

Piramal Finance Limited

Sustainable Finance Framework

April 2024

Contents

Introduction	3
Approach to Sustainability	3
Rationale for Developing the Framework	4
About the Framework	5
Applicability of the Framework	5
Use of Proceeds	6
Process for Project Evaluation and Selection	14
Management of Proceeds	15
Monitoring and Reporting – Allocation and Impact Reporting	15
External Review	16
Appendix – Exclusion list	16
Disclaimer	17

Introduction

Piramal Finance Limited (Registered as an Upper Layer Non-Banking Financial Corporation with RBI) referred as PFL or the company.

PFL has an established position in real estate lending and draws domain experience, given the Group's experience in real estate-based private equity investments, advisory services, and the development space. Further, given its extensive experience in the real estate lending segment, the company leverages the large network of developers with relationships built over a period of time. The focus of the group over the last 2-3 years has shifted towards building the retail portfolio and rebuild the wholesale portfolio going forward.

PFL has diversified its retail book by products, such as affordable housing, unsecured microfinance loans, small and medium enterprises (SME) credit, used vehicle financing, personal loans, etc. and have made partnerships with fintech and consumer tech firms to grow its retail financing business.

On the wholesale side, it plans to build a new wholesale 2.0 AUM that would be comparatively more diverse and granular with a smaller ticket size, targeting mid-sized developers across markets. The wholesale segment continues to be dominated by real estate exposures and Corporate Mid-Market Lending (CML). CML offers tailored funding solutions for various sectors like infrastructure, renewable energy, NBFCs.

With a vision to democratise credit for all sections of society, PFL has chosen to focus on the real 'Bharat' market, which has been relying on informal money lenders. This predominantly comprises of Tier II, Tier III, Tier IV towns and rural areas catering to the self-employed or salaried customers in the informal sector. PFL have built superior underwriting and risk management processes due to the strong demand for credit in this segment. Leveraging both the extensive branch network and technology platform, PFL is using the best of both worlds to strategically design products and provide ease of accessibility.

The continuous evaluation of Technology methods helps the company in its granular reach and control at the retail segment of the business. Company has the approach of High touch with its customers with Pan India Network with large retail team. They focus on personal discussions with customers to understand their needs and basic creditability.

Approach to Sustainability

The Companies' approach to sustainability is guided by the Company's ESG vision '**To become a best-in-class financial institution with a strong focus on creating long-term, sustainable value for all our stakeholders**'. Additionally, their sustainable value creation is mainly driven by three goals:

1. To achieve profitability while adhering to responsible business practices
2. To embed ESG practices with the business, operations, and value chain
3. To proactively address future challenges by engaging with emerging ESG issues

The Companies' objective is to foster the growth in the years to come and have a positive impact on the lives of the masses by promoting better and more secure lifestyles. The Companies have deployed a holistic and proactive approach considering the economic, social, and environmental dimensions of sustainability. The sustainability strategy deployed by the companies includes specific goals and actions, which address a broad range of material guidance for all employees, customers, and partners to undertake positive actions that align with their brand. As a part of the Sustainability strategy, they are

taking significant and concrete steps towards driving environmental, social, and governance (ESG) progress. issues, including reducing greenhouse gas emissions, promoting employee well-being, and enhancing stakeholder engagement. They have categorised the focus areas in four major pillars. The four strategic pillars within the ESG strategy framework outline the key components that fosters the Companies' sustainable growth. By these fundamental pillars, they have identified primary ESG focus areas that are essential to its business. Each focus area has Key Performance Indicators (KPIs) developed to help in creating and implementing effective measures that enable it to generate maximum value for stakeholders.

The Companies are committed to reducing their carbon footprint as part of their responsibility towards sustainability. Various measures have been adopted across offices to reduce their environmental footprint. Further, the Companies acknowledges their role in enabling India's growth story and impact on millions of Indians. They remain dedicated to delivering long-term value to all stakeholders, serving the Companies' clients, empowering communities, collaborating with partners, and nurturing staff through the lens of sustainable impact. Using the tech-enabled backbone, the Companies strive to connect with them progressively, sustainably, and promote growth. The Companies' support Piramal Foundation's 5 Big Bets which use a platform-and-partnership approach to serve disadvantaged populations and create lasting change in India through leadership development, digitisation, and youth involvement. They prioritise empowering marginalised communities across India with our core values of Knowledge, Action, Care, and Impact. Through various Corporate Social Responsibility (CSR) projects, the Companies aim to improve the quality of life sustainably. Over 15 years, they have worked in 112 Aspirational Districts¹ and positively impacted millions of lives.

