

SUSTAINABILITY BOND FRAMEWORK
LOLC (Cambodia) Plc.
December 2024

HISTORY OF AMENDMENT

No.	Date	Version	Revision
1	September 20 th , 2024	01	First Draft
2	December 30 th , 2024	01	First revision

SUMMARY OF MODIFICATIONS

Date	Content	Existing Description	New revision
December 30 th , 2024	Part 2. Use of Proceeds	Existing Principle	<ul style="list-style-type: none"> Removed (ii) Undereducated group Modified definition of (iii) Low-income household Modified definition of (iv) Micro, small, and medium enterprise (MSMEs)
December 30 th , 2024	Part 2.1 Eligible Green Categories	Existing Principle	<ul style="list-style-type: none"> Modified on Eligible Projects/Activities of "Energy Efficiency" Modified on Eligible Projects/Activities of "Clean Transportation"
December 30 th , 2024	Part 2.2 Eligible Social Categories	Existing Principle	<ul style="list-style-type: none"> Modified on Eligibility Criteria of "Employment Generation" Modified on Eligibility Criteria and Eligible Projects/Activities of "Socioeconomic Advancement and Empowerment" Modified on Eligibility Criteria and Eligible Projects/Activities of "Financial Inclusion"
December 30 th , 2024	Part 5.2 Impact Reporting by LOLC	Existing Principle	<ul style="list-style-type: none"> Added "The impact report will be reviewed by an independent internal audit team and reported annually until the maturity of the bond."
December 30 th , 2024	Part 5.2.1 Eligible Green Categories	Existing Principle	<ul style="list-style-type: none"> Modified on "Key Performance Indicators"
December 30 th , 2024	Part 5.2.2 Eligible Social Categories	Existing Principle	<ul style="list-style-type: none"> Modified on "Key Performance Indicators"

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1. Introduction and Background

1.1 About LOLC (Cambodia) Plc.

LOLC (Cambodia) Plc. ("LOLC") is a leading microfinance institution in Cambodia, providing financial solutions to meet the needs of Cambodian families, entrepreneurs, and customers seeking economic opportunities to improve their lives. Founded in 1994 as a credit program managed by Catholic Relief Service, it became Thaneakea Phum (Cambodia) Ltd. (TPC) in 2002 and obtained a microfinance institution license from the National Bank of Cambodia in 2003. In 2015, TPC changed its name to LOLC (Cambodia) Plc. and obtained a microfinance deposit taking license. LOLC is co-owned by LOLC Asia Private Limited and TPC-ESOP Co, Ltd.

As of September 2024, LOLC's assets exceeded USD 1.54 billion, with a staff of over 3 thousand staffs. LOLC is a prominent microfinance institution in Cambodia with a vision to be the most trusted provider of inclusive financial services in Cambodia.

LOLC Cambodia's mission is to create lasting positive impact on the communities it serves through the sustainable delivery of inclusive and client-centric financial services, while at the same time generating stakeholder value.

LOLC has been certified by the SMART campaign since 2015 and in February 2022, has been awarded the Gold Level of Client Protection Certificate by Cerise and SPTF, certifying its adherence to high standards of client protection. LOLC intends to maintain these high standards, which requires a regular update of its internal processes to incorporate new products (e.g. insurance) and of its financial education materials (videos, advertising), and training classes. LOLC operates in a regulated financial sector overseen by the National Bank of Cambodia (NBC). Its provision of financial capabilities for customers to improve their livelihoods has led to an increase in its gross loan portfolio.

1.2 LOLC's Contribution Toward Sustainability

LOLC is committed to contributing to sustainability through its focus on Environmental, Social, and Governance (ESG) practices. Recognizing the crucial role of the financial sector in addressing social and environmental challenges, LOLC actively involves stakeholders in these efforts. This includes lenders providing funding support, LOLC as a financial provider, and clients who demand social and environmentally friendly products.

LOLC has developed this Sustainability Bond Framework for the issuance of green, social and sustainability bonds to use the proceeds to finance in part, existing and future projects that improve access to affordable and renewable energy, as well as the financing of SMEs engaged in socially impactful projects. The framework defines eligibility criteria in three green and five social areas:

Green Eligible Categories

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation

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Social Eligible Categories

1. Employment generation
2. Socioeconomic advancement and empowerment
3. Better Housing Condition
4. Access to clean water, sanitation, and hygiene
5. Financial Inclusion

To drive impact targeted at achieving these objectives, LOLC has integrated ESG considerations into its lending processes.

