



**STATE BANK OF INDIA**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)  
FINANCING FRAMEWORK

**January 2023**

## 1. BACKGROUND

Having its origin in 1806, State Bank of India (“SBI” or the “Bank”) is the oldest commercial bank in the Indian subcontinent, strengthening the nation’s economy and serving the aspirations of its vast population. It is India’s largest commercial bank in terms of assets, deposits, profits, branches, number of customers and employees, enjoying the continuing faith of millions across the social spectrum. Headquartered at Mumbai, SBI provides a wide range of products and services to personal, commercial enterprise, large corporate, public body and institutional customers through its branches and outlets, joint ventures, subsidiaries, and associate companies.

## 2. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) APPROACH

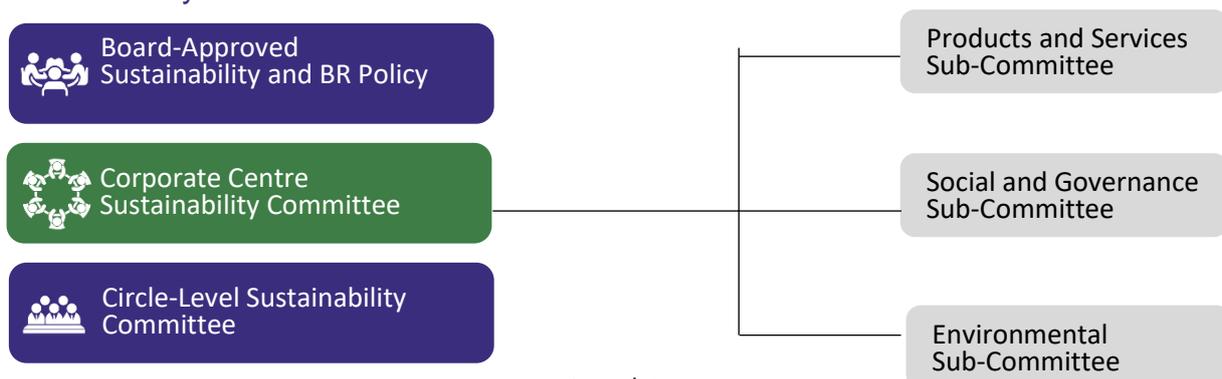
SBI is cognizant of the responsibility that accompanies the privilege of being India’s largest public sector bank. The Bank remains unwavering in its commitment to create values to stakeholders and drive a sustainable society and future. To this end, SBI has an integrated sustainability approach which seeks to leverage the synergy and interconnection between social, environment and economic aspects of business, echoing to the Vision, Mission and Values of the Bank.

Environmental, Social and Corporate Governance is at the heart of SBI’s strategy. SBI has several frameworks and policies to support ESG including and not limited to a Climate Change Risk Management Policy, Renewable Energy Policy, Sustainability and Business Responsibility Policy, Corporate Social Responsibility Policy, Code of Ethics etc. Further, we have a separate Green Bond Framework in place.

The Bank’s Corporate Centre Sustainability Committee (CCSC) undertakes the execution of the Sustainability and Business Responsibility (BR) Policy. This policy helps in aligning the Bank’s sustainability strategy with its business strategy and identifies the key environmental and social areas. Further, it outlines SBI’s approach towards managing economic, environmental and social performance in an integrated manner.

The committee has representation from several functions and is headed by the Deputy Managing Director and Corporate Development Officer. The Bank also has a separate Board level Corporate Social Responsibility Committee, which undertakes periodic review of the Bank’s CSR activities.

### Sustainability Governance



SBI has been committed to ensuring ethical business practices and transparency throughout its operations. To strengthen its commitment towards upholding the highest standards of integrity and conduct, the Bank has instituted an Ethics and Business Conduct function.

## 2.1. SBI's contribution to Sustainable Development Goals (SDGs)

As a responsible organization, SBI recognizes its role in helping India achieve the 2030 agenda for sustainable development laid down by the United Nations. Towards this end, the Bank has come up with several products and services that can help support India's commitments.

- **Finance For Biofuel Projects:** - SBI provides loans for corporates that are interested in replacing the existing feedstock coal or other fossil fuels with biomass. The Bank helps meet capital expenditure requirements through this loan.
- **Sanjeevani: - SME Loan for Healthcare Sector:** - For enhancing the healthcare infrastructure in the country, SBI has introduced a loan product to cater to the units engaged in manufacturing of liquid oxygen, oxygen cylinders and to existing hospitals setting up oxygen plants.
- **Stree Shakti Entrepreneur Loan:** - In partnership with World Bank and UN Women, SBI has designed a new loan product to provide access to institutional credit at affordable interest rates to women entrepreneurs. Emphasis is given to those graduating from self-help groups ("SHG") or who are part of the supply chain in business enterprises in the manufacturing, trading and services sector, including allied agricultural activities. The World Bank and UN Women will be associated for providing technical assistance and training to identified borrowers.
- **YONO Krishi Safal Dairy Loan:** - A pre-approved and hassle-free credit facility on the YONO platform to help meet the dairy farming needs of farmers, through partnerships with corporates.
- **Skill loan scheme:** - This product helps individuals enhance their skills and improve their livelihood. It promotes opportunities for all and ensures inclusive and equitable quality education.
- **SBI e-Mudra:** - SBI's e-Mudra extends digital term loans up to ₹50,000 to help micro entrepreneurs meet key requirements related to their business and enhance employment generation potential. Over ₹9.34 billion have been sanctioned towards the same as on 31<sup>st</sup> March 2022.
- **Compressed biogas ("CBG") under SATAT Scheme:** - SBI provides loans for CBG plants under the sustainable alternative towards affordable transportation scheme. This scheme creates large-scale employment along with sustainable industrialization.
- **Green car loan:** - The Bank promotes cleaner mobility through the green car loan scheme by offering a longer repayment period of up to eight years and a

concession of 20 basis points (bps) on the interest rate, compared to a regular car loan.

