

# **Green, Social, Sustainable and Sustainability linked loans financing (GSS+) Bonds Framework**

**National Development Bank PLC**

**Sri Lanka**

# Contents

Abbreviations and acronyms.....	3
1. Introduction.....	4
2. Purpose.....	5
3. Green, Social, Blue and Sustainable Bonds.....	6
3.1. Use of proceeds.....	6
3.1. (a) Green and Blue Eligible Categories.....	7
3.1. (b) Social Eligible Categories.....	18
3.2 Process for Evaluation and Selection of Eligible Projects.....	22
3.3 Management of Proceeds.....	24
3.4 Reporting.....	25
4. Sustainability Linked Loans Financing Bonds (SLLBs).....	26
4.1 Use of Proceeds.....	26
4.1.1 Fundamentals.....	26
4.1.2 Eligibility criteria for SLLs financed under the SLLB Framework.....	26
4.2 Process for SLL Evaluation and Selection.....	27
4.2.1 Selection of KPIs, calibration of SPTs and mandate assessment.....	27
4.2.2 Loan characteristics.....	28
4.3 Management of Proceeds.....	30
4.4 Reporting.....	30
5. External Review.....	30
Annexures.....	31

# Abbreviations and acronyms

ASC	Aquaculture Stewardship Council
BWM	Ballast Water Management
CBSL	Central Bank of Sri Lanka
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CO <sub>2</sub>	Carbon Dioxide
CRIB	Credit Information Bureau of Sri Lanka
E&S	Environmental and Social
EDFI	European Development Finance Institutions
ESG	Environmental, Social, and Governance
ESMS	Environmental and Social Management System
ESRM	Environment and Social Risk Management
GBP	Green Bond Principles
GHG	Greenhouse Gas
GSS+	Green, Social, Sustainability, Sustainability-linked loan financing
GSSS Bonds	Green, Social, Sustainability or Sustainability-linked bonds
GSTC	Global Sustainable Tourism Council
ICMA	International Capital Markets Association
IFC	International Finance Corporation
IFC PS	International Finance Corporation Performance Standards
IRMC	Integrated Risk Management Committee
KPIs	Key Performance Indicators
LED	Light Emitting Diode
LEED	Leadership in Energy and Environmental Design
LMA	Loan Market Association
MPAs	Marine Protected Areas
MSC	Marine Stewardship Council
MW	Megawatt
OECMs	Other Effective Area-Based Conservation Measures
PCBs	Polychlorinated Biphenyls
SBP	Social Bond Principles
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goals
SLLBG	Guidelines for Sustainability-Linked Loans Financing Bonds
SLLB	Sustainability Linked Loans Financing Bonds
SLLP	Sustainability Linked Loan Principles
SLLs	Sustainability-Linked Loans
SLLs	Sustainability Linked Loans
SME	Small Medium and Enterprise
SOP	Standard Operating Procedures
SPTs	Sustainability Performance Targets
UN	United Nations
UOP	Use of Proceeds
UV Radiation	Ultraviolet Radiation

# 1. Introduction

National Development Bank PLC (“NDB” or, “the Bank”) is a licensed commercial bank in Sri Lanka in terms of the Banking Act No. 30 of 1988 as amended from time to time. The Bank was established under the National Development Bank of Sri Lanka Act No. 02 of 1979 and was incorporated as a company under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. The Bank is dedicated to creating superior shareholder value and contributing to national development by offering innovative financial solutions through an inspired and dedicated team.

At the core of NDB's values are integrity, creativity, excellence, sincerity, accountability, and dependability. The Bank is committed to maintaining productive, long-term relationships with borrowers and stakeholders while remaining responsible, transparent, and accountable in all its actions. Sustainability is a central focus in NDB's strategic agenda. The Bank is committed to financing sustainable investments domestically and abroad. NDB acknowledges the importance of addressing significant environmental, social, and governance (“ESG”) impacts while creating value for all stakeholders. To this end, NDB aligns its business strategies with values-driven sustainability, focusing on long-term success, trust-building, reputation enhancement, growth opportunities, customer expectations, and employee satisfaction while supporting the UN Sustainable Development Goals.

Through its commitment to mitigating environmental and social issues, NDB continues to pave the way for innovative solutions and expanded capabilities, making a real difference in people's lives.

## 2. Purpose

The Green, Social, Sustainable and Sustainability linked loans financing (GSS+) Bond Framework (“the Framework”) aims to outline a roadmap for issuing GSS+ bonds by NDB and using the proceeds to fund green, blue, social or ESG performance aspects linked projects of the Bank’s borrowers . This Framework establishes the foundation for identifying, selecting, verifying, and reporting eligible sustainable financing opportunities that can be directly or indirectly financed through NDB's GSS+ bonds, as well as managing the associated proceeds.

NDB’s GSS+ Bond Framework is based on the Green Bond Principles 2025 (“GBP”), Social Bond Principles (“SBP”) 2025, Sustainability Bond Guidelines 2021, Guidelines for Sustainability Linked Loans Financing Bonds (“SLLB”) (2024) published by the International Capital Markets Association (“ICMA”), the Sustainability Linked Loan Principles (SLLP) by the Loan Market Association (LMA), in alignment to the Sri Lanka Green Finance Taxonomy issued by the Central Bank of Sri Lanka (CBSL) in 2022, which provide guidelines in the following four key areas:

- Use of Proceeds
- Process for Project Evaluation and Selection/ Process for Sustainability Linked Loans (“SLL”) Evaluation and Selection (in the case of SLL Financing Bonds)
- Management of Proceeds
- Reporting and External Review

The GSS+ Bond Framework may be further updated and expanded as the GBP and SBP market practices evolve. This framework will be applied to any green / blue / social / sustainable / sustainability linked loan financing bonds (i.e. GSS+ Bonds) issued by NDB.

Under this Framework, the Bank may issue a combination of one or more of the following five (5) types of bonds:

- Green Bonds where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the Eligible Green categories,
- Blue Bonds where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the Eligible Blue categories,
- Social Bonds where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the Eligible Social categories,
- Sustainability Bonds where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within both Eligible Green and Social categories.
- Sustainability-linked Loans Financing Bonds where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the sustainability-linked loans categories

## 3. Green, Social, Blue and Sustainable Bonds

### 3.1. Use of proceeds

NDB intends to allocate the amount equal to the net proceeds of the GSS Bond issued under this framework to finance or refinance new and existing loans to the following categories under an eligible Sustainability Loan Portfolio. Any lending for refinancing purposes will be limited to finance projects no older than three years, from the date of allotment of the Bond proceeds. The eligible sustainability loans are to be funded in whole or in part by an allocation of the bond proceeds. In addition, the Bank will be able to finance eligible green, blue, social and sustainable cross-border portfolio projects through the financial provisions of a thematic bond. The criteria for eligible projects, as delineated in the 'use of proceeds' table, have been defined with clear, non-overlapping distinctions. This ensures clear categorization across the green, blue, social and sustainable categories, preventing the double counting of proceeds from any projects.

