



**Cim finance** 

CFSL Green Bond Framework

## Introduction

Cim Financial Services Limited (CFSL) is a multinational financial services group (the 'Group') listed on the Official Market of the Stock Exchange of Mauritius and headquartered in Mauritius. It has been registered as a Reporting Issuer with the Financial Services Commission since November 2012. The Company operates across two major clusters namely: Finance and Investments. The Group has a sizeable footprint and employs over 800 employees across Mauritius, Rodrigues, and Kenya. CFSL has significant distribution capabilities given it's 102 counters, more than 700 merchants, and in excess of 270,000 clients.

CIM's purpose is to build innovating and integrated products and services that uplift their clients lives and helps build better futures.

## Finance Cluster

This cluster offers financial solutions to individual consumers, SME's and large corporates. These solutions are split across four categories:

1. Consumer Finance,
2. Leasing,
3. Cards & Payments, and
4. Factoring.

Having operated in the consumer finance sector since 1987, the Group has built a network of approximately 100 counters spread across Mauritius and Rodrigues to service a large percentage of the population. Cim Financial Service Ltd has been, and remains, the first non-banking financial institution in Sub-Saharan Africa to issue MasterCard and Visa credit cards, it has been a pioneer with respect to building a wholesale funding model in Mauritius, and it is therefore a natural extension for CFSL to be a pioneer in the space of green finance to consumers in Mauritius.

CFSL is licensed by the FSC as a credit financing institution and is listed on the Official Board of the Stock Exchange of Mauritius. As detailed above, CFSL offers a range of credit card issuing and acquiring services and is equally engaged in leasing and factoring activities. CFSL is a market leader in this sector and has played a revolutionary role in the development and monitoring of credit scoring in Mauritius.

## Investments Cluster

This vertical investment cluster holds various companies where CFSL has made an investment in a company with the aim of bringing value added benefit to its main businesses within the finance cluster.

CFSL has set up a consumer finance business in Kenya under the name of Cim Credit Kenya. The Company has deployed a fin-tech enabled business model leveraging on Kenya's unique mobile digital eco system and high consumer awareness of mobile phone app-based lending platforms.

## Sustainability

The Board and management of CFSL understands the implications of environmental change on Mauritius and believe that CFSL has a role to play in changing behaviours so that the Mauritian population makes decisions that are more sustainable and protect the country and environment from the negative externalities brought on by climate change.

CFSL believes that working to promote sustainability, both for the firm and for its clients, is responsible business practice. This belief is reflected in CFSL's intention to finance MUR 3bln of client purchases that will deliver positive environmental and social impacts over the next 5 years.

With over 270,000 clients, CFSL has significant reach with respect to sharing this sustainability message as long as it can influence the consumer's decision making at the time of purchase. To do this, CFSL is leveraging its awareness of consumer demand patterns and will finance alternatives that align with a transition to a low carbon and resilient economy.

CFSL has been a pioneer in so many aspects of its business that it is only natural for the company to be an early mover in the sustainability finance space. In doing this, CFSL will utilise the capital markets platform that it has built in recent years to raise financing that allows the company to provide attractive funding to their clients that are making purchases in sectors that align with predetermined sustainability criteria.

This Green Bond Framework sets the basis for the identification, selection, verification, and reporting of sustainable transaction by clients that are eligible for being directly or indirectly financed by the proceeds of the Green Bonds issued by CFSL, and the management of those proceeds.

This Green Bond Framework is based on the Green Bond Principles ("GBP") published by the International Capital Markets Association ("ICMA") and aligns with the Consultative Guidelines on the Issue of Corporate and Green Bonds that the Financial Services Commission Mauritius has shared with the general public at the time of issuance. This Green Bond Framework may be further updated and expanded as the GBP and market practices and standards in Mauritius evolve. CFSL is committed to support the growth and integrity of the market for Sustainable Financing in Mauritius.







