

Second Party Opinion

Sustainable Financing Framework
Union Bank of India

March 2024

Second Party Opinion

Sustainable Financing Framework

Issuer's Name: Union Bank of India

Issuer's Location: Mumbai, India

Evaluation Date: March 28, 2024

Summary of evaluation

This document outlines CRISIL Limited's ("CRISIL") limited opinion on the Sustainable Financing Framework by Union Bank of India (version 1.0, March 2024). The assessment is based on the framework and other non-public information shared with CRISIL Limited by Union Bank of India and should be read in conjunction with the referred framework.

Basis the information received from Union Bank of India (UBI) and the stakeholder discussions with the UBI team, CRISIL in its limited capacity of an external reviewer is of the view that Sustainable Financing Framework by Union Bank of India is largely in alignment with the following:

- Green Bond Principles (GBP) 2021 as administered by ICMA¹
- Social Bond Principles (SBP) 2023 as administered by ICMA¹
- The Sustainability Bond Guidelines (SBG) 2021 as administered by ICMA¹
- Green Loan Principles (GLP) 2023 as administered by LMA, APLMA and LSTA²
- Social Loan principles (SLP) 2023 as administered by LMA, APLMA and LSTA²
- Framework for acceptance of Green Deposits as outlined in the Reserve Bank of India (RBI) Notification dated 11th April 2023³

Our opinion is subject to the disclaimers mentioned in this opinion statement and CRISIL Limited shall have no liability whatsoever with regards to use or reliance on the contents of this opinion.

This SPO remains effective under the condition of an unaltered Sustainable Financing Framework. This SPO is contingent on Union Bank of India's internal documents and procedures. In the event of internal changes that may happen, this may not hold true. Any modifications to the Sustainable Financing Framework and associated procedures and documents will render this SPO inapplicable.

¹ International Capital Market Association (ICMA)

² Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications & Trading Association (LSTA)

³ <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12487&Mode=0>

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Scope of work and limitations of CRISIL Limited's SPO

Union Bank of India (hereinafter referred to as UBI) engaged CRISIL Limited (hereinafter referred to as CRISIL) to appraise the alignment of its Sustainable Financing Framework with current market standards and provide a second party opinion on the framework's alignment with Green Bond Principles (GBP), Social Bond Principles (SBP), the Sustainability Bond Guidelines (SBG), Green Loan Principles (GLP), Social Loan principles (SLP) as well as the Reserve Bank of India (RBI) Notification dated 11th April 2023⁴ (hereinafter referred to as RBI notification on Framework for acceptance of Green Deposits).

The Second-Party Opinion (SPO) document presents CRISIL Limited's independent opinion on the coherence of UBI's Sustainable Financing Framework (version 1.0, March 2024) with the current market standards. This document should be read in conjunction with UBI Sustainable Financing Framework.

The opinion is based on CRISIL's assessment of the Framework's alignment with the Green Bond Principles (GBP) 2021, Social Bond Principles (SBP) 2023, and the Sustainability Bond Guidelines (SBG) 2021 as administered by ICMA⁵, Green Loan Principles (GLP) 2023, and Social Loan Principles (SLP) 2023 as administered by LMA, APLMA and LSTA⁶, and RBI notification on Framework for acceptance of Green Deposits.

This SPO reflects alignment of UBI Sustainable Financing Framework (version 1.0, March 2024) with above mentioned versions of market standards. This SPO does not guarantee any alignment with future versions of relevant market standards.

As a facet of this assessment, CRISIL Limited engaged in discussions with UBI to gain insights into the approach and practices to be implemented with respect to sustainable finance, governance and reporting aspects of this framework.

CRISIL Limited sought internal documentation from UBI pertaining to this framework. It has been affirmed by UBI's representatives that the information and documentation provided to CRISIL Limited is updated, relevant, accurate and comprehensive. CRISIL Limited has not undertaken any independent verification or audit of documents and information provided by UBI.

This SPO does not provide assurance of the realised allocation of proceeds towards eligible activities and does not measure the actual impact on account of use of proceeds. UBI is accountable for the reporting on use of proceeds and impact resulting from eligible activities.

Any information presented by CRISIL Limited within this Second-Party Opinion should not be construed as a declaration, depiction, warranty, or assertion, whether favourable or unfavourable, concerning the veracity, credibility, or entirety of any facts or statements, and their pertinent contextual circumstances, that UBI has provided to CRISIL Limited specifically for the intent of this Second-Party Opinion.

⁴ <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12487&Mode=0>

⁵ International Capital Market Association (ICMA)

⁶ Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications & Trading Association (LSTA)

Overview of UBI's Sustainable Financing Framework

UBI has developed the Sustainable Financing Framework (version 1.0, March 2024) articulating its approach towards sustainable finance. The eligible project categories, process of project evaluation and selection, management of proceeds, third-party verification/assurance and impact assessment, and reporting are outlined in this Sustainable Financing Framework developed with the objective of reinforcing UBI's capabilities in financing green and social projects as well as offer green deposits. Through this Sustainable Financing Framework, UBI aims to mobilise investors to contribute capital towards sustainable development.