The use of proceeds categories can be summarised as follows:

### 3.1. (a) Green and Blue Eligible Categories

Eligible Categories	Eligible Project Criteria	SDG Alignment	Environmental benefits of the projects	Estimated proceeds allocation per project category	Applicable green category of the CBSL Green Taxonomy	Metric to measure environmental benefit
Renewable Energy	<ul style="list-style-type: none"> <li>Wind, hydro (up to the maximum capacity of 10 MW), biomass, solar energy and marine energy generation.</li> <li>Dedicated transmission and support infrastructure for wind and solar energy.</li> <li>Energy distribution, management, control and storage systems for wind and solar energy.</li> </ul> <p><i>Note: Use of proceeds (UOP) in this category will only encompass the construction of new projects and the acquisition of existing projects</i></p>	SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), SDG 13 (Climate Action) 	The investment in the renewable energy reduce the fuel based energy consumption and thereby improve climate change mitigation *	To be determined within 24 months from the date of allotment of bond proceeds	M3.5 M3.6 M3.7 M3.8 M3.10 M4.1 M4.2 M4.3 M4.4 M4.5 M4.6 M4.9 M4.13 M4.14 M4.17	Renewable energy generated in MW hours per year
Green Buildings	<ul style="list-style-type: none"> <li>Green buildings that meet national (LEEDS Gold certified / GREENSL Gold or above offered by the Green Building Council) or internationally recognised standards or certifications for environmental performance, such as:               <ul style="list-style-type: none"> <li>Commercial buildings (including the tourism sector).</li> <li>Residential buildings.</li> </ul> </li> </ul>	SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action)	Reduced energy and water consumption, lower greenhouse gas emissions, minimized waste, and improved overall resource efficiency across properties	To be determined within 24 months from the date of allotment of bond proceeds	M6.1 M6.2 M6.3 E4.1	Number of Green buildings funded fully or partially - that meet national (LEEDS Gold certified / GREENSL Gold or above offered by the Green Building Council) or internationally recognised standards or certifications for environmental performance

	<ul style="list-style-type: none"> <li>Property upgrades</li> </ul>	  				
Energy Efficiency	<ul style="list-style-type: none"> <li>Energy efficiency products, appliances and equipment.</li> <li>LED and efficient lighting.</li> <li>Industrial and commercial buildings (including the equipment and machinery)</li> </ul>	SDG 7 (Affordable and Clean Energy), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action)   	Reduction in energy demand leads to lower greenhouse gas emissions and improved resource efficiency, ultimately contributing to climate change mitigation	To be determined within 24 months from the date of allotment of bond proceeds	M2.4 M3.4 M3.14 M3.15 M3.16 M4.9 M4.11 M4.12 M4.13 M4.14 M4.15 M4.16 M4.17 M4.18 M6.1 M6.3 M6.8 M6.9	Annual energy savings in MWh achieved by the projects funded
Clean Transportation	<ul style="list-style-type: none"> <li>Electric freight and passenger vehicle investments.</li> <li>Electrified rail investments.</li> <li>Low carbon and non-fossil fuel public transport investments, including hybrid vehicles.</li> </ul>	SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities),	Reduction in transport-related emissions and reduced reliance on fossil fuels across passenger and freight transport systems		M 3.3 M 3.12 M 3.13 M 6.4 M 6.5 M 6.6 M 6.7 M 7.1	Number of eligible vehicles funded per year

	<ul style="list-style-type: none"> <li>Electric vehicles, plus dedicated charging and alternative fuel infrastructure.</li> </ul>	SDG 13 (Climate Action) 			M 7.2 M 7.3 M 7.4 M 7.5	
Sustainable water and wastewater management	<ul style="list-style-type: none"> <li>Infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems.</li> </ul>	SDG 6 (Clean Water and Sanitation), SDG 11 (Sustainable Cities and Communities), SDG 13 (Climate Action) 	Pollution prevention and control*** Climate change adaptation** Biodiversity** Natural resource conservation**	To be determined within 24 months from the date of allotment of bond proceeds	M5.1 M5.2 M5.3 M5.4 M5.5 M5.6 E3.1 E3.2 E3.3 E3.4 E3.5 E3.6	Amount of clean water generation capacity of the project funded in m3
Environmentally Sustainable Management of Living Natural Resources	<ul style="list-style-type: none"> <li>Environmentally sustainable agriculture (e.g., climate smart agriculture, agroforestry, sustainable agriculture certification projects).</li> <li>Environmentally sustainable animal husbandry.</li> <li>Climate-smart farm inputs (e.g., biological crop protection or drip irrigation).</li> <li>Environmentally sustainable fishery and aquaculture.</li> </ul>	SDG 2 (Zero Hunger), SDG 14 (Life Below Water), SDG 15 (Life on Land), SDG 13 (Climate Action)	Natural resource conservation* Biodiversity* Climate change adaptation** Climate change mitigation*	To be determined within 24 months from the date of allotment of bond proceeds	M1.1 M1.2 M1.3 M1.4 M 2.1 M 2.2 M 2.3 M 2.4 M 2.5 M 5.6 A 1.1 A 1.2	Number of sustainable agriculture business ventures financed

	<ul style="list-style-type: none"> <li>Forestry, afforestation or reforestation.</li> <li>Preservation/restoration of natural landscapes.</li> <li>Nature- and/or ecofriendly tourism solutions related to the above.</li> </ul>	   			A 1.4 A 1.5 A 1.6 E 1.1 E 1.2 E 1.3 E 1.4 E 1.5 E 1.7 E 1.9	
Climate change adaptation	<ul style="list-style-type: none"> <li>Efforts to make infrastructure more resilient to climate change impacts.</li> <li>Investments in information support systems such as climate observation and early warning systems.</li> </ul>	SDG 13 (Climate Action) 	Climate change adaptation*	To be determined within 24 months from the date of allotment of bond proceeds	A1.1 – A1.6 A2.1 A3.1 – A3.3 A4.1 – A4.3	Number of information support systems such as climate observation and early warning systems funded
Tourism and recreation	<ul style="list-style-type: none"> <li>Nature-based freshwater and marine visitor centers, certificates, and/or programs showcasing the environment and biodiversity, and disseminating research and knowledge about rivers, lakes, wetlands, reefs, and other aquatic ecosystems.</li> <li>Licensed certified sustainable tourism in areas close to a water body and coastal regions with inclusive livelihood elements and business opportunities, such as resorts, hotels, boat operators, sailing schools, and diving centers</li> </ul>	SDG 14 (Life Under Water) 	Natural resource conservation Biodiversity conservation	To be determined within 24 months from the date of allotment of bond proceeds	M 2.4 M 4.6 A 1.1 A 3.3 A 4.1 A 4.2 A 4.3 E 4.1	Number of sustainable operators (GSTC, Green Globe)
Ocean-friendly products, marine biotechnology	<ul style="list-style-type: none"> <li>The sustainable collection of excess natural organic (plant) or aquatic and marine origin material (such as Sargassum seaweed) and conversion to</li> </ul>	SDG 14 (Life Under Water)	Pollution prevention and control Biodiversity conservation	To be determined within 24 months from the date of	M3.1 E2.7	Percentage of ocean and water-friendly products against other products