In terms of LOLC's environmental efforts, as a company LOLC has initiated a tracking system to establish baseline measurements for reducing its environmental footprint. This system monitors LOLC's direct resource usage, including electricity, water, gasoline, and diesel.

LOLC's social outreach demonstrates its commitment to inclusivity and empowering marginalized groups. LOLC's socially intrinsic client base includes women, rural borrowers, and clients involved in agriculture. Overall, LOLC's initiatives showcase its dedication to sustainable practices and its active role in addressing climate change.

Through its diverse array of environmental and social products, LOLC makes meaningful impact through specialized financial products and lending targeted at improving water and sanitation infrastructure, supporting low-income families, facilitating housing improvements, promoting green initiatives, and fueling entrepreneurship. The following products align with LOLC's commitment to sustainability, social responsibility, and empowering communities:

- a. The **WASH Individual Loan (WIL)** is a dedicated product that enables clients to enhance water, sanitation, and hygiene conditions in their communities. It supports initiatives such as constructing or renovating latrines, wells, ponds, water storage facilities, or purchasing water filters. This initiative is aligned with the social eligible category.
- b. LOLC is committed to supporting low-income families, and its **Group Loan (GL)** product and **Individual Loan (IL)** has provided financial assistance to those clients. This offering aims to empower disadvantaged households, enabling them to improve their economic situation and overall well-being. This initiative is aligned with the social and green eligible category.
- c. For clients seeking to enhance their quality of life through housing, LOLC offers the **Home Improvement Loan (HIL)**. These products enable individuals and families to create safer and more comfortable living environments. This initiative is aligned with the social eligible category.
- d. LOLC's commitment to sustainability extends to green lending through **Life Improvement Loan Asset-Backed (LILAB)**, which focuses on supporting environmentally friendly initiatives.
- e. In line with its mission to foster economic growth and empower entrepreneurs, LOLC provides a significant number of income-generating loans. This portfolio includes **small and medium enterprise loan (SME)** and **Seasonal Loan (SNL)**. This initiative is aligned with the social and green eligible category.

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1.3 The Sustainability Bond Framework

LOLC has established this Sustainability Bond Framework ("the Framework") as a part of its broader sustainability strategy with the aim of focusing on assets with positive environmental and social impact.

The Framework is aligned with the ICMA Sustainability Bond Guidelines (SBG) 2021, ICMA Green Bond Principles (GBP) 2021 and Social Bond Principles (SBP) 2021, as well as the ASEAN's Sustainability Bond Standards (ASUS) 2018, which combines the ASEAN Green Bond Standards (AGBS) 2018 and the ASEAN Social Bond Standard (ASBS) 2018. These are a set of voluntary guidelines aimed at promoting transparency, disclosure, and integrity in the growth of the green, social, and sustainable bond markets. LOLC's Sustainability Bond Framework serves as a comprehensive framework enabling the institution to issue Sustainability Bonds.

LOLC guarantees its commitment to follow the guidelines outlined in this Framework for each issuance of Green, Social, or Sustainability Bonds, encompassing (1) Use of Proceeds, (2) Project Evaluation and Selection, (3) Management of Proceeds and (4) Reporting as set out in this Framework.

2. Use of Proceeds

The proceeds of the Sustainability Bond will finance eligible green and/or social projects. The projects and assets eligible for funding are required to meet LOLC's Green and Social Eligibility Criteria and be aligned with ICMA Sustainability Bond Guidelines (SBG), ICMA Green Bond Principles (GBP) and Social Bond Principles (SBP), as well as the ASEAN's Sustainability Bond Standards (ASUS), which combines the ASEAN Green Bond Standards (AGBS) and the ASEAN Social Bond Standard (ASBS).

Eligible green projects require environmental benefits such as a reduced carbon footprint and vulnerability of communities to climate change. Eligible social projects require positive social outcome by providing loans for job creation, business expansion, agriculture activities, clean water, sanitation accessing, and home improvement. The population of eligible green and social project include:

- (i) **Individuals or corporate** who utilize loans for the purpose of renewable energy, energy efficiency, and clean transportation.
- (ii) **Underserved**, owing to a lack of quality access to essential goods and services such as women and those living in rural areas.
- (iii) **Low-income household**, low-income household: their households income eligible to access loan size up to USD 3,000.
- (iv) **Micro, small, and medium enterprise (MSMEs)** that operate in manufacturing, commercial, service and agriculture, forestry, fishing, and other sectors. It is divided into sectors in Cambodia, including agriculture, industry, and service and commercial. SME in each sector is defined by two criteria: the number of employees and the turnover of assets as below table.

