

POLICY ON GREEN DEPOSITS (2024-25)



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Policy Certification

Title **Policy on Green Deposits 2024-25**

Owned By:	Resources Department & Risk Management Department
Prepared By:	Resources Department & Risk Management Department
Reviewed By:	Board
Effective From	30-05-2024
Validity	1 year (F.Y. 2024-25)

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Section A: POLICY ON ACCEPTANCE OF GREEN DEPOSITS

1. Purpose / Objective of the Policy:

In India, in recent times, there has been an increase in focus of the financial system to move towards green financing. Green finance means 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. As stated by the Reserve Bank of India (RBI), the financial sector can play a pivotal role in mobilizing resources and their allocation thereof in green activities/projects.

A key mode of green finance that has progressively gained traction is 'green deposit'. Green deposit refers to an interest-bearing deposit, received by a Regulated Entity for a fixed period and the proceeds of which are earmarked for being allocated towards green finance.

A key mode of green finance that has progressively gained traction is 'Green Deposit'.

2. Scope of the Policy:

This policy document on green deposits outlines the guiding principles in respect of formulation of green deposit products offered by the Bank and terms and conditions governing the conduct of the green deposits and forms part of UCO Bank's Policy on Deposits for FY 2024-25. This policy shall be applicable to the Bank's domestic operations.

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.

Further, if and when the regulator changes any interest rate structure, the same may be implemented with the permission of ALCO and placed to Board for Approval.

4. Policy Statement and Details & Resources:-

4.1. Definitions related to "Green Deposit"

- a. **"Green Deposit"** means an interest-bearing cumulative/ non-cumulative deposits

for a fixed period denominated in Indian rupees, and the proceeds of which are earmarked for being allocated towards green finance. Since Green Deposits are to be accepted for fixed term in the form of term deposits hence Savings and Current categories of Green Deposits are not allowed.

- b. **"Green Finance"** means lending to and/or investing in the activities/projects meeting the requirements prescribed in Policy for Financing Framework (Allocation) of Green Deposits that contributes to climate risk mitigation, climate adaptation and resilience, and other climate-related or environmental objectives - including biodiversity management and nature-based solutions.
- c. **"Green Washing"** means the practice of marketing products/services as green, when in fact they do not meet requirements to be defined as green activities/projects.
- d. **"Term Deposit"** means a deposit received by the Bank for a fixed period withdrawable normally after the expiry of fixed period and includes deposits such as Fixed Deposit, Recurring Deposit, Deposit Certificate etc.
- e. **"Retail Green Deposit"** means Single Rupee term deposit of less than Rs. 3 crore.
- f. **"Bulk Green Deposit"** means Single Rupee term deposit of Rs. 3 crores and above.
- g. **"Individual"** means a natural person.
- h. **"Member of the Bank's staff"** means a person employed by the Bank on a regular basis, whether full-time or part-time, and includes a person recruited on probation or employed on a contract of a specified duration or on deputation and an employee taken over in pursuance of any scheme of amalgamation, but does not include a person employed on casual basis.
- i. **"Family"** includes members as mentioned in the Bank's Service/Staff Regulations.
- j. **"Retired member of the Bank's staff"** means an employee retiring whether on superannuation or otherwise as provided in the Bank's Service/Staff Regulations.

5. Denomination, interest rates and tenor of deposits

The Bank shall issue green deposits as 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. The tenor, size, interest rate and other terms and conditions (as applicable to the RE) 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 mutatis mutandis.

The Bank shall formulate the green deposit scheme denominated in Indian Rupees

based on the RBI guidelines.

- i. Green deposits shall be issued as cumulative/non-cumulative deposits.
- ii. On maturity, the green deposits would be renewed or withdrawn at the option of the depositor.

Specific green deposit products (amount, interest rate, tenor etc.) shall be designed by the owner department for mobilizing the green deposit in consultation with ALCO.

6. Redressal of Complaints and Grievances

Depositors having any complaint / grievance with regard to services rendered by the Branches have a right to approach authority (ies) designated by the Bank for handling customer complaints/grievances. The details of the internal set up for redressal of complaints/grievances will be displayed in the branch premises. The branch officials shall provide all required information regarding procedure for lodging the complaint. In case the depositor does not get response from the Branch within 30 days from date of complaint or he is not satisfied with the response received from the Branch, he has a right to approach Banking Ombudsman appointed by the Reserve Bank of India.

