

Second-Party Opinion

Avanse Financial Services Limited

Social Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Avanse Financial Services Limited Social Finance Framework is credible and impactful and aligns with the Social Bond Principles 2021 and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds – Access to Essential Services – is aligned with those recognized by the Social Bond Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts for the target population and advance the UN Sustainable Development Goals, specifically SDG 4.



PROJECT EVALUATION AND SELECTION Avanse Financial Services Limited’s Working Group will be responsible for evaluating and selecting of eligible social loans in line with the Framework criteria. Avanse Financial Services Limited has communicated that it has established internal social risk due diligence process, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the eligible social loan selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Avanse Financial Services Limited’s Working Group will be responsible for the management of proceeds and will track the allocation of proceeds using an internal tracking system. Avanse Financial Services Limited intends to allocate all proceeds within six months of issuance. Any unallocated proceeds will be held temporarily according to Avanse Financial Services Limited’s investment policy in cash or cash equivalent instruments. This is in line with market practice.



REPORTING Avanse Financial Services Limited commits to report on allocation of proceeds in its annual sustainability report or on a standalone report, annually until full allocation. Avanse Financial Services Limited has communicated to Sustainalytics that it intends to report on the corresponding impacts in its annual report. The allocation report will include the amount or percentage of allocation and the share of financing versus refinancing. In addition, Avanse Financial Services Limited intends to report on relevant impact metrics. Sustainalytics views the reporting process to be in line with market practice.

Evaluation Date	August 30, 2023
Issuer Location	Mumbai, India

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Introduction

Avanse Financial Services Limited (“AFSL” or the “Company”) is a non-banking financial company established in 2013. The Company offers financial services including higher education loans for international and domestic studies, e-learning and skill development courses in addition loans to educational institutes for capital expenditure. Headquartered in Mumbai, India, the Company has 521 employees in 12 branches and 5 sales representative offices in India as of 31 March 2023.¹

AFSL has developed the Avanse Financial Services Limited Social Finance Framework dated July 2023 (the “Framework”) under which it intends to issue domestic and offshore social bonds, loans, private or public placements² and debentures and use the proceeds to finance or refinance, in whole or in part, existing and future social loan portfolios intended to improve financial access for low-income individuals in India. The Framework defines eligibility criteria in one area:

1. Access to Essential Services

AFSL engaged Sustainalytics to review the Avanse Financial Services Limited Social Finance Framework and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2021 (SBP)³ and Social Loan Principles 2023 (SLP)⁴. The Framework has been published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible social loan categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Social Bond Principles 2021, as administered by ICMA and the Social Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of AFSL’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. AFSL representatives have confirmed (1) they understand it is the sole responsibility of AFSL to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and AFSL.

¹ Data was shared by AFSL.

² AFSL has confirmed to Sustainalytics that the sale of stock shares to investors is excluded from private placements.

³ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

⁴ The Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/social-loan-principles-slp/>

⁵ The Avanse Financial Services Limited Social Finance Framework is available on Avanse Financial Services Limited’s website at: <https://www.avanse.com/>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible social loans expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through eligible social loans financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, AFSL is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that AFSL has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Avanse Financial Services Limited Social Finance Framework

Sustainalytics is of the opinion that the Avanse Financial Services Limited Social Finance Framework is credible, impactful and aligns with the four core components of the SBP and SLP. Sustainalytics highlights the following elements of AFSL's Social Finance Framework:

- Use of Proceeds:
 - The eligible category – Access to Essential Services – is aligned with those recognized by the SBP and SLP.
 - AFSL has defined a look-back period of six months for its refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Under Access to Essential Services, the Company may finance or refinance education loans to the students belonging to family whose gross annual income is in line with income criteria defined as economically weaker section (EWS) by the Government of India.⁷ The Framework specifies that loan approval process will emphasize to improving access to EWS students such as: i) providing collateral free loans and ii) merit-based loan sanctioning; Sustainalytics notes that AFSL offers benefits such as moratorium periods and flexible repayment structures in the form of lower equal monthly instalments (EMI) during the borrower's study period. Sustainalytics recognizes the Indian context where EWS populations have difficulty accessing educational loans. Considering the definition of the target population and the financial advantages offered by AFSL, Sustainalytics considers expenditure under this activity to be socially impactful in improving access to finance for education for EWS populations in India.
- Project Evaluation and Selection:
 - AFSL has established a Working Group which will be responsible for evaluating and selecting of eligible social loan portfolio in line with the Framework criteria. The Working Group, which will have at least two members, will include the Chief Operating Officer, the Chief Financial Officer, the Chief Risk Officer and Chief Transformation Officer, and will review and approve the eligible loan portfolio under the Framework.
 - The Company has communicated to Sustainalytics that it has established internal due diligence process to identify and mitigate social risk, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate. For additional information, refer to section 2.

