

CreditAccess Grameen Social Bond and Loan Framework

Evaluation Summary

Sustainalytics is of the opinion that the CreditAccess Grameen Social Bond and Loan Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2021 and the Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – i) Provision of financing and micro-financing to small and medium-sized enterprises and ii) Affordable Housing – are aligned with those recognized by the Social Bond Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible category are expected to increase financial access to micro and small enterprises for developing and expanding their business and to increase access to housing for the low-income population in India. Sustainalytics considers that the use of proceeds categories contribute to the advancement of the UN Sustainable Development Goals, specifically SDGs 1, 5, 8, 9, 10 and 11.



PROJECT EVALUATION AND SELECTION CreditAccess Grameen will establish a cross-departmental Social Bond and Loan Committee, which will be responsible for the process of project evaluation and selection in accordance with the eligibility criteria of the Framework. The Company has developed a policy to assess and manage environmental and social risks associated with eligible projects and assets. Sustainalytics considers these risk management policies to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS CreditAccess Grameen's Social Bond and Loan Committee will oversee the process of managing the proceeds through an internal accounting system. CreditAccess Grameen intends to fully allocate the proceeds to the eligible projects within 36 months of issuance. Pending allocation, unallocated proceeds may be held in cash, cash equivalents or liquid marketable instruments in accordance with CreditAccess Grameen's cash management policy or used to repay outstanding credit facilities or existing debt. Sustainalytics considers this process to be in line with market practice.



REPORTING CreditAccess Grameen intends to report on the allocation of proceeds and corresponding impact annually until full allocation. The allocation and impact report will be made directly available to the investors and may also be published in CreditAccess Grameen's annual report on the Company's website. Allocation reporting will include a summary of the eligible social projects funded, the total amount of proceeds allocated and the balance of unallocated proceeds. CreditAccess Grameen also commits to reporting on relevant impact metrics. Sustainalytics views CreditAccess Grameen's allocation and impact reporting as aligned with market practice.



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Issuer Location Bengaluru, India

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Introduction

CreditAccess Grameen Limited (“CA Grameen” or the “Company”) is a microfinance institution that provides microloans to underbanked and underserved low-income households and individuals in rural regions across India. CA Grameen’s financial products in microfinance and retail finance are designed for income generation, home improvement, family welfare and emergency situations, mostly designed to cater to women borrowers.¹ The Company also extends insurance services. CA Grameen serves more than 3.9 million active borrowers with more than 16,800 employees as of 31 December 2022. Headquartered in Bengaluru, Karnataka, India, the Company runs a network of 1,727 branches across 14 states and one union territory in India.²

CA Grameen has developed the CreditAccess Grameen Social Bond and Loan Framework dated April 2023 (the “Framework”), under which it intends to issue social bonds and loans and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to increase financial access to micro and small enterprises for developing and expanding their business, and to increase access to housing for the low-income population in India. The Framework defines eligibility criteria in two social areas:

1. Provision of financing and microfinancing to small and medium-sized enterprises
2. Affordable Housing

CA Grameen engaged Sustainalytics to review the 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 The Framework builds on a previous framework for which Sustainalytics provided a Second-Party Opinion dated December 2019.

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 current market standards and the extent to which the eligible project 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 1.13.2, 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 CA Grameen’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. CA Grameen representatives have confirmed (1) they understand it is the sole responsibility of CA Grameen 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.

¹ CreditAccess Grameen, at: <https://www.creditaccessgrameen.in/products/>

² CreditAccess Grameen, at: <https://www.creditaccessgrameen.in/about-us/our-presence-outreach/>

³ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/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 CreditAccess Grameen Social Bond and Loan Framework is available on CreditAccess Grameen Limited’s website at: https://www.creditaccessgrameen.in/wp-content/uploads/2023/04/CreditAccess-Grameen_Social-Bond-Loan-Framework_15_April_2023.pdf

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.

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 CA Grameen.

