

Policy on Green Deposit & Lending Framework



Resource Planning & Operations Department



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1. Introduction

Over the years, India has taken steps, both at national and sub-national levels, to balance environmental sustainability with economic growth emphasizing special focus on green finance. As a populous, tropical developing country, India faces a bigger challenge in coping with the consequences of climate change than many other countries. Climate Change is a global phenomenon but with local consequences.

The climate crisis is one of the most critical challenges facing our global society and economy in modern times and the world's climate scientists agree that urgent action must be taken to address the current and potential impacts of climate change, including chronic changes to temperature and precipitation, rising sea levels, and more intense and frequent extreme weather events. These risks and impacts are exacerbated by inequality and unsustainable economic development, which put additional pressure on land, water, forests and other natural resources. These interconnected challenges endanger the vitality of communities and present a threat to prosperity if not managed properly.

The financial sector has an important role to play in addressing this crisis by supporting the transition to a sustainable, low-carbon economy that balances the environmental, social and economic needs of society.

The Bank understands the complexity of developing solutions to these challenges, which require a combination of strong government policy and regulatory frameworks, corporate leadership, investor engagement and individual actions.

2. Objective of the Policy

Bank's Framework is in compliance with the recent RBI guidelines on Green Deposits and lays down all aspects, in details, for the issuance and allocation of green deposits. It provides information on the acceptance of the green deposits and broadly outlines the allocation of the same as per the regulatory guidelines.

The objective of this framework is to promote sustainable finance, support environmental friendly projects, and contribute to the transition to a low-carbon economy. By implementing this Framework, the Bank aims to meet the growing demand for green investments and demonstrate its commitment to environmental stewardship.

The Bank will support responsible and interconnected actions on climate risk across the business and economic activities to support a low-carbon future.

3. Regulatory Reference

The Reserve Bank of India vide Master Direction RBI/2023-24/14 DOR.SFG.REC.10/30.01.021/2023-24 dated 11.04.2023 has issued directives on “Framework for Acceptance of Green Deposits” and directed the Bank to place a comprehensive Board Approved Policy on Green Deposits. Any Subsequent Guidelines of RBI/Government issued from time to time on Green Deposits will automatically form part of the Policy for the interim period till the next review.

4. Definition related to Green Deposit

- a) **"Green Activities/Projects"** means the activities/projects meeting the requirements prescribed under Annexure III of this Policy and would generally include activities or 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.
- b) **"Green Deposit"** means an interest-bearing deposit, received by the Bank for a fixed period, the proceeds (or an equivalent amount thereof) of which are earmarked for being allocated towards Green Finance.
- c) **"Green Finance"** means lending to and/or investing in the Green Activities/Projects meeting the requirements prescribed in Annex 3 of this Policy.
- d) **"Greenwashing"** means the practice of marketing products/ services as Green Activities, when in fact they do not meet requirements to be considered as Green Activities/Projects.

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.

5. Green Deposit Framework

The Bank shall have the option to raise funds from the public for allocation towards Green Activities/ Projects, in accordance with the Applicable Regulations as well as the Framework and such Public Deposits shall be classified as Green Deposits.

Green Deposit framework has been incorporated as Para “Type of Deposit Accounts (viii)” in Deposit Policy approved by the Board on 25.08. 2024. All guidelines of the Deposit Policy of the Bank shall be applicable to deposits accepted under green deposit framework. (Please refer Deposit Policy 2024-25)

The primary features of Green Deposits shall be as follows :

- a) Eligible customers for a Green Deposit will be determined according to the bank's prevailing deposit policy. all the regulatory guidelines with regard to Deposit accounts i.e. KYC, Re-KYC, Inoperative classification, DEAF, etc. shall be applicable to Green Deposit.
- b) Green deposits shall be issued as cumulative/non-cumulative deposits.
- c) The green deposits shall be denominated in Indian Rupees only.
- d) Mode of issuance may be digital or physical subject to the regulatory guidelines.
- e) The Minimum & Maximum amount to be accepted from depositors, tenor of deposit, 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 Framework.
- f) The features, terms, and conditions of Green Deposits, including interest rate, tenor and denomination, shall be reviewed/revised at regular intervals by the Competent Authority.
- g) Bank may offer term deposits without pre - mature withdrawal option in case of term deposits accepted from individuals (held singly or jointly) for amount of Rupees One Crore and above.
- h) As mandated by RBI, Green Deposits would be renewed or withdrawn at the option of the depositor. There is no restriction on premature withdrawal of Green Deposit below

Rupees One Crore. However, pre-mature penalty would be applicable as per prevailing Board Approved Deposit Policy in vogue.

