



WHEN TRUST MATTERS



BANK OF BARODA LIMITED GREEN DEPOSIT FRAMEWORK SECOND PARTY OPINION

Document title: BANK OF BARODA LIMITED (BOB) "FRAMEWORK FOR GREEN DEPOSITS AND ASSOCIATED FLOW OF CREDIT FOR GREEN ACTIVITIES" SECOND PARTY OPINION

Prepared by: DNV Business Assurance India Pvt. Ltd.

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Table of Contents

Table of Contents.....	2
DNV’s Independent Assessment of the BOB Green Deposit Framework	3
Scope and Objectives	3
Responsibilities of the Management of BOB and DNV	3
Basis of DNV’s opinion	3
Work Undertaken	4
Findings and DNV’s Opinion.....	5
Schedule 1. Use of Proceeds Eligibility Assessment Protocol	7
1. Use of Proceeds	7
2. Process for Project Selection and Evaluation	8
3. Management of Proceeds	9
4. Reporting	10

Disclaimer

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct¹ during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

¹ DNV Code of Conduct is available from DNV website (www.dnv.com)

DNV's Independent Assessment of the Bank of Baroda Green Deposit Financing Framework

Scope and Objectives

Bank of Baroda ("BOB") established on 20th July 1908 is a State-owned banking and financial services organisation, headquartered in Vadodara (earlier known as Baroda) in Gujarat, India. It is a leading public sector bank with distribution network which includes 8,200+ branches, 10,000+ ATMs, 1420+ self-service e-lobbies and 50,000+ business correspondents. The Bank's financial products and services span over various facets of Corporate Banking, MSME Banking, Agriculture Banking, Retail Banking and other financial inclusion products and services. The Bank's ESG strategy is to "sustainably drive financial growth while prioritizing environmental responsibility, social inclusivity, and transparent governance through collaborating with policy makers, regulators, peers & experts, customers and communities ultimately translating the ESG strategy into an integral part of the Bank's ecosystem".

The "Framework for Green Deposits and associated Flow of Credit for Green Activities" ("Framework") sets out the eligibility criteria and process under which Bank of Baroda Limited ("BOB"), the bank intends to raise deposits aligned to underlying green assets. BOB may update the Framework as it sees fit over time. An updated opinion will be sought following any updates to the framework.

The Framework has been constructed to facilitate 'Use of Proceeds' activity in accordance with the Reserve Bank of India (RBI)'s Framework for Acceptance of Green Deposits vide its circular with reference no RBI/2023-24/14DOR.SFG.REC.10/30.01.021/2023-24 dated 11th April, 2023

DNV Business Assurance India Pvt. Ltd ("DNV") has been commissioned by BOB to review the Green Deposit Framework and Bank's Policies to provide a Second Party Opinion on the Framework and projects / assets in relation to alignment with the Reserve Bank of India guidelines.

No assurance is provided regarding the financial performance of the instruments issued via the Framework, the value of any investments, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of BOB and DNV

BOB has provided the information and process data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform BOB and other interested stakeholders in the Framework as to whether the Framework is aligned with the RBI requirements. In our work we have relied on the information and the facts presented to us by BOB. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by BOB and used as a basis for this assessment were not correct or complete.

Basis of DNV's opinion

We have adapted our assessment methodology to create the BOB-specific Eligibility Assessment Protocol (henceforth referred to as the "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion for the Green Use of Proceeds.

As per our Protocol, the criteria against which the Framework and prospective green instrument have been reviewed are grouped under the four Principles:

1. Principle One: Use of Proceeds.

The Use of Proceeds criteria are guided by the requirement that a Deposit Taking Institution of a green instrument must allocate the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.

2. Principle Two: Process for Project Evaluation and Selection.

The Project Evaluation and Selection criteria are guided by the requirements that a Deposit Taking Institution of a green instrument should outline the process it follows when determining eligibility of an investment using green instrument proceeds and outline any impact objectives it will consider.

