



Second Party Opinion on PFSL Green Bond Framework

25th September 2024

Verification Parameters	
Type(s) of instruments contemplated	<ul style="list-style-type: none">Green Bonds
Relevant standards	<ul style="list-style-type: none">Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)SECP Green Bond Guidelines
Scope of Review	<ul style="list-style-type: none">PFSL's Green Bond Framework (as of 25th of September 2024)
Lifecycle	<ul style="list-style-type: none">Pre-issuance framework review
Validity	<ul style="list-style-type: none">As long as the framework remains unchanged

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Scope of Review

Parwaaz Financial Services Limited (PFSL) ("the Issuer," "the Company" or "PFSL") commissioned PET Nature (Pvt.) Ltd. to assist with its green bonds to provide a Second-party Opinion (SPO) to determine the sustainability quality of the instrument and its alignment with PFSL's Green Bond Framework (as of September 25, 2024), benchmarked against the Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1) and with the Securities and Exchange Commission of Pakistan's Green Bond Guidelines.

PFSL Overview

Parwaaz Financial Services Limited (PFSL) is a Non-Banking Finance Company (NBFC) licensed as "Investment Financial Service" (IFS) by the SECP. Being a subsidiary of Karandaaz (KRN) Pakistan, PFSL is committed to empowering Small and Medium Enterprises (SMEs) in Pakistan through innovative financial solutions.

With a strong focus on sustainability and inclusive growth, PFSL leverages digital platforms and strategic partnerships to provide swift and accessible financing to SMEs, fostering economic growth and supporting development of SMEs across Pakistan.

In the first three years of operations, it has developed a high-quality portfolio not only through conventional marketing but also through innovative financing tools, such as digital lending solutions, Electronic Warehouse Receipt (EWR) financing, Invoice Discounting by engaging large corporate anchors, serving missing segments such as women-led SMEs, Climate Financing etc.

During the next 3 years, PFSL aims to double its portfolio base with sector specific approach, and priorities in value-chain financing, across Agriculture, Industrial, Renewable Energy, Healthcare & Education sectors.

Overview of PFSL's Green Bond Framework

PFSL plans to issue its inaugural Green Bond of PKR 1,000 million (approximately USD 3.6 million) to finance projects targeting renewable energy, energy efficiency, clean transportation, sustainable water management, and pollution prevention. This initiative aligns with PFSL's mission to support sustainable economic growth while addressing pressing environmental challenges in Pakistan.

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SPO Summary

SPO Section	Summary	Evaluation
Alignment with ICMA GBP	The PFSL Green Bond Framework is deemed to be a credible and robust initiative for mobilizing capital towards sustainable projects, with a strong emphasis on transparency, accountability, and environmental integrity. Consequently, PET affirms that PFSL's Green Bond Framework is positioned to effectively mobilize capital for sustainable development in Pakistan while adhering to international best practices.	Aligned

Alignment with ICMA Green Bond Principles

GBP	Alignment	Opinion
1. Use of Proceeds	✓	The PFSL Green Bond framework meets the requirements for Use of Proceeds as set aside under GBP, ensuring that funds are allocated to projects that provide environmental benefits in alignment with the sectoral criteria of GBP. The framework also clearly defines and delineates the sectors and projects for the use of proceeds. Additionally, the framework also provides a list of eligible projects that are part of the current portfolio, further strengthening the use of proceeds case.
2. Process for Project Evaluation and Selection	✓	The evaluation process developed by PFSL is robust and well-defined and involves a two-stage screening and oversight process, ensuring the selection of projects that align with GBP. PFSL has established a Green Bond Committee to oversee the evaluation and selection of projects. This committee adheres to stringent criteria that align with PFSL's Environmental and Social Governance (ESG) policies. Exclusion criteria for fossil fuel projects further strengthen the framework.
3. Management of Proceeds	✓	The management strategy is sound, promoting transparency and accountability in the use of proceeds and is aligned with GBP. Proceeds will be managed through a dedicated account, with unallocated funds temporarily invested in low-risk financial instruments. The framework includes a reconciliation mechanism to ensure that proceeds are appropriately allocated to eligible projects.
4. Reporting	✓	The reporting framework is comprehensive, ensuring complete cadence and ongoing communication with investors, in line with GBP. PFSL commits to annual reporting on the use of proceeds and environmental impacts, employing established methodologies for both

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		ex-ante and ex-post evaluations. The reporting will include relevant impact indicators and is accessible to stakeholders.
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Reviewed and Approved By:

DocuSigned by:

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 Hasan Anwer CEO
 PET Nature



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Recommendations

In addition, we would like to propose the following recommendations for the post-issuance phase of the Green Bond Framework that can further enhance the impact of the Green Bond:

1. Stakeholder Engagement: Continue engaging with stakeholders to refine KPIs and impact assessment methodologies.
2. Scenario Analysis: Incorporate scenario analyses to assess risks related to achieving Sustainability Performance Targets (SPTs), that are defined in the context of, and limited in scope to, relevant KPIs including GHG emissions reduction, energy savings, and renewable energy generation capacity
3. Transparency: Maintain high levels of transparency in the decision-making processes of the Green Bond Committee.
4. Capacity Building: Invest in training for staff to enhance climate finance expertise and develop customized methodologies for measuring development impacts.
5. Linkage of KPIs with GBP Guidelines: Bolster the KPIs and screening criteria with specific reference to the two relevant environmental objectives for the Green Bond from the amongst the GBP guidelines, namely: climate change mitigation, , and pollution prevention and control)

Conclusion

The PFSL Green Bond Framework demonstrates strong alignment with the ICMA Green Bond Principles and SECP guidelines. The framework is well-structured to support sustainable financing and has the potential to contribute significantly to environmental goals in Pakistan. By addressing the recommendations provided, PFSL can further enhance the effectiveness and integrity of its Green Bond initiatives.