

Sustainable Bond Framework

October 2025

Public

TABLE OF CONTENTS

1. INTRODUCTION 2

1.1 Purpose of DFCC's Sustainable Bond Framework 2

1.2 Who We Are 2

1.3 Our Vision and Strategy for Sustainability 3

1.4 Environment, Social and Governance (ESG) Policy 3

1.5 Governance Structure 4

1.6 Environmental and Social Management Systems (ESMS) 4

2. DFCC'S SUSTAINABLE BOND FRAMEWORK 5

2.1 The Framework 5

2.2 Sustainable Financing and SDGs 5

2.3 Structure, Guiding Principles and Standards 5

2.4 Framework Governance 6

2.5 Use of Proceeds 6

2.5.1 Eligible Categories and Reporting Indicators 8

2.6 Process for Project Evaluation & Selection 18

3. MANAGEMENT OF PROCEEDS 19

4. REPORTING 19

4.1 Allocation Reporting 20

4.2 Impact Reporting 20

5. EXTERNAL REVIEW 20

6. UPDATING OF THE SUSTAINABILITY BOND FRAMEWORK 20

ANNEX 1: DFCC EXCLUSION LIST 21

Public

1. INTRODUCTION

1.1 Purpose of DFCC's Sustainable Bond Framework

DFCC Bank PLC ("DFCC" or "the Bank") has established this Sustainable Bond Framework ("the Framework") that will hereafter serve as a reference document for any future issuance of Green, Social, Sustainable and/or any other Sustainability-labeled products or financial instruments offered by the Bank.

This Framework builds **on** the internal methodology we have used to report on our sustainable financing commitment and promotes our efforts to remain aligned with industry guidelines and market practice. In this regard, we have refined the definitions and eligibility criteria previously used in DFCC's Green Bond Framework to further align with the best market practices and extend the range of eligible categories.

This Sustainable Bond Framework will supersede and replace the "Green Bond Framework" initially created and published by the Bank in August 2024 and will be applicable from October 2025 onwards.

1.2 Who We Are

DFCC Bank PLC was established in 1955 as Sri Lanka's pioneer Development Finance Institution. As its shares were listed in 1956, it is also the oldest listed bank in Sri Lanka. While DFCC was set-up by the Government of Sri Lanka, majority ownership has always been with the private sector. In 2015, the DFCC merged with its subsidiary - DFCC Vardhana Bank, and became a 'Licensed Commercial Bank' providing a full gamut of banking services. With its vision "to be the leading financial solutions provider sustainably developing individuals and businesses", DFCC is committed to the promotion of sustainable development.

DFCC is the pioneer financier of the private sector Renewable Energy (RE) Sector in Sri Lanka, financing the country's first grid connected mini hydro-power project in the mid 1990's and co-financing the first grid-scale wind, solar and waste-to-energy projects. The bank implemented two World Bank & Global Environment Facility funded RE projects, which are widely hailed to have transformed the energy sector landscape in Sri Lanka.

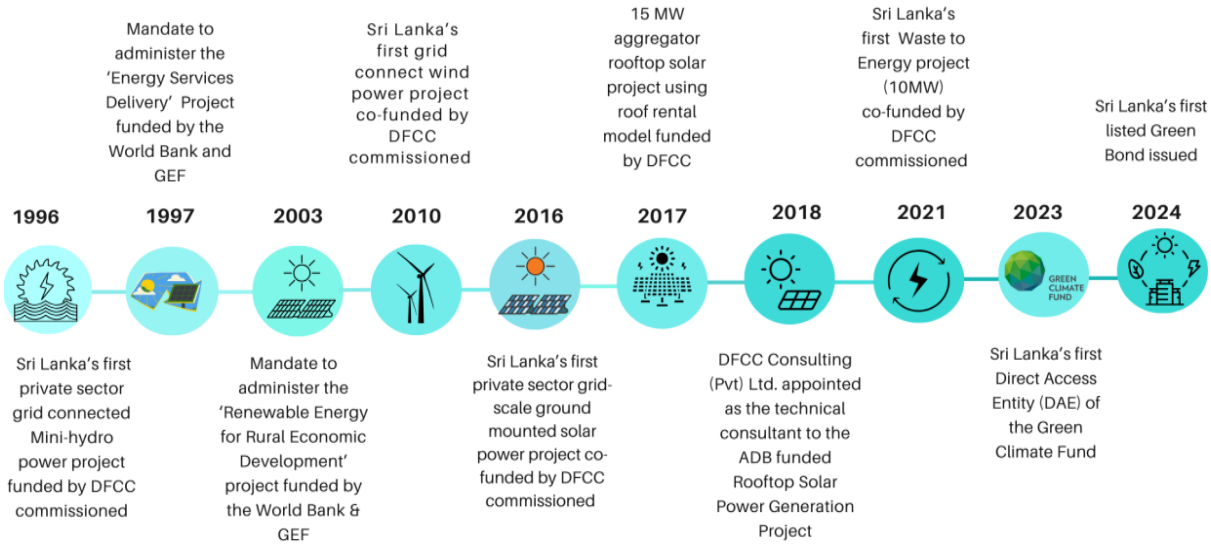


Figure 1: DFCC Bank's Green Financing Journey

In July 2023, DFCC became the first organization in Sri Lanka to be an Accredited Entity of the **"Green Climate Fund"**[1] **(GCF).** The GCF, set up under the UNFCCC, is the world's largest fund for climate action. DFCC is accredited to design and implement projects/programmes with a value of up to USD 250 million using a mix of loans, equity and guarantees.

