



Credila
Social Financing Framework
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1. INTRODUCTION

1.1 ABOUT CREDILA

Company History

Credila Financial Services Limited (“Credila”/“the Company”) has established itself as India’s leading education loan specialist. Since its inception in 2006, Credila has provided tailored financial solutions to students, helping them achieve their academic aspirations both in India and globally.

Credila’s journey began with a mission to bridge the gap between aspiring students and quality education by attempting to address the financial challenges they face. As India’s first dedicated education loan provider, Credila has consistently innovated and evolved to meet the dynamic needs of students. The Company offers a suite of education loans to cover tuition fees, living expenses, and other related costs, ensuring that financial constraints do not hinder an aspirant’s academic pursuits.

In March 2024, Baring Private Equity Asia (now EQT) and ChrysCapital acquired 72.01% and 18% stakes in Credila, with HDFC Bank keeping the remaining 9.99%.

Helping Indian Students achieve their Education Aspirations

Moving from the traditional methods of financing education, such as liquidating assets or borrowing from friends and family, a disruptive business model such as the one created by Credila has seen a dynamic shift in the way education finance has been viewed in India.

Since inception, Credila has focused on a single asset class and built domain expertise over the years. This very expertise has helped the Company gain insights on the requirements of both students and parents when it comes to financing education, basis which the Company has honed on its products and processes to offer best-in-class services. Keeping cost to income ratio low for sustained profitable growth, Credila has adopted a strategy of building end-to- end technology platforms for high operational efficiencies, which in turn has led to high impact customer experience.

Credila engages with the eco-system to add value at each touch point in the life cycle, for instance, a global network of partners has been carefully hand-crafted to offer value-added services to aspiring students.

An Credila Education Loan offers:

- Up to 100% finance, no margin money required
- Tax benefit on interest paid under Section 80E
- Repayment tenure of up to 15 years
- Collateral and co-borrower flexibility
- Competitive interest rates

- Digital application process

Since inception, Credila has funded 178,000+ Indian students pursuing 3,300+ programs across 4,600+ institutes in 63 countries.

1.2 CREDILA'S COMMITMENT TO SUSTAINABILITY

Credila is committed to integrating sustainability into its core operations and business strategy. Recognising the critical role of education in sustainable development, the Company emphasizes responsible financing practices that promote inclusive growth. Specifically, by facilitating access to quality education, Credila contributes to the socioeconomic development of communities. These efforts are aligned with the broader goal of creating a more educated and skilled workforce, which is essential not only for the nation's progress, but for global development.

Credila believes in conducting its business responsibly, fairly and in a transparent manner. The Company continually seeks ways to bring about an overall positive impact on society and the environment where it operates as part of its social objectives. Concentrating its philanthropic efforts on key areas including education, healthcare, girl child empowerment and WASH (Waste, Sanitation and Hygiene), Credila partners with NGOs to improve quality of life for children from marginalised and vulnerable communities in India and uplift the less privileged segments of society by bolstering their abilities and facilitating access to equal opportunities.

Credila works closely with ~12 Non-governmental Organisations (NGOs) across six Indian states, implementing various projects to help create an equal and inclusive society. These NGOs endeavor to empower adolescent girls through health, education, career guidance, and personality awareness programs, rescuing street children and aiding in breaking the cycle of generational poverty.

The Company is also dedicated to providing quality healthcare and developing sanitary WASH facilities in government schools, positively impacting ~4000 beneficiaries to date. This achievement bears testimony to Credila's commitment to fostering long-lasting change.

Upholding the principles of equality, inclusivity, and compassion, Credila fosters a philanthropic culture where employees are encouraged to contribute towards societal betterment. As a Company, we firmly believe in collective responsibility towards shaping a brighter future and remain committed to driving positive change in the communities we serve.