- **SHG financing:** - SBI provides SHGs with the funds for generating sustainable livelihoods. Majority of SHGs are comprised of women, helping the bank contribute towards ensuring gender equality.
- **Financing polyhouse:** - To drive progress on the goals of zero hunger, good health and well-being, sustainable consumption and production, and climate action, SBI is financing polyhouse farming projects to enhance yields.
- **Financing solar photovoltaic pump sets:** - SBI helps fund the purchase of solar water pumping systems in alignment with the PM Kusum Yojana, to provide a sustainable livelihood for farmers and reduce the environmental footprint.
- **Grid-connected rooftop solar PV projects:** - Popularising renewal energy in commercial institutions and industrial buildings with smaller roofs, SBI has sanctioned, ₹10.89 billion for rooftop solar PV projects as on 31<sup>st</sup> March 2022.
- **Healthcare business loan:** - To facilitate access to better healthcare for residents of smaller cities and villages, SBI has sanctioned healthcare business loans worth ₹396.7 million to customers as on 31<sup>st</sup> March 2022.
- **Affordable Home loan:** - SBI helps people achieve the dream of owning their house through its home loans. 58.19% of the home loans provided are affordable housing loans.
- **E-Rickshaw scheme:** - SBI has sanctioned ₹120.6 million towards electric-rickshaws, to promote the usage of cleaner fuel and ensure a boost in environment friendly practices.

## 2.2 Mainstreaming ESG Approach in Banking

As the largest public sector bank in India, SBI realises the impact its actions as a lending institution can illustrate. The Bank has always worked towards creating positive environmental impacts, both directly and indirectly, and has taken actions to mitigate any negative impacts of its operations. SBI takes into consideration various environmental, social and governance-related criteria while making any lending decisions, which helps ensure that the right institutions are being funded.

SBI has a framework to rate borrowers on ESG criteria, which lays emphasis on mandatory rating of ESG criteria for the specified borrowers. This includes existing borrowers and prospective borrowers in India, with an exposure of over ₹100 crores (for listed borrowers) and over ₹500 crores (for unlisted borrowers) at the time of CRA rating.

Further, SBI has already in place Green Bond Framework to draw a road map to issue Green Bonds and to use the proceeds for green projects falling under the ambit of the Green Bond framework of the Bank. This framework is constructed in accordance with the Climate Bonds Standard Version 2.1 developed by Climate Bonds Initiative (CBI). The framework serves in determining eligibility criteria for green projects and also provide the requisite transparency and disclosures for investors.

## **2.3. Sustainability Reporting**

The Bank's Annual Sustainability Report is prepared in accordance with the Global Reporting Initiative Standards ("GRI"). The disclosures are further aligned with the nine principles of the National Voluntary Guidelines on Social, Environmental and Economic responsibilities of Business (NVGs) notified by the Ministry of Corporate Affairs, Government of India. The reporting is also aligned with framework of the International Integrated Reporting Council (IIRC), and standards defined by the Sustainability Accounting Standards Board (SASB). The report content also draws from the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD) and reports on initiatives intended to drive progress on the United Nations Sustainable Development Goals (SDGs). The report also strives to incorporate information on Business Responsibility and Sustainability Report (BRSR) disclosures, prescribed by the Securities and Exchange Board of India.

The Bank publishes sustainability report annually and the latest version is available on the Website of the Bank.

## **3. PURPOSE OF ESG FINANCING FRAMEWORK**

The Environmental, Social and Governance (ESG) Framework, elucidated by way of this document (hereinafter referred to as the "framework"), is proposed as a handbook for SBI's future issuance(s) of Green, Social, or Sustainable instruments (Bonds and/or Loans) which shall be used for the financing or refinancing of eligible assets / projects with environmental or social benefits, so as to extend SBI's sustainability strategy and contribute to the sustainable development of Indian economy.

The net proceeds of such ESG instruments or an equivalent amount shall be allocated for the financing or refinancing of "Eligible Projects" as defined in the Section 4.2 of the Framework ("Eligibility Criteria").

The existing Green Bond Framework shall be subsumed under the proposed ESG Financing Framework.

### **3.1 Alignment with Global Principles & Guidelines**

The Framework has been developed in alignment with the following sustainable finance principles and guidelines:

- ❖ With respect to bonds, bonds issued under this Framework shall be aligned with the International Capital Market Association ("ICMA") Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Bond Guidelines 2021.
- ❖ With respect to loans, loans issued under this framework shall be aligned with the Loan Market Association ("LMA") Green Loan Principles 2021 and Social Loan Principles 2021.

For each Green, Social, or Sustainable instruments issued under this Framework, SBI is committed to align with the following elements:

- ❖ Use of Proceeds
- ❖ Process for Project Evaluation and Selection
- ❖ Management of Proceeds
- ❖ Reporting
- ❖ External Review

The Framework may be subsequently revised and updated as SBI's sustainable financing focus evolves and/or the sustainable finance market progresses. Any future revised and updated version of this Framework shall be published on SBI's website and will replace this Framework. Please refer to section 9 for further conditions.

#### **4. USE OF PROCEEDS**

The net proceeds raised under this Framework, or an equivalent amount shall be used to finance or refinance in whole or in part, projects that are consistent with the Eligibility Criteria set out in this section.

- ❖ Green Bond and/or Green Loan proceeds should be used exclusively for eligible Green Projects ("Eligible Green Projects") as defined in 4.2.1.
- ❖ Social Bond and/or Social Loan proceeds should be used exclusively for eligible Social Projects ("Eligible Social Projects") as defined in 4.2.2.
- ❖ Sustainability Bond and/or Sustainability Loan proceeds should be used exclusively for a combination of Eligible Green Projects and Eligible Social Projects.