## Alignment with the UN Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) were adopted in September 2015 and form an agenda for achieving sustainable development by the year 2030. CFSL believes that they can help the transition to a more sustainable Mauritius by encouraging clients to think greener and more sustainably. To do this, CFSL intends to raise funding for its operations via green bonds, where the proceeds will be utilised to help clients buy products that make a positive impact on the environment and which are more sustainable than the other alternatives available to those consumers. CFSL's Board has approved the raising of MUR 3bln of debt over the next 5 years specifically to finance sustainable purchases and investments by its clients. To encourage the substitution to a more sustainable product, CFSL will offer 'green funding' to their clients. The lending rate on this green funding is expected to be lower than other traditional types of funding currently offered to clients and will be conditional on certain criteria being met. CFSL's has worked with its advisers to identify items that they believe would align with CFSL's sustainability agenda derived from the UN's SDGs.

The use of proceeds for CFSL's green bond are particularly relevant to the following SDGs:

- **SDG 7: Affordable and Clean Energy, which includes targets to (i) increase substantially the share of renewable energy in the global energy mix, and (ii) double the global rate of improvement in energy efficiency.**

Transportation is fuelled by energy so increasing the share of renewables in the transport energy mix in Mauritius can contribute to target 7.2.

Target 7.1: By 2030 ensure universal access to affordable, reliable, and modern energy services.

Target 7.2: Increase substantially the share of renewable energy in the global energy mix by 2030.

By encouraging the public to use electric or hybrid vehicles there will be a reduction in the use of petrol in the Mauritian economy. Further to this, the implementation of solar power chargers, solar lighting, solar heaters, etc further contributes to both Target 7.1 & 7.2. And when implemented on a mass market level, which CFSL is well placed to do, can radically change the energy consumption mix of the Mauritian population.

- **SDG 9: Industry, Innovation and Infrastructure, which includes targets to (i) develop quality, reliable, sustainable and resilient infrastructure, and (ii) upgrade infrastructure and retrofit homes & industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and processes.**

The implementation of rainwater harvesting infrastructure at either an industrial or home level therefore helps to achieve Target 9.1. The implementation of home solar water heaters also contributes to target 9.1 by utilising solar energy to heat water rather than electricity that has been created from the burning of fossil fuels.

Target 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

- **SDG 11: Sustainable Cities and Communities, which includes a target to provide access to safe, affordable, accessible and sustainable transport systems for all, notably by expanding public transport.**

The financing of electric buses, hybrid buses, and systems that will support a greater use of the newly built Mauritian metro system will help achieve Target 11.2.