7. Information to Green Depositors:

The Bank's policy relating to opening and maintenance of green deposits and the various charges on such green deposits and the revisions in such policy and the charges, will be informed to the depositors in the following manner.

- The terms and conditions for opening a green deposit and the charges if any, that will be levied on the green deposit will be given in the green deposit opening form for the information of the depositors before opening the green deposit.
- In case of any revision, the revised policy / requirements and revised charges will be displayed in a prominent place in all branches.
- Additionally, depositors will be informed about the revised policy / requirement / charges either through press releases or advertisement in print media and / or by displaying in the Bank's website, giving 30 days' notice to customers which is required as per RBI norms.
- In case where the changes are on green deposit of regulatory requirements, 30 days' prior notice to customers will not be given by the Bank.
- All green deposit interest rates will be displayed at a prominent place in all branches.

8. Information regarding Products and Services:

Complete information regarding products and services, minimum balance requirements, interest rates and service charges besides the terms and conditions applicable to them will be made available in a transparent manner through the following methods as per the choice of the customer viz.,

- By sending SMS or emails

- Through electronic or print media
- Display on the Bank's website
- Display on the Notice

PART – B (Green Deposit- Lending/Investing Framework)

9. STRUCTURE OF THE FRAMEWORK

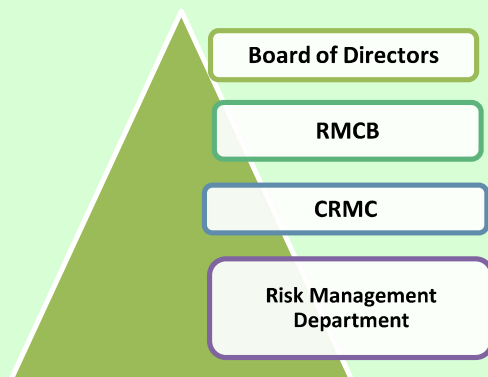
As part of the broader sustainability strategy, the Bank has established this Green Deposit Lending Framework, which aims at providing its clients with access to financing that helps them to pursue the necessary transition to an environmentally sustainable future and to ensure that Bank's commitment and beliefs towards ESG have been put into practice with this Framework.

Green Financing established in terms of this framework will be offered as an investment towards activities/projects meeting the requirements mentioned in this document below, which contribute to climate risk mitigation, climate adaptation and resilience, and other climate-related or environmental objectives. Financing to these prescribed activities/projects shall be by means of proceeds from the Bank's Green Deposit products.

The Green Deposit Lending Framework is 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 Policy of the Bank, wherever applicable, for the aspects which are not covered under this framework.

Amendments or changes, if any, in this Framework shall be reviewed annually and approved by the Board of Directors/RMCB through CRMC, which shall be the final approving authority in this regard.

10. GOVERNANCE STRUCTURE FOR GREEN DEPOSIT LENDING/INVESTING FRAMEWORK



11. ROLES AND RESPONSIBILITIES:

11.1 Roles & Responsibilities of The Board of Directors

- To ensure that Regulatory and GOI guidelines pertaining to Green Avenues (deposits and financing products) are implemented in the Bank as and when timelines are prescribed.
- To set well defined goals and objectives for achieving milestones as and when announced by the GOI, in the path of sustainability by exploring avenues like Green Deposits and Green Deposit Financing.
- Approval of the Bank-level Green Deposit Policies, Green Financing Framework Strategies, Initiatives, Disclosures and Stakeholder Engagement and delegation of Green deposit financing related powers as per Loan Policy Documents.
- To oversee/review the progress made under Green Deposit Lending Framework based on management information, as well as updates on major policy initiatives and developments concerning climate-related and environmental issues.

