

Social Bond Framework





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1. Introduction

1.1 BRAC Bank's Commitment to Sustainability

BRAC Bank is deeply committed to advancing the United Nations Sustainable Development Goals (SDGs), the Bangladesh Vision 2041, and the country's Nationally Determined Contributions (NDCs). In alignment with these global and national frameworks, BRAC Bank has identified key priority areas to further contribute to the nation's development agenda and the achievement of the SDGs.

1.2 Social Responsibility Focus Areas

BRAC Bank is dedicated to making a positive impact in Bangladesh by addressing the country's socio-economic challenges. Our key focus areas include:

- Job Creation through CMSME
- Gender Equality
- Affordable housing
- Food security
- Financial Inclusion
- Healthcare Access

Through these initiatives, BRAC Bank aims to contribute to a more equitable and sustainable future for Bangladesh.

1.3 BRAC Bank's Environmental and Social Risk Management Approach

BRAC Bank is undergoing a significant transformation to integrate sustainability into all functions and business areas. Promoting businesses and innovations with sustainability as a core value is a central focus of our investment and lending policies and guidelines. The Bank's Sustainable Financing Framework marks a significant step in embedding environmental and social considerations throughout our operations.



As part of our lending strategy, we ensure that our clients comply with all relevant environmental and social regulations, as periodically issued by the Department of Environment, sector-specific regulatory agencies, and other relevant government bodies.

To strengthen our commitment to environmental stewardship and social impact, BRAC Bank has established a comprehensive set of guidelines as part of our sustainability risk management process. These policies and guidelines direct the bank's approach to conducting end-to-end environmental and social impact risk assessments throughout the lending process, from credit origination and business appraisal to approvals and monitoring stages.

In line with our sustainability objectives, our loan appraisal process includes the screening of Environmental and Social (E&S) risks using specialized E&S risk assessment tools to identify, manage, and address these risks. Additionally, BRAC Bank's Environmental & Social Impact Management Policy, which is part of our broader Enterprise Risk Management Framework, guides the impact assessment process during loan evaluations. BRAC Bank also has a Climate Risk Policy, which is aligned with the Environmental & Social Impact Management Policy and the Bangladesh Bank's (BB) guidelines on managing climate related financial risks.



1.4 Social Bond Principle

This framework establishes the foundation for BRAC Bank PLC to issue and, where applicable, list social bond as a financial instrument. This instrument provides investors with an opportunity to invest in assets that generate positive social impact in Bangladesh.

The framework is designed in accordance with international best practices and guidelines from leading organizations like the International Capital Markets Association (ICMA). It includes:

- **Social Bond Principles (SBP) 2025**

By adhering to these principles, BRAC Bank aims to drive sustainable development through impactful financial solutions that align with global sustainability goals. BRAC Bank will regularly update or amend the Framework according to global standards. BRAC Bank will seek a Second Party Opinion (SPO). The development of this Framework, with the intention of issuing Social Bonds for social financing under it, is consistent with bank's goal of contributing to the achievement of the UN's Sustainable Development Goals (SDGs), part of the UN's 2030 Agenda for Sustainable Development. The UN SDGs are a collection of 17 goals designed to address the most pressing social, economic and environmental sustainability issues facing society today.

Under this framework, BRAC Bank will issue this instrument:

- **Social Bonds:** The net proceeds from these instruments will be exclusively used to finance and/or refinance eligible loans that meet the criteria for eligible social projects, in line with BRAC Bank's commitment to social development.

2. Social Bond Framework

2.1 Scope

BRAC Bank will regularly review and update this framework to align with market developments, incorporating best practices in evaluation, management, and reporting. This framework has been developed in accordance with the ICMA Social Bond Principle covering the following key pillars:

- I. Use of proceeds
- II. Process for project evaluation and selection
- III. Management of proceeds
- IV. Reporting

2.2 Use of proceeds

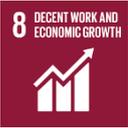
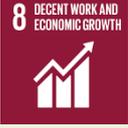
An amount equivalent to the net proceeds from any Sustainable Financing Instrument will be allocated to finance or refinance, in whole or in part, new or existing Eligible Social Projects ("Eligible Projects"). These may include loans extended by BRAC Bank and/or investments and expenditures incurred by BRAC Bank PLC to develop social services and projects. Eligible disbursements may be made up to 12 months (look back period) prior to the issuance date and up to 36 months following the issuance of any Sustainable Financing Instrument. Of the total proceeds, 70% or more will be allocated to future projects, while the remaining (maximum 30%) will be used to refinance past disbursements within the look-back period.