The Board of Directors of the Company has constituted a CSR Committee, which aims to fulfil the

Company's CSR objectives via:

- Formulation and review of the CSR Policy, indicating the activities to be undertaken by the Company towards CSR initiatives

- Formulation and recommendation of an annual action plan consisting of the CSR objective(s) for the year, the list of approved projects/programmes to be undertaken within the purview of Schedule VII of the Companies Act, 2013 to the Board, manner of execution of such projects, modalities of fund utilisation and implementation schedules, monitoring and reporting mechanism, and details of need and impact assessment, if any, for the projects to be undertaken
- Annual review of implementation of the CSR programmes; issuance of necessary directions from time to time to ensure orderly and efficient execution of the CSR programmes in accordance with this policy
- Furnishing an annual report to the Board, detailing the status of the CSR activities and contributions made by the Company
- Undertaking any other requirements mandated under the Act and Rules issued there to

2. CREDILA'S SOCIAL FINANCING FRAMEWORK

Credila actively supports projects that generate positive social outcomes. To support this initiative, the Company has introduced its Social Financing Framework ("Framework") with the aim to issue Social Loans/Bonds to seamlessly finance these activities and projects.

The Company's Social Financing Framework has been developed in line with the following international guidelines and standards:

1. Social Bond Principles¹ (SBP) published in June 2023 by the International Capital Market Association
2. Social Loan Principles² (SLP) published in February 2023 by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association

The Framework includes five key components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
5. External Review

This Framework may be updated in the future as the sustainable finance market evolves. Should Credila choose to modify or update the scope of the Framework for future issuances, the modifications will be

¹ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>




² <https://www.lsta.org/content/social-loan-principles-slp/>

documented in an updated Framework and published accordingly in relevant reports or on the company’s website.

2.1 USE OF PROCEEDS

As part of its overarching process, Credila would like to ensure that the proceeds would be utilised toward activities that align with the Company’s commitment to sustainability. To this end, Eligible Social criteria have been defined as below, which will be considered to evaluate and determine compliance.

Thus, an amount equivalent to the net proceeds of the Company’s social financing instruments will be used exclusively to finance/refinance, in whole or in part of, new/existing projects and assets in the below-mentioned categories:

Social Project Categories	Eligibility Criteria	Alignment with UN SDGs
<p>Access to essential services – Education</p>	<p>Higher Education Loans</p> <p>Provision of loans to students covering the cost of attendance of higher education programmes (e.g., tuition fees, books, living expenses) from the following target population:</p> <ul style="list-style-type: none"> Borrowers from families whose gross annual income is in line with the income criteria defined for the Economically Weaker Section (EWS) in India³ 	  

For the case of refinancing, the Company may include eligible projects or assets that have been financing within 18 months prior to the issuance date.

³ Economically Weaker Section (EWS) is defined as those families with a gross annual income below INR 800,000 and which do not belong to the caste categories of ST/SC/OBC (who are already covered under schemes of reservation)

2.2 PROCESS FOR PROJECT EVALUATION AND SELECTION

All potential eligible social projects to be financed with the proceeds of social financing instruments issued under this Framework will be evaluated and selected by the Asset-Liability Management Committee (ALCO). Chaired by Credila's Chief Executive Officer (CEO), the ALCO comprises of representatives including Chief Risk Officer, Chief Financial Officer, National Credit Manager and Treasury, Accounts & Finance team.

On top of asset-liability related responsibilities, the ALCO will oversee the implementation of the Social Financing Framework within Credila. Key responsibilities include:

1. Evaluate, select and validate the pool of eligible social assets, based on the criteria stated in this Framework
2. Verify Credila's annual allocation & impact reporting
3. Reviewing the Social Financing Framework to reflect any changes to the company' sustainability initiatives and strategies
4. Monitoring the on-going changes and updates related to the Sustainable Capital Markets in terms of disclosure/reporting in accordance with market best practices
5. Overseeing and managing the implementation of the company's sustainable development strategy

The ALCO will meet at least twice a year to screen propose projects according to the eligibility criteria.