<p>and chemicals (including circular economy adapted products)</p>	<p>new sustainable products or substances with alternative use and value without disrupting local ecosystems</p> <ul style="list-style-type: none"> <li>• Household products that are made from sustainable raw materials and that can replace existing harmful products or reduce nitrogen and phosphorus loads in the aquatic environment</li> <li>• At least a 20 percent reduction per unit of product or replacement of phosphate-based or nitrogen-based synthetic fertilizers with sustainable alternatives and biodegradable fertilizers and supplements, in areas connected to rivers or coastal water basins.</li> <li>• Alternative low carbon and biodegradable fibers (such as Lyocell) substituting for fossil-based fibers (for example, polyester) in the value chains of the medical, apparel, and other industries.</li> <li>• Biodegradable plant-based plastics and packaging, or compostable plastics and packaging, in locations where compostable facilities are readily available</li> <li>• Use of recycled or reused plastics for manufacturing in a circular economy approach in areas connected to rivers or coastal water basins.</li> </ul>		<p>Climate change mitigation</p>	<p>allotment of bond proceeds</p>	<p>Production capacity that meets criteria</p>
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	<ul style="list-style-type: none"> <li>Plastics collection and recycling facilities, substitution of plastic packaging with sustainable and biodegradable materials, and reusing or repurposing of plastics in areas close to a water bod</li> </ul>					
Transport and shipping	<ul style="list-style-type: none"> <li>Electric vessels, wind-powered vessels, and other vessels using low-emission hydrogen-based fuels (including fuel cell vessels), associated enabling infrastructure such as charging infrastructure (including both renewable electric shore power and/or renewable offshore charging points) and storage and bunkering infrastructure for low-emission hydrogen-based fuels</li> <li>Technology-based tracking, monitoring, mapping, and analytical tools and/or alternate routing practices to protect life under the water</li> <li>Ballast water treatment in vessels to comply with the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM Convention) to avoid the spread of invasive alien species</li> <li>Non-chemical water treatment equipment and facilities (such as membrane bioreactors and UV radiation) for all blackwater and</li> </ul>	SDG 14 (Life Under Water) 	Pollution prevention and control Biodiversity conservation Climate change mitigation Climate change adaptation	To be determined within 24 months from the date of allotment of bond proceeds	M3.12 M6.5 E3.3 E3.5	Percentage of ship fleet with upgraded ballast water treatment  Volume of ballast water, black water, graywater, or bilge water treated

	<p>greywater generated from ports and vessels</p> <ul style="list-style-type: none"> <li>• Bilge water treatment systems and equipment in shipping vessels</li> <li>• Maritime noise pollution reduction technology, measurement, and equipment in shipping vessels</li> <li>• Vessel recycling and/or repurposing</li> <li>• . Systems, technology, and measurement that facilitate the improvement of oil (fuel) spill prevention, risks safeguard, and recovery facilities</li> <li>• Solid waste and other waste receiver facilities at ports and terminals for the collection and treatment of garbage and waste</li> </ul>					
Fisheries and aquaculture	<ul style="list-style-type: none"> <li>• Sustainable land-based aquaculture production of high-value niche products, such as crustaceans, sea urchins, ornamental corals, and fish</li> <li>• Sustainable cultivation of bivalves for algae and nutrient removal in eutrophic coastal waters</li> <li>• Sustainable production of algae and other marine micro or macro-organisms to produce food, feed, pharmaceuticals, cosmetics, or other bio-based products through biotechnological applications</li> <li>• Cold chain and storage for small and medium-sized32 fishing in areas with sustainable fishing quotas</li> </ul>	<p>SDG 14 (Life Under Water)</p> 	<p>Pollution prevention and control  Natural resource conservation  Biodiversity conservation  Climate change adaptation</p>	<p>To be determined within 24 months from the date of allotment of bond proceeds</p>	<p>A1.5  E1.6  E5.1</p>	<p>Sustainable production in weight  Cold storage capacity</p>

	<ul style="list-style-type: none"> <li>• Medium to large-scale processing and product development, with an emphasis on pelagic species, such as fish loins, sashimi-grade fish, and bycatch in jurisdictions with enforced sustainable fishing quotas.</li> <li>• Small to medium-scale biorefineries for fish processing byproducts (for example, oil, collagen, amino acid, and mineral production) in jurisdictions with enforced sustainable fishing quotas.</li> <li>• Fisheries that meet, keep, or exceed the Marine Stewardship Council certification<sup>33</sup> standard (MSC) or equivalent.</li> <li>• Aquaculture that meets, keeps, or exceeds the Aquaculture Stewardship Council certification standard (ASC) or equivalent.</li> <li>• Production, trade, or retail of seafood products with the blue Marine Stewardship Council label or Aquaculture Stewardship Council label.</li> <li>• Traceability systems to ensure the sustainability of operations, facilities, and supply chains in the fishing industry. This investment should meet, keep, or exceed the Marine Stewardship Council certification for the chain of custody certification for suppliers of seafood products.</li> <li>• Information systems, technology, and instruments deployed for monitoring,</li> </ul>						
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	<p>measuring, tracking, and reporting physical and chemical indicators of the water body to achieve sustainable fishery and aquaculture management. This could include systems with drones, autonomous sailing vessels, autonomous underwater vehicles, and ocean buoys, among other technologies.</p> <ul style="list-style-type: none"> <li>• Fishery Improvement Projects registered with the International Seafood Sustainability Foundation.</li> </ul>					
Habitat restoration and protection of coastal, marine, and watershed environments	<ul style="list-style-type: none"> <li>• Field identification, extraction, and testing of water body and ocean organisms to expand knowledge of aquatic and marine biodiversity and the protection of these ecosystems</li> <li>• Conservation, improvement, and restoration of freshwater, marine, and coastal ecosystems, preferably using an ecosystem management approach, including supporting innovative governance structures suitable for private and public investments. These systems include, but are not limited to wetlands, coral reefs, mangroves, seagrass meadows, and tidal marshes.</li> <li>• Information systems, technology, and instruments deployed for monitoring, measuring, tracking, and reporting physical and chemical indicators of a water body to achieve water-related ecosystem restoration and disaster</li> </ul>	<p>SDG 14 (Life Under Water)</p> 	<p>Natural resource conservation</p> <p>Biodiversity conservation</p> <p>Climate change adaptation</p>	<p>To be determined within 24 months from the date of allotment of bond proceeds</p>	<p>A 1.5</p> <p>A3.3</p> <p>E 1.6</p> <p>E 2.3</p> <p>E 5.1</p>	<p>Length of river or area of aquatic ecosystem conserved, improved, and/or restored</p> <p>Installed capacity of an offshore wind farm with biodiversity features</p>

