



POLICY ON

ACCEPTANCE OF GREEN DEPOSITS

JUNE 2023

1. INTRODUCTION

- 1.1. Reserve Bank of India (RBI) has issued a Circular Ref: RBI/2023-24/14 DOR.SFG.REC.10/30.01.021/2023-24 dated 11-04-2023, to put in place a 'Framework for acceptance of Green Deposits' ("**Framework**"), for all the Scheduled Commercial Banks, Deposit taking Non-Banking Finance Companies (NBFCs) including Housing Finance Companies (HFCs), applicable with effect from 01-06-2023.
- 1.2. Purpose/ Rationale: The Framework has been issued by the RBI to encourage Banks/ NBFCs/ HFCs to offer green deposits to customers, protect interest of the depositors, aid customers to achieve their sustainability agenda, address greenwashing concerns and help augment the flow of credit to green activities/ projects.
- 1.3. As part of the Framework, deposit taking NBFC-HFCs are required to put in place a comprehensive Board-approved policy on 'Green Deposits' which shall be made available on the website of the NBFC-HFC.
- 1.4. LIC Housing Finance Limited ("**Company**") is sensitive to climate risk, and recognizes the need to promote green funding for transitioning to more efficient and green sources of energy, and generally to prevent climate change in its endeavors towards Sustainable Development Goals (SDGs).
- 1.5. In view of the above, the Board of the Company, in its meeting dated June 12, 2023 has adopted this Policy on Green Deposits ("**Policy**") for the Company. The Policy shall be read considering and in adherence to the RBI's directions, guidelines, circulars or clarifications, and accordingly, in view of any amendments in the Framework from time to time, the Policy shall always be deemed amended so as to fall in line with the Framework.
- 1.6. This Policy shall be applicable to all offices and branches of the Company.

2. DEFINITIONS

- 2.1. In this Policy, unless the context states otherwise, the terms herein shall bear the meaning assigned to them below:
 - (a) "**Applicable Regulations**" shall mean the Reserve Bank of India Act, 1934 Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021 and the Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016 dated August 25, 2016, or such other law as may be applicable in the context of invitation or acceptance of deposits, as amended from time to time;
 - (b) "**Green Activities/Projects**" means the activities/projects meeting the requirements prescribed under [Annex 3](#) 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;
 - (c) "**Green Deposit**" means an interest-bearing deposit, received by the Company for a fixed period, the proceeds (or an equivalent amount thereof) of which are earmarked for being allocated towards Green Finance;
 - (d) "**Green Finance**" means lending to and/or investing in the Green Activities/Projects meeting the requirements prescribed in Annex 3 of this Policy;

- (e) **“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;
- (f) **“Relevant Managerial Team”** for the purpose of Green Deposits shall be the Chief Financial Officer (CFO) or such other authority as the Board may specify.

2.2. 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, or the Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016 dated August 25, 2016 or The National Housing Bank Act, 1987 or the Framework, including any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

3. ISSUANCE AND ACCEPTANCE OF GREEN DEPOSITS

- 3.1. The Company 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.
- 3.2. The primary features of Green Deposits shall be as follows:
 - 3.2.1. It shall be denominated in Indian Rupees only;
 - 3.2.2.** It may be raised from such persons, whether resident or non-resident, as per permitted norms, and for such periods, such minimum and maximum amounts per depositor, eligibility conditions, terms as to interest, brokerage or other matters, as may be determined by Relevant Managerial Team, from time to time, being compliant with Applicable Regulations;
 - 3.2.3. It may be issued as cumulative or non-cumulative deposits;
 - 3.2.4. Mode of issuance may be digital or physical subject to the regulatory guidelines;
 - 3.2.5. Terms as to premature withdrawal, renewal, nomination etc. may be decided in line with other public deposit schemes operated by the Company, or as may be determined by the Relevant Managerial Team.
- 3.3. 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.

4. FINANCING FRAMEWORK

The Board of Directors shall approve a Financing Framework (FF) separately for effective allocation of Green Deposits. An external review of the Financing Framework, or modifications thereof, if any, as may be warranted from time to time, is to be carried out by the Company. Such opinion of the external reviewer should be placed on website. The Financing Framework shall inter-alia, cover the following:

- 4.1. **Evaluation and Selection of the Green Project(s)**
 - 4.1.1. Process for project evaluation and selection by the Company (i.e., climate-related or environmental objectives);
 - 4.1.2. Manner of identification of projects fit for lending/investing within the eligible categories which would include associating with the completed/ upcoming projects which have been certified/ pre-certified by the authorised Green Building certifying agencies.

4.1.3. Mechanism for monitoring and validating the sustainability information provided by the borrower/investee.

4.2. Utilisation of proceeds, including temporary allocation

4.2.1. The Company 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 Company;

4.2.2. Specifying the particulars of temporary allocation (which would only be in liquid instruments up to a maximum original tenure of one year) of the proceeds from Green Deposit, pending their allocation to the eligible Green Activities/Projects.