Sector	Item	Micro	Small	Medium
Manufacturing	FTE Workforce Count	1-2	3-49	50-499
	Assets (excluding land)	\$50,000 and below	\$50,000 - \$500,000	\$500,000 - \$1,000,000

Agriculture, Forestry and Fishing	FTE Workforce Count	1-2	3-49	50-199
	Assets	\$50,000 and below	\$50,000 - \$500,000	\$500,000 - \$1,000,000
Wholesale and Retail Trade	FTE Workforce Count	1-2	3-49	50-199
	Assets (excluding land and buildings)	\$50,000 and below	\$50,000 - \$500,000	\$500,000 - \$1,000,000
Other Services	FTE Workforce Count	1-4	5-49	50-99
	Assets (excluding land)	\$50,000 and below	\$50,000 - \$500,000	\$500,000 - \$1,000,000
Other Activities	FTE Workforce Count	1-9	10-49	50-199
	Assets	\$50,000 and below	\$50,000 - \$500,000	\$500,000 - \$1,000,000

FTE = full-time equivalent, MSME = micro, small, and medium-sized enterprise.





LOLC selects SME loan products with loan size more than USD 10,000 to identify micro, small, and medium enterprise (MSMEs). Due to limitations in the digital data within LOLC's core banking system, MSMEs will be assumed to have a minimum of two full-time equivalent (FTE) employees to ensure a conservative estimate.

All designated green and social projects should provide clear environmental and social benefits, which are assessed and quantified by LOLC.



2.1 Eligible Green Categories

The eligibility is defined in areas of end-use energy efficiency or renewable energy. The project must meet a set of criteria that define the projects that contribute to support climate adaptation and mitigation, aligning with Cambodia's climate priorities and sustainable development goals (SDGs). The criteria are based on the scientific consensus on what activities are most effective at mitigating climate change as below table.

The net proceeds from the Sustainability Bond will be allocated to finance or refinance projects and assets that fulfill LOLC's Green Eligibility Criteria, as outlined below:

ELIGIBLE CATEGORIES	ELIGIBILITY CRITERIA	ELIGIBLE PROJECTS / ACTIVITIES
Renewable Energy    	<p>With this category, LOLC aims to finance eligible Green Loans that pertain to renewable energy (solar energy) sourced from natural resources which are replenished on a human timescale.</p>	<ul style="list-style-type: none"> Renewable energy technologies or equipment

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Energy Efficiency 	Finance to eligible Green Loans related to the development and implementation of products or technologies that reduce energy consumption/CO2 emission.	<ul style="list-style-type: none"> • New technologies or equipment that reduce energy consumption/save CO2 emission at least 20% including hybrid vehicles¹
Clean Transportation 	Finance to eligible Green Loans that related to clean vehicles and clean transportation projects which refers to modes of transportation that produce minimal or no emissions of pollutants and greenhouse gases.	<ul style="list-style-type: none"> • Clean vehicles and clean transportation projects including electric vehicles





2.2 Eligible Social Categories

The eligibility is defined in areas of employment generation, socioeconomic advancement and Socioeconomic Advancement and Empowerment, better housing condition, access to clean water, sanitation, and hygiene, as well as financial inclusion are aligned with those recognized by the social bond principles (SBP). The projects financed under this framework will deliver a positive social impact in Cambodia are listed as below table.







The proceeds will be allocated to finance or refinance projects and assets that fulfill LOLC's Social Eligibility Criteria as outlined below, while also meeting the requirement of serving LOLC's target populations.

¹ A hybrid vehicle uses more than one means of energy, combining a petrol or diesel engine with an electric motor, and the two systems work with each other to move the vehicle. This allows the vehicle to burn less gasoline, achieving better fuel efficiency than a traditional engine that solely uses fuel does.

