



# Green Finance Framework

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## **A. Introduction**

**Vivriti Capital Private Limited (VCPL)** ('the Company') is private limited company registered under Companies Act, 2013. VCPL is also registered with the Reserve Bank of India as a Non-Deposit taking Systemically Important Non-Banking Finance Company (NBFCs-ND-SI) and its debt securities are listed with Bombay Stock Exchange.

**Vivriti Asset Management Private Limited ("VAM")**, a subsidiary of VCPL, is an investment manager to fixed-income Alternative Investment Funds registered with Securities and Exchange Board of India (both VCPL & VAM hereinafter together shall be referred as "**Vivriti**").

## **B. Background**

### **Vivriti's Sustainability Commitment**

Vivriti is committed to strengthening its ESG performance across the entire ecosystem and has developed a sustainable roadmap to ensure that the interests of investors, community and environment are not compromised. It has adopted a proactive approach to align its ESG philosophy to its core business strategy. Currently, we measure and monitor ESG footprint of our portfolio companies by integrating the ESG risk assessment process with on-field due diligence and periodic risk monitoring.

### **ESG Risk Assessment -**

1. Exclusion list - Not entering into a transaction with any institution that is engaged in any of the activities set out in the exclusion list in the ESG policy
2. ESG risk score - Every borrower and the originator as the case may be is run through the Vivriti Sustainability model to assess their ESG risk on a scale of 1 to 5
3. Stewardship – On-field due diligence and periodic risk monitoring would enhance our stewardship efforts and strengthen our engagement with the portfolio companies

Vivriti has published its first sustainability report - '**Sustainability at Scale**', a steppingstone to showcase our sustainability efforts that offers insights on the scale, value and impact embedded in Indian mid-market performing credit.

## **C. Rationale for establishing Green Financing Framework ("Framework")**

Sustainability is not an option, it's of prime importance not only to our purpose, but also our growth. It is with this acknowledgement that Vivriti has developed the green financing framework to adopt sustainable solutions for business to ensure that the performance is aligned with our sustainability objectives and leverage ambitious timelines to achieve an improved sustainability performance that is relevant, core and material to our growth. In this process, Vivriti shall explore companies which directly or indirectly:

- Contribute towards clean and sustainable environment with respect to land, water and air.
- Conserve resources by reduction, reuse and recycling.
- Initiate and support measures to optimize usage of renewable energy, increase energy efficiency and reduce GHG emissions.

- Support measures for biodiversity conservation by following the practices of protecting, conserving and restoring ecosystems.
- Be transparent, ethical and fair to all stakeholders.
- Generate awareness, share knowledge and support training programs on sustainable development among the employees, neighbouring communities and public at large.

#### **D Scope and purpose of the Framework**

The Green Financing Framework is fully consistent with the Vivriti's sustainability strategy. The Framework will be applicable for all financial instruments including bonds, debentures loans or any other Green Financial Instruments which are used to finance /refinance eligible green projects.

The Green Financing Framework will be structured to be in line with the following guidelines -

1. Five core components of the Green Bond Principles, 2017 ("2017 GBP"):
  - a. Use of proceeds
  - b. Selection of projects and assets
  - c. Management of proceeds
  - d. Reporting; and
  - e. External Review
2. Climate Bonds Standard version 3 which also adheres to the Green Bond Principles, 2017 for which the International Capital Markets Association (ICMA) serves as Secretariat.

#### **a) Use of Proceeds**

The net proceeds from the Green Financing Instruments will be applied to finance and/or refinance, in whole or in part, new or existing investments and/or acquisitions in the following categories of eligibility as recognised in the 2017 GBP ("**Eligible Green Projects**"):

#### **I. Energy**

##### **1. Criteria for Eligible Projects & Assets – Solar**

Eligible activities – Financing and Re-financing of Eligible Projects

- 1.1. Eligible Project & Assets relating to solar energy generation shall be projects or assets that operate or are under construction to operate in one or more of the following activities:
  - 1.1.1. Onshore solar electricity generation facilities
  - 1.1.2. Wholly dedicated transmission infrastructure, grid connections and other supporting infrastructure for onshore solar electricity generation facilities including inverters, transformers, energy storage systems and control systems.
  - 1.1.3. Onshore solar thermal facilities such as solar hot water systems.
  - 1.1.4. Onshore solar heat/cool and power cogeneration facilities.
  - 1.1.5. Dedicated operational production, manufacturing or distribution facilities for key components, such as solar panels, inverters etc.