All credit portfolios recognized under this Framework shall have to go through Bank's due diligence structure and process and only upon being sanctioned by the competent authority shall be reckoned for allocation under Green/Social/Sustainable Project portfolios.

##### **4.1 Allocation of Proceeds**

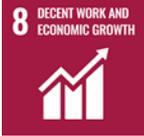
SBI shall allocate, on a best effort basis, all the proceeds within 24 months from the date of issuance of Green, Social or Sustainable instruments under this framework.

In case of refinancing, eligible projects or assets that have been financed up to 24 months prior to the issuance date of the relevant Green, Social, or sustainable instruments shall qualify.

## 4.2 Eligibility Criteria

The Framework provides for eligibility criteria for Green Project and Social Projects. Projects must meet below mentioned eligibility criteria to be considered under ESG Financing Framework:

### 4.2.1 Eligible Green Project categories

Eligible Green Project Categories	Eligibility criteria and examples
<p><b>Biodiversity</b></p>	<p>Investments, expenditure and financing related to projects including:</p> <ul style="list-style-type: none"> <li>▪ Preserving terrestrial / marine natural habitats<sup>1</sup>,</li> <li>▪ Landscape conservation/restoration Including Reducing Emissions from Deforestation and Forest Degradation (REDD)<sup>2</sup>.</li> </ul> <p><b>Key contribution to SDGs:</b></p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>6 CLEAN WATER AND SANITATION</p> </div> <div style="text-align: center;">  <p>13 CLIMATE ACTION</p> </div> <div style="text-align: center;">  <p>14 LIFE BELOW WATER</p> </div> <div style="text-align: center;">  <p>15 LIFE ON LAND</p> </div> </div>
<p><b>Circular Economy and/or Eco-Efficient Projects</b></p>	<p>Investments, expenditure and financing related to projects, including, environmental and sustainability benefits of circular economy and/or eco-efficient projects:</p> <ul style="list-style-type: none"> <li>▪ Production of bio-based resource-efficient/ low-carbon products that are RSB certified</li> <li>▪ Production of products using recycled/waste products<sup>3</sup></li> </ul> <p><b>Key contribution to SDGs:</b></p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div> <div style="text-align: center;">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> <div style="text-align: center;">  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> </div> </div>

<sup>1</sup> Restoration, preservation or conservation of natural habitats and landscapes likes marshes, creeks and coastal ecosystem; restoration or preservation of biological diversity in urban areas such as parks. such activities are expected to use only local tree-species well adapted to the site conditions and a sustainable management plan in place certified to FSC/PEFC.

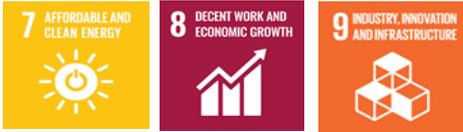
<sup>2</sup> For afforestation / reforestation activities, projects financed should use tree species that are well adapted to the site condition and there should be a sustainable management plan in place certified to FSC or PEFC

<sup>3</sup> Recycling of plastic except chemical recycling. Only recycled plastic will be used for manufacturing of these products with below criteria:

- i) Atleast 90% of the recycled plastic will be considered for production using plastic.
- ii) Atleast 90% of the final product is not intended for single use product and final product is recyclable.

<p><b>Clean Transportation</b></p>	<p>Investments, expenditure and financing related to projects aiming at developing/ manufacturing low-carbon passenger and freight transportation or related infrastructure, including:</p> <ul style="list-style-type: none"> <li>▪ For passenger non-public transportation (e.g., passenger cars and commercial vehicles), either zero direct emissions (fully electric or hydrogen) or with tailpipe emissions of below 50g CO<sub>2</sub>e/km until 2025 (non-eligible thereafter),</li> <li>▪ For passenger public transportation (e.g., light rail transit, metro, tram, trolleybus, bus and rail), either zero direct emissions (fully electric or hydrogen) or with tailpipe emissions of below 50g CO<sub>2</sub>e/km per passenger until 2025 (non-eligible thereafter),</li> <li>▪ For freight rail<sup>4</sup> (trains), either zero direct emissions (fully electric or hydrogen) or with tailpipe emissions at or below (≤) 25g CO<sub>2</sub>e/t-km (tonne-kilometre),</li> <li>▪ For road freight, zero direct emissions (electric or hydrogen).</li> </ul> <p>Expenditure and financing related to development, manufacturing and recycling of rechargeable batteries and fuel cell for clean transportation. Expenditure and financing related to consumer loans towards electric vehicles and electric rickshaws.</p> <p><b>Key contribution to SDGs:</b></p> 
<p><b>Climate Change Adaptation</b></p>	<p>Investments, expenditure and financing related to projects including monitoring and / or forecasting:</p> <ul style="list-style-type: none"> <li>▪ Temperature related climate hazards,</li> <li>▪ Wind related climate hazards,</li> <li>▪ Water related climate hazards, and/or</li> <li>▪ Land related climate hazards.</li> </ul> <p>for reducing or avoiding weather-related damage and/or disruption.</p> <p>Investments, expenditure and financing of Climate change adaptation activities related projects (relevant projects) of the National Missions outlined in India's National Action Plan on Climate Change (NAPCC):</p>

<sup>4</sup> Fossil fuel freight must not be more than 25% of the freight transported (in tonne/km)

	<p>a) Infrastructures for reducing/avoiding weather related damages/ disruption.<sup>5</sup></p> <p><b>Key contribution to SDGs:</b></p> 
<p><b>Energy Efficiency</b></p>	<p>Investments, expenditure and financing related to projects and technologies that are designed to enable energy and emissions reductions that aim to achieve at least 20% energy savings. Examples include:</p> <ul style="list-style-type: none"> <li>▪ To include projects bringing energy efficiency relating to battery storage for renewable energy sources</li> <li>▪ Smart grids technologies<sup>6</sup></li> <li>▪ Energy management systems (upgrades, modifications, service and improvements to industrial and manufacturing processes that result in an increase in energy efficiency, decrease in Specific Energy consumption due to Technological upgradation including product design, service, redesign, addition and modification of features that have specific purpose of increasing energy efficiency)<sup>7</sup>,</li> <li>▪ Building technologies such as LED lighting, smart meters for households and replacement of boilers to improve energy performance.</li> </ul> <p><b>Key contribution to SDGs:</b></p> 

<sup>5</sup> For e.g projects to improve water resilience to climate change may include construction of climate resilient water tanks that are used to store water in buildings, roofing structure improvements, rainwater harvesting facilities.