Target 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

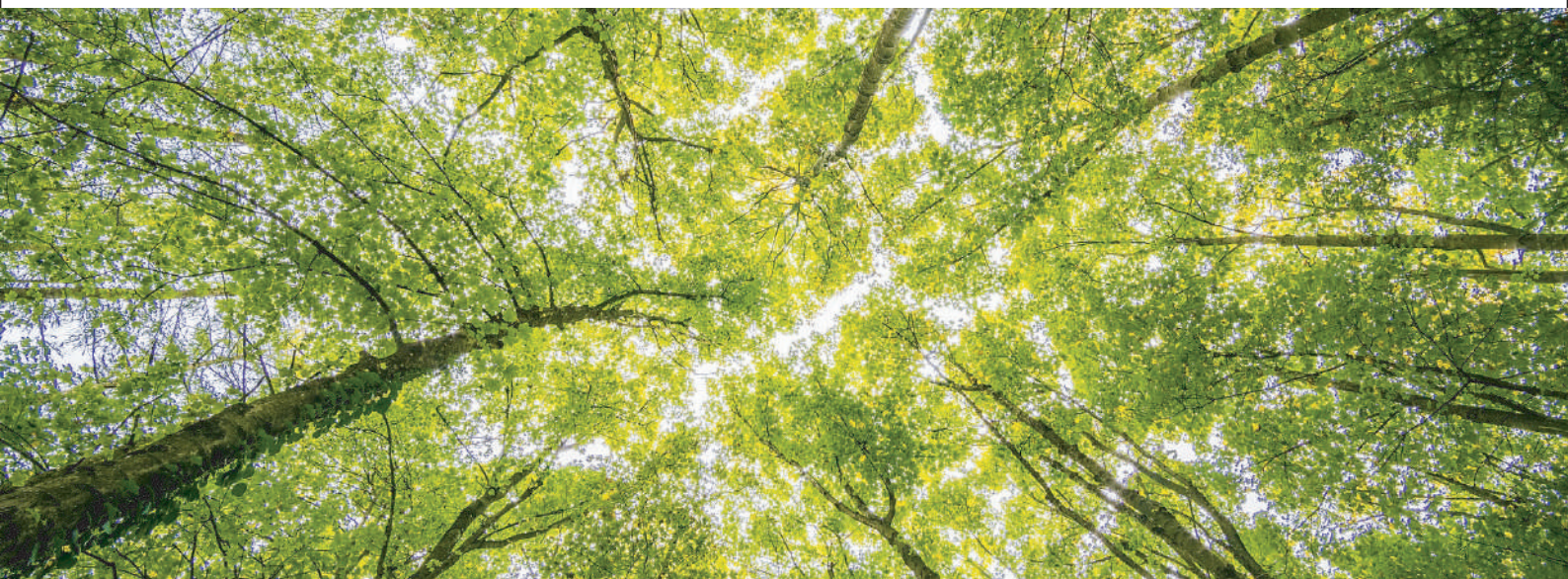
## Green Bond Framework Overview

CFSL's Green Bond Framework has been developed in line with the ICMA Green Bond Principles and follows the four key components: Use of proceeds; Process for project evaluation and selection; Management of proceeds; and Reporting. Cim Financial Services Ltd will issue green bonds in accordance with this Framework.

## Use of Proceeds

Proceeds of CFSL's green bond will be allocated exclusively to finance or refinance, in whole or in part, "Eligible Green Assets". Eligible Green Assets refers to loans and/or investments made by CFSL for assets or projects that meet CFSL's Green Bond Eligibility Criteria defined below. All these assets will be identified in CFSL's internal systems as 'Green Assets'. No asset purchased before the 23rd November 2021 will be considered as a Green Asset.

Repayments will come from cashflows associated with the green leases that CFSL provides to its clients and that are repaid directly to the designated green cash account, drawing down on other funding facilities with banks, and the issuers own funds.



1 The Green Bond Principles are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market. They provide issuers with guidance on the key components involved in launching a credible green bond and aid investors by ensuring availability of information necessary to evaluate the environmental impact of their green bond investments.

2 [unglobalcompact.org/sdgs/17-global-goals](https://unglobalcompact.org/sdgs/17-global-goals)



## CFSL's Green Bond Eligibility Criteria

Eligible Green Asset Categories	CFSL's Green Bond Eligibility Criteria
<p><b>1. RENEWABLE ENERGY</b></p>	<p>Proceeds may be allocated towards the refinancing, acquisition, development, operation, and maintenance of new and ongoing renewable energy activities (such as solar panel installations) including costs related to:</p> <ul style="list-style-type: none"> <li>• Purchase of renewable energy applications and technologies and associated equipment</li> <li>• Installation costs</li> <li>• Construction work</li> <li>• Maintenance work</li> <li>• Energy storage</li> </ul>
<p><b>2. ENERGY EFFICIENCY</b></p>	<p>Proceeds may be allocated towards the financing or refinancing of commercial energy efficiency loans for projects or assets that reduce energy consumption or mitigate greenhouse gas (GHG) emissions. Eligible projects or assets may include:</p> <ul style="list-style-type: none"> <li>• Commercial and residential energy efficiency projects including:               <ul style="list-style-type: none"> <li>o Commercial Energy efficient appliances,</li> <li>o Centralized energy control systems,</li> <li>o Solar water heating systems,</li> <li>o Solar panel systems (including batteries installed to store the energy created by the solar panels),</li> <li>o Batteries for storage of solar energy.</li> </ul> </li> </ul>
<p><b>3. SUSTAINABLE TRANSPORTATION</b></p>	<p>Proceeds may be allocated towards:</p> <ul style="list-style-type: none"> <li>• The refinancing or purchase of electric, plug in electric, and hybrid cars that have a CO2 emissions level of less than or equal to 79g of CO2/km,</li> <li>• The refinancing or purchase of electric &amp; plug in electric commercial vehicles (trucks, vans, busses, etc),</li> <li>• Refinancing, building or operating mass transit, including electrified public transport, urban metro, rail and non-motorized, multi-modal transportation</li> <li>• Refinancing, creating or constructing infrastructure to support mass transit, including depot and maintenance facilities, signaling equipment, platform gates, and facilities required for the safe, clean and efficient operation of the network, utilities and other enabling infrastructure that promotes sustainable transportation.</li> </ul>

