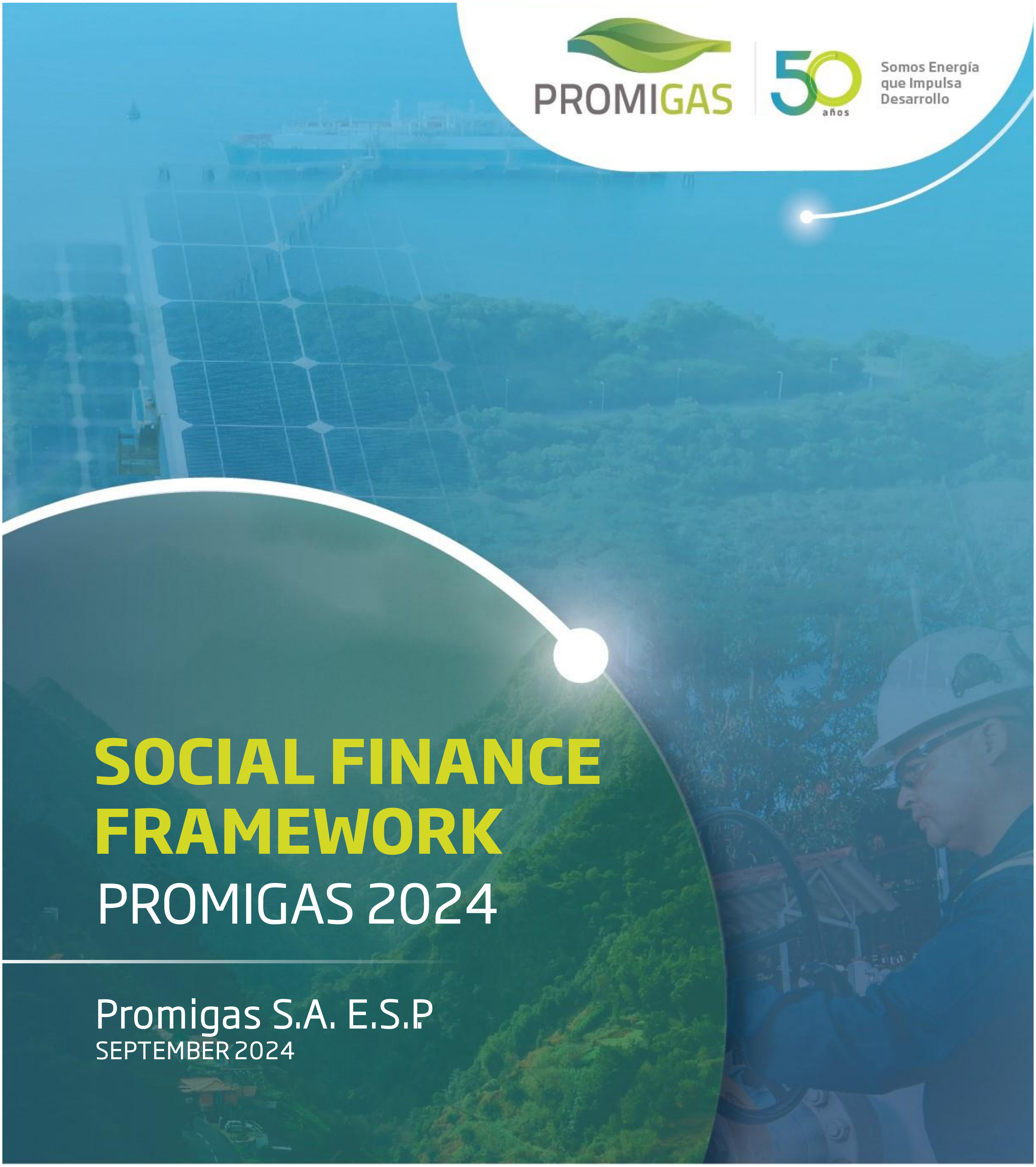

Somos Energía que Impulsa Desarrollo

SOCIAL FINANCE FRAMEWORK

PROMIGAS 2024

Promigas S.A. E.S.P.