<sup>6</sup> Development, Manufacturing, Installation of technologies/components that enable more efficient transmission and distribution under smart grid technologies category. This includes SCADA system, communications, and sensors technologies such as Wide Area monitoring System (WAMS), advance/smart meters, monitoring and control automation devices, big data or computing platforms.

<sup>7</sup> Expenditures within this category exclude energy-efficient technologies designed or intended for processes that are inherently carbon intensive, primarily driven or powered by fossil fuels, such as: Oil or gas-fired boilers, cogeneration and CHP units as well as production processes in heavy industries, such as steel, cement, aluminium.

<p><b>Green Buildings</b></p>	<p>Investments, expenditure and financing related to projects including green buildings<sup>8</sup> certified under:</p> <ul style="list-style-type: none"> <li>▪ Energy and environmental design (LEED) - Gold or Platinum.</li> </ul> <p>Building research establishment environmental assessment method (BREEAM) - excellent, or above.</p> <p><b>Key contribution to SDGs:</b></p> 
<p><b>Living Natural Resources and Land Use Projects</b></p>	<p>Investments, expenditure and financing related to projects including:</p> <ul style="list-style-type: none"> <li>▪ Sustainable fisheries and aquaculture <i>projects</i><sup>9</sup></li> </ul> <p><b>Key contribution to SDGs:</b></p>     
<p><b>Renewable Energy</b></p>	<p>Investments, expenditure and financing related to projects including renewable energy such as:</p> <ul style="list-style-type: none"> <li>▪ Ground-mounted solar power and grid connected rooftop solar power (photovoltaic and concentrated solar power)<sup>10</sup>,</li> <li>▪ Wind energy (onshore and offshore),</li> <li>▪ Hydro energy (generating less than 25MW, or run-of-river projects without artificial reservoir<sup>11</sup>)</li> <li>▪ Waste-to-energy projects that recover energy from agri/forestry waste or Municipal Solid Waste (MSW) with the condition that majority of recyclables (especially plastics) are segregated before energy conversion and geothermal energy for electricity generation (limited to direct emissions of &lt;100g CO<sub>2</sub>e/KWh),</li> </ul>

<sup>8</sup> Development or acquisition of new buildings or retrofit/upgrade/renovation of existing buildings provided such retrofit/upgrade/renovation leads to at least 30% improvement in energy efficiency, or results in improving building certification levels.

<sup>9</sup> Certified by a recognized and credible third-party standard and have achieved the minimum rating requirement. (for e.g. ASC for farm level certification, Global G.A.P for Aquaculture.)

<sup>10</sup> At least 85% of the electricity generated from the facility will be derived from solar energy resources, and non-renewable energy back up will be limited to 15% of the facility's electricity production

<sup>11</sup> Regardless of the size, an environmental and social impact assessment done by a credible body be required per project, and there should be no significant risk or expected negative impact identified. The eligible projects operational after 2019 will have a power density greater than 10W/m<sup>2</sup>, whereas for projects operational before 2019, a power density greater than 5 W/m<sup>2</sup> will be ensured.

	<ul style="list-style-type: none"> <li>▪ Bioenergy<sup>12</sup> (e.g., oil seed crops, sugar crops, wood pellets, excluding peat and palm oil) for electricity generation (limited to life-cycle emissions of &lt;100g CO<sub>2</sub>e/KWh).</li> </ul> <p><b>Key contribution to SDGs</b><sup>13</sup></p> 
<p><b>Sustainable Water and Wastewater Management</b></p>	<p>Investments, expenditure and financing related to projects, including, developing/ manufacturing infrastructure, equipment and technology for</p> <ul style="list-style-type: none"> <li>▪ Provision of clean and/or drinking water (<i>clean water treatment facility</i>),</li> <li>▪ Solar photovoltaic pump sets,</li> <li>▪ Rainwater harvesting systems and development of ponds,</li> <li>▪ Waste-water treatment (water recycling system. sewer network, treatments/manure and slurry treatment facilities),</li> <li>▪ Horticulture (drip and sprinkler irrigation methods development of water monitors and taps with fixed with low-flow water fixtures).</li> </ul> <p><b>Key contribution to SDGs:</b></p> 
<p><b>Waste Management and Resource Efficiency</b></p>	<p>Investments, expenditure and financing related to projects including:</p> <ul style="list-style-type: none"> <li>▪ Waste Management Projects (waste collection/ processing/recycling)<sup>14</sup>,</li> </ul>

<sup>12</sup> Biomass/fuel that is derived from sources of high biodiversity, that competes with food sources or that depletes carbon pools is excluded

<sup>13</sup> The tables for eligibility criteria contained in Appendix A follows Reserve Bank of India's Master Directions – Priority Sector Lending (PSL) – Targets and Classification (Master Directions FIDD.CO.Plan.BC.5/04.09.01/2020-21)

<sup>14</sup>For waste collection activities, source segregation will be ensured. For recovery and processing, segregation of recyclables for waste to energy facilities will be ensured. The activity will exclude chemical recycling of plastics. In case of e-waste recycling, robust waste management plan to be in place to mitigate associated risks.