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ELIGIBLE CATEGORIES	ELIGIBILITY CRITERIA	ELIGIBLE PROJECTS / ACTIVITIES
Employment Generation 	<p>Within this category, LOLC aims to finance eligible micro, small and medium enterprises (MSMEs) which comply and meet the definition of Micro-, Small, and Medium-size enterprises with loan size more than USD 10,000. Those businesses create employed jobs and/or self-employed (entrepreneurs).</p>	<ul style="list-style-type: none"> Small and Medium Enterprise Loans (SME) that support employment generation in micro, small and medium enterprises (MSMEs).
Socioeconomic Advancement and Empowerment 	<p>Under the Socioeconomic Advancement and Empowerment (Equal Opportunities) category, LOLC will finance the loans to underserved (women in rural areas) in purpose to expand their small agriculture activities with loan size more than USD 3,000 up to USD 10,000.</p>	<ul style="list-style-type: none"> Individual Loans (IL), Group Loans (GL) and Seasonal Loans (SNL) are given to target female clients to expand their small agriculture activities.
Better housing condition 	<p>Within this category, LOLC aims to finance by offering to those borrowers who need to have their existing houses fixed or renovated in order to get better living conditions.</p>	<ul style="list-style-type: none"> Home Improvement Loans (HIL) can make client's home more comfortable and liveable, improving quality of life.
Access to clean water, sanitation, and hygiene 	<p>Under the access to clean water, sanitation, and hygiene category, in this category, LOLC will finance to a target population for improvement their health and well-being, and quality of life.</p>	<ul style="list-style-type: none"> Individual Loan (IL), Group Loan (GL), Small and Medium Enterprise Loans (SME), WASH Loans (WIL) and Seasonal Loan (SNL) provide people with access to clean, safe water,

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 		which can improve their health and well-being, quality of life.
Financial Inclusion    	Within financial Inclusion category, LOLC will also finance loans to female clients living in rural areas who lack access to mainstream sources of finance particularly or incomes below the poverty line as per national definitions or their household's income eligible to access loan size up to USD 3,000.	<ul style="list-style-type: none"> Individual Loans (IL), Group Loans (GL), and Seasonal Loans (SNL) can help female clients living in rural areas to start or expand their micro businesses, which can lead to increase income and employment opportunities.

Underdeveloped areas in Cambodia are defined as those regions in which GDP per capita is below Cambodia's average.

2.3 Responsible Lending Practices

2.3.1 Exclusion List

LOLC will not use the proceeds of any Green, Social or Sustainability issuance to finance projects/businesses involved in the following activities:

No.	Prohibited Activities List/Exclusion List
1	Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, including without limitation host country requirements related to environmental, health and safety and labor aspects
2	Production or trade in weapons and munitions
3	Production or trade in alcoholic beverages (excluding beer and wine)
4	Production or trade in tobacco
5	Gambling, casinos and equivalent enterprises
6	Trade, production, breeding or possession of animals, plants or any natural products in breach of the provisions of CITES *
7	Production or trade in radioactive materials
8	Production or trade in or use of unbonded asbestos fibers
9	Commercial logging operations or purchase of logging equipment for use in primary tropical moist forest
10	Production or trade in pharmaceuticals subject to international phase outs or bans
11	Production or trade in pesticides/herbicides subject to international phase outs or bans
12	Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
13	Production or activities involving harmful or exploitative forms of forced labor/harmful child labor
14	Production or trade in products containing PCBs **
15	Production or trade in ozone depleting substances subject to international phase out