	<p>resilience. This could include systems with drones, autonomous sailing vessels, autonomous underwater vehicles, and ocean buoys, among other technologies.</p> <ul style="list-style-type: none"> <li>• New restoration techniques, such as artificial reef restoration structures using biodegradable potato starch, mangrove and seagrass planting, and coral reef restoration projects.</li> <li>• New technology, such as marine robotics,<sup>38</sup> to control invasive species, including but not limited to plankton, crustaceans, and mollusks.</li> <li>• Critical coastal ecosystem-based adaptation activities, including protection, restoration, and sustainable management of coastal blue carbon ecosystems.</li> <li>• Establishment, expansion, and management of Marine Protected Areas (MPAs) and Other Effective Area-Based Conservation Measures (OECMs) for coastal conservation, marine habitat protection, and restoration</li> <li>• Systems, technology, and measurement that facilitate the identification and prevention of illegal marine wildlife/species trade (including corals).</li> <li>• Conservation, improvement, and restoration of natural hydrological and sediment flows.</li> </ul>					
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	<ul style="list-style-type: none"> <li>Offshore wind energy facilities, such as wind farms that do not harm marine ecosystems with additional features such as fishery sanctuaries for juveniles of certain marine species, substantial artificial reef elements, and other measures promoting marine biodiversity.</li> </ul>					
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- \*Primary environmental benefits
- \*\*Secondary environmental benefits
- \*\*\*Tertiary environmental benefits

### 3.1. (b) Social Eligible Categories

Eligible Categories	Eligible Project Criteria	SDG Alignment	Social issue(s) addressed/ positive social outcomes sought	Target population for the project, and the rationale	Estimated proceeds allocation per project category	Metrics to measure social benefits
Affordable basic Infrastructure	<p>Clean drinking water Sewers Sanitation Transport (road transportation infrastructure) Energy</p> <p><i>Note: The UOP from this category will be targeted at the general public with heightened emphasis on women entrepreneurs and women led commercial entities as a separate target group</i></p>	<p>SDG 6 (Clean Water and Sanitation), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities)</p> 	<p>Improved Access to Essential Services: Ensuring availability of clean drinking water, sanitation, and reliable energy to enhance public health and quality of life, particularly in underserved communities.</p> <p>Gender-Inclusive Economic Empowerment: Prioritizing women entrepreneurs and women-led commercial entities to promote equitable participation in economic activities and reduce gender disparities.</p> <p>Enhanced Mobility and Connectivity: Developing affordable and sustainable transportation infrastructure to improve access to markets, education, and healthcare, fostering inclusive growth.</p> <p>Strengthened Community Resilience: Building basic infrastructure aligned with SDGs to create safer, healthier, and more</p>	<p>General Public – Communities lacking affordable access to clean water, sanitation, energy, and transportation.</p> <p>Women Entrepreneurs and Women-Led Commercial Entities – A distinct focus group within the broader population.</p> <p><b>Justification</b></p> <p><b>General Public:</b> These infrastructure gaps directly impact health, mobility, and economic opportunities, especially in underserved areas.</p> <p><b>Women Entrepreneurs:</b> Targeting women-led businesses promotes gender equality, economic empowerment, and inclusive growth, aligning with SDG 5 and strengthening local economies.</p>	<p>To be determined within 24 months from the date of allotment of bond proceeds</p>	<ul style="list-style-type: none"> <li>Number of water infrastructure projects built/upgraded</li> </ul>

			sustainable communities, reducing vulnerability to social and environmental challenges.			
Access to essential services	<p>Health and medical services Education and vocational training Healthcare Financing and financial services (e.g. SME lending) <i>Note: NDBs SME are definition is guided by the Sri Lanka Ministry of Industry <a href="#">National Policy Framework for Small Medium and Enterprise (SME) Development</a></i></p>	<p>SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth)</p>   	<p><b>Limited access to quality healthcare and education</b> in underserved communities. <b>Financial exclusion</b>, particularly for SMEs and vulnerable groups. <b>Barriers to decent employment opportunities</b> and vocational skills development. <b>Positive Social Outcomes Sought</b> <b>Improved health and well-being</b> through better medical services and infrastructure (SDG 3). <b>Enhanced educational attainment and skills development</b>, fostering lifelong learning (SDG 4). <b>Inclusive economic growth and job creation</b> via SME financing and vocational training (SDG 8). <b>Greater financial inclusion</b>, enabling equitable access to banking and credit services.</p>	<p><b>Underserved and vulnerable communities</b> lacking access to quality healthcare and education. <b>Students and youth</b> needing vocational training for employability. <b>SMEs and micro-entrepreneurs</b> facing financial exclusion. <b>Low-income households</b> requiring affordable financial services. <b>Rationale</b> These groups face systemic barriers to essential services, limiting health outcomes, educational attainment, and economic participation. Improving access for these populations directly supports SDG 3, SDG 4, and SDG 8 by fostering well-being, inclusive education, and sustainable livelihoods. Targeting SMEs and vulnerable households promotes financial inclusion and job creation, driving equitable economic growth.</p>	To be determined within 24 months from the date of allotment of bond proceeds	Number of hospitals and other healthcare facilities built/upgraded

<p>Employment Generation and unemployment alleviation</p>	<p>Programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises Projects designed to promote and develop sustainable tourism products and services (e.g. cultural heritage preservation and interpretation, wildlife preservation, landscape restoration, and sustainable energy interventions for hospitality establishments).</p>	<p>SDG 8 (Decent Work and Economic Growth), SDG 1 (No Poverty)</p>  	<p><b>High unemployment and job insecurity</b> due to socioeconomic crises. <b>Poverty and income instability</b> among vulnerable populations. <b>Unsustainable tourism practices</b> threatening cultural heritage and local livelihoods. <b>Positive Social Outcomes Sought</b> <b>Job creation and income stability</b> through targeted employment programs (SDG 8). <b>Poverty reduction</b> by providing sustainable livelihood opportunities (SDG 1). <b>Development of sustainable tourism</b> that preserves cultural and natural assets while generating local employment. <b>Resilient economic recovery</b> by supporting sectors impacted by crises.</p>	<p><b>Unemployed individuals and workers displaced by socioeconomic crises.</b> <b>Low-income households</b> vulnerable to poverty due to job loss. <b>Communities dependent on tourism</b> for livelihoods. <b>Local artisans and cultural heritage custodians</b> impacted by declining tourism. <b>Rationale</b> These groups are most affected by economic shocks and lack alternative income sources. Supporting them helps <b>reduce poverty (SDG 1)</b> and <b>create decent work opportunities (SDG 8)</b>. Sustainable tourism initiatives preserve cultural and natural assets while generating long-term employment. Targeting vulnerable populations ensures inclusive recovery and resilience against future crises.</p>	<p>To be determined within 24 months from the date of allotment of bond proceeds</p>	<p>Number of loans to SMEs and/or microenterprises</p>
<p>Food security and sustainable food systems</p>	<p>Physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements (e.g. food supply chain investment in transportation, storage, and packing systems).</p>	<p>SDG 1 (No Poverty), SDG 2 (Zero Hunger), SDG 12 (Responsible Consumption and Production)</p>	<p><b>Social Issues Addressed</b> <b>Food insecurity</b> and lack of access to safe, nutritious food. <b>Vulnerability of agriculture to climate change</b>, reducing productivity. <b>High levels of food loss and waste</b> across supply chains.</p>	<p><b>Target Audience</b> <b>Small-scale farmers and agricultural producers</b> vulnerable to climate change and low productivity. <b>Low-income households and food-insecure communities</b> lacking access to safe, nutritious food.</p>	<p>To be determined within 24 months from the date of allotment of bond proceeds</p>	<p>Farmers provided with training (climate smart training/organic, etc.)</p>