Financial inclusion and literacy are at the core of the Companies' business operations. They aim to make finance accessible by catering to the needs of underserved people. This is going to be crucial to match the true aspiration of 'Bharat'. The Companies support financial inclusion and literacy, especially for underserved communities, by offering financial services through various initiatives. These efforts aim to help people secure their savings, increase their earning potential, and improve access to education, healthcare, and essential services.

To enhance the corporate governance, Sustainability and Risk Management Committee is set up to oversee the implementation of stricter controls and procedures, facilitate the shift towards a more sustainable economy, and encourage the adoption of technological advancements.

The Companies' ESG Policy aligns with its goal of sustainable development and aims to minimise risks and impacts through robust and documented systems. The policy covers all PFL operations and business portfolios.

Rationale for Developing the Framework

The Companies' sustainability initiatives involve specific goals and actions, fostering positive engagement with employees, customers, and partners, aligning with the Company's brand.

The global market for green and social finance has grown significantly in response to the climate crisis, with investors and businesses recognising the financial services sector's critical role in promoting a socially responsible economic recovery and transitioning to a more sustainable, low-carbon economy. As one of India's leading finance companies, the focus is on providing finance for green and social objectives as detailed in the framework.

¹ 112 most under-developed districts across the country as per [NITI Ayog](#)



About the Framework

This framework outlines the criteria and guidelines for the allocation of proceeds as per:

- ICMA² Green Bond Principles (“GBP”) 2021 (with June 2022 Appendix1)
- ICMA Social Bond Principles (“SBP”) 2023
- Social Loan Principles 2023 administered by the LMA³, LSTA⁴ and APLMA⁵
- Green Loan Principles (“GLP”) 2023 administered by the LMA, LSTA and APLMA
- ICMA Sustainability Bond Guidelines 2021

The Companies' Sustainable Finance Framework is structured based on the following core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

Applicability of the Framework

Based on the principles mentioned above, the Companies have developed a Sustainable finance framework under which they will raise finance by way of Green, Social or Sustainable Financing instruments including, *inter alia*, social bonds(s), social loan(s), green bonds(s), green loan(s) or a combination of both, domestic or offshore, to finance or refinance a portfolio of new and/or existing eligible Social or Green Projects to promote sustainability.

² International Capital Markets Association

³ LMA- Loan Market Association

⁴ LSTA- Loan Syndication and Trading Association

⁵ APLMA- Asia Pacific Loan Market Association

This framework aligns financial products with national sustainable development goals and facilitates the transition to a low-carbon economy. The framework is applicable for the following Green and Social Assets as defined in the Use of Proceeds section of this framework.

Use of Proceeds

The funds obtained through this framework will be exclusively utilised for financing or refinancing projects that align with internationally recognised standards as mentioned above. These eligible projects encompass retail home loans, MSME⁶ loans, SME loans, Priority Sector Loans⁷ (in addition to the minimum allocation prescribed by the Reserve Bank of India (RBI)), Microfinance, Green finance, and digital lending. Eligible Projects may include new projects or projects already financed by PFL during the 36 months prior to the issuance of a particular instrument under this framework. The identification of eligible projects is primarily based on their intended environmental, social, or combined impact, which will be elaborated upon during the specific issuance under this framework. The framework aligns with the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs), contributing to specific SDG goals and targets as outlined by the Companies.