BRAC Bank PLC's Eligible Social Project Categories will contribute to one or more of the following Objectives:

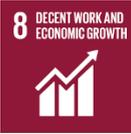
- Enhancing access to essential services including healthcare for marginalized people.
- Supporting affordable housing projects for low-income individuals and vulnerable communities.
- Promoting employment generation through the financing of cottage, micro, small and medium-sized enterprises (MSMEs) especially those who are led by women, youth, and underrepresented groups.
- Advancing food security and sustainable livelihood by financing in agriculture.

- Supporting projects that target socio-economic advancement and empowerment of underserved people including people with disabilities, displaced people and ethnic minority.

BRAC Bank PLC’s Eligible Social Project Categories will contribute to one or more of the following objectives:

Social Category	Alignment with Priority SDGs	Impact Area	Eligibility Criteria
Employment generation & CMSME financing	 	<ul style="list-style-type: none"> • Activities that generate employment through the potential effect of CMSMEs financing. • Financial Inclusion for the underserved. 	<ul style="list-style-type: none"> • Financing of working capital and investment needs of CMSMEs with the objective of expanding their access to financial services, contributing to maintenance of operations, expansion strategies and employment generation • Poverty alleviation, employment programs and other programs that contribute directly to the stimulation of sustainable economic activities. • Funding projects that promote growth of CMSMEs. • Digital loan (App based) • Collateral free small ticket size loan.
Socioeconomic advancement and empowerment	  	<ul style="list-style-type: none"> • Activities that promote gender equality and equal opportunities to women in CMSMEs 	<ul style="list-style-type: none"> • CMSMEs that are >50% owned or controlled by women. • CMSMEs businesses that have >30% women as workforce. • Projects that aim to provide women and female-owned CMSMEs with access to financial services, including affordable credit, payment and saving accounts and non-financial services such as financial and business training. • CMSMEs Projects and services that create job opportunities for women. • CMSMEs Products and services that specifically or disproportionately benefit women.

<p>Food security</p>	 	<ul style="list-style-type: none"> • Investments and financing in the agricultural sector and food systems to end hunger, achieve food security and significantly enhance nutrition. • This aims to promote access to adequate food for low-income population. 	<ul style="list-style-type: none"> • Small scale irrigation and agriculture value chain development – with a view to improve productivity of small-scale producers. • Provision of farm infrastructure and agriculture inputs for rural farmers. • Small scale fishing and aquaculture sectors of the Blue Economy. • Financing in livestock, poultry and fisheries to ensure food security. • Financing/refinancing projects that promote food storage, such as cold storage, warehouses or improved packaging etc.
<p>Affordable housing</p>	  	<ul style="list-style-type: none"> • Affordable and/or social housing targeting low-income population 	<ul style="list-style-type: none"> • Implementing new residential construction projects. • Investment in improving the quality of existing social and affordable housing facilities. • Refortifying, expanding and improving homes to ensure that houses are less vulnerable to climate-related hazards • Financing of projects aimed at providing basic sanitation for households
<p>Access to essential services/ Public health infrastructure</p>	  	<ul style="list-style-type: none"> • Activities that expand access to healthcare for low-income groups, underserved and vulnerable individuals including sick and elderly people. • Access to childcare facilities. • Access to clean water and sanitation 	<ul style="list-style-type: none"> • Construction, operation, maintenance and renovation of health facilities and necessities like water and sanitation that improve the quality and capacity of the facility. • Increase access to safe drinking water by installing community water points or filtration systems. • Improve sanitation infrastructure • Financing construction, maintenance, improvement and/or purchase of equipment for private hospitals and other private healthcare institutions which provide free or subsidized access to vulnerable communities (living below poverty line, excluded and/or marginalized populations, People

			<p>with disabilities, unemployed, Elderly, Sick and underserved).</p> <ul style="list-style-type: none">• Projects that improve technological access within the healthcare sector
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2.3 Excluded activities

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 regulated under the Convention on International Trade in Endangered Species (CITES). (Links: United Nations (UN) list of banned chemicals and products; <http://www.un.org/esa/coordination/Consolidated.list-13FinalFinal.pdf> and CITES list of endangered species: <http://www.cites.org/eng/app/E-Apr27.pdf>)
2. Forced Labour or Child Labour in Hazardous Working Conditions
 - Forced Labour 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, UNGC Principles and/or local legislations.
 - To address the issue of Child Labour, persons may only be employees 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.



