



POLICY ON GREEN DEPOSITS

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POLICY ON GREEN DEPOSITS

1. BACKGROUND

Can Fin Homes Limited ("Company"), being a deposit taking housing finance company, may offer green deposits to customers and aid customers to make a positive impact on the environment while growing their savings. By investing in Green Deposit, customers can be rest assured that their funds will be allocated exclusively towards environmentally friendly initiatives/ projects. Thus, for customers, their investment not only earns competitive returns but also contributes to building a greener and more sustainable world.

With the objective to enable Non-Banking Financial Companies ("NBFCs")/ Housing Finance Companies ("HFCs") 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 Reserve Bank of India ("RBI"), has prescribed the 'Reserve Bank of India (Non-Banking Financial Companies – Climate Finance and Management of Climate Change Risks) Directions, 2025' ("RBI Climate Finance Directions").

As per the RBI Climate Finance Directions, an NBFC/ HFC desirous of raising green deposits is required to put in place comprehensive Board-approved policy on Green Deposits.

In accordance with the RBI Climate Finance Directions, Can Fin Homes Limited ("Company") has reviewed its existing 'Green Deposit Policy' and updated the same as '**Policy on Green Deposits**' ("Policy").

2. OBJECTIVE AND APPLICABILITY

The objective of this Policy is to put in place a framework for acceptance of Green Deposits and effective allocation of Green Deposits as per the regulatory requirements. Accordingly, this Policy shall be applicable to the activities of the Company for mobilization of green deposits and allocation of Green Deposits towards financing of green activities/ projects.

3. DEFINITIONS

In this Policy, unless the context states otherwise, the terms herein shall bear the meaning assigned to them below:

- (a) "Green Activities/ Projects" means the activities/ projects meeting the requirements prescribed under paragraph on 'use of proceeds' of this Policy.
- (b) "Green Deposit" means an interest-bearing deposit, received by the Company for a fixed period and the proceeds of which are earmarked for being allocated towards the Green Finance;
- (c) "Green Finance" means lending to and/or investing in Green Activities/ Projects which contribute to climate risk mitigation, climate adaptation and resilience, and other climate-related or environmental objectives - including biodiversity management and nature-based solutions;
- (d) "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.

All other expressions unless defined herein shall have the same meaning as have been prescribed/ published by the RBI or as used in commercial parlance, as the case may be.

4. POLICY FRAMEWORK FOR ACCEPTANCE OF GREEN DEPOSITS

4.1 Applicability of the Reserve Bank of India (Non- Banking Financial Companies Acceptance of Public Deposits) Directions, 2025 ("RBI NBFC Deposit Directions")

The Company may raise Green Deposits and utilise Green Deposits as per the provisions prescribed in this Policy, including those on Denomination, Utilisation, Financing Framework. However, the regulations on tenor, size, interest rate, premature withdrawal and other terms & conditions (as applicable to the HFCs) as prescribed by the RBI in the RBI NBFC Deposits Directions as amended from time to time, shall also be applicable to Green Deposits *mutatis mutandis*.

Accordingly, with respect to Green Deposits, the Company shall ensure compliance with the following provisions:

- (a) The Company shall not accept deposits which is repayable on demand or on notice;
- (b) The Company shall accept deposits which is repayable after a period of twelve months or more but not later than sixty months from the date of acceptance or renewal of such deposits;
- (c) The Company shall pay interest on green deposits to its customers as per agreed terms and conditions and aforesaid directions irrespective of allocation/ utilisation of proceeds
- (d) The Company raise Green Deposits in accordance with this Policy.
- (e) All other terms and conditions relating to raising of public deposits adopted by the Company shall be *mutatis mutandis* applicable to the Green Deposits raised by the Company.

4.2 Denomination

The Company may issue green deposits as cumulative or non-cumulative deposits. On maturity, the Green Deposits would be renewed or withdrawn at the option of the depositor. The Green Deposits shall be denominated in Indian Rupees only.

4.3 Premature Withdrawal

With respect to premature withdrawal of green deposits, there is no restriction, Company shall adhere to the RBI NBFC Deposits Directions. Further, premature withdrawal shall not have any bearing on the activities / projects undertaken using the proceeds of green deposits.

5. FINANCIAL FRAMEWORK

5.1 Green Deposits to be raised based on utilization to be done

The Company may finance any green activities/projects irrespective of raising Green Deposits for the same. However, the Company shall finance green activities/project first and raise Green Deposits thereafter for the same.

5.2 Eligible Green Activities/Projects

The eligible green activities/projects that could be financed out of proceeds raised through the Green Deposits by the Company are mentioned in the paragraph titled "Use of Proceeds" below in this Policy.

5.3 Project Evaluation and Selection

- (a) The process for project evaluation and selection of green activities/projects by the Company shall be based on the project's economic viability, technical feasibility and eco-friendly nature, out of the green activities/projects listed out in the paragraph titled "Use of Proceeds" below in this Policy, which may be subject to regulatory directions as applicable from time to time.
- (b) As regards due diligence, eligible categories, monitoring and validating the sustainability information provided by the borrower, the Company shall be guided by the Credit Policy parameters adopted by the Company.

Temporary Allocation of Green Deposits : The Company may temporarily park proceeds of Green Deposits in liquid assets which would only be in High Quality Liquid Assets without any haircut as defined in the Reserve Bank of India (Non-Banking Financial Companies-Assets Liability Management) Direction, 2025, up to a maximum original tenure of one year of green deposit proceeds, pending their allocation to the eligible activities/projects.

