

Second-Party Opinion

State Bank of India ESG Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the State Bank of India ESG Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Green Loan Principles 2021, Social Bond Principles 2021 and Social Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The 16 eligible categories¹ for the use of proceeds are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 11, 12, 13, 14 and 15.



PROJECT EVALUATION AND SELECTION State Bank of India has established a Sustainability Committee to oversee the process of project evaluation and selection in accordance with the eligibility criteria of the ESG Financing Framework. The Sustainability Committee will be chaired by the Chief General Manager of the Credit Policy and Procedures Department and will comprise senior representatives from State Bank of India's Credit Policy and Procedures, Agriculture Banking, Small and Medium Enterprise Banking, CSR and Sustainability, Treasury and International Banking departments. The State Bank of India has processes in place to identify and manage ESG risks associated with the eligible projects. Sustainalytics considers the risk management systems to be adequate and project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS The Sustainability Committee will oversee the allocation of proceeds on a quarterly basis. State Bank of India intends to develop a labelling mechanism to track and monitor the allocation of proceeds and allocate net proceeds within 24 months of issuance. Pending allocation, unallocated proceeds will be temporarily held in money market instruments or government securities. This is in line with market practice.



REPORTING State Bank of India intends to report on the allocation of proceeds and corresponding impact annually until full allocation. The allocation report will be published on the State Bank of India's website, and the impact report will be made available to the investors. The allocation report will include the amount of proceeds to be allocated to the eligible projects, the eligible project examples, the proceeds allocated as per geographical distribution, the amount of unallocated proceeds and the share of financing versus refinancing. The State Bank of India is committed to reporting on relevant impact metrics where feasible. Sustainalytics views The State Bank of India's allocation and impact reporting as aligned with market practice.



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Issuer Location Mumbai, India

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For inquiries, contact the Sustainable Finance Solutions project team:

Rashmi John (Mumbai)
Project Manager
rashmi.john@sustainalytics.com

Mousumi Bej (Mumbai)
Project Support

Manali Vaidya (Mumbai)
Project Support

Vedang Kulkarni (Mumbai)
Project Support

Aditi Bhatia (Mumbai)
Client Relations
susfinance.apac@sustainalytics.com
(+852) 3008 2391

¹ The eligible use of proceed categories include Biodiversity, Circular Economy and Eco-Efficient Projects, Clean Transportation, Climate Change Adaptation, Energy Efficiency, Green Buildings, Living Natural Resources and Land Use Projects, Renewable Energy, Sustainable Water and Wastewater Management, Waste Management and Resource Efficiency, Access to Essential Services, Affordable Basic Infrastructure, Affordable Housing, Employment Generation including through SME Financing and Microfinance, Food Security and Socio-economic Advancement and Empowerment.

Introduction

State Bank of India (“SBI” or the “Bank”) is a government-owned, multinational, public sector banking and financial services statutory body in India. SBI provides a range of financial products and services to individuals, corporations, government entities, institutions, micro, small and medium enterprises and rural populations. Headquartered in Mumbai, the SBI has presence in 30 countries with 48.35 million registered users on its digital platform and 2,44,250 employees as of 31 March 2022.

SBI has developed the State Bank of India ESG Financing Framework (the “Framework”), under which it intends to issue green, social, sustainability bonds and loans and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to create positive environmental and social impact in India.

The Framework defines eligibility criteria in the following 10 green categories:

1. Biodiversity
2. Circular Economy and Eco-Efficient Projects
3. Clean Transportation
4. Climate Change Adaptation
5. Energy Efficiency
6. Green Buildings
7. Living Natural Resources and Land Use Projects
8. Renewable Energy
9. Sustainable Water and Wastewater Management
10. Waste Management and Resource Efficiency

The Framework defines eligibility criteria in the following six green categories:

11. Access to Essential Services
12. Affordable Basic Infrastructure
13. Affordable Housing
14. Employment Generation including through SME Financing and Microfinance
15. Food Security
16. Socio-economic Advancement and Empowerment

SBI engaged Sustainalytics to review the State Bank of India ESG Financing Framework, dated January 2023, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP),² Green Loan Principles 2021 (GLP) and Social Loan Principles 2021 (SLP).³ The Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

² The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁴ The State Bank of India ESG Financing Framework is available on State Bank of India’s website at: www.sbi.co.in

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.12.1, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of SBI's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. SBI representatives have confirmed (1) they understand it is the sole responsibility of SBI to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and SBI.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, SBI is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that SBI has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the SBI ESG Financing Framework

Sustainalytics is of the opinion that the State Bank of India ESG Financing Framework is credible and impactful and aligns with four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Biodiversity, Circular Economy and/or Eco-Efficient Projects, Clean Transportation, Climate Change Adaptation, Energy Efficiency, Green Buildings, Living Natural Resources and Land Use Projects, Renewable Energy, Sustainable Water and Wastewater Management, Waste Management and Resource Efficiency, Access to Essential Services, Affordable Basic Infrastructure, Affordable Housing, Employment Generation including through SME Financing/Microfinance, Food Security, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainalytics is of the opinion that bonds and loans financed or refinanced under the Framework may advance the transition to a low-carbon and sustainable economy and lead to positive social impact in India.
 - SBI has defined a 24-month look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Under the Biodiversity category, SBI may finance or refinance projects which involve preserving terrestrial and marine natural habitats, including: i) restoration, preservation or conservation of natural habitats and landscapes, such as marshes, creeks and coastal ecosystems; and ii) restoration or preservation of biological diversity in urban areas, such as parks. Additional expenditures may also involve landscape conservation or restoration, including forest conservation and restoration measures in line with Reducing Emissions from Deforestation and

- Forest Degradation (REDD).⁶ Such activities will: i) use tree species well adapted to the site condition; and ii) have a sustainable management plan in place certified to FSC⁷ or PEFC.⁸ Sustainalytics is of the opinion that SBI's investment in biodiversity conservation measures are credible and impactful in protecting natural habitats and restoring the health of ecosystems.
- Under the Circular Economy and Eco-Efficient Projects category, SBI may finance or refinance projects with the following criteria:
 - Production of bio-based resource-efficient or low-carbon products that are certified to the RSB standard.⁹
 - Manufacturing of products that use recycled or waste products, such as plastic. Additionally, such products will meet the following criteria: i) they will contain at least 90% recycled plastic; ii) they will be recyclable; and iii) at least 90% will not be intended for single use products. Further, SBI excludes financing chemical recycling of plastics.
 - Sustainalytics is of the opinion that financing such activities are considered credible green investments leading to improved resource consumption and waste utilization.
 - Under the Clean Transportation category, SBI may finance or refinance developing or manufacturing of low-carbon passenger and freight transportation and related infrastructure projects. Sustainalytics considers these to be credible green investments, noting the following:
 - Passenger vehicles: zero direct emission¹⁰ and hybrid vehicles, such as cars and commercial vehicles with a tailpipe emission threshold below 50gCO₂e/pkm until 2025.¹¹
 - Mass public transportation vehicles: zero direct emission or hybrid passenger public transportation, such as light rail transit, metros, trams, trolleybuses, buses and rail with a tailpipe emission threshold below 50gCO₂e/pkm until 2025.
 - Freight vehicles: zero direct emission or hybrid rail freight with a tailpipe emission threshold below or equal to 25gCO₂e/tkm and zero direct emission road freight transportation.¹²
 - Development, manufacturing and recycling of rechargeable batteries and fuel cells specifically developed or manufactured for green transportation applications.
 - Consumer loans for electric vehicles and electric rickshaws.
 - SBI has communicated that it will follow the commonly used test procedures in India for determining the emission thresholds of the vehicles under this Framework category. Sustainalytics notes that different test procedures can achieve varying results in actual vehicles' CO₂ emissions, whether they intend to replicate real-driving conditions (such as WLTP)¹³ or are based on theoretical driving profiles (such as NEDC).¹⁴ Hence, Sustainalytics further encourages, where feasible, to report on the test procedure used to determine the emission intensity of the vehicles to be financed.
 - Under the Climate Change Adaptation category, SBI may finance or refinance projects related to:
 - Monitoring or forecasting technologies and equipment for temperature, wind, water and land-related climate hazards.
 - Projects related to infrastructure for reducing or avoiding weather-related damages or disruptions as under the National Action Plan for Climate Change.¹⁵ Examples include climate-resilient water tanks to store water in buildings, roofing structure improvements and rainwater harvesting facilities.