DFCC is an initial signatory to the eleven **"Sustainable Banking Principles"**[2] of the **Sri Lanka Banks' Association (SLBA)** under its **Sustainable Banking Initiative (SBI)** and is committed to adopting these Principles in its operations.

1.3 Our Vision and Strategy for Sustainability

In 2020, the DFCC developed and obtained Board approval for its first formal Sustainability Policy, Strategy and Plan for the period 2020 to 2030 (the 'Sustainability Strategy'). This was further improved in 2025 and the main features of the current Board approved DFCC Sustainability Strategy is depicted in Figure 2 below:

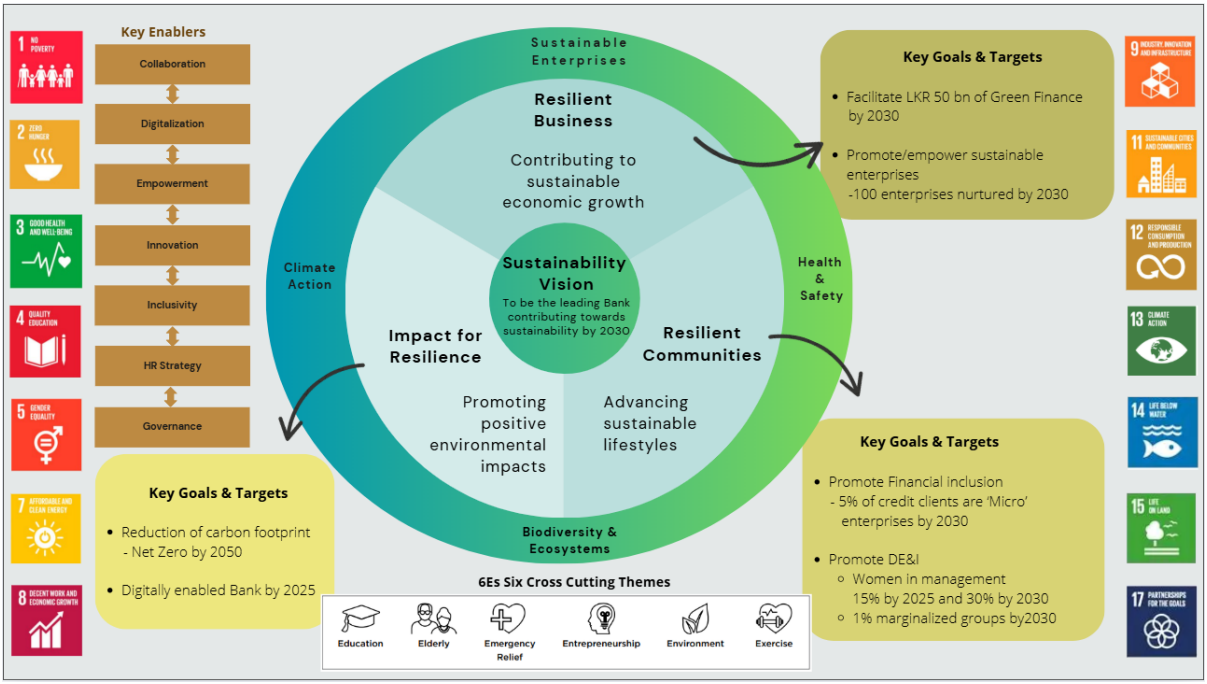


Figure 2: DFCC Sustainability Strategy

One of the three focus areas under the Sustainability Strategy is **"contributing to sustainable economic growth"**, with key goals and targets of promoting sustainable and green finance, as well as promoting and empowering sustainable entrepreneurs.

1.4 Environment, Social and Governance (ESG) Policy

The Board of DFCC Bank approved an **Environment, Social and Governance (ESG)** Policy in August 2024. The primary objective of this policy is to articulate how DFCC integrates ESG considerations into its decision making and operations to effectively manage environmental and social risks and impacts and improve outcomes when carrying out its business activities. The policy serves as the foundation within which the

[1] https://www.greenclimate.fund/
[2] https://sustainablebanking.lk/

Sustainability Strategy, and the objectives and procedures of the Bank's **Environmental and Social Management System (ESMS),** described in section 1.5 below, are anchored.

The Bank is also preparing for adoption of the new Sri Lanka Financial Reporting Standards – SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures).

1.5 Governance Structure

The **Executive Sustainability Management Committee (ESMC)** headed by the Chief Executive Officer (CEO) is responsible for driving the DFCC Sustainability Strategy. There are various task forces established under the ESMC, such as the Green Finance Task Force and the Sustainable Entrepreneurship Task Force that report to it. The Green Finance Task Force is responsible for enabling the achievement of the Bank's 'Green Finance' targets.

The **Sustainability Department (SD)** of the Bank is responsible for implementing the Sustainability Strategy and the ESMS. It reports on the implementation of the Sustainability Strategy to the ESMC and to the Board of Directors through the Board Integrated Risk Management Committee (BIRMC) on a periodic basis.

