plants larger than 25 MW.</li> </ul>	

\*Feedstock will primarily include: Sewage, manure, waste water, bagasse, biomass, pellets etc.

The Bank shall ensure that the funds raised through green deposits are allocated to the eligible green activities/projects.

## **B. Project evaluation & Selection Criteria**

The process of evaluation and selection of green activities / projects shall be based on the project's economic viability, technical feasibility and eco friendly nature, out of the Green activities/Projects listed above in Para 5 for effective allocation of green deposits of the Bank and as per ongoing practices adhering to credit policy, Credit Risk Management policy and other lending policies/circulars of respective credit verticals.

The Bank will manage the proceeds from green deposits by depositing them into general funding account. An equivalent amount will be earmarked for allocation to eligible projects after evaluation and selection of projects as per scheme specific guidelines.

### **C. Management of Proceeds**

The Bank will endeavor for full utilization of the proceeds to eligible projects adhering to the regulatory guidelines for evaluation and selection process. The Bank will periodically review the business plans of the credit verticals ensuring the implementation of the Green Deposits and Lending framework.

Individual credit schemes may be assessed on a case-to case basis for whether the level of 'green; is sufficient and complying Green Finance guidelines and as defined in above Para 5.

The process of allocation, tracking and monitoring of the proceeds of green finance has been elaborated in the Standard Operating Procedure given in **Annexure III**.

### **D. Third Party Verification / Assurance and Impact Assessment**

6. The allocation of funds raised through green deposits by Bank during a financial year shall be subject to an independent Third-Party Verification/Assurance which shall be done on an annual basis. The third-party assessment would not absolve the Bank of its responsibility regarding the end-use of funds, for which the laid down procedures of internal checks and balances would have to be followed as in the case of other loans. The related terms and conditions to be additionally fulfilled by the borrowers to meet the requirements of the framework laid out in paragraphs **3 to 5** above would be the additional check points while ascertaining the end-use of funds.
7. The Third-Party Verification/Assurance Report shall, at the minimum, cover the following aspects:
  - i) Use of the proceeds to be in accordance with the eligible green activities/projects indicated in paragraph **5** above. The Bank shall monitor the end-use of funds allocated against the deposits raised.
  - ii) Policies and Internal Controls including, inter-alia, project evaluation and selection, management of proceeds, and validation of the sustainability information provided by the borrower to the Bank and Reporting and Disclosures.
8. Bank with the assistance of external firms, shall annually assess the impact associated with the funds lent for or invested in green finance activities/projects through an Impact Assessment Report. An illustrative list of impact indicators is given in [Annex 1](#). In case Bank are unable to quantify the impact of their lending/investment, they shall disclose, at the minimum, the reasons, the difficulties encountered, and the time-bound future plans to address the same. Considering the fact that impact assessment is an evolving area, it shall be undertaken on a voluntary basis for the financial year 2023-24. Bank shall have to mandatorily make an impact assessment from the financial year 2024-25 onwards. Bank shall place the report of the Third-Party Verification/Assurance and Impact Assessment Report on the website.

**E. Reporting and Disclosures**

9. A review report shall be placed by the Bank before its Board of Directors within three months of the end of the financial year which shall, inter-alia, cover the following details:
- a) amount raised under green deposits during the previous financial year
  - b) list of green activities/projects to which proceeds have been allocated, along with a brief description of the projects
  - c) the amounts allocated to the eligible green activities/projects
  - d) a copy of the Third-Party Verification/Assurance Report and the Impact Assessment Report.

Bank shall make appropriate disclosures in their Annual Financial Statements on the portfolio-level information regarding the **use of the green deposit funds** as per the proforma prescribed in [Annex 2](#).

**Validity of the Framework:** This financing framework on green finance shall be valid for a period of 3 years from the date of approval by Board subject to annual review.

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**Illustrative list of impact indicators**

<b>Eligible Project Category</b>	<b>Impact Indicators – Examples</b>
Renewable Energy	Total renewable capacity (in MWh)
	Energy generated per year (MWh)
	GHG emissions avoided per year (measured in tonnes CO <sub>2</sub> equivalent, tCO <sub>2</sub> e)
Waste Management	Waste diverted from landfill per year (tonnes)
	GHG emissions avoided per year (tCO <sub>2</sub> e)
Clean Transportation	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 <sub>2</sub> e)
Afforestation/ Reforestation	GHG emissions reduced/Carbon Sequestration achieved (measured in tCO <sub>2</sub> e)

Annex 2

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

(Amount in ₹ crore)

Particulars	Current Financial Year	Previous Financial Year	Cumulative*
<b>Total green deposits raised (A)</b>			
<b>Use of green deposit funds**</b>			
(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			
<b>Total Green Deposit funds allocated (B = Sum of 1 to 9)</b>			
<b>Amount of Green Deposit funds not allocated (C = A – B)</b>			
<b>Details of the temporary allocation of green deposit proceeds pending their allocation to the eligible green activities/projects</b>			

\* This shall contain the cumulative amount since the Bank 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.