	<p>Resilient agricultural practices (e.g. climate-resilient agricultural practices such as drip irrigation, intercropping, and mix cropping; the promotion of tolerant breeds in livestock and poultry; projects for improved resiliency of agricultural practices against climate variations)</p> <p>Reduction of food loss and waste.</p> <p>Improved productivity of small-scale producers (e.g. improved agro-technologies and out-grower models)</p>		<p><b>Low productivity and income for small-scale producers,</b> limiting economic resilience.</p> <p><b>Positive Social Outcomes Sought</b></p> <p><b>Improved access to sufficient, nutritious food</b> for all (SDG 2).</p> <p><b>Enhanced resilience of agricultural practices</b> to climate variations, ensuring long-term food security.</p> <p><b>Reduction in food loss and waste,</b> promoting resource efficiency (SDG 12).</p> <p><b>Increased productivity and income for small-scale farmers,</b> reducing poverty (SDG 1).</p> <p><b>Strengthened food supply chains</b> through better storage, transportation, and packaging systems.</p>	<p><b>Supply chain stakeholders</b> (transporters, storage operators, packers) to reduce food loss and waste.</p> <p><b>Local agribusinesses and cooperatives</b> engaged in sustainable farming practices.</p> <p><b>Rationale</b></p> <p>These groups are most affected by food insecurity and climate variability, limiting their income and resilience.</p> <p>Supporting small-scale producers improves productivity and livelihoods, reducing poverty (SDG 1).</p> <p>Enhancing food supply chains ensures equitable access to nutritious food and minimizes waste (SDG 2 &amp; SDG 12).</p> <p>Promoting climate-resilient agriculture strengthens long-term food security and sustainability.</p>		
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Apart from the above criteria, NDB also commits that the net proceeds of any NDB GSS Bond shall not be used towards the financing of products and services designated in the Exclusion Lists of the Environment and Social Risk (ESRM) Policy and of the Bank, which is presented as Annexure I to this Framework.

## 3.2 Process for Evaluation and Selection of Eligible Projects

**Projects financed and/or refinanced through GSS bond proceeds (Proceeds other than received from sustainability linked loan financing bonds) are evaluated and selected based on compliance with the Eligibility Criteria. Evaluation of the loans granted from sustainability linked loan financing bonds is mentioned separately under section 4.0.**

The Bank's ESG Management Committee is tasked with any and all matters relating to the GSS+ Bond issuances. When identifying eligible projects and their non-financial impacts, depending on the complexity of the project, if the ESG Management Committee deems that additional expert opinions from third-party consultants could enhance the project evaluation, NDB will engage such consultants on a best-efforts basis.

The establishment of the Bank's ESG Management Committee has been duly approved by the Board of Directors, and this Committee functions in accordance with a Board approved Terms of Reference. The ESG Management Committee will manage any future updates to the GSS+ Bond Framework including expansions to the list of Eligible Categories and oversee its implementation. The ESG Management Committee will be reporting to the ESG Board subcommittee. The ESG Management Committee comprises the following standing representatives. On a needs basis additional/ relevant representatives from the Bank are invited to Committee meetings

- i. Vice President – Finance – Committee Chair
- ii. Vice President/ Chair of the Corporate Sustainability Committee
- iii. Vice President – Risk Management/ Chief Risk Officer
- iv. Vice President – Strategy & Business Intelligence
- v. Senior Manager – Finance – Committee Secretary
- vi. Representative – Wholesale banking
- vii. Representative – Business banking
- viii. Representative – Project Financing
- ix. Representative – Islamic banking
- x. Representative – Retail banking

NDB ensures that all eligible loans comply with official national and international environmental and social standards and local laws and regulations on a best-effort basis. All eligible loans, including those financed with the proceeds of the GSS+ Bonds, will comply with NDB's ESRM Policy and Manual.

A list of potential borrowers/ projects would be identified by the Bank's Business Lines<sup>1</sup>. Evaluation is similar to normal loan approval cases. These projects are appraised as per the NDB's Credit Policy and ESRM Policy and Manual. In addition to these, to determine further eligibility of the projects to be allocated under the GSS+ Bond proceeds, the respective teams from the Business Lines confirms the nature of the project, and if it meets the Eligible Criteria for Use of Proceeds.

For these projects similar to any typical loan financing, the following actions, endorsed by the NDB Standard Operating Procedure (SOP) on Project Selection, Appraisal, and Approval are taken:

Business Lines shall interact with potential borrowers to understand the overall aspects of the project and collate preliminary information i.e., the project feasibility report, sponsor background, and the latest accounts from the customer.

The Project Selection and Appraisal Process

1. The customer requests project financing and provides essential project documents to the respective business line. The Treasury Department assists in pricing the proposed facility, based on the information and screening provided by the business line.
2. An indicative quotation, based on risk and reward considerations, is forwarded to the customer by the respective business line. Upon receiving consent, the project evaluation will commence.

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<sup>1</sup> Wholesale banking, Project financing, Business banking, Islamic financing, Retail banking

3. Reports from the Credit Information Bureau of Sri Lanka (CRIB) and a Flash Report are generated and shared with the Corporate Credit Committee.
4. The project site is visited, and project-specific terms & conditions, considering environmental and social factors. Environmental and Social Due Diligence reports will be devised based on the requirement of the Sri Lanka Central Environment Authority
5. The comprehensive credit appraisal report, which includes technical, environmental, and social risk assessments (“E&S”), is prepared.
6. A detailed E&S risk evaluation is carried out together with the credit evaluation. Facilities will be categorised as “High Risk”, “Medium Risk” or “Low Risk” based on the risk evaluation. International Finance Corporation’s Performance Standards (“IFC PS”) will also be completed, if the facility is an IFCPS Triggered transaction. E&S risk evaluation, categorisation and mitigation/remedial actions will be as per the ESRM Policy and Manual of the Bank. Respective Business Lines will quarterly report to the Integrated Risk Management Committee (IRMC), through the Environment and Social Management Systems (“ESMS”) Officer about the E&S due diligence carried out by the respective business line.

