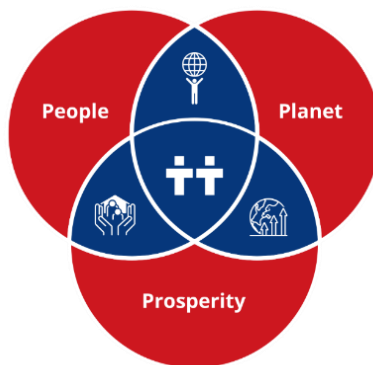




GREEN DEPOSIT POLICY

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1. Introduction

ESAF Small Finance Bank, established in 2017, has the legacy and heritage of triple bottom-line actions for a credible period of a quarter of a century, since 1992, the formation of ESAF. This legacy has consolidated to a commitment to a regenerative economy as adopted in the Bank's policies.

Climate change is a pressing issue that poses significant risks to the environment, society, and thereby to the economy. Reserve Bank of India, as a member of the Network for Greening the Financial System (NGFS) has invited Banks in India to play the crucial role by visible actions like Green Deposits and using its proceeds for green activities and projects. In line with the Reserve bank of India's notification on green deposits and our commitment to Environmental, Social, and Governance (ESG) principles, this policy aims to promote sustainability through green deposits and the financing of green projects through ESAF Bank Green Deposits.

The Bank has already launched a series of products aiming at planet sustainability and the Green Deposit can be an effective measure for bridging the gap for green funds. Hence, the Green Deposit Policy will serve as a catalyst to raise funds and deploy the same for environmental impact and climate action.

2. Purpose

The Green Deposit Policy aims to promote environment-friendly initiatives by encouraging depositors to place their deposits that can be deployed for green projects and activities contributing to sustainable development. The policy equips the bank to mobilize deposits and deploy the same to fund projects that promote environmental conservation, renewable energy, energy efficiency, and other green initiatives.

The policy will enable the bank to work towards creating a sustainable, equitable and inclusive society through the products and services that will pave way to promote resilience among all the stakeholders.

The policy will facilitate a structured methodology for the classification and reporting of financial products and services that is classified as 'Green', with a Comprehensive Green Deposit framework.

3. Objectives

The objectives of this policy are:

1. To offer green deposits to customers and helping them to achieve their sustainability concerns and goals, address greenwashing concerns, and augment the flow of credit to green activities and projects.
2. To achieve Bank's commitment on the United Nation's Sustainable Development Goals (SDGs) through raising funds as Green deposits and deploying the same through a defined framework for sustainable development, fostering innovation in clean technology, and driving investment in environmentally sustainable projects.
3. To build synergies with like-minded green investors with the framework of green financing, who are looking for sustainable investment opportunities. By establishing a robust framework for green deposits, the Bank can position itself as an attractive

destination for green finance, which in turn can boost the economy and create new jobs in the green sector.

4. To help mitigate climate risks and promote climate resilience by directing funds towards projects that address climate change adaptation and mitigation

4. Scope

This policy applies to all green deposits and financing activities undertaken by ESAF Small Finance Bank based on the RBI Circular RBI/2023-24/14 DOR.SFG.REC.10/30.01.021/2023-24 dt.11 April 2023.

5. Policy Details

5.1. Green Deposits- Basic Considerations

1. Green deposits are fixed-term deposits offered to customers, with the funds being utilized exclusively for financing green projects. The key features of green deposits include:

- a. Assurance of Use of Funds: Guaranteeing that the funds will be used for environmentally sustainable projects.
- b. Regular Reporting: Providing regular updates on the allocation of funds and the impact of financed projects.

2. Bank shall issue Green Deposits as Cumulative or Non-Cumulative deposits denominated in Indian Rupees Only.

3. The tenor, size, interest rate, and other terms and conditions applicable to green deposits shall be in compliance with RBI's Master Directions on Interest rate on deposits.

4 The Bank shall set up Green deposit products in the system, for augmenting the resources of Green finance initiatives. Alternatively, deposits collected, positioning and offering it as Green deposits to the depositors, during a pre-fixed period, declared in advance may be classified as Green Deposits and earmarked for Green financing. Awareness on the green deposits shall be done through promotional activities by the Retail Liability Department with the assistance of Marketing and Sustainable Banking Department.

5.2. Eligibility Criteria

Green deposits may be offered to the customers as per section 4.4 of the Green Financing Framework.

5.3. Eligible Projects for Green Deposit proceeds

Funds from green deposits will be allocated to projects that are as defined in the use of proceeds section of the green financing framework as defined in the RBI notification RBI/2023-24/14 DOR.SFG.REC.10/30.01.021/2023-24 dt.11 April 2023.

6. Reviews and Renewals

The bank shall tirelessly improve its processes, systems, and controls related to Green Deposits and Green financing to ensure complete alignment with industry best practices and global standards.

The Bank shall proactively review and assess the effectiveness of its green deposit policy and promptly make necessary upgrades based on evolving regulatory requirements, market conditions, and stakeholder feedback, at least once annually.

7. Conclusion

ESAF Small Finance Bank's Green Deposit Policy is intricately linked to our Environmental, Social, and Governance (ESG) Policy, serving as a practical manifestation of the bank's unwavering commitment to fostering a sustainable, equitable, and inclusive society. By strategically directing funds towards environmentally sustainable projects, the bank aims to mitigate climate risks, promote climate resilience, and support the national agenda for sustainable development.

The Green Deposit Policy is a holistic approach that integrates all facets of the bank's ESG commitments. It is subject to annual review and regular updates with the approval of the Board of Directors through the ESG Committee.