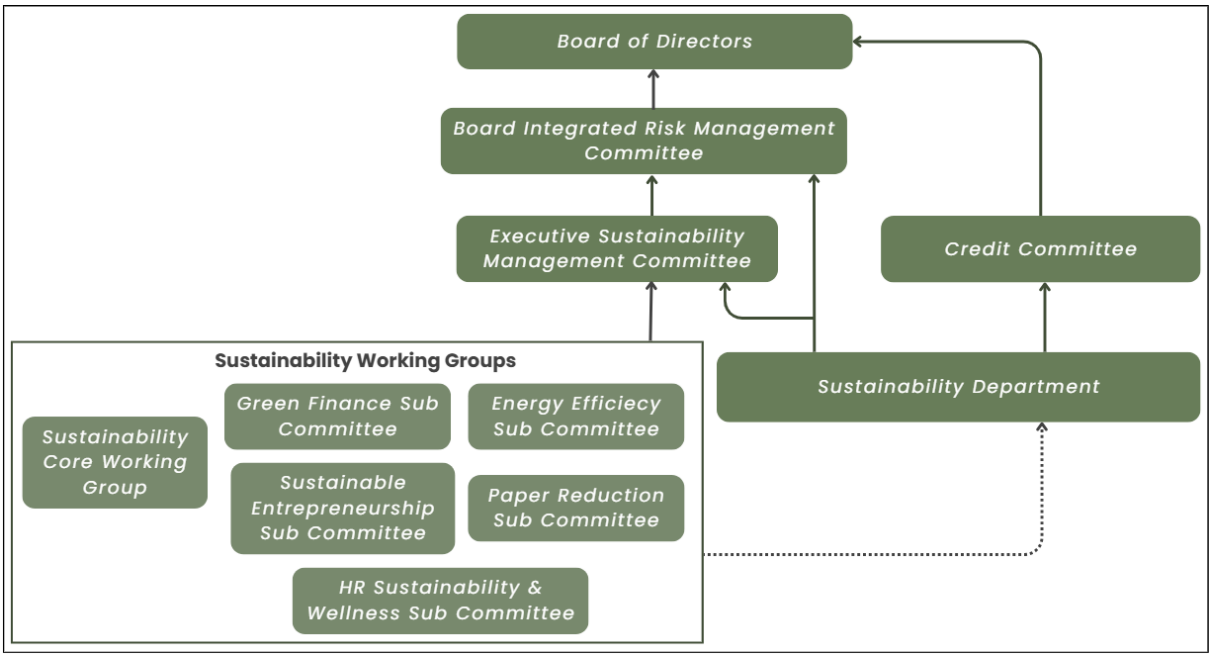


Figure 3: Sustainability Governance Structure

1.6 Environmental and Social Management Systems (ESMS)

DFCC's major Environmental & Social impacts (E&S) tend to be indirect, arising from the provision of financial facilities to sensitive projects in various sectors. Some otherwise beneficial projects can create unfavorable impacts on both the environment and society and expose the bank to several risks. In this regard, the bank has a comprehensive **Environmental & Social Management System (ESMS)** in place to ensure E&S aspects are an integral part of project appraisal and follow up activities. The design of the ESMS incorporates all **eight IFC Performance Standards (PS)**[3].

[3] https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards

2. DFCC'S SUSTAINABLE BOND FRAMEWORK

2.1 The Framework

The Sustainable Bond Framework aims to outline a roadmap for issuing Sustainable Bonds by DFCC and using the proceeds to fund 'green' and/or 'social' projects. This framework establishes the foundation for identifying, selecting, verifying, and reporting eligible sustainable financing opportunities that can be directly or indirectly financed through DFCCs' Sustainable Bonds, as well as managing the associated proceeds.

2.2 Sustainable Financing and SDGs

DFCC will contribute to the following set of **Sustainable Development Goals** (SDGs) through the projects and assets financed through the issuance of instruments governed by this Sustainable Bond Framework:



2.3 Structure, Guiding Principles and Standards

DFCCs Sustainable Bond Framework is based on the **Green Bond Principles (GBP)** (June 2025)[4] and **Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide** (September 2023)[5] and **Social Bond Principals (SBP)** (June 2025)[6] and **Bonds to Bridge the Gender Gap: A Practitioner's Guide to Using Sustainable Debt for Gender Equality** (November 2021)[7] and **Sustainability Bond Guidelines** (June 2021)[8] published by the **International Capital Market Association (ICMA)**, which provide guidelines in the following four key areas:

[4] https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Green-Bond-Principles-GBP-June-2025.pdf
[5] https://www.icmagroup.org/assets/documents/Sustainable-finance/Bonds-to-Finance-the-Sustainable-Blue-Economy-a-Practitioners-Guide-September-2023.pdf
[6] https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Social-Bond-Principles-SBP-June-2025.pdf
[7] https://www.icmagroup.org/assets/documents/Sustainable-finance/ICMAUN-WomenIFC-Bonds-to-Bridge-the-Gender-Gap-A-Practitioners-Guide-to-Using-Sustainable-Debt-for-Gender-Equality-November-2021.pdf
[8] https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

And for heightened transparency:

- External Review

2.4 Framework Governance

The Sustainable Bond Framework may be further updated and expanded as the GBP and SBP market practices evolve. This framework will be applied to any green, social, or sustainable bond issued by DFCC.

