

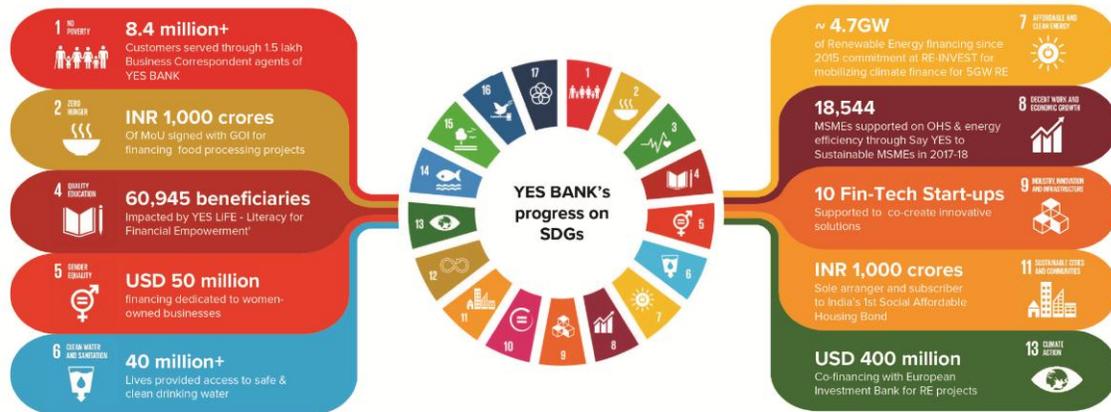
Mainstreaming Sustainable Development Goals Financing in India

Responsible Banking is a key differentiator at YES BANK and one of the six brand pillars along with Trust, Transparency, Knowledge, Technology and Human Capital. The Bank, in line with its Responsible Banking ethos, is striving towards creating a sustainable economy, by adopting 'Future Now' strategies to link sustainable development with stakeholder value creation, through innovative business models, products and services. YES BANK's strategic focus and futuristic approach towards mainstreaming sustainable development has put the Bank in a strong position to achieve its vision of 'Building the Finest Quality Large Bank of the World in India'.

As part of its 'Future Now' plan, the Bank has formulated a climate finance strategy, which entails a 360° approach to mitigate emerging risks and leverage new opportunities in India's climate resilient business sectors, thereby contribute to India's SDG targets.

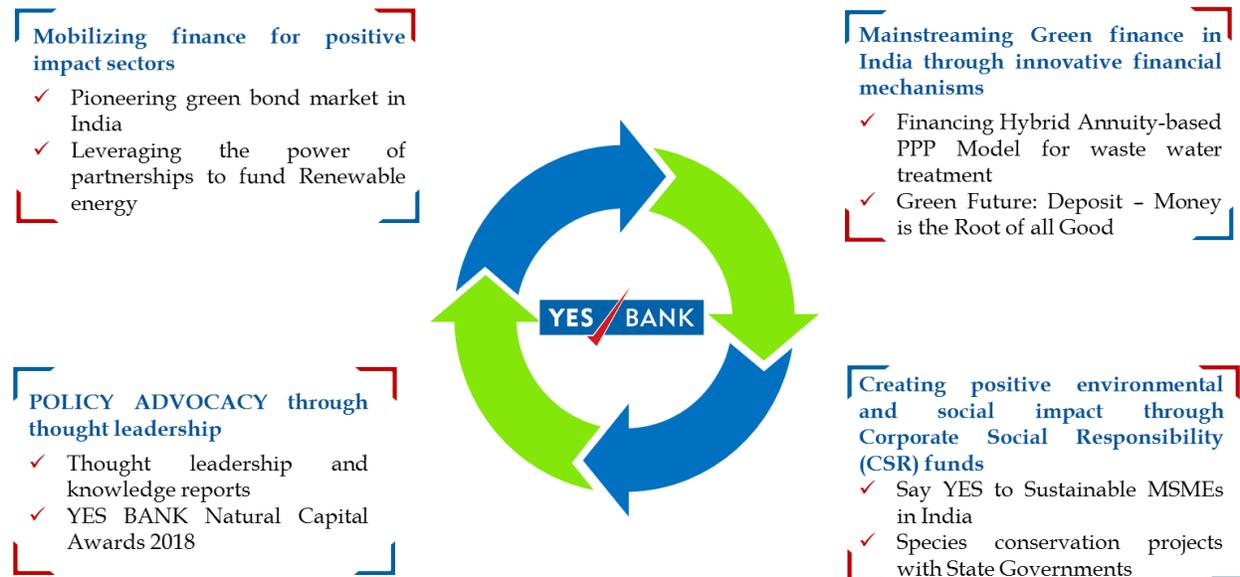


YES BANK firmly believes that addressing climate change and achieving Sustainable Development Goals (SDGs) serves as a business opportunity and the Bank is committed to identifying and leveraging these opportunities. The Bank has a clear alignment with the SDGs, and has focused on mapping its organizational activities with the pertinent goals. An overview of the Bank's alignment with SDGs is indicated below (as of 31st March 2018).



