Environmental Risk Mitigation

Annually, projects receiving proceeds from the Green Bonds issued by YES BANK, will potentially avoid emissions of harmful gases like CO$_2$, SO$_2$, and NO$_x$.

- **CO$_2$** 2.3 MT
  - Equivalent to annual emissions from more than 0.48 million passenger vehicles

- **SO$_2$** 1.9 KT
  - Equivalent to annual emissions from 1.6 thousand passenger vehicles

- **NO$_x$** 5.7 KT
  - Equivalent to annual emissions through as many as 0.36 million passenger vehicles

Additionally, the projects would annually save 204.5 KT of fossil fuel usage.

Estimations based on the fact sheet “Greenhouse Gas Emissions from a Typical Passenger Vehicle”, by The U.S. Environmental Protection Agency (EPA) – 2014. NO$_x$ estimates are used for NO$_x$ emissions.
“YES BANK, in alignment with its COP21 commitment of mobilizing USD 5 bn towards climate action, pioneered India’s first Green Bond in 2015. The unprecedented success of these Green Bonds cemented the Bank’s conviction in sustainable finance with subsequent issuances with IFC and FMO. YES BANK paved the path in India by demonstrating innovative climate financing structures and creating a market oriented towards green finance. With increasing momentum from green finance leaders such as YES BANK, I believe India would potentially lead the green bond market in the world.”

RANA KAPOOR
Managing Director & CEO
YES BANK

Executive Summary

With India’s first Green Bond issuance in February 2015, YES BANK pioneered green financing in India, raising INR 10 billion for financing green projects. Thereafter, the Bank issued an INR 3.15 billion Green Bond in August 2015 and an INR 3.3 billion Green Bond in September 2016.

In this report, the Bank has assessed the expected impact of the green bonds, by analyzing information of the projects which have received the proceeds from the green bonds. It also reflects the outcomes these green projects would potentially generate including the environmental risk mitigation through reduction in harmful gases like carbon dioxide (CO₂), sulphur dioxide (SO₂), and oxides of nitrogen (NOₓ), among others.

Annually, the projects would potentially avoid:

- 2.3 megatons of CO₂ equivalent to annual emissions from more than 0.48 million passenger vehicles
- 19 kilotons of SO₂ equivalent to emissions from 1.6 thousand passenger vehicles, annually
- 5.7 kilotons of NOₓ equivalent to annual emissions through as many as 0.36 million passenger vehicles

Additionally, the projects would annually save 204.5 kilotons of fossil fuel usage.
Given the Government of India’s focus on increasing renewable energy capacity to 175 GW by 2022, it was estimated that this sector would require significant financing. Therefore, there was a need to evolve innovative instruments to finance projects in renewable energy, and green infrastructure bonds seemed to be one such specialized structure that could allow finances to flow to clean energy projects. Realizing the potential of Green Bonds, YES BANK saw an opportunity to demonstrate this in a developing economy.

YES BANK has always adopted a proactive approach towards growing its book in positive impact sectors (renewable energy is 4.8% of the advance book in FY 2016-17). During the UN Climate Summit in September 2014, YES BANK had committed to invest in 500 MW annually, which the Bank later revised to a 5,000 MW commitment over five years starting in February 2015.

With these motivations in mind, the Bank came up with the following highly welcomed green bonds:

**February 2015**

In a significant step, YES BANK issued India’s first-ever Green Bonds (AA+ by CARE) and this is one of the first issuances in emerging economies, raising an amount of INR 10 billion, in accordance with Green Bond Principles. The bond was originally intended to be INR 5 billion plus green shoe option, which was oversubscribed twice, witnessing strong demand from leading investors including Insurance companies, Pension & Provident Funds, Foreign Portfolio Investors, New Pension Schemes, and Mutual Funds.

**August 2015**

The Bank’s second issuance of INR 3.15 billion bond raised on a private placement basis with IFC. It was the first-ever investment by IFC, a part of World Bank Group, in a green bond issuance in emerging markets. The innovative aspect of the transaction was that the IFC paid for the placement using the proceeds from the first Green Masala Bond raised in the offshore rupee market. Notably, the bond was awarded the “most innovative bond structure” by Environmental Finance in May 2016.

**September 2016**

YES BANK has also raised INR 3.30 billion in September 2016, through an issue of a Green Infrastructure Bonds to FMO, the Dutch Development Bank, on a private placement basis. This is FMO’s first investment in a Green Bond issued by a bank in India. FMO has paid for placement using the proceeds from their sustainability bonds issued in 2015.

