

IDBI Bank Limited
Green Bond Framework

Background

IDBI Bank (the issuer) is a Universal Bank with its operations driven by a cutting edge core Banking IT platform. The Bank offers personalized banking and financial solutions to its clients in the retail and corporate banking arena through its large network of Branches and ATMs, spread across length and breadth of India

The issuer is one of the few Public Sector Banks/ FIs who are signatory to Carbon Disclosure Project (CDP), as part of its initiatives to a responsible business striving towards a low –carbon future. The issuer has taken initiatives for funding potential green projects based on clean technologies viz. renewable, solar cell/ module projects, co-generation, energy efficiency equipment projects etc. The issuer reviews reports from third party consultants in most of the green projects mainly for resource assessment and other aspects of the project including cost. The Environmental Impact Assessment (EIA) reports, if required by third party are also referred as part of the detailed appraisal.

Purpose

This Framework has been developed by the issuer's Project Appraisal Department (PAD) to determine eligibility criteria for green projects for its Green Bond portfolio. The framework will also provide the transparency and disclosures investors need to make their investment decisions. The issuer will issue Green Bonds to fund new and existing projects with environmental benefits in alignment with the *Green Bond Principles, 2015*.

A. Use of Proceeds

The proceeds of each Green Bond will be allocated exclusively for lending in support of greenhouse gas emission reduction, environmental resource management and protection and sustainable transport as listed below (“Eligible Green Projects”):

1. **Renewable energy:** financing of or investment in,
Solar energy projects that include the financing of, or investments in, the development, construction and operation of solar electricity generation facilities where (i) 100% of the electricity generated is derived from solar energy resources and (ii) the maximum gas-fired back-up is 15%;
Wind energy projects that include the financing of, or investments in, the development and construction of wind farms, and the operation and production of manufacturing facilities wholly dedicated to wind energy development;
Biomass energy projects that include electricity generated using non-fossilized and biodegradable organic material originating from plants, animals and microorganisms, products, by-products, residues and waste from agriculture, forestry and related industries, non-fossilized and biodegradable organic fractions of industrial and municipal wastes, gases and liquids recovered from the decomposition of non-fossilized and biodegradable organic material as defined under Clean Development Mechanism (CDM) approved methodologies by UNFCCC or any equivalent standards.
Hydropower projects that include the financing of, or investments in, small storage hydroelectric projects (less than 25 megawatts) and run-of-river (a type of hydroelectric generation plant whereby little or no water storage is provided) hydroelectric projects up to 25 mw.
Renewable energy distribution and management projects that include the financing of or investments in, transmission Infrastructure dedicated exclusively to connecting renewable energy to national grids, or smart grids improves energy efficiency in the system;
2. **Energy efficiency:** that includes financing of or investment in **Technology and equipment** that improves energy efficiency in industrial, buildings and other sectors.
3. **Energy storage units** such as smart systems and meters that support improved energy management, communal heating systems (excluding coal-fired sources), thermal heat storage (excluding coal-fired sources), hydro-energy storage systems and heat pumps;
4. **Sustainable water management:** Any investment in water collection, treatment, distribution, recycling, re-uses technologies and infrastructure,

- sewage treatment facilities which conserve water and or improve efficiency.
5. **Sustainable waste management projects:** that include financing of, or investments in integrated waste minimization, collection, management, transportation, disposal, re-use and recycling, including waste-to-energy power plants;
 6. **Sustainable transportation projects** that include financing of, or investments in, transportation assets, systems and infrastructure, for electrical, vehicles and electrified urban mass transit projects such as light rail, subway and bus rapid transport;

For the avoidance of doubt, financing provided for any project that does not fall within the above sectors will not be considered as Use of Proceeds of Green Bond of the issuer.

The issuer's indicative assessment of environmental benefits will consider the balance of impacts in determining overall net benefit.

B. Project Evaluation and Selection

Evaluation and Selection of Green Projects

The Issuer has a dedicated Project Appraisal team with experienced relationship managers to identify and utilize the proceeds of the Notes exclusively to fund loans for Eligible Green Projects.

The issuer's relationship managers will review and appraise proposals for loan applications in accordance with the "GREEN BONDS FRAMEWORK" it has established and submit these applications and proposals to the appropriate credit committee for consideration.

In particular, this process will involve:

Initial evaluation and screening

The relationship managers will conduct a preliminary review of loan applications for Eligible Green Projects based on factors such as (i) the borrower and the activities being funded (ii) the technical process and equipment being utilized by the borrower and (iii) the environmental and social

benefit from the activity being financed.

The relationship managers will then submit loan applications for Eligible Projects that pass the preliminary review for risk scoring.

Review and approval

The issuer's relationship managers will then submit their recommendations to the appropriate credit committee, where the Issuer's senior management including the Managing Director and Chief Executive Officer, Deputy Managing Directors and Executive Directors would take part in the final review. The Issuer will designate successful loan applications as part of its Eligible Green Project portfolio, which the Issuer will regularly update to reflect loans refinanced or repaid as well as new loans.

Pending the full allocation of the net proceeds of the notes to Eligible Green Projects, the Issuer will invest or allocate, as appropriate, the net proceeds of the notes in money market instruments and Government securities. The Issuer will establish internal tracking systems to monitor and account for the allocation of the proceeds. However, payment of principal and of interest on the Notes will be made from the Issuer's general funds and will not be directly linked to the performance of any Eligible Green Projects.

C. Management of Proceeds

The proceeds will be allocated for the financing of existing and new Eligible Green Projects.

The Issuer will allocate an amount equal to the net proceeds from the sale of the notes for the financing of new and existing Eligible Green Projects in India.

Pending the full allocation to Eligible Green Projects, balance of issuance proceeds will be invested or allocated, as appropriate, in money market instruments or Government securities.

The issuer will label the assets allocated out of Green Bond proceeds in the system (core banking system) as the Green Portfolio. The label will enable

to extract the details of the Green Portfolio including loan account number, borrower name, use of proceeds, financing amount, amount of loan drawn and outstanding, loan maturity and other necessary information so that the aggregate of issuance proceeds and use or allocation of proceeds, as appropriate, is recorded at all times.

The Green Portfolio will be regularly updated to reflect loans refinanced or repaid and new loans allocated from the proceeds.

D. Reporting

So long as the issuer has Green Bonds outstanding, the issuer will provide a Green Bond Report on an annual basis on its Green Bond issuance, covering:

- The sector-wise allocation of the net proceeds of the notes for financing the new and existing Eligible Green Projects,
- The current allocated and outstanding amounts and contractual maturity dates, and
- Management confirmation that the use of proceeds of the Green Bond is in alignment with the issuer's Green Bond Framework

For each Green Bond issuance under the issuer Green Bond Framework, the issuer shall provide a Green Bond Report and publish the report annually on the issuer's website (www.idbi.com) including indicative environmental benefit, in measurable parameters, accruing out of the Green Bond projects allocated under the Green Bond issuance.

E. Assurance on Framework

The issuer intends to obtain, post issuance, a third party review from an appropriate provider to provide an opinion on its Green Bond Framework. The third party review will be published on its website (www.idbi.com).