16	Production or trade in wood or other forestry products from unmanaged forests
17	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
18	Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples
19	Business activities that could cause the land dispute, land loss, the loss of land possession, land use restriction, not allowing for residential enjoyment or other business operations thereon, and business activities that could cause evacuation and involuntary resettlement
20	Any business relating to pornography or prostitution
21	Persistent Organic Pollutants (POPs); GHG emission, Carbon (Co2), water pollution and ground water contamination
22	Plantation projects that would require the removal of existing non-degraded natural forest
23	Cross-border trade of waste, except those authorized by the Basle convention and its underlying regulations
24	Business activities involving the production or generation of significant amount of solid and liquid/water waste
25	Business activities that could cause hug explosion, hug dust, smoke, disturbing noise, causing adverse effect the safety and security of daily work, and living of people in the surrounding area
26	Business activities involving the use of high volume of electricity/power, paper or water that could cause interruption to the neighboring community. Business activities that seen overexploitation natural resources
27	Production and distribution or participation to racist, anti-democratic media or media advocating discrimination of one part of a population
28	Sector with little linkage effects, high risks and /or subject to speculation, e.g. Real Estate
29	Production or services, which cause recognized and serious damage to the natural environment and are forbidden under the laws of Cambodia for that reason
30	Projects involving the construction of large dams that significantly and irreversibly***
31	Projects in, impacting, or cause the loss of natural World Heritage Sites such as memorial/worship/holy site, farmland, village or community
32	Projects in or impacting areas on the United Nations List of National Parks and Protected Areas
33	Extraction or infrastructure projects in or impacting: protected area Categories I, II, III, and IV as defined by the International Union for the Conservation of Nature
34	Activities that could cause Significant Environmental Harm; that could cause the loss of living thing, loss habitats to the life of rare species and common species. Business activities could cause the rising of unfriendly species, invasion of alien species, epidemic disease/cholera
35	Located in or sufficiently near sensitive locations of national or regional importance to have perceptible environmental impacts
36	Giving or receiving gifts that could be interpreted as intending to influence business decisions
37	Making political contributions, i.e., to political parties or candidates
38	Abusing confidential or material, non-public information
39	Financial or economic crime, including involvement in money laundering
40	Illegal or deceitful recording and reporting of financial and/or tax information
41	Business transactions where the price for goods or services is set artificially high or low

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42	Any equipment, sector, or service subject to economic sanctions issued by the United Nations, the European Union or France, without absolute or relative restriction regarding the amount
43	Illicit trade or activities that facilitate the illicit traffic of cultural property
44	Illicit activities involving organs, tissues and products of the human body, or genetic engineering activities banned by the national bioethical standards of France or of the host country, and by relevant applicable European or international standards
45	Projects whose purpose and/or approach are inconsistent with human rights, and in the case of private sector financing, projects underpinned by rationales that clearly contradict the United Nations Guiding Principles on Business and Human Rights
46	Crude oil refineries and installations for the gasification and liquefaction of 500 tons or more of coal or bituminous shale per day.

2.3.2 Environmental and Social Awareness/Assessment

LOLC will Environmental and Social awareness/assessment with all loans that proceeds of any Green, Social or Sustainability issuance:

- For loans which are lower than USD 30,000, environmental and social awareness are discussed with clients on risk areas and give suggestions for improvement.
- For Small and Medium Enterprise loans (SME) which are bigger than or equal to USD 30,000, a comprehensive tool is fully integrated into the lending process.

The detailed assessment is conducted to evaluate whether the impact is low, medium or high. Then, suggestions will be made to the client for their awareness and improvement. As an ongoing approach, the progress of environmental and social assessment is also monitored by sustainability management team and checked by quality assurance and internal audit.

High-risk clients will be informed that the entity granting her/him the loan will take a visit during periodic review to evaluate the client's activities and if there is a negative impact to the environmental, health and safety, and labor aspects. Clients that are found to be noncompliant with environmental, health and safety, and labor aspects stipulated in the loan may see their loans called, in line with bank procedures, and may no longer be able to obtain a new loan. Please refer to Annex I: E&S Risk Assessment Form.

Additionally, LOLC will ensure client protection and prevention of over indebtedness through the establishment of client recourse mechanisms, the provision of financial literacy for clients and adherence to the standards of the National Bank of Cambodia and SMART Campaign' Client Protection Principles.

3. Process of Project Evaluation and Selection Process

LOLC Cambodia will use the proceeds generated from its Sustainability Bond to fund new projects or assets that meet the specified project eligibility criteria. The aim is to allocate all the funds within a span of **two years** after the offering is made. LOLC's project evaluation and selection process is executed through a dedicated Sustainable Bond Working team comprising representatives from various corporate departments coordinated by Sustainability Management Department (SMD) with the oversight of Deputy Chief Executive Officer (DCEO). The head of Sustainability Management Department (HSMD) is tasked with reviewing and recommending to

Chief Executive Officer for approving eligible green and social projects, after the initial selection by the company's Credit Department.

All projects that are chosen by LOLC's SMD and Credit Department to be included in the Sustainable Bond Portfolio will undergo prior and independent evaluation based on internal policies and procedure for managing environmental and social risks. Once a project qualifies as an Eligible Project and becomes part of the Sustainable Bond Portfolio, it will remain in the portfolio unless it encounters termination, expiration, or no longer fulfils the aforementioned eligibility criteria.