UBI Sustainable Financing Framework has been developed by referencing the following guidelines:

- International Capital Market Association (ICMA) Guidelines:
 - The Green Bond Principles ("GBP") 2021
 - The Social Bond Principles ("SBP") 2023
 - The Sustainability Bond Guidelines ("SBG") 2021
- Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications & Trading Associations (LSTA) guidelines:
 - Green Loan Principles ("GLP") 2023
 - Social Loan Principles ("SLP") 2023
- RBI notification on Framework for acceptance of Green Deposits dated 11th April 2023
- This Sustainable Financing Framework has been developed by referencing various other national and international frameworks stated below:
 - ASEAN Green Bond Standards, Social Bond Standards and Sustainability Bond Standards.
 - UN Sustainable Development Goals (SDGs)
 - Disclosure requirements from the Securities and Exchange Board of India ("SEBI") regarding the issuance and listing of green debt securities as well as related guidelines of Reserve Bank of India ("RBI")

This Sustainable Financing Framework is applicable to UBI as well as its foreign branches, subsidiaries and joint-ventures.

Sustainable Financing Transactions ("SFT"s) will include bonds and loans tailored to contribute to sustainable development by application of the proceeds to eligible Green Projects and/or eligible Social Projects.

SFTs do not place restrictions on the tenor and currency⁷, and can include other terms and conditions including covenants, to reflect the financing strategy and plans of UBI as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

This Sustainable Financing Framework governs the issuance of any debt instruments by UBI and its banking subsidiaries, and includes the following:

- Green bonds to finance and/or to refinance eligible green assets.

⁷ As per RBI Green Deposit Framework: Green Deposit to be issued in INR only

- Social bonds to finance and/or to refinance eligible social assets/infrastructure assets; or
- Sustainability bonds to finance and/or refinance a mix of eligible green assets and eligible social assets.

UBI Sustainable Financing Framework is aligned with the four core pillars of the ICMA, LMA, APLMA and LSTA Principles:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds; and
4. Reporting.

UBI Sustainable Financing Framework also aims to align with the Framework for acceptance of Green Deposits established by the Reserve Bank of India (RBI)⁸. Green Deposits offered by UBI will be aligned with its core components:

- A. Purpose/Rationale
- B. Green Deposit Framework
- C. Financing Framework
- D. Use of Proceeds
- E. Third-Party Verification/Assurance and Impact Assessment
- F. Reporting and Disclosures

⁸ <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12487>

Assessment Summary

CRISIL has assessed the UBI Sustainable Financing Framework’s (version 1.0, March 2024) alignment with the Green Bond Principles (GBP) 2021, Social Bond Principles (SBP) 2023, and the Sustainability Bond Guidelines (SBG) 2021 as administered by ICMA⁹, and Green Loan Principles (GLP) 2023, and Social Loan principles (SLP) 2023 as administered by LMA, APLMA and LSTA¹⁰.

CRISIL Limited has also assessed the UBI Sustainable Financing Framework’s alignment with RBI notification on Framework for acceptance of Green Deposits.

Alignment with ICMA’s GBP, SBP and LMA’s GLP and SLP

In our view, the UBI Sustainable Financing Framework published March 2024, is largely aligned with:

- ✓ Green Bond Principles (GBP) 2021 as administered by ICMA
- ✓ Social Bond Principles (SBP) 2023 as administered by ICMA
- ✓ The Sustainability Bond Guidelines (SBG) 2021 as administered by ICMA
- ✓ Green Loan Principles (GLP) 2023 as administered by LMA, APLMA and LSTA
- ✓ Social Loan Principles (SLP) 2023 as administered by LMA, APLMA and LSTA

Alignment with RBI notification on Framework for acceptance of Green Deposits

In our opinion, the UBI Sustainable Financing Framework (version 1.0, March 2024) is aligned with RBI notification on Framework for acceptance of Green Deposits dated 11th April 2023.

Assessment of alignment with ICMA’s GBP, SBP; LMA’s GLP, SLP; and RBI notification on Framework for acceptance of Green Deposits

| Aspect | Remarks |
|---|--|
| Denomination, interest rates and tenor of deposits | UBI Sustainable Financing Framework mentions that the deposits are denominated in Indian rupees only. These deposits, on maturity, shall be renewed or withdrawn at the discretion of the deposit holder. This adheres to the RBI notification on Framework for acceptance of Green Deposits. |
| Policy on green deposits | <p>UBI has put in place a comprehensive Board-approved Policy on Bank Deposits laying down therein, all aspects in detail for the issuance and allocation of green deposits.</p> <p>Basis the discussions with Bank’s stakeholders, it is understood that UBI will mandatorily conduct an annual impact assessment of proceeds from green deposits from 2024-25 onwards as per RBI notification on Framework for</p> |

⁹ International Capital Market Association (ICMA)

¹⁰ Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications & Trading Association (LSTA)