#### The Project Approval Process

1. The detailed credit appraisal report is circulated to the Approving Authority/Corporate Credit Committee for initial review and amendments.
2. To determine further eligibility of the projects to be allocated under GSS Bonds Proceeds, the ESG Management Committee will confirm the nature of the project, as per the Eligible Criteria for Use of Proceeds
3. The amended report is then presented to the Corporate Credit Committee, Chief Executive Officer, Board Credit Committee, or Board of Directors for final approval.
4. A legal clearance for security will also be carried out in parallel to the loan approval process.

### 3.3 Management of Proceeds

- I. Proceeds Management and Allocation: The Treasury Department at NDB oversees the management of net proceeds from each GSS+ Bond issued. These proceeds are deposited into separate accounts as borrowings and earmarked for allocation to eligible projects, as per the NDB's GSS+ Bond Framework.
- II. Coordination and Collection: The Cash Management Unit at NDB coordinates the collection of funds into a designated Collection account. The Finance team provides Treasury and Treasury Operations with essential details for booking the transaction, including:
  - Account number to be debited
  - Total amount to be debited
  - Allocations across various debenture types across
  - Amount to be captured as Interest in Advance for various debenture types

Transaction Booking: Upon receiving the necessary information, the Treasury Front Office will book transactions in the Bank's core banking system and will be authorized by the Treasury Operations. Accounting entries for the entire cycle of transaction (i.e. booking, accruals, interest payments, maturity etc.) will be provided by the Finance team.

- III. Management of Unallocated Proceeds: NDB holds and/ or invests the balance of unallocated net proceeds (Collection Account) in its treasury liquidity portfolio. At its discretion, the portfolio may include cash or other short-term and liquid instruments, and options of investment will be specified in the Prospectus to the GSS+ Bonds. NDB also commits that the ESRM Manual Exclusion List, and the Harmonized European Development Finance Institutions (EDFI) Exclusion List (shared in the Annexure I) will be applicable to the temporary investments of unallocated proceeds.
- IV. Reallocation of Proceeds: The Bank implements a stringent oversight mechanism for the reallocation of proceeds to ensure continued compliance with the eligibility criteria of funded projects. If a financed project ceases to meet the eligibility requirements, the Bank engages in an evaluation process. This process is intertwined with the Bank's annual credit review system, a fundamental aspect of the Bank's credit monitoring process. During this review, the Bank assesses whether the projects financed under the GSS+ Bond continue to align with the established eligibility criteria. In instances where a project no longer qualifies, identified through this review, the Bank commits to reallocating the proceeds to another project that meets the eligibility standards. This reallocation process is designed to ensure that the Bank's GSS+ Bonds proceeds are continuously channeled towards projects that contribute to its use of proceeds objective while maintaining the integrity and purpose of the GSS+ Bonds.
- V. Sustainability Loan Portfolio Maintenance: NDB aims to maintain an aggregate amount of assets in the Sustainability Loan Portfolio (Collection Account) equal to the aggregate net proceeds of all concurrently outstanding NDB GSS+ Bonds. This portfolio is regularly updated to track refinanced or repaid assets and new loans earmarked for the proceeds. At the time of disbursing loans from funds raised via the GSS+ Bond, the Bank's respective division (Centralised Credit Processing Unit) will flag such loans as those eligible under the framework. The Bank's core banking system will have a separate product category, newly created for GSS+ Bonds to facilitate such flagging.

## 3.4 Reporting

NDB intends to make and keep readily available GSS+ Bond reporting within twelve months from the date of the GSS + Bond issuance, to be renewed annually until full allocation. The reporting will also encompass material changes across financed projects. NDB intends to show the allocation and impact of the sustainable bond proceeds in the eligible Sustainable Loan Portfolio (Collection Account), at least at the category level and on an aggregated basis for all of NDB's sustainable bonds. The Bank will request a limited assurance report from an independent third party regarding the allocation of the bond proceeds to eligible assets on an annual basis and thereafter, until the total proceeds of the Bond have been duly disbursed for the intended purposes. **The Annual Report will be published on Bank's website and the Colombo Stock Exchange website, with up-to-date information on the use of proceeds made available for review. The Bank will further ensure the timely adherence to reporting requirements for GSS+ Bonds by CSE.**

NDB's communication to investors shall provide information on following aspects of the deployment of proceeds:

- List of projects to which GSS+ Bond proceeds have been allocated;
- Brief description of these projects positive impact generated by the projects;
- Summary of environmental and social impacts associated with these projects, if any;
- Types of temporary investment instruments for the balance of unallocated proceeds;
- The amount or the percentage of new financing and refinancing.

NDB may aim at aligning the timing of GSS+ Bond report/ information with other investor directed publications such as the Annual Report.

Wherever applicable for impact reporting, this framework will be guided by

1. The Handbook – Harmonised Framework for Impact Reporting (This is for green projects)
2. Handbook - Harmonised Framework for Impact Reporting for Social Bonds (2025) (This is for social projects) available on <https://www.icmagroup.org/sustainable-finance/impact-reporting/green-projects>

The handbooks outline general core principles and recommendations for reporting in order to provide issuers with a reference as they develop their own reporting. In addition, the handbooks will suggest impact reporting metrics and sector specific guidance for selected project categories. An indicative list of impact indicators is depicted under section 3.1 Use of Proceeds.

## 4. Sustainability Linked Loans Financing Bonds (SLLBs)

NDB's Sustainability Linked Loans ("SLLs") is expected to incentivize the Bank's borrowers to pursue their sustainability performance objectives. There is a growing level of awareness and action amongst Sri Lankan corporates in aligning business practices to sustainability standards. SLLs are expected to act as a key catalyst in driving this momentum. SLLs are forward-looking and performance based and follows the Guidelines for Sustainability Linked Loans financing Bonds ("SLLB") ICMA.