SEPTEMBER 2024

Important notice

This document (the “Social Finance Framework” or “Framework”) contains information on Promigas S.A. E.S.P.’s (“Promigas” or the “Company”) alignment to the Social Loan Principles and Social Bond Principles. Depending on the language of the financial documentation, this Framework may be translated into other languages, as required in the local jurisdiction.

1. Content

1. Introduction

Promigas S.A. E.S.P. ("Promigas" or the "Company") is a Colombian integrated gas utility company, founded in 1974, with Core Business in Colombia and Peru in the regulated segments of: 1) Natural Gas Transportation and Distribution, 2) Value Added Services, Construction and O&M, 3) Regasification Services. In addition to these core business, Promigas also has presence in the Sustainable and Low-Emission Businesses such as:, 1) Energy Distribution, 2) Energy Solutions, 3) Sustainable Mobility and 4) Non-banking Financing (Brilla).

Promigas is the largest private natural gas transporter and distribution company in Colombia, transporting 57% of the natural gas consumed through its own network of gas pipelines spanning c.3,284 km. In the gas distribution business, the Company serves 38% of the market in Colombia and 96% in Peru, adding up to 7 million customers (5.1 million in Colombia for gas and energy, and 1.8 million in Peru for gas), including residential, commercial and industrial ("C&I") clients. The Company also owns power generation plants totaling c.80MW of capacity, split between 64.2 MW of solar PV plants and 15.3 MW of auto-cogeneration plants. Promigas has natural regulated monopolies allowing it to secure significant market share in their respective areas of operations in Colombia and Peru.

Developing energy markets directly and through its investment portfolio, which consists of 22 midstream and downstream companies, Promigas is playing a leading role in the natural gas and electricity sectors in Colombia and Peru. This strategic approach will enable Promigas to seize opportunities in different regions and contribute to sustainable development both locally and globally, as energy that drives development.

Promigas' mission is to deliver superior energy services to enhance the quality of life of its customers and contribute to sustainable development. The company has the vision of striving to be the leading energy company in the market, recognized for the excellence, innovation, and sustainability of its services. The fundamental values for its success include **integrity** (being good people), **solidarity** (being good workers), and **excellence** (being good citizens). Operating within the best practices of corporate governance, Promigas ensures compliance with laws and regulations, reduces the risk of corruption, and is committed to ethical business practices, making sound decisions that lead to positive actions.

To fulfill the company´s value proposition to customers, Promigas have evolved from the natural gas transportation and distribution businesses, to offering energy services and becoming their ally on their path to decarbonization.

Promigas' "Our Energy 2040" strategy places the customer at the center of the company's efforts to provide safe, reliable, affordable, and low-carbon solutions. Social, economic, and environmental dimensions are reflected in Promigas' sustainability approach to the execution of its strategy: Better lives for **people** for a fair world, economic **prosperity** for a better world, and caring for the **planet** for a livable world[1].

[1] Promigas' strategy and sustainability approach are presented in its Integrated Management Report Chapter 5 Strategic Framework and Corporate Governance. https://informedegestion2024.promigas.com/

Promigas' decarbonization strategy focuses on gradual energy transition, carbon footprint assessment, and mitigation efforts. The plan includes initiatives in energy efficiency, asset integrity, adoption of low-carbon energy, and effective contract management, supported by growth strategies for Promigas and its affiliates.

Maintaining competitiveness is a strategic priority, with a strong emphasis on identifying and managing climate-related risks that impact financial performance. Promigas aims to lead as a multi-service energy group in the Americas, driven by robust corporate governance and employee support, maximizing value for stakeholders.

This Social Finance Framework (the "Framework") serves as the reference document for any future issuances of social bonds or loans by Promigas or any of its subsidiaries[2]. The Framework applies the best market practices, aligning with the Social Bond Principles ("SBP") issued by the International Capital Market Association ("ICMA") in June 2023 and the Social Loan Principles ("SLP") issued by the Loan Market Association ("LMA") in February 2023, and follows the key recommendations of the SBP and SLP with regard to external review.

Promigas believes energy is a driver of economic development. By connecting our customers to low-carbon, reliable energy, the company contributes to the reduction of energy poverty. In addition, providing access to natural gas, as a substitute to more contaminant fuels, brings benefits in terms of savings and more healthy environments. These impacts are especially significant for customers at the base of the pyramid.