KPMG India has provided assurance services (excerpt on last page) for FY 2015-16, on the use of proceeds of the Green Bonds, in accordance with the Green Bond Principles.
Green Bond Principles

The Green Bond Principles (GBP) are voluntary process guidelines intended for broad use by the market that recommend transparency and disclosure, and promote integrity in the development of the Green Bond market. The GBP has four components, outlining key elements namely use of proceeds; evaluation and selection of eligible projects; management of proceeds; and reporting.

YES BANK has instituted internal guidelines for adherence to the Green Bond Principles, elucidated below:

Use of Proceeds
The proceeds raised through the issue of these bonds/debentures are primarily used in renewable and clean energy projects including generation from sources such as wind and solar projects.

Evaluation and Selection of Eligible Projects
YES BANK has put in place a process for identifying projects based on eligibility criteria, and evaluating them for allocation of the bond proceeds, through mapping relevant teams with the process-specific roles and responsibilities.

Management of Proceeds
The proceeds are managed by an internal MIS, which also tags the projects to which the proceeds are channeled, and monitors them throughout the tenor. The unallocated proceeds, if any, are placed in temporary market instruments on a quarterly basis.

Reporting
An annual communication update is made available to the stakeholders, primarily investors. This includes information on allocation of proceeds, list of the funded projects, their brief description, summary of the impacts associated with these projects and type of temporary investment instruments for the balance of unallocated proceeds.
The proceeds from the Green Bonds have been allocated to the following eligible projects:

<table>
<thead>
<tr>
<th>STATE</th>
<th>RENEWABLE ENERGY CATEGORY</th>
<th>PROJECT CAPACITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maharashtra</td>
<td>Wind Energy</td>
<td>31.5 (MW)</td>
</tr>
<tr>
<td></td>
<td>Solar Energy</td>
<td>40 (MW)</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>Wind Energy</td>
<td>100 (MW)</td>
</tr>
<tr>
<td></td>
<td>Solar Energy</td>
<td>50 (MW)</td>
</tr>
<tr>
<td></td>
<td>Solar Energy</td>
<td>10 (MW)</td>
</tr>
<tr>
<td></td>
<td>Solar Energy</td>
<td>50 (MW)</td>
</tr>
<tr>
<td></td>
<td>Solar Energy</td>
<td>50 (MW)</td>
</tr>
<tr>
<td>Punjab</td>
<td>Solar Energy</td>
<td>150 (MW)</td>
</tr>
<tr>
<td>Telangana</td>
<td>Solar Energy</td>
<td>15 (MW)</td>
</tr>
<tr>
<td></td>
<td>Solar Energy</td>
<td>15 (MW)</td>
</tr>
<tr>
<td></td>
<td>Solar Energy</td>
<td>48 (MW)</td>
</tr>
<tr>
<td></td>
<td>Solar Energy</td>
<td>143 (MW)</td>
</tr>
<tr>
<td></td>
<td>Solar Energy</td>
<td>30 (MW)</td>
</tr>
<tr>
<td></td>
<td>Solar Energy</td>
<td>5 (MW)</td>
</tr>
<tr>
<td>MP &amp; Gujarat</td>
<td>Solar Energy</td>
<td>50 (MW)</td>
</tr>
<tr>
<td></td>
<td>Wind Energy</td>
<td>24 (MW)</td>
</tr>
<tr>
<td></td>
<td>Wind Energy</td>
<td>12 (MW)</td>
</tr>
<tr>
<td></td>
<td>Solar Energy</td>
<td>30 (MW)</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>Solar Energy</td>
<td>20 (MW)</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>Solar Energy</td>
<td>216 (MW)</td>
</tr>
<tr>
<td>Karnataka</td>
<td>Wind Energy</td>
<td>51 (MW)</td>
</tr>
<tr>
<td></td>
<td>Solar Energy</td>
<td>50 (MW)</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>Wind Energy</td>
<td>50 (MW)</td>
</tr>
</tbody>
</table>

* As on March 31, 2017

The balance of unallocated proceeds from the Green Bonds raised by YES BANK is placed in government securities, on a quarterly basis.
It is well-established that the solar and wind power plants help avoid emissions of CO$_2$, SO$_2$, and NO$_x$, among others. The green projects funded by the proceeds of YES BANK's Green Bonds would help reduce these emissions and would also contribute to a positive environmental impact.
**CO₂ Emissions Avoided**

Carbon dioxide (CO₂), a greenhouse gas, is one of the primary pollutants of air. The renewable energy projects such as the ones which received green bond proceeds from YES BANK are instrumental in achieving reduction of carbon emissions in India. This is in line with India’s commitment made during COP21 of reducing 33-35% emissions by 2030 over the 2005 levels. The annual and lifetime CO₂ emissions that these projects would help avoid are 2.3 megatons and 55 megatons, respectively.