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



# **Indian Overseas Bank**

## **Standard Operating Procedure (SOP) for Green Finance Implementation**

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**Version 1.0**

**-Internal-**

## Document Details

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7.	Document Author	Madhu L (Senior Manager)
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## Document Change Control

Version	Approval Date	Author	Recommender	Reviewer	Approver	Nature of Change
1.0	06.12.2024	Madhu L (Senior Manager)	Munmun Dutta (Chief Manager)	Anil Kumar Valecha (Deputy General Manager)	Koustuv Majumder (General Manager)	First version

## CSSD-SOP-GF-001

### Standard Operating and Procedures (SOPs) for Green Finance Implementation

#### 1. PURPOSE:

This SOP provide details to be followed for allocation, tracking and monitoring of Green Finance.

The related Guidelines/Procedures for use throughout the Bank. **Green Finance** refers to the financial system that supports and **enables investments in environmentally sustainable projects** and activities. It includes a range of financial products, such as **green bonds, green loans, green insurance and green funds**, that are designed or to be designed to promote environmentally friendly practices and projects.

#### 2. SCOPE:

This SOP describes the overall workflow and responsibilities of Branch, Regional Offices, and Credit Verticals along with relevant departments like Treasury Department and Risk Management Department inclusive (though not exhaustive) of the following aspects:

- a. Allocation
- b. Tracking
- c. Monitoring

#### 3. PROCEDURE & RESPONSIBILITY:

##### a. Allocation

##### i. **Branch:**

As Branches are the receiving point of loan application from customer (both online & Offline modes). Branches should follow the following:

- Loan application will be received by Branch from the customer.
- After receiving to application Branch official should verify all the details/documents required for classifying the Finance as 'Green Finance' based on the eligibility norms of the Borrower.
- The relevant documents to be scrutinized and maintained with Branch records.

- The loan master should have a check box to flag the credit under Green Finance.
- The Green deposits issued are also to be tracked separately.
- Branches to contact relevant credit verticals for approval of sanctions under Green Finance through Regional Office.

**ii. Regional Office:**

Regional office should ensure to provide adequate support to the branches such as:

- Required training to be provided to the Officers who are handling advances/deposits relevant to Green Finance /Green Deposits
- Forward the credit proposals for CO approval after scrutinizing the feasibility of categorizing the proposed advances (by Branches) under Green Finance.
- Region should maintain consolidated list of all green deposits/Advances under 'Green finance' issued, under their control, for ready reckoning.

**iii. Central Office:**

Central office should ensure that all the Compliance related aspects with legal, statutory, regulatory, contractual obligation and/ or security requirements are being handled properly.

The feasible projects, as per recommendations received by Branches and Regional Offices, may be considered by the Credit verticals (CCD, MSME, Retail, & Agri). The credit verticals shall be validating the sustainability information provided by the borrower.

In case of any excess funds received through Green Deposits, Treasury Dept may be financing to/investing in such eligible projects duly following a scrupulous appraisal process, out of the allocated funds.

Additionally, the following action points must be taken care at CO end:

- Any changes in regulatory guidelines to be communicated promptly to the branches and regional offices.
- Information Technology Department should update the CBS as per regulatory requirements.

- Reporting of Green Deposits/Green Finance allocation data to Board at regular intervals.
- Approving the projects/advances proposed to be included in the Green Finance.
- Allocation of funds appropriately.
- Temporary allocation of excess funds as liquid securities and relevant monitoring.

**b. Tracking and Monitoring**

**i. Branch:**

As Branches are the receiving point of loan application (both Online & Offline) from customer. Branches must follow the following:

- The marking of advances as 'Green Finance' should be done diligently.
- Branches should maintain records such that the flow of the funds given under 'Green Finance' are utilized as per the Regulatory guidelines.
- Branch should maintain list of green deposits/Advances under 'Green finance' issued, for ready reckoning.

**ii. Regional Office:**

- Regional office should ensure to provide adequate support and guidance towards earmarking of the Finance as 'Green' .
- Region should maintain consolidated list of green deposits/Advances under 'Green finance' along with end use of Funds, issued under their control, for ready reckoning.

**iii. Central Office:**

Central office should ensure that all the Compliance related aspects with legal, statutory, regulatory, contractual obligation and/ or security requirements are being handled properly.

Additionally, the following action points must be taken care at CO end:

- Ensure the GL code allotted for Green Finance be utilized for categorizing the advances appropriately.
- Information Technology Department should update the CBS and as per regulatory requirements.

- Conduct of Impact Assessment and Third-Party Assurance to be done regularly as per regulatory requirements.
- Reporting of relevant green finance data to the Board.
- Tracking and Monitoring of funds allocation of the funds generated through 'Green Deposits' to the advances feasible to be categorized as 'Green Finance' under appropriate GL codes.
- Publishing the Second Party opinion on the Framework along with the Framework in the Bank's website.
- The temporary allocation of unutilized funds in liquid securities to be monitored and reported.

#### **4. MAINTANANCE OF RECORDS :**

The following records to be maintained: -

- Branches should keep record of all documents received from the customer emphasizing the eligibility for the deposit/advance to be classified as 'Green'.
- Branches/ RO/ CO to maintain and track the end use of Funds allocated towards Green Deposits and Advances categorized under the 'Green Finance' framework.

#### **5. REVIEW AND RENEWAL OF SOP:**

The SOP shall form a part of 'Financing Framework on Green Finance'. However, any regulatory changes will be automatically part of this SOP and prevail upon.

SOP will be updated as and when new guidelines or regulatory changes will be enforced as a part of review/renewal of the existing framework.

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