Non-solar fuel use

- 1.2. Eligible Project & Assets that have activities in solar electricity generation facilities or solar thermal facilities shall have a minimum of 85% of electricity generated from solar energy resources.

## 2. Criteria for Eligible Projects & Assets – Wind

Eligible activities – Financing and Re-financing of Eligible Projects

- 2.1. Eligible Project & Assets relating to wind energy generation shall be projects or assets that operate or are under construction to operate in one or more of the following activities:
  - 2.1.1. Onshore wind electricity generation facilities
  - 2.1.2. Wholly dedicated transmission infrastructure, grid connections and other supporting infrastructure for onshore wind electricity generation facilities including inverters, transformers, energy storage systems and control systems.
  - 2.1.3. Dedicated operational production, manufacturing or distribution facilities for key components, such as wind turbines, platforms etc.

## 3. Criteria for Eligible Projects & Assets – Bioenergy

Eligible activities – Financing and Re-financing of Eligible Projects

### 3.1 Facilities producing biofuel/biomass using feedstock in scope

- 3.1.1 Fuel preparation process facilities such as those for drying, size reduction, pelletisation or briquetting, and pyrolysis
- 3.1.2 Pre-treatment facilities such as those for thermochemical liquefaction, pyrolysis and gasification
- 3.1.3 Bio-refinery facilities which produce biomass-based products for energy purpose (power and heat). They may also co-produce bio-mass based products for non-energy use (such as food and feed ingredients, pharmaceuticals, chemicals, materials and minerals), with  $\geq 50\%$  biomass-based products produced for energy use

### 3.2. Energy production facilities using feedstock in scope

- 3.2.1 Heating/cooling, and co-generation facilities using biofuel/biomass
- 3.2.2 Traditional biomass assets or projects, such as a three-stone fire for heating and cooking in the residential sector

### 3.3 Supporting Infrastructure

- 3.3.1 Dedicated transmission lines from an eligible bioenergy facility to the main grid
- 3.3.2 Dedicated bioenergy storage facilities
- 3.3.3 Infrastructure that is built to power the extraction or distribution of fossil fuels.

## **II. Electrical Grids and Storage**

### **4. Criteria for Eligible Projects & Assets – Electricity Storage facilities**

Eligible activities – Financing and Re-financing of Eligible Projects

4.1. Construction, upgrade and/or operation of wholly dedicated battery facilities serving a power generation facility that meets the requirements of the relevant Climate Bonds Standard Sector Criteria. At the time of writing this includes:

- Wind energy
- Solar energy
- Marine Renewable energy (including offshore wind)
- Geothermal energy
- Hydropower energy

Type of batteries might include

- Lithium-ion
- High temperature sodium-sulphur
- Vanadium redox flow
- Zinc-bromide hybrid flow
- Lead-acid

## **III. Transport**

### **5. Criteria for Eligible Projects & Assets – Passenger cars and commercial vehicles**

Eligible activities – Financing and Re-financing of Eligible Projects

5.1. Manufacture and upgrade, purchase and/or operation of zero direct emission passenger or light commercial vehicles, for example:

- Electric vehicle manufacturing
- Banks leasing electric vehicles
- Taxi aggregators operating electric vehicle fleets

5.2. Manufacture and upgrade and/or purchase of key components to be used in eligible vehicles, for example:

- Manufacturing of high-density lithium-ion batteries
- Leasing of high-density lithium-ion batteries

### **6. Criteria for Eligible Projects & Assets – Public passenger transport by road - buses (urban) and coaches (interurban) transporting public passengers**

Eligible activities – Financing and Re-financing of Eligible Projects

6.1. Manufacture and upgrade, purchase and/or operation of zero direct emissions buses or coaches, for example:

- Electric bus manufacturing
- Entities leasing electric buses
- Private coach companies operating electric coach fleets