2.5 Use of Proceeds

Under this Framework, the Bank may issue the following 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. These encompass investments aimed at mitigating climate change, adapting to its impacts, conserving natural resources, protecting biodiversity, and preventing or controlling pollution. All identified Green Projects must demonstrate tangible environmental benefits, which should be evaluated and, where possible, measured.
- Blue Bonds (i.e., a sub-category of 'Green') where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the Eligible Blue categories. This refers to sustainable ocean-based industries that promote economic growth while safeguarding aquatic ecosystems and enhancing access to clean water. It also includes investments in ocean health through ecosystem and natural resources management, pollution control for marine and coastal environments, including the rivers that drain to the ocean, and/or sustainable coastal and marine development and clean drinking water infrastructure. Eligible proximity of the project site to the ocean, rivers that drain to the ocean and/ or the marine environment are described, where appropriate.
- 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. These are initiatives designed to address specific social issues or deliver positive outcomes for communities. Project categories include affordable basic infrastructure, access to essential services, employment generation, food security and sustainable food systems, and socioeconomic advancement and empowerment.
- Gender Bonds (i.e., a sub-category of 'Social') where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the Eligible Gender related categories. These are investments specifically aligned with advancing gender equality and women's empowerment. Eligible projects include initiatives that support socioeconomic advancement and empowerment, and women empowerment.
- 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 (including Blue and Gender subcategories)

DFCC intends to allocate the amount equal to the net proceeds of the Green, Blue, Social, Gender and Sustainability bonds issued under this framework to finance or refinance new and existing loans (see section 3 on Management of Proceeds) to the following categories. Eligible expenditure would include

investments, activities and other related and supporting expenditures, such as construction of new assets, as well as maintenance, enhancement, improvement or repair of existing assets. The eligible sustainable 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 and social cross-border portfolio projects through the financial provisions of a Green/Blue/Social/Gender/Sustainability bond. Eligible projects shall align with the thresholds outlined in the Sri Lanka Green Finance Taxonomy (May 2022)[9]advancements in the country to ensure continued relevance and compliance. The eligible main category, use of proceeds, type of Bond, expected outcome and the indicative impact reporting indicators are presented in Table 2.5.1 below:

[9] https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/sl_green_finance_taxonomy.pdf

2.5.1 Eligible Categories and Reporting Indicators

Eligible Main Category	Use of Proceeds	Bond Type	Expected outcome	SDG Linkage	SLGFT Linkage	Impact Reporting Indicators
Renewable Energy	Financing or refinancing directed towards the construction, operation, acquisition, installation, and maintenance of electricity generation facilities from the following renewable energy sources — including mounting structures, transmission infrastructure, grid connections and other supporting infrastructure such as inverters, transformers, energy storage systems and control systems — as well as the production of renewable energy equipment: • Ground mounted, floating and rooftop solar electricity generation projects • Wind energy generation projects • Run-of-the-river hydro power generation projects • Marine renewable energy (offshore renewable energy production, that support other sustainable blue economy sectors while safeguarding the marine environment (offshore wind (both fixed and floating installations/ wave /floating solar)		• GHG emissions reduction • Transition towards more sustainable business practices • Cleaner energy generation		M 3.5 M 3.6 M 3.8 M 3.10 M 4.1 M 4.2 M 4.3 M 4.4 M 4.5 M 6.9	• Capacity/Additional Capacity of the renewable energy power generation plant in kW/MW • Annual electricity generation data kWh/MWh • Annual GHG emissions reduced/avoided in tCO_2e • Qualitative Information (e.g., Area of land remediated/rehabilitated (m^2/ha)/ Remediation actions to preserve natural resources/ Number of permanent full-time jobs created by the projects)
Energy Efficiency	Financing or refinancing to support the development, manufacture, repair, maintenance, or installation of energy efficiency technologies, products, and systems, including: • Energy-efficient heating and cooling systems, lighting, and appliances • Energy efficient products, appliances and equipment • Industrial and commercial energy efficiency transition initiatives • Rechargeable batteries, battery packs, and accumulators for transport, stationary, and off-grid energy storage, including component manufacturing (active materials, cells, casings, electronics) and end-of-life battery recycling		• GHG emissions reduction • Optimized resource use and minimized energy consumption		M 2.4 M 3.4 M 3.14 M 3.15 M 3.16 M 4.9 M 4.11 M 4.12 M 4.13 M 4.14 M 4.15 M 4.16 M 4.17 M 4.18	• Annual energy savings in kWh/MWh • Annual GHG emissions reduced/avoided in tCO_2 e

Eligible Main Category	Use of Proceeds	Bond Type	Expected outcome	SDG Linkage	SLGFT Linkage	Impact Reporting Indicators
					M 6.1 M 6.3 M 6.8 M 6.9	
Green Buildings	Financing or refinancing green building investments, including financing greening of existing buildings, construction of new green buildings and acquisition of buildings that meet regional, national, or internationally recognized standards or certifications for environmental performance • Commercial buildings • Residential buildings • Property upgrades		• GHG emissions reduction • Energy savings		M 6.1 M 6.2 M 6.3 E 4.1	• kWh/m² of GBA p.a., and % of Energy use reduced/avoided • m³/m² of GBA p.a., and Annual absolute (gross) water use before and after the project in m³/a (for retrofitted buildings), and/or % of water reduced/avoided • $kgCO_2/m^2$ of GBA p.a./ Annual GHG emissions reduced/avoided in tCO_2e, and/or % of carbon emissions reduced/avoided • Sustainability Certification Compliance - (GREENSL® Rating System – Developed by the Green Building Council of Sri Lanka (GBCSL) / LEED (Leadership in Energy and Environmental Design)

