

Sustainable Finance Framework

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Introduction

TVS Motor Company Limited (herein referred to as 'TVSM' or 'the Company') is a globally reputed manufacturer of two- and three-wheelers, championing progress through sustainable mobility. It operates four state-of-the-art manufacturing facilities located in Hosur, Mysuru, and Nalagarh in India, and Karawang in Indonesia. Rooted in a 100-year legacy of Trust, Value, and Service, TVSM produces internationally aspirational products of the highest quality through innovative and sustainable processes. The Company's product portfolio includes scooters, motorcycles, mopeds, and electric vehicles for both passenger and cargo use, spanning internal combustion engine (ICE) and electric vehicle (EV) segments to meet diverse mobility needs. TVSM is actively expanding its EV range to include electric motorcycles and cargo three-wheelers, reinforcing its commitment to innovation and sustainable mobility. Further, the Company invests in advanced technologies and sustainable practices across the value chain - from procurement to delivery. It also embraces renewable energy initiatives, maintains a net water-positive status, and promotes biodiversity conservation at its manufacturing facilities and surrounding regions.

Towards a low carbon resilient future

The global automotive industry is undergoing a decisive shift toward net-zero pathways and resource resilience, driven by climate commitments, regulatory pressures, and evolving customer expectations. In this context, TVSM conducted a double materiality assessment¹ to analyse and report on its sustainability impacts and risks, which aided its understanding of sustainability-related risks and opportunities as well as financial factors that affect its operations.

The convergence of industry-wide macro trends and TVSM's material topics has shaped the company's sustainability strategy, structured around five pillars:

1. Sustainable & Thriving Ecosystem → Driving resource efficiency and circularity to enable low-carbon technologies and water stewardship.
2. Responsible Social License to Operate → Embedding safety, diversity, and inclusion to ensure equitable growth.
3. Exciting & Safe Mobility Solutions → Innovating in EVs, hybrids, hydrogen, and e-fuels to meet climate and market needs.
4. Embracing the Digital Future → Leveraging digital platforms to enable Scope 3 decarbonisation and value-chain collaboration.
5. Governance for a Sustainable Future → Strengthening ethical governance and risk frameworks to secure sustainable capital deployment.

These sustainability priorities are crafted such that they directly link to TVSM's business strategy, which focuses on:

- **Building an innovation-driven culture** through R&D in EVs, hybrids, hydrogen, and alternative fuels.

¹ A detailed assessment as per the European Financial Reporting Advisory Group (EFRAG) framework in consultation with ~500 stakeholders (six internal and external stakeholder groups) through a survey-based mechanism to identify topics material to TVSM and their influence on business activities and operational strategies. For details please refer Page 40 of [TVSM Sustainability Report 2023-24](#).

- **Speed and agility** in a VUCA world through rapid pilot-to-scale execution for low-carbon and water projects.
- **Scalable technology platforms** and **quality** to deliver **safe, efficient,** and **competitive products**.

Further, embedding sustainability into TVSM's core business priorities operationalizes TVSM's 'Reimagine 2030' mission - *"To transform the quality of life of people across the world by providing mobility solutions that are exciting, responsible, sustainable, and safe."*

Purpose and applicability of the Framework

This framework is applicable to the eligible projects of TVSM and all its subsidiaries, which includes all entities over which the company has operational control, unless otherwise stated.

The purpose of this Sustainable Finance Framework is to enable allocation of proceeds directly to high-impact areas that advance TVSM's sustainability and business objectives. With this framework, TVSM seeks to align its financial strategy with its core sustainability commitments. The framework serves as a guiding structure for the issuance of green, social, or sustainability-linked financial instruments, such as bonds or loans, which fund eligible projects that support the company's commitment to clean transportation, resource efficiency, and inclusive growth.

1. Clean transportation

- **Electrification of Mobility:** EV 2W/3W/MC development, advanced EV products, hydrogen fuel cell feasibility.
- **Low-Carbon Transition Technologies:** Hybrid and CNG platforms, e-fuel and H₂-ICE product development, upgrade of machinery/processes to reduce energy intensity in operations.
- **Scope 3 Decarbonisation for value chain:** Stewardship and engagement programs aimed at reducing value chain emissions.

2. Sustainable resource management

- **Water Efficiency:** Recycling, rainwater harvesting, groundwater reduction, and water-saving technologies.