	<ul style="list-style-type: none"> <li>▪ Pollution Control Projects. (projects that are approved by India’s Commission for Air Quality Management (CAQM) related to reducing air emissions through installation of smoke-stack scrubbers, or process upgrades, installation of sensors to monitor/test emission control/compliance<sup>15</sup>)</li> </ul> <p><b>Key contribution to SDGs:</b></p> 
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#### 4.2.2 Eligible Social Project categories

Eligible Social Project Categories	Eligibility criteria and examples
<b>Access to Essential Services</b>	<ul style="list-style-type: none"> <li>▪ Education loans to individuals including vocational courses up to ₹20 lakh;<sup>16</sup></li> <li>▪ Loans for building social infrastructure (e.g., Schools, Health care facilities) up to a limit of ₹5 crore per borrower.<sup>17</sup></li> </ul> <p><b>Key contribution to SDGs:</b></p> 
<b>Affordable Infrastructure</b> <b>Basic</b>	<p>Investments or projects related to providing access to essential services, including:</p> <ul style="list-style-type: none"> <li>▪ Vehicles including buses<sup>18</sup> that enables mobility for general public in rural and underserved areas with no access or inadequate access to transportation,</li> </ul>

<sup>15</sup>Financing will exclude air pollution prevention from fossil fuel production; and prevention of air pollution that results directly from technologies that are inherently reliant on fossil fuels as an energy source.

<sup>16</sup>Special emphasis will be given to students coming from Low-Income / Economically Weaker Sections.

<sup>17</sup>In financing the eligible projects/ entities, the Bank shall require a confirmation of accessibility to all, including those from economically weaker sections (as defined by Government of India)

<sup>18</sup> Vehicles financed and/or refinanced will also be subjected to relevant international environmental standards. Eligibility includes vehicles that are fully electric only.

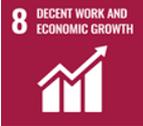
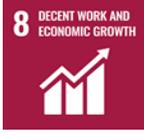
	<ul style="list-style-type: none"> <li>▪ Development of roads in areas that lack connectivity, or in areas lacking infrastructure in underdeveloped regions,</li> <li>▪ Loans up to a limit of ₹5 crore per borrower for building social infrastructure for drinking water facilities and sanitation facilities including construction/ refurbishment of household toilets and household level water improvements in Tier II to Tier VI centres<sup>19</sup>.</li> </ul> <p><b>Key contribution to SDGs:</b></p> 
<p><b>Affordable Housing</b></p>	<p>Investments or projects including:</p> <ol style="list-style-type: none"> <li>loans to individuals for purchase or construction of low-cost houses<sup>20</sup></li> <li>loans to individuals for renovation of an existing house<sup>21</sup></li> <li>loans for affordable housing projects<sup>22</sup></li> </ol> <p>Additionally, SBI intends to prioritize loans to EWS and LIG.</p> <p><b>Key contribution to SDGs:</b></p> 

<sup>19</sup>Tier-wise classification of centres based on RBI/2009-10/243 DBOD.No.BL.BC. 65 /22.01.001/2009-10 dated 01.12.2009)

<sup>20</sup>SBI follows RBI’s Master Directions - Priority Sector Lending – Targets and Classification (updated as on October 20, 2022) and intends to provide housing loans given the cost of the house is not more than INR 4.5 million in metropolitan centres with population of 1 million or above and INR 3 million in other centres. SBI intends to provide such low-cost housing loans for an amount not exceeding INR 3.5 million in metropolitan centres and INR 2.5 million in other centres.

<sup>21</sup>SBI follows RBI’s Master Directions - Priority Sector Lending – Targets and Classification (updated as on October 20, 2022) wherein for renovation of an existing house the loan amount will be up to INR 1 million in metropolitan centres and up to INR 600,000 in other centres.

<sup>22</sup>As per RBI’s Master Directions - Priority Sector Lending – Targets and Classification (updated as on October 20, 2022) and as per Ministry of Finance, Government of India, “Affordable Housing” is defined as a housing project using at least 50% of the Floor Area Ratio (FAR)/Floor Space Index (FSI) for dwelling units with carpet area of not more than 60 square meters.

<p><b>Employment Generation including SME Financing/Microfinance</b></p>	<p>Investments or projects related to providing employment generation, including:</p> <ul style="list-style-type: none"> <li>Loans to MSMEs as defined by the Government of India. Further, such MSMEs should be engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services,</li> <li>Purchase or investments in secondary credit portfolios from other financial institutions with underlying loans originating from MSME and/or microfinancing transactions as defined in this section or otherwise fulfilling one of the eligibility criteria listed in this Framework.</li> </ul> <p><b>Key contribution to SDGs:</b></p>  
<p><b>Food Security</b></p>	<p>Investments or projects related to Investment in infrastructure and facilities such as warehouses to provide adequate storage, improve food conservation or improve connectivity in the food chain to avoid food losses</p> <p><b>Key contribution to SDGs:</b></p>  
<p><b>Socioeconomic Advancement and Empowerment</b></p>	<p>Investments or projects related to enabling socioeconomic advancement and empowerment, including:</p> <ul style="list-style-type: none"> <li>Lending to the agriculture sector shall include Farm Credit (short term crop loans and medium/long term credit to farmers), and ancillary activities as set out in Table 1 in the Appendix A,</li> </ul> <p><b>Key contribution to SDGs:</b></p>    

	
<p><b>Target Population for Social Project Categories</b></p>	<p>The aforementioned project categories/criteria may provide direct or indirect benefit(s) to one or more of the following target populations:</p> <ul style="list-style-type: none"> <li>• Economically Weaker Sections (EWS)<sup>23</sup> and Low-income households<sup>24</sup></li> <li>• Rural communities</li> <li>• Elderly Person with disabilities<sup>25</sup></li> <li>• Scheduled Tribes and Scheduled Castes<sup>26</sup></li> <li>• Unemployed</li> <li>• Micro, Small and Medium Enterprises (MSMEs)<sup>27</sup></li> </ul>