| Aspect | Remarks |
|--|---|
| | <p>acceptance of Green Deposits and the same has been mentioned in the UBI Sustainable Financing Framework.</p> |
| <p>Use of proceeds</p> | <p>The net proceeds of the SFTs/Green Deposits will be used to finance or refinance, in whole or in part, new or existing eligible Green & Social Projects, as per eligibility criteria. For refinancing, eligible projects include the projects UBI funded during the 3 years prior to the issuance or signing date of the respective SFTs and during the life of the SFTs.</p> <p>The eligible project categories for use of proceeds are aligned ICMA GBP, ICMA SBP, LMA GLP and LMA SLP. UBI has also mapped the eligible activities to SDGs. This is in line with ICMA recommendations.</p> <p>The eligible categories for use of proceeds are also in alignment with the categories recommended in RBI notification on Framework for acceptance of Green Deposits.</p> <p>Additionally, CRISIL views the exclusion list provided in the UBI Sustainable Financing Framework to be in line RBI notification and with industry practices.</p> |
| <p>Project evaluation and selection process</p> | <p>UBI has set up an ESG Steering Committee (“ESGSC”) to assume the responsibility of SFTs/Green Deposits. The ESGSC has entrusted responsibilities to various departments (such as Risk, Treasury, Large Corporate & Transaction Banking (LCV), Strategy and Board Secretariat) to oversee the implementation of various ESG-related topics and it has identified single point of contact within these departments.</p> <p>A sub-committee (Sustainable Committee) on sustainable finance will review eligible projects. The sub-committee will then present the projects to the ESGSC during a meeting occurring every three months for review. Project level evaluation and risk assessment shall be carried out by the respective departments / operating units in line with the roles and responsibilities assigned as per existing internal guidelines.</p> <p>The ESGSC will ensure that the selected projects will comply with the use of proceeds and process of project evaluation and selection, as well as with UBI’s ESG Policy & ESMS Framework.</p> <p>UBI’s ESMS framework outlines the process for conducting external due diligence, identification of E&S Risks for borrowers (projects) of different categories above a certain threshold (> INR 250 crores) and mitigation plan for High Risk borrowers (projects). However, CRISIL observes that it is a best industry practice to identify and manage perceived social and environmental risks associated with all relevant projects.</p> <p>Eligible Projects may include new projects, projects under construction or in UBI’s portfolio, with a disbursement date no older than 3 years. In case of refinancing of projects, Bank’s established process of E&S risk assessment will apply.</p> |
| <p>Management of proceeds</p> | <p>UBI’s treasury team will manage the net proceeds from each SFT/Green Deposit issued and the proceeds of each SFT/Green Deposit will be credited to a sub-account, moved to a sub-portfolio. An amount equalling the net proceeds from each SFT/Green Deposit will be earmarked for allocation to eligible Projects, in accordance with the UBI Sustainable Financing Framework.</p> |

| Aspect | Remarks |
|-------------------------|--|
| | <p>UBI will allocate all proceeds from the SFTs/Green Deposits to eligible Projects on a best effort basis within one year of the SFT/Green Deposit issuance in accordance with the evaluation and selection process. Unallocated proceeds will be temporarily allocated only in liquid instruments such as in cash or cash equivalents, as well as short term deposits and money market funds, having maximum original tenure of one year. CRISIL Limited notes that this is in line with market best practices.</p> <p>UBI has a loan tagging mechanism in place as part of MIS to be monitored by the sub-committee of Sustainable Financing Group (comprising of credit verticals) to keep track of the use of proceeds for each SFT/Green Deposit.</p> <p>CRISIL considers process for management of proceeds to be aligned with ICMA GBP, ICMA SBP, LMA GLP and LMA SLP. CRISIL also notes that these measures conform to the RBI notification on Framework for acceptance of Green Deposits.</p> |
| <p>Reporting</p> | <p>Allocation of proceeds reporting:</p> <p>UBI will provide information on the allocation of the net proceeds and associated impact metrics of its SFTs/Green Deposits in UBI's Integrated Annual Reports and/or website. Such information will be provided on an annual basis throughout the life of outstanding SFT/Green Deposits instrument. UBI may consolidate information of all SFT(s)/Green Deposits into one single report.</p> <p>UBI will engage an external auditor, or other third party, to verify the internal tracking of eligible Green/Social Projects funded by SFTs/Green Deposits. A review report shall be placed by the sub-committee of Sustainable Financing Group (comprising of credit verticals) of UBI before its Board of Directors within three months of the end of the financial year.</p> <p>Based on UBI Sustainable Financing Framework for reporting on allocation of proceeds and associated impact, CRISIL considers the process for reporting to be aligned with ICMA GBP, ICMA SBP, LMA GLP and LMA SLP. CRISIL also notes that these measures conform to the RBI notification on Framework for acceptance of Green Deposits. Basis the discussions with Bank's stakeholders, it is understood that UBI will provide details of allocated and unallocated proceeds from each instrument separately.</p> <p>Impact reporting:</p> <p>UBI will report on the environmental and social impacts associated with the eligible Projects funded with the net proceeds of the SFT(s)/Green Deposits. Additionally, UBI has outlined an illustrative list of impact indicators within the Sustainable Financing Framework. UBI will engage an external auditor, or other third party, to verify the allocation/environmental and/or social impact of eligible Green/Social Projects funded by SFTs/Green Deposits.</p> <p>CRISIL notes that the RBI notification on Framework for acceptance of Green Deposits recommends taking assistance of external firms to annually assess the impact associated with the funds lent for or invested in green finance activities/projects through an Impact Assessment Report.</p> <p>Basis the discussions with Bank's stakeholders, it is understood that UBI will engage external firms to conduct an annual impact assessment for the funds directed towards activities/projects financed through instruments raised under the Sustainable Financing Framework and the report on the same will be placed</p> |

| Aspect | Remarks |
|--|---|
| | <p>before its Board of Directors within three months of the end of the financial year. The details will be released through an Impact Assessment Report as per ICMA GBP, ICMA SBP, LMA GLP, LMA SLP and RBI guidelines.</p> |
| <p>External review/Third party Verification/Assurance</p> | <p>An independent third party will be engaged to review and verify the internal tracking and allocation of funds from the SFTs/Green Deposits to eligible Projects, as well as the estimated/actual impact of eligible Projects that are disclosed in the SFT/Green Deposits Annual Reporting. A review report shall be placed by the sub-committee of Sustainable Financing Group (comprising of credit verticals) of UBI before its Board of Directors within three months of the end of the financial year.</p> <p>CRISIL Limited notes that these measures are consistent with the instructions provided in RBI notification on Framework for acceptance of Green Deposits.</p> |