- 6.2. Manufacture and upgrade and/or purchase, of key components to be used in eligible vehicles, for example:
- Manufacturing of high-density lithium-ion batteries
  - Leasing of high-density lithium-ion batteries

**7. Criteria for Eligible Projects & Assets – Infrastructure for low carbon transport**

Eligible activities – Financing and Re-financing of Eligible Projects

- 7.1. Construction of dedicated infrastructure for other types of emissions-free travel such as public walking and cycle lanes
- 7.2. Dedicated charging and alternative fuel infrastructure (when separable from fossil fuel filling stations and garages)
- 7.3. The implementation and integration of Information and Communication Technology (ICT) systems that improve asset utilisation, flow and modal shift, regardless of transport mode (for example public transport information, car-sharing schemes, smart cards, road charging systems, etc.)

**IV. Waste and Pollution Control**

**8. Criteria for Eligible Projects & Assets – Material Reuse**

Eligible activities – Financing and Re-financing of Eligible Projects

- 8.1. Construction, Upgrade and operation of facility repairing and/or reusing products or components for same purpose for which they were conceived.

Mitigation Requirements

Assets covered	Eligibility Criteria
Facilities collecting, sort, clean, refurbish, recondition and/ or repair products	<p>The products are put back to their original use without any further pre-processing required.</p> <p>For waste electrical and electronic equipment (WEEE) specifically, the product is covered by an ecolabelling scheme and only those products meeting the three lowest energy use categories are eligible.</p>

**9. Criteria for Eligible Projects & Assets – Material Recycling**

Eligible activities – Financing and Re-financing of Eligible Projects

- 9.1. Construction, Upgrade and operation of facilities producing recycled glass, metal, paper, and plastic from post-consumer waste.

Assets covered	Eligibility Criteria
Facilities processing recyclable waste fractions into secondary raw materials	The secondary raw materials (such as steel, aluminium, glass, plastics) cease to be waste and are sold to be used as secondary raw materials.



## 10. Criteria for Eligible Projects & Assets – Collection Infrastructure

Eligible activities – Financing and Re-financing of Eligible Projects

10.1. Manufacture and upgrade, purchase of containers provided for waste collection.

Mitigation Requirements

Assets covered	Eligibility Criteria
ISO containers, recycling bins, wheeled bins, green/garden waste containers	<p>Made from 100% recycled and recyclable materials. Containers for residual waste will not be eligible unless part of an investment that also includes an equivalent number of separate containers for material recycling.</p> <p>Support source segregation of waste.</p>
Collection vehicles	Must meet Transport Criteria

## 11. Criteria for Eligible Projects & Assets – Composting

Eligible activities – Financing and Re-financing of Eligible Projects

11.1. Construction, Upgrade and operation of Facility producing compost via green waste such as food, garden or yard wastes.

Assets covered	Eligibility Criteria
Facilities processing food and/ or green/ garden/ yard waste to produce compost for agricultural, municipal or consumer applications	<ul style="list-style-type: none"> <li>• Zero measurable methane emissions</li> <li>• Monitoring, sampling and control of the following is carried out in accordance with PAS100 guidance or equivalent national or state standard or guidance:               <ul style="list-style-type: none"> <li>○ Waste inputs (to ensure only source separated, uncontaminated garden/yard and other appropriate waste is received).</li> <li>○ The process (for example, to ensure temperature, moisture and emissions are aligned with correct process operation); and</li> <li>○ Product quality (properly sampled and analysed for parameters that would affect its use: for example, heavy metals and other biocidal substances, particle size, contamination, stability).</li> </ul> </li> <li>• The resulting product is not landfilled and replaces non-waste material in the market</li> </ul>

## 12. Criteria for Eligible Projects & Assets – Anaerobic Digestion

Eligible activities – Financing and Re-financing of Eligible Projects

12.1. Construction, Upgrade and operation of Facility for processing food, garden or yard, or other organic materials to produce biogas and digestate for e.g. electricity generation