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 projects 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 projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, CA Grameen 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 realized 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 CA Grameen has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the CreditAccess Grameen Social Bond and Loan Framework

Sustainalytics is of the opinion that the CreditAccess Grameen Social Bond and Loan Framework is credible and impactful, and aligns with the four core components of the SBP and SLP. Sustainalytics highlights the following elements of CA Grameen's Social Bond and Loan Framework:

- Use of Proceeds:
 - The eligible categories – i) Provision of financing and microfinancing to small and medium-sized enterprises and ii) Affordable Housing – are aligned with those recognized by the SBP and SLP. Sustainalytics notes that the projects financed under the Framework are expected to increase financial access to micro and small enterprises for developing and expanding their business, and to increase access to housing for the low-income population in India.
 - CA Grameen has defined a look-back period of 36 months for its refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Under the Provision of financing and microfinancing to small and medium-sized enterprises category, CA Grameen may provide business loans to individuals owning small or micro businesses in India.⁷ The Company intends to prioritize providing loans to: i) small and micro enterprises which are co-owned or co-developed by women, where a woman maybe a borrower or co-borrower⁸; and ii) small and micro businesses from rural or semi-urban areas.⁹ CA Grameen has communicated to Sustainalytics that small and micro enterprises may also include household business such as grocery store, sericulture, animal husbandry, tailoring, barber shop and transportation.

⁷ CA Grameen follows the Reserve Bank of India's definition for MSMEs. Reserve Bank of India, "New Definition of Micro, Small and Medium Enterprises – clarifications", (2020), at: https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=11951

⁸ CA Grameen has communicated to Sustainalytics that the women-owned or women-developed businesses are those where women own at least 50% of the business. Furthermore, the Company has communicated to Sustainalytics that these are mostly household businesses run by women, either independently or in association with their spouse or any other family member. Thus, in certain cases, these might be micro businesses run by only two individuals, one of them being a woman.

⁹ CA Grameen limits targeting to rural areas as per RBI's definition with a population of less than 10,000. RBI, "Master Circular on Branch Licensing", at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?id=9817#an5>

- The Company has communicated to Sustainalytics that the financing will be utilised by the borrower to expand their existing business or meet the working capital requirements of their small or micro businesses.
- CA Grameen may also extend loans for purchasing vehicles that will adhere to the regional emission thresholds.
- The Company has responsible lending practices to avoid the risk of predatory lending.
- CA Grameen has confirmed that the Company offers loans at an interest rate that is lower than peer micro-finance institutions, extends flexible repayment options and offers a pre-payment penalty waiver to the target population.

Sustainalytics considers the intent to increase access to financial services to micro and small businesses in a developing economy, such as India, to be socially impactful and further notes that providing loans to self-employed women to develop their business is expected to promote gender equality and help address gender gaps in India.

- Under the Affordable Housing category, CA Grameen intends to extend loans to individuals for the following: i) purchase or construction of low-cost houses¹⁰; ii) home improvements¹¹ and repairs to damaged dwelling units.¹² CA Grameen intends to extend loans to individuals belonging to low-income groups (LIGs)¹³ and economically weaker sections (EWSs)¹⁴ who are living in rural or semi-urban areas in India.¹⁵ CA Grameen has responsible lending practices to avoid the risk of predatory lending. CA Grameen has confirmed to Sustainalytics that they will be providing loan interests in line with the existing market rates. However, CA Grameen does not offer any financial advantage to the borrowers belonging to LIG and EWS. While Sustainalytics acknowledges that increased access to loans to EWS and LIG to purchase their first homes may have positive socioeconomic benefits, Sustainalytics notes that such borrowers may have an increased risk to become debt ridden because of high borrowing cost. The absence of an assured financial advantage to the borrower, especially belonging to LIG and EWS, therefore deviates from what Sustainalytics considers to be an important condition for providing access to finance. Hence, Sustainalytics encourages CA Grameen to offer some kind of financial advantage to the dedicated target groups.
- Sustainalytics notes that CA Grameen excludes financing in activities listed in the International Finance Corporation Exclusion List (2007).¹⁶ The exclusionary list excludes, among other activities: i) production or activities involving harmful or exploitative forms of forced labor or harmful child labor; ii) 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; and iii) production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- Project Evaluation and Selection:
 - CA Grameen will establish a cross-departmental Social Bond and Loan Committee (SBC) which will be responsible for the process of project evaluation and selection in accordance with the eligibility criteria of the Framework. The Social Bond and Loan Committee will be led by the