⁶ UNFCCC, "What is REDD+?", at: <https://unfccc.int/topics/land-use/workstreams/redd/what-is-redd#:~:text=REDD%2B%20is%20a%20framework%20created,carbon%20stocks%20in%20developing%20countries>.

⁷ FSC: <https://fsc.org/en/find-the-right-certification-or-licence>

⁸ PEFC: <https://www.pefc.org/standards-implementation>

⁹ Roundtable on Sustainable Biomaterials: <https://rsb.org/the-rsb-standard/about-the-rsb-standard/>

¹⁰ Eligible zero direct emission vehicles will include fully electric or hydrogen vehicles.

¹¹ The Bank has confirmed that only vehicles with zero tailpipe emissions will be eligible post 2025.

¹² Fossil fuels will account for no more than 25% of the freight transported (in tonne-kilometre) by eligible freight vehicles.

¹³ WLTP: <https://unece.org/transport/vehicle-regulations/world-forum-harmonization-vehicle-regulations-wp29>

¹⁴ NEDC: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020D1102&from=EN>

¹⁵ Ministry of Environment, Forest and Climate Change, "National Action Plan on Climate Change (NAPCC)", (2021), at: <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2021/dec/doc202112101.pdf>

- SBI has confirmed that it intends to finance projects supported by a vulnerability assessment and adaptation plans to identify and responsibly manage the identified risks.
 - Sustainalytics is of the opinion that financing such projects are considered as credible green expenditures that have the potential to advance India's climate change adaptation and resilience.
- Under the Energy Efficiency category, SBI may finance or refinance projects and technologies that are designed to achieve at least a 20% reduction in energy use according to the following applications and criteria:
 - Battery storage for renewable energy sources.
 - Development, manufacturing and installation of technologies or components in smart grid technologies, such as Supervisory Control and Data Acquisition systems (SCADA), communications and sensor technologies, such as wide area monitoring systems, advance or smart meters, monitoring and control automation devices and big data or computing platforms.
 - Energy management systems which include: i) upgrades, modifications, services and improvements to industrial and manufacturing processes that result in an increase in energy efficiency; and ii) product design, service, redesign, addition and modification of features that specifically increase energy efficiency. SBI has excluded expenditures in 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; and production processes in heavy industries, such as steel, cement or aluminium.
 - Building technologies, including LED lighting, smart meters for households and replacement of existing boilers with electric models.
 - Sustainalytics considers financing these energy efficiency activities to be credible and impactful in enhancing energy efficiency and generating positive environmental impact.
- Under the Green Buildings category, SBI may finance or refinance the development or acquisition of buildings that achieve the following certification levels: i) LEED Gold or Platinum;¹⁶ or ii) BREEAM Excellent or above.¹⁷ Expenditures may also include retrofits, upgrades or renovations of existing buildings that result in at least a 30% improvement in energy efficiency over the initial performance or an improvement achieving the eligible certification levels as set out above. SBI has communicated that its intention is to finance residential and commercial green building projects. Sustainalytics views the certification schemes and levels specified under the Framework to be credible and the energy-efficiency threshold to be indicative of positive environmental impact.
- Under the Living Natural Resources and Land Use Projects category, SBI may finance or refinance sustainable fisheries and aquaculture activities certified by a recognized and credible third-party standard, such as the Aquaculture Stewardship Council (for farm-level certification)¹⁸ and the Global G.A.P. for Aquaculture.¹⁹ Sustainalytics considers these certifications as robust and credible.
- Under the Renewable Energy category, the Bank may finance or refinance:
 - Photovoltaic and concentrated solar power (CSP) projects, which may include ground-mounted and grid-connected rooftop solar projects. For CSP projects, the Bank confirmed that at least 85% of electricity generated from the facility will be from solar-energy resources, and non-renewable energy back-up will be limited to 15% of the facility's total electricity production.
 - Onshore and offshore wind energy projects.
 - Small-scale run-of-river hydroelectric power projects limited to less than 25 MW capacity or without an artificial reservoir. The eligible projects operational after 2019 will have a power density greater than 10 W/m², whereas projects operational before 2019 will have a power density greater than 5 W/m². Furthermore, the SBI has

¹⁶ LEED: <https://www.usgbc.org/leed>

¹⁷ BREEAM: <https://www.breeam.nl/>

¹⁸ ASC: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

¹⁹ Global G.A.P. for Aquaculture: https://www.globalgap.org/uk_en/for-producers/globalg.a.p./integrated-farm-assurance-ifa/aquaculture/

confirmed that each hydropower project, irrespective of its size, will be subject to an environmental and social impact assessment by a credible body. Projects associated with any significant risks, negative environmental impact or environmental or social controversies will not be considered eligible under this Framework.