Assets covered	Eligibility Criteria
Facilities which produce power and/ or heat using food and/ or green/ yard waste	<ul style="list-style-type: none"> <li>• Total methane emissions <math>\leq 1285\text{g CH}_4/\text{tonne}</math> of waste input (this is approximately equivalent to <math>100\text{g CO}_2\text{e}/\text{kWh}</math>)</li> <li>• Woody waste must be segregated before or after processing and sent to an eligible EfW or composting plant</li> <li>• Monitoring, sampling and control of the following is carried out in accordance with PAS110 guidance or equivalent national or state standard or guidance               <ul style="list-style-type: none"> <li>○ Waste inputs (to ensure only source separated, uncontaminated food and other appropriate waste is received).</li> <li>○ The process (for example, to ensure temperature and emissions are aligned with correct process operation). And</li> <li>○ Product quality (properly sampled and analysed for parameters that would affect its use: for example, heavy metals and other biocidal substances, nutrients and contamination).</li> </ul> </li> <li>• The solid and liquid products are not landfilled and replace non-waste materials in the market</li> </ul>

### 13. Criteria for Eligible Projects & Assets – Pre-sorting

Eligible activities – Financing and Re-financing of Eligible Projects

- 13.1. Construction, Upgrade and operation of Facility for segregating mixed recyclables into separate, saleable streams, e.g. material recovery facilities (MRFs).

### 14. Criteria for Eligible Projects & Assets – Waste Incineration or Gasification & Energy Recovery

Eligible activities – Financing and Re-financing of Eligible Projects

- 14.1. Construction, Upgrade and operation of Facility producing electricity and/or heat via the combustion of municipal solid waste OR mixed residual waste.
- 14.2. Construction, Upgrade and operation of Facility producing electric and/or heat via gasification of residual municipal solid waste.

Assets covered	Eligibility Criteria
Facilities which produce power and/ or heat/ cooling by the thermal processing of residual waste, including	<ul style="list-style-type: none"> <li>• Plant efficiency <math>\geq 25\%</math>; AND</li> <li>• Bottom ash recovery; AND</li> <li>• <math>\geq 90\%</math> recovery of metal from ash; AND</li> <li>• Average carbon intensity of electricity and/ or heat over the life of the plant <math>\leq</math> waste management allowance; AND</li> </ul>

rejects from recycling/ composting/ AD	<ul style="list-style-type: none"> <li>The capacity of the plant does not exceed the calculated residual waste at any time in the plant's life.</li> </ul>
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### 15. Criteria for Eligible Projects & Assets – Decommissioned Landfill only, with Gas Capture & Energy Generation

Eligible activities – Financing and Re-financing of Eligible Projects

15.1. Construction, Upgrade and operation of Facility for Project to capture biogas from non-operational landfill (ceased receiving waste except inert restoration materials).

Assets covered	Eligibility Criteria
Projects to capture biogas from closed landfill facilities	<ul style="list-style-type: none"> <li>Gas capture <math>\geq</math> 75%;</li> <li>Gas used to generate electricity and input to the natural gas grid or used as vehicle fuel.</li> <li>The landfill is not accepting further waste (with the exception of restoration materials).</li> </ul>

## V. Agriculture

### 16. Criteria for Eligible Projects & Assets – Crops and livestock

Eligible activities – Financing and Re-financing of Eligible Projects

Assets covered	Eligibility Criteria
Crops whole production unit	Establishment, expansion, or ongoing operation of the production unit as a whole
Crops, Intervention aimed at addressing GHG emissions/carbon sequestration	Specific interventions within the production unit to implement GHG emission reduction or carbon storage activities – <ul style="list-style-type: none"> <li>Agroforestry practices</li> <li>New fertiliser application systems</li> <li>New low-till agricultural systems</li> </ul>
Crops, Supporting Activities which reduce GHG emissions/increase sequestration	Only the following activities which reduce GHG emissions/increase sequestration are eligible: <ul style="list-style-type: none"> <li>Activities that enable the measurement, monitoring, reporting and verification of emissions reductions</li> <li>Research and development of ruminant feed that reduces methane emissions</li> <li>Research into alternative meat and dairy products that might substitute for meat and dairy consumption</li> <li>Provision of capacity building or education services relating to low carbon agricultural practices</li> <li>Training in one of the approved best practices</li> </ul>
Livestock, Whole Production Unit	Establishment, expansion, or ongoing operation of the production unit as a whole, e.g., conversion of degraded land for agricultural production, herd expansion or maintenance of climate-friendly farming practices
Livestock, Intervention aimed at addressing GHG	Specific interventions within the production unit to implement low GHG practices, e.g.,

emissions/carbon sequestration	<ul style="list-style-type: none"> <li>• New manure management or treatment system</li> <li>• New feed regimes for ruminant livestock</li> </ul>
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## VI. Buildings