Promigas recognizes its role and responsibility towards stakeholders, the local communities, and countries where it operates, while striving to reduce and manage its impact on people and the environment. Promigas' strategy integrates low-emission businesses strategically positioned to capitalize on the energy transition.

The focus of this framework is on Promigas' consumer lending business activities (falling under the Brilla Program) that are targeted towards base of the pyramid[3] individuals in their customer base, which has become a pivotal component of Promigas sustainability strategy over the last 15 years: increasing access to formal financing and help base of the pyramid individuals out of informal financing.

Promigas developed this Framework with the intent to issue social bonds and take on social loans to finance or re-finance, in whole or in part, new and/or existing eligible activities related to Brilla Program. Promigas sees in social loans and bonds an opportunity to align its funding and sustainability strategy.

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[2] This Framework is applicable to any instruments issued by Promigas or its wholly owned subsidiaries. Promigas will be responsible for ensuring continual alignment of the issuance with the criteria defined with the Framework.

[3] According to the G20, base of the economic pyramid (or base of the pyramid) is used to describe men and women who are low-income or who lack access to basic goods and services.
http://g20.org.tr/wp-content/uploads/2015/11/G20-Inclusive-Business-Framework.pdf"http://g20.org.tr/wp-content/uploads/2015/11/G20-Inclusive-Business-Framework.pdf

2. Market Context

Access to finance remains a significant challenge in Colombia, with disparities observed across various dimensions such as business sizes, genders, income levels, regions, and the gap between rural and urban areas. Low-income households and small and medium enterprises face particular difficulties in accessing finance, as large banks tend to prioritize lending to higher-income segments, large companies, and microenterprises. The access to finance indicator, which measures the share of the adult population in the country who have financial products, reached 92.3% in December 2022. Similarly, the usage indicator, which measures the share of adults with some active or current financial product, reached 77.2% in December 2022[4]. However, these indicators decrease drastically in areas with lower income levels, such as rural areas, where the strata of society with the most needs are concentrated and where financial access is around 50% and usage stands at 40%. Individuals with informal employment and low incomes tend to have limited access to formal banking services, leading them to rely on irregular and high-interest financing options like pawn shops, perpetuating cycles of debt and financial vulnerability. In comparison to other countries in the Latin America and Caribbean region, Colombia falls behind Ecuador, Brazil, and Chile in providing financial access to the poorest, 40% of the population. Addressing these challenges is crucial for promoting greater financial inclusion and reducing inequality in Colombia.

In Colombia, the socioeconomic classification and billing for public services are based on a system of strata[5]. The strata are defined based on the socioeconomic conditions of the residential properties, such as the existence and size of the kitchen, the state of the bathroom, the construction materials used for the walls, or access by paved road to the property. Following this criteria, residential properties are classified into six socio-economic strata, with 1 representing homes with the poorest conditions. The strata system was created in the utility services law enacted in 1994, including the criteria to classify households, and the responsibility for its implementation lies on the Mayor's Office in each municipality. The system was developed with the objective of implementing cross-subsidization for the payment of electricity and gas bills, with the highest two strata (5 and 6) subsidizing the cost of public services for the lowest three strata (1, 2, and 3), and strata 4 remaining neutral.

[4] Both indicators are calculated and published in the financial inclusion report prepared by *Banca de las Oportunidades.*

[5] https://www.dane.gov.co/index.php/servicios-al-ciudadano/servicios-informacion/estratificacion-socioeconomica#preguntas-frecuentes

3. Brilla Program

Brilla Program[6] is the non-banking financing business unit of Promigas that operates through the Company's natural gas and electricity distribution subsidiaries providing consumer loans to residential customers. Promigas incursion in the non-banking financing business was initially driven by the need to provide financing to its clients for the connection to the natural gas distribution system. Most Promigas residential customers belong to the lowest-income level (strata 1 and 2), and the cost of connecting to the natural gas distribution system can be burdensome for them, averaging around US$600[7]. As a gas utility, Promigas is legally obligated to offer financing options for gas connections to new users of strata 1 and 2 who cannot afford the upfront cost. Historically, approximately 98% of Promigas customers belonging to strata 1 and 2 have chosen the Company's financing option. Over time, the Company noted that virtually all newly connected users who had requested their financing had stayed current on their repayment. Therefore, in 2007 Promigas decided to create Brilla, offering credit lines to residential clients with demonstrated payment track-record for the acquisition of other essential goods and services.