⁶ A micro enterprise, where the investment in Plant and Machinery or Equipment does not exceed one crore rupees and turnover does not exceed five crore rupees,

A small enterprise, where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees and

A medium enterprise, where the investment in Plant and Machinery or Equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees as per the [Government of India](#)

AND have an Udyam Certificate

⁷ PSL Classification as per [RBI](#)

Eligible Green Assets	Eligibility for use of proceeds	Impact Analysis	SDGs
Green Buildings	<p>Objective: To construct and maintain green buildings, supporting sustainable urban and rural development and reducing emissions.</p> <ul style="list-style-type: none"> - Financing/ re-financing of construction finance which earn any of the following certifications: <ul style="list-style-type: none"> • Leadership in Energy and Environmental Design (LEED) Gold or above • Indian Green Building Council (IGBC) Gold or above • Green Rating for Integrated Habitat Assessment (GRIHA) 4-star or above • Excellence in Design for Greater Efficiencies (EDGE)- Level 2 and above - Financing/ re-financing of buying of property in green affordable housing projects⁸ which earn any of the aforementioned green building certifications 	<ul style="list-style-type: none"> • No. of green real estate projects under <ul style="list-style-type: none"> ◦ LEED, ◦ IGBC (Gold or above), ◦ GRIHA (4 star or above) ◦ EDGE (Level 2 and above) • % Amount of energy saved • Total loan amount disbursed to green buildings • Total number of loans allocated to green buildings • Reduction in carbon emission per annum • Reduction in water consumption per annum • No. of green housing units financed • Total loan amount disbursed to green housing units 	 <p>SDG 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p>
Renewable Energy	<p>Objective: To promote and develop clean and efficient energy for all.</p> <ul style="list-style-type: none"> - Acquisition, production, manufacturing, operation and/or maintenance of renewable energy sources/ infrastructure: <ul style="list-style-type: none"> • Solar generating facilities including solar photovoltaic panels and solar thermal plants • Hydropower electricity generating facilities that are run-off-river plants without an artificial reservoir 	<ul style="list-style-type: none"> • Installed renewable energy capacity in (MW) • Renewable energy generation (MWh) • Total loan amount disbursed to renewable energy sector 	 <p>SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix</p> <p>SDG 7.b: By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing</p>

⁸ For Retail Green Housing – EWS/LIG/MIG I, first time home buyer with salary less than 8 lakhs, young adults transitioning to independent living i.e. adults within the age of 21 to 25 years with salary less than 8 lakhs, buying a dwelling in Green Housing Project

Eligible Green Assets	Eligibility for use of proceeds	Impact Analysis	SDGs
	<ul style="list-style-type: none"> • Hydropower electricity generating facilities that have a lifecycle emission threshold as per the CBI standards⁹ • Wind (onshore/ offshore) - Renewable energy infrastructure in buildings and for public services - Development of new or improvement of existing transmission systems to facilitate integration of renewable energy sources into the grid - Acquisition, production, manufacturing, operation and maintenance of supporting technology or infrastructure to enable generation and transmission of renewable energy, • Information, communication and technology ("ICT") infrastructure • Energy storage facilities • Smart grid technology 		<p>countries, in accordance with their respective programmes of support</p>
Energy Efficiency	<p>Objective: To develop and promote access to affordable, reliable and modern energy products and services</p> <ul style="list-style-type: none"> - Acquisition, development, manufacturing and/or installation of energy saving technology, equipment and/or components, such as <ul style="list-style-type: none"> • Energy-efficient lighting (LED lights) • Smart meters • Energy-efficient heating, ventilation, and air conditioning ("HVAC") systems • Building management systems • Improvement of heat efficiency of utilities such as waste heat recovery improvements for district power generation, cooling systems, boilers with energy efficient alternatives, retrofit with renewable energy power • Energy efficiency relating to battery storage for renewable energy sources 	<ul style="list-style-type: none"> • Annual energy savings • Total loan amount disbursed to energy efficiency sector 	 <p>SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix</p> <p>SDG 7.b: By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support</p>

⁹ Climate Bond Initiative (CBI) sector specific- Hydropower- [Hydropower-Criteria-doc-March-2021-release3.pdf \(climatebonds.net\)](https://climatebonds.net/documents/Hydropower-Criteria-doc-March-2021-release3.pdf). Lifecycle emission threshold: GHG emissions intensity < 50g CO2e/kWh or Power density > 10W/m2