## CFSL's Green Bond Eligibility Criteria

Eligible Green Asset Categories	CFSL's Green Bond Eligibility Criteria
<p><b>4. GREEN BUILDINGS</b></p>	<p>Proceeds may be allocated towards refinancing or investing in projects that improve water quality, efficiency and conservation. Eligible projects may include:</p> <ul style="list-style-type: none"> <li>• Installation or upgrade of water capture and storage infrastructure, including stormwater management systems, water distribution systems, aquifer storage, and sewer systems.</li> <li>• Installation or upgrade of water irrigation systems, including gravity fed canal systems, pumped canal or water distribution systems, and drip or subsurface irrigation.</li> <li>• Solar power installations.</li> </ul>
<p><b>5. SUSTAINABLE AGRICULTURE</b></p>	<p>Proceeds may be allocated towards refinancing or investing in projects that improve water quality, efficiency and conservation. Eligible projects may include:</p> <ul style="list-style-type: none"> <li>• Installation or upgrade of water capture and storage infrastructure, including stormwater management systems, water distribution systems, aquifer storage, and sewer systems</li> <li>• Installation or upgrade of water irrigation systems, including gravity fed canal systems, pumped canal or water distribution systems, and drip or subsurface irrigation.</li> </ul>

## Exclusionary Criteria

CFSL has developed a list of exclusionary criteria for the proceeds of its green bond. CFSL commits itself to not knowingly be involved in financing any of the following projects or activities through the proceeds of its green bond:

- Leasing facilities on vehicles with a CO2 emissions level of 80g Co2/km or higher.
- Fossil fuel projects.
- Generators that use fossil fuels.
- Exploration and production of fossil fuels
- Production or trade in weapons and munitions
- Production or trade in alcoholic beverages
- Production or trade in tobacco
- Gambling, casinos, and equivalent enterprises
- Production or trade in radioactive materials.
- Production or trade in unbonded asbestos fibers.
- Production or activities involving harmful or exploitative forms of forced labour.
- Production or trade in wood or other forestry products other than from sustainably managed forests.



- Production or trade in any product or activity deemed illegal under National laws or regulations or international conventions and agreements.

*\*The above list includes items from the IFC Exclusion List (2007) and is sourced from the Bank of Mauritius's Guide for the issue of sustainable bonds in Mauritius.*

## Project Evaluation and Selection Process

CFSL will maintain a pool of eligible 'Green Assets' in a "Green Bond Asset Portfolio". CFSL's specialist teams, including Sales Team, Credit Underwriting Team, Credit Committee, Leasing Operations Team, Finance Team and Treasury, are responsible for screening potentially eligible assets against CFSL's Green Bond eligibility criteria. Once screened, eligible green assets will be added to CFSL's Green Bond Asset Portfolio.

