

Shriram Transport Finance Co. Ltd.

Type of Engagement: Annual Review

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Engagement Leader:

Amanda Ackerman, amanda.ackerman@sustainalytics.com, (+31) 20 205 00 88

Introduction

In H1 2020, Shriram Transport Finance Co. Ltd. (STFC) issued social bonds aimed at projects that improve access to finance for underbanked individuals, namely First Time Buyers¹ and Small Road Transport Operators,² and Micro, Small & Medium Enterprises (MSMEs) in the transportation sector. In August 2020, STFC engaged Sustainalytics to review the projects funded through the issued social bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Shriram Transport Finance Social Finance Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2020 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Shriram Transport Finance Social Finance Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Shriram Transport Finance Social Finance Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Employment Generation - Micro and small enterprises	<ul style="list-style-type: none"> • Provision of financing for Small Road Transport Operators and First Time Buyers from underserved communities³ across India at favourable interest rates. To exclude vehicles that are used in environmentally unfriendly sectors such as extraction, refining, or transportation of coal. • Provision of suitable financial instruments and supporting services for micro-, small- and medium-sized enterprises in India, in accordance to the definition in India's Micro, Small & Medium Enterprises Development Act, 2006. • Provision of affordable loans to help communities alleviate income through promoting entrepreneurship from low-income states as defined by World Bank.⁴ 	<ul style="list-style-type: none"> • Number of products and services serving low-income groups. • Number of enterprises benefiting from MSME financing and total of MSME financing provided. • Number of people provided with access to financial services, including microfinance.

¹ First Time Buyers refer to individuals or Micro, Small & Medium Enterprises that own zero trucks.

² Small Road Transport Operators refer to individuals or Micro, Small & Medium Enterprises that typically own between one to three trucks.

³ STFC classifies their core market as people that do have bank accounts, yet cannot get a loan from their bank

⁴ Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan and Uttar Pradesh as defined by World Bank India State Briefs

Issuing Entity's Responsibility

STFC is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of STFC's Social Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from STFC employees and review of documentation to confirm the conformance with the Shriram Transport Finance Social Finance Framework.

Sustainalytics has relied on the information and the facts presented by STFC with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by STFC.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of STFC's Social Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Shriram Transport Finance Social Finance Framework. STFC has disclosed to Sustainalytics that the proceeds of the social bond were fully allocated as of July 2020.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the social bond in 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Shriram Transport Finance Social Finance Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the social bond in 2020 to determine if impact of projects was reported in line with the KPIs outlined in the Shriram Transport Finance Social Finance Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Impact Reported by Eligibility Criteria	
Employment Generation - Micro and small enterprises	KPI	Number of Loans
	Loans provided to women lenders ⁶	8,364
	Loans provided to MSMEs	4,667
	Loans provided to economic weaker section ⁷	68,690
	Loans provided to low-income groups ⁸	19,480
	Loans provided to First Time Users/Buyers	1,257

⁶ Including individual women lenders and women-owned MSMEs, contributing to women empowerment.

⁷ This is defined as STFC's general target population, which are drivers who typically do not qualify for bank loans due to the lack of stable income and with annual income not exceeding INR 3 lakhs i.e. USD 4,200.

⁸ Low-income groups as defined as those with income not exceeding INR 6 lakhs i.e. USD 8,400, according to the Government of India's classification.

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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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5th Green Bond Pioneer Awards

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Named

2015: Best SRI or Green Bond Research or Rating Firm
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The
Green Bond
Principles