Eligible Green Assets	Eligibility for use of proceeds	Impact Analysis	SDGs
	<ul style="list-style-type: none"> - Retrofit of distribution systems, transmission lines or substations to reduce energy use and/or losses - Instruments and devices to enhance buildings' energy use - Retrofit of Energy efficiency equipment in buildings and for public services 		
Clean Transportation	<p>Objective: <i>To develop and promote quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being</i></p> <ul style="list-style-type: none"> - Development and operation of sustainable urban mass transit systems: Zero direct emission electric mass passenger vehicle (trains and buses) - Infrastructure for low-carbon and efficient transport (e.g., charging stations for electric vehicles, low-carbon fuelling stations, such as for green hydrogen, battery exchange and swapping stations and railway tracks) - Investments and expenditure into development and production of EVs, including manufacturing or development of specialized parts, such as EV batteries 	<ul style="list-style-type: none"> • No. of EVs manufactured for EV producers • Total loan amount disbursed • Number of clean vehicles deployed (e.g., electric) by the government • Number of projects financed under low-carbon and efficient transport • Number of specialized parts for EVs- Manufactured 	 <p>SDG 9.1: Quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being</p>  <p>SDG 11.6: Reduced adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p>

Eligible Social Assets	Eligibility for use of proceeds	Target Population	Impact Analysis	SDGs
Affordable Housing ¹⁰ (AH)	<p>Objective: To cater to the housing needs and enhance the living conditions benefiting individuals or families requiring shelter and those with a low income through facilitating access to secure, quality, and affordable housing alternatives.</p>			

¹⁰ For Wholesale: As per Ministry of Finance, Government of India, "Affordable Housing" is defined as a housing project using at least 50% of the Floor Area Ratio (FAR)/Floor Space Index (FSI) for dwelling units with carpet area of not more than 60 square meters(645.83 sq. feet)

For Retail: Housing loans eligible to be classified under Priority Sector Lending (as updated from time to time) and housing loans to individuals (EWS/LIG/MIG, Weaker Section, first time buyer, Young Adults, Underserved communities, individuals buying in low income states) for acquiring dwelling units within the prescribed threshold under the affordable housing definition in the [HML](#). EWS/LIG, Weaker Section as defined by PSL, first time home buyer with salary less than 6 lakhs, young adults transitioning to independent living i.e. adults within the age of 21 to 25 years with salary less than 6 lakhs, buying a Housing unit in Rural/Semi-urban as per PSL with salary less than 6 lakhs, buying a Housing unit in Urban as per PSL with Salary upto 8 lakhs, Underserved communities or low-income states as per PSL, buying a dwelling in Affordable Housing Project by EWS/LIG

PSL criteria: Loans to individuals up to ₹35 lakh in metropolitan centres (with population of ten lakh and above) and up to ₹25 lakh in other centres for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed ₹45 lakh and ₹30 lakh respectively.

Eligible Social Assets	Eligibility for use of proceeds	Target Population	Impact Analysis	SDGs
	<ul style="list-style-type: none"> Financing/ re-financing existing or new construction of affordable housing and/ or buying of property, development and renovation Slum rehabilitation and redevelopment Small Developer finance 	<ul style="list-style-type: none"> Women borrowers/ co-borrowers with annual income up to INR 600,000 First time home buyer¹¹ Individuals in Rural and Semi-Urban areas with annual income up to INR 600,000¹² Economically weaker sections (EWS)¹³/Low Income Group (LIG)¹⁴ Weaker sections as defined by PSL¹⁵ Young adults transitioning to independent living i.e. adults within the age of 21 to 25 years Underserved communities¹⁶ or low-income states¹⁷ 	<ul style="list-style-type: none"> No. loans disbursed for construction of AH projects¹⁸ No. of loans disbursed for Construction of AH projects in Rural & Semi-Urban locations No. of Slum¹⁹ rehabilitation and redevelopment projects No. of dwellings²⁰ financed No. of inhabitants provided with access to affordable housing 	 <p>SDG 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p>
Access to financial services	<p>Objective: To enable access to responsible and inclusive financing and financial services for underserved and/ or socially/ financially excluded individual customers</p> <ul style="list-style-type: none"> Secured MSME loans (business loan) Unsecured salaried loans Unsecured business loans (Udyam certificate) 	<ul style="list-style-type: none"> Individuals in Rural and Semi-Urban areas with annual income up to INR 600,000 Women-owned Micro and Small Enterprises 	<ul style="list-style-type: none"> No. of new to credit customers No. of MSMEs financed Women borrowers as % of customers 	 <p>SDG 5.1: End all forms of discrimination against all women and girls everywhere</p>

¹¹ First time home buyers are defined as those individuals who do not have a history of mortgage loans.