⁷ Economically weaker sections are defined by the Government of India as families with a gross annual income below INR 8,00,00 (USD 9,703) and not covered under the existing scheme of reservations for scheduled castes, scheduled tribes and socially and educationally backward classes. Ministry of Social Justice & Empowerment, Government of India, "Income Limit Fixed For EWS", at: <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1781353>

- Based on the establishment of the Working Group and presence of risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - AFSL’s Working Group will be responsible for the management of proceeds. AFSL intends to develop internal tagging system to monitor and track the allocation and management of proceeds.
 - AFSL intends to allocate all proceeds issued under the Framework within six months of issuance. Pending allocation, unallocated proceeds will be held temporarily according to the Company’s investment policy in cash or cash equivalent instruments.
 - AFSL has communicated to Sustainalytics that the debt issued under the Framework may include multi tranche loan facilities. AFSL intends to label only those tranches of such facilities where proceeds will be allocated according to the eligibility criteria in the Framework.
 - Based on development of internal tracking system and disclosure of temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - AFSL commits to report on allocation of proceeds in its annual sustainability report or on a standalone report, annually until full allocation and as necessary in the event of material developments. The Company has communicated to Sustainalytics that it intends to report on the corresponding impacts in its annual report.
 - Allocation report will include the amount or percentage of allocation to the eligible social activity and the share of financing versus refinancing.
 - Impact reporting may include indicators such as number of EWS families benefitted, number of beneficiaries by gender and the amount of unallocated proceeds and its temporary allocations.
 - Based on the commitment of allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Social Bond Principles 2021 and Social Loan Principles 2023

Sustainalytics has determined that the Avanse Financial Services Limited Social Finance Framework aligns with the four core components of the SBP and SLP. For detailed information please refer to Appendix 1: Social Bond/ Social Bond Programme External Review Form.

Section 2: Sustainability Strategy of AFSL

Contribution of the Framework to AFSL’s sustainability strategy

Sustainalytics is of the opinion that as a NBFC in education sector, AFSL’s business model is supportive of positive social outcomes. AFSL caters its services to address the education needs of Indian youth, by offering to finance entire education lifecycle of students from school to post-graduation to promote and improve the quality of education ecosystem of India.⁸

AFSL has developed a student-centric approach of evaluating profiles which includes assessing past academic performance, entrance test scores and the pedigree of university or institute and course for sanctioning the education loans, rather than depending only on the co-borrower’s financial background.⁹ Through such approach, AFSL has catered to 4,00,000 student since 2013. Under the overseas education segment, the Company has been helping students towards financing more than 30,000 courses in approximately 3,000 institutions in over 50 countries since its incorporation.¹⁰ The Company has partnered with educational and financial technology companies, educational institutions and E-learning brands for digital integration of vocational skills programs such as self-learning, tutoring, upskilling, and employability-based programs in its services.¹¹ AFSL has financed more than 1,700 educational institutions catering approximately 0.6 million students by financing the growth capital needs of such educational institutions (primarily schools) in India.¹²

AFSL endeavours to integrate social responsibility into its core values and commits to contributing to the welfare of society through investing in socially responsible projects. Following its commitment, and as part of its CSR activities, AFSL has collaborated with NGOs aiming to (i) make quality education accessible for

⁸ AFSL, “Annual Report FY2022”, at: <https://www.avanse.com/viewPagesAssets/pdf/investors/financials/annual-report-2022.pdf>

⁹ Ibid

¹⁰ AFSL has communicated the data with Sustainalytics.

¹¹ AFSL, “Annual Report FY2022”, at: <https://www.avanse.com/viewPagesAssets/pdf/investors/financials/annual-report-2022.pdf>

¹² AFSL has communicated the data with Sustainalytics.

disabled students to make them self-reliant (ii) implement the smart school concept in underdeveloped regions of country for better learning results and (iii) help in providing community education and training teachers including women.¹³

Sustainalytics acknowledges AFSL's plans to use the proceeds in financing education to promote financial inclusion of low-income population in India and is of the opinion that the Company's Social Finance Framework is aligned with the Company's core business model of education financing. Nevertheless, Sustainalytics encourages AFSL to develop quantifiable, time-bound sustainability targets and to publicly disclose its target and report on its progress towards them.