The Bank's SLLs aim to promote sustainability performance-driven lending and high-quality standards in the sustainable finance markets, as well as to complement the Bank's loan offering, particularly for:

- Borrower's in hard-to-abate sectors, i.e. sectors where the climate transition is not readily straightforward due to a lack of technology or its high costs, or other decarbonisation-critical sectors, where the transition in corporate operations may be more relevant for delivering impact than financing specific assets; and
- Borrowers whose sustainability transition does not rely heavily on investment in fixed assets and for whom the material aspect is their value chain's sustainability performance; and
- Borrowers who want to improve their sustainability performance in other aspects or sectors material to them

This Sustainability Linked Loans Financing Bonds ("SLLB") Framework of the Bank follows Approach 1 of the Guidelines for Sustainability-Linked Loans Financing Bonds ("SLLBG") of ICMA and is aligned with its four (4) core components:

1. Use of Proceeds
2. Process for SLLs Evaluation and Selection
3. Management of Proceeds
4. Reporting

### 4.1 Use of Proceeds

#### 4.1.1 Fundamentals

SLLBs are any type of bond instrument (i) where the proceeds or an equivalent amount are exclusively applied to finance or refinance, in part or in full, a portfolio of new and/or existing eligible SLLs aligned with the SLLP, and (ii) which are aligned with the four components in the SLLBG.

As outlined in the SLLBG, the SLLBs are not considered Green, Social, Sustainability or Sustainability-linked bonds ("GSS Bonds"), but there are similarities, as illustrated below. SLLBs finance an SLL Eligible Portfolio adopting the UoP project financing structuring typical of GSS+ Bonds.

To avoid double counting of assets under an SLLB, an eligible loan will not be included as an eligible green asset for UoP issued under the Bank's Framework.

The Bank allocates the proceeds from SLLBs only to the drawn portion of each eligible SLL.

#### 4.1.2 Eligibility criteria for SLLs financed under the SLLB Framework

The SLLs are connected to key performance indicators ("KPIs") and sustainability performance targets ("SPTs") agreed with the borrowers. The Bank's Business Lines and the ESG Management Committee will work together to identify ambitious, credible and material targets that can help improve the borrower's

sustainability performance. SLLs should be aligned with a corporate sustainability strategy and create financial incentives for the Bank's borrowers to accelerate their climate and sustainability efforts.

The following section outlines the eligibility criteria for SLLs to be included in the SLL Eligible Portfolio, mapped to the core components of the SLLPs. These criteria and principles guide the selection and evaluation of SLLs financed under the Bank's SLLB Framework, ensuring that the loans are aligned with the Bank's Environment and Social Management System and deliver significant environmental, climate-related, social and other benefits.

- 1) SLLP alignment  
To increase transparency, all eligible SLLs should be aligned with the most recent SLLP readily available at the time of SLL agreement signed. Section 4.2 describes how the Bank ensures SLL alignment with SLLP core components.
- 2) KPIs  
Eligible SLLs selected for inclusion in the SLL Eligible Portfolio must have at least one KPI. KPI performance is verified on the trigger dates and disclosed in the Bank's annual reporting.

The use of KPIs is at the Bank's discretion and will be based on the UN Sustainability Development Goals (UNSDGs) among other applicable framework as deemed fit and their performance is reported and disclosed in the Bank's annual reporting.

- 3) Forward-looking performance assessment  
At the time of inclusion in the SLL Eligible Portfolio, each SLL must have at least one remaining KPI trigger point.
- 4) Compliance with the Bank's processes and policies  
All eligible SLLs must comply with the Bank's Exclusion List as detailed in the Environment and Social Risk Management (ESRM) Policy and Manual. Additionally, the borrower is expected to demonstrate adequate ESG performance. The Bank's environmental and social approach is outlined in the Bank's ESRM Policy and Manual for lending operations.
- 5) Sector eligibility  
Non-eligible sectors are listed in the Bank's Exclusion List, which is a part of the aforementioned ESRM Policy.

## 4.2 Process for SLL Evaluation and Selection

### 4.2.1 Selection of KPIs, calibration of SPTs and mandate assessment

When assessing SLLs, the following aspects are considered:

- the ambition level of the SPTs;
- the consistency of the SPTs with the borrower's overall sustainability objectives or sustainability strategy;
- the benchmarking of SPTs; and
- how the borrower intends to reach the SPTs

SLLs should aim to be ambitious, meaning they should represent a material improvement in the respective KPIs and go beyond a "business-as-usual" trajectory. In general, the target setting should be benchmarked against recognised standards as much as possible.

Through interactions with the borrower, and in addition to the KPI and SPT setting, the Bank gains a clear understanding of the relevant aspects, which are reflected in the loan agreement, including:

- the timelines for the target achievement, including the trigger dates for target observation;
- where relevant, the verified baseline and methodology;

- where relevant, in what situations pro-forma adjustments or recalculations of baselines and/or recalculation of KPIs and subsequent SPTs take place.

During the process, the Bank also discusses with the borrower how it intends to reach SPTs and any other key factors that may impact the SLL structuring and/or its performance.

The governance structure related to SLLs and SLLBs is described in section 3.2.

#### **4.2.2 Loan characteristics**

During the loan agreement process, the Bank agrees with the borrower on loan characteristics. The loan's financial and/or structural characteristics (loan margin) vary, depending on whether the selected KPIs have reached the predefined SPTs on the trigger date. The detailed terms for loan margin adjustments are described in the loan documentation between the Bank and the borrower. Based on the performance on the trigger date(s), the margin is increased if the targets are not reached or decreased if the targets are met.

#### **4.2.3 Reporting**

The Bank requires borrowers to report annually on KPIs and SPTs, providing up-to-date information on their performance.

#### **4.2.4 Verification**

On trigger date(s), the Bank requires external verification of the KPIs performance and the achievement of the SPTs. A trigger date is a predefined point in time specified in the loan documentation at which the borrower's performance against agreed KPIs and SPTs is assessed and externally verified. If the borrower reports on the performance of the KPIs and the achievement of the SPTs in its annual or sustainability report, a minimum level of external verification is to be provided in the form of a limited assurance statement by a qualified third party. This assurance must cover both the KPIs and SPTs performances and their calculation methodology. If the borrower does not report the performance of the KPIs and the achievement of the SPTs in its annual or sustainability report, or the report lacks the limited assurance as a minimum, the borrower shall seek an independent external verification by a qualified third party. The borrower shall supply the verified documentation of its KPI and SPT performance to the Bank within a reasonable timeframe, not exceeding three months following the trigger dates.

#### **4.2.5 Performance assessment and disqualification of SLLs from SLL Eligible Portfolio**

Appropriate monitoring of the performance and the disqualification assessment process for KPIs is a critical component of the Bank's SLLB Framework. This process ensures that the loans remain aligned with the provisions contained within this framework, and that the borrowers are held accountable for their sustainability performance.

The Bank performs annual performance monitoring of the KPIs, based on the data/ information submitted by the Bank. This involves a review of the progress made towards the KPIs. The performance of each KPI is assessed to determine whether it is "on track", "progressing", "not progressing" or "missed".

The trigger dates for the Bank's loans is normally set annually. If there is a strong rationale for a different frequency due to the nature of the loan and KPI in question, the Bank can deviate from annual trigger dates

Step 1: Performance assessment

In the first step, the performance of all KPIs towards the agreed SPTs is assessed. The KPIs are evaluated annually and categorised based on their progress:

KPI on track: The agreed SPT value is reached on the trigger date, or the annual progress of the SPT is advancing as expected.