#### 4.2.3 Exclusion Criteria

In any case, Eligible Projects exclude the type of activities listed in the International Finance Corporation (“IFC”) Exclusion List (2007)<sup>28</sup>, as well as the following industry categories:

- Clean coal and any other fossil fuel related assets,
- Nuclear energy and nuclear related assets,
- Hydropower projects with capacity over 25MW,

<sup>23</sup>Economically weaker sections are defined as persons whose family has a gross annual income below INR 800,000 and are not covered under the scheme of reservation for schedules castes, scheduled tribes and other backward classes. <https://pib.gov.in/PressReleaseframePage.aspx?PRID=1781353>

<sup>24</sup>Ref: [https://pmaymis.gov.in/PDF/HFA\\_Guidelines/hfa\\_Guidelines.pdf](https://pmaymis.gov.in/PDF/HFA_Guidelines/hfa_Guidelines.pdf)

<sup>25</sup>SBI follows the Government of India’s definition of Persons with Disabilities (PwD) as given in “The Rights of Persons with Disabilities Act, 2016”, at: <https://disabilityaffairs.gov.in/content/page/acts.php>

<sup>26</sup>SBI follows the definition of SC and ST as defined under clause (24) and (25) of article 366 of the Constitution of India.

<sup>27</sup>SBI’s definition of MSMEs is in accordance with the Micro, Small and Medium Enterprises Development (MSMED) Act 2006 wherein for a micro enterprise the investment in plant and machinery or equipment does not exceed INR 10 million and turnover does not exceed INR 50 million, for a small enterprise the investment in plant and machinery or equipment does not exceed INR 100 million and turnover does not exceed INR 500 million and for a medium enterprise the investment in plant and machinery or equipment does not exceed INR 500 million and turnover does not exceed INR 2.5 billion.

<sup>28</sup> The IFC exclusion list mainly includes projects for production or trade in any products or activity deemed illegal, production or trade in Weapons & Munitions, Alcoholic Beverages (excluding Beer and Wine), Tobacco, Radioactive Materials & unbonded Asbestos Fibres, gambling, casinos & equivalent enterprises, drift Net Fishing in the marine environment using nets in excess of 2.5km in length. In addition, FIs must exclude production or activities involving harmful or exploitative forms of forced labour/harmful child labour, commercial logging operations for use in primary tropical moist forest and production or trade in wood or other forestry products other than from sustainably managed forests. To find out the full list: <http://www.ifc.org/exclusionlist>

- Luxury sectors such as precious metals, precious artworks & antiques, golf course services and hospitality groups,
- Agricultural or deforestation operations located on land designated as primary forest, rich biodiversity, high conservation value areas, or legally preserved areas,
- MSMEs that knowingly and intentionally engage in child labour, forced labour, unfair labour practices, conflict minerals, predatory lending, mining equipment, carbon intensive sectors, and controversial sectors such as weapons, mining, tobacco.
- Production or trade of any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans.

## 5. PROCESS FOR PROJECT EVALUATION AND SELECTION

A Sustainability Committee (“SC”) shall be set up in order to determine the eligibility of a project under the ESG Financing Framework and also for regular monitoring of the Portfolio thereunder.

The members of the SC shall be:

- Chief General Manager (Credit Policy & Procedures) – *Chairman*  
(Alternate Chairman- Chief General Manager (Risk management-1))
- General Manager (Agriculture) – *Member*  
(Alternate Member- GM (NBFC Alliances))
- General Manager-I (Small & Medium Enterprise Business Unit - SMEBU) – *Member*  
(Alternate Member- General Manager-II (Small & Medium Enterprise Business Unit - SMEBU))
- Deputy General Manager (CSR & Sustainability) – *Nodal Officer & Convenor*
- Deputy General Manager (Treasury Management Group-I under IBG) – *Member*  
(Alternate Member- Deputy General Manager (Treasury Management Group-II under IBG))

Minimum quorum of the committee shall be three including Chief General Manager (Credit Policy & Procedures) or his alternate and Deputy General Manager (CSR & Sustainability).

Any project to be reckoned in the framework shall have to be cleared by SC as per the Eligibility Criteria stipulated in the Section 4.2 above and shall be labelled in Core Banking Solution (“CBS”) for monitoring and tracking purpose.

The SC shall oversee the preparation and validation of relevant reporting for ESG instruments issued under this framework.

## **5.1 Identification and management of ESG risks associated with the relevant Project(s)**

SBI has devised 'ESG risk rating model' to assess borrowers (relevant projects) on ESG criteria for facilitating identification of Social, Environmental and Governance risks associated with relevant project(s). The relevant projects for ESG Financing Framework shall be Existing Borrower / Prospective Borrowers in India with Existing /Proposed Total Exposure with SBI of above Rs 100 crs (for Listed Borrowers) and above Rs 500 crs (for Unlisted Borrowers). Such relevant projects shall have to be rated mandatorily on ESG Criteria at the time of internal Rating at evaluation stage.

These Relevant Project(s) shall be tested on various parameters and rated on the basis of aggregate scores from ESG 1 to ESG 16, with ESG 1 to ESG 5 rated projects being labelled as ESG Leaders.

In case the proceeds are being used for financing of relevant project(s) in eligible category, it shall be ensured that the projects are rated on ESG Criteria before being considered for Financing under the proposed ESG Financing Framework. In case of refinancing, these relevant project(s) shall be already rated on ESG Criteria.

## **6. MANAGEMENT OF PROCEEDS**

A labelling mechanism shall be developed in CBS/ Loan Life Cycle Management System/ Management Information System for existing projects/accounts earmarked under Green, Social or Sustainable portfolio, which can be extracted through product code.

The label shall enable extraction of the details of Green, Social or Sustainable portfolio including loan account number, borrower name, use of proceeds, sanctioned 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 can be recorded on a real time basis.

The ESG Portfolio shall be regularly updated in order to track any repayment / refinancing in the asset portfolio and new loan portfolio earmarked for the proceeds.