- Waste-to-energy projects that utilize agricultural and forestry wastes or municipal solid waste for energy recovery. SBI has confirmed that segregation of recyclable wastes, including plastics, will be ensured before energy conversion. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, for such projects to have low emissions intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends SBI to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
 - Geothermal energy for electricity generation. Eligible projects under the Framework will be limited to projects with direct emissions below 100 gCO₂/kWh.
 - Electricity generation from biomass. The feedstock for such projects will include oil seed crops, sugar crops and wood pellets. The Framework excludes biomass derived from sources of high biodiversity that competes with food sources or depletes carbon pools. The Bank has confirmed that the feedstock will exclude peat and palm oil. Life cycle emissions of eligible projects will be limited to 100 gCO_{2e}/kWh.
 - Sustainalytics views these expenditures as credible given their significant potential to create positive environmental impact through low-emission energy production.
- Under the Sustainable Water and Wastewater Management category, SBI may invest in the manufacturing and development of infrastructure, equipment and technology for: i) clean- and drinking-water treatment facilities; ii) solar photovoltaic pump sets; iii) rainwater harvesting systems and ponds; iv) waste-water treatment facilities, including water recycling systems, sewer networks and manure and slurry treatment facilities; and v) water-efficient irrigation methods in horticulture, such as drip and sprinkler irrigation methods and water monitors and taps with low-flow water fixtures. Additionally, SBI confirmed that eligible waste-water treatment facilities will exclude wastewater from fossil fuel operations. Sustainalytics considers these expenditures as credible and impactful.
 - Under the Waste Management and Resource Efficiency, SBI may finance or refinance projects related to waste management and pollution control.
 - Waste management projects will include waste collection, processing and recycling activities. SBI has confirmed that segregation of waste at source will be ensured for the waste collection activities. For waste recovery and processing, segregation of recyclables will be ensured prior to processing. Additionally, eligible projects related to e-waste recycling will have a robust waste management plan to ensure mitigation of any risks associated with such activities. SBI has further communicated that expenditures will exclude chemical recycling of plastics and waste collection vehicles.
 - For pollution control, SBI may finance projects related to air pollution monitoring and prevention, approved under India's Commission for Air Quality Management (CAQM),²⁰ including expenditures related to the installation of sensors for monitoring and testing emission control or compliance, installation of smokestack scrubbers and process upgrades for reducing air emissions. Sustainalytics notes that SBI excludes air pollution measures designed for fossil fuel operations or processes for carbon-intensive sectors under the Framework. Furthermore, the Bank will exclude financing prevention mechanisms for air pollution that directly results from technologies inherently reliant on fossil fuels as an energy source.

²⁰ Commission for Air Quality Management in National Capital Region and Adjoining Areas, at: <https://caqm.nic.in/index1.aspx?sid=11&lev=2&lid=17&langid=1>

- Sustainalytics views the expenditures under this category to be credible and to have the potential to create significant impact in waste reduction and air pollution prevention.
- For the six social categories under the Framework, Sustainalytics notes positively that SBI has defined the following target groups: i) low-income groups (LIGs)²¹ and economically weaker sections (EWSs);²² ii) rural communities; iii) elderly persons people with disabilities;²³ iv) scheduled tribes and scheduled castes;²⁴ v) unemployed individuals; and vi) micro, small and medium enterprises (MSMEs).²⁵
- Sustainalytics notes that the SBI has responsible lending policies which are applied to all lending decisions to avoid predatory lending. Sustainalytics views this as a key aspect of sustainable consumer lending. Please refer to Section 2 for additional details.
- Under the Access to Essential Services category, SBI may provide loans up to INR 2 million (USD 24,180) to individuals for education, including vocational courses. Additionally, the expenditures under this category will include loans up to INR 50 million (USD 604,000) for building schools and healthcare facilities.
 - Education loans will focus on students belonging to LIGs, EWSs and other marginalized groups as identified under the Framework. Sustainalytics notes that SBI offers benefits, such as loan subsidies and moratorium periods, included under government schemes for promoting education among the target populations. Additionally, SBI offers an interest rate discount to promote education for female students in India.
 - SBI will finance the construction of schools and healthcare facilities which are accessible to all and provide services free of cost or at a nominal cost to those belonging to EWSs, LIGs and marginalized groups in accordance with the prevailing government schemes and guidelines.
 - Sustainalytics recognizes the expected benefits of educational loans for low-income and EWS households and the construction of public education and healthcare facilities, especially given the lack of access to quality education and healthcare for the target populations in India. Considering the targeting for these loans and the financial advantages offered by SBI to the target groups, Sustainalytics believes that expenditures under this category to be to be impactful in addressing such inequities for the target populations.
- Under the Affordable Basic Infrastructure category, SBI may finance or refinance essential services, including:
 - Procurement of vehicles, such as electric buses, to enable public mobility in rural and underserved areas with no or inadequate access to transportation. The Framework specifies that the eligible vehicles under this category will be limited to electric public transport vehicles.
 - Development of roads in underdeveloped areas that lack connectivity or infrastructure. SBI has communicated that underdeveloped areas will primarily include rural and semi-urban areas in India. Furthermore, the Bank has confirmed the exclusion of financing major highways.
 - Provision of loans up to INR 50 million (USD 605,000) for construction or refurbishment of drinking water and sanitation facilities, such as household toilets and household-

²¹ Low-income groups are defined as households that have an annual income up to INR 600,000 (USD 7,237).

Ministry of Housing and Urban Poverty Alleviation, "Pradhan Mantri Awas Yojana: Housing for All (Urban)", 2015, at: https://pmaymis.gov.in/PDF/HFA_Guidelines/hfa_Guidelines.pdf

²² Economically weaker sections are defined as those with a gross family annual income below INR 800,000 and are not covered under the scheme of reservations for the scheduled castes, scheduled tribes and socially and educationally backward classes.

Ministry of Social Justice and Empowerment, "Income Limit Fixed For EWS", (2021), at: <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1781353>

²³ SBI follows the Government of India's definition for Persons with Disabilities.

Ministry of Social Justice and Empowerment, "The Rights of Persons with Disabilities (RPwD) Act, 2016", at:

<https://disabilityaffairs.gov.in/content/page/acts.php>

²⁴ SBI follows the definition of scheduled castes and scheduled tribes as defined under clause (24) and (25) of Article 366 of the Constitution of India.

More information at: https://legislative.gov.in/sites/default/files/COI_English.pdf

²⁵ 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 (USD 121,000) and turnover does not exceed INR 50 million (USD 605,000); for a small enterprise, the investment in plant and machinery or equipment does not exceed INR 100 million (USD 1.2 million) and turnover does not exceed INR 500 million (USD 6 million); and for a medium enterprise, the investment in plant and machinery or equipment does not exceed INR 500 million (USD 6 million) and turnover does not exceed INR 2.5 billion (USD 30.2 million). More information at:

<https://msme.gov.in/know-about-msme>

- level water improvement systems in Tier II to Tier VI centres in India.²⁶SBI has confirmed that these sanitation facilities financed under the Framework will be made available only where such facilities are lacking or were inadequate.
- Many rural regions in India lack public water and sanitation infrastructure, and open defecation is therefore a major issue in rural areas in India. Furthermore, rural areas in India often lack road connectivity and public transportation facilities, thereby severely hampering mobility and raising safety concerns. Sustainalytics considers the expenditures under this category to contribute to reducing the problem of open defecation while improving overall hygiene and mobility in rural and underserved areas in India.
- Under the Affordable Housing category, expenditures may include the following: i) loans to individuals for the purchase or construction of low-cost houses;²⁷ ii) loans to individuals for renovations of existing houses;²⁸ and iii) loans for affordable housing projects.²⁹ Additionally, SBI intends to extend loans to EWSs and LIGs.
 - SBI has communicated to Sustainalytics that the Bank offers affordable housing loans at a pricing differential, including subsidies and moratoriums as per prevailing government schemes and guidelines.
 - The LIGs and EWSs in India have been traditionally dependent on the informal financial sector for borrowing, thereby forcing them to avail short tenure loans at high interest rates and putting them at risk of default. As a result of their credit risk, mainstream formal banking and finance services have historically been inaccessible to these segments of the population. Sustainalytics recognizes the expected benefits of affordable housing loans for low-income and EWS households, especially given the lack of access to affordable housing and the formal financial system for the target populations in India. Considering the targeting for these loans, the affordability thresholds prescribed by the Reserve Bank of India and the financial advantage offered by SBI to the target groups, Sustainalytics believes that expenditures under this category will contribute to improving access to finance for affordable housing, especially to families belonging to EWSs and LIGs.
 - Under the category of Employment Generation including through SME Financing and Microfinance, SBI may provide loans to MSMEs.^{30,31,32} Further, SBI may purchase or invest in secondary credit portfolios of other financial institutions with underlying loans to MSMEs or microfinance transactions towards SMEs. Sustainalytics notes that SBI restricts lending to MSMEs that are involved in carbon-intensive or controversial sectors, such as weapons, mining, tobacco or conflict minerals, or that engage in child, forced or unfair labour practices. Sustainalytics considers the intent to increase Indian MSMEs' access to financial services to be impactful.