The Bank is pioneering the sustainable transformation involving internal and external stakeholders to mainstream and innovate pathways towards sustainable development. Some of the examples include:

Innovating Pathways towards Sustainable Development



1. Mobilizing finance for positive impact sectors

YES BANK believes that financial institutions can play a major role in driving climate action, which requires them to adopt a proactive approach towards financing emerging sectors that positively contribute towards achieving SDGs.

India has undertaken an ambitious target of achieving 175 GW renewable energy (RE) capacity by 2022. In order to support this mammoth target and contribute towards India's sustainability goals, YES BANK aims to continue its pioneering efforts of financing green projects and has taken climate action commitments:

- On the occasion of COP21 in Paris, YES BANK made a commitment to mobilize USD 5 billion (from 2015 to 2020) for climate action through lending, investing and raising capital towards mitigation, adaptation and resilience. As part of the larger commitment, the Bank committed to target funding of 5,000 MW of clean energy
- Recently, YES BANK committed to mobilize USD 1 billion till 2023 and USD 5 billion till 2030 towards financing solar energy projects in India at the International Solar Alliance (ISA) conference organized at World Future Energy Summit 2018 in Abu Dhabi, in January 2018

The Bank believes in the power of innovative financial instruments and co-creating partnerships to achieve these commitments. In line with the Bank's climate action commitment of financing 5 GW of RE projects taken in 2015, the Bank has already successfully financed ~4.7 GW.

1.1. Pioneering green bond market in India



YES BANK has been associated with three green bonds:

- In February 2015, the Bank took the plunge and issued India's first-ever green bond (*also the first amongst the emerging economies*) in accordance with the Green Bond Principles, by raising USD 160 million. This 10-year tenor bond witnessed strong demand from leading investors including insurance companies, pension & provident funds, foreign portfolio investors, new pension schemes and mutual funds
- Subsequently in 2015, IFC issued its first green masala bond on the London Stock Exchange and privately placed USD 50 million in YES BANK's green bonds
- The Bank continued its leadership in Green Infrastructure Bonds and raised USD 50 million through an issue of 7-year Green Infrastructure Bond to FMO, the Dutch Development Bank, on a private placement basis in December 2016. This was FMO's 1st investment in a Green Bond in India

The amount raised is used to finance green infrastructure projects as per ‘eligible projects’ outlined in the Bank’s internal guidelines that were put in place in adherence to Green Bond Principles by International Capital Market Association. Through financing solar and wind power plants, the proceeds of the green bonds have been utilized in augmenting solar and wind energy capacities, with a significant impact of avoidance of emissions of CO₂, SO₂ and NO_x apart from other air pollutants associated with energy generation. These bonds contribute to positive environmental impact and also strengthen India’s energy security by reducing fossil fuel dependency. Interestingly, since the first issuance by YES BANK in February 2015, green bond issuances in India have witnessed a steady growth, making India one of the leading green bond markets globally.

1.2. Leveraging the Power of Partnerships to fund Renewable Energy



YES BANK launched a USD 400 million renewable energy finance facility as a joint initiative with European Investment Bank (EIB) to support the expanding renewable energy sector. This facility will be supported by EIB with an investment of USD 200 million, alongside financing from YES BANK, project promoters and other financial institution. This initiative is EIB’s first-of-its-kind engagement with any Indian commercial bank. The 15-year tenor is also EIB’s longest tenor lending. The new financing program will streamline financing for a range of renewable energy projects being built and operated by leading Indian corporations and private sector developers. Eligible solar projects have been identified in the Indian states of Rajasthan, Telangana, Maharashtra and Karnataka and additional projects are being examined. Additionally, in October 2017, YES BANK signed a long-term credit line of USD 30 million with OeEB, the Austrian development bank, for dedicated financing of wind and solar power projects in India.