CRISIL Limited's opinion on UBI's Sustainable Financing Framework

Denomination, interest rates and tenor of deposits

UBI Sustainable Financing Framework affirms that green deposits are denominated in Indian rupees only and these deposits, on maturity, shall be renewed or withdrawn at the discretion of the deposit holder. The tenor, size, interest rate and other terms and conditions (as applicable) 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.

CRISIL Limited's opinion

Disclosure on denomination, interest rates and tenor of deposits conforms to the RBI notification on Framework for acceptance of Green Deposits.

Policy on green deposits

UBI has prepared a Policy on Bank Deposits providing definition of green deposit and details of green deposit implementation mechanism including overview of use of proceeds, process for project evaluation and selection, management of proceeds, third party verification/assurance, impact assessment, reporting and disclosure, and external review of green deposit framework. The Policy on Bank Deposits is approved by the Board.

CRISIL Limited's opinion

UBI has prepared a comprehensive Board-approved Policy on Bank Deposits that outlines the aspects related to issuance and allocation of green deposits.

Basis the discussions with Bank's stakeholders, it is understood that UBI will mandatorily conduct an annual impact assessment of proceeds from green deposits from 2024-25 onwards as per RBI notification on Framework for acceptance of Green Deposits and the same has been mentioned in the UBI Sustainable Financing Framework.

Use of proceeds

The net proceeds of the SFTs/Green Deposits will be used to finance or refinance, in whole or in part, new or existing Eligible Green & Social Projects. For refinancing, eligible projects include the projects UBI funded during the 3 years prior to the issuance or signing date of the respective SFTs and during the life of the SFTs.

The proceeds of a Green Bond/Loan/Deposit issued under the UBI Sustainable Financing Framework will be applied to projects that fall under the eligible Green Project Categories. The proceeds of a Social Bond/Loan issued under the UBI Sustainable Financing Framework will be applied to projects that fall under the eligible Social Project Categories. The proceeds of a Sustainability Bond/Loan issued under the UBI Sustainable Financing Framework will be applied to both eligible Expenditures with Green focus, and eligible Expenditures with Social focus set out in this Sustainable Financing Framework.

Eligible green project categories from UBI Sustainable Financing Framework

- **Renewable Energy**
 - Construction, acquisition and procurement of technology and related infrastructure supporting the production of renewable energy from natural environments such as wind, sunlight, water, geothermal, precipitation, and biological organisms:
 - On- and Offshore Wind Power
 - Solar Energy Generation (including Building Integrated Photovoltaic)
 - Solar Thermal Energy

- Hydropower Projects (lifecycle GHG emission intensity should be below 100 gCO₂e/kWh¹¹ or power density above 5 W/m²)
- Biomass power (lifecycle GHG emission intensity should be below 100 gCO₂/kWh¹² and biofuel must be sourced from a sustainable feedstock)
- Geothermal Power Generation (lifecycle GHG emission intensity should be below 100 gCO₂e/kWh¹³)
- Ocean Energy (ocean thermal energy, tidal power generation)¹⁴
- Electricity generation: Hydrogen Fuel Cell technology

• **Clean transportation**

- All infrastructure, infrastructure upgrades, rolling stock and vehicles for electrified public transport, including electrified rail, trams, trolleybuses and cable cars. Buses with no direct emissions (electric and hydrogen).
- Development, manufacture and acquisition of low-carbon land transport such as
 - Passenger cars and commercial vehicles - zero tailpipe emission vehicles (e.g., hydrogen, fuel cell and electric vehicles)
 - Hybrid vehicles - with tailpipe CO₂ emissions below 50 gCO₂ per passenger-kilometre (pkm)¹⁵
 - Trains and vehicles for public transport – zero direct emission light rail transit, metro, tram or other fleets with direct CO₂ emissions below 75 gCO₂/pkm
- Development of infrastructure for low-carbon land transport (private and public) - projects related to capacity or energy efficiency improvement (e.g., station upgrade, improved signalling equipment), electric charging stations, and electricity grid connection upgrade
- Infrastructure for zero direct emission water transport - batteries, hydrogen fuelling facilities
- Investments and expenditures related to construction, design, and maintenance of CSVs as defined below
- Investments and expenditures in relation to retrofit¹⁶ of existing vessels engines with alternative fuels (Natural gas, methanol or electricity)
- Clean and Sustainable Vessels¹⁷ (“CSVs”) CSVs are defined according to IMO¹⁸ and the Norwegian shipping¹⁹ regulations, and would represent Methanol Dual Fuel Vessels under the Framework. In alignment with the EU Taxonomy, CSVs will attain one or more of the following criteria²⁰ :
 - Hybrid and dual fuel vessels derive at least 25 % of their energy from zero direct CO₂ emission fuels or plug-in power for their normal operation at sea and in ports
 - The vessels have attained Energy Efficiency Design Index (EEDI) value 10 % below the IMO’s EEDI requirements applicable on 1 April 2022 if the vessels are able to run on zero direct (tailpipe) CO₂ emission fuels or on fuels from renewable sources