Brilla targets base of the pyramid individuals within Promigas' customer base who are economically vulnerable. Approximately 85% of Brilla's clients belong to strata 1 and 2. According to a survey conducted by Colombia's National Administrative Department of Statistics (DANE), households classified in strata 1 and 2 have an average monthly income of US$325[8]. This income level falls below the poverty threshold of US$396 per month defined by DANE. Additionally, a survey conducted by the World Bank Group indicates that the bottom 40% of the population in Colombia has an average monthly household income below US$392, which is higher than the average monthly income for households in strata 1 and 2. These findings highlight the financial challenges faced by Brilla's clients, who are predominantly from low-income households.

Brilla plays a catalytic role in expanding financial inclusion for base of the pyramid individuals who lack access to other sources of formal finance. Unlike traditional microfinance institutions in Colombia that primarily target established businesses, Brilla's client base consists primarily of individuals who are economically vulnerable and underserved. Around 67% of Brilla's loans are given to women, while approximately 43% of clients reside in rural areas[9], where the availability of financial services is limited. Brilla seeks to assist low-income households in breaking free from informal financing methods such as pawn shops (*"gota a gota"* for its term in Spanish). These informal sources often impose exorbitant interest rates with short repayment periods making the borrowers even more vulnerable.

Brilla consumer loans allow households to increase access to basic goods and services and thus help them improve their living conditions. Brilla does not provide cash directly to its clients; instead, it operates through a network of over 800 commercial partners[10]. These partners are formal companies that provide essential goods and services to Brilla clients. The types of commercial partners that conform the Brilla network were selected because they offer goods and services that meet needs commonly faced by strata 1, 2, and 3 customers, but for which they would otherwise not often be able to access loans, such as for home repair, education and motorcycles.

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[6] https://www.promigas.com/Paginas/Negocios/ESP/FinanciacionNoBancaria.aspx
[7] https://documents1.worldbank.org/curated/en/261971506591662091/pdf/120092-BRI-PUBLIC-Promigas.pdf
[8] Integrated Homes Survey (Gran Encuesta Integrada de Hogares - GEIH) conducted by the DANE, November 2023.
[9] https://www.promigas.com/Documents/InformeGestion2023/Informe%20Anual%20de%20Gobierno%20Corporativo%202023%20Promigas%20(1).pdf
[10] https://www.promigas.com/Paginas/Negocios/ESP/FinanciacionNoBancaria.aspx

In 2023, Brilla credit lines were mainly used to purchase household appliances (45% of the total loans given that year) or construction materials (21%), enabling families to make improvements to their homes, such as installing a concrete floor or a waterproof roof, or investing in energy-efficient appliances. They also serve to acquire vehicles such as motorcycles (18%) to facilitate mobility and access to economic opportunities or buy computers and pay tuition fees (8%) to increase access to education. The remaining portion of the proceeds (8%) was spent mostly on furniture.[11]

The average tenor of the consumer loans in Brilla's portfolio is 28 months, and the average loan amount is US$631. The credit limits for these loans are determined by Brilla's score model, which utilizes advanced analytics. The model takes into account various factors such as the client's strata, payment history, risk level, and payment capacity. For clients in strata 1, 2, and 3, the credit limit ranges between US$663 and US$1,557.

Brilla has been a successful business. Its credit portfolio reached COP$2.1tn (US$525m[12]) in December 2023 and has 786,000+ clients across 400+ municipalities in Colombia and Peru. Brand positioning studies carried out in 2015, 2017, 2020 and 2022 conclude that improving quality of life is the attribute most recognized and valued by Brilla customers. For this work, Brilla's business model has been recognized internationally, winning IFC's Inclusive Business Leader Award in 2011, IFC and the Financial Times' Achievement in Inclusive Business Award in 2014[13], the G20's Challenge on Inclusive Business Innovation Award in 2012[14] and the Fundación Andi "Inspiring Companies" Award in Colombia in 2022[15].

Brilla aims to grow the consumer lending portfolio to COP$4.0tn (US$1.0bn) by 2028.