Credila's risk management processes are guided by well-defined policies, independent risk oversight and periodic monitoring, which the Company will rely on for the monitoring of environmental and social risks associated with social projects. Potential risks associated with the eligible projects relate mainly to predatory lending, business ethics and stakeholder management. To mitigate some of the risks to borrowers, the Company has established policies and processes such as Fair Practice Code, Code of Conduct and grievance redressal mechanism. Credila's marketing and credit risk management staff will collaborate to educate potential customers on the availability and financial obligations of the product. As part of the customer onboarding process and the disbursement due diligence process, the Company closely monitors the end use to assess whether the education loans sanctioned are being used solely for the purpose of education, including ancillary expenses, by evaluating: (1) Enrolment verification of the student with the requisite documentation, (2) Proof of end use of funds either by channeling the payments to international universities through preferred forex channel partners as a value add service or direct remittance to the education institutions in India or collecting the fee receipts from the students and (3) Marksheets/transcripts are checked at subsequent tranche disbursement.

Credila has a robust credit underwriting process and the risk team closely monitors the market risks including publishing of negative lists to ensure the Company does not take exposure to the prohibited list of activities as per Appendix 1.

2.3 MANAGEMENT OF PROCEEDS

An amount equal to the net proceeds of all social financing issuances will be allocated to eligible assets as per the criteria defined above. Credila will manage the asset register through its internal information systems, and the balance of the tracked proceeds will be monitored annually.

The Company will aim to allocate all proceeds to eligible assets within 12 months or in accordance with other terms agreed upon basis issuance or drawdown dates. In case a project becomes ineligible, Credila commits to re-allocate the net proceeds to other eligible projects or assets within a period of 6 months. For any unallocated proceeds, Credila will invest in cash and/or cash equivalents according to local liquidity management guidelines and/or internal asset and liability management policy.

2.4 REPORTING

Credila will prepare a standalone Social Financing Report to update investors on the allocation and associated impact within one year from the issuance date or drawdown date and annually thereafter, and as necessary in the event of material development.

(A) Allocation Reporting

Credila will prepare a report to update investors on the allocation of the net proceeds of its social financing instruments issued under this Framework. The report will provide information including:

- The total amount of proceeds allocated to the eligible social projects
- A brief description of projects with their associated target populations
- Proportion of proceeds used for financing versus refinancing
- The remaining balance of unallocated net proceeds at the end of the relevant reporting period and where these have been invested (if applicable)

(B) Impact Reporting

Credila intends to report on the impact of the eligible assets in line with the indicators suggested in the ICMA Harmonized Framework for Impact Reporting, subject to the availability of information and baseline data, based on methodologies that will be publicly available.

Indicative Impact Reporting Criteria (Access to Essential Services – Education):

- Number of EWS families benefitted

2.5 EXTERNAL REVIEW

This Framework is supported by the following external reviews:

Second Party Opinion

To confirm the transparency, robustness and alignment with market standards of this Framework, Credila has engaged S&P Global Ratings to act as an external reviewer of this Social Financing Framework. A copy of this document will be made available on the Company's website.

Post-issuance External Verification

For bonds and bank debt as requested by lenders, Credila may engage a third party verifier to issue a limited assurance report on the allocation and impact of proceeds from social financing instruments issued under this framework.

APPENDIX 1: EXCLUSIONARY CRITERIA

The following projects/activities are ineligible for the use of proceeds:

1. Extraction, refining, or transportation of coal
2. Fossil fuel power generation as well as activities that are knowingly and intentionally dedicated to support the expansion of fossil fuel-based technologies
3. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements
4. Production or trade in alcoholic beverages
5. Production or trade in tobacco
6. Production or trade in palm oil
7. Production or trade in weapons and munitions
8. Gambling, casinos and equivalent enterprises
9. Production or trade in radioactive materials
10. Production or trade in or use of unbonded asbestos fibers
11. Purchase of logging equipment for use in primary tropical moist forest
12. Production or trade in pesticides/herbicides subject to international phase outs or bans
13. MSMEs that knowingly and intentionally engage in child labour, forced labour, unfair labour practices, conflict minerals and predatory lending