Approach to managing environmental and social risks associated with the eligible social loans

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible social loans that are expected to have positive social impact. However, Sustainalytics is aware that by offering lending and financial services, the Company is exposed to risk of increasing inequality if the proceeds not directed towards the relevant target population, leading to negative social outcomes. Some key environmental and social risks possibly associated with the eligible social loans could include issues related to business ethics, predatory lending and stakeholder management.

Sustainalytics is of the opinion that AFSL is able to manage and mitigate potential risks through implementation of the following policies:

- Regarding business ethics, AFSL has established policies related Code of Conduct, Anti-Money Laundering and Know Your Customer within its business operations to manage risks and opportunities related ethical conduct of business including fraud, corruption, bribery facilitation payments and fiduciary responsibilities.¹⁴ Furthermore, the Company has adopted a whistle blower policy to report instances of unethical behaviour, actual or suspected, fraud or violation of the Company's policies.¹⁵
- AFSL has established a fair practice code, in line with the mandate issued by the Reserve Bank of India, ensuring that the Company conduct a due diligence on the credit worthiness of the customer and discloses complete information regarding the loan transaction including the indicative range of annualized rate of interest for the loan product availed, pre-payment options, fees and financial charges to its customer.¹⁶
- Regarding stakeholder management, AFSL has established a grievance redressal mechanism to address and resolve any customer complaints. The system includes escalation matrix in case the customer is dissatisfied with the resolution provided by the Company's customer engagement team.¹⁷

Based on these policies, standards and assessments, Sustainalytics is of the opinion that AFSL has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by SBP and SLP. Sustainalytics has focused on below topic where the impact is specifically relevant in the local context.

Importance of financing education loans in India

India has largest and most complex education system in the world with over 1.5 million schools and over 8.7 million primary and secondary teachers in 2019.¹⁸ The number of universities in India stood at 1,072 by 2022 and it is estimated that 38.5 million students enrolled in higher education in 2019-20.¹⁹ However, attainment of higher education is still low in India as 58% of young men and 70% of young women failed to attain upper secondary education in 2019.²⁰ The responsibility of financing higher education is shared by both the public

¹³ AFSL, "Annual Report FY2022", at: <https://www.avanse.com/viewPagesAssets/pdf/investors/financials/annual-report-2022.pdf>

¹⁴ AFSL has communicated the ethical business practices measures with Sustainalytics.

¹⁵ AFSL, "Annual Report FY22", at: <https://www.avanse.com/viewPagesAssets/pdf/investors/financials/annual-report-2022.pdf>

¹⁶ AFSL, "Fair Practice Code", at: <https://www.avanse.com/viewPagesAssets/pdf/fair-practice-code.pdf>

¹⁷ AFSL, "Fair Practice Code", at: <https://www.avanse.com/viewPagesAssets/pdf/fair-practice-code.pdf>

¹⁸ Researchgate, "The School Education System in India", (2019), at:

https://www.researchgate.net/publication/335022177_The_school_education_system_in_India_An_overview

¹⁹ India Brand Equity Foundation, "Education Industry Report", (2022), at: <https://www.ibef.org/industry/education-presentation>

²⁰ OECD, "Education at a Glance 2019", at: https://www.oecd.org/education/education-at-a-glance/EAG2019_CN_IND.pdf

and the private sectors in India.²¹ It was noted that equal amount of fees is charged from all students irrespective of their economic background.²² India's Gross Enrolment Ratio (GER), an indicator to measure access in higher education, was 27.3% in 2020-21, which is lower than the world average (29%) and emerging nations like Brazil (51.3%) and China (49.1%).^{23,24} Students from low-income group are always under-represented in the higher educational institutions.²⁵ Further, the scholarships amount given by the social welfare and education departments to the weaker sections and meritorious students are insufficient to meet the cost of private institutions, creating a barrier in access to education.²⁶

Recognizing importance of improving education loan accessibility, the Government of India has launched the Central Sector Interest Subsidy Scheme in 2009, which provides interest subsidy during the moratorium period for the EWS students to pursue technical or professional education studies.²⁷ To tide over unwarranted defaults, the Indian government issued a notification to establish Credit Guarantee Fund Scheme for Education Loans scheme which gives a guarantee for the education loans availed by students without any collateral security and a third-party guarantee for a maximum loan limit of INR 0.75 million (about USD 9,150).²⁸ The Reserve Bank of India's Education Loan Scheme aims at providing an opportunity to pursue education to meritorious students with affordable terms and conditions for pursuing higher education in India and abroad.²⁹ Further, India has announced to raise its GER by 50% by 2035 through its National Education Policy in 2020.³⁰

Based on above, Sustainalytics is of the opinion that AFSL's financing of educational loans has the potential to improve financial inclusion of students from weaker sections, provide quality education and support in overall socio-economic development in India.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Avanse Financial Services Limited Social Finance Framework are expected to help advance the following SDG and target.