Classifying the level of environmental and social risk based on the national and international Environmental and Social Risk Categorization List and activities, projects or actions within sectors are checked in order to ensure the compliance with the Environmental and Social National Laws and Regulations (requires relevant documents, permits and licenses), conducting routine site visit, checking if all borrowers (legal entities) commit to respect and apply national regulations of environmental, social, labor, occupational health and safety policies.

LOLC has formalized an environmental and social impact assessment process to all loan products and loan sizes on project finance prior to the project selection process which incorporates an E&S risk assessment toolkit comprising 6 questions around 2 pillars of the borrower's business risk level and risk management quality.

4. Management of Proceeds

Management of Funds: The Finance department will oversee the management of funds on the bond-to-bond approach. The Corporate Treasury Department at LOLC will monitor and regulate the utilization of funds from each offering. If a portion of the proceeds from the bond issuance is not immediately allocated to eligible assets, the unallocated proceeds will be held in a bank account as liquid assets until they can be redirected towards eligible assets. During the duration of an offering, if an asset financed by the funds from the Sustainability bond matures or is sold, LOLC will strive to reallocate an equivalent amount of funds towards eligible projects and assets.

Allocation of Funds: The allocation of funds in the bond-to-bond approach involves careful management by the Finance department. Unallocated proceeds from the bond issuance will be held in a bank account as liquid assets until they can be directed towards eligible assets. The Corporate Treasury Department at LOLC will oversee this process and ensure that funds are allocated appropriately.

Reallocation of Funds: When an asset financed by the funds from the Sustainability bond matures or is sold, LOLC will make effort to reallocate an equivalent amount of funds towards eligible projects and assets. This reallocation process ensures that the funds from the bond issuance continue to support sustainable development initiatives.

5. Reporting

5.1 Allocation Reporting by LOLC

LOLC strives to maintain transparency and accountability by aiming to release an Allocation Report regarding the utilization of proceeds from LOLC's Green, Social, and/or Sustainability Bonds issued under this Framework. This report will provide a detailed description of LOLC's Eligible Loan Portfolio.

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LOLC is dedicated to maintaining transparency and accountability in its financial practices by committing to provide annual reports until the complete allocation of funds to eligible assets is achieved. This commitment ensures that stakeholders are kept informed about the progress and status of the investments made through its Sustainability Bond. Furthermore, LOLC will continue to update these reports in the event of any significant changes within its eligible loan portfolio, thereby ensuring that all relevant information is communicated effectively until the bond reaches maturity. This proactive approach not only reinforces LOLC's dedication to sustainable finance but also enhances trust among investors and stakeholders by providing them with timely and pertinent updates regarding their investments.

Every annual report will be done by the Sustainability Management Department for sustainability committee to justify and recommend to Board of Directors for approval, ensuring its accuracy and compliance. Once approved, these reports will be accessible to the public on LOLC's official website (<https://www.lolc.com.kh/>).

LOLC's Allocation Report aims to provide comprehensive disclosure regarding the utilization of proceeds from LOLC's Sustainability Bond. The report will include the following information:

1. A brief description of categories of assets to which proceeds have been allocated and the total amount of proceeds allocated to such eligible loans,
2. The total amount of an issuance's unallocated proceeds, if any
3. Aggregated qualitative and quantitative indicators (when possible) related to the Eligible Loan Portfolio, such as:
 - Total volume of Green, Social, and Sustainability bonds issued
 - Total amount and number of Eligible Loans
 - Breakdown of Eligible Loans by category
 - Geographic distribution of Eligible Loans
 - Balance of unallocated proceeds, if applicable
 - Proportion of proceeds used for financing purposes.

5.2 Impact Reporting by LOLC

LOLC's impact report will include relevant Key Performance Indicators (KPIs) presented in aggregate form at the Eligible Category level for LOLC's Sustainability Bond. LOLC will provide expected and realized qualitative and, where feasible, quantitative environmental and social impact indicators of the assets to which the proceeds have been allocated. The impact report will be reviewed by an independent internal audit team and reported annually until the maturity of the bond.

LOLC's Treasury Department, Finance Department, Credit Department, and SMD are collectively responsible for producing the impact report. This report aims to enhance comparability and transparency by providing detailed information about the impact indicators, along with the methodologies and assumptions utilized for calculations.