¹⁰ CA Grameen's loans will be in accordance with the Reserve Bank of India's Master Directions - Priority Sector Lending – Targets and Classification the Reserve Bank of India. As per these directions, a loan is considered to be for the purchase or construction of a low-cost house when the cost of the house is not more than INR 4.5 million (USD 54,280) in metropolitan centres with a population of 1 million or more, and INR 3 million (USD 36,187) in other centres. SBI intends to provide low-cost housing loans for an amount not exceeding INR 3.5 million (USD 42,280) in metropolitan centres and INR 2.5 million (USD 30,200) in other centres. Reserve Bank of India, "Master Directions – Priority Sector Lending (PSL) – Targets and Classification (Updated as on October 20, 2022)", (2022), at: https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959#MSME

¹¹ CA Grameen has communicated to Sustainalytics that home improvement loans may be extended for purposes such as minor house repairs, renovations, home extensions, concrete plastering and roofing.

¹² CA Grameen follows the Reserve Bank of India's Master Directions – Priority Sector Lending (PSL) – Targets and Classification, wherein the loan amount for repairs to damaged dwelling units will be up to INR 1 million (USD 12,062) in metropolitan centres and up to INR 600,000 (USD 7,237) in other centres.

¹³ Low-income groups are defined as households that have an annual income up to INR 600,000 (USD 7,237). Ministry of Housing and Urban Poverty Alleviation, "Pradhan Mantri Awas Yojana: Housing for All (Urban)", 2015, at: https://pmaymis.gov.in/PDF/HFA_Guidelines/hfa_Guidelines.pdf

¹⁴ Economically weaker sections are defined as those with a gross family annual income below INR 800,000 and are not covered under the scheme of reservations for the scheduled castes, scheduled tribes and socially and educationally backward classes. Ministry of Social Justice and Empowerment, "Income Limit Fixed For EWS", (2021), at: <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1781353>

¹⁵ CA Grameen limits targeting to rural areas as per RBI's definition with a population of less than 10,000. RBI, "Master Circular on Branch Licensing", at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?id=9817#an5>

¹⁶ IFC, "IFC Exclusion List", (2007), at: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

- Managing Director and CEO of the Company, and comprise of representatives from the Corporate Finance Department, Sustainability Department, Audit and Risk Department and Business Units which are responsible for originating social loans.
- The Company has an internal policy on environmental and social management system (ESMS) to assess and manage risks associated with eligible projects and assets. The ESMS policy outlines the Company's risk assessment criteria and due diligence processes as part of the project evaluation. This applies to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems adequate and aligned with market expectations. For additional details, see Section 2.
 - Based on the established process for project selection and the presence of adequate risk management systems, Sustainalytics regards this project evaluation and selection to be aligned with market practice.
 - Management of Proceeds:
 - CA Grameen's SBC will be responsible for the management and allocation of proceeds and will track the net proceeds using an internal accounting system.
 - CA Grameen intends to fully allocate the proceeds to the eligible projects within a period of 36 months from the date of issuance. Pending allocation, unallocated proceeds may be held in cash or cash equivalent or liquid instruments, in accordance with CA Grameen's cash management policy or to repay outstanding credit facilities or existing debt. The Company has confirmed to Sustainalytics that it will exclude refinancing of debt that is not directly linked to assets or activities that are emissions-intensive or otherwise negatively impactful.
 - Based on the presence of an internal accounting system and disclosure of the temporary use of net proceeds, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - CA Grameen intends to report on the allocation of proceeds and corresponding impact annually until full allocation. The allocation and impact report will be made directly available to the investors and may also be published in CA Grameen's annual report on the Company's website. The allocation report will include information on the list of eligible social loans financed or refinanced, share of financing versus re-financing, the aggregate amount of allocation of the net proceeds to the eligible social loans and the balance of unallocated proceeds.
 - Impact reporting may include key performance indicators such as number of micro and small business financed with the social bond, distribution of key categories of income generation activities or businesses financed with the social bond and selected case studies.
 - Based on the allocation and impact reporting commitment, 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 CreditAccess Grameen Social Bond and Loan Framework aligns to 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 CA Grameen