Use of Proceeds Category	SDG	SDG target
Access to Essential Services	4. Quality Education	4.1. By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes

²¹ Borah, B. (2020), "Financing of Higher Education in India: Issues and Mitigation measures", International Journal of Management, at: https://iaeme.com/MasterAdmin/Journal_uploads/IJM/VOLUME_11_ISSUE_4/IJM_11_04_066.pdf

²² Ibid

²³ Ministry of Education, Government of India, "Economic Survey 2022- 23", at: <https://www.indiabudget.gov.in/economicsurvey/doc/stat/tab83.pdf>

²⁴ Mittal, P. et al. (2020), "Reaching GER of 50% by 2030 as envisaged in NEP 2020 needs a course correction", Economic Times, at: <https://government.economictimes.indiatimes.com/news/education/reaching-ger-of-50-by-2030-as-envisaged-in-nep-2020-needs-a-course-correction/79986781>

²⁵ Ibid

²⁶ Ibid

²⁷ Ministry of Education, Government of India, "Scholarships & Education Loan", at: <https://www.education.gov.in/scholarships-education-loan-4>

²⁸ Ibid

²⁹ Reserve Bank of India, "Notification - Educational Loan Scheme", at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=369&Mode=0>

³⁰ Ministry of Education, Government of India "National Education Policy 2020", at: <https://pib.gov.in/PressReleasePage.aspx?PRID=1642061>

Conclusion

AFSL has developed the AFSL Social Finance Framework under which it may issue domestic or offshore social bonds, loans, private or public placements and debentures and use the proceeds to finance eligible social loans related to Access to Essential Services. Sustainalytics considers that the eligible social loans funded by the social bond proceeds are expected to improve financial access of low-income individuals in India.

The AFSL Social Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that AFSL Social Finance Framework is aligned with the overall sustainability strategy of the company and that the use of proceed category will contribute to the advancement of the UN Sustainable Development Goal 4. Additionally, Sustainalytics is of the opinion that AFSL has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible social loans funded by the proceeds.

Based on the above, Sustainalytics is confident that Avanse Financial Services Limited is well positioned to issue social bonds, loans, private or public placements and debentures and that AFSL Social Finance Framework is robust, transparent, and in alignment with the four core components of the Social Bond Principles (2021) and Social Loan Principles (2023).

Appendix

Appendix 1: Social Bond / Social Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Avanse Financial Services Limited
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Avanse Financial Services Limited Social Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 30, 2023
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceed – Access to Essential Services – is aligned with those recognized by the Social Bond Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 4.

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Avanse Financial Services Limited's Working Group will be responsible for evaluating and selecting of eligible social loans in line with the Framework criteria. Avanse Financial Services Limited has communicated that it has established internal social risk due diligence process, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the eligible social loan selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the loan |
| <input type="checkbox"/> Summary criteria for projects evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Avanse Financial Services Limited's Working Group will be responsible for the management of proceeds and will track the allocation of proceeds using an internal tracking system. Avanse Financial Services Limited intends to allocate all proceeds within six months of issuance. Any unallocated proceeds will be held temporarily according to Avanse Financial Services Limited's investment policy in cash or cash equivalent instruments. This is in line with market practice.

Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Avanse Financial Services Limited commits to report on allocation of proceeds in its annual sustainability report or on a standalone report, annually until full allocation. Avanse Financial Services Limited has communicated to Sustainalytics that it intends to report on the corresponding impacts in its annual report. The allocation report will include the amount or percentage of allocation and the share of financing versus refinancing. In addition, Avanse Financial Services Limited intends to report on relevant impact metrics. Sustainalytics views the reporting process to be in line with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported:

- Allocated amounts
- Social Bond financed share of total investment
- Other (please specify): *share of finance vs refinance*

Frequency:

- Annual Semi-annual
 Other (please specify):

Impact reporting:

- Project -by-project On a project portfolio basis
 Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
 Decrease in water use Number of beneficiaries
 Target populations Other ESG indicators (please specify): *Number of EWS families; Amount of unallocated proceeds and its temporary treatment*

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify):
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with social expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to social sustainability and an evaluation of the environmental and social features of the type of eligible social loans intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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