5.2.1 Eligible Green Categories

Eligible Categories	Key Performance Indicators
Renewable Energy	<ul style="list-style-type: none"> Estimated annual GHG emission saving (tCO2e) Number of items financed
Energy Efficiency	<ul style="list-style-type: none"> Estimated annual GHG emission saving (tCO2e) Number of items financed
Clean Transportation	<ul style="list-style-type: none"> Estimated annual GHG emission saving (tCO2e) Number of electric vehicles financed

5.2.2 Eligible Social Categories

Eligible Categories	Key Performance Indicators
Employment Generation	<ul style="list-style-type: none"> Estimated number of jobs created/hires Number & average amount of the MSME loans
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> Number of female farmers who are living in rural areas reached
Better housing condition	<ul style="list-style-type: none"> Number of house renovation/improvements
Access to clean water, sanitation, and hygiene	<ul style="list-style-type: none"> Number of clients access to better sanitation (latrine, water filter...) and better water connection (well, water irrigation...)
Financial Inclusion	<ul style="list-style-type: none"> Number of loans reach to female low-income household living in rural areas

6. External Review

6.1 Second Party Opinion

LOLC ensures the transparency and strength of its Framework by subjecting it to verification and approval by an external second opinion by Moody's. This verification process confirms the alignment of the framework with the ASEAN's Sustainability Bond Standards and the ICMA's Sustainability Bond Guidelines. The Second Party Opinion obtained from Moody is made publicly available on LOLC's website, further promoting transparency and accountability in LOLC's sustainable finance practices.

6.2 Audit of the Allocation Report

LOLC ensures the integrity and compliance of its Sustainability Bond issued under this Framework by engaging an external auditor/provider. The external auditor/provider will conduct a verification process until the proceeds of issuance are fully allocated to eligible assets or invested in approved financial instruments. This verification includes assessing LOLC's adherence to defined approval procedures and confirming that an amount equivalent to the net proceeds of the Sustainability Bond has been appropriately allocated to Eligible Loans specified in the Framework.

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6.3 Enhancing Transparency and External Review

Future iterations of the Framework will incorporate any potential changes to the ICMA Sustainability Bond Guidelines (SBG), ICMA Green Bond Principles (GBP) and Social Bond Principles (SBP) or developments related to the ASEAN's Sustainability Bond Standards (ASUS), which combines the ASEAN Green Bond Standards (AGBS) and the ASEAN Social Bond Standard (ASBS). These revisions will aim to maintain or enhance the existing levels of transparency and reporting, while also introducing provisions for external review by an eligible or accredited entity adhering to the prevailing principles or standards in place.

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Annex I: E&S Risk Assessment Form