4.3. Monitoring and Re-deployment

4.3.1. The periodicity for monitoring the utilisation shall be specified, which shall not be less than 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.

4.3.2. In case of amortisation (repayment or collection) from the Green Project, mode, and manner of redeployment to be laid down.

4.3.3. Specifying the manner of reporting for allocation of proceeds of Green Deposits;

4.3.4. Carrying out third-party verification/assurance of the allocation of proceeds and impact assessment.

5. THIRD-PARTY VERIFICATION/ASSURANCE AND IMPACT ASSESSMENT

5.1. 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 Company 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 Company;
- iii. Reporting and disclosures.

5.2. Conducting an Impact Assessment

(a) The Company with the assistance of external firms, as may be decided by the Relevant Managerial Team, 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 [Annex 1](#) 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 2023-24. From financial year 2024-25 an impact assessment shall be made mandatorily.
- 5.3. Additionally, the Company shall be responsible for the following:
- 5.3.1. 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 Company. 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;
 - 5.3.2. ensuring deploying at least as much money into the financing of Green Activities/Projects as the Company has raised through Green Deposits.

6. REPORTING AND WEBSITE DISCLOSURES

- 6.1. A review report shall be placed by the Relevant Managerial Team before the Board of Directors within three months from the end of the financial year which shall, inter-alia, cover the following details:
 - 6.1.1. Amount raised under Green Deposits during the previous financial year.
 - 6.1.2. List of Green Activities/Projects to which proceeds have been allocated, along with a brief description of the projects
 - 6.1.3. The amounts allocated to the eligible Green Activities/Projects
 - 6.1.4. A copy of the Third-Party Verification/Assurance Report and the Impact Assessment Report.
- 6.2. Disclosures:
 - 6.2.1 The Company shall make appropriate disclosures in their Annual Financial Statements on the portfolio-level information regarding the use of the funds from Green Deposits, as per the proforma prescribed in [Annex 2](#).
 - 6.2.2 The MD&CEO shall constitute an Internal Committee which shall review the Green Deposits mobilized and deployed for green activities in the manner and format as mentioned in Annex 2 on a half yearly basis within one month from the completion of half year (i.e. For the half year ending of 30th September by 31st October and for the half year ended on 31st March, by 30th April).
- 6.3. The updated version of the following shall be displayed on the website of the Company:
 - 6.3.1. This Policy;
 - 6.3.2. Financing Framework;
 - 6.3.3. Copy of the opinion from external reviewer on the Financial Framework (before implementation of the Framework);
 - 6.3.4. Copy of report of the Third-Party Verification/ Assurance and Impact Assessment of green projects funded by the Company.

7. COMPLIANCE, REVIEW AND AMENDMENTS OF THE POLICY

7.1. Compliance of the policy:

7.1.1 The procedures and processes within the financing framework would be formulated based on the following functional matrix:

- i) The Finance Department shall formulate the terms of issuance of Green Deposits with the approval of the Competent Authority. The terms of the Deposits shall be reviewed from time to time.
- ii) Credit Management Department, Corporate Office shall draw up the Financing Framework including appropriate guidelines/ SOPs about the Evaluation and Selection of the Green Project as per para (4), (5) and (6) of this policy.
- iii) The Monitoring under the financing framework would be carried out by the Credit Management Department and based on the outcome of the monitoring results, the Re-deployment of the funds may be carried out as per applicable procedure.

7.2. Review and Amendment of the policy:

The Finance Department with the inputs received from the Credit Management Department shall review the Policy at such periodic intervals as decided by the Board. If there are any changes in regulatory or statutory provision(s) applicable in respect of the above policy, such changes would automatically become part of this policy with immediate effect. The changes may be formalized by the Board during the next review cycle. Other than the amendments of regulatory/ statutory nature, all the other change(s) in the Policy shall be subject to prior approval of the Board.

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)

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 Company 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, the Company may provide sub-categories based on the funds allocated to each sub- sector. For example, Company may provide sub-categories like solar energy, wind energy, etc. under “Renewable Energy”.

Use of Proceeds – List of Green Activities/Projects

(As per RBI Circular Ref: RBI/2023-24/14 DOR.SFG.REC.10/30.01.021/2023-24 dated 11-04-2023)

The allocation of proceeds raised from Green Deposits shall be based on the official Indian green taxonomy. Pending finalization of the taxonomy, as an interim measure, the Company shall be required to allocate the proceeds raised through Green Deposits towards the following list of Green Activities/Projects which encourage energy efficiency in resource utilisation, reduce carbon emissions and greenhouse gases, promote climate resilience and/or adaptation and value and improve natural ecosystems and biodiversity.

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	<ul style="list-style-type: none"> ● Promoting water efficient irrigation systems. ● Installation/upgradation of wastewater infrastructure including
Management	transport, treatment and disposal systems. <ul style="list-style-type: none"> ● Water resources conservation. ● Flood defence 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 <ul style="list-style-type: none"> ● 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 Company shall ensure that the funds raised through Green Deposits are allocated to the eligible Green Activities/Projects.