

Social Financing Framework

Bridging the gap between aspiration and access
April 2026

Introduction

About Avanse Financial Services

Avanse Financial Services Limited ('AFSL') is an education-focused Non-Banking Financial Company ('NBFC') on a mission to make education financing seamless and affordable for every deserving Indian student. It is governed and regulated by the Reserve Bank of India. Since 2013, it has operated with the sole purpose of enabling students to achieve their academic aspirations. Its range of solutions covers the holistic requirements of an education aspirant. It also provides the growth and working capital needs of educational institutes in India.

AFSL has a vast network of students enrolled in 1,750+ educational institutions spanning across 51 countries. As of 31 March 2025, the Company's overall distribution network stood at ~950, which includes education loan-focused aggregators (marketplaces), and other loan intermediaries and has catered to 5,00,000+ borrowers till date. As of December 2025, the total AUM of AFSL stood at INR 22,699 crore, with operations across 12 branches and 7 sales offices in 13 states in India.

Backed by marquee Indian and global investors such as International Finance Corporation (an arm of the World Bank), Warburg Pincus (a leading global private equity firm), Kedaara Capital (PE firm pursuing control and minority investment opportunities in India), Mubadala Investment Company (a UAE-based sovereign investor) and Avendus PE Investment Advisors, the Company is well-positioned to sustain its growth in the education financing segment.

The Company offers the following financing solutions:

Student Lending International

Under this vertical, AFSL provides education loans to Indian students seeking higher education overseas. The profile of such students generally comprises young, aspirational individuals from diverse backgrounds who have completed their schooling in India and are admitted for further studies abroad. These students primarily reside in tier II cities and smaller cities in India, are at early stages of their careers, and seek specialised education at foreign universities with a view to subsequent global exposure. A majority of such students pursue STEM and business administration courses.



Education Loan Domestic

Education Loan Domestic business comprises loans to Indian students seeking higher education at domestic institutions. This business also includes loans to professionals seeking to pursue executive and continued learning programs, as well as financing for both curriculum fees for students enrolled in accredited schools and non-curriculum fees associated with skilling programs, executive education, and test preparation courses in India.



Educational Institution Loan

Educational institution loans include collateral-backed financing solutions for private educational institutions, which are generally K-12 schools, and, as of the dates of respective disbursements, have an average of over 15 years of operations and are located in peripheral areas of tier I, II, and smaller cities in India. These institutions will usually be affiliated with one or more recognised curriculum boards in India, such as the Central Board of Secondary Education, the Indian Certificate of Secondary Education, the Indian State Boards, and the International General Certificate of Secondary Education.

Avanse Financial Services' Commitment to Sustainability

AFSL's social responsibility mission is to make quality education accessible for every deserving underserved Indian student. At its core, the Company believes that no deserving student should miss an opportunity to access quality education due to lack of financing, irrespective of their social strata or co-borrower's financial background.

The Company believes in integrating its business model with the social welfare of people and the society in which it operates. The guiding themes that enable AFSL to strengthen the social responsibility culture and thereby deliver a long-term impact are –

- **Education:** Support to the underserved and specially abled Indian students to complete their education.
- **Skill Building:** Support youth for skill development and employment generation
- **Train the Trainer:** Training teachers to have a positive impact on the education system.
- **Building the Education Ecosystem:** Support to create education infrastructure

Keeping this objective at the core, AFSL has constituted a CSR Committee, and the Board has also approved a CSR policy. The policy outlines the Company's philosophy, objectives, and mechanisms for undertaking CSR initiatives to promote the welfare and sustainable development of the community at large, while continuing to uphold the Company's vision of making quality education seamless.

Through several initiatives, AFSL aims to bridge the educational gap, empower future generations and contribute meaningfully to nation-building. It actively engages in inclusive growth by supporting students from diverse backgrounds, thereby fostering long-term societal progress. By aligning its business goals with its social purpose, the Company strives to create a lasting impact that extends far beyond financial outcomes.

To amplify the impact, AFSL has engaged and formed strategic partnerships with prominent NGOs. These collaborations allow the Company to effectively address the needs of diverse underprivileged communities.

Beyond community outreach, the organisation is committed to the highest standards of integrity. By strictly adhering to the Reserve Bank of India’s guidelines, the Company has adopted a robust Fair Practice Code that ensures transparency and ethical conduct in every interaction. This commitment is further reinforced by a comprehensive Interest Rate Policy designed to prevent usurious practices, supported by a structured grievance redressal mechanism to ensure all customer disputes are resolved fairly and efficiently.

The Board of AFSL has constituted a Risk Management Committee to formulate a detailed risk management policy, which shall include:

- A framework for identification of internal and external risks specifically faced by the Company, including financial, operational, sectoral, and sustainability (particularly, ESG-related risks).
- Measures for risk mitigation, including systems and processes for internal control of identified risks; and
- Business Continuity Plan

Avanse Financial Services’ Social Financing Framework

AFSL has developed this Social Financing Framework under which AFSL can issue Social Financing Instruments (“SFI”) including, inter alia, social bond(s), loan(s), private/public placement(s) and any other debt financing instruments including debentures, both domestic or offshore, to finance or refinance a portfolio of new and/or existing Eligible Social Loans (henceforth referred to as “Eligible Social Loans”) to promote sustainability.