3. Socio-economic advancement

- **Inclusion:** Initiatives specific to the target population of women and persons with disabilities (PwD) across operations and value chain

In essence, this Sustainable Finance Framework ensures that capital flows into initiatives that sit at the intersection of TVSM's material topics, strategic sustainability and business priorities, delivering measurable outcomes in developing a low carbon resilient future.

Alignment with frameworks

TVSM's Sustainable Finance Framework is designed to adhere to globally recognized standards including:

- Green Bond Principles, 2025 ('GBP') administered by the ICMA²

² International Capital Markets Association

- Social Bond Principles, 2025 ('SBP') administered by the ICMA
- Sustainability Bond Guidelines, 2021 ('SBG') administered by the ICMA
- Sustainability-Linked Bond Principles, 2024 ('SLBP') administered by the ICMA
- Social Loan Principles, 2025 ('SLP') administered by the LMA³, LSTA⁴ and APLMA⁵
- Green Loan Principles, 2025 ('GLP') administered by the LMA, LSTA and APLMA
- Circular on ESG debt securities, 2025 issued by SEBI⁶

TVSM will continue to observe developments in the sustainable finance landscape and may revise this framework over time to remain in line with emerging global standards and regulatory updates, including future EU Taxonomy Delegated Acts as they become available.

This Sustainable Finance Framework is an all-encompassing, comprehensive document and will be tailored and narrowed to specific investor expectations during investor rounds.

Use of Proceeds

The proceeds from TVSM's sustainable financing instruments will be allocated exclusively to projects that meet the following eligibility criteria, ensuring that they deliver positive environmental and social impacts.

Below is a list of illustrative use of proceeds that can be tracked for eligible green projects. The final selection may vary depending on the agreement and alignment between the investor and the TVSM management, at the time of fund-raise.

Eligible Assets/ projects	Eligibility for use of proceeds	UN SDG alignment
Clean transportation	<u>Electrification of Mobility</u> <ul style="list-style-type: none"> - R&D, design, development, and manufacturing of electric 2Ws, 3Ws, and motorcycles (MCs) - Development of advanced EV products including EV-MC and FFV-MC - Feasibility studies, R&D and prototyping of hydrogen fuel cell vehicles 	7: Affordable and Clean Energy 11: Sustainable Cities and Communities
	<u>Low-Carbon Transition Technologies:</u> <ul style="list-style-type: none"> - R&D and pilot deployment of CNG-powered two-wheelers and motorcycles - Introduction and scale-up of hybrid vehicles - Product development for e-fuel and H2-ICE powered vehicles - Upgrade of machinery/processes to reduce energy intensity in operations 	12: Responsible Consumption and Production 13: Climate Action
	<u>Scope 3 Decarbonisation for value chain:</u> <ul style="list-style-type: none"> - Stewardship and engagement programs aimed at reducing value chain emissions. 	17: Partnership for the goals

³ LMA- Loan Market Association

⁴ LSTA- Loan Syndication and Trading Association

⁵ APLMA- Asia Pacific Loan Market Association

⁶ Securities and Exchange Board of India ('SEBI') Circular vide SEBI/HO/DDHS/DDHS-POD-1/P/CIR/2025/84 dated 5th June 2025 which provides the framework for Environmental, Social and Governance (ESG) debt securities for the issuer

Sustainable water and wastewater management	<u>Water Efficiency</u> - Implementation of water recycling and rainwater harvesting systems - Reduction of groundwater usage through efficiency projects - Deployment of water-saving technologies in operations	6: Clean Water and Sanitation 12: Responsible Consumption and Production
Socio-economic advancement	<u>Women in workforce:</u> - Increase participation of women in workforce <u>Persons with Disabilities (PwD) in workforce:</u> - Facilitate existing PwD in workforce through adequate and appropriate infrastructure facilities and sensitise the entire workforce. Increase participation of PwD in workforce.	5: Gender Equality 8: Decent work and economic growth 10: Reduced inequalities

Process for Project Evaluation and Selection

TVSM has established a robust governance mechanism to oversee the evaluation and selection of projects eligible under this Sustainable Finance Framework.