Unallocated proceeds, if any, shall be invested or allocated in liquid money market instruments, government securities, as deemed fit by the Bank with strict exclusion to sectors or activities identified in the Exclusion Criteria set forth above in Section 4.2.3. Overall allocation shall be in accordance with stipulations detailed in Section 4.1 of this framework.

### **6.1 Proceeds Allocation: Labelling Mechanism**

The labelling mechanism shall include but not be limited to the following information: Transaction Date, Amount of (net) Proceeds, Maturity Date, Coupon, Loan / Bond Type, Pricing Date, ISIN Code and/or other identifiers as required.

Further, following information shall be included on the allocation of proceeds of entire ESG portfolio:

- ❖ Project briefing of various Eligible Green Projects and/or Eligible Social Projects allocated
- ❖ Amounts allocated to the various Eligible Green Projects and/or Eligible Social Projects
- ❖ Amount of unallocated proceeds
- ❖ Use of unallocated proceeds

## **6.2 ESG Portfolio: Monitoring of Proceeds**

The overall portfolio position under ESG Financing Framework shall be monitored quarterly by the SC. Any changes to the overall portfolio considered under the Green, Social or Sustainable categorisation or removal and addition of individual projects from the Green, Social or Sustainable portfolio shall be done according to the Eligible Criteria set forth in the Framework and shall have to be cleared by the SC.

During the life of the loans / bonds issued, if the designated projects cease to comply with the Framework or if they are postponed or if eligible assets are divested by SBI, the net proceeds shall be re-allocated to other eligible projects or assets, on a best effort basis within 24 months from the date of determination of such event taking place. Such monitoring shall be done throughout the life of the instruments issued under ESG Financing Framework.

## **7. REPORTING**

The Bank shall report the use of proceeds for each instrument issued under this Framework as part of the Bank's Annual Sustainability Report or on a standalone basis. Allocation Reporting shall be disclosed annually until full allocation and as necessary in the event of material developments.

This report shall be made available on SBI's website and shall contain at least the following information:

- ❖ Allocation amount by Eligible Green Project Category and/or Eligible Social Project Category, indicating the SDG(s) of which such allocation supports
- ❖ Amount of proceeds to be allocated, and its temporary treatment
- ❖ Proportion of proceeds used for financing versus refinancing
- ❖ Allocation amount by geographical distribution
- ❖ Eligible Project examples, subject to confidentiality
- ❖ Amount of unallocated proceeds and its temporary treatment

### **7.1 Impact Reporting**

Impact Reporting shall be disclosed annually until full allocation and on a timely basis in the case of material developments. Wherever possible and subject to the nature of

Eligible Projects and availability of information, the Bank shall endeavour to report on qualitative and quantitative impacts of Eligible Projects (re)financed through ESG instruments issued under the Framework (Appendix B). Such impact reports will be made readily available to the investors.

## **8. EXTERNAL REVIEW**

SBI shall obtain and make publicly available a Second Party Opinion (“SPO”) from a consultant/External Auditor at pre-issuance stage to provide an opinion on the environmental and social benefits of this Framework as well as on the alignment to the ICMA Green Bond Principles 2021, Social Bond Principles 2021, Sustainability Bond Guidelines 2021, LMA Green Loan Principles 2021 and Social Loan Principles 2021. The Second Party Opinion shall be published on SBI’s website: [www.sbi.co.in](http://www.sbi.co.in).

SBI may engage an independent third party to conduct post-issuance assurance on the allocation of proceeds and impact reporting stated in the Section 7.

## **9. AMENDMENTS TO THE FRAMEWORK**

The Bank shall review this Framework on a regular basis, including its alignment to updated versions of applicable Principles and/or Guidelines as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended.

The Bank further notes that components of this Framework overlaps reference to policies and definitions set forth by the Reserve Bank of India and other relevant regulatory bodies within the Bank’s operating jurisdictions. In the case of material developments and changes in such policies and definitions, the Bank may, at its discretion, update the eligibility criteria for respective eligible categories in accordance with the latest policy development.

Any update of this Framework shall either retain or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. SBI shall obtain and make publicly available a fresh Second Party Opinion (“SPO”) from a consultant/External Auditor to provide an opinion on its alignment to updated versions of applicable Principles and Guidelines as well as environmental and social benefits of the updated Framework as well.

The Framework, upon such updation, shall be published on the Bank’s website and shall replace this Framework.

**Table 1: Agriculture Finance**

Farm Credit	<p>Loans to</p> <ul style="list-style-type: none"> <li>• Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of farmers,</li> <li>• Small/Marginal Farmers</li> <li>• Farmer Co-operatives of Small/marginal Farmers</li> </ul> <p>Directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. This shall include:</p> <p>(i) Crop loans to farmers, which shall include traditional/non-traditional plantations and horticulture, and loans for allied activities,</p> <p>(ii) Medium and long-term loans to farmers for agriculture and allied activities, (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.)</p> <p>(iii) Loans to farmers for harvesting, sorting, grading and transporting of their own farm produce,</p> <p>(iv) Loans to farmers up to ₹50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months,</p> <p>(v) Loans to distressed farmers indebted to non-institutional lenders,</p> <p>(vi) Loans to farmers under the Kisan Credit Card Scheme,</p> <p>(vii) Loans to small and marginal farmers for purchase of land for agricultural purposes.</p>
Agriculture Infrastructure	<p>Loans to individual farmers, Self Help Groups (SHGs) or Joint Liability Groups (JLGs) and/or corporate farmers, farmers' producer organisations, partnership firms &amp; Co-operatives of farmers limited to Small/Marginal farmers for:</p> <p>(i) Soil conservation and watershed development,</p> <p>(ii) Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting.</p>
Ancillary Activities	<p>(i) Loans up to ₹5 crore to co-operative societies of farmers for disposing of the produce of members</p> <p>(ii) Loans for setting up of Agri-clinics and Agri-business Centers,</p>