Eligible Main Category	Use of Proceeds	Bond Type	Expected outcome	SDG Linkage	SLGFT Linkage	Impact Reporting Indicators
Clean Transportation	Financing or refinancing • Zero emission electric passenger and cargo vehicle investments such as buses, trucks, three-wheelers, cars and van fleets for sectors such as tourism, logistics, taxi companies etc. • Zero emission and non-fossil fuel public transport investments • EV charging infrastructure • Battery charging stations /Battery swapping stations • Sustainable marine transport projects focus on enhancing environmental performance by leveraging alternative technologies to promote low-carbon transportation solutions/ ballast water management/retrofitting the vessels with advanced technologies		• GHG emissions reduction • Pollution Prevention and Control • Improvements in air quality		M 3.3 M 3.12 M 3.13 M 6.4 M 6.5 M 6.6 M 6.7 M 7.1 M 7.2 M 7.3 M 7.4 M 7.5	• Annual GHG emissions reduced/avoided in tonnes of CO_2 equivalent • Passenger-kilometres and/or passengers; or tonne-kilometres and/or tonnes • Number of charging stations; or Number of users • No of vessels with new measures
Sustainable Resource and Land Use	• Financing or refinancing climate-smart agriculture projects (e.g., crop diversification & precision farming, biological crop protection, drip-irrigation, rainwater harvesting, agro forestry, adoption of Sri Lanka Good Agricultural Practices (SL-GAP) certification etc.)		• Preservation of natural habitats & biodiversity • GHG emissions reduction		M 2.1 M 2.2 M 2.3 M 2.4 M 2.5 M 5.6 A 1.1 A 1.2 A 1.4 A 1.5 A 1.6 E 1.2 E 1.3 E 1.4 E 1.5 E 1.7 E 1.9	• Number of farmers and agribusinesses supported through financing • Area of land cultivated adopting (ha or acres) • Number of loans for climate smart agriculture projects • Qualitative Information (No of farmers with SL-GAP certification/Geographical outreach/ Employment generation/ No of beneficiaries /uplifted lifestyles)

Eligible Main Category	Use of Proceeds	Bond Type	Expected outcome	SDG Linkage	SLGFT Linkage	Impact Reporting Indicators
Coastal Climate Adaptation and Resilience	• Financing or refinancing projects that support ecological and community resilience and adaptation to climate change including using nature-based solutions *[Projects must be within 5 km of the coast or within the marine environment]*		• Climate Change Adaptation • Natural Resource Conservation		A 3.1 A 3.2 A 3.3 E 5.1	• Area of protected or restored habitat (ha) • Mangrove forest under improved conservation and/or restoration (ha) • Area of newly restored beach because of investment (ha) • Number of people and/or enterprises (e.g., companies or farms) benefitting from measures to mitigate the consequences of floods
Marine Ecosystem Management, Conservation, and Restoration, including Sustainable Marine Value Chains	Financing or refinancing • Projects that manage, conserve, and restore the health of coastal and marine ecosystems *[Projects must be within the marine environment or within 15 km of the coast]* • Projects that improve the environmental sustainability of marine value chains - Sustainable marine fisheries management - Sustainable aquaculture operations (algae, bivalves, fish, and seagrass) - Seafood supply chain sustainability		• Natural Resource Conservation • Biodiversity Conservation • Pollution Prevention and Control		M 2.4 M 3.1 A 1.1 A 1.5 A 3.1 A 3.3 A 4.2 E 1.6 E 2.3 E 2.7 E 3.3 E 5.1	• Area of marine environment with improved management (ha) • Coastal or marine area under improved management, conservation, or restoration (ha) • Production of sustainable aquaculture, algaculture, and/or mariculture (tons) • Revenue to fishers increased
Sustainable Coastal and Marine Tourism	Financing or refinancing projects that improve the environmental sustainability of coastal and marine tourism *[Projects must be within 5 km of the coast or within the marine environment]*		• Natural Resource Conservation • Biodiversity Conservation • Pollution Prevention and Control		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 entities with improved management of energy and water resources • Operators (number) certified to NSTC

Eligible Main Category	Use of Proceeds	Bond Type	Expected outcome	SDG Linkage	SLGFT Linkage	Impact Reporting Indicators
Marine Pollution Prevention	Financing or refinancing projects that prevent, control, and reduce waste from entering the coastal and marine environments • Wastewater management • Solid waste management • Resource efficiency and circular economy (waste prevention and reduction) • Non-point source pollution management *[For wastewater management, projects must be within 5km of the coast. For solid waste management, projects must be within 25 km of the coast or a river that drains to the ocean. For non-point source pollution management, projects must be within 15km of the coast or within 10 km of rivers (and their tributaries) that flow to the ocean]*		• Pollution Prevention and Control • Climate Change Mitigation • Climate Change Adaptation • Natural Resource Conservation • Biodiversity Conservation		M 4.18 M 5.1 M 5.2 M 5.3 M 5.4 M 5.5 E 1.6 E 2.8 E 3.3 E 3.4 E 3.5 E 3.6	• New or Additional wastewater management and solid waste management capacity installed or implemented (liters/ tons) • Solutions to enhance plastic pollution control and resource efficiency implemented (number)
Affordable Basic Infrastructure	**Clean Drinking Water** • Financing or refinancing of water supply infrastructure projects for expanding access to clean drinking water in under-served regions **Pollution Control & Sanitation** • Financing or refinancing of waste-to-energy plants • Financing or refinancing of waste management companies who provide services for local municipalities • Financing or refinancing investments in waste recycling companies • Financing or refinancing investments in construction and operation of wastewater treatment plants in compliance with local industrial and environmental standards • Financing or refinancing waste to energy projects		**Benefit** • Increase affordable basic infrastructure, especially for the disadvantaged / low-income community		M 4.1 M 4.2 M 4.3 M 4.4 M 4.5 M 4.6 M 4.7 M 4.8 M 4.9 M 4.10 M 4.18 M 5.1 M 5.2 M 5.3	• Number of infrastructure project built/upgraded • Number of new household water connections • Tons of waste processed • New or Additional wastewater management and capacity installed or implemented (liters/ tons) • Kilometres of feeder roads rehabilitated/constructed • Annual energy generation from non-recyclable waste in energy/emission-efficient waste to energy facilities in