11.2 Roles & Responsibilities of Risk Management Committee of Board

- To oversee the risks and opportunities emanating from the Green avenues (green deposit products and financing) and assess the actual and potential impact made by the Bank after financing in such avenues.
- To exercise effective oversight on risk management & controls and ensure that sufficient internal / external expertise is available for managing the financial risks arising from these Green deposit and green financing products.
- To oversee the Impact Assessment of Green-based products (deposits and financing) through the policy frameworks and ensure that such policies/frameworks are in line with the vision of the Bank.
- To guide formulation of green avenues-related policy, strategy, objective-setting, and performance monitoring.
- To provide guidance on external disclosures, controls and measures pertaining to Green deposits and its financing for having a strong assurance.
- To evolve & frame the Green Deposit Policy and Green Deposit Lending Framework based on the regulatory /GOI guidelines and further changes.
- To set and approve targets for key parameters linked to the green deposit financing activities stated in the Green Deposit policy and its Financing Framework.
- To identify the roles and responsibilities of each of the stakeholder Wings in formulating the Bank's Green Deposit policy & lending framework and training

requirements.

- To review the timely implementation of Green Deposit Policy and Green Deposit lending framework in the Bank.
- The committee shall work with innovative ideas and deliberate in detail the feasible solutions to overcome the hurdle of implementing Green based policy frameworks.
- Identifying opportunities, target setting for improvement in the areas of green-based products and analyzing the Impact Assessment of Green deposit financing activities.
- To evaluate and review strategies and business opportunities for promoting green deposits and its financing culture among customers so as to align the Bank's sustainable goals with national priorities of sustainable growth.

11.3 Roles & Responsibilities of Credit Risk Management Committee

- Responsible for the implementation of the Green Deposit Lending policy /strategy approved by the Board/RMCB.
- Monitor the risk on a bank wide basis and ensure compliance.
- Recommend to the Board, for approval of Green Deposit Policy.

12.SOURCING OF GREEN FUNDS

The following will be responsibilities of nodal Wings for Green Deposit Policy and Lending Framework:

1) Resources Department - Nodal Department for Green Deposit policy

- a) Designing of Green Deposit Products.
- b) Taking approval for the products from various Committees as per the extant guidelines of the Bank.
- c) Approval of Pricing from ALCO for Green Deposits.
- d) Implementation of the products in the system including appropriate MIS.
- e) Maintenance of master data on green deposits mobilised and their allocation details.
- f) Setting annual targets for green deposit mobilization.
- g) Annual review of the Green Deposits policy, modifications in policy on green Deposits in coordination with Risk Management Department.

2) Corporate Credit Department – Nodal Department for Green Lending Framework

- a) Identifying green activities/projects, obtaining approval for allocating funds.

- b) Deciding the applicable spread for the lending.
- c) Monitoring & reporting of Sources and Uses of Green funds by coordinating with Risk Management Department.

13. USES/DEPLOYMENT OF GREEN PROCEEDS FOR GREEN ACTIVITIES/PROJECTS

An amount corresponding to the net proceeds from the Green Deposit Instrument shall be used to finance Bank's Green Assets 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.

The proceeds received from Green Deposits shall be completely used for financing Green Projects as per the framework. **The unallocated proceeds shall be kept invested in liquid instruments up to a maximum original tenure of one year (T-Bills).**

The Bank shall have discretion to finance in excess of the funds sourced through Green Deposits, duly following the extant guidelines.

13.1 Eligibility Criteria and list of eligible Green Activities/Projects and exclusions:

Operating Units while assessing the project proposals shall provide justification for considering/ not-considering the project under green finance as per the criteria specified for this purpose. Processing units, while providing Go/ No Go to the proposal, shall examine and validate whether the proposal falls under any of the green finance categories or not.

Further, with upcoming market developments and after the establishment of Indian Green Taxonomy, deployment of the proceeds from Green Deposits shall be based on the same. 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 emission of carbon dioxide and other greenhouse gases, promote climate resilience and/or adaptation and improve natural ecosystems and biodiversity.

13.2 Eligible Green activities/projects:

Sl. No.	Sector	Description
1	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.
2	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).

		<ul style="list-style-type: none"> Supporting construction of new low-carbon buildings as well as energy-efficiency retrofits to existing buildings. Projects to reduce electricity grid losses
3	Clean Transportation	<ul style="list-style-type: none"> Projects promoting electrification of transportation. Adoption of clean fuels like electric vehicles including building charging infrastructure.
4	Climate Change Adaptation	<ul style="list-style-type: none"> Projects aimed at making infrastructure more resilient to impacts of climate change.
5	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.
6	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
7	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.
8	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 certify organic farming. Research on living resources and biodiversity protection.
9	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 with installed capacity larger than 25 MW

* Feedstock will primarily include: Sewage, manure, wastewater, bagasse, biomass, wood pellets, etc.