3. Principle Three: Management of Proceeds.

The Management of Proceeds criteria are guided by the requirements that a green instrument should be tracked within the deposit receiving organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.

4. Principle Four: Reporting.

The Reporting criteria are guided by the recommendation that at a minimum, sustainability reporting to the depositors should be made related to the Use of Proceeds of funds received and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work Undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by BOB in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a Protocol, adapted to the purpose of the Framework, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by BOB on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Review of published materials by BOB and on BOB's website;
- Discussions with BOB key internal stakeholders, and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

DNV has provided this Second Party Opinion ("SPO") in the context of the RBI guideline on "Framework for acceptance of Green Deposits" for its regulated entities.

Findings and DNV's Opinion

DNV's findings are listed below:

1. Use of Proceeds

BOB intends to allocate an amount at least equivalent to the proceeds of the Green Deposits made under this Framework ("Green Deposits") in whole or in part to projects or activities which meet the eligibility criteria of the following Green Deposit Project categories ("Green Deposit Projects"). The Framework focuses the following broad project categories but not limited to within the RBI mandated guideline.

- Clean Energy
- Energy Efficiency
- Climate Change Adaptation
- Clean Transportation

BOB has provided in its Framework tables mapping its eligible green categories and India's Nationally Determined Contributions ("NDCs"). DNV concludes that the eligible categories outlined in the Framework are consistent with the categories outlined in the RBI Framework for Green Deposit. The eligible projects within each category and associated selection criteria are aligned to the RBI requirements. REs shall put in place a comprehensive Board-approved policy on green deposits laying down therein, all aspects in detail for the issuance and allocation of green deposits. A copy of the above policy on 'Green Deposits' shall be made available on the website of the RE in the link: <https://www.bankofbaroda.in/shareholders-corner/sustainability-disclosures>

2. Process for Project Evaluation and Selection

The Framework describes the process for project evaluation and selection (section 5 of Framework). All assets that are financed / refinanced with proceeds from the Green Deposits must continue to meet the relevant criteria of standards set out in the eligible green asset criteria, any changes to the Framework will require an updated SPO.

"To ensure that all green loans included in the green deposit project portfolio meet the eligibility criteria and the bank's broader internal due diligence standards, all green loans will be subjected to Bank of Baroda's environmental and social risk management process and will be screened against this framework's eligibility criteria by BOB's business units. Final approval and oversight of this process will be provided by Bank of Baroda Business unit groups (C&I, MSME, Retail, Rural and Agri) the group's financial resource management executive committees.

DNV concludes that BOB's Framework appropriately describes the process of project evaluation and selection.

3. Management of Proceeds

BOB's sustainability team, in collaboration with the Group Treasury will be responsible for the allocation and tracking of net proceeds to the Green Deposit Project Portfolio (section 5.2 (v) of Framework). It is required that net proceeds raised from the Green Deposits will not exceed the total value of BOB's eligible Green Deposit Projects.

DNV has reviewed the evidence presented and can confirm that the proceeds arising from the future issuances will be appropriately managed.

4. Reporting

On an annual basis BOB will disclose the allocation of the net proceeds raised from Green Deposits invested in Green Deposit Projects as an annual Allocation and Impact Report and/or website (section 5.2 of Framework). The information will contain at least the following details:

- The size of the reference Green Deposit Project portfolio;
- the total quantum of Green Deposits allocated against the Green Deposit Project portfolio; and
- impact indicators from the Green Deposit Project portfolio.

A summary of the impacts of the green deposit project portfolio may include the impact metrics set out below as well as relevant narratives, where the data is available from clients and subject to permitted disclosure in accordance with relevant confidentiality agreements and privacy, competition, or other relevant regulation. Furthermore, the impact of the use of proceeds will be reported using the impact indicators (Annex-1) recommended by RBI's framework for Impact Reporting for green deposits.