¹² Classification of centres as per [Annex 1](#) of RBI's circular

¹³ EWS are defined as individuals having an annual income up to Rs. 3,00,000 (Rupees Three Lakhs) as per PMAY-U

¹⁴ LIG are defined as individuals having an annual income between Rs.3,00,001 (Rupees Three Lakhs One) up to Rs.6,00,000 (Rupees Six Lakhs) as per PMAY-U

¹⁵ Weaker sections defined under [RBI's PSL criteria](#)

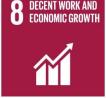
¹⁶ Underserved communities are defined as individuals in areas with a population of less than 49,000 (tier -3 to tier-6 Cities and/ or having an income below INR 6 lakhs p.a. and not having any repayment history

¹⁷ Low-income states - Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan and Uttar Pradesh, World Bank

¹⁸ Project means a listed project having at least 40 Dwelling Units of double room or single room or equivalent Dormitory Units or a mix of all three in any ratio but not more than one third of total built up area under double bedrooms units

¹⁹ PMAY-U: A compact area of at least 300 population or about 60-70 households of poorly built congested tenements, in unhygienic environment usually with inadequate infrastructure and lacking in proper sanitary and drinking water facilities.

²⁰ Dwelling Units (DUs) means a unit comprising of double bed room with living area, kitchen, toilet and bathroom of up to 60 square meters carpet area or single bed room with living area, kitchen, toilet and bathroom of up to 30 square meters carpet area

Eligible Social Assets	Eligibility for use of proceeds	Target Population	Impact Analysis	SDGs
	<ul style="list-style-type: none"> Microfinance Institutions & NBFC's (with MFI license from RBI) 	<ul style="list-style-type: none"> First-time borrowers with income levels below INR 6 lacs Loan to Underserved communities Informal workers²¹ 	<ul style="list-style-type: none"> No. of microfinance institutions served 	 <p>SDG 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</p>  <p>SDG 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>
Access to healthcare	<p>Objective: To ensure the availability and reliability of quality medical care and supplies, thereby helping in reducing social health inequalities and improving overall population health.</p>			
	<ul style="list-style-type: none"> Financing enterprises that expand access to inclusive healthcare, ensure healthy lives and promote well-being Financial support to build, outfit, or run healthcare facilities like hospitals, clinics, and primary care centres in 	<ul style="list-style-type: none"> Individuals with income levels below INR 6 lacs Individuals/ households Rural & Semi-Urban locations Women with an annual income up to INR 600,000 and children²² 	<ul style="list-style-type: none"> No. of patients served with access to healthcare services No. of healthcare infrastructures benefiting from the financing No. of healthcare workforce employed 	 <p>SDG 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe,</p>

²¹ [National Commission for Enterprises in the Unorganised Sector](#) (NCEUS): Unorganised workers consist of those working in the unorganised sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers

²² [Youth](#)-15-24 years as per UN Secretariat/UNESCO/ILO; Children- under 18 years as per UNICEF/ The Convention on Rights of the Child