Contribution to CreditAccess Grameen's sustainability strategy

Sustainalytics is of the opinion that CA Grameen demonstrates a commitment to sustainability by including ESG and sustainable growth in its eight strategic priorities. In 2021, the Company conducted their first materiality assessment to identify and prioritize material issues, including: i) customer experience; ii) sustainable business strategy; iii) financial inclusion; iv) local employment generation; v) corporate ethics and integrity; and vi) products and services with positive environmental and social impacts.¹⁷

CA Grameen is committed to social financing that contributes to socio-economic advancement and positive social impact on the communities where it operates. As part of its efforts to advance social financing among underserved populations, the Company has launched a range of loan products, such as: i) income generation loans; ii) home improvement loans; and iii) Unnati loans, which are working capital loans for business

¹⁷ CreditAccess Grameen, "Integrated Annual Report 2021-2022", at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/10/CreditAccess-Grameen_Annual-Report_FY-2021-22.pdf

expansion.¹⁸ The Company also aims to provide need-based financial and development services by setting an affordable pricing system for its financial products.¹⁹

The Company focuses on financing livelihood generation activities in climate smart agriculture, agroforestry, natural resource management and water conservation by understanding the financing needs, tracking local issues and conducting social awareness initiatives for underserved rural populations. CA Grameen has also issued social loans worth INR 3.99 million (USD 48,729) in FY2021-22²⁰ and INR 2.73 million (USD 33,341) in FY 2020-21.²¹ CA Grameen has established a target to become a financial partner of 10 million low-income households lacking access to credit by 2025.²²

CA Grameen 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, the Company focuses on supporting micro, small and medium-sized enterprises (MSMEs) to increase access to finance for enterprises in rural areas. In FY2021-22, women in low-income households made up 99.99% of the Company's social capital recipients, up from 99.98% in FY2020-21,²³ accessing financing to generate income and provide support to their families and communities.²⁴ To further its commitment to rural banking, CA Grameen has set up 211 branches in India in 2022.²⁵ Furthermore, the number of women borrowers has increased from 2.91 million in FY2019-20²⁶ to 3.9 million in FY2020-21²⁷ and has remained almost the same at 3.8 million in FY2021-22.²⁸

Sustainalytics is of the opinion that CA Grameen's financing of MSMEs in rural India, with a focus on women borrowers, will further contribute to the Company's overall sustainability mission and targets.

Approach to managing social and environmental risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes that may affect CA Grameen as a lender. Some key risks possibly associated with the eligible projects could include issues related to business ethics, predatory lending and community relations.

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

- CA Grameen has implemented an Environment, Social and Governance policy²⁹ and a policy on Environmental and Social Management System³⁰ to identify and assess social and environmental impacts associated with its lending and ensure compliance with relevant local and national laws and IFC Performance Standards.³¹ The Company is committed to excluding financing activities with potential social and environmental risks that fall under the IFC exclusion list. The Company has a

¹⁸ CreditAccess Grameen, "Products", at: <https://www.creditaccessgrameen.in/products/>

¹⁹ CreditAccess Grameen, "Integrated Annual Report 2021-2022", at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/10/CreditAccess-Grameen_Annual-Report_FY-2021-22.pdf

²⁰ Ibid.

²¹ CreditAccess Grameen, "Integrated Annual Report 2020-2021", at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/02/CreditAccess-Grameen_Annual-Report_FY-2020-21.pdf

²² Ibid.

²³ Ibid.