A copy of the 'Financing Framework' specifying the above aspects shall be made available on the website of the Company. The Company shall also arrange to carry out an external review of their Financing Framework and the opinion from the external reviewer shall be made available on its website before implementation of the Financing Framework.

6. USE OF PROCEEDS

The allocation of proceeds raised from Green Deposits shall be based on the official Indian Green Taxonomy as and when finalized. Pending finalization of the Indian Green Taxonomy, as an interim measure, the Company shall be required to allocate the proceeds raised through Green Deposits towards the following list of green activities/projects which encourage energy efficiency in resource utilization, reduce carbon emissions and greenhouse gases, promote climate resilience climate adaption, as well as and/or adaptation and value and improve natural ecosystems and biodiversity. The eligible green activities/projects are described below:

Sector	Description
Renewable Energy	▪ Solar / Wind/ biomass /hydropower energy projects that integrate energy generation and storage. ▪ Incentivizing adoption of renewable energy.
Energy Efficiency	▪ Design and construction of energy-efficient and energy-saving systems and installations in buildings and properties. ▪ Supporting lighting improvements (e.g. replacement with LEDs). ▪ Supporting construction of new low-carbon buildings as well as energy-efficiency retrofits to existing buildings. ▪ Projects to reduce electricity grid losses.

Clean Transportation	- Projects promoting electrification of transportation - Adoption of clean fuels like electric vehicles building charging infrastructure.
Climate Change Adaptation	Projects aimed at making infrastructure more resilient to impacts of climate change.
Sustainable Water and Waste Management	- Promoting water efficient irrigation systems. - Installation/upgradation of wastewater infrastructure including transport, treatment and disposal systems. - Water resources conservation. - Flood defense systems.
Pollution Prevention and Control	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	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	- Environmentally sustainable management of agriculture, animal husbandry, fishery, aquaculture. - Sustainable forestry management including afforestation/ reforestation. - Support to certified organic farming. - Research on living resources and biodiversity protection.
Terrestrial and Aquatic Biodiversity Conservation	- Projects relating to coastal and marine environments. - Projects related to biodiversity preservation, including conservation of endangered species, habitats and ecosystems
Exclusions - Projects involving new or existing extraction, production and distribution of fossil fuels, including improvements and upgrades; or where the core energy source is fossil-fuel based. - Nuclear power generation. - Direct Waste incineration. - Alcohol, Weapons, tobacco, gaming or palm oil industries. - Renewable energy projects generating energy from biomass using feedstock originating from protected areas. For the purpose of these Directions, feedstock primarily includes sewage, manure, wastewater, bagasse, biomass, wood pellets, etc. - Landfill projects. - Hydropower plants larger than 25MW.	

The Company will ensure that the funds raised through green deposits are allocated to the

eligible green activities/projects.

7. THIRD-PARTY VERIFICATION/ASSURANCE

The allocation of funds raised through Green Deposits by the Company during a financial year shall be subject to an independent Third-Party Verification/Assurance which shall be done on an annual basis. The third-party assessment would not absolve the Company of its responsibility regarding the end-use of funds, for which the laid down procedures of internal checks and balances would have to 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 above under Financial Framework and Use of Proceeds would be the additional check points while ascertaining the end use of funds.

The Third-Party Verification/Assurance Report shall, at the minimum, cover the following aspects:

- (a) Use of the proceeds to be in accordance with the eligible green activities/projects. The Company shall monitor the end-use of funds allocated against the deposits raised.
- (b) Policies and Internal Controls including, inter-alia, project evaluation and selection, management of proceeds, and validation of the sustainability information provided by the borrower to the Company and Reporting and Disclosures.

8. IMPACT ASSESSMENT

The Company, with the assistance of external firms, assess annually the impact associated with the funds lent for or invested in green finance activities / projects during a financial year through an Impact Assessment Report.

An illustrative list of impact indicators is tabulated below:

Eligible Project Category	Impact Indicators - Examples
Renewable Energy	Total renewable capacity (in MWh)
	Energy generated per year (MWh)
	GHG emissions avoided per year (measured in tonnes CO ₂ equivalent, tCO ₂ e)
Waste Management	Waste diverted from landfill per year (tonnes)
Clean Transportation	GHG emissions avoided per year (tCO ₂ e)
	New clean transportation infrastructure built (km)
	Number of electric or low emission vehicles produced
Energy Efficiency	Energy savings per year (MWh)
	GHG emissions avoided per year (tCO ₂ e)
Afforestation/Reforestation	GHG emissions reduced/Carbon Sequestration achieved (measured in tCO ₂ e)

In case the Company are unable to quantify the impact of their lending/investment, it shall disclose, at the minimum, the reasons, the difficulties encountered, and the time-bound future plans to address the same.

9. REPORTING AND DISCLOSURES

- 9.1** A copy of the 'Policy on Green Deposits' shall be made available on the website of the Company.
- 9.2** The Company will place the report of the Third-Party Verification/Assurance and Impact Assessment Report on its website.
- 9.3** A review report shall be placed by the Company before its 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) the copy of The Third-Party Verification/Assurance Report and the Impact Assessment Report.
- 9.4** The Company will make appropriate disclosures in the Annual Financial Statements regarding the use of the green deposit funds as per the Reserve Bank of India (Non-Banking Financial Companies - Financial Statements: Presentation and Disclosures) Directions, 2025