3. Any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - Ozone depleting substances, PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, and unauthorized manufacturing of pesticides/herbicides or chemicals.
 - Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
 - Unsustainable fishing methods (e.g., blast fishing and drift net fishing in the marine environment using nets more than 2.5 km in length, deep sea bottom trawling, or fishing with the use of explosives or cyanide).
 - Operations impacting UNESCO World Heritage Site and/or Ramsar site.
4. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.
5. Financing in Coal Power and Mining activities such as
 - Coal power.
 - Power generation from any power plant the energy source of which, whether in whole or in part, is coal which delivers its power to the transmission or distribution grid.
 - Coal mining.
6. Destruction of High Conservation Value areas.
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.
7. Radioactive materials.
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.
8. Unbounded asbestos fibres.
This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
9. Pornography or prostitution.
10. Racist and anti-democratic media
11. Commercial logging operations for use in primary tropical moist forest
 - Illegal logging, and logging operations or conversion of land for plantation use in primary tropical moist forests.
12. Production or trade in wood or other forestry products other than from sustainably managed forests
13. Production or trade in radioactive materials and unbounded asbestos fibres.
14. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
15. Ship breaking/ trading activities which include:
 - Ships with prevalent asbestos use (for e.g. passenger cruise)
 - Ships listed on the Greenpeace blacklist*
 - Ships not certified "gas free" for hot work.
16. In the event of any of the following products form a substantial part of a company's primary operations, or a financial institution, investment fund or company's financed business activities.
 - Alcoholic beverages (excluding beer and wine)
 - Tobacco
 - Weapons and munitions
 - Gambling, casinos, and equivalent enterprises.

3. Process for project evaluation and selection

The process for project evaluation and selection follows a three-step approach, namely, asset origination, asset screening and allocation, and asset approval.

Origination of Assets: Assets are originated by the Asset Originating Businesses such as SME, Retail and Wholesale and Institutional banking division.

Screening of Social Loans/ Assets and Selection: The asset origination businesses ensure adherence to BRAC Bank’s Environmental and Social Management System (ESMS), which will be periodically updated to align with local and international E&S good practice, including the IFC Performance Standards (where applicable), and screen assets against the investment categories and eligibility criteria detailed in this framework. Loans/ Assets that do not meet the defined eligibility criteria in the framework are removed. The environmental and social risks have been identified through ESMS by BRAC Bank. Furthermore, loans/ assets that are deemed ineligible in relation to ESG Assessment process under ESMS are also removed. The remaining loans/assets/investments/expenses are further evaluated by the sustainability experts within the bank, after which the qualifying ones are considered as potential Sustainable Loans/Assets.

Assets approval: The final approval of the selection and evaluation of projects eligible for social bond throughout the life of BRAC Bank’s Social bond issuances is owned by a subcommittee formed and approved by BRAC Bank’s Sustainable Finance Committee. Identified eligible assets are therefore approved by this subcommittee. Approved eligible assets are allocated to sustainable instruments by the Treasury team. The respective committee together with Treasury will be responsible for governing the framework to ensure consistency of approach and oversight. The Committee and Treasury are responsible



for ensuring that eligible assets/projects are not allocated to more than one social bond/loan at a given time.

4. Management of Proceeds

An amount equivalent to the net proceeds from any Sustainable Financing Instrument will be credited to the Bank's accounts and monitored through the Treasury Management System and the Bank's accounting system, ensuring effective tracking of social proceeds. The Treasury Department will be responsible for overseeing these processes, in coordination with the Finance Department, and will also manage any unallocated proceeds until their full disbursement.

The ESG & Sustainable Finance will be responsible for managing the allocation of proceeds, with support from relevant departments across the Bank. Until the full allocation of an amount equivalent to the net proceeds from any Sustainable Financing Instrument to Eligible Investments, the unallocated proceeds may be temporarily held in cash, cash equivalents, or other liquid instruments, at BRAC Bank's discretion. Payments of principal and interest on any Sustainable Financing Instruments may be made from the Bank's general accounts.

The full allocation of proceeds from any Sustainable Financing Instrument is expected to be completed as soon as possible, and

no later than 36 months from the issuance date. BRAC Bank will take all necessary measures to ensure that the use of proceeds adheres to internal protocols and is clearly linked to Eligible Investments. For as long as there is an outstanding balance, an equivalent amount will be allocated to Eligible Investments. Periodic adjustments will be made to reflect any repayments. Proceeds may be managed either on a per-instrument basis or through a portfolio approach across multiple instruments. The allocation and tracking of proceeds will be subject to periodic review by an external auditor.



5. Reporting

Impact and Allocation Reporting

BRAC Bank will prepare and publish an annual Allocation and Impact Report for all instruments issued under this Framework until completion of full allocation. In case of any material development the bank will publish the updated report. The report will be made available on the Investor Relations section of the BRAC Bank website. It will provide detailed information and a brief description of the project on the allocation and impact of the proceeds within the Eligible Loan/Asset Portfolio, reported at a minimum by project category. The target population will be also there in the report.

5.1 The allocation report

- The total amount of proceeds allocated to eligible loans/assets
- The number of eligible loans/assets
- The balance of unallocated proceeds
- The amount or the percentage of new financing and refinancing

5.2 The Impact report

A summary of the impact of the allocated portfolio for a sustainable instrument may include some or all the metrics set out but not limited to below, as well as relevant project narratives, to the extent that the data is available from clients and subject to permitted disclosures in accordance with relevant confidentiality agreements and privacy, competition or other relevant regulation.

Eligible category	Investments	Impact Indicators
Social	Affordable housing	<ul style="list-style-type: none"> • Number of people with access to safe, affordable and sustainable housing. • Number of affordable and sustainable housing units built • Size of affordable mortgage book and value of new business in a particular year.
	Access to essential services	<ul style="list-style-type: none"> • Number of healthcare facilities financed • Number of people with new/ improved access to safe drinking water and new/improved sanitation facilities.
	Employment generation & CMSME financing	<ul style="list-style-type: none"> • Number of CMSMEs financed and value of CMSME loans • Estimated number of jobs created. • Number of people financed
	Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> • Number of females, youth and/or previously marginalised groups with increased access to affordable credit, payment services, saving accounts or non-financial services. • Number of female-owned enterprises funded • Estimated number of jobs created
	Food security	<ul style="list-style-type: none"> • Number of agri-businesses financed • Number of small holder farmers engaged • Number of farmers reached

6. Verification

BRAC Bank will obtain and publicly disclose a pre-issuance external review from an independent consultant with recognized environmental and/or social expertise, providing a Second Party Opinion (SPO) on the expected social benefits of this Framework. The SPO will be made available on the Investor Relations section of the BRAC Bank website, as well as on the website of the SPO provider. In addition, as outlined above, BRAC Bank is committed to providing a post-issuance review of the management of proceeds. This review may be conducted by the same consultant, an external auditor, or other qualified third party.



7. Review

BRAC Bank will periodically review this Framework to ensure its continued alignment with evolving market best practices and updated versions of relevant principles, as they are released. Additionally, the Framework will be reviewed in the event of any material changes to the scope or categories of Eligible Projects. Such reviews may lead to updates or amendments to the Framework. Any updates that are not minor in nature will be subject to prior approval by a qualified Second Party Opinion (SPO) provider.

Any future version of this Framework will maintain or enhance the current levels of transparency, reporting, and external verification. Updated versions will be published on the BRAC Bank website and will supersede this document.

Annexure:

Definitions:

- *CMSME*: CMSMEs are officially defined by Bangladesh Bank and the Government of Bangladesh based on criteria like fixed asset value (excluding land and buildings) and number of workers. The specific thresholds for each category vary depending on whether the enterprise is in the manufacturing, service, or trading sector.
- *Low-income population*: This category is considered monthly income level ranging from BDT 30,000 to BDT 97,000¹
- *Small-scale producers*: Small-scale producers in Bangladesh are typically smallholder farmers who own or operate a small plot of land. While the exact definition can vary, a common benchmark is farm households that cultivate between 5 to 249 decimals of land.
- *Underserved and vulnerable individuals*: These groups are defined as individuals and communities with limited access to financial services and economic opportunities. It includes those living below the poverty line, marginalized populations, and individuals who earns less than USD 100 in a month are financially excluded from the formal banking system.
- *People with disabilities*: This category refers to individuals with physical, mental, intellectual, or sensory impairments that may hinder their full and effective participation in society. Bangladesh Bank's financial inclusion policies recognize them as a vulnerable group requiring special consideration for access to finance and employment.
- *Unemployed and sick people*: The unemployed are individuals of working age who are not employed but are actively seeking work. Sick people, particularly those with serious or chronic illnesses, are considered vulnerable due to their reduced ability to earn an income and high healthcare costs.

¹ The income qualification criteria are based on the income deciles as determined at the time of the Affordable Housing Bond's issuance in 2022. The qualifying income thresholds are subject to ongoing adjustments to account for inflation, a provision under the terms of the bond, which was fully subscribed by the IFC.