**SO₂ Emissions Avoided**

Sulphur dioxide (SO₂) is known to be deleterious to human health. It also causes acid rains which can harm sensitive ecosystems. The projects financed by YES BANK’s Green Bonds will potentially avoid sulphur dioxide emissions, especially which would have been contributed by conventional power plants. The projects would reduce (avoid) as much as 19 kilotons of SO₂ emissions annually; lifetime anticipated reduction being 454 kilotons.
Oxides of Nitrogen Avoided

Oxides of Nitrogen (NOx) are also major contributors to air pollution. These are primarily emitted by motor vehicles, the presence of which is exponentially increasing in India. Other significant high emitters of oxides of nitrogen are conventional power plants. Through the shift towards solar and wind electricity generation projects, a considerable amount of oxides of nitrogen can be avoided, as shown in the graph below.

The annual emission of oxides of nitrogen that will possibly be avoided through these projects is 5.7 kilotons. The potential lifetime emissions avoided would be 136.7 kilotons.

Fossil Fuel Usage Avoided

Employing renewable resources avoids usage of fossil fuels. Based on the generation potential of the projects, around 204.5 kilotons of fossil fuel usage would be avoided each year.

The lifetime usage avoided is expected to be 4.8 megatons, as shown in the graph below.
Green Bonds are the next step towards the proliferation of renewable projects and can act as catalysts for greening the country’s conventional practices including thermal and hydro power generation. The projects funded by the proceeds of Green Bonds issued by YES BANK will annually generate around 2.35 million MWh of electricity.

This volume of electricity can light up around 2.32 million households in India, in a year.*

Solar and wind power plants not only have a positive environmental impact but also strengthen a country’s energy security. The green projects funded by the proceeds of Green Bonds issued by YES BANK will annually generate around 2.35 million MWh of electricity.

**SOCIAL IMPACT**

*Based on per capita electricity consumption as estimated by the Central Electricity Authority (CEA), India in 2014.*

Conclusion

Green Bonds are the next step towards the proliferation of renewable projects and can act as catalysts for greening the country’s conventional practices including thermal and hydro power generation.

The projects funded by the Green Bonds issued by YES BANK are expected to contribute towards climate mitigation and the country’s global commitment of achieving 175 GW renewable energy capacity in the next few years.

YES BANK aims to continue its pioneering efforts of financing green projects and would keep contributing towards India’s sustainability goals.
Independent Assurance Statement

INTRODUCTION
We were engaged by Yes Bank Limited (‘Issuer’) to undertake an independent review of the following green bonds:
• Green bonds for INR 1,000 crores issued on 24 February 2015
• Green bonds for INR 315 crores issued on 05 August 2015
Our responsibility was to provide “limited assurance” on conformance of the Issuer and the aforementioned green bonds with the Green Bond Principles, 2016 during Financial Year (FY) 2015-16.

ASSURANCE SCOPE AND LEVEL OF ASSURANCE
Our scope of assurance included information on material aspects of the green bond during FY 2015-16 based on the requirements of the Green Bond Principles, 2016 as listed below:
• Use of Proceeds
• Process for Project Evaluation and Selection
• Management of Proceeds
• Reporting

CONCLUSION
The following conclusion is based on the work performed and evidence obtained and the scope of our assurance engagement described above.
Nothing has come to our attention to suggest that the Issuer and their green bonds issued in February and August 2015 are not, in all material respects, conforming to the requirements of the Green Bond Principles, 2016 during the FY 2015-16.

Santhosh Jayaram
Partner
KPMG India
6 February 2017
SUSTAINABILITY:
A BUSINESS IMPERATIVE
AT YES BANK

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM AG

YES BANK is the 1st & only Indian Bank in Dow Jones Sustainability Indices (DJSI) Emerging Markets for 2 consecutive years (2015 & 2016)

FIRST GREEN INFRASTRUCTURE BOND IN INDIA
- Issued by YES BANK
- Size: INR 10 Bn
- February 2015

FIRST GREEN MASALA BOND
- Issued by IFC, Washington
- Listed on London Stock Exchange
- First ever investment by IFC in an emerging market Green Bond
- August 2015
- Size: INR 3.15 Bn

YES BANK’S THIRD GREEN BOND
- FMO’s first investment in a Green Bond issued by a bank in India
- Size: INR 3.3 Bn

ENVIRONMENTAL FINANCE GREEN BOND AWARDS 2016
Special Award for Innovation (Structure)
Environmental Finance, London 2016

Inaugural Green Bond Awards
Wednesday 3 February 2016
Global Leadership in the Green Bond Sector

Pioneer in Emerging Markets - India

- Best Innovation & Sustainable Financial Products & Services, 2016
- Outstanding Business Sustainability Achievement, 2015 & 2013
- Outstanding Sustainable Project Financing, 2014
Karlsruhe Sustainable Finance Awards, Germany

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