²⁴ CreditAccess Grameen, "Integrated Annual Report 2021-2022", at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/10/CreditAccess-Grameen_Annual-Report_FY-2021-22.pdf

²⁵ Ibid.

²⁶ CreditAccess Grameen, "2019-20 Annual Report", at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/02/CreditAccess-Grameen_Annual-Report_FY-2019-20.pdf

²⁷ CreditAccess Grameen, "Integrated Annual Report 2020-2021", at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/02/CreditAccess-Grameen_Annual-Report_FY-2020-21.pdf

²⁸ CreditAccess Grameen, "Integrated Annual Report 2021-2022", at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/10/CreditAccess-Grameen_Annual-Report_FY-2021-22.pdf

²⁹ CreditAccess Grameen, "Environment, Social & Governance Policy", (2022), at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/06/CreditAccess-Grameen_ESG-Policy.pdf

³⁰ CreditAccess Grameen, "Policy on Environmental & Social Management System", (2022), at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/08/CreditAccess-Grameen_Environment-and-Social-Management-System-Policy...pdf

³¹ Sustainalytics notes that the IFC Performance Standards contain components specific to community relations.

IFC, "Performance Standards on Environmental and Social Sustainability", (2012), at: https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS_English_2012_Full-Documents.pdf?MOD=AJPERES&CVID=jkV-X6h

governance structure in place to identify and mitigate the ESG risks, including senior management, environmental and social officers, and a support team.³²

- To mitigate risks related to business ethics, CA Grameen has developed the Code of Conduct and Fair Disclosure to avert insider trading,³³ and a dedicated policy for anti-money laundering.³⁴ Furthermore, the Company has established a vigil mechanism for all stakeholders to report fraudulent and unethical behaviours through its whistleblowing policy.³⁵
- To mitigate risks related to predatory lending, CA Grameen has developed and adheres to Guidelines on Fair Practices Code³⁶ and a Risk Management Policy³⁷ to guide disciplinary procedures. The Company intends to assess borrowers' income eligibility and undertake necessary due diligence as part of project evaluation. These rules also ensure the transparent disclosure of complete information and understandable communication with borrowers and other stakeholders.
- To maintain long-term relationships with communities, CA Grameen aligns its business priorities with social commitments. The Company mandates non-coercive recovery practices and compliance with the customer grievance redressal policy.^{38,39}

Based on these policies, standards and assessments, Sustainalytics is of the opinion that CA Grameen 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 two use of proceeds categories are aligned with those recognized by the SBP and SLP. Sustainalytics focuses on one where its impact is specifically relevant in the local context.

Impact of financing women-owned or women-led small and micro businesses in reducing inequalities in India

Small and micro businesses or MSMEs play a key role by providing employment opportunities and improving inclusive development in India.⁴⁰ Based on a national survey from 2015 to 2016, the 63.4 million MSMEs in the country employed 111 million workers, with micro and small businesses contributing to 97% and 2.9% of the generated jobs, respectively.⁴¹ Out of these MSMEs, 51% were located in rural areas and 20.4% were owned by women.⁴² In the 2019-20 period, MSMEs contributed 30% to gross domestic growth.⁴³ However, limited access to financial services remains one of the challenges that MSMEs face. The Indian government has introduced various schemes to provide financial assistance to MSMEs, including the Minister's Employment Generation Programme (PMEGP), the Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) and the Micro & Small Enterprises Cluster Development Programme (MSE-CDP).⁴⁴ From 2021 to

³² CreditAccess Grameen, "Policy on Environmental & Social Management System", (2022), at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/08/CreditAccess-Grameen_Environment-and-Social-Management-System-Policy...pdf

³³ CreditAccess Grameen, "Code of Conduct and Fair Disclosure for Prohibition of Insider Trading", at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/11/CreditAccess-Grameen_Policy-on-Code-of-Conduct-Fair-Disclosures-Prohibition-of-Insider-Trading.pdf