Checklist	Answers	Score
Total Asset	<input type="checkbox"/> (Score 1) xxx ≤ \$200,000; <input type="checkbox"/> (Score 2) \$200,000 < xxx ≤ \$300,000; <input type="checkbox"/> (Score 3) \$300,000 < xxx;	
Loan Amount	<input type="checkbox"/> (Score 1) xxx ≤ \$50,000; <input type="checkbox"/> (Score 2) \$50,000 < xxx ≤ \$100,000; <input type="checkbox"/> (Score 3) \$100,000 < xxx;	
Business Risk Categories	<input type="checkbox"/> (Score 1): Trade; Other Service; Other Production; Agriculture, Forestry and Fishery (Farming, livestock, other) <input type="checkbox"/> (Score 2): Service (Car repair and maintenance services; Film processing facilities/Printing services); Agriculture, Forestry and Fishery (Farming, livestock, other > EUR, USD 10,000; Fishery); Production (Brick-making, Ceramics/Pottery glazing/Enamelling, Glass manufacturing/blowing, Metal working/forging, Plastic product production (no chemical processing involved), Processing of food, beverages, Pulp and paper products, Textile production (cutting, sewing) with dyeing; <input type="checkbox"/> (Score 3): Service (Laundry services with dry-cleaning; Waste and water management); Production (Chemical industries involving chemical processing; Leather production with tanning; Raw materials extraction; Charcoal making); Agriculture, Forestry and Fishery (Forestry/Wood production/Clearing forest)	
Average Score of client risk level (total score divided by 3)		
Knowledge Level	<input type="checkbox"/> (Score 1) No Knowledge; <input type="checkbox"/> (Score 2) Basic Knowledge; <input type="checkbox"/> (Score 3) Extensive Knowledge	
Willingness To Take Action	<input type="checkbox"/> (Score 1) None; <input type="checkbox"/> (Score 2) Defensive Attitude; <input type="checkbox"/> (Score 3) Pro-active Attitude	
E&S Management	<input type="checkbox"/> (Score 1) No Measure Taken; <input type="checkbox"/> (Score 2) Basic Mitigation Measure Taken; <input type="checkbox"/> (Score 3) Extensive Action Plan	
Average Score of client risk management quality (total score divided by 3)		
<input type="checkbox"/> Low	A = 1.67 & B = 1 A = 2 & B = 1 A = 2.33 & B = 1 A = 2.33 & B = 1.33 A = 3 & B = 1 A = 3 & B = 1.33 A = 2.67 & B = 1 A = 2.67 & B = 1.33	
<input type="checkbox"/> Medium	A = 1 & B = 1 A = 1 & B = 1.33 A = 1 & B = 1.67 A = 1.33 & B = 1 A = 1.33 & B = 1.33 A = 1.33 & B = 1.67 A = 1.33 & B = 2 A = 1.33 & B = 2.33	
	A = 1.67 & B = A = 1.67 & B = 1.67 A = 1.67 & B = 2 A = 1.67 & B = 2.33 A = 1.67 & B = 3 A = 1.67 & B = 2.67 A = 2 & B = 1.33 A = 2 & B = 1.67	
	A = 2 & B = 2 A = 2 & B = 2.33 A = 2 & B = 3 A = 2 & B = 2.67 A = 2.33 & B = 1.67 A = 2.33 & B = 2 A = 2.33 & B = 2.33 A = 2.33 & B = 3	
	A = 2.33 & B = A = 3 & B = 1.67 A = 3 & B = 2 A = 3 & B = 2.33 A = 3 & B = 3 A = 3 & B = 2.67 A = 2.67 & B = 1.67 A = 2.67 & B = 2	
	A = 2.67 & B = A = 2.67 & B = 3 A = 2.67 & B = 2.67	
<input type="checkbox"/> High	A = 1 & B = 2 A = 1 & B = 2.33 A = 1 & B = 3 A = 1 & B = 2.67 A = 1.33 & B = 3 A = 1.33 & B = 2.67	

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First Visit	Date:/...../.....			
Environment [E]	Environment and Health and Safety [E] [H&S]	Health and Safety [H&S]	Labor [L]	Health and Safety and Labor [H&S] [L]
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a
Number of risks:	Number of risks:	Number of risks:	Number of risks:	Number of risks:
Improvements/ Overall comment:				

First Follow up for Medium and high-risk clients	Date:/...../.....			
Environment [E]	Environment and Health and Safety [E] [H&S]	Health and Safety [H&S]	Labor [L]	Health and Safety and Labor [H&S] [L]
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a
Number of risks:	Number of risks:	Number of risks:	Number of risks:	Number of risks:
Improvements/ Overall comment:				

Second Follow up for Medium and high risk clients	Date:/...../.....			
Environment [E]	Environment and Health and Safety [E] [H&S]	Health and Safety [H&S]	Labor [L]	Health and Safety and Labor [H&S] [L]
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a
Number of risks:	Number of risks:	Number of risks:	Number of risks:	Number of risks:
Improvements/ Overall comment:				

Review of Environmental Assessment			
The following personnel must certify that the information has been collected correctly and approve or reject the loan application, based on the E&S Policy.			
<input type="checkbox"/> 1. Credit Officer prepares and collected correctly	Comment (if applicable):	Name:	Date:/...../.....
<input type="checkbox"/> Recommend <input type="checkbox"/> Not Recommend		Signature:	
<input type="checkbox"/> 2. Head Credit Officer/ Branch Manager verification	Comment (if applicable):	Name:	Date:/...../.....
<input type="checkbox"/> Recommend <input type="checkbox"/> Not Recommend		Signature:	
<input type="checkbox"/> 3. Head of Credit Management	Comment (if applicable):	Name:	Date:/...../.....
<input type="checkbox"/> Branch Manager		Signature:	
<input type="checkbox"/> Approval <input type="checkbox"/> Rejection			