²⁶ Tiers II, III and IV represent semi-urban centres, and Tiers V and VI represent rural centres.

Reserve Bank of India, "Master Circular on Branch Licensing", (2015), at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?id=9817>

²⁷ SBI's loans will be in accordance with the Reserve Bank of India's Master Directions - Priority Sector Lending - Targets and Classification the Reserve Bank of India, and SBI intends to provide housing loans if the cost of the house is not more than INR 4.5 million (USD 54,280) in metropolitan centres with a population of 1 million or more, and INR 3 million (USD 36,187) in other centres. SBI intends to provide low-cost housing loans for an amount not exceeding INR 3.5 million (USD 42,280) in metropolitan centres and INR 2.5 million (USD 30,200) in other centres.

Reserve Bank of India, "Master Directions - Priority Sector Lending (PSL) - Targets and Classification (Updated as on October 20, 2022)", (2022), at: https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959#MSME

²⁸ SBI follows the Reserve Bank of India's Master Directions - Priority Sector Lending (PSL) - Targets and Classification, wherein the loan amount for a renovation of an existing house will be up to INR 1 million (USD 12,062) in metropolitan centres and up to INR 600,000 (USD 7,237) in other centres.

²⁹ The SBI defines affordable housing as per the Reserve Bank of India's Master Directions - Priority Sector Lending (PSL) - Targets and Classification and as per the Government of India, where affordable housing is defined as a housing project that uses at least 50% of the floor area ratio (FAR) or floor space index (FSI) for dwelling units with a carpet area of no more than 60 m².

³⁰ SBI follows the Reserve Bank of India's definition for MSMEs.

Reserve Bank of India, "New Definition of Micro, Small and Medium Enterprises - clarifications", (2020), at: https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=11951

³¹ SBI's MSME loans will be offered in accordance with the Reserve Bank of India.

Reserve Bank of India, "Master Directions - Priority Sector Lending (PSL) - Targets and Classification (Updated as on October 20, 2022)", (2022), at: https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959#MSME

³² SBI requires MSMEs to 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. More information at: https://msme.gov.in/sites/default/files/Industries_act1951.pdf

- Under the Food Security category, SBI may invest in infrastructure and warehousing facilities to provide adequate storage, improve food conservation and improve connectivity in the food chain to avoid food losses. Sustainalytics encourages the Bank to report on how the financed projects will help reduce food waste and improve food security.
- Under the Socio-economic Advancement and Empowerment category, SBI may provide loans to the agriculture sector, including farm credits and loans for agricultural infrastructure and agriculture and allied activities. Such loans would target: i) small and marginal farmers;³³ ii) self-help groups, joint liability groups and farmer cooperatives that are made up primarily of small and marginal farmers; and iii) corporate farmers, farmer producer organizations and partnership firms limited to small and marginal farmers. Additionally, SBI has confirmed the exclusion of loans for the purpose of large-scale industrial farming.
 - Farm credits and loans will be extended to the target groups for agriculture activities, such as dairy, fisheries, animal husbandry, poultry, beekeeping and sericulture. Such loans may cover expenditures for traditional and non-traditional plantations, horticulture, purchase of agricultural machinery, developmental activities on the farm, pre- and post-harvest activities and purchase of land.³⁴
 - Agriculture infrastructure loans will be provided for soil conservation, watershed development, plant tissue culture, agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer and vermi-composting.
 - SBI also intends to provide loans to Primary Agricultural Credit Societies (PACS)³⁵ Farmers Service Societies (FSS)³⁶ and Large-sized Adivasi Multi-Purpose Societies (LAMPS)³⁷ for on-lending to the above-mentioned agricultural activities. Sustainalytics notes that the aforementioned societies are grassroot-level credit services for farmers that offer loan subsidies to small and marginal farmers as per prevailing government schemes and guidelines. Additionally, such societies have adequate measures in place to ensure responsible lending practices to prevent predatory lending. Sustainalytics encourages SBI to report on the impact of such loans on small and marginal farmers.
 - SBI may lend to cooperative societies of farmers to ensure last-mile support for setting up Agri-clinics³⁸ and Agri-business centres.³⁹ Sustainalytics notes the need to supplement the government's efforts to provide agricultural training and extension services, such as advisory services, post-harvest management and market linkages with privately owned Agri-clinics and Agri-business centres that provide services either free of cost or at a nominal cost. Further, Agri-clinics and Agri-business centres play a key role in promoting sustainable agricultural practices in India by imparting technical farming knowledge and providing small and marginal farmers with last-mile connectivity. Sustainalytics also notes the entrepreneurial opportunities provided to individuals trained in agriculture or allied subjects, particularly those belonging to LIGs

³³ As per the Reserve Bank of India, a marginal farmer is a farmer that cultivates (as owner, tenant or share cropper) agricultural land up to 1 ha, and a small farmer is one that cultivates (as owner, tenant or share cropper) agricultural land of more than 1 ha and up to 2 ha.

Reserve Bank of India, "Agricultural Debt Waiver and Debt Relief Scheme, 2008", at:

https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=4190

³⁴ The complete list of activities intended to be financed under Farm Credit is included in "State Bank of India ESG Financing Framework", (2022), at: www.sbi.co.in

³⁵ Primary agricultural credit societies are the smallest co-operative credit institutions in India. They are the link between the borrowers, including rural people and farmers, and higher financial institutions, such as District Central Cooperative banks and State Cooperative banks.

National Bank for Agriculture and Rural Development, "Financing and developing PACS", at:

<https://www.nabard.org/demo/auth/writereaddata/File/Financing%20and%20developing%20PACS.pdf>

³⁶ Farmers Service Societies are well organized registered co-operative bodies, based on the principles of co-operation and governed by cooperative byelaws. These societies provide financing to member farmers for short-term production and investment credits.

³⁷ Large-sized Adivasi Multi-Purpose Societies support tribal populations in rural and semi-urban areas to meet their credit needs for livelihood-related activities, such as agricultural operations.

More information available at: <https://www.indiafilings.com/learn/large-area-multipurpose-societies-lamps-scheme/>

³⁸ Agri-clinics provide advisory services to farmers on various topics, such as soil health, cropping practices, plant protection, crop insurance, post-harvest technology, clinical services for animals, feed and fodder management and crop pricing. These services aim to enhance productivity and increase income for farmers.