2. Mainstreaming Green finance in India through innovative financial mechanisms

Given the growing momentum in climate finance globally, YES BANK is committed to champion the cause in India by mobilizing green investments, seizing the opportunities in India’s sunrise sectors and contributing towards achieving India’s Nationally Determined Contributions and SDGs. YES BANK has innovated financial products and services in India to mainstream SDG financing. These unique landmark transactions coupled with innovative business models in the sustainability sphere is reflected in multiple ‘industry-first’ achievements that have established YES BANK’s legacy of institutional excellence over the years.

2.1. Financing Hybrid Annuity-based PPP Model for waste water treatment



India with 17% of world's population accounts for 4% of world's fresh water resources and about 70% of water is contaminated. IFC in its report '*Climate investment opportunities in South Asia*' estimated investment opportunity of USD 128 billion in Climate-smart urban water infrastructure. In order to leverage this opportunity and create positive social and environmental impact, YES BANK in October 2017 committed USD 24 million to fund the first sewage treatment plant of capacity 50 Million Liters Discharge (MLD), to be constructed on the banks of Ganges, under Hybrid Annuity PPP Model.

The ~ 2,500 km long river Ganges is the fifth most polluted river in the world, affecting the lives of 500 million people living in its basin. In January 2015, the Government of India approved its flagship program for abatement of pollution, conservation and rejuvenation of the river Ganga, 'Namami Gange', with a budgeted outlay of ~USD 3 billion.

In the first-of-its-kind initiative, National Mission for Clean Ganga (NMCG) – an implementation arm of National Ganga River Basin Authority (NGRBA), awarded creation and maintenance of sewage treatment infrastructure under Hybrid Annuity-based Public-Private-Partnership (PPP) model to the private sector for construction and maintenance of 50 MLD STPs. The Hybrid Annuity-based-PPP Model (HAM) is a mix of the EPC (*engineering, procurement and construction*) and BOT (*build, operate, transfer*) models. With 100% central sector funding, the project had to be undertaken by a Special Purpose Vehicle (SPV), with the following structure:

- 40% of the capital cost quoted to be paid on completion of construction
- Remaining 60% of the cost to be paid over the life of the project as annuities along with operation and maintenance cost (O&M) expenses
- Both the Annuity and O&M payments, linked to the performance of the STP ensure continued performance of the assets created due to better accountability, ownership and optimal performance

This is the first instance of HAM adoption for sewage management sector, and YES BANK was the sole banker for the project. Similar PPP models have been successfully implemented in the public infrastructure sector, such as highways in India. While financing water sector projects in India has been a challenge due to various issues, replicating the HAM model in water segment has higher potential of success similar to the highway sector.

2.2. Green Future: Deposit – Money is the Root of all Good



Green Future: Deposit

Fixed Deposit is an extremely popular investment instrument for middle-class Indians, primarily due to the surety of returns. It offers attractive interest rates in lieu of funds being deposited with the bank for a particular term. YES BANK is the first bank in India to go beyond just monetary returns and give retail depositors (*for investments upto approx. USD 145,000*) another reason to invest funds with YES BANK: to invest in the Earth's future.

Reinforcing its commitment to mainstream climate finance, on the occasion of World Environment Day (5th June, 2018), **YES BANK launched India's first-ever green fixed-deposit.**

- For every investment made into this 'Green Future: Deposit', YES BANK earmarks equivalent proceeds towards sectors aligned with SDGs, which contribute to India's green growth-agenda
- For every Green Future: Deposit opened, YES BANK also plants a tree on behalf of the depositor and an e-certificate is issued in the depositor's name along with GPS location of the tree
- Green Future: Deposit can only be opened through YES BANK Net Banking and YES Mobile Banking Application, making the process entirely paperless, thereby helping create a sustainable future
- To make it attractive for retail depositors, Green Future: Deposit was launched at the best in class interest rate of 7.5% p.a. for a tenure of 18 months 8 days to 18 months 18 days