¹¹ Refers to life-cycle emissions of the project

¹² Refers to life-cycle emissions of the project

¹³ Refers to life-cycle emissions of the project

¹⁴ This category will not be considered for deploying Green Deposits

¹⁵ This category will not be considered for deploying Green Deposits

¹⁶ In alignment with the EU Taxonomy, until 31 December 2025, the retrofitting activity reduces fuel consumption of the vessel by at least 10 % expressed in grams of fuel per deadweight tons per nautical mile, as demonstrated by computational fluid dynamics (CFD), tank tests or similar engineering calculations. <https://ec.europa.eu/sustainable-finance-taxonomy/activities/activity/217/view>

¹⁷ This category will not be considered for deploying Green Deposits

¹⁸ International Maritime Organization: <http://www.imo.org/en/About/Pages/Default.aspx>

¹⁹ Norwegian Maritime Authority: <https://www.sdir.no/en/shipping/legislation/>

²⁰ The criteria will apply until December 2025, in alignment with EU Taxonomy, and follow the subsequent updates. <https://ec.europa.eu/sustainable-finance-taxonomy/activities/activity/215/view>

- **Energy Efficiency**

- The development and implementation of products or technologies that reduce energy use or recover energy. Examples include:
 - Buildings - improvements in lighting, air conditioning, waste heat recovery and district cooling
 - Public utility networks - installation of energy-efficient lighting and improvements in energy efficiency of public utilities (e.g., electricity, telecommunications and water)
 - Agriculture and aquaculture processes - improvements in energy efficiency of traction, irrigation and other processes in plant-based agriculture, as well as in aquaculture farming and processing
 - Transmission and distribution systems - improvements to reduce energy use and/or technical losses and smart grid technologies

For avoidance of doubt, improvement activities that result in the lock in of fossil fuel technologies will be excluded.

On a best effort basis, UBI will strive to select eligible projects which enable energy savings of at least 30%.

- **Sustainable water management**

- Construction, development, installation, operation and maintenance of infrastructure or equipment for collection, treatment, recycling or reuse water, rainwater or wastewater
- Upgrades of water infrastructure that improve water efficiency or reduce water losses
- Promoting water efficient irrigation systems and flood defence systems

- **Green building**

- Acquisition, new construction, renovation, maintenance and operation of new or existing buildings that meet or will receive internationally recognized environmental standards such as:
 - LEED gold or above certification, or equivalent certifications under other internationally recognized building standards such as BREEAM (excellent to outstanding)* and Green Star (5 star and 6 star)**, within the last 5 years

And

- Achieve a minimum 30% emissions improvement against ASHRAE 90.1 criteria (a part of the LEED standard) or equivalent stringency of additional emissions improvements under other building standards

OR

- Meet the carbon hurdles set in the IFC's Edge tool²¹
- Meet the GRIHA 4 to 5 Star Rating²² and IGBC Gold²³

- **Sustainable Management of Living Natural Resources and Land/Ocean Use**

- Environmentally sustainable fishery with certification to Marine Stewardship Council (MSC) or equivalent labels, and aquaculture with Best Aquaculture Practices (BAP) or Aquaculture Stewardship Council (ASC) equivalent certification;
- Environmentally-sustainable forestry with certification to Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) or equivalent, including afforestation or reforestation, and preservation or restoration of natural landscapes

²¹ <https://edgebuildings.com/certify/>

* <https://www.breeam.com/discover/how-breeam-certification-works/>

** <https://qbca-web.s3.amazonaws.com/media/documents/introducing-green-star.pdf>

²² <https://www.grihaindia.org/griha-rating>

²³ <https://gbindia.wordpress.com/igbc-rating-system-2/>

- Sustainable management of agriculture via implementation of sustainable agriculture techniques and sustainable agricultural production. Examples may include:
 - Remediation and restoration of degraded soil
 - Minimum or no use of synthetic fertilizer and pesticide
 - Crop rotation
 - No-till farming
 - Precision farming
 - Drip irrigation
 - Zero Budget Natural Farming
- Projects that manage, conserve, and restore the health of coastal and marine ecosystems
- Projects that prevent, control, and reduce waste from entering the coastal and marine environments ²⁴
- Research on living sources and biodiversity protection
- **Circular Economy and Waste Management**
 - Eco-efficient and circular economy adopted products, technologies, processes and impact assessments
 - Projects that contribute to waste prevention and collection, waste reduction and waste recycling such as:
 - The development, operation and upgrade of recycling facilities for metals, plastic or paper
 - Collection ²⁵, treatment or remediation²⁶ of hazardous waste or contaminated soil
 - Reuse, repurpose, or recycle all waste from landfills and incineration to reduce the impact of electronic waste on the environment
 - Waste to energy²⁷ with energy recovery efficiency of at least 25% and emissions below 100 gCO₂e/kWh
- **Pollution Prevention and Control**
 - Air pollution and greenhouse gas mitigation equipment (e.g., flue gas desulfurisation, selective catalytic reduction, fabric filters, carbon capture)
- **Climate Change Adaptation and Resilience**
 - Climate change adaptation infrastructure - flood defense, climate observation and early warning systems
 - Sustainable management of resilience of natural and urban eco-systems such as integrated watershed management, public health, food security, drainage, network infrastructure, etc.