<sup>29</sup> The tables for eligibility criteria contained in Appendix A follows Reserve Bank of India's Master Directions – Priority Sector Lending (PSL) – Targets and Classification (Master Directions FIDD.CO.Plan.BC.5/04.09.01/2020-21)

	(iii) Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture,
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Impact Reporting of Green Project categories

*(Detailed Indicators for Impact Reporting pertaining to Green Project categories may be referred from ICMA Harmonised Framework of Impact Reporting)*

Eligible Green Project Categories	Environmental Impact Indicators Examples
Biodiversity	<ul style="list-style-type: none"> <li>• Maintenance/safeguarding/increase of protected area, Natural Landscape area.</li> <li>• Number of predefined target organisms and species per km<sup>2</sup> before and after the project</li> <li>• Number of protected sensitive species in conserved area before and after the project</li> </ul>
Circular Economy and/or Eco-Efficient Projects	<ul style="list-style-type: none"> <li>• % of Single use products replaced by reusable products.</li> <li>• % increase in reusable, recyclable, and/or certified compostable materials, components &amp; products</li> <li>• Increased proportion of circular materials produced as a % of the total material production of the project</li> <li>• Waste that is prevented, minimised, reused or recycled before and after the project</li> <li>• Virgin raw materials that are substituted by secondary raw materials and by-products from manufacturing processes</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided (tCO<sub>2</sub>eq p.a.)</li> <li>• Passenger-kilometers constructed, Reduction of air pollutants</li> <li>• Number of clean vehicles deployed (e.g., electric)</li> <li>• Estimated reduction in car/truck use in number of kilometers driven or as share of total transport ridership.</li> <li>• Estimated reduction in fuel consumption</li> </ul>
Climate Change Adaptation	<ul style="list-style-type: none"> <li>• Increase in grid resilience, energy generation, transmission/distribution and storage in MWh</li> <li>• Reduction in the number of wildfires, and/or in the area damaged by wildfires in km<sup>2</sup></li> <li>• Reduction in repair costs due to storms</li> <li>• Reduction in the number of customers/employees suffering loss of power/transport services</li> <li>• Reduction in the number of power lines incapacitated due to storms. Reduction in flood damage costs, Reduction in number of operating days lost to floods</li> <li>• Reduction in land-loss from inundation and/or coastal erosion</li> </ul>

Energy Efficiency	<ul style="list-style-type: none"> <li>• Annual energy savings</li> <li>• Annual GHG emissions reduced/avoided (tCO<sub>2</sub>eq p.a.)</li> <li>• Number of people who benefitted</li> </ul>
Green Buildings	<ul style="list-style-type: none"> <li>• Energy use reduced; Renewable energy generated on site</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equiv.</li> <li>• % of carbon emissions reduced/avoided</li> </ul>
Living Natural Resources and Land Use Projects	<ul style="list-style-type: none"> <li>• Number of sustainable fisheries and aquaculture activities financed</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>• Annual Green House Gas (GHG) emissions reduced/avoided (tCO<sub>2</sub>eq p.a.)</li> <li>• Annual renewable energy generation</li> <li>• Capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> </ul>
Sustainable water and wastewater management	<ul style="list-style-type: none"> <li>• Annual water uses before and after the project, reduction in water use in %.</li> <li>• Annual amount of wastewater treated, reused or avoided before and after the project.</li> <li>• Number of people with access to clean drinking water, improved sanitation facilities under the project</li> <li>• Number of people and/or enterprises benefitting from measures to mitigate the consequences of floods and droughts.</li> </ul>
Waste Management and Resource Efficiency	<ul style="list-style-type: none"> <li>• Percentage amount of waste minimized, reused or recycled (%)</li> <li>• Annual GHG emissions reduced/avoided (tCO<sub>2</sub>eq p.a.)</li> <li>• Annual energy generation from non-recyclable waste</li> <li>• Net Energy recovered from waste p.a.</li> <li>• Annual amount of waste that is separated and/or collected and treated (including composted) or disposed of.</li> </ul>

## Impact Reporting of Social Project categories

*(Detailed Indicators for Impact Reporting pertaining to Social Project categories may be referred from ICMA Harmonised Framework of Impact Reporting for Social Bonds)*

Eligible Social Project Categories	Social Impact Indicators
Access to Essential Services	<ul style="list-style-type: none"> <li>• Number of beneficiaries</li> <li>• Number of people reached with improved healthcare</li> <li>• Number of Medical Centers constructed</li> <li>• Amount of outstanding loans for educational infrastructure</li> </ul>
Affordable Infrastructure	<ul style="list-style-type: none"> <li>• Number of beneficiaries</li> <li>• Number of drinking water/sanitation facilities installed</li> <li>• Number of vehicles finance that enable public mobility</li> <li>• Number of road infrastructure projects financed that serve underdeveloped areas</li> <li>• Number of loans granted for construction/refurbishment of drinking water and sanitation facilities.</li> </ul>
Affordable Housing	<ul style="list-style-type: none"> <li>• Amount of outstanding loans for indemnificatory housing programs</li> <li>• Number of housing units constructed/preserved</li> <li>• Number of individuals benefitted</li> </ul>
Employment Generation	<ul style="list-style-type: none"> <li>• Number of jobs created</li> <li>• Number of SMEs financed/supported</li> <li>• Number of employees of SMEs supported</li> </ul>
Food Security	<ul style="list-style-type: none"> <li>• Reduced number of food insecure people</li> <li>• Reduced malnourishment</li> <li>• Number of people provided with safe, nutritious and sufficient food</li> <li>• Number of warehouses infrastructure financed</li> </ul>
Socio-Economic Advancement and Empowerment	<ul style="list-style-type: none"> <li>• Number of people benefiting from the eligible financial support</li> <li>• Number of small/marginal farmers benefiting from the eligible financial support</li> </ul>