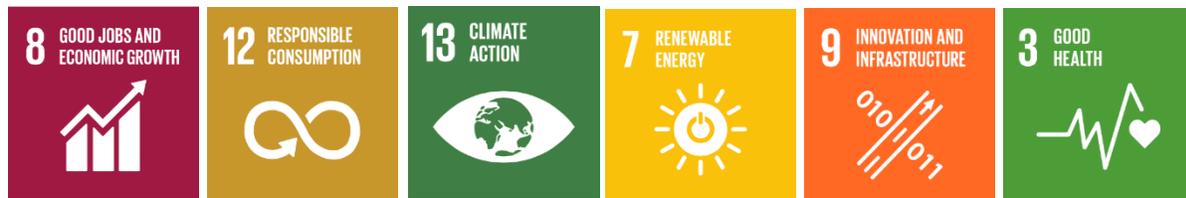
In phase-1, as on 31st July 2018, YES BANK raised USD 155 million via this novel product offering, which would be invested in SDG-aligned sectors including renewable energy, agriculture, affordable housing, MSMEs and loans to marginalized sections. To maintain the highest standards in identifying and managing the tree plantation, YES BANK has partnered with a social enterprise that specializes in creating sustainable ecosystems through afforestation, where in the local community takes the ownership of planting, caring for and preserving the trees.

3. Creating positive environmental and social impact through Corporate Social Responsibility (CSR) funds

With an aim to create shared sustainable value, YES BANK has institutionalized a robust framework linking CSR and sustainable development, driven through innovation. YES BANK believes that a participatory approach enables the power of coalition and drives accelerated social

impact securing the most basic needs for a vast majority of the Indian population. YES BANK has developed innovative CSR models to bring a positive change to the lives of vulnerable or marginalized communities.

3.1. 'Say YES to Sustainable MSMEs in India' - Making Indian MSME sector sustainable and globally competitive



Micro, Small & Medium Enterprises (MSMEs) are a significant contributor to the Indian economy as they account for 45% of industrial output, 40% of the total exports and over 8% of GDP and provide employment to over 100 million people through 46 million units. This sector has a very important role to play in realizing the Government's 'Make in India' mission and it is imperative that MSMEs achieve manufacturing excellence. Given the importance of MSMEs in achieving the SDGs, YES BANK is committed to supporting the MSME sector and giving it the much needed thrust to put it on a sustainable growth path.

YES BANK launched a **first-of-its-kind MSME CSR project** 'Say YES to Sustainable MSMEs in India' in FY 14-15 to promote Environmental Sustainability through Energy Efficiency (EE), Occupational Health and Safety (OHS) & Financial Literacy amongst Indian MSME sector. The project supports MSMEs through multifaceted interventions including:

- Capacity Building Workshops to promote energy efficiency, renewable energy, circular economy and cleaner technology in MSMEs (*SDG 13: Climate Action*)
- On-ground implementation support towards energy audits, waste to energy initiatives and solar roof tops for MSMEs (*SDG 7: Affordable & Clean Energy*)
- Structured Occupational, Health and Safety (OHS) interventions including health camps, first-aid trainings, safety trainings, providing first-aid kits and personal protective equipments (PPEs) including safety helmets, gloves, eye protection, safety footwear and safety harnesses (*SDG 3: Good Health and Well-Being*)
- Empowering MSMEs through financial literacy trainings including GST transition support, handholding to avail government subsidies & providing health insurance for MSME workers (*SDG 8: Decent Work and Economic Growth*)
- Providing drinking water facilities in MSMEs (*SDG 6: Clean Water and Sanitation*)
- Linkages through E-commerce trainings for offline SMEs/retailers (*SDG 9: Industry, Innovation, Infrastructure*)

- Zero Defect Zero Effect (ZED) trainings to improve operational efficiency and minimize environmental footprint of MSMEs (SDG 12: *Responsible Consumption and Production*)

Since its launch in FY 14-15, the project has impacted over 21,000 MSMEs and benefitted more than 50,000 workers across 14 states and 17 sectors and reduced 13,500 metric tons of CO2 emissions/annum. YES BANK's larger target is to impact 1 Lakh MSMEs through its CSR project by 2020.

Key Project outcomes/impact:

- Improvement in the operational efficiency
- Increase in the productivity of the units
- Reduction in the annual energy consumption for the benefitted MSME units
- Improvement in the safety and health standards
- Apart from these, there are some unintentional outcomes which the units witnessed like:
 - Increased involvement of the industry associations, for the implementation of energy efficiency and OHS measures in their member MSMEs
 - Increment in the allocation of budgets by MSMEs for the OHS measures

3.2. Species conservation projects with State Governments



YES BANK drives environmental sustainability as one of its key CSR focus areas and has firmly placed natural capital as one of its key focus areas. The Bank is the first Indian signatory to the Natural Capital Declaration, now a part of Natural Capital Finance Alliance (NCFA). YES BANK launched the Natural Capital Initiative (NCI) in 2013, reflecting its proactive approach in the natural capital space. The objective was to facilitate development of appropriate regulatory framework, disclosure mechanisms and reporting measures to integrate, value, and account for natural capital in addition to creating widespread awareness amongst Corporate, Government and Civil society.