- i) Differential Rate of Interest on Green Deposits is not allowed.
- j) Payment of Interest on pre-mature withdrawal:
The interest rates applicable on term deposits withdrawn before the maturity date shall be as under:
 - (i) Interest shall be paid at the rate applicable to the amount and period for which the deposit remained with the bank and not at the contracted rate.
 - (ii) No interest shall be paid, where premature withdrawal of deposits takes place before completion of the minimum period of 7 days.
- k) Bank shall pay Interest on Green Deposits as per agreed terms and conditions and irrespective of allocation / utilization of proceeds.
- l) The Deposit raised under the framework are covered by DICGC in accordance with the Deposit Insurance and Credit Guarantee Corporation Act 1961 and regulation framed thereunder, as amended from time to time.

Specific Green Deposit products shall be designed by the owner department for mobilizing the green deposit in consultation with ALCO.

6. Financing Framework

The purpose of the Green Financing Framework is to draw a road map for deployment of the proceeds mobilised under green deposit scheme and to set out the methodology for classifying financing as green for the purpose of tracking and disclosing our performance against our green finance targets.

This framework is constructed in accordance with the green deposit framework issued by the RBI vide circular on 11.04.2023 , FAQ dated 29.12.2023 and the best practices adopted by financial sector worldwide. The Green Financing Framework shall be guided by the Loan policy of the bank, wherever applicable, for the aspects not covered under this framework.

All guidelines of the Board approved Loan Policy 2024-25 of the Bank dated 26.08.2024 shall be applicable to green financing framework.(Please refer Loan Policy circulated vide circular AX1/IRMD/Loan Policy 2024-25/Cir. No. 16/2024-25 dated 26/08/2024).

The framework will also provide guidelines in determining eligibility criteria for green projects and also contain provisions for ensuring the requisite transparency and disclosures for depositors & investors.

The Financing Framework shall inter-alia, cover the following:

a) Evaluation and Selection of the Green Project(s)

The selection of **Green Activities/Projects** shall be based on the feasibility of the project economically viable, technically feasible & eco-friendly, out of the Green Activities/Projects listed out in the **Annex 3** and as per ongoing practices adhering to Credit Policy, Credit Risk Management Policy, and other lending policies of the Bank.

The Green Project approval process shall be taken care by respective Credit Verticals.

Addition / Deletion of such green projects may also be revised based on updates from RBI, Government, and market standards.

Further the green activities / projects financed under the framework can be classified under priority sector if they meet the requirements laid down in priority sector lending (PSL) guidelines of RBI Master directions FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated September 04, 2020, as amended from time to time.

b) Appraisal of Green Projects

The appraisal of Green Projects shall be done as per the ongoing practice (alike other projects), duly **adhering to Credit Policy, Credit Risk Management Policy, Delegation of Powers, and other lending policies of Bank.**

At the time of processing the proposals sourced through Green Deposit Lending Framework, steps to be taken for capturing Corporates' sustainable practices and justification of impacts made through Green financing facilities taken from the Bank in the process note.

c) Pricing of Green Finance

The loan pricing shall be done as per extant guidelines. The pricing of loans lent/invested in excess of Green Deposits shall be done based on the similar way of other projects duly following the relevant policies/guidelines.

d) Utilization of proceeds, including temporary allocation

- i. The Bank shall be financing Green Buildings, i.e., Residential—Buildings / Houses / Projects and Commercial—Buildings / Projects that meet regional, national or internationally recognized standards or certifications for environmental performance, or any other Green Projects permitted under the Framework and to the extent applicable to the Bank.
- ii. Temporary allocation (which would only be in liquid instruments such as RBI Standing Deposit Facility (SDF), interbank call and notice money, Treasury Bills, high quality (AAA) liquid Commercial Papers up to a maximum original tenure of one year) of the proceeds from Green Deposit, pending their allocation to the eligible Green Activities/Projects.
- iii. Framework does not envisage any penalty for non-allocation of Proceeds towards, Green Activities / Projects. However, it shall be subject to supervisory review.

e) Monitoring and Re-deployment

- i. Bank will monitor the utilization of green deposits at half yearly intervals. In this regard, if the balance of Green Finance exceeds the balance of Green Deposits, it may be presumed that green liabilities are used for green assets.
- ii. In case of amortisation (repayment or collection) from the Green Project, Proceeds may be redeployed in eligible green projects / assets.
- iii. Carrying out third-party verification/assurance of the allocation of proceeds and impact assessment.
- iv. Bank, at any point in time , shall maintain a larger total amount of eligible Green Assets than the total net proceeds of Green deposits outstanding.

f) Overdraft Facility against Green Deposit

Overdraft facility is allowed to customers against Green Deposit subject to guidelines mentioned in RBI circular Consolidated Circular on Opening of Current Accounts and CC/OD Accounts by Banks dated April 19, 2022, as amended from time to time.