Eligible Social Assets	Eligibility for use of proceeds	Target Population	Impact Analysis	SDGs
	<ul style="list-style-type: none"> Rural, Semi-Urban and Urban locations Financing the production, manufacturing, wholesale, distribution, and retail aspects of cost-effective pharmaceutical products and healthcare equipment Supporting the development, training, and retention of the healthcare workforce Enabling access to cost-effective maternal and reproductive healthcare products 	<ul style="list-style-type: none"> Senior Citizens²³ MSMEs 		<p>effective, quality and affordable essential medicines and vaccines for all</p> <p>SDG 3.C: Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries</p>
Access to Education and Vocational Training	<p>Objective: Increase access to quality and accessible education and vocational training, with an explicit emphasis on uplifting low-income students and empowering educators.</p> <p>Financing of organisations that deliver and promote inclusive lifelong learning opportunities for all including costs related to:</p> <ul style="list-style-type: none"> Provision of affordable and quality pre-primary, primary and secondary education Maintenance and upgrade of education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all Supply of teachers, teacher training and Materials 	<ul style="list-style-type: none"> Underserved individuals lacking access education in Rural & Semi-Urban locations with annual income up to INR 600,000²⁴ Women with an annual income up to INR 600,000 Children Rural Community Weaker Section as per RBI's PSL Underserved communities 	<ul style="list-style-type: none"> No. of students No. of female students No. of teachers employed No. of education infrastructures benefiting from the financing No. of locations reached 	 <p>SDG 4.4: Increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p> <p>SDG 4.7: Learners to acquire knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development</p>

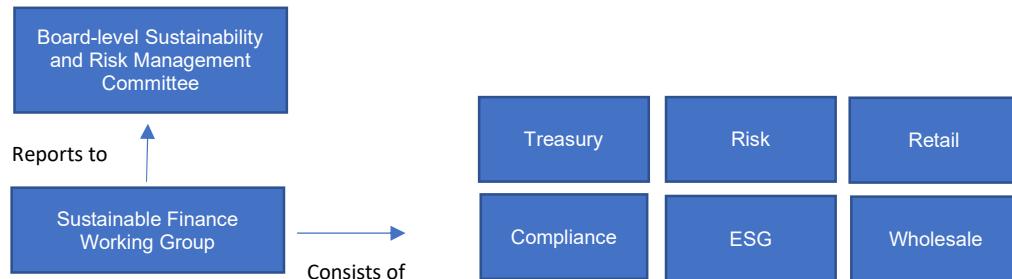
²³ [Senior Citizen](#)- 60 years and above as per the National Policy on Senior Citizens 2011

²⁴ Classification of centres as per [Annex 1](#) of RBI's circular

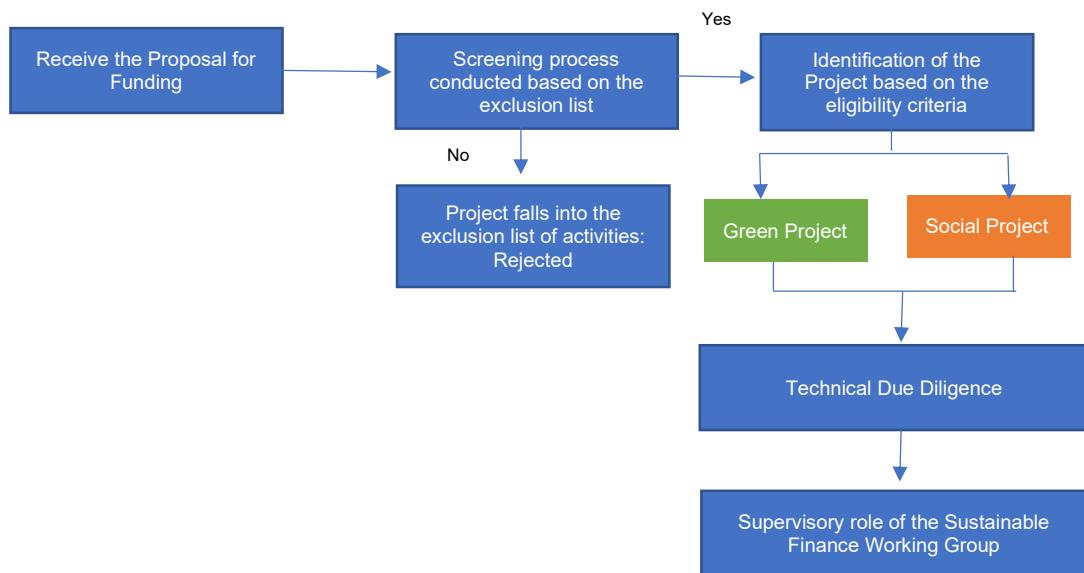
Eligible Social Assets	Eligibility for use of proceeds	Target Population	Impact Analysis	SDGs
				 <p>SDG 10.2: Social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>

Process for Project Evaluation and Selection

The Companies will manage a pool of eligible projects within a Sustainable Finance Projects Portfolio. To facilitate the project evaluation and selection process, a Sustainable Finance Working Group (SFWG) will be established. The SFWG, consisting of key representatives from Treasury, Compliance, Risk, ESG, and Retail and Wholesale business functions, will play a crucial role in this process. The Board-level Sustainability and Risk Management Committee will oversee the operations of the SFWG.