KPI progressing: The SPT performance is progressing annually, but at a slower pace than anticipated.

KPI not progressing: There is no measurable positive annual progress of SPT performance. For such KPIs, engagement with the borrower is initiated.

KPI missed: The agreed SPT value is not reached on the trigger date.

If the KPI is determined as “missed” on the trigger date, a disqualification review is initiated (Step 2 of the assessment process).

#### Step 2: Disqualification assessment for KPIs

The disqualification assessment determines whether the loan remains in the SLL Eligible Portfolio, requires engagement with the borrower or is excluded based on the severity of its failure to meet the agreed targets. It evaluates the magnitude of the failure and takes it into account when determining the appropriate course of action. If the KPI is slightly behind the target, the loan remains in the SLL Eligible Portfolio with enhanced engagement with the borrower and monitoring. However, if the KPI is significantly off track, the loan may be temporarily excluded from the SLL Eligible Portfolio to ensure that only performing loans are included, and hence, maintaining the integrity of the SLL Eligible Portfolio. A loan can be reinstated to the SLL Eligible Portfolio once it shows proof of realignment with the originally agreed trajectory.

#### **Assessment thresholds for an SLL with a single KPI:**

- the distance from the target is less than 20%: The loan remains in the SLL Eligible Portfolio, with borrower engagement if deemed necessary.
- the distance from the target is over 20% on the first occurrence: The loan remains in the SLL Eligible Portfolio, with borrower engagement and reassessment scheduled the following year.
- the distance from the target is over 20% in two consecutive years: The loan is temporarily excluded from the SLL Eligible Portfolio until reassessment.

#### **Assessment thresholds for an SLL with multiple KPIs:**

If an SLL has more than one KPI, and if any KPI demonstrates a performance distance from the target exceeding 20% on two consecutive occasions, the loan is disqualified from the SLL Eligible Portfolio.

The Bank reserves the right to remove an SLL from the SLL Eligible Portfolio for any reasons beyond non-performance.

## 4.3 Management of Proceeds

The net proceeds of the SLLB or an amount equal to these net proceeds will be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the Bank in an appropriate manner, and attested to by the Bank in a formal internal process linked to the Bank's lending and investment operations for eligible SLLs.

So long as the SLLB is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible SLLs made during that period.

The Bank will also make known to investors the intended types of temporary placement for the balance of unallocated net proceeds, until full allocation is completed, via interim financial statements/ annual reports released to the Colombo Stock Exchange/ other exchange as applicable.

## 4.4 Reporting

The Bank will publish an annual SLLB report in the Bank's Annual Report and will include detailed information where possible on the SLLs to which the SLLB proceeds have been allocated, in particular with respect to:

- the amount of SLLB allocated and/or size of the portfolio of eligible SLLs
- the sector and geography of the borrowers
- information on, including achievement of, KPIs/ SPTs in combination with the underlying sector of the borrowers
- information on the year of origination of the eligible SLLs; and
- information on disqualified SLLs and newly added SLLs.

**The Annual Report will be published on Bank's website and the Colombo Stock Exchange website, with up-to-date information on the use of proceeds made available for review. The Bank will further ensure the adherence of reporting requirements for GSS+ bonds as mentioned in the continuous listing rules of CSE.**

## 5. External Review

NDB on an annual basis, starting from the date of allotment of the Bond up until two years, within which time frame, the proceeds of the Bond should be deployed in loans as per the Prospectus relevant to a Bond issue in consideration will request a limited assurance report of the allocation of the bond proceeds to eligible assets.

The Bank will obtain a pre-issuance assurance from a reputable independent external reviewer to assess the alignment of the GSS+ Bond Framework with ICMA principles.

The Independent External Reviewer will review the Framework's alignment with the core components of the ICMA principles including the use of proceeds, project evaluation and selection, Process for SLL Evaluation and Selection, management of proceeds, and reporting practices, and also the Green Finance Taxonomy issued by the Central Bank of Sri Lanka.

# Annexures

## Exclusion List – International Finance Corporation

### EXCLUSION LIST

1. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
2. Production or trade in weapons and munitions.<sup>1</sup>
3. Production or trade in alcoholic beverages (excluding beer and wine).<sup>1, 2</sup>
4. Production or trade in tobacco.<sup>1, 2</sup>
5. Gambling, casinos and equivalent enterprises.<sup>1</sup>
6. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
7. Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
8. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
9. A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

**All financial intermediaries (FIs)**, except those engaged in activities specified below\*, must apply the following exclusions, in addition to IFC's Exclusion List:

1. Production or activities involving harmful or exploitative forms of forced labor<sup>3</sup>/harmful child labor.<sup>4</sup>
2. Commercial logging operations for use in primary tropical moist forest.
3. Production or trade in wood or other forestry products other than from sustainably managed forests.

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<sup>1</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>2</sup> This does not apply to (i) production or trade in alcoholic beverages (excluding beer and wine) and (ii) production or trade in tobacco, that in aggregate account for less than 2% of the Borrower's overall loan and investment portfolio.

<sup>3</sup> Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>4</sup> Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

When investing in **microfinance** activities, FIs will apply the following items in addition to the IFC Exclusion List:

1. Production or activities involving harmful or exploitative forms of forced labor<sup>3</sup>/harmful child labor.<sup>4</sup>
2. 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.
3. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

**Trade finance projects**, given the nature of the transactions, FIs will apply the following items in addition to the IFC Exclusion List:

1. Production or activities involving harmful or exploitative forms of forced labor<sup>3</sup>/harmful child labor.<sup>4</sup>

## Harmonized EDFI Exclusion List



### Harmonized EDFI Exclusion List

*According to The European Development Finance Institution (EDFI) "Principles for Responsible Financing", EDFI members have mutually agreed on the following Harmonized EDFI Exclusion List for co-financed projects:*

EDFI Members will not finance any activity, production, use, distribution, business or trade involving:

1. Forced labor<sup>1</sup> or child labor<sup>2</sup>
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
  - a) Ozone depleting substances, PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
  - b) wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
  - c) Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).
3. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.
4. Destruction<sup>3</sup> of High Conservation Value areas<sup>4</sup>
5. Radioactive materials<sup>5</sup> and unbounded asbestos fibers.
6. Pornography and/or prostitution
7. Racist and/or anti-democratic media
8. In the event that any of the following products form a substantial part of a project's primary financed business activities<sup>6</sup>:
  - a) Alcoholic Beverages (except beer and wine);
  - b) Tobacco;
  - c) Weapons and munitions; or
  - d) Gambling, casinos and equivalent enterprises.

<sup>1</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

<sup>2</sup> Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

<sup>3</sup> Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

<sup>4</sup> High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <http://www.hcvnetwork.org>).

<sup>5</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

<sup>6</sup> For companies, "substantial" means more than 10 % of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio volumes.