### 17. Criteria for Eligible Projects & Assets – Residential building

Eligible activities – Financing and Re-financing of Eligible Projects

Assets covered	Eligibility Criteria
Residential Buildings – a building or portfolio of building where more than half of the floor area is used for dwelling purposes, including but not limited to the following subcategories of residential buildings: Single family rentals; Multi-family Rentals	<ul style="list-style-type: none"> <li>• Origination or refinancing of loans or mortgages, including portfolios</li> <li>• Capital costs of performance upgrades such as building envelope retrofits, lighting upgrades, appliance &amp; equipment upgrades, smart metering, etc</li> <li>• Operating expense of ongoing maintenance, where increased energy efficiency and decreased carbon emissions are materially significant</li> </ul>

### 18. Criteria for Eligible Projects & Assets – Commercial building

Eligible activities – Financing and Re-financing of Eligible Projects

Assets covered	Eligibility Criteria
Commercial Buildings - a building or portfolio of buildings where more than half of the floor area is used for commercial purposes, including but not limited to the following subcategories of commercial buildings: Offices; Schools; Campuses; Shopping centres; retail shops	<ul style="list-style-type: none"> <li>• Origination or refinancing of loans or mortgages, including portfolios</li> <li>• Capital costs of performance upgrades such as building envelope retrofits, lighting upgrades, appliance &amp; equipment upgrades, smart metering, etc</li> <li>• Operating expense of ongoing maintenance, where increased energy efficiency and decreased carbon emissions are materially significant</li> </ul>

### 19. Criteria for Eligible Projects & Assets – Industrial building

Eligible activities – Financing and Re-financing of Eligible Projects

Assets covered	Eligibility Criteria
Industrial Buildings – a building or facility dedicated to the manufacturing, altering, repairing, cleaning, washing, breaking-up,	<ul style="list-style-type: none"> <li>• Origination or refinancing of loans, including portfolios</li> <li>• Capital costs of performance upgrades material to the building's performance such as envelope retrofits, lighting upgrades, smart metering, etc</li> </ul>

adapting or processing any article/goods including but not limited to the following subcategories: Manufacturing facility; Agriculture/livestock facilities; Energy generation facilities	<ul style="list-style-type: none"> <li>• Capital costs of performance upgrades to non-building related industrial equipment</li> </ul>
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#### **b) Process for Project Evaluation and Selection**

The projects shall be evaluated and selected for financing and/or refinancing using the proceeds from the Green Financing Instruments basis the following:

- (i) Vivriti Group's ESG Framework;
- (ii) Qualification of the project as an Eligible Green Project;
- (iii) Approval of the Credit and/or Investment committee, as may be applicable.

At the inception of every Eligible Green Project, Vivriti will ensure that the project is fully in compliance with the relevant environmental, social and governance regulations and standards.

Proceeds from the Green Financing Instruments will be used exclusively for Eligible Green Projects which are evaluated to deliver long-term positive net environmental effects.

#### **c) Management of Proceeds**

Vivriti will establish an internal tracking system to monitor and account for the allocation of the proceeds. Unallocated proceeds shall be held in temporary investment instruments in accordance with relevant policies of Vivriti.

#### **d) Reporting**

On an annual basis, until the Green Finance Instruments are outstanding, Vivriti will annually report-

1. use of proceeds (project type, capacity and location) for investment in each Green Finance Instrument;
2. the current allocated and outstanding amounts and contractual maturity dates;
3. percentage of amounts allocated for financing and refinancing (if applicable);
4. management confirmation from portfolio companies that the use of proceeds of the Green Finance Instrument is in alignment with this Framework.

#### **e) Verification & Assurance**

Post issuance, one of the reputed third-party auditors will provide assurance that the nominated projects are in alignment with the Green Bond Principles, 2017.