Eligible Main Category	Use of Proceeds	Bond Type	Expected outcome	SDG Linkage	SLGFT Linkage	Impact Reporting Indicators
	Transport • Financing or refinancing investments in the construction of public road infrastructure, such as expressways **Energy** • Financing or refinancing investments for utility providers in electricity transmission & distribution upgrades, grid strengthening projects & battery energy storage systems to enhance energy reliability & accessibility		**Target Population** General population, including the most vulnerable		M 5.4 M 5.5 M 5.6 M 6.4 M 6.7 M 7.1 E 2.8 E 3.1 E 3.2 E 3.3 E 3.4 E 3.5 E 3.6	MWh
Access to Essential Services	**Health & Medical Services** • Financing or refinancing establishment and expansion of private healthcare facilities, including diagnostic centers, nursing homes, and hospitals (small to large scale), to complement public healthcare systems **Education & Vocational Training** • Financing or refinancing construction, expansion, or acquisition of buildings, facilities, and equipment relating to provision of child, youth or adult education and vocational training services, including schools and universities • Financial support to access education - e.g. Student loans **Financing & Financial Services** • On-lending for non-bank finance companies and microfinance institutions to improve access to credit for the general population		**Benefit** • Increase accessibility to quality healthcare for the general population • Increase access to quality & accessible education & vocational training • Support people residing in under-performing areas to gain or			• Additional healthcare infrastructure funded • Additional new schools/education institutions funded • Number of loans • Geographical outreach • Sector distribution

Eligible Main Category	Use of Proceeds	Bond Type	Expected outcome	SDG Linkage	SLGFT Linkage	Impact Reporting Indicators
			sustain employment **Target Population** • General population, including the most vulnerable • Individuals & SMEs residing in socio economically disadvantaged areas			
Employment Generation & Unemployment Alleviation	**Lending programs for MSMEs** • Financing or refinancing for micro, small, and medium-sized enterprises (MSMEs) based on the Central Bank of Sri Lanka's definitions, enabling economic growth and job creation. Loans are structured to align with turnover thresholds: Micro (up to Rs. 15Mn), Small (up to Rs. 250Mn), and Medium (up to Rs. 1,000Mn)		**Benefit** Support individuals & society, leading to better livelihood and economic prosperity **Target Population** Unemployed population, including the most vulnerable			• Number of SME loans allocated to businesses in economically disadvantaged regions. • Qualitative information on socioeconomic advancement and empowerment (Geographical outreach, Sector distribution, Number of employments created, Amount of capital allocated to green and sustainable finance initiatives)
Food Security and Sustainable Food Systems	**Climate Resilient Agricultural Livelihoods** • Financing or refinancing for sustainable agricultural practices that improve resilience to climate change, including drought -resistant crops, efficient irrigation systems & renewable energy solutions like		**Benefit** Food Security and Sustainable Food Systems		M 2.1 M 2.2 M 2.3 M 2.4 M 2.5	• Total amount of loans allocated to climate-resilient agricultural projects • Number of farmers and agribusinesses supported through financing

Eligible Main Category	Use of Proceeds	Bond Type	Expected outcome	SDG Linkage	SLGFT Linkage	Impact Reporting Indicators
	solar-powered water pumps **Supply Chain Resilience** • Loans supporting the development of traceable, fair trade supply chains and the adoption of post-harvest loss reduction technologies to minimize food waste		**Target Population** General population, including the most vulnerable		M 3.1 A 1.1 A 1.2 A 1.3 A 1.4 A 2.1 A 3.1 A 3.2 E 1.1 E 1.2 E 1.3 E 1.4 E 1.5 E 1.7 E 1.8	• Social impact metrics upon availability
Socioeconomic Advancement and Empowerment	Financing or refinancing projects for promoting the participation and enhancement of underrepresented groups in accessing and controlling assets, services, resources, and opportunities, to foster their integration into the market and society • Women • Aging population • Vulnerable groups including youth		**Benefit** Enhance social and community resilience through inclusive development to break the cycle of poverty			• Number and value of loans issued to underserved communities, MSMEs, women entrepreneurs, and low-income individuals. • Number of permanent full-time jobs created

Eligible Main Category	Use of Proceeds	Bond Type	Expected outcome	SDG Linkage	SLGFT Linkage	Impact Reporting Indicators
			Target Population Low-Income and Marginalized Communities			
Women Empowerment	**Leadership** Financing or refinancing projects to increase representation in • Gender diversity of leadership • Strengthening pipeline of female talent for board, leadership, and management positions **Employees** Financing or refinancing projects to • Strengthen representation in gender diversity of workforce • Provide a safe, supportive and respectful workplace **Supply chain** • Provide access to financial services for women-owned or women-led businesses • Financing or refinancing projects to women entrepreneurs who have limited access **Products/services** • Financing or refinancing products and services designed to meet the needs of women consumers or users		**Benefit** Improvement in women's opportunities or [reduced] gender-based discrimination **Target Population** Women			• Number of loans to businesses with majority women in senior management or ownership positions • Number of women provided with access to equal pay employment opportunities • % of women in the workforce

Eligible Main Category	Use of Proceeds	Bond Type	Expected outcome	SDG Linkage	SLGFT Linkage	Impact Reporting Indicators
	Community engagement • Financing or refinancing opportunities for targeted engagement that focus on women and girls in the community					