13.3 Timeline for Deployment of proceeds:

The proceeds accepted via Green Deposits during the Financial Year (from the date of first green deposit product launch) will be utilized for financing to/investing in Green Activities/Projects listed under Para 13.2. Further, temporary allocation of these proceeds which are pending their allocation to the eligible activities/projects, **shall be only in liquid instruments up to a maximum original tenure of one year.**

The Bank shall track the liability under green deposit and allocation of these funds. The report shall be forwarded to ALM wing of the bank for onward placing before the ALCO.

The Bank shall provide details of the investment made in liquid instruments at yearly interval as per the RBI Guidelines.

13.4 Selection of Green Projects

The selection of Green Activities/Projects, out of those listed in the Para 13.2¹ above shall be if the project is eco-friendly, technically feasible and economically viable. Further, the project should conform to the relevant provisions of the Loan Policy and Credit Risk Management Policy of the Bank.

¹ Addition/Deletion in the list of eligible categories of green projects may be done from time to time, based on updates from Regulator, Government and feedback from the market.

13.5 Appraisal of Green Projects

Appraisal of Green Projects for the purpose of lending/investing shall be done as per the ongoing practice (like other projects), duly adhering to Loan Policy, Credit Risk Management Policy, Delegation of Powers and other lending policies of the Bank.

At the time of processing the proposals to be financed through Green Deposits, corporates' sustainability practices and justifications of impacts to be made through Green financing facilities provided by the Bank should be clearly stated in the appraisal note.

13.6 Lending/Investing in Green Projects

The feasible projects may be considered by the Corporate Credit Department/Treasury Department for financing to/investing in such eligible projects duly following a scrupulous appraisal process, out of the allocated funds. Corporate Credit Department shall maintain a database of credit flow to such projects.

The Loan/Investment Products shall bear a flag /identifier in CBS separately as Green/Sustainable Finance to enable generation of MIS through suitable reports. The necessary changes are to be done by the DIT.

13.7 Pricing of Green Finance

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

14. TARGET & MONITORING

The Resources Department:

- Shall create an exclusive Pooled Account / GL in respect of lending/investments made utilizing funds raised via Green Deposits and set business targets in this regard, based on the Green Deposit sourcing strategy.
- Database for both sourcing & deployment of green deposits shall be maintained on ongoing basis and the required MIS reports shall be developed in the IT systems.
- The Activity/Project wise targets may be assigned to the Credit Wings concerned and the outstanding position of Sources & Uses shall be updated on regular basis.

15. EXTERNAL VERIFICATION/ASSURANCE

The allocation of funds raised through green deposits by the Bank during a financial year shall be subject to an independent Third-Party Verification/Assurance firm which shall be done by either internally through Audit and Inspection Department or through external agency on an annual basis.

The Third-Party Verification/Assurance Report of the Bank shall, at the minimum, cover

the following aspects:

- Use of the proceeds to be in accordance with the eligible green activities/projects indicated in the Para 19.2 above.
- 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.

16. IMPACT ASSESSMENT

The Bank with the assistance of external firms shall 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 the Annex-1 to this policy.

Risk Management Department will place a memorandum before Board on the outcome of Third-Party Verification/Assurance and Impact Assessment.

17. REPORTING & DISCLOSURES

The Resources Department and Risk Management Department shall jointly place review report before the Board of Directors within three months of the end of the financial year covering following:-

- amounts raised under green deposits during the previous financial year
- list of green activities/projects to which proceeds have been lent/invested, along with a brief description of each project.
- the amounts allocated to the eligible green activities/projects
- a copy of the Third-Party Verification/Assurance Report and the Impact Assessment Report.

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 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)

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*
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 RE 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, REs may provide sub-categories based on the funds allocated to each sub-sector. For example, REs may provide sub-categories like solar energy, wind energy, etc. under "Renewable Energy".