[11] Corporate Results Presentation 4Q2023: https://www.promigas.com/Paginas/Especiales/ResultadosTrimestrales.aspx
[12] Based on FX of COP$4,000.
[13] https://brilla.com.co/web/gdo/nosotros
[14] https://g20challenge.com/
[15] https://www.andi.com.co/Home/Noticia/17317-fundacion-andi-revelo-la-lista-de-empre

4. Rationale for implementing the Social Financing Framework

This Framework encompasses social bonds and social loans that Promigas will utilize as part of its financing strategy for Brilla. These financial instruments are aimed at attracting potential investors who are committed to funding eligible social projects that contribute to sustainability.

Raising financing through social labeled instruments plays a crucial role in Promigas' corporate strategy by strengthening its commitment to sustainability and aligning its operations with responsible and environmentally friendly practices. The main reasons why social financing instruments are important for Promigas are as follows:

A. Commitment to sustainability and Promigas' strategic objectives: By issuing social bonds and loans, Promigas demonstrates its commitment to sustainable practices and its objective of generating a positive social impact on the societies where the company operates. These social financing instruments are specifically used to finance activities related to Brilla, which aims to increase access to formal financing and help individuals at the base of the pyramid transition away from informal financing.

B. Sustainable Financing Strategy: Promigas establishes a direct connection between its sustainability goals and its financial strategy, creating synergies between the management of financial resources and responsible investment.

C. Diversifying investors base: Investors increasingly value companies that adopt sustainable practices. Issuing social bonds and loans allows Promigas to access a wider base of investors, seeking investment opportunities aligned with the Company's sustainability strategy.

This Framework incorporates best market practices and aligns with the SBP issued by ICMA in June 2023 and the SLP issued by LMA in February 2023.

This Framework outlines Promigas' internal policies and procedures for managing and monitoring the use of proceeds obtained through social bonds and loans. It also defines the process for evaluating and selecting projects, as well as the company's commitment to external reporting and verification for its investors. The Framework is structured around five components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External verification

5. Eligible Use of Proceeds

The proceeds of the social bonds and loans covered under this Framework will be exclusively allocated by Promigas and/or its subsidiaries for funding Brilla consumer lending operations (the "Eligible Project") to eligible sub-borrowers (the "Eligible Sub-borrower"). An Eligible Sub-borrower is any individual that has an active gas and/or electricity connection provided by Promigas or any of its subsidiaries and uses the credit line provided to purchase essential goods and services from Brilla's network of commercial partners.

The use of proceeds by Promigas' Brilla Program includes the following:

1. Financing Brilla new consumer loans to Eligible Sub-borrowers.
2. Refinancing of existing eligible credit facilities provided to Eligible Sub-borrowers within the previous two years. Up to 40% of the proceeds may be used for the refinancing credit facilities.

The alignment of the Eligible Project with the Eligible Social Categories of ICMA and LMA, as well as the objectives and expected social benefits, are detailed in the following table:

Table 1. Use of proceeds assessment

Eligible Social Category	Eligible Project	Social Objective	Anticipated Social Benefit
Access to essential services (i.e., financing and financial services)	Funding Brilla consumer lending operations to Eligible Sub-borrowers	Expand access to finance for underserved households who lack access to formal, affordable financing options.	- Lower borrowing costs. - Increased access to formal financing. - Increased access to goods and services that improve the quality of life for lower income households.

The Eligible Project provides clear Social Benefits that align with Promigas' social mission of increasing access to formal financing and help base of the pyramid individuals out of informal financing.

Additionally, the use of proceeds, will contribute to advancing the UN Sustainable Development Goals[16] (SDG, hereinafter): 1 (End poverty) and 10 (Reduce inequality). Below, the following table summarizes their potential alignment and corresponding target with the Eligible Social Project.

[16] UN Sustainable Development Goals: https://www.undp.org/es/sustainable-development-goals

Table 2. Alignment of the SDGs and their targets with the Eligible Social Project

Eligible Project	SDG Linkage	SDG Targets
Funding Brilla consumer lending operations to Eligible Sub-borrowers	**SDG 1** – End poverty in all its forms everywhere	**Target 1.4:** By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, appropriate new technology, and financial services including microfinance.
	SDG 10 – Reduce inequalities among and within countries	**Target 10.2**: By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

6. Social objectives

Any net proceeds from bonds or loans to fund on lending operations to Eligible Sub-borrowers are expected to advance the following social objective:

- **Access to essential services** (i.e., financing and financial services).