1. Oversight by the Sustainable Finance Committee

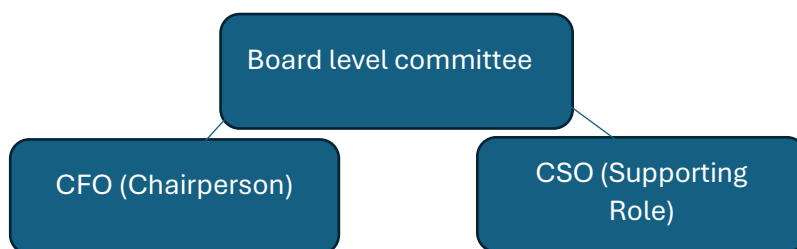
A dedicated **Sustainable Finance Working Group/ Committee (SFC)** will be responsible for the evaluation and selection of projects. The SFC will comprise senior representatives from:

- Sustainability/ESG function
- Finance and Treasury
- Product Heads
- Legal / Compliance

The SFC will meet at least annually, or as needed, to assess the pipeline of eligible projects and review alignment with the Framework.

Governance

The SFC will be chaired by the CFO supported by the CSO who will in turn report to the Board level Committee on ESG/CSR/Audit.



Key responsibilities of the working group/ committee will be:

- Review and select projects based on the eligibility criteria outlined in the Framework
- Confirm that the net proceeds are allocated to a portfolio of Eligible Projects in line with defined criteria
- Reassess and reallocate proceeds if a project is no longer eligible or has been removed from the portfolio
- Oversee and validate the preparation of Allocation and Impact Reports

- Evaluate and approve updates to the Framework in response to changes in regulatory requirements or market best practices

2. Eligibility Screening

Projects proposed for financing or refinancing will be screened against:

- The eligibility criteria defined under the eligible categories of this Framework
- Alignment with **TVSM's sustainability goals**, including its decarbonization roadmap and social impact commitments
- Alignment with TVSM's **Enterprise Risk Management** framework to identify and mitigate the ESG risks posed by potential projects
- Compliance with **local regulations** and **international environmental and social standards**
- For social projects, the **target populations** (e.g., low-income groups, rural communities, women and youth, informal sector workers) will be clearly identified in line with ICMA's Social Bond Principles.

3. Sustainability-Linked Considerations

Where relevant, the SFC will also review **Sustainability Performance Targets (SPTs)** and associated KPIs for alignment with:

- TVSM's material ESG topics
- Historical performance and baselines
- External benchmarks or national policy targets (e.g., India's EV30@30, Net Zero goals)

The SFC will validate that selected SPTs are ambitious, measurable, and time bound.

4. Project Approval and Documentation

Following review and consensus, the SFC will formally approve projects to be included under the Sustainable Finance Framework. The Committee will:

- Maintain a register of eligible projects
- Track the use of proceeds
- Ensure no double-counting or reallocation to ineligible projects

If any project no longer meets eligibility criteria, funds will be reallocated to other eligible assets as soon as practically feasible.

5. Environmental and Social Risk Management

Any project financed under this Framework will undergo an environmental and social (E&S) risk evaluation. Identified risks will be assessed through TVSM's Enterprise Risk Management (ERM) framework, including the definition of mitigation actions, quantification of residual risk, and establishment of monitoring protocols. The ERM framework is integrated with the company's decision-making processes to ensure that E&S risks are systematically identified, managed, and factored into capital allocation and project appraisal.

The **Sustainability and EHS Steering Committee**, chaired by the Director & CEO, is responsible for driving sustainability strategies, monitoring progress, and addressing material ESG risks. Functional leads across environment, finance, safety, and social domains are accountable for managing risks within their areas and reporting updates to the Committee. Recommendations from the Steering Committee are escalated to the **Risk Management Committee**, which reports to the Board of Directors. This ensures that significant

environmental and social risks, mitigation measures, and adjustments to the Sustainable Finance Framework are aligned with TVSM's highest decision-making bodies and long-term strategic goals.

Management of Proceeds

TVSM will establish a robust internal process to manage the net proceeds raised from the issuance of any Green, Social, or Sustainability Bond or Loan. An amount equal to the net proceeds will be allocated to a sub-portfolio and tracked using internal systems to monitor the allocation toward eligible projects, as defined in this Framework.

Oversight of the allocation process will rest with the **Sustainable Finance Committee (SFC)**, which comprises senior representatives from Finance, Sustainability, Strategy, and other relevant functions. The SFC will ensure that allocations are made in line with the eligibility criteria set out in the Use of Proceeds section and that appropriate controls and approvals are in place. The SFC will track the deployment of the proceeds of the issue.

Pending full allocation, unallocated proceeds may be temporarily held in accordance with TVSM treasury policy — in cash, cash equivalents, or other short-term marketable securities — provided these are not in conflict with the environmental and social objectives of this Framework.