CFSL's eligible green asset selection process takes into account the following objectives, features and benefits:

1. Each eligible green asset included will have been approved by CFSL's credit process / credit committee.
2. Each eligible green asset included meets CFSL's Green Bond eligibility criteria for inclusion in CFSL's Green Bond Asset Portfolio.
3. Each eligible green asset included is also reviewed to ensure compliance with CFSL's Green Bond Framework for what CFSL considers to be green.

If CFSL's investment in any asset within the Green Bond Asset Portfolio is terminated or if an asset no longer meets CFSL's Green Bond eligibility criteria, CFSL's Leasing Operations Team (on recommendation from the Credit Underwriting team) will remove the asset from CFSL's Green Asset Bond Portfolio.





## Illustration of Project Evaluation and Selection Process

CFSL reviews lease application to determine if the product being financed would be considered under this Green Bond Framework.

Any Products that do not come under this framework are removed and will be financed via alternative methods which would typically have a higher cost.

Successful applications are reviewed by CFSL relevant teams to ensure the asset conforms with the criteria set out in this Green Bond Framework.

All financing applications that align with the Green Bond Framework are then evaluated by Credit Underwriting Team and/or Credit Committee for approval and disbursement.

All assets financed are input into CFSL's core lending system and tagged as a Green Asset.

External verification of the Green Asset portfolio is performed by the second party opinion provider.

## Management of Proceeds

All eligible green assets in CFSL's Green Bond Asset Portfolio will be tagged as "Green Bonds Eligible" within CFSL's asset management system which is used to track CFSL's credit exposure on an ongoing basis. As such, the CFSL Green Bond Asset Portfolio is dynamic with assets maturing and new eligible assets being added. CFSL has established a Green Bond Working Group; "the Group" in 2021, which is chaired by CFSL's Group CEO and consists of representatives from Finance and Treasury.

The Group is responsible for supervising the CFSL Green Bond Asset Portfolio and total aggregate amount issued in CFSL Green Bonds. The Group meets quarterly aiming to ensure that the aggregate amount in the Green Bond Asset Portfolio is equal to or greater than the aggregate amount raised by CFSL Green Bonds. For this purpose, the aggregate size and maturity of the Green Bond Asset Portfolio is monitored quarterly.

If for any reason the aggregate amount in CFSL's Green Bond Portfolio is less than the total outstanding amount of CFSL Green Bonds issued, CFSL will hold the balance unallocated amount in cash, cash equivalents and/or other liquid marketable instruments (including Mauritian government / Bank of Mauritius issued securities) in CFSL's liquidity portfolio until the amount can be allocated towards the CFSL Green Bond Asset

# CFSL Green Bond Framework

Portfolio. Cash will be held in an account designated for green funds and securities will be held in a designated custody account. Any fees related to the Green Bond Framework & the costs associated with green bond issuance and monitoring will be financed from the green bond proceeds.

## Reporting

CFSL will publish a Green Bond Report on its website within a year from issuance and will renew it annually in case of any material changes. The Green Bond Report will detail the total amount of assets in the Green Bond Asset Portfolio and the total outstanding amount raised by CFSL Green Bond issuances.

Furthermore, the Green Bond Report will provide details of eligible assets within the Green Bond Asset Portfolio along with CFSL's financial commitments to each asset; the total amount of unallocated proceeds, if any; and environmental impacts of the Green Bond Asset Portfolio to the extent it is practical to do so.

CFSL's estimated sustainability impact metrics were developed in partnership with Dynamia, an external environmental consultant, and have been vetted by a third party external verifier (Deloitte). The following metrics may be used to assess CFSL's green bonds:

Criteria	Projects	CFSL's Green Bond Eligibility Criteria
<b>RENEWABLE ENERGY</b>	Solar installation CEB energy scheme	<ul style="list-style-type: none"> <li>Annual renewable energy generation in MWh/GWh</li> <li>Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> <li>Carbon intensity of the bond (amount lent/CO2e)</li> </ul>
	Solar installation (Off grid - No CEB scheme)	<ul style="list-style-type: none"> <li>Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> <li>Annual renewable energy generation in MWh/GWh</li> <li>Carbon intensity of the bond (amount lent/CO2e)</li> </ul>
<b>ENERGY EFFICIENCY</b>	Battery for solar energy storage	<ul style="list-style-type: none"> <li>Number of batteries sold</li> <li>Total energy capacity of all batteries sold and expected lifetime</li> </ul>
	Large scale solar water heaters (Commercial)	<ul style="list-style-type: none"> <li>Annual energy savings</li> <li>Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> <li>Carbon intensity of the bond (amount lent/CO2e)</li> <li>The number of solar water heaters sold</li> </ul>
	Commercial Energy efficient appliances: A star rated (ie fridges, Aircons, etc)	<ul style="list-style-type: none"> <li>Annual energy savings</li> <li>Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> <li>The number of energy efficient appliances sold</li> <li>Carbon intensity of the bond (amount lent/CO2e)</li> </ul>

# CFSL Green Bond Framework

Criteria	Projects	CFSL's Green Bond Eligibility Criteria
CLEAN TRANSPORTATION	SOLAR Electric Vehicle Supply Equipment (EVSE) - EV charger	<ul style="list-style-type: none"> <li>• Number of solar EVSE deployed</li> <li>• Carbon intensity of the bond (amount lent/CO2e)</li> </ul>
	Hybrid (HEVs) and plug-in hybrid (PHEVs) cars - emissions below 79g CO2/Km	<ul style="list-style-type: none"> <li>• Number of clean vehicles deployed</li> <li>• Percentage of clean vehicles in the total number of new vehicles sold for CFSL (%) (number of cars).</li> <li>• Annual GHG emissions reduced/avoided in tCO2e</li> <li>• Carbon intensity of the bond (amount lent/CO2e)</li> </ul>
	Electric Vehicles (EVs)	
GREEN BUILDINGS	Rainwater Harvesting systems (consider Commercial and Industrial installations)	<ul style="list-style-type: none"> <li>• Number of installations</li> </ul>
SUSTAINABLE AGRICULTURE	Drip, flood and pivot irrigation systems – Commercial use only	<ul style="list-style-type: none"> <li>• Volume of water (m<sup>3</sup>) saved/reduced/treated</li> <li>• Number of systems installed</li> </ul>

## External Review

CFSL will engage external independent verifiers to review that the assets included in the CFSL Green Bond Asset Portfolio meet CFSL's Green Bond Eligibility Criteria and are not invested in assets as defined by the Exclusionary Criteria. Furthermore, the consultants will be engaged to review that the aggregate amount in the Green Bond Asset Portfolio is equal to or greater than the aggregate amount raised by CFSL Green Bonds and to the extent the total amount of the outstanding bonds is less than the aggregate amount in CFSL's Green Bond Portfolio, the difference is held in cash, cash equivalents and/or other liquid marketable instruments ((including Mauritian government / Bank of Mauritius issued securities ) in CFSL's liquidity portfolio. Any difference should be limited to the fees associated with the green bond issuances and the costs of associated functionaries.

Deloitte, has provided an external verification on this framework, which can be found. Deloitte's verification intends to provide an assessment of CFSL's Green Bond Framework's alignment with the Guidelines on Green Bonds as set out by the Financial Services Commission Mauritius.



## Disclaimer

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*Such statements are based on management's current expectations and are subject to risks, uncertainties and changes in circumstances. Actual results and capital and other financial conditions may differ materially from those included in these statements due to a variety of factors, including without limitation the precautionary statements included in the Offering Documents, and the factors and the factors listed and described under "Risk Factors" in CFSL's Offer Documents.*

*Any such forward-looking statements in these materials speak only as at the date of these materials and CFSL does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made.*

*Providing this Green Bond Framework does not mean that CFSL certifies the materiality, the excellence or the irreversibility of the projects financed by CFSL's Green Bond. CFSL is fully responsible for certifying and ensuring the implementation and monitoring of and compliance with the Green Bond Framework.*