Financial services are a crucial input to providing adequate shelter, food and education. As mentioned in Section 3, Brilla's consumer loans allow clients to finance household appliances (45%), construction materials and equipment (21%), mobility (mostly scooters/motorbikes, 18%), education (8%), and others (8%)[17].

According to credit studies conducted by Brilla in 2023, about 30% of clients did not have access to any formal financing. The remaining 70% of clients prefer using Brilla due to lower interest rates compared to revolving consumer credit modalities and credit cards, ease of use as a pre-approved credit, and absence of management fees.[18]

In 2013, a survey by the firm Econometria demonstrated Brilla's contribution to: (i) reducing of the use of expensive and informal sources of credit; (ii) improving the quality of life of its clients by allowing them to acquire household goods or construction materials to improve their homes; and (iii) promoting the progress of families by facilitating access to higher education, among other conclusions. Specifically, it found:

- **Impact on borrowing costs:** The households that had prior access to credit reduced their informal borrowing by COP$710,000 (US$360) leading to a 76%[19] in monthly savings due to the replacement of more expensive informal credit lines through Brilla.

- **Impact on homes:**
  - On a scale of 1 to 10, borrowers rate the condition of their homes 1.1 points higher after using Brilla credit, increasing from 7.3 to 8.4 points.
  - Borrowers have greater access to amenities such as washing machines (9%), oven (8%), computer (9%) and internet (7%).

[17] Management Integrated Report 2023, Chapter 3, Inclusive Businesses: Brilla. https://informedegestion2024.promigas.com/03-resumen-huella-social/
[18] External Bureau information.
[19] Assumes monthly interest rates of 20% from informal sources leading to savings of COP400,000 monthly for customers using Brilla's services.

7. Target population

The use of proceeds will mainly benefit:

- **People whose households are underserved, owing to a lack of access to financial services.**

Brilla's target clients are base of the pyramid individuals, with 94% of clients falling into the three lowest strata and 81% in the two lowest as of December 2023. Due to limited access to the formal financial system, this population faces additional difficulty acquiring essential goods and services. Specifically, 36% of those in strata 1,27% of those in strata 2 and 22% of strata 3 do not have access to formal financing[20].

As mentioned in Section 3, Brilla particularly benefits women and those living in rural areas, who received 67% and 43% of loans issued in 2023 respectively. According to a recent report by Asobancaria[21], Colombia's banking association, access to at least one financial product (not necessarily credit) in rural and sparsely populated rural areas stands at 69.1% and 56.2%, respectively, and the usage indicator for these products was 53.8% and 43.1%. Asobancaria highlights that factors such as high distance, lack of road infrastructure and connectivity, and informality in production factors such as land, continue to be obstacles to greater access to financing and other financial services in the rural population.

[20] External Bureau information.

[21] Asobancaria is Colombia's banking association, *Medición de la inclusión financiera rural en Colombia*, 2022: https://www.asobancaria.com/wp-content/uploads/2022/08/1343_BE-1.pdf.

8. Process for Project Evaluation and Selection

Promigas has established an internal process for the Evaluation and Selection of Projects to ensure that funds are used effectively and that projects are correctly aligned with the ICMA Social Bond Principles and the LMA Social Loan Principles.

Promigas has selected Brilla as a project because it is a successful example of an inclusive business or base-of-the-pyramid business. Brilla provides goods and services to a population in poverty, vulnerability, and traditionally excluded from credit access and development benefits.

Brilla offers pre-approved consumer loans to individuals that have an active gas and / or electricity connection provided by Promigas or any of its subsidiaries. Eligibility for these loans is based on credit rules with the utility's internal information such as historical payment behavior, fraud and restructuring. Machine learning risk models are then run and use internal and external data sources. This process enables the establishment of a credit score and tailored offers based on the customer's payment capacity.

The prospective beneficiary's identity and account information is validated internally. In addition, during the registration for Brilla consumer loans and while they are outstanding, all beneficiaries undergo biometric verification or validate their identity matching their phone number.

Promigas will establish a committee for sustainability matters which will be responsible for ensuring the eligibility of expenses for the Eligible Social Project, in order to uphold the commitment to the Social Objective of the framework.