Eligible Social project categories from UBI Sustainable Financing Framework

- **Socioeconomic advancement and empowerment**

²⁴ As per the [ICMA's guidance](#) 2023 for bonds to finance the sustainable blue economy: For wastewater management, projects must be within 100 km of the coast. For solid waste management, projects must be within 50 km of the coast or a river that drains to the ocean. For non-point source pollution management, projects must be within 200 km of the coast or within 50 km of rivers (and their tributaries) that flow to the ocean]

²⁵ Waste segregation is to be done as per the type of waste generated from different sources and as per the requirement of prevalent waste management laws.

²⁶ The recipient of the loan towards carrying out soil remediation shall not be any entity that itself has caused the need for soil remediation.

²⁷ As per Green Deposit Framework: Feedstock will primarily include: Sewage, manure, wastewater, bagasse, biomass, wood pellets etc.

Eligible Social project categories from UBI Sustainable Financing Framework

- Loans to companies in aspirational districts²⁸
- Support projects for target population such as persons with disabilities and young people, and equal pay for work of equal value
- Nari Shakti Scheme²⁹ to support women founded start-ups/MSMEs³⁰ which are majority-owned or majority-managed by women
- **Access to essential services**
 - Financing related to the construction and operation of, or supply of equipment to, public hospitals and healthcare facilities
 - Financing related to the construction and operation of, or supply of equipment to, public education facilities (e.g., schools, universities, teaching and vocational centres), and related infrastructure (e.g., student housing)
 - RSETI ³¹ Centres and training courses with the objectives of providing self-employment training programmes
- **Employment Generation**
 - Creation of meaningful and fair employment for targeted communities such as female
 - MSME financing and microfinance: support MSMEs under TReDS:
 - Providing loans at discounted rate and enlarged lending volume
 - Waiving collateral requirement with accelerated process
 - Loans to entities involved in assisting the decentralized sector in the supply of inputs and marketing of output of artisans, village and cottage industries
 - Bank loan to street vendors under PM Svanidhi
- **Affordable housing and Social Infrastructure**
 - Bank loans for affordable housing projects under Pradhan Mantri Awas Yojana
 - Corporate loans to public agencies for development and construction of affordable housing
 - Corporate loans used for the development and construction of housing mandated for low-income individuals or households
 - Development of affordable basic infrastructure (e.g., clean drinking water, sewers and sanitation)
 - Telecommunication projects to promote digital inclusion in unconnected or underserved communities

Target Population for Social Project Categories from UBI Sustainable Financing Framework

- Low-income households and those living below the poverty line³²
- Micro, Small and Medium-sized enterprises (MSMEs)
- Rural/indigenous and/or marginalised communities
- People with disabilities

²⁸ List of India's least developed Districts, a list of about 100 districts identified by NITI Aayog called aspirational districts. <https://www.niti.gov.in/sites/default/files/2023-07/List-of-112-Aspirational-Districts%20%281%29.pdf>

²⁹ The Nari Shakti Scheme is for all the women who own and manage MSMEs engaged in manufacture and production or SHGs having Udyam Registration. <https://www.unionbankofindia.co.in/english/union-nari-shakti.aspx>

³⁰ The definition of MSMEs will be as per Government of India (GoI), Gazette Notification S.O. 2119 (E) dated June 26, 2020 read with circular RBI/2020-2021/10 FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 read with FIDD.MSME & NFS. BC. No.4 /06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time. IndianGazette02072020.pdf (rbi.org.in)

³¹ RSETIs are Rural Self Employment Training Institutes, an initiative of Ministry of Rural Development (MoRD) to have dedicated infrastructure in each district of the country to impact training and skill upgradation of rural youth geared towards entrepreneurship development. <http://nirdpr.org.in/rseti/>

³² \$1.90 per day as defined by the World Bank: <https://www.worldbank.org/en/topic/poverty>

- Migrants and/or displaced persons
- The undereducated
- The underserved, owing to a lack of quality access to essential goods and services
- The unemployed
- Sexual and gender minorities
- Vulnerable youth and the elderly
- Other vulnerable groups, including as a result of natural disasters

The following activities are excluded from sustainable finance and are not eligible for consideration:

- Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage)
- Child labour or forced labour
- Adult entertainment
- Alcohol/alcoholic beverages, weapons & military contracting, tobacco & tobacco products, gaming, or palm oil industries
- Renewable energy projects generating energy from biomass using feedstock originating from protected areas.
- Gambling
- 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.
- Hydropower plants larger than 25 MW
- Landfill projects
- Direct waste incineration
- Nuclear power generation, and
- Production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans.

CRISIL Limited's opinion

The proceeds will be used to finance or refinance activities as per eligibility criteria.

The eligible project categories for use of proceeds have been clearly defined and detailed. CRISIL considers the eligible categories for use of proceeds provided in UBI's Sustainable Financing Framework to be aligned with ICMA GBP, ICMA SBP, LMA GLP and LMA SLP. Moreover, the eligible projects are congruent with the list of green activities and projects delineated in RBI notification on Framework for acceptance of Green Deposits.

The eligible categories for the use of proceeds are also mapped to SDGs 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 which is in alignment with SDG mapping as proposed by ICMA. CRISIL Limited notes that this approach is congruent with market practices.

UBI has also provided an exclusion list in line with RBI notification on Framework for acceptance of Green Deposits. Additionally, CRISIL Limited views excluding activities with adverse impacts on the environment and society as being aligned with the leading practices within the industry.