The Bank undertook a two pronged approach to pursue the natural capital agenda -

- Raising awareness and stimulating discourse amongst the businesses and individuals alike
- On-ground preservation and conservation of natural capital

The Bank launched initiatives to protect iconic Indian fauna in partnership with State Governments and involving local community:

- **Say YES to Save the Godawan:** YES BANK developed the ‘SAY YES TO SAVE THE GODAWAN’ campaign to protect and conserve Godawan, the local name for the critically endangered Great Indian Bustard (GIB). It is the State bird of Rajasthan and less than 250 of these birds remain, which has also been declared ‘Critically Endangered’ by IUCN Red list. YES BANK’s campaign focused on sensitization and capacity building of villagers towards the need for protecting the GIB and its habitat, creating awareness on GIB conservation among tourists through hoardings and banners at strategic tourist locations and by developing safe enclosures for GIB in Desert National Park. Post YES BANK’s interventions, total number of sightings has increased manifold. 7 GIBs have been spotted in Camera Traps within the YES BANK supported safe enclosures in the Desert National Park, Rajasthan
- **Say YES to Save Our Pride – The One-Horned Rhino:** YES BANK partnered with the Government of Assam to launch the ‘YES to Save Our Pride – the One-Horned Rhino’ campaign. The Kaziranga National Park is home to two-thirds of the world’s One Horned Rhinos and the Assam Government has undertaken various measures to protect the Rhino and its habitat. To supplement this effort, YES BANK conducted on-ground interactions with villagers, forest guards and forest officials to understand the man-animal conflict, and threats from poachers and smugglers. The Bank organized awareness campaigns, which aimed at sensitizing people living near the National Park and help convert them into being protectors of the Rhino

4. Policy Advocacy through thought leadership

YES BANK has cemented strong stakeholder engagements and leveraged its partnerships with national and international institutions, multilateral organizations, academia and corporate peers to bring positive transformation. The Bank has been lending technical and practitioner’s perspective to policy and regulatory action on pertinent issues, with an aim to drive investments towards the sunrise sectors of the economy. As a thought leader, YES BANK has created platforms and leveraged the power of coalitions to learn best practices and stay ahead of the curve. The Bank is a signatory and supporter to key protocols and global alliances focused on climate action and sustainable development, including the UNEP FI, Carbon Pricing Leadership Coalition, UN Global Compact, CDP, Climate Action in Financial Institutions Initiative, Financial Stability Board’s Taskforce on Climate-related Financial Disclosure recommendations.

4.1. Thought leadership and knowledge reports

YES BANK, since its inception, has followed a knowledge-banking approach, enabling it to provide its stakeholders with well-informed and customized solutions. The Bank has identified specific growth sectors of the Indian economy and institutionalized specialized Knowledge Banking divisions within the Bank to spearhead its knowledge focus and develop tailor-made product offerings for industry verticals. As a part of its knowledge banking approach, the Bank regularly develops knowledge reports specific to these sectors. The Bank released 6 knowledge reports in the domain of climate finance and responsible investments in the FY 2017-18 including Natural Capital Mapping towards achieving SDGs in India, Scaling SDG financing in India, Circular Economy and Electric Mobility in India. The reports are available online at the [link](#).

4.2. YES BANK Natural Capital Awards



As part of its Natural Capital Initiatives, Natural Capital Awards (NCA) was launched by the Bank to facilitate, reward and share best practices in natural capital measurement and accounting within like-minded organizations in the country.

NCA, launched in 2013, is a ground-breaking platform that mainstreamed the natural capital dialogue in India, by showcasing practices in natural capital consumption, accounting mechanisms, and conservation within the industry and civil society. The awards identify, reward and present the finest individuals and institutions that are dedicated towards spearheading biodiversity conservation and environmental stewardship. Over the past 3 editions, YES BANK has recognized and felicitated individuals and organizations for their extraordinary photographs and landmark sustainability initiatives, respectively. The awards platform has seen participation of eminent national and international leaders who have shared their views on mainstreaming natural capital conservation in India.