To achieve this, it is necessary that, in the evaluation and selection process, partners aiming to become part of the Brilla ally network meet, first and foremost, a series of specific criteria that include:

- Geographic coverage.
- Alignment of the product line with Promigas' internal Credit Policy.[22]
- Robust commercial structure.

These eligibility criteria are crucial to ensure that operations are aligned with Promigas´ mission and that the investments reach households underserved due to lack of access to financial services, thereby contributing to improving the living conditions of most vulnerable clients.

Once a consumer loan is approved, the client can choose one of Brilla's commercial partners. Then, Brilla wires the proceeds of the consumer loan directly to the commercial partner and the client can use the approved credit lines directly in the stores.

[22] Main Credit Categories: Construction, Household, Education & Computers, and Mobility.

Project Monitoring

The committees that Promigas establishes for sustainability matters will meet at least semiannually or more frequently if necessary, to review the monitoring of the allocation of investments to the Eligible Social Project and the compliance with the eligibility criteria previously described, as well as the review of this Framework and Financing, in accordance with:

- Monitoring the performance indicators established for the Project's impact reporting.
- Identifying and monitoring annually the social and/or environmental risks associated with the Project.
- Reviewing the annual reports on fund allocation and impact.
- Review the Framework and assess potential updates due to changes in policies, standards, and market best practices.
- Ensuring adherence to agreements, commitments, and policies derived from the actions outlined in the Framework, and effectively monitoring the use of proceeds received with the Project.

Decisions made by the committee regarding the issuance of Social Bonds will be recorded in the corresponding minutes/meeting notes, which will be archived and available for relevant reviews.

The environmental and social risks of the Eligible Social Project are associated to those of Brilla's target clients, which due to the focus on individuals only, are considered to be low.[23] As part of this Social Framework, Promigas is committed to ensuring that each Eligible Sub-borrower is an individual that has an active gas and/or electricity connection provided by Promigas or any of its subsidiaries and that uses the credit line provided to purchase essential goods and services from Brilla's network of commercial partners. Any changes in the criteria of Eligible Sub-borrowers should be reflected in an updates to this Social Framework, including any potential impact on the associated environmental and social risks.

Brilla does not differentiate interest rates among its customers. The interest rate for all consumer loans is aligned with the maximum usury rate set monthly by the banking regulator, the Superintendencia Financiera de Colombia (SFC). The usury rate is set monthly by SFC and calculated as 1.5x the average loan rate of banks.

[23] The International Finance Corporation (IFC) is an investor in the first social bond issued by Promigas under this Social Framework. Information regarding IFC's assessment of Brilla's environmental and social risks and potential impacts can be found in the following link: https://disclosures.ifc.org/project-detail/SII/48662/brilla-social-bond.

9. Management of Proceeds

Any instruments under this Social Financing Framework might be issued by Promigas and/or any of its wholly-owned subsidiaries. Each of them, will be used to finance the following operations: home improvement projects, replacement of household items and appliances of value to the communities; and products for the development of productive activities (such as in education, construction, and transportation).

Promigas or its subsidiaries intend to allocate the net proceeds from each social loan or bond to finance the Eligible Sub-borrowers expenditures by directly paying their relevant outstanding invoices to the commercial partners that conform Brilla's network.

The proceeds from investors/partners of the Brilla Program are never allocated, under any circumstances, to any purpose other than financing the operations defined in said Program for the target population.

The process of managing, allocating, and tracking the net proceeds of the Eligible Social Project will be overseen by Promigas Treasury or its subsidiaries, who will monitor and track the net proceeds through their internal accounting system.

The resources obtained through the social financing instruments operate as follows:

1. Brilla clients are informed of their approved credit limit through their gas bill. In order to utilize the credit limit, clients are required to visit the specific commercial partner from whom they intend to purchase goods and services. They must present their ID card, most recent gas bill, and other bill no older than six months.
2. After verifying with the relevant distribution company that the customer's credit limit is active, the commercial partner requests the client to sign a promissory note. Once this step is completed, the commercial partner can proceed to provide the goods and services to the client. The sale is then recorded in the distribution company's Smartflex system, and an invoice is generated, which becomes an account payable.
3. With the available financial resources, the Promigas Treasury department coordinates and executes payments to commercial partners[24] on a bi-weekly basis by transferring funds to the bank accounts indicated by the commercial partners.