³⁴ CreditAccess Grameen, "Policy on Know Your Customer (KYC) and Anti Money Laundering (AML)", at: https://www.creditaccessgrameen.in/wp-content/uploads/2023/03/CreditAccess-Grameen_KYC-AML-Policy.pdf

³⁵ CreditAccess Grameen, "Vigil Mechanism (Whistleblower Policy)", at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/06/CreditAccess-Grameen_Vigil_Mechanism_Whistle_Blower-Policy..pdf

³⁶ CreditAccess Grameen, "Guidelines on Fair Practices Code for NBFC-MFIs and Ombudsman for NBFC", at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/11/CreditAccess-Grameen_Fair-Practices-Code_RBI-Directions-on-MFI-Loans_October-2022_v4.pdf

³⁷ CreditAccess Grameen, "Risk Management Policy", (2022), at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/07/CreditAccess-Grameen_Risk-Management-Policy-V4.pdf

³⁸ CreditAccess Grameen, "Environment, Social & Governance Policy", at: https://www.creditaccessgrameen.in/wp-content/uploads/2022/06/CreditAccess-Grameen_ESG-Policy.pdf

³⁹ CreditAccess Grameen, "Customer Grievance Redressal Policy", at: https://www.creditaccessgrameen.in/wp-content/uploads/2023/02/CreditAccess-Grameen_Customer-Grievance-Redressal-Policy.pdf

⁴⁰ Government of India, "Annual Report 2022-23", at: <https://msme.gov.in/sites/default/files/MSMEANNUALREPORT2022-23ENGLISH.pdf>

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ministry of Micro, Small and Medium Enterprises, "Contribution of MSMEs to GDP", (2021), at: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1744032>

⁴⁴ Ministry of Micro, Small and Medium Enterprises, "Schemes for MSMEs 2022-23", at: <https://static.investindia.gov.in/s3fs-public/2022-10/Scheme%20Booklet%202022-23.pdf>

2022, Credit Guarantee Fund approved guarantees of INR 561.72 billion (USD 6.83 billion), covering 717,020 proposals.⁴⁵

Despite the efforts by government, the gender gap of entrepreneurship in India remains stark.⁴⁶ Women-owned enterprises appear to be smaller in size and overwhelmingly micro.⁴⁷ Although the number of women-led MSMEs registered in the 2021-22 period increased by 75%,⁴⁸ women-owned businesses still face multiple obstacles, such as gender bias in access to finance, delayed or rejected loan applications, and a lack of awareness of financing schemes.⁴⁹ For example, women-owned MSMEs are more likely to encounter higher borrowing costs and shorter-term loans compared to men-owned ones.⁵⁰ Financial resources flowing to women-owned MSMEs are, therefore, believed to boost the economic growth of the country by reducing the entrepreneurship gender imbalance.⁵¹

Based on the context above, Sustainalytics is of the opinion that CA Grameen’s investments to increase women’s access to finance in India is expected to contribute to financial inclusion, foster economic and social development, and contribute to reducing social inequalities in the country.

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 CreditAccess Grameen Social Bond and Loan Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Provision of financing and microfinancing to small and medium-sized enterprises	5. Gender Equality	5.1 End all forms of discrimination against all women and girls everywhere
		5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
	9. Industry, innovation and infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
	10. Reduced inequalities	10.1 By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the

⁴⁵ Credit Guarantee Fund Trust for Micro and Small Enterprises, “22nd Annual Report 2021-2022”, at: https://www.cgtmse.in/DocumentRepository/ckfinder/files/Annual_Report_2021-22_English.pdf

⁴⁶ The World Bank, “World Bank Approves \$500 Million Program to Strengthen Performance of Micro, Small, and Medium Enterprises in India”, (2021), at: <https://www.worldbank.org/en/news/press-release/2021/06/04/world-bank-approves-500-million-program-to-strengthen-performance-of-micro-small-and-medium-enterprises-in-india>

⁴⁷ Bain & Company and Google, “Powering the Economy with Her: Women Entrepreneurship in India”, (2019), at: https://www.indiaspend.com/uploads/2021/02/21/file_upload-418657.pdf

⁴⁸ Ministry of Micro, Small and Medium Enterprises, “Participation of Women in MSMEs”, (2022), at: <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1811828>

⁴⁹ IFC, “Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India”, at: https://www.ifc.org/wps/wcm/connect/ca5c0868-e89d-4b43-ace5-8a702ed29b25/Financial+Inclusion+for+Women-owned+MSMEs_July+31.pdf?MOD=AJPERES&CVID=mOK28X8

⁵⁰ Ibid.