Notes

1. **Abbreviations** *CO_2 = Carbon Dioxide, GBA = Gross Building Area, GHG= greenhouse gas, GJ = giga joules, GSTC = Global Sustainable Tourism Council, GWh = Gigawatt-hour, ha = Hectare, kW = kilowatt, KWh = kilowatt hour, km^2 = Square kilometer , LNG = Liquefied natural gas, m^2 = square meter, m^3 = cubic meter, m^3 /a = cubic meter per annum, MW = Megawatt, MWh = Megawatt hour, tCO_2 e = ton of carbon dioxide equivalent, terajoule, NSTC - National Sustainable Tourism Certification (NSTC) by SL Tourism Development Authority*
2. **GHG accounting methodology and assumptions will be disclosed (see section 4.2 Impact Reporting)**
3. **All qualitative information mentioned here will be disclosed based on the data availability (see section 4.2 Impact Reporting)**
4. **All eligible projects will be selected through the screening procedures of the DFCC ESMS (see section 2.6 Process for Project Evaluation and Selection)**
5. **The SLGFT linkage outlined herein are indicative and not exhaustive, and may be revised or expanded as necessary**
6. **- Green Bond - Social Bond - Sustainability Bond - Blue Bond - Gender Bond**

2.6 Process for Project Evaluation & Selection

New Projects:

Applications for funding are initially screened against the Bank's 'Exclusion List'[10] and credit evaluations will be performed by lending units. The lending units will then recommend to the Sustainability Department certain green and/or social projects as suitable to be financed by the proceeds of the Green/Blue/Social/Gender/Sustainability Bonds issued under this framework. The Sustainability Department will screen the recommended projects against the Bank's E&S safeguard standards and evaluate the projects for eligibility under the framework as described in 2.1 above. Once screened, the projects will be earmarked by the Sustainability Department for financing by the proceeds of the Green/Blue/Social/Gender/Sustainability Bond. Thereafter, the Integrated Risk Management Department will carry out an overall risk evaluation and submit the credit facility for approval by the Board of DFCC Bank or the relevant delegated authority.

Refinancing of Existing Projects:

Existing projects proposed for refinancing will be recommended by the lending units and evaluated for eligibility under the Sustainable Bond framework by the Sustainability Department. Thereafter, they will be earmarked for financing by the proceeds of the Green/Blue/Social/Gender/Sustainability Bond.

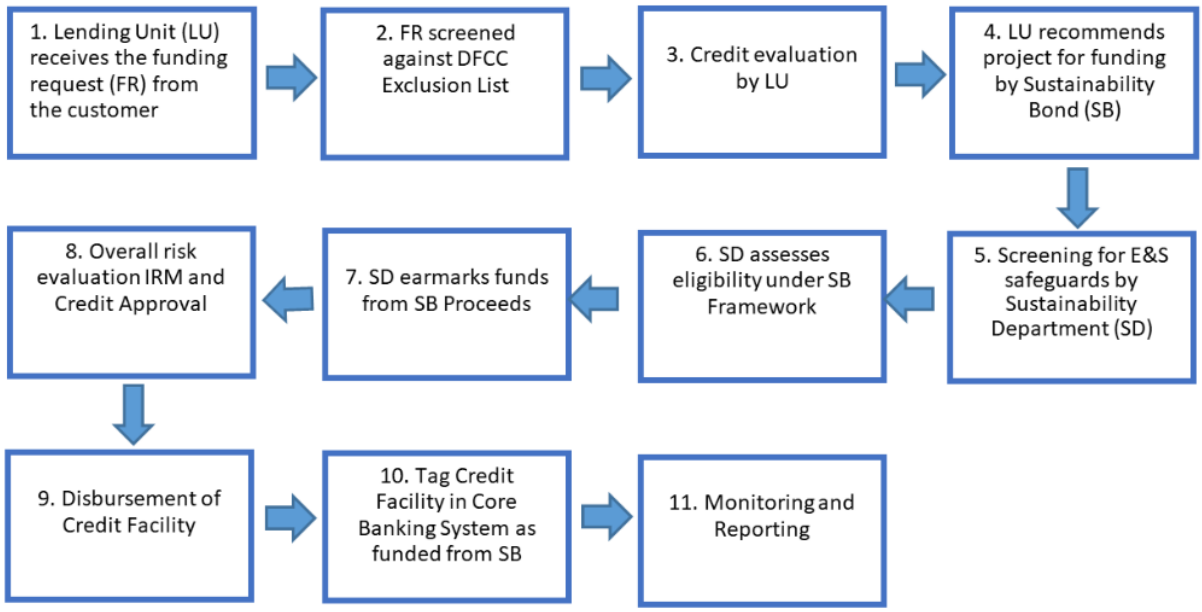


Figure 4: Process Flow

If any funded project fails for any reason, be it technical, managerial, regulatory or other; the project will be removed from the funding allocation and replaced with another project as proposed by the lending unit and approved by the Sustainability Department. The Bank will also ensure that all projects are in continued compliance with E&S safeguards as per the ESMS, during the life of the financing facility. If any E&S issues arise from any funded project, the borrower shall be requested to take corrective action in accordance with the provisions of the loan agreement, and if the matters are yet unresolved, it shall be replaced by another project. The overall assessment and selection of eligible projects will be carried out in accordance with the supplementary internal process document established under the framework.

[10] Please refer Annex 1 - DFCC Exclusion List

3. MANAGEMENT OF PROCEEDS

The proceeds of the Green/Blue/Social/Gender/Sustainability Bond will be managed by DFCC's Treasury, and fund allocations to specific projects will be done by the Treasury following specific recommendations from the Sustainability Department. The Treasury will maintain a schedule of projects that are financed and/or refinanced with the proceeds of the Green/Blue/Social/Gender/Sustainability Bond. Once disbursed, the Credit Services Department will tag the earmarked projects in the Bank's core banking system.

The unallocated proceeds of the Green/Blue/Social/Gender/Sustainability Bond will be temporarily invested in cash, cash equivalents or Sri Lanka Government securities on a per Green/Blue/Social/Gender/Sustainability Bond basis, in accordance with the Bank's cash management policies. Any unallocated proceeds will not be directed toward activities or financial instruments that conflict with the bond's environmental and social objectives, such as investments in fossil fuels or those listed on the exclusion list. The unallocated proceeds will be tracked in a separate internal accounting system. It is expected that the Green/Blue/Social/Gender/Sustainability Bond proceeds will be fully allocated within a period of 18 months from the date of bond issuance.

Refinancing of Eligible Projects will have a look-back period of no longer than 3 years from the time of issuance of each bond. Additionally, no more than 60% of the net proceeds from the bond issuance will be allocated to the refinancing of existing eligible projects.

The Bank will follow internal procedure manuals for the management of proceeds.

4. REPORTING

The Treasury and the Sustainability Department will prepare and submit allocation and impact reports to the ESMC and to the Board on a yearly basis. Any changes to the overall portfolio considered under the Green/Social/ Green/Blue/Social/Gender/Sustainability Bond, or removal and addition of individual projects from the Green/Blue/Social/Gender/Sustainability Bond portfolio will have to be cleared by the Sustainability Department.

DFCC will publicly disclose the allocation of proceeds and impacts of the Green, Blue, Social, Gender and Sustainability Bonds in its Annual Report on an aggregate portfolio basis and will not include details of individual projects funded. The proportion of allocation of proceeds by bond category will be included in the annual impact reporting. The Annual Report will be published on the DFCC Bank website (www.dfcc.lk) and the Colombo Stock Exchange website (www.cse.lk).

DFCC will make and keep, readily available, up to date information on the use of proceeds to be reviewed annually on a timely basis in case of material developments.

4.1 Allocation Reporting

A detailed internal report will be generated by the Treasury and prepared together with the Sustainability Department on a quarterly basis until full allocation of proceeds, and thereafter on an annual basis. The following information will be included in the internal report:

- List of projects to which the Green/Blue/Social/Gender/Sustainability Bond proceeds have been allocated, with specific information related to the projects, allocated amounts, etc.
- Proportion of new and refinanced projects
- Remaining unallocated proceeds

4.2 Impact Reporting

DFCC will use quantitative and qualitative performance measures and disclose key underlying methodology and/or assumptions used in the quantitative/qualitative determination. DFCC will also refer to and adopt, where applicable, the guidance and impact reporting template provided in the ICMA Harmonized Framework for Impact Reporting (June 2024)[11] and the ICMA Harmonized Framework for Impact Reporting for Social Bonds (June 2025)[12]. The impact of each funded project will be measured by collecting data annually and reported on a portfolio basis. Table 2.5.1 above provides a summary of examples of *indicative* impact reporting metrics that could be disclosed against each eligible main category.

5. EXTERNAL REVIEW

DFCC will verify this Sustainable Bond framework from a reputed Independent External Verifier or Second Party Opinion provider, confirming its alignment with the ICMA Bond Principles prior to a Green, Blue, Social, Gender or Sustainability Bond issuance.

The Independent External Verifier will also issue a Post Issuance Assurance Report. The Post Issuance Assurance will include a review of the internal processes and controls, allocation reports and impact reports, and will be performed after 12 months following the issuance of the Green/Blue/Social/Gender/Sustainability Bond.

Thereafter, the annual allocation reports and impact reports will be reviewed by the Independent External Verifier. These reports in abridged form, including the external review, will be published in the DFCC Bank website.

6. UPDATING OF THE SUSTAINABILITY BOND FRAMEWORK

DFCC Bank will update this framework as and when required, and such updates will be published on its website. These changes will follow DFCC's internal processes and the relevant globally recognized standards, guidelines and best practices.

[11] https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf

[12] https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-for-Social-Bonds-June-2025.pdf

ANNEX 1: DFCC EXCLUSION LIST

1. Production or activities involving harmful or exploitative forms of forced labor[13] / harmful child labor[14] and human rights abuses (including that of indigenous and / or vulnerable groups)

2. Production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs bans, such as pharmaceuticals, pesticides and herbicides, ozone depleting substances, polychlorinated biphenyls (PCB's)[15] and other hazardous chemicals, wildlife or wildlife products regulated under CITES (Convention of International Trade in Endangered Species of Wild Fauna & Flora) and Trans-boundary trade in waste or waste products.

3. Production or trade in weapons and munitions[16], including military equipment financing.

4. Gambling, casinos and equivalent enterprises [16]

5. Production or trade in radioactive materials[17]

6. Production or trade in un-bonded asbestos fibers[18]

7. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests, deforestation and land clearance by burning

8. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats and / or use of any other illegal fishing methods, e.g. dynamite fishing

9. Ethically / morally controversial projects / activities, e.g. animal testing, sex trade, abortions, money laundering, terrorist financing, human trafficking, arms smuggling

10. Adversely affecting UNESCO World Heritage Sites or national and / or international protected areas and wetlands

11. Coal power plants

Advances to the above activities/sectors are prohibited.

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13 All work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty

14 Employment of children whose age is below the country's statutory minimum age of employment or 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

15 A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985

16 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

17 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

18 This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%