TVSM aims to allocate the full net proceeds within **12 to 24 months** of issuance. In the event an eligible project is cancelled, postponed, or otherwise deemed ineligible, the SFC will ensure that proceeds are reallocated to other eligible projects. In exceptional cases, where project timelines require longer lead times, allocation may extend up to 36 months, with annual interim reporting provided to maintain transparency.

Eligible projects would qualify for refinancing as long as they are in use, follow the relevant eligibility criteria at the time of issuance, and are still assessed as making a meaningful impact as per the impact metrics. The look-back period would range **from 24 to 36 months**.

TVSM will also develop fallback mechanisms which in the event that key sustainability targets or criteria cannot be met, will ensure predefined corrective actions are implemented to maintain alignment with the framework's objectives. This mechanism safeguards the integrity of the sustainable finance instruments and reinforces the company's commitment to continuous improvement.

Reporting – Allocation and Impact Reporting

TVSM is committed to transparency and accountability in the use of proceeds. To this end, TVSM will publish an **annual Sustainable Finance Report** until full allocation of the proceeds (subject to confidentiality obligations), and thereafter in the event of any material changes.

The report will include:

1. Allocation Reporting

- Total amount of proceeds allocated to eligible projects along with a brief description of projects financed
- Share of financing vs. refinancing (if applicable)
- Description of selected projects and the corresponding eligibility category

- Unallocated proceeds and how they are being managed (e.g., cash, equivalents)
- Details of unutilized proceeds will be disclosed in the annual report.

2. Impact Reporting

TVSM will report on qualitative and quantitative **impact indicators** associated with the eligible projects. Some of the proposed KPIs are listed below.

Below is a list of illustrative impact metrics that can be tracked for eligible projects. The final selection may vary depending on the agreement and alignment between the investor and the TVSM management, at the time of fund-raise.

Sustainable Performance Target ('SPT')	Sub category	KPI	Definition	Rationale
Clean Transportation				
90% reduction in Scope 1 and Scope 2 GHG emissions by 2040, and a 90% reduction in Scope 3 GHG emissions by 2060	Electrification of mobility	No of EVs deployed	Total count of EV 2W, 3W that have been: Manufactured and sold to customers, or put into service	Direct measure of adoption and market penetration of TVSM's electric mobility solutions.
		Product Electrification Ratio (%)	Number of Electric Vehicles produced or sold ÷ Total number of vehicles produced or sold	Accelerates low-carbon mobility adoption, reduces tailpipe CO ₂ emissions, and supports clean transport solutions.
	Low carbon transport technology	Low-Emission Product Innovation Index	Number and share of new low-emission vehicle models (EVs, hybrids, CNG, e-fuel) developed and commercialised annually.	Encourages continuous R&D for sustainable mobility, ensuring readiness for a low-carbon economy.
		Avoided Emissions through Product Use, i.e. tailpipe CO ₂ reductions	Number of low-emission vehicles × (Average ICE emissions – Average low-emission emissions)	Quantifies real-world impact of cleaner mobility solutions and Scope 3 decarbonisation.
		Energy saved per unit of output	Baseline energy consumption per unit – Current energy consumption per unit	Measures direct impact of process efficiency improvements or upgrades for energy efficiency
		Decarbonisation of scope 3 emissions related to value chain partners	Absolute reduction in Scope 3 emissions	Total GHG emissions avoided from value chain partners compared to baseline year
	Sustainable water and wastewater management			
Continue to maintain Net	Water efficiency	Water intensity	The average volume of water consumed (in	Tracks operational water efficiency and

Water Positive Operations across all manufacturing locations till 2030 and extend it throughout the value chain by 2040		(liters per vehicle produced)	liters) to manufacture one vehicle	helps benchmark progress toward reducing water consumption per unit of output.
		Volume of water recycled or harvested (liters/year)	The total volume of water (in liters) that is either recycled or harvested through rainwater systems annually	Adopting circular water management and reducing dependence on freshwater sources.
Socio-economic advancement				
Achieve 5% representation of people with physical disabilities in the workforce by 2027 and 35% gender diversity by 2035, aligning with global gender equality and empowerment goals	Women in workforce	Gender diversity ratio	Proportion of women across total and leadership workforce.	Promotes gender balance, equitable growth, and drives innovation through diverse perspectives.
	PwD in workforce	Workforce inclusivity index	Representation of Persons with Disabilities (PwD) in workforce.	Ensures equitable employment opportunities and fosters an inclusive workplace.
		Inclusion and awareness engagement score	Number and reach of sensitisation and inclusion workshops.	Builds inclusive culture and employee engagement, supporting social sustainability objectives.