Promigas will establish a committee for sustainability matters that will conduct an annual review to ensure that the disbursed amounts from the Social Bond do not exceed the allocations made under the Brilla program. This review ensures that the bond issuance funds are being used in accordance with guidelines established in this Social Framework.

Promigas intends to allocate the net proceeds in accordance with the use of proceeds criteria, evaluation and selection process in this Framework. The proceeds will be continuously deployed and redeployed as consumer loans through the maturity of the bond or loan.

[24] Commercial partners: Authorized retailers for the distribution of products financed through Brilla.

Pending the allocation or reallocation of the total amount of the funds, Promigas will invest the balance of the funds acting in accordance with its internal liquidity and treasury management policies. Such funds will be invested in line with the Promigas' values conforming to its engagements on human rights, health and safety of people and of the environment in its interactions with its stakeholders. Furthermore, the unallocated funds will not be used to finance any fossil-fuel related or controversial activities. Any funds from social loans or bonds will be used exclusively to finance purchases of Eligible Sub-borrowers.

An external auditor will verify on an annual basis that funds allocated are in accordance with this Framework until the issuance or loan's maturity.

The processes set out above will be applicable throughout the life of the financing linked to this framework.

10. Reporting

Promigas is committed to providing investors with an annual report covering: (i) the use of proceeds; and (ii) the social impact of the social financing instruments issued under this Framework. This report will be promptly updated in the event of material changes. The key aspects to be covered under each section of the report are described below:

10.1. Allocation reporting

Promigas will provide information on the use of proceeds from funds raised through social financing instruments. The first report shall be delivered one year after the bond issuance or the signing of the loan agreement, as the case may be. Then, annual reports shall be delivered until the total allocation of resources from these social financing instruments under this Framework is completed. The Allocation Report will include, at least, the following:

Indicator	**Unit of Measure**
Total amount disbursed / Total amount committed	Percentage (%)
Share of proceeds allocated to existing versus new loans	Percentage (%)
Number of outstanding loans allocated	Number (#)
Value of outstanding loans allocated	US$ million
Number of outstanding loans allocated, Base of the Pyramid (People in Strata 1 and 2)	Number (#)
Amount of proceeds disbursed and pending allocation (include details on temporary investments of such funds).	US$ million
Value of outstanding loans allocated, Base of the Pyramid (People in Strata 1 and 2)	US$ million

10.2. Impact reporting

Promigas will provide information on social impact derived from the Eligible Project funded with the social financing instruments. The first report shall be delivered one year after the bond issuance or the signing of the loan agreement, as the case may be. Then, annual reports shall be delivered until the total allocation of resources from these social financing instruments under this Framework is completed. This section of the report shall include: (i) a description of the Eligible Project; (ii) methodology and assumptions used to assess the social impact; and (iii) the following performance indicators:

Indicator	**Unit of Measure**
Number of consumer loans	Number (#)
Number of beneficiaries using Brilla consumer loans, including a percentage break-down per type of product.	Number (#) / Percentage (%)
Number/percentage of beneficiaries who are women	Number (#) / Percentage (%)
Number/percentage of beneficiaries who live in rural areas	Number (#) / Percentage (%)
Number/percentage of beneficiaries by Strata category	Number (#) / Percentage (%)

To further highlight the impact of these projects Promigas may, at its discretion, provide details on additional socio-economic outcomes.

Promigas intends to make all reporting public and made available on its corporate website[25].

[25] Corporate website: https://www.promigas.com/Paginas/Inversionista/ESP/InformacionRelevante.aspx

11. External review – Second Party Option

Promigas has requested an independent certification and verification from European Quality Assurance Spain, S.L. (hereinafter referred to as EQA), to review this Framework in order to issue a Second Party Opinion (SPO) on the alignment of the Framework with the components of the SBP issued by ICMA in June 2023 and the SBP issued by of the LMA in February 2023. EQA applies its own methodology to carry out an independent assessment.

If, after the issuance of the SPO, this Framework undergoes material modifications, the changes must be incorporated into a new version of the Framework.

The SPO, this Framework and the annual reