



पंजाब नैशनल बैंक  punjab national bank
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कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग, प्रधान कार्यालय
प्लॉट सं .4, सेक्टर 10, द्वारका, नई दिल्ली- 110075
STRATEGIC MANAGEMENT AND ECONOMIC ADVISORY DIVISION, HEAD OFFICE,
PLOT NO.4, SECTOR-10, DWARKA, NEW DELHI 110075

Policy on Green Deposits

Division: Strategic Management & Economic Advisory

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ਪੰਜਾਬ ਨੇਸ਼ਨਲ ਬੈਂਕ
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Contents

Content of Policy		
S. No.	Particulars	Page No.
1	Policy Overview	3
2	Policy Details	3
2.1	Background	3
2.2	Definition of Green Deposit	4
2.3	Objective/Purpose	4
2.4	Scope and Applicability	4
2.4.1	Denomination, Interest Rates and Tenor of Deposits	4
2.4.2	Green Deposit Marketing and Sourcing	4
2.4.3	Green Targets	5
2.4.4	Other Features	5
2.5	Deposit Certificates	5
2.6	Insurance cover for Green Deposit	5
2.7	Policy Content	5
2.7.1	Allocation of Proceeds	5
2.7.2	Process Of Evaluation and Selection	6
2.7.3	Third Party Verification/ Assurance and Impact Assessment	6
2.7.4	Stakeholder Engagement	6
2.8	Disclosure	6
2.9	Validity and Review of the Policy	7
2.10	Reporting And Compliance	7
	Appendix-1 The list of green activities/projects and exception as per RBI Directions, 2025	9-10

पंजाब नेशनल बैंक
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STRATEGIC MANAGEMENT & ECONOMIC ADVISORY DIVISION, HEAD OFFICE

1. POLICY OVERVIEW

Reserve Bank of India vide its notification RBI/DOR/2025-26/172 DOR.SFG.REC.No.91/30.01.021/2025-26 dated 28.11.2025, has issued RBI Commercial Banks - Climate Finance and Management of Climate Change Risks, Directions, 2025 which provides applicable guidelines as well as guidance related to climate finance and management of climate change risks. The objective is to enable commercial banks to carry out comprehensive assessment of climate change risks, integrate climate change risk considerations into their extant risk management frameworks and structures and optimise flow of credit to green activities / projects overcoming greenwashing challenges, protecting interest of the depositors, and thereby aiding customers to achieve their sustainability agenda. The Directions, also covers guidelines on Financing Framework, External review, use of proceeds, Third party verification/Assurance, Impact assessment and Reporting/disclosures. With the issue of these directions, the existing Directions, instructions and guidelines relating to framework for acceptance of green deposits (RBI/ 2023-24/ 14 DOR.SFG.REC.10/ 30.01.021/ 2023-24 dated 11.04.2023) as applicable to commercial banks stand repealed.

Further, a dedicated scheme namely PNB PALAASH GREEN DEPOSIT, containing the operational guidelines, based on the Policy on Green Deposit circulated vide BA&RM (SA) Cir. No. 17/2024 dated 25.06.2024. This product enables PNB to contribute meaningfully to the global efforts against climate change. It will also allow our depositors to choose an environmentally responsible investment option, ensuring that their funds are utilized in projects that positively impact the natural ecosystem

2. POLICY DETAILS

2.1 Background

Reserve Bank of India vide its notification RBI/ 2023-24/ 14 DOR.SFG.REC.10/ 30.01.021/ 2023-24 dated 11.04.2023 had introduced the Framework for acceptance of Green Deposit. RBI has also issued FAQs dated 29.12.2023, on Framework for acceptance of Green Deposit.

Recently, RBI vide its notification RBI/DOR/2025-26/172 DOR.SFG.REC.No. 91/30.01.021/2025-26 dated 28.11.2025, has issued RBI Commercial Banks - Climate Finance and Management of Climate Change Risks Directions, 2025. With the issue of these Directions, the existing Directions, instructions and guidelines relating to framework for acceptance of green deposits as applicable to commercial banks stand repealed. As per the aforementioned, RBI Directions : -

- a) "Green Deposit" means an interest-bearing deposit, received by a bank for a fixed period and the proceeds of which are earmarked for allocation towards green finance.
- b) "Greenwashing" means the practice of marketing products/services as green, when in fact they do not meet requirements to be defined as green activities/

projects.

- c) “Green finance” means lending to and / or investing in green activities / projects meeting the requirements prescribed in the RBI Directions. Such lending contributes to climate risk mitigation, climate adaptation and resilience, and other climate-related or environmental objectives- including biodiversity management and nature-based solutions.
- d) “Green activities/ projects” means activities / projects meeting the requirements prescribed in paragraph 2.7.1 of this policy.
- e) The Board-approved policy on green deposits of a bank shall lay down all aspects, in detail, for the issuance and allocation of green deposits. A copy of the policy on 'Green Deposits' shall be made available on the website of the bank. A bank can finance any green activities / projects irrespective of raising green deposits for the same. However, a bank cannot finance green activities / projects first and raise green deposits thereafter for the same.

2.2 Definition of Green Deposit

“Green Deposit” shall mean an interest-bearing deposit, received by a bank for a fixed period and the proceeds of which are earmarked for allocation towards green finance. All other deposits shall be classified as “Conventional Deposit”, unless specified otherwise.

2.3 Objective/ Purpose

The objective of the Green Deposit Policy is to promote environment friendly initiatives by encouraging depositors to invest in green projects and activities that contribute to sustainable development. The policy aims to mobilize deposits and use the proceeds for funding projects and activities that promote environmental conservation, renewable energy, energy efficiency and other green initiatives in the process addressing greenwashing concerns.

2.4 Scope and Applicability

2.4.1 Denomination, Interest Rates and Tenor of Deposits

Bank issues green deposits as cumulative/ non-cumulative deposits. On maturity, the Green Deposit gets renewed or withdrawn at the option of the depositor. The Green Deposits shall be denominated in Indian Rupees only. The tenor, size, interest rate and other terms and conditions are governed as defined in the Master Direction - Reserve Bank of India (Commercial Banks - Interest Rate on Deposits) Directions, 2025 dated 28.11.2025. The same is decided by HO: IRMD (ALM).

2.4.2 Green Deposit Marketing and Sourcing

The Bank leverages its branch network and all alternate delivery channels to promote and source products that offer sustainability-aligned benefits. A dedicated scheme—*PNB PALAASH Green Deposit*, containing the requisite operational guidelines and

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STRATEGIC MANAGEMENT & ECONOMIC ADVISORY DIVISION, HEAD OFFICE

aligned to the Bank's Green Deposit Policy—has been duly approved and circulated vide BA&RM (Saving Deposit) Circular No. 17/2024 dated 25.06.2024. Additionally, the Bank has undertaken broader awareness initiatives, including dissemination of sustainability-focused creatives through social media platforms, to enhance customer engagement and promote the adoption of green financial products.

Concentrated efforts and endeavor on marketing and awareness will help to effectively connect with customers and popularize the product amongst field staff, ultimately leading to target achievement.

2.4.3 Green Targets

Bank has leveraged opportunities related to Green Deposits by assigning business targets related to Green Deposit.

2.4.4 Other Features

- a) Overdraft facility is allowed against Green deposits.
- b) Premature withdrawal if any, shall not have any bearing on the activities /projects undertaken using the proceeds of green deposits.
- c) Differential rate of interest is not allowed on green deposits.

2.5 Deposit Certificates

Issuance of deposit certificates for "Green Deposit" is carried out as per extant guidelines in- place for issuance of different variants of "Conventional Deposit", depending on the size of the deposit. Further, applicable guidelines for issuance of certificates has also been reiterated in the respective scheme for Green Deposit.

2.6 Insurance Cover for Green Deposit

All Bank deposits including Green Deposits are covered under the insurance scheme offered by the Deposit Insurance and Credit Guarantee Corporation of India (DICGC).

2.7 Policy Content

2.7.1 Allocation of Proceeds

Bank allocates the proceeds raised through green deposits towards the list of green activities/ projects which encourage energy efficiency in resource utilization, reduce carbon emissions and greenhouse gases, promote climate resilience and/or adaptation and value and improve natural ecosystems and biodiversity. The green activities / projects financed, can be classified under priority sector if they meet the requirements laid down in Priority Sector Lending (PSL) guidelines of RBI [Master Directions - Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2025 dated March 24, 2025], as amended from time to time. Investment in Sovereign Green Bonds (SGrBs) are also covered under the framework.

The list of green activities/projects and exception is in compliance of the list provided in RBI Directions 2025, which has been given in **Appendix-1**. The allocation of proceeds

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STRATEGIC MANAGEMENT & ECONOMIC ADVISORY DIVISION, HEAD OFFICE

raised through green deposits is guided by the Financing Framework for Green, Social and Sustainability Linked Activities/ Projects circulated vide IRMD CIRCULAR NO. 24/ 2024 dated 20.04.2024 and updated from time to time. However, temporary allocation (only in Level 1 High Quality Liquid Assets as defined in Reserve Bank of India (Commercial Banks - Asset Liability Management) Directions, 2025, up to a maximum original tenure of one year) shall be allowed from green deposit proceeds, pending their allocation to the eligible activities/ projects.

2.7.2 Process of Evaluation and Selection

The process of evaluation and selection of green activities/projects is based on the project's economic viability, technical feasibility & eco-friendly nature, out of the Green Activities/Projects listed out in **Appendix-1** and as per ongoing practices adhering to Credit Policy, Credit Risk Management Policy and other lending policies of respective credit verticals. Addition/Deletion of such green projects may also be carried out based on updates from Regulator and market standards. The process of evaluation and selection shall also be guided by the Financing Framework for Green, Social and Sustainability Linked Activities/ Projects circulated vide IRMD CIRCULAR NO. 24/ 2024 dated 20.04.2024 and updated from time to time.

2.7.3 Third Party Verification/ Assurance and Impact Assessment

The allocation of funds raised through Green Deposits by the Bank during a financial year shall be subject to an independent Third-Party Verification/Assurance which shall be done on an annual basis. Third party verification/ assurance of allocation of 'Green Deposit' funds along with its impact assessment requirements is carried out and guided by the Financing Framework for Green, Social and Sustainability Linked Activities/ Projects circulated vide IRMD CIRCULAR NO. 24/ 2024 dated 20.04.2024 and updated from time to time.

2.7.4 Stakeholder Engagement

Bank actively engages with its customers, employees, shareholders, regulators, and other stakeholders to raise awareness about its Green Deposit policy framework. Bank encourages its customers and employees to participate in green initiatives and adopt environmentally responsible practices. Bank collaborates with external stakeholders, including government agencies, non- governmental organizations, and industry bodies, to promote environmental sustainability and green financing.

2.8 Disclosure

In terms of the Climate Finance and Management of Climate Change Risks Directions issued by RBI, bank is required to make appropriate disclosures in their Annual Financial statements as per the Reserve Bank of India (Commercial Banks - Financial Statements: Presentation and Disclosures) Directions, 2025.

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2.9 Validity and Review of the Policy

The policy will remain valid for twelve months from the date of approval of the Board.

2.10 Reporting and Compliance

As per **RBI Directions 2025**, bank maintains transparent and comprehensive reporting on its green deposit mobilization, fund utilization, and impact assessment. Bank complies with all applicable regulatory and statutory requirements related to Green Deposits. Bank submits regular reports to RBI and other relevant authorities as per the prescribed timelines and formats. A review report shall be placed by the Bank before the Board of Directors within three months of the end of the financial year which shall, inter-alia, cover the following details:

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

Bank shall place the report of the Third-Party Verification / Assurance and the Impact Assessment Report on its website.

Reporting flow and frequency shall be as below:

S. No.	Report	Frequency	Accepting Committee	Nodal Division
1.	Funds Raised:			
	i. Green Deposit	Quarterly	Sustainability and Resilience Committee (SARC)	HO SMEAD
2	Funds Deployed:			
	i. Green Loans (Activity wise) a. Sourced from Green Deposits	Quarterly	SARC	CRMD
	i. Green Investments a. Sourced from Green Deposits ii. Short term securities to meet shortfall in deployment of Green Deposits			Treasury

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PUNJAB NATIONAL BANK

STRATEGIC MANAGEMENT & ECONOMIC ADVISORY DIVISION, HEAD OFFICE

S. No.	Report	Frequency	Accepting Committee	Nodal Division
3	Portfolio Level Disclosures			
	i. Third-Party Verification/ Assurance Report by External Agency. ii. Impact Assessment Report	Annually	SARC RMC Board	CRMD (through Annual Review Report placed by HO: SMEAD)
	i. Relevant disclosures in Annual Report* ii. Sustainability Report			SMEAD

* RBI mandated disclosure with regard to Green Deposits as per Reserve Bank of India (Commercial Banks – Financial statements, Presentation and Disclosures) Directions, 2025, will also be included. Reporting and Compliance shall be guided by the approved Financing Framework of Bank for Green Activities/ Projects.

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Appendix-1

The list of green activities/projects and exception as per RBI Directions 2025:

Sector	Description
Renewable Energy	<ul style="list-style-type: none"> a) Solar/wind/biomass/hydropower energy projects that integrate energy generation and storage. b) Incentivizing adoption of renewable energy
Energy Efficiency	<ul style="list-style-type: none"> a) Design and construction of energy-efficient and energy-saving systems and installations in buildings and properties. b) Supporting lighting improvements (e.g. replacement with LEDs). c) Supporting construction of new low-carbon buildings as well as energy-efficiency retrofits to existing buildings. d) Projects to reduce electricity grid losses.
Clean Transportation	<ul style="list-style-type: none"> a) Projects promoting electrification of transportation. b) Adoption of clean fuels like electric vehicles including building charging infrastructure.
Climate Change Adaptation	<ul style="list-style-type: none"> a) Projects aimed at making infrastructure more resilient to impacts of climate change.
Sustainable Water and Waste Management	<ul style="list-style-type: none"> a) Promoting water efficient irrigation systems. b) Installation/upgradation of waste water infrastructure including transport, treatment and disposal systems. c) Water resources conservation. d) Flood defense systems.
Pollution Prevention and Control	<ul style="list-style-type: none"> a) Projects targeting reduction of air emissions, greenhouse gas control, soil remediation, waste management, waste prevention, waste recycling, waste reduction and energy/emission-efficient waste-to-energy.
Green Buildings	<ul style="list-style-type: none"> a) Projects related to buildings that meet regional, national or internationally recognized standards or certifications for environmental performance.
Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> a) Environmentally sustainable management of agriculture, animal husbandry, fishery and aquaculture. b) Sustainable forestry management including afforestation/reforestation. c) Support to certified organic farming. d) Research on living resources and biodiversity protection.

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PUNJAB NATIONAL BANK

STRATEGIC MANAGEMENT & ECONOMIC ADVISORY DIVISION, HEAD OFFICE

Terrestrial and Aquatic Biodiversity Conservation	a) Projects relating to coastal and marine environments. b) Projects related to biodiversity preservation, including conservation of endangered species, habitats and ecosystems.
Exclusions a) Projects involving new or existing extraction, production and distribution of fossil fuels, including improvements and upgrades; or where the core energy source is fossil-fuel based. b) Nuclear power generation. c) Direct waste incineration. d) Alcohol, weapons, tobacco, gaming, or palm oil industries. e) Renewable energy projects generating energy from biomass using feedstock (sewage, manure, wastewater, bagasse, biomass, wood pellets, etc.) originating from protected areas. f) Landfill projects. g) Hydropower plants larger than 25 MW.	