Where data is not available at the time of reporting, TVSM will include estimated impacts and progressively update the disclosures.

The reporting will be overseen by the **Sustainable Finance Committee (SFC)** and will be made publicly available on the TVSM corporate website or sustainability portal.

Reallocation of Proceeds

If a project initially funded by the proceeds is cancelled, postponed, or no longer meets the eligibility criteria outlined in the Framework, TVSM will reallocate the unutilized or diverted proceeds to other projects that are aligned with the current eligible categories, as soon as reasonably practicable.

Proceeds will be reallocated to other eligible projects that comply with the criteria defined in the framework and are subject to the same governance and review process.

Pending such reallocation, unallocated proceeds may be temporarily held in accordance with the TVSM's treasury policies, in cash or other short-term instruments that do not conflict with the framework's intent or requirements of any regulatory frameworks.

External Review – Pre-Issuance and Post-Issuance

To ensure transparency and alignment with market best practices, TVSM will seek independent external reviews both prior to and after issuance of any Sustainable Finance Instrument.

Utilization of proceeds will be verified by the report of the external auditor or other third party annually along with verifying the internal tracking method and allocation of funds towards projects from the proceeds of funds.

Pre-Issuance: Second-Party Opinion (SPO)

TVSM has engaged BDO India Services Private Limited to provide a **Second-Party Opinion (SPO)** on this Sustainable Finance Framework. The SPO will assess the alignment of the Framework with the:

- Green Bond Principles, 2025 ('GBP') administered by the ICMA⁷
- Social Bond Principles, 2025 ('SBP') administered by the ICMA
- Sustainability Bond Guidelines, 2021 ('SBG') administered by the ICMA
- Sustainability-Linked Bond Principles, 2024 ('SLBP') administered by the ICMA
- Social Loan Principles, 2025 ('SLP') administered by the LMA⁸, LSTA⁹ and APLMA¹⁰
- Green Loan Principles, 2025 ('GLP') administered by the LMA, LSTA and APLMA
- Circular on ESG debt securities, 2025 issued by SEBI¹¹

The second party opinion is made public on the TVSM's website.

Post-Issuance: Verification / Assurance

TVSM intends to appoint an independent external auditor or verifier to conduct a **limited assurance** or verification on:

- The allocation of proceeds to eligible projects, and
- The alignment of reported impact metrics with the commitments in the Framework

Post-issuance verification will be carried out **annually** until full allocation of proceeds and thereafter in the case of material developments. Up to date information on the performance of the selected KPI (s) along with the Results of the assurance or verification exercise will be included in the annual Sustainable Finance Report and disclosures will be made in the annual report and financial results.

In case the bonds go for refinancing option, details of existing debt proposed to be refinanced, including outstanding amount will be disclosed in the annual report.

⁷ International Capital Markets Association

⁸ LMA- Loan Market Association

⁹ LSTA- Loan Syndication and Trading Association

¹⁰ APLMA- Asia Pacific Loan Market Association

¹¹ Securities and Exchange Board of India ('SEBI') Circular vide SEBI/HO/DDHS/DDHS-POD-1/P/CIR/2025/84 dated 5th June 2025 which provides the framework for Environmental, Social and Governance (ESG) debt securities for the issuer

Disclaimer

The information and opinions in this Sustainability-Linked Financing Framework ('Framework') are provided as of the date of publication and are subject to change without notice. This Framework outlines TVSM's current intentions and does not create any legal obligations, rights, or commitments. It may contain forward-looking statements that involve risks, uncertainties, and assumptions that could cause actual outcomes to differ materially. TVSM has no obligation to update such statements, except as required by law.

This Framework is not a prospectus or an offer to sell or a solicitation to buy any securities. Any legally binding terms related to Sustainability-Linked Bonds ('SLBs') issued under this Framework will be set out in the relevant contractual documentation, such as the prospectus and bond terms. Failure to meet the Sustainability Performance Targets or to report on them does not constitute a breach or event of default unless explicitly stated in such documentation.

Environmental or sustainability outcomes from SPTs are not guaranteed and may be influenced by various factors including market conditions, regulatory changes, and other external events. Investors should independently assess the relevance of the information herein and base any investment decision solely on official offering materials.

Appendix

Exclusion Criteria

In alignment with the exclusion list published by the International Finance Corporation (IFC) in 2007, TVSM will not use the proceeds to finance projects in the following sectors

- 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, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. 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.
- Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.