DNV conducted the SPO exercise in accordance with the Principles & Standards and with ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Information. The verification included i) checking whether the existing policies and underline procedures of the Bank consistently and appropriately applied and ii) the collection of evidence supporting the existing ESG due diligence procedures as per Banks Business Responsibility & Sustainable Development (BRSD) Manual and Global Credit Exposure Management Policy (GCEMP).

DNV's opinion approach draws on an understanding of the risks associated with conforming with the RBI's 'Framework for Acceptance of Green Deposits' vide its circular with reference no. RBI/2023-24/14DOR.SFG.REC.10/30.01.021/2023-24 dated 11th April. 2023 and the controls in place to mitigate these. DNV planned and performed the verification by obtaining evidence and other information and explanations that DNV considers necessary to give limited assurance that the Framework, and other associated documentation, meet the requirements of the Principles & Standards.

Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the Green Deposit Framework is not, in all material respects, in accordance with the RBI requirements of the Framework for Green Deposit.

For DNV Business Assurance India Pvt. Ltd.

Mumbai / 29 Jan 2024



Anirban Chatterjee
Team Lead



Thomas Leonard
Technical Reviewer

Schedule 1. Use of Proceeds Eligibility Assessment Protocol

1. Use of Proceeds

Ref.	Criteria	Requirements	DNV Findings
1a	Type of instrument	As per the RBI Framework, the proceeds raised from the Green Deposit must be invested in a loan instrument made available for Green projects (Green use of loan proceeds)	<p>The Framework states that proceeds raised from Green Deposits will be used to support climate action/NDC targets of the country through loans for the purpose of renewable energy, energy efficiency, clean transportation and climate change adaptation, collectively green loans. Such Green Deposits will need to meet eligibility criteria which are in line with RBI guidelines and FAQ published subsequently.</p> <p>DNV considers the type of instruments to be well aligned with the RBI Framework for Green Deposits .</p>
1b	Sustainable Project Categories	Green Deposit proceeds will be invested in eligible Green projects which should be appropriately described in the legal documentation for the security.	<p>Project categories listed in the guidelines presented by BOB include, but are not limited to, the following::</p> <ul style="list-style-type: none"> • Clean Energy • Energy Efficiency • Climate Adaptation • Clean Transportation <p>The above-mentioned project categories meet the eligibility criteria as required by the RBI Framework inclusion and exclusion criteria.</p>
1c	Environmental benefits	All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed.	<p>Environmental benefits are noted to include greenhouse gas emissions reduction, and management over the term of the loan and upgrade projects which achieve emissions reduction against a business as usual baseline in alignment with the India's NDC.</p> <ul style="list-style-type: none"> • Clean Energy Investments and expenditure in the production and transmission of energy from renewable sources, including solar energy. Increasing the share of renewable energy mix leads to direct reduction in GHG emissions release to the atmosphere. • Energy Efficiency Financing or refinancing of the manufacturing and/or installation of components or technologies that enable energy efficiencies e.g. smart grid technology is considered to result in reduced consumption of electrical energy and corresponding emissions of GHG. • Climate Adaptation Finance or refinance of Disaster Monitoring and Emergency Response System resulting in climate resilience of buildings, people and communities. • Clean Transportation Finance or refinance of green hydrogen related transportation investments and Electric Vehicle investments

Ref.	Criteria	Requirements	DNV Findings
			<p>which are noted to reduce transport related GHG emissions through the avoidance of fossil fuel combustion.</p> <p>DNV considers the Use of Proceeds proposed to present tangible environmental benefits through the mitigation of GHG emissions.</p>

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	DNV Findings
2a	Investment-decision process	<p>The Deposit Taking Institution of the Green Deposit should outline the decision-making process it follows to determine the eligibility of projects such deposit proceeds are allocated to. This includes, without limitation:</p> <ul style="list-style-type: none"> The environmental / social sustainability objectives of the Green Deposit Projects; The process by which the Deposit Taking Institution determines how the projects fit within the Green Deposit categories; and Complementary information on processes by which the Deposit Taking Institution identifies and manages perceived environmental and social risks associated with the relevant project(s). 	<p>The Framework states that BOB will identify the potential projects for inclusion, based on the Use of Proceeds criteria. On a sample basis DNV has verified corporate lending credit appraisal process and documents for JSW Energy 225 MW AC Solar & 600 MW Wind in Karnataka, which was approved on FY 2022-23</p> <p>From the Framework <i>The Bank will meticulously assess projects for eligibility as outlined in above-mentioned section (i). Bank of Baroda will assess project eligibility based on economic viability, technical feasibility, and eco-friendly characteristics, following the Green Deposit Framework and established risk management practices. The bank will develop comprehensive criteria to evaluate borrower adherence to Environmental and Social compliance. Particularly for loans/investments exceeding the designated threshold of INR 100 crores, borrowers will be obligated to submit independent certificates affirming compliance with green/sustainability requirements.</i></p> <p>According to the Framework, BOB plans to evaluate the register of eligible assets on an annual basis as set out in the project identification section of the Framework.</p> <p>DNV considers this to be well aligned with the set criteria.</p>
2b	Deposit Taking Institution's environmental and social and governance framework	<p>Deposit Taking Institutions are also encouraged to:</p> <ul style="list-style-type: none"> Position the relevant information within the context of the Deposit Taking Institution's overarching objectives, strategy, policy and/or processes relating to environmental / social sustainability. Provide information, if relevant, on the alignment of projects with official or market- 	<p>BOB has included a link to the Bank's Business Responsibility and Sustainable Development (BRSD) manual within the Framework. This includes the following:</p> <p>From the Framework <i>At the highest level of Bank of Baroda's Governance for Green Deposits, the Board of Directors oversees regulatory compliance, sets sustainability goals, and approves overarching policies and frameworks. The Risk Management Department ensures effective risk oversight and alignment of the banks Green Deposit Framework with the vision of the bank. Business Units, comprising of experienced officials of the bank will take charge of fund generation and framework implementation. This collaborative structure ensures that the bank not only adheres to regulatory guidelines but also actively promotes sustainability goals through its Green Deposit and Financing initiatives.</i></p>

Ref.	Criteria	Requirements	DNV Findings
		<p>based taxonomies, related eligibility criteria</p> <p>Have a process in place to identify mitigants to known material risks of negative environmental and/or social impacts from the relevant project(s).</p>	<p><i>Strategic directives and monitoring of the Green Deposit policy will be done by Risk Management Department and implementation of this framework will be responsibility of the respective Business Units of the bank.</i></p> <p>DNV considers this to be well aligned with the set criteria and to clearly establish BOB's sustainability position and strategy in relation to sustainable finance activities. The BRSD manual shows that BoB has a procedure for validating sustainability information provided by the borrower. DNV will check the efficiency of the procedure during the annual verification.</p>

3. Management of Proceeds

Ref.	Criteria	Requirements	DNV Findings
3a	Tracking procedure	<ul style="list-style-type: none"> The net proceeds of Green Deposits should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the Deposit Taking Institution in an appropriate manner and attested to by a formal internal process that will be linked to the Deposit Taking Institution's lending and investment operations for Green/Social Projects. 	<p>The evidence reviewed shows how BOB plans to manage sustainable financing transaction proceeds, in accordance with the evaluation and selection process in the Framework.</p> <p>From the Framework</p> <p><i>The bank will manage the proceeds from green deposits by depositing them into general funding accounts. An equivalent amount will be earmarked for allocation to eligible projects as defined in the bank's Green Deposit Framework. The bank aims for full allocation within a year, though it acknowledges potential challenges and the possibility of stopping further green deposit acceptance if optimum allocation proves difficult. An internal system will track the allocation details, including project names, descriptions, and specific allocation amounts.</i></p> <p><i>Bank shall arrange verification/ assurance of allocation of fund raised through green deposits during financial year from the third-party verification agency at yearly interval. The Third-Party Verification/Assurance Report shall cover use of the proceeds in accordance with the eligible green activities/projects indicated in table 5.2 (i) of the Bank's GFF. The Bank shall monitor the end-use of funds allocated against the deposits raised. The third-party assessment would not absolve the Bank of its responsibility regarding the end-use of funds, for which the laid down procedures of internal checks and balances shall be followed as in the case of other loans. The related terms and conditions to be additionally fulfilled by the borrowers to meet the requirements of the framework laid out and would be additional check points while ascertaining the end-use of funds. The Bank shall monitor the end-use of funds allocated against the deposits raised for safeguarding from instances of green washing.</i></p> <p>DNV considers this to be well aligned with the set criteria.</p>
3b	Tracking procedure	<p>So long as Green Deposits are outstanding, the balance of the tracked proceeds invested in eligible projects should be tracked.</p>	<p>Tracking is proposed to be conducted within the functions of BOB's existing financial system. DNV considers this to be well aligned with the set criteria.</p> <p>From the Framework</p>

Ref.	Criteria	Requirements	DNV Findings
			<i>Bank will establish a robust monitoring and reporting mechanism to ensure that the funds are utilized as per the predefined guidelines. RMCB and Board of Directors will provide strategic directions and monitor the implementation of the Green Deposit policy and lending framework. The Activity/Project wise goals will be assigned to concerned Business Units and the outstanding position of Sources & Uses shall be updated on regular basis.</i>
3c	Temporary holdings	Pending such investments or disbursements to Green Deposit, the Deposit Taking Institution should make it known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<p>The proceeds of the Green Instruments will be held and/or invested in BOB treasury liquidity portfolio, any unallocated funds will be temporarily invested in Level 1 High Quality Liquid Assets (HQLAs) in compliance to the RBI guidelines. These investments will have a maximum tenure of one year until they are directed towards their intended green initiatives. The bank will use its internal system to track the balance of unallocated proceeds and details about temporary investments in cash or other short term and liquid instruments until applied toward eligible Green Projects as per the Framework.</p> <p>DNV considers this to be well aligned with the set criteria.</p>

4. Reporting

Ref.	Criteria	Requirements	DNV Findings
4a	Periodical reporting	<ul style="list-style-type: none"> Deposit Taking Institutions should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments. The annual report should include a list of the projects to which Green Deposits proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the RBI recommend that information is presented in generic terms or on an aggregated portfolio basis (e.g. percentage allocated 	<p>BOB has confirmed to disclose the allocation and impact reporting within its annual reporting and website.</p> <p>From the Framework</p> <p><i>A review report shall be placed before Board of Directors within three months of the end of the financial year which shall, inter-alia, cover the following details:</i></p> <p><i>(a) Amount raised under green deposits during the previous financial year.</i></p> <p><i>(b) List of green activities/projects to which proceeds have been allocated, along with a brief description of the projects.</i></p> <p><i>(c) The amounts allocated to the eligible green activities/projects.</i></p> <p><i>(d) Copy of the Third-Party Verification/Assurance Report and the Impact Assessment Report.</i></p> <p><i>(e) The third-party verification/assurance report and impact assessment report shall be accessible on the bank's website.</i></p> <p><i>(f) A separate reporting will be done annually to RBI in the Annex 2 format prescribed by RBI in its Framework.</i></p> <p>BOB states in the Framework that the Bank will report on the impact metrics below.</p> <p>From the Framework</p> <p><i>Bank shall make appropriate disclosures in its Annual Financial Statements on the portfolio-level information regarding the use of the green deposit funds as per the proforma prescribed in Annex 2.</i></p>

Ref.	Criteria	Requirements	DNV Findings
		to certain project categories).	<p><i>A summary of the impacts of the green deposit project portfolio may include the impact metrics set out below as well as relevant narratives. Furthermore, the impact of the use of proceeds will be reported using the impact indicators recommended by RBI framework.</i></p> <p>DNV considers this to be well aligned with the set criteria.</p>



About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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