7. Third-Party Verification/Assurance and Impact Assessment

7.1 Carrying out an independent Third-Party Verification/Assurance

- a)** The loans disbursed out of the funds raised through Green Deposits during a financial year will be subject to an independent Third-Party Verification/ Assurance to be carried out on an annual basis.
- b)** 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. For the said purpose, 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.
 - iii. **Third-Party Verification/Assurance** shall be ensured by respective Credit Verticals.
 - iv. Reporting and disclosures.
- c)** Eligibility criteria for engagement of entities for external review of the Financing Framework, Third-party Verification/ Assurance and Impact Assessment of the green activities/ projects shall be as per extent guidelines of the Bank.

7.2 Conducting an Impact Assessment

- a)** The Bank with the assistance of external firms, as may be decided by the Board of the Bank, shall annually assess the impact associated with the funds lent for or invested in Green Activities/Projects through an Impact Assessment Report.
- b)** The list of impact indicators is given in Annexure I to be reported wherever applicable. In case it is not possible to quantify the impact of the lending/investment, the reasons, the difficulties encountered, and the time-bound future plans to address the same shall be disclosed.

- c) As the impact assessment is an evolving area, it will be undertaken on a voluntary basis for the financial year 2024-25. From financial year 2025-26 an impact assessment shall be made mandatorily.
- d) The monitoring and re-deployment shall be taken care by respective credit department.

7.3 Additionally, the Bank shall be responsible for the following:

- a) Verification of end-use of funds as per the laid down procedures of internal checks and balances as in the case of other loans extended by the Bank. In this regard, the related terms, and conditions to be additionally fulfilled by the borrowers to meet the requirements of the Framework laid out under the “Financing Framework” would be the additional check points while ascertaining the end-use of funds.
- b) ensuring deploying at least as much money into the financing of Green Activities / Projects as the Bank has raised through Green Deposits.

8. Reporting and Disclosures

Bank is committed to transparent and detailed reporting on the proceeds of its green deposits, utilization of related funds, and impact assessment. The bank will strictly adhere to all applicable regulatory and statutory requirements related to Green Deposits as per the following mechanism:

- a) The Resource Planning Department & Risk Management Department shall jointly place review report before Board of Director within three months of the end of the financial year which shall, inter-alia, cover the following details:
 - i. Amount raised under green deposits during the previous financial year.
 - ii. List of green activities/projects to which proceeds have been allocated, along with a brief description of the projects.
 - iii. The amounts allocated to the eligible green activities/projects.
 - iv. Copy of the Third-Party Verification/Assurance Report and the Impact Assessment Report.

- v. The third-party verification/assurance report and impact assessment report shall be accessible on the bank's website.
 - vi. A separate reporting will be done annually to RBI in the Annex 2 format prescribed by RBI in its Framework.
- b)** Bank shall make appropriate disclosures in its Annual Financial Statements on the portfolio-level information regarding the use of the green deposit funds as per the proforma prescribed in Annexure 2.

9. Policy Administration

- a)** The General Manager (Resource Planning & Operations) is the custodian of the Policy on Green deposit and lending Framework.
- b)** The General Manager (Resource Planning & Operations) shall engage with relevant committees, departments, business & support functions to recommend necessary amendments to this policy.
- c)** The Policy shall be reviewed annually or in tune with regulatory requirements issued from time to time. The Policy on Green deposit and lending Framework shall be valid till next review. The policy can be extended for 3 months with approval of MD & CEO. Changes and amendments, if any, in the policy can be done with the approval of MD & CEO, during intervening period before the policy is reviewed annually.

Annexure - 1: List of impact indicators

Eligible Category	Project	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)

Annexure - 2: Portfolio-level information on the use of funds raised from green deposits.

(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			

*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 subsector. For example, REs may provide sub-categories like solar energy, wind energy, etc. under “Renewable Energy”

Annexure -3 : Eligible Green Projects:

Under this Financing Framework for Flow of Credit to Green Activities, the Bank will make available finance for following green activities/projects that will be financed or refinanced out of proceeds raised through the green deposits. Eligible Green Project Categories are listed below:

Sector	Description
Renewable Energy	<ul style="list-style-type: none">• Solar/wind/biomass/hydropower energy projects that integrate energy generation and 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 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	<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 and 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 and Control	<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.
Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none">• 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	<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

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

Appendix

Referred guidelines /directives.

1. RBI Master directions FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated September 04, 2020.
2. RBI Circular DOR.CRE.REC.23/21.08.008/2022-23 on subject line Consolidated Circular on Opening of Current Accounts and CC/OD Accounts by Banks on April 19, 2022
3. RBI Circular No. DOR.SFG.REC.10/30.01 .02112023-24, dated 11th April 2023.
4. RBI FAQs on Framework for acceptance of Green Deposit dated 29.12.2023.
5. Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 (updated as on June 07, 2024)
6. AX1/IRMD/Loan Policy/2024-25/Cir No. 16/2024-25 dated 26.08.2024
7. AX1/PLN/Deposit Policy/Cir No. 200/2023-24 dated 09/10/2023.