This Social Financing Framework has been developed in line with the following international guidelines and standards.

- Social Bond Principles (SBP) published in June 2025 by the International Capital Market Association
- Social Loan Principles (SLP) published in March 2025 by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association

In alignment with the above principles, AFSL’s Social Financing Framework is structured based on the following key pillars:

Use of Proceeds

Process for project evaluation and selection

Management of proceeds

Reporting

External Review

This framework may be updated in future as the sustainable finance market evolves. Should AFSL choose to modify or update the scope of the framework for future issuances, the modifications will be documented in an updated framework and published accordingly in relevant reports or on the Company’s website.

Use of Proceeds

Social Bond and/or Social Loan proceeds shall be used exclusively to finance/refinance, in whole or in part, new/existing eligible projects and assets as defined below:

Social Loan Project Category

Access to Essential Services – Education

▶▶ **Loans to Individuals for Higher Education**

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:

- Borrowers from families whose gross annual income is in line with the income criteria for the Economically Weaker Section (EWS) in India
- Women Borrowers

Alignment to UN SDG Targets



▶▶ **Educational Institution Loans**

Loans for building/improvement of school infrastructure, including installation of solar rooftop, water recycling, digitisation, etc. (up to a limit of Rs. 15 Cr per borrower) for eligible schools that are/have:

- Located in tier 2 and smaller cities
- The percentage of working women staff is more than 70% of the total staff
- Annual fees charged to the student not exceeding INR 90,000

Alignment to UN SDG Targets



AFSL shall allocate, on a best-effort basis, all proceeds within 12 months of the date of issuance of social instruments under this framework. For refinancing, the Company may include eligible projects or assets that were financed within 18 months prior to the issuance date.

Process for Project Evaluation and Selection

All credit portfolios recognised under this framework shall have to go through AFSL’s due diligence structure and process, and only upon being sanctioned by the competent authority shall be reckoned for allocation under Social Loan portfolio. For Loans to individuals for higher education, special emphasis is given to (1) Women Borrowers and (2) Students from EWS income criteria background, where concessions are extended to such borrowers that include lower EMIs charged during the period of study, relaxation in the requirement of collateral, sanction on the basis of merit, etc.

As and when a loan is taken up for approval by the Credit team, it will be identified at the time of sanction as eligible under the Social Bond and/or Social Loan. Each loan will have to individually adhere to the eligibility criteria.

The Company has a policy in place to review and analyse the environmental and social risks (E&S) to which it may be directly or indirectly exposed through its own business or its lending operations. For the

Company's loan offerings to educational institutions, the potential for environmental pollution is very limited. However, since education institutions are physical locations where students and teachers visit, there are certain risks related to the health and safety of the students which need to be managed adequately by the school authorities, owners and operators.

A "Working Group" comprising: Chief Treasury Officer, Chief Financial Officer, Chief Risk Officer and Chief Technology and Digital Transformation Officer. This Working Group shall oversee the preparation and validation of relevant reporting for social instruments issued under this framework. The minimum quorum of the Working Group shall be any three members.

Any loan/portfolio of loans to be reckoned in the framework shall have to be cleared by the Working Group as per the eligibility criteria stipulated above and shall be labelled for monitoring and tracking purposes.

Management of Proceeds

A mechanism has been developed for identifying "Eligible Social Loans". The proceeds of the Social Bond and/or Social Loan shall be allocated in accordance with the framework. The Company would record the proceeds in a general account and earmark these proceeds to the portfolio of eligible projects as and when utilised.

Any unallocated proceeds may be deployed temporarily at the AFSL's discretion in cash or cash equivalent instruments, in accordance with AFSL's investment policy.

So long as the instrument is outstanding, the balance of the tracked net proceeds would be periodically adjusted to match allocations to eligible Social Projects made during that period.

The Working Group may assign one or more members to monitor the management of proceeds.

Reporting

AFSL shall report the use of proceeds and associated impact for each instrument issued under this framework as part of its Annual Sustainability Report or on a standalone basis. Allocation and Impact Reporting shall be disclosed within one year of the issuance date or drawdown date, and annually thereafter, until full allocation, and as necessary in the event of material developments.

➤ Allocation Reporting

AFSL will update investors on the allocation of the net proceeds of the social financing instruments issued under this framework. This report shall contain at least the following information:

- Amount or percentage of allocation to the Eligible Social Portfolio
- Brief description of projects and associated target populations
- Proportion of proceeds used for financing versus refinancing
- Amount of unallocated proceeds and its temporary treatment (if applicable)

➤ Impact Reporting

AFSL 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, and based on methodologies that will be publicly available.

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

- **Student Loan International**
 - Number of EWS families benefited
 - Number of beneficiaries by gender

- **Educational Institution Loan**
 - Number of schools benefited

External Review

- **Pre Issuance -- Second Party Opinion**
 - The Social Financing Framework has been reviewed by S&P Global Ratings, engaged by the Company to provide a Second Party Opinion. The Social Financing Framework and Second Party Opinion will be published on AFSL's website.

- **Post Issuance – External Verification**
 - The Social Financing Framework has been reviewed by S&P Global Ratings, engaged by the Company to provide a Second Party Opinion. The Social Financing Framework and Second Party Opinion will be published on AFSL's website.

Appendix 1 – Exclusion Criteria

The following projects/activities are not eligible for the use of proceeds.

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