Eligible projects earmarked for financing or refinancing will be identified and will undergo evaluation based on environmental and social risks and benefits, aligning with the SDGs relevant to each project category. Once a project meets the Eligibility Criteria and clears the Exclusion list, a technical due diligence will be conducted for the portfolio's construction. This includes valuation, project assessment, and scrutiny of ESG compliance with relevant national and international norms. All the projects that will be included as a part of this framework will have to be screened against the Exclusion list. The Companies will follow established practices for credit appraisal, conducting financial, legal, and technical due diligence for both borrowers and projects. PFL reserves the right to modify the SFWG in future.



The Sustainable Finance Working Group will convene regularly and bear the responsibility of:

- Confirming the traceability of qualifying green and social initiatives and their adherence to the Eligibility Criteria

- Supervising the proper allocation of net proceeds from Sustainable Finance Instrument issuance to eligible social and environmental categories, as stipulated in the "Use of Proceeds" section of this framework
- In cases of project or loan disinvestments or delays, committing to reallocating divested funds toward projects aligned with Sustainable Financing Framework
- Reviewing projects to ensure they are free from significant ESG controversies. The emergence of such controversies may lead to the temporary or permanent removal of the project from eligible social and environmental initiatives. In such cases, a replacement project meeting eligibility criterion will be proposed for allocation
- Overseeing the preparation and validation of relevant reporting for Sustainable instruments issued under this framework
- Updating the Sustainable Finance Framework to align with changes in corporate strategy, market dynamics, global industry standards and regulatory developments.

Management of Proceeds

The utilisation of proceeds generated through Sustainable Finance Instruments will be overseen by the Treasury team. With a commitment to allocating the net proceeds to Eligible Projects, this endeavour will be executed within a stipulated maximum period of 36 months from the issuance of the financial instrument. An internal electronic register shall be meticulously maintained to record the details of each allocation, encompassing crucial information such as the borrower's name, financed amount, intended use of the funds, disbursement date, and any other pertinent details associated with the allocation. To facilitate the deployment of funds, the Companies will establish and uphold an escrow account, earmarked for disbursing funds to Eligible Projects, refinancing existing projects, or employing a judicious combination of both approaches as deemed appropriate. The proceeds residing in this account may be reallocated or credited to identified sub-accounts as necessary, adhering to a well-documented process that meticulously tracks the allocation of funds. In instances of refinancing, the allocation of proceeds shall not exceed the outstanding principal amount against the Eligible Projects. Principal repayments will be strategically allocated to finance and/or refinance the designated Eligible Projects.

Should a project no longer meet the established criteria for eligibility, it will be expeditiously removed from the Sustainable Finance Projects Portfolio. In such instances, efforts will be directed towards replacing the excluded project with another that aligns with the definition of Eligible Projects, aiming to accomplish this transition within a maximum timeframe of 12 months following the removal.

In cases where proceeds remain unallocated, they will be temporarily deployed or invested in cash and cash equivalent instruments, in accordance with PFL's treasury investment policy, with due consideration given to any exclusions specified in the Exclusionary list.

Monitoring and Reporting – Allocation and Impact Reporting

The Companies are committed to ensuring transparency and accountability in the management of net proceeds from Sustainable Finance Instruments. Within one year from the issuance of the said financial instruments, they will diligently publish a detailed report on the allocation and impact of net proceeds through Sustainable Finance Instruments in the Annual Report and/or through a distinct Sustainable Finance Reporting document, both of which will be made readily accessible on the Companies' website. This reporting practice will be renewed annually until the complete allocation of funds and, crucially, in the event of any material changes. They aim to provide stakeholders with a clear and comprehensive understanding of the deployment and impact of funds through its Sustainable Finance initiatives.

1. Allocation Reporting:

Annually, Allocation Reporting will be revealed until complete allocation and as needed in the case of significant developments. This information will be accessible on the Companies' website and shall contain at least the following information:

- The overall sum of proceeds designated for the Eligible Sustainable Bonds & Loans/ Financing Portfolio, indicating the Sustainable Development Goal(s) supported by such allocation
- A detailed breakdown of the projects funded, brief description, target population for social projects and the expected impact of the Eligible Sustainable Bonds & Loans/Financing Portfolio categorised by project types
- Allocation amounts categorised by geographical distribution
- Share of new-financing and re-financing, if applicable
- Examples of Eligible Sustainable Projects, with consideration for confidentiality
- The amount of unallocated proceeds and the temporary treatment measures applied to it.

2. Impact Reporting:

Annually, Impact Reporting will be disclosed until complete allocation and promptly in the event of significant developments. The Companies will strive to provide qualitative and quantitative impact reports on Eligible Projects (re)financed through Sustainable Finance instruments issued under the Framework, taking into account the nature of projects and data availability. These reports will include information on the performance of the KPI's mentioned against each project in the "Use of Proceeds" section of this framework. These impact reports will be readily accessible to investors whenever possible.

External Review

1. Pre-Issuance Review (Second Party Opinion):

S&P Global Ratings, an independent provider of sustainability research, analysis, and services for investors and financial institutions worldwide, has issued a second-party opinion on this framework. The opinion aims to evaluate the alignment of the Companies' Sustainable Finance Framework with the transparency and reporting standards outlined in Section "About the framework".

2. Post issuance Verification: Verification on the Allocation and Impact of Proceeds

The Companies will enlist the services of an external independent assurance provider to generate a limited assurance report commencing one year after issuance and continuing until full allocation. This report will focus on verifying and providing assurance on the allocation and impact of the use of proceeds from Eligible Sustainable Projects. The review will also encompass ensuring that the assets included in the Sustainable Finance Asset Portfolio adhere to the Eligibility Criteria outlined in this framework, confirming their non-investment in assets as defined by the Exclusionary Criteria. Additionally, it assesses the Companies' overall performance and its adherence to the established framework.

Appendix – Exclusion list

The following list outlines prohibited activities and products within the Companies operational scope:

- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is trivial and/or adequately shielded
- Production or activities involving exploitative or harmful forms of labour, like child labour
- Production or Trade in wildlife or products regulated under CITES
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's
- Production or trade in wood or other forestry products other than from sustainably managed forests
- Adult entertainment
- Commercial logging operations for use in primary tropical moist forests
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- Unsustainable Palm oil production
- Production or trade in weapons and ammunitions (including nuclear weapons)
- Production of oil & gas
- Gambling, casinos and equivalent enterprises
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Coal mining and coal-based energy production
- Production or trade in alcoholic beverages
- Production or trade in tobacco
- Payday loans and predatory lending activities

Disclaimer

The information and perspectives presented in this Sustainable Finance Framework have been supplied by the Companies as of the date of this document and are subject to change without prior notice. Forward-looking statements regarding future events and expectations may be included in this framework. They assume full responsibility for the accuracy, completeness, and reliability of the information and perspectives provided in this document. After issuance, the Companies are not obligated to revise such statements, even if affected by new information, future events, or other factors.

Due to the inherent uncertainties in its business, accurately predicting future trends in income, expenses, and net profit is challenging. Risks and uncertainties associated with the business operations could impact the elements referenced in these statements, and the actual results may differ, potentially significantly, from the projected results mentioned in these forward-looking statements. Key factors that could cause actual results to deviate from the forward-looking statements include (but are not limited to):

- The accessibility and expense of credit and capital, along with the credit ratings associated with its unsecured short-term and long-term debt
- Threats to cybersecurity, including data protection and the effective management of cybersecurity risks

- Sentiment and confidence among investors, consumers, and businesses in financial markets
- The effectiveness of risk management protocols
- The reputation and public perception of the financial services sector
- The ability to introduce innovative products and services, implement strategic plans, and handle associated costs, including those related to the operational or technological integration of such innovations and strategies.