SBI, "Agri Clinic Scheme", at: <https://sbi.co.in/web/agri-rural/agri-clinic-scheme>

³⁹ Agri-business centres are commercial units established by trained agriculture professionals for the maintenance and custom hiring of farm equipment, sale of agricultural inputs and other services related to agriculture and allied areas, such as post-harvest management and market linkages. These services provided by Agri-business centres aim to generate income for farmers and develop entrepreneurial capabilities.

SBI, "Agri Clinic and Agri Business centres", at: <https://sbi.co.in/web/agri-rural/agriculture-banking/miscellaneous-activities/setting-up-of-agri-clinic-and-agri-business-centres>

and EWSs, through the provision of loans to start Agri-clinics and Agri-business centres at subsidized interest rates. Sustainalytics recognizes the potential sale of synthetic agricultural inputs to small-scale farmers, such as synthetic fertilizers, through the Agri-business centres and encourages SBI to favor financing to Agri-business centres that restrict themselves to the sale of organic agricultural inputs.

- Sustainalytics notes that SBI, in accordance with government schemes for agricultural loans, offers small and marginal farmers, tribal farmers and rural populations loans with financial advantages, such as moratorium periods for loan repayment and interest subventions. Given the targeting for these loans and the financial advantages offered by SBI to the target groups, Sustainalytics considers expenditures under the category to be impactful in enhancing agricultural productivity and efficiency and reducing income inequalities in the agricultural sector in India.
- Sustainalytics notes that the Framework excludes financing in activities listed in the International Finance Corporation Exclusion List (2007).⁴⁰ The exclusionary list also excludes: i) clean coal and any other fossil fuel-related assets; ii) nuclear energy and nuclear-related assets; iii) hydropower projects with a capacity of more than 25 MW; iv) luxury sectors, such as precious metals, precious artworks and antiques, golf course services and hospitality groups; v) agricultural or deforestation operations located on land designated as a primary forest, areas with rich biodiversity, high conservation value areas or legally preserved areas; vi) MSMEs that knowingly and intentionally engage in child labour, forced labour, unfair labour practices, conflict minerals, predatory lending; and vii) production or trade of any product or activity deemed illegal under host country laws and regulations, international conventions and agreements or subject to international bans.
- Project Evaluation and Selection:
 - SBI has established a Sustainability Committee responsible for the process of project evaluation and selection in accordance with the eligibility criteria of the Framework. The Sustainability Committee comprises senior representatives from the Bank's Credit Policy and Procedures, Agriculture Banking, Small and Medium Enterprise Banking, CSR and Sustainability, Treasury and International Banking departments. The Chief General Manager of the Credit Policy and Procedures Department will chair the Sustainability Committee.
 - The Bank has developed an ESG risk rating model to identify ESG risks associated with the relevant projects by assessing the borrower's performance on the ESG parameters during the project evaluation stage. Sustainalytics considers the environmental and social risk management system to be adequate and aligned with market practice. For additional details, refer to Section 2.
 - Based on cross-functional oversight for project evaluation and selection and the presence of a risk management system, Sustainalytics considers these processes to be in line with market practice.
- Management of Proceeds:
 - The Sustainability Committee will oversee the management of proceeds on a quarterly basis. The Bank will develop a labelling mechanism to track and monitor the allocation of proceeds.
 - The Bank intends to allocate net proceeds within 24 months of issuance. Pending allocation, unallocated proceeds will be temporarily held in money market instruments or government securities as deemed fit by the Bank, which will exclude activities in the exclusionary list in the Framework.
 - Based on the commitment to a tracking mechanism to allocate proceeds in a timely manner and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - SBI intends to report on the allocation of proceeds and corresponding impact annually until full allocation. The allocation report will be published on SBI's website, and the impact report will be made available to the investors.
 - Allocation reporting will include the amount of proceeds to be allocated to the eligible projects, the eligible project examples, the proceeds allocated as per geographical distribution, the amount of unallocated proceeds and the share of financing versus refinancing.

⁴⁰ IFC, "IFC Exclusion List", (2007), at: <http://www.ifc.org/exclusionlist>

- Impact reporting may include relevant impact indicators per category, such as the annual GHG emissions reduced or avoided (measured in tCO₂e), the annual energy savings, the number of SMEs financed and the number of housing units constructed or preserved, among indicators. For a full list of impact indicators, please refer to Appendix 1.
- Based on the commitments to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the State Bank of India ESG Financing Framework aligns with the SBG, GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of SBI

Contribution to State Bank of India's sustainability strategy

Sustainalytics is of the opinion that SBI demonstrates a commitment to sustainability by including it as one of its five core business values.⁴¹ SBI conducted a materiality assessment to identify and prioritize material issues, such as: i) customer satisfaction; ii) sustainable business strategy; iii) natural resource management; iv) ethical business practices; and v) products with positive environmental and social impact, among other issues.⁴²

As part of SBI's efforts to reduce its environmental impact, the Bank has launched a range of loan products to finance renewable energy and clean transportation projects, such as: i) the Surya Shakti Solar Finance to provide financing to SME units with solar-rooftop or ground-mounted capacity up to 1 MW for captive use; ii) loans provided to farmers to purchase solar water pumping systems; iii) the Green Car Loan scheme with concessional interest rates; iv) loans to corporations for replacing the existing feedstock coal or other fossil fuels with biomass; and v) the E-Rickshaw Scheme to promote clean transportation.⁴³ SBI has also issued green bonds worth USD 800 million since FY2018-19 and a green loan worth EUR 50 million in FY2020-21, which have helped finance wind and solar energy projects with a total capacity of more than 3,500 MW.⁴⁴ The Bank estimates the investments made through these green bonds and loans to have an annual emission reduction potential of 5.5 million tCO₂ and projected annual renewable power generation of more than 3.8 million MWh.⁴⁵ Moreover, SBI has partnered with international organizations, such as the World Bank, KfW German Development Bank and the European Investment Bank Group, to promote responsible banking and use the lines of credit extended by these organizations to fund projects that have clear social or environmental impact, such as affordable housing projects, renewable energy projects and projects that promote energy efficient alternatives in real estate.⁴⁶ SBI has also set a commitment to achieve carbon neutrality by 2030 and increased the share of renewable sources in its energy mix by using wind or solar power at various SBI offices with the aim to reduce emissions.⁴⁷

To create direct social impact, SBI extended approximately 58% of its home loans for affordable housing in 2021. Furthermore, recognizing the need for improved access to quality education, SBI provided loans to 76,301 students in 2021, 40% of which were female students and 12% belonged to minority communities.⁴⁸ To support entrepreneurs, SBI aligned its business strategy with the Government of India's Startup Action Plan⁴⁹ and provides loans to first-generation entrepreneurs, entrepreneurs belonging to marginalized groups and MSMEs.⁵⁰ To further its commitment to rural banking and agricultural financing, SBI has set up 8,000 rural branches across India as of March 2022.⁵¹ In 2019, SBI launched the YONO Krishi, a multilingual digital

⁴¹ SBI, "About Us", at: <https://sbi.co.in/web/about-us>

⁴² SBI, "Sustainability Report 2021-22", at: <https://sbi.co.in/documents/17826/35696/200622-Sustainability+Report+%28SR%29+2021-22.pdf/c75ba059-e334-a921-1a9d-535c01d8a80d?t=1655715520665>

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ SBI, "Sustainability Report 2021-22", at: <https://sbi.co.in/documents/17826/35696/200622-Sustainability+Report+%28SR%29+2021-22.pdf/c75ba059-e334-a921-1a9d-535c01d8a80d?t=1655715520665>

⁴⁹ The Government of India launched the Startup India scheme in 2016 to support start-ups in developing and innovating products and services and to create more job opportunities in India.

Government of India, "Action Plan", (2016), at: https://www.startupindia.gov.in/content/dam/invest-india/Templates/public/Action_Plan.pdf

⁵⁰ SBI, "Sustainability Report 2021-22", at: <https://sbi.co.in/documents/17826/35696/200622-Sustainability+Report+%28SR%29+2021-22.pdf/c75ba059-e334-a921-1a9d-535c01d8a80d?t=1655715520665>

⁵¹ Ibid.

platform which offers credit facilities and financial products suited to farmers' agricultural needs.⁵² During the COVID-19 pandemic, SBI responded to the emergency need for financial support by offering interest deferrals, extensions in loan repayment and additional loans to farmers.⁵³

Sustainalytics is of the opinion that the State Bank of India ESG Financing Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities. Sustainalytics encourages SBI to establish time-bound quantitative sustainability targets where feasible.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. SBI plays a limited role in the development of projects and assets being financed, but it remains exposed to risks associated with projects it may finance by offering lending and financial services. Some key environmental and social risks possibly associated with the eligible projects may include issues related to biodiversity loss and land use from large infrastructure projects; climate change risk from the Bank's investments; business ethics; predatory lending; and stakeholder participation. Projects that aim to achieve social impact in particular may increase inequality if not targeted well at relevant populations.

Sustainalytics is of the opinion that SBI is able to manage or mitigate potential risks through the implementation of the following:

- SBI has integrated its risk management framework into its Sustainability and Business Responsibility Policy for identifying measures to mitigate environmental and social risks and assessing the financial implications of these risks. The Bank applies the policy to all its loans at the assessment stage, wherein it ensures thorough evaluation of the borrower's performance against key socio-economic and environmental factors, such as: i) potential to create economic development in the region; ii) compliance with labour laws and human rights; iii) resettlement and rehabilitation of the local population; iv) performance in pollution management, including air, water and hazardous waste; v) ecological impact of operations; and vi) business continuity and disaster management.⁵⁴
- SBI has established a Climate Change Risk Management Policy to identify and address climate risks at the operational and portfolio levels. The policy mandates identification and assessment of forward-looking climate-related risks through scenario analyses and stress testing, as well as implementation of internal control measures to mitigate the potential impact of the identified climate-related risks.⁵⁵
- To manage risks associated with business ethics, SBI has established code of ethics and a code of conduct to ensure ethical banking practices when dealing with stakeholders.^{56,57} The Bank has also developed a whistleblower policy on reporting concerns about unethical behaviour, actual or suspected fraud or violations of the Bank's code of conduct policy.⁵⁸
- SBI has voluntarily adopted a Code of Banks Commitments to Customers and a Fair Lending Practices Code, which sets minimum standards for banking practices. These codes ensure that SBI discloses complete information of the loan transactions to its customers, including terms and conditions of the loans, minimum balance requirements, interest rates, service charges and customers' rights and liabilities in a transparent manner.^{59,60}
- To maintain long-term relationships with its stakeholders, SBI ensures regular and transparent communication through digital feedback mechanisms⁶¹ and has developed a grievance redressal

⁵² SBI, "Annual Report 2021-22", at: https://sbi.co.in/documents/17836/29141285/SBI_Annual_Report_2022.pdf

⁵³ SBI, "Sustainability Report 2021-22", at: <https://sbi.co.in/documents/17826/35696/200622-Sustainability+Report+%28SR%29+2021-22.pdf/c75ba059-e334-a921-1a9d-535c01d8a80d?t=1655715520665>

⁵⁴ SBI, "Sustainability and Business Responsibility Policy", (2022), at: <https://sbi.co.in/documents/16012/396762/290822-Sustainability+and+Business+Responsibility+%28BR%29+Policy+latest.pdf/04ce597a-977a-3860-7bd4-72c6594ff1f4?t=1661762709904>

⁵⁵ SBI, "Climate Change Risk Management Policy", at: https://sbi.co.in/documents/17826/26668959/151022-Climate+Change+Risk+Management+Policy_Abridged+Version.pdf/ee84cf18-f5be-5823-234d-6d03667eafee?t=1665814460351

⁵⁶ SBI, "Code of Ethics in Brief", at: https://bank.sbi/documents/17826/17948/04122020_CODE+OF+ETHICS+IN+BRIEF.pdf/88ac7a53-cb53-3a40-e86e-d8dfa6e0930c?t=1607082600775

⁵⁷ SBI, "Corporate Governance – Code of Conduct", at: https://www.sbi.co.in/documents/17826/20624/1363340757174_SBI_CORPORATE_GOVERNANCE_COC.pdf

⁵⁸ SBI, "Whistle Blower Policy", at: <https://sbi.co.in/documents/17836/171814/Whistle+Blower+Policy.pdf>

⁵⁹ SBI, "Fair Lending Practices Code", at: <https://sbi.co.in/web/customer-care/fair-lending-practices-code#show>

⁶⁰ SBI, "Code of Bank's Commitment to Customers", at: <https://bank.sbi/documents/53471/263971/Code+of+Bank+Commitment+to+Customers+-+January+2018.pdf>

⁶¹ SBI, "Sustainability Report 2021-22", at: <https://sbi.co.in/documents/17826/35696/200622-Sustainability+Report+%28SR%29+2021-22.pdf>

mechanism for redressal of complaints.⁶² SBI also implements community welfare programmes and has regular interactions on matters of policy development with industry associations.⁶³

Based on these policies, standards and assessments, Sustainalytics is of the opinion that SBI has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 16 use of proceeds categories are aligned with those recognized by the SBG, GBP, SBP, GLP and SLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of financing renewable energy projects in India

India is the third-largest GHG emitter in the world, accounting for approximately 6.76% of total global emissions in 2019.⁶⁴ The power sector in India alone was responsible for more than 45% of India's GHG emissions in 2019.⁶⁵ This was mainly because the Indian power sector continues to rely heavily on carbon-intensive energy sources, such as coal, lignite and gas, which contribute 75% to the total generated power.⁶⁶ As of December 2021, the coal-based thermal power plants were responsible for one-third of India's GHG emissions.⁶⁷ On the demand side, energy use in India doubled between 2000 and 2020, making India the world's third-largest consumer of energy.⁶⁸ This demand is projected to increase further by 25% - 35% from 2019 to 2030 as per delayed recovery and stated policies scenario analysis of IEA, largely driven by India's fast-growing population, urbanization and industrialization.⁶⁹

In 2022, India set a long-term goal of reaching net zero by 2070 to strengthen its commitment to the Paris Agreement.⁷⁰ The government has also updated its emission and energy targets as part of its Nationally Determined Contribution, which include: i) a 45% reduction in emission intensity in terms of GDP by 2030 compared to 2005 levels; ii) an approximately 50% cumulative electric power installed capacity from non-fossil fuel-based energy resources by 2030;⁷¹ and iii) an increase in the renewables capacity to 500 GW by 2030.⁷² In order to achieve its targets, the Government of India launched a variety of programmes to support the development of the renewable energy market, such as: i) the Roof Top Solar Programme, ii) Solar Parks, iii) Green Energy Corridors, iv) Greening of Islands, v) Ensuring Round-the-Clock Power from the RE Power Projects, vi) Renewable Energy Hybrid Projects, vii) Solar Cities, and viii) Renewable Purchase Obligations.⁷³ Through such programmes, India achieved a cumulative installed renewable energy capacity (excluding large hydro) of 92.54 GW as of January 2021.⁷⁴ Although the installed renewable energy capacity of India has more than doubled and the installed solar energy capacity has increased 15 times since 2014,⁷⁵ India's renewable energy sector still requires an additional estimated investment of USD 500 billion to reach the 2030 target.⁷⁶

Based on the above, Sustainalytics is of the opinion that SBI's financing of renewable energy projects is expected to support India's climate-related commitments and contribute toward its transition to a low-carbon economy.

Importance of affordable housing in India

The Indian housing market has been a victim of skewed demand-supply management on account of rapid urbanization, urban migration and increased inequality. A shortage of developed and encumbrance-free land,

⁶² SBI, "Customer Rights, Grievance Redressal and Compensation Policy", (2021), at: https://sbi.co.in/webfiles/uploads/files_2122/17112021-FINAL%20POLICY%20DOCUMENT.pdf

⁶³ SBI, "Sustainability Report 2021-22", at: <https://sbi.co.in/documents/17826/35696/200622-Sustainability+Report+%28SR%29+2021-22.pdf>

⁶⁴ Climatewatch, "India", at: https://www.climatewatchdata.org/countries/IND?end_year=2019&start_year=1990

⁶⁵ IEA, "CO₂ emissions from the Indian energy sector, 2019", (2022), at: <https://www.iea.org/data-and-statistics/charts/co2-emissions-from-the-indian-energy-sector-2019>

⁶⁶ Manchanda, H. (2022), "Power Sector: Stumbling block in India's net-zero journey", Observer Research Foundation, at:

<https://www.orfonline.org/expert-speak/power-sector-stumbling-block-in-indias-net-zero-journey/>

⁶⁷ Ibid.

⁶⁸ IEA, "India Energy Outlook", (2021), at: <https://www.iea.org/reports/india-energy-outlook-2021>

⁶⁹ Ibid.

⁷⁰ Government of India, "India's Updated First Nationally Determined Contribution Under Paris Agreement (2021-2030)", (2022), at:

<https://unfccc.int/sites/default/files/NDC/2022-08/India%20Updated%20First%20Nationally%20Determined%20Contrib.pdf>

⁷¹ Ibid.

⁷² Ministry of New and Renewable Energy, "Renewable Energy in India", (2022), at: <https://pib.gov.in/FeaturesDeatils.aspx?NotelD=151141&ModuleId=2>

⁷³ Ministry of New and Renewable Energy, "Annual Report 2020-21", at: https://mnre.gov.in/img/documents/uploads/file_f-1618564141288.pdf

⁷⁴ Ibid.

⁷⁵ Ibid.

⁷⁶ Buckley, T. et al. (2021), "Capital Flows Underpinning India's Energy Transformation", Institute for Energy Economics and Financial Analysis, at:

http://ieefa.org/wp-content/uploads/2021/02/Capital-Flows-Underpinning-Indias-Energy-Transformation_February-2021.pdf

increased construction costs and plenty of informal housing options have put pressure on the supply of affordable housing in urban areas, while lower purchasing power and a lack of access to formal, affordable finance have affected demand.⁷⁷ Moreover, high prices accompanied by an excess supply of high-end housing have led to a vacant housing stock.⁷⁸ Furthermore, average real housing prices have increased beyond GDP per capita, thereby swelling the problem of housing affordability, particularly for low-income households.⁷⁹ Moreover, the housing shortage in India is not only exemplified by the number of households without a house but also by the number of households living in conditions that are unacceptable for human dwelling and households suffering from physical and social constrictions as a result of overcrowding in living spaces.⁸⁰ Every sixth urban Indian lives in slums, which are unfit for human habitation,⁸¹ and approximately 35% of India's urban population lives in substandard housing, which roughly translates to 35 million households in need of housing.⁸² To manage this housing issue, the Government of India launched the Pradhan Mantri Awas Yojana – Housing for All scheme in 2015 to provide subsidies to make housing affordable and provide individuals with better quality living conditions. The Housing for All scheme, which was initially scheduled to end in 2022, has been extended until 2024 and has facilitated 12.3 million urban houses as of December 2022.⁸³

Considering the above, Sustainalytics is of the opinion that the SBI's investment in affordable housing is aligned with the government's efforts to promote affordable housing and is expected to contribute to improving low-income households' access to finance for housing in India.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the State Bank of India ESG Financing Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Biodiversity	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Circular Economy and/or Eco-Efficient Projects	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

⁷⁷ Niti Ayog, "India's Housing Conundrum", at: <https://niti.gov.in/index.php/indias-housing-conundrum>

⁷⁸ De la Maisonneuve, C. et al. (2020), "Housing for All in India", OECD, at: [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP\(2020\)20&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2020)20&docLanguage=En)

⁷⁹ Ibid.

⁸⁰ Tata Capital, "Reasons Why Affordable Housing is Important in India", (2021) at: <https://www.tatacapital.com/blog/home-loan/reasons-why-affordable-housing-is-important-in-india/>

⁸¹ Down to Earth, "Slumming it out", at: <https://www.downtoearth.org.in/dte-infographics/slums/index.html#:~:text=Every%20sixth%20urban%20Indian%20lives%20in%20slums%20unfit,dwellers%20are%20the%20most%20overlooked%20section%20of%20society.>

⁸² Knight Frank, "Brick by Brick: Long Term Capital to Fund Affordable Housing for All", (2021), at: <https://content.knightfrank.com/research/2349/documents/en/brick-by-brick-2021-8619.pdf>

⁸³ Pradhan Mantri Awas Yojana – Urban, "National Progress", at: https://pmay-urban.gov.in/uploads/progress-pdfs/63a94da2c7d3e-PMAY-U_Achievement_as_on_26th_Dec_2022-for-WEB.pdf

Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Living Natural Resources and Land Use Projects	14. Life below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
Waste Management and Resource Efficiency	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Access to Essential Services	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
	4. Quality Education	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.
		4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
Affordable Basic Infrastructure	6. Sustainable water and wastewater management	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
		6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations
	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Employment Generation including through SME Financing/Microfinance	9. Industry, Innovation and Infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
Food Security	2. Zero Hunger	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment
Socioeconomic Advancement and Empowerment	2. Zero Hunger	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment
	8. Decent work and economic growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

Conclusion

State Bank of India has developed the State Bank of India ESG Financing Framework, under which it may issue green, social, sustainability bonds and loans and use the proceeds to finance projects related to Biodiversity, Circular Economy and Eco-Efficient Projects, Clean Transportation, Climate Change Adaptation, Energy Efficiency, Green Buildings, Living Natural Resources and Land Use Projects, Renewable Energy, Sustainable Water and Wastewater Management, Waste Management and Resource Efficiency, Access to Essential Services, Affordable Basic Infrastructure, Affordable Housing, Employment Generation including through SME Financing and Microfinance, Food Security, and Socio-economic Advancement and Empowerment. Sustainalytics considers that the projects funded by the sustainability bond or loan proceeds may advance the transition to a low-carbon and sustainable economy and lead to positive social impact in India.