⁵¹ Ibid.

		population at a rate higher than the national average
Affordable Housing	1. No poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

Conclusion

CA Grameen has developed the CreditAccess Grameen Social Bond and Loan Framework under which it may issue social bonds and loans and use the proceeds to finance or refinance, in whole or in part, existing or future projects related to Provision of financing and microfinancing to small and medium-sized enterprises and Affordable Housing. Sustainalytics considers that the projects funded by the social bond and loan proceeds are expected to increase financial access to micro and small enterprises for developing and expanding their business and to increase access to housing for the low-income population in India.

The CreditAccess Grameen Social Bond and Loan 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 the CreditAccess Grameen Social Bond and Loan Framework is aligned with the overall sustainability strategy of the company and that the social use of proceeds category will contribute to the advancement of the UN Sustainable Development Goals 1, 5, 8, 9, 10 and 11. Additionally, Sustainalytics is of the opinion that CA Grameen has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that CreditAccess Grameen is well positioned to issue social bonds and that the CreditAccess Grameen Social Bond and Loan Framework is robust, transparent, and in alignment with the 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:	CreditAccess Grameen Limited
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	CreditAccess Grameen Social Bond and Loan Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 20, 2023
Publication date of review publication:	December 2019
Original publication date [please fill this out for updates]:	

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 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 proceeds – i) Provision of financing and microfinancing to small and medium-sized enterprises and ii) Affordable Housing – are aligned with those recognized by the Social Bond Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible category are expected to increase financial access to micro and small enterprises for developing and expanding their business to increase access to housing for the low-income population in India and advance the UN Sustainable Development Goals, specifically SDGs 1, 5, 8, 9, 10 and 11.

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" 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): Gender Equality |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

CreditAccess Grameen will establish a cross-departmental Social Bond and Loan Committee, which will be responsible for the process of project evaluation and selection in accordance with the eligibility criteria of the Framework. The Company has developed a policy to assess and manage environmental and social risks associated with eligible projects and assets. Sustainalytics considers these risk management policies to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social 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 checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment

- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

CreditAccess Grameen's Social Bond and Loan Committee will oversee the process of managing the proceeds through an internal accounting system. CreditAccess Grameen intends to fully allocate the proceeds to the eligible projects within 36 months of issuance. Pending allocation, unallocated proceeds may be held in cash, cash equivalents or liquid marketable instruments in accordance with CreditAccess Grameen's cash management policy or used to repay outstanding credit facilities or existing debt. Sustainalytics considers this process to be 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):

CreditAccess Grameen intends to report on the allocation of proceeds and corresponding impact annually until full allocation. The allocation and impact report will be made directly available to the investors and may also be published in CreditAccess Grameen's annual report on the Company's website. Allocation reporting will include a summary of the eligible social projects funded, the total amount of proceeds allocated and the balance of unallocated proceeds. CreditAccess Grameen also commits to reporting on relevant impact metrics. Sustainalytics views CreditAccess Grameen's allocation and impact reporting as aligned 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):

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):

- Number of beneficiaries Target populations
- Other ESG indicators (*please specify*):

Distribution of key categories of income generation activities/ businesses financed with the Social Bond / Loan, the ability of customers to generate additional income or sustain current income and business in a case study

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): Information will be integrated into Annual Report and directly shared with investors
- 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:

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

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

- i. Second-Party Opinion: An institution with social expertise, that is independent from the issuer may issue 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 Social Bond 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 social features of the type of projects 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 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 social impact or alignment of reporting with the SBP, 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 social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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