Project evaluation and selection process

UBI has set up a ESG Steering Committee (“ESGSC”) to assume the responsibility of SFTs/Green Deposits. The ESGSC has entrusted responsibilities to various departments to oversee the implementation of various ESG-related topics and it has identified single point of contact within these departments.

The ESGSC is a cross-functional team composed of representatives from across departments, with the required level of expertise and seniority, such as all Executive Directors (EDs), Chief Risk Officer, Chief Financial Officer, Vertical Head (Treasury), Vertical Head (Large Corporate & Transaction Banking (LCV)), Vertical Head (Strategy) and Vertical Head (Board Secretariat).

The ESGSC normally meets at quarterly intervals to discuss on different aspects of ESG transition and submit its recommendations to CRMC / ORMC (Operation Risk Management Committee) / ALCO (Asset Liability Committee) or any other relevant Committee for information / approval. The progress is updated to RMC / Board on regular intervals.

A sub-committee (Sustainable Committee) on sustainable finance will review eligible projects according to the criteria outlined in the Sustainable Financing Framework. The sub-committee will then present the projects to the ESGSC during a meeting occurring every three months for review. Project level evaluation and risk assessment shall be carried out by the respective departments / operating units in line with the roles and responsibilities assigned as per existing internal guidelines.

The ESGSC will ensure that the selected projects will comply with the use of proceeds and process of project evaluation and selection, as well as with UBI’s ESG Policy & ESMS Framework, which offers risk management tools to mitigate related ESG risks. Projects will be selected with the United Nations Sustainable Development Goals in mind and guided by UBI’s risk management, internal control systems & policies and ESMS Framework.

The ESMS framework outlines the process for conducting external due diligence, identification of E&S Risks for borrowers (projects) of different categories above a certain threshold (> INR 250 crores) and mitigation plan for High Risk borrowers (projects).

Eligible Projects may include new projects, projects under construction or in UBI’s portfolio, with a disbursement date no older than 3 years.

CRISIL Limited’s opinion

The ESGSC at UBI is a cross-functional team composed of representatives from across departments, with the required level of expertise and seniority, such as all Executive Directors (EDs), Chief Risk Officer, Chief Financial Officer, Vertical Head (Treasury), Vertical Head (Large Corporate & Transaction Banking (LCV)), Vertical Head (Strategy) and Vertical Head (Board Secretariat). The ESGSC will ensure that the selected projects will comply with the use of proceeds and process of project evaluation and selection, as well as with UBI’s ESG Policy & ESMS Framework.

UBI Sustainable Financing Framework outlines a process for project evaluation and selection that corresponds to guidelines provided in RBI notification on Framework for acceptance of Green Deposits.

Furthermore, UBI integrates environmental and social considerations into its lending operations through the Environmental and Social Management System (ESMS) framework. The framework outlines the process for conducting external due diligence, identification of E&S Risks for borrowers (projects) of different categories above a certain threshold (> INR 250 crores) and mitigation plan for High Risk borrowers (projects). The internal process documents provide details on roles and responsibilities of administering and overseeing the ESMS implementation and managing ESG risk. However, CRISIL observes that it is a best industry practice to identify and manage perceived social and environmental risks associated with all relevant projects.

Eligible Projects may include new projects, projects under construction or in UBI’s portfolio, with a disbursement date no older than 3 years. In case of refinancing of projects, Bank’s established process of E&S risk assessment will apply.

Management of proceeds

UBI's treasury team will manage the net proceeds from each SFT/Green Deposit issued and the proceeds of each SFT/Green Deposit will be credited to a sub-account, moved to a sub-portfolio. An amount equalling the net proceeds from each SFT/Green Deposit will be earmarked for allocation to Eligible Projects, in accordance with the UBI's Sustainable Financing Framework.

UBI has a loan tagging mechanism in place as part of MIS to be monitored by the sub-committee of Sustainable Financing Group (comprising of credit verticals) to keep track of the use of proceeds for each SFT/Green Deposit. The MIS will contain key information related to the type of funding transaction, such as details of issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number in the case of a bond transaction. The MIS will also contain information related to the allocation of Use of Proceeds such as name and description of Eligible Projects to which the proceeds of the SFTs/Green Deposits have been allocated in accordance with the Framework, allocation of the proceeds of SFTs/Green Deposits to Eligible Projects, the balance of unallocated proceeds and information regarding temporary investments for unallocated proceeds.

UBI shall allocate all proceeds from the SFTs/Green Deposits to eligible Projects on a best effort basis within one year of the SFT/Green Deposits issuance in accordance with the evaluation and selection process.

UBI will monitor the allocation to eligible Projects and track the net proceeds through its internal accounting system. UBI has a loan tagging mechanism in place.

Proceeds yet to be allocated towards eligible Projects may be managed in line with UBI's liquidity management policy, including investing the as of yet unallocated proceeds in cash or cash equivalents, as well as short term deposits and money market funds. The temporary allocation would only be in liquid instruments up to a maximum original tenure of one year.

During the life of the SFT/Green Deposit issued, if the designated Projects cease to fulfil the Eligibility Criteria as defined under the Use of Proceeds sections, the net proceeds will be re-allocated to replacement Projects that comply with the Eligibility Criteria, as soon as reasonably practicable.

CRISIL Limited's opinion

CRISIL considers process for management of proceeds to be aligned with ICMA GBP, ICMA SBP, LMA GLP and LMA SLP as well as adhering to the guidelines outlined in RBI notification on Framework for acceptance of Green Deposits.

Reporting

UBI will provide information on the allocation of the net proceeds and associated impact metrics of its SFTs/Green Deposits in UBI's Integrated Annual Reports and/or website. Such information will be provided on an annual basis throughout the life of outstanding SFT/Green Deposits instrument. UBI may consolidate information of all SFT(s)/Green Deposits into one single report.

UBI will engage an external auditor, or other third party, to verify the internal tracking of eligible Green/Social Projects funded by SFTs/Green Deposits. A review report shall be placed by the sub-committee of Sustainable Financing Group (comprising of credit verticals) of UBI before its Board of Directors within three months of the end of the financial year. Based on UBI Sustainable Financing Framework for reporting on allocation of proceeds and associated impact,

The published reports will contain at least the following details:

Allocation Reporting:

UBI will provide the following information for the net proceeds of all the SFTs during the period:

- Confirmation that Eligible Assets included in the Portfolio comply with the Framework
- Total amount of Eligible Assets
- List of Green, Social and Sustainability Bond issued with their outstanding amount

- Breakdown of Eligible Assets by Eligible Category
- Aggregate amount of proceeds that has been allocated to Eligible Projects
- Amount of unallocated proceeds and type of temporary investment at the reporting end-period
- Share of proceeds use for financing vs. refinancing purposes, and
- Illustrative examples describing Eligible Projects to which SFT net proceeds have been allocated (subject to confidentiality disclosures)
- Where feasible, case studies of projects financed³³.

For Green Deposits:

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

Impact Reporting:

UBI will report on the environmental and social impacts associated with the eligible Projects funded with the net proceeds of the SFT(s)/Green Deposits. Additionally, UBI has outlined an illustrative list of impact indicators within the Sustainable Financing Framework. UBI will engage an external auditor, or other third party, to verify the allocation/environmental and/or social impact of eligible Green/Social Projects funded by SFTs/Green Deposits.

CRISIL Limited's opinion

UBI will report on allocation of proceeds and associated impact annually. The report will include details of allocated and unallocated proceeds, and projects financed. Post issuance, UBI will appoint an external auditor, or other third party, to verify the internal tracking and the allocation of funds from the SFTs/Green Deposits proceeds. Based on UBI's commitment for reporting on allocation of proceeds and associated impact, CRISIL considers the process for reporting to be aligned with ICMA GBP, ICMA SBP, LMA GLP and LMA SLP. CRISIL also notes that these measures conform to the RBI notification on Framework for acceptance of Green Deposits. Basis the discussions with Bank's stakeholders, it is understood that UBI will provide details of allocated and unallocated proceeds from each instrument separately.

CRISIL notes that the RBI notification on Framework for acceptance of Green Deposits recommends taking assistance of external firms to annually assess the impact associated with the funds lent for or invested in green finance activities/projects through an Impact Assessment Report. Basis the discussions with Bank's stakeholders, it is understood that UBI will engage external firms to conduct an annual impact assessment for the funds directed towards activities/projects financed through instruments raised under the Sustainable Financing Framework and the report on the same will be placed before its Board of Directors within three months of the end of the financial year. The details will be released through an Impact Assessment Report as per ICMA GBP, ICMA SBP, LMA GLP, LMA SLP and RBI guidelines.

External review/Third party Verification/Assurance

An independent third party will be engaged to review and verify the internal tracking and allocation of funds from the SFTs/Green Deposits to eligible Projects, as well as the estimated/actual impact of eligible Projects that are disclosed in the SFT/Green Deposits Annual Reporting.

A review report shall be placed by the sub-committee of Sustainable Financing Group (comprising of credit verticals) of UBI before its Board of Directors within three months of the end of the financial year.

³³ Subject to confidentiality constraints

CRISIL Limited's opinion

CRISIL Limited notes that these measures are consistent with the instructions provided in RBI notification on Framework for acceptance of Green Deposits.

Disclaimer

This Second Party Opinion (SPO) reflects our assessment of UBI Sustainable Financing Framework's alignment only against Green Bond Principles (GBP) 2021, Social Bond Principles (SBP) 2023, and the Sustainability Bond Guidelines (SBG) 2021 as administered by ICMA³⁴, and Green Loan Principles (GLP) 2023, and Social Loan principles (SLP) 2023 as administered by LMA, APLMA and LSTA³⁵ as well as the Reserve Bank of India (RBI) Notification dated 11th April 2023.³⁶

This SPO offers a limited, point-in-time opinion, based on the information available when the SPO was formulated and published, and it is not surveilled. The opinion is based on CRISIL Limited's judgment and comprehension of ICMA and LMA guidelines. The SPO relies on information provided by Union Bank of India (UBI). CRISIL Limited ("CRISIL") has not undertaken any independent verification or audit of documents and information provided by UBI and does not warrant the completeness or accuracy or currency of the information presented in this SPO. This SPO remains valid as long as the framework remains unchanged. CRISIL is not obligated to update the SPO to reflect any facts or circumstances that may come to our attention in the future. CRISIL shall have hold no liability for the use of this SPO or any information provided therein.

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³⁴ International Capital Market Association (ICMA)

³⁵ Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications & Trading Association (LSTA)

³⁶ <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12487&Mode=0>

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