The State Bank of India ESG Financing Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the State Bank of India ESG Financing Framework is aligned with the overall sustainability strategy of the Bank and that the green and social use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 3, 4, 6, 7, 8, 9, 11, 12, 13, 14 and 15. Additionally, Sustainalytics is of the opinion that SBI has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that State Bank of India is well positioned to issue green, social, sustainability bonds and loans and that the State Bank of India ESG Financing Framework is robust, transparent and in alignment with the core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021 and Social Loan Principles 2021.

Appendix 1

Appendix 1: Sustainability Bond/ Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	State Bank of India
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	State Bank of India ESG Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 6, 2023

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The 16 eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 11, 12, 13, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBP:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input checked="" type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

State Bank of India has established a Sustainability Committee to oversee the process of project evaluation and selection in accordance with the eligibility criteria of the ESG Financing Framework. The Sustainability Committee will be chaired by the Chief General Manager of the Credit Policy and Procedure Department and will comprise senior representatives from the State Bank of India's Credit Policy and Procedures , Agriculture

Banking, Small and Medium Enterprise Banking, CSR and Sustainability , Treasury and International Banking departments. State Bank of India has processes in place to identify and manage ESG risks associated with the eligible projects. Sustainalytics considers the risk management systems to be adequate and project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The Sustainability Committee will oversee the allocation of proceeds on a quarterly basis. State Bank of India intends to develop a labelling mechanism to track and monitor the allocation of proceeds and allocate net proceeds within 24 months of issuance. Pending allocation, unallocated proceeds will be temporarily held in money market instruments or government securities. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

State Bank of India intends to report on the allocation of proceeds and corresponding impact annually until full allocation. The allocation report will be published on State Bank of India’s website and the impact report will be made available to the investors. The allocation report will include the amount of proceeds to be allocated to the eligible projects, the eligible project examples, the proceeds allocated as per geographical distribution, the amount of unallocated proceeds and the share of financing versus refinancing. State Bank of India is committed to reporting on relevant impact metrics where feasible. Sustainalytics views State Bank of India’s allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (*please specify*):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (*please specify*):
Proportion of proceeds used for financing versus refinancing, amount of unallocated proceeds and its temporary treatment

Frequency:

- Annual Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (*please specify*):

Biodiversity	<ul style="list-style-type: none"> • Maintenance/safeguarding/increase of protected area, Natural Landscape area. • Number of predefined target organisms and species per km² before and after the project • Number of protected sensitive species in conserved area before and after the project
Circular Economy and/or Eco-Efficient Projects	<ul style="list-style-type: none"> • % of Single use products replaced by reusable products. • % increase in reusable, recyclable, and/or certified compostable materials, components & products • Increased proportion of circular materials produced as a % of the total material production of the project

	<ul style="list-style-type: none"> Waste that is prevented, minimised, reused or recycled before and after the project Virgin raw materials that are substituted by secondary raw materials and by-products from manufacturing processes
Clean Transportation	<ul style="list-style-type: none"> Annual GHG emissions reduced/avoided (tCO₂eq p.a.) Passenger-kilometers constructed, Reduction of air pollutants Number of clean vehicles deployed (e.g., electric) Estimated reduction in car/truck use in number of kilometers driven or as share of total transport ridership. Estimated reduction in fuel consumption
Climate Change Adaptation	<ul style="list-style-type: none"> Increase in grid resilience, energy generation, transmission/distribution and storage in MWh Reduction in the number of wildfires, and/or in the area damaged by wildfires in km² Reduction in repair costs due to storms Reduction in the number of customers/employees suffering loss of power/transport services 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 Reduction in land-loss from inundation and/or coastal erosion
Energy Efficiency	<ul style="list-style-type: none"> Annual energy savings Annual GHG emissions reduced/avoided (tCO₂eq p.a.) Number of people who benefitted
Green Buildings	<ul style="list-style-type: none"> Energy use reduced; Renewable energy generated on site Annual GHG emissions reduced/avoided in tonnes of CO₂ equiv. % of carbon emissions reduced/avoided
Living Natural Resources and Land Use Projects	<ul style="list-style-type: none"> Number of sustainable fisheries and aquaculture activities financed
Renewable Energy	<ul style="list-style-type: none"> Annual Green House Gas (GHG) emissions reduced/avoided (tCO₂eq p.a.) Annual renewable energy generation Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Sustainable water and wastewater management	<ul style="list-style-type: none"> Annual water uses before and after the project, reduction in water use in %. Annual amount of wastewater treated, reused or avoided before and after the project. Number of people with access to clean drinking water, improved sanitation facilities under the project Number of people and/or enterprises benefitting from measures to mitigate the consequences of floods and droughts.
Waste Management and Resource Efficiency	<ul style="list-style-type: none"> Percentage amount of waste minimized, reused or recycled (%) Annual GHG emissions reduced/avoided (tCO₂eq p.a.) Annual energy generation from non-recyclable waste Net Energy recovered from waste p.a. Annual amount of waste that is separated and/or collected and treated (including composted) or disposed of.
Access to Essential Services	<ul style="list-style-type: none"> Number of beneficiaries Number of people reached with improved healthcare Number of medical centers constructed Amount of outstanding loans for healthcare infrastructure Amount of outstanding loans for educational infrastructure
Affordable Basic Infrastructure	<ul style="list-style-type: none"> Number of beneficiaries Number of drinking water/sanitation facilities installed Number of vehicles finance that enable public mobility

	<ul style="list-style-type: none"> • Number of road infrastructure projects financed that serve underdeveloped areas • Number of loans granted for construction/refurbishment of drinking water and sanitation facilities.
Affordable Housing	<ul style="list-style-type: none"> • Amount of outstanding loans for indemnificatory housing programs • Number of housing units constructed/preserved • Number of individuals benefitted
Employment Generation	<ul style="list-style-type: none"> • Number of jobs created • Number of SMEs financed/supported • Number of employees of SMEs supported
Food Security	<ul style="list-style-type: none"> • Reduced number of food insecure people • Reduced malnourishment • Number of people provided with safe, nutritious and sufficient food • Number of warehouses infrastructure financed
Socio-Economic Advancement and Empowerment	<ul style="list-style-type: none"> • Number of small/marginal farmers benefiting from the eligible financial support

Frequency

- Annual
 Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify): Impact report will be made readily available to investors
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
 Certification
 Verification / Audit
 Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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For more information, visit www.sustainalytics.com

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