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Hero Future Energies Group Green Bond Framework

Established in 2012, Hero Future Energies Group (“HFE”) is a power generation company in renewable energy and as well as one of the leading Independent Power Producers in India. HFE is the green energy arm of the Hero Group, the largest two-wheeler manufacturer in the world.

(HFE) is committed to drive development by leading a change in generating energy using renewable resources like wind, sun, hydro and providing sustainable, cost effective, clean power, thereby reducing carbon emissions leading to a greener planet for our future generations. This Framework is applicable to HFE, its associates and all its subsidiaries/SPVs (hereafter referred to as “Company”). In this process, the Company shall strive to:

- Contribute towards clean and sustainable environment with respect to Land, Water and Air.
- Conserve resources by reduction, reuse and recycling.
- Initiate and support measures to optimize usage of renewable energy, increase energy efficiency and reduce GHG emissions.
- Support measures for biodiversity conservation by following the practices of protecting, conserving and restoring ecosystems.
- Be transparent, ethical and fair to all stakeholders.
- Be supportive in developing and enhancing people’s standard of living in and around the plants.
- Generate awareness, share knowledge and support training programs on sustainable development among the employees, neighboring communities and public at large.

Framework Overview

For the purpose of issuing Green Bond(s), HFE has developed the following framework which addresses the four key pillars of the Green Bond Principles, 2017 (“**2017 GBP**”)¹:

1. Use of proceeds;
2. Process for project evaluation and selection;
3. Management of proceeds; and
4. Reporting.

For each Green Bond issued, HFE asserts that it will adopt (1) Use of Proceeds (2) Project Evaluation and Selection (3) Management of Proceeds and (4) Reporting, as set out in this Framework. Any HFE subsidiary can issue Green Bonds under this Framework.

The Green Bond Framework is established in accordance with the Climate Bonds Standard version 2.1. This framework also adheres to the Green Bond Principles, 2017 for which the International Capital Markets Association (ICMA) serves as Secretariat.²

¹ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

² <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

1. Use of Proceeds

The net proceeds of the Green Bond(s) will be used to fund or refinance, in whole or in part, new or existing eligible green projects that meet one or more of the following categories of eligibility as recognised in the 2017 GBP (“**Eligible Green Projects**”):

Project Category	Eligible Green Assets and Projects for HFE	Sample Projects
Renewable Energy	<ul style="list-style-type: none">• Development, deployment, and generation of energy from renewable sources including the below and the ancillary infrastructure including but not limited to development of land, transmission lines and sub-stations for each projects:<ul style="list-style-type: none">- Wind power plants- Solar PV (grid-connected)- Rooftop solar- Wind-solar hybrid- Energy storage	<ul style="list-style-type: none">• Construction and development of 75.6 MW wind power project in Maharashtra, India• Construction and development of a 300 MW solar power project in Rajasthan, India

2. Process for Project Evaluation and Selection

The Eligible Green Projects are identified and selected via ‘Investment Note’ which is prepared, prior to investment in a renewable project, based upon project appraisals carried out by investment committee. The investment proposals are reviewed by the Investment Committee as per the investment policy of the group which is approved by the Board of Directors and/or amended from time to time.

While preparing the Investment Note, HFE’s Investments Team, which consists of senior company executives, will make an assessment of potentially eligible projects on the basis of above framework (see “1. Use of Proceeds”) to determine if the proceeds of the green bond issuance can be deployed to any of those projects. If these criteria are met, the Investments Team will recommend the utilization of proceeds from the bond issuance to respective eligible Green Projects for approval by the Investment Committee and Company Board.

In respect of subsequent issuance of green bonds or changes to the initial list of projects, the aforementioned assessment and approval process will be carried out by the company.

3. Management of Proceeds

The company will establish internal tracking systems to monitor and account for the allocation of the proceeds. Unallocated proceeds shall be held in temporary investment instruments that are cash, corporate liquid term deposits/ term deposit with commercial banks, units of debt mutual funds or government securities permitted as per the company’s investment policy and applicable guidelines of Reserve Bank of India.

The company shall not nominate any existing Eligible Green Projects to other Climate Bonds unless:

- 1.) it is demonstrated that distinct portions of these projects are currently not yet funded by any existing Certified Climate Bonds issued by HFE or its associates/subsidiaries/SPVs; or
- 2.) the existing Certified Climate Bond (that finances this project) is being refinanced via another Certified Climate Bond.

4. Reporting

On an annual basis, until the Green Bonds are outstanding, HFE or its associates/subsidiaries/SPVs will provide to its Debenture Trustee the following:

1. the use of proceeds (project type, capacity and location) for each green bond issued
2. the current allocated and outstanding amounts and contractual maturity dates, and
3. management confirmation that the use of proceeds of the Green Global Bonds is in alignment with HFE's Green Bond Framework

Post issuance, one of the reputed third party auditors will provide assurance that the nominated projects are in alignment with the Green Bond Framework for the Green Bond issue.

Impact Reporting

In addition, where feasible, HFE may provide qualitative and where possible, quantitative indicators for environmental performance like renewable energy generation, reduction of greenhouse gases etc. of the Eligible Green Projects funded.

Assurance

The Green Bond Framework will be reviewed by a reputed third party auditor and certified by Climate Bonds Initiative. This will be published on HFE's website. The Company will also get post issuance certification from the Climate Bonds Initiative to assure the use of proceeds allocation, ongoing eligibility of the projects and assets, adequacy and output of the Issuer's internal control and systems and use of funds not yet allocated are as per the framework established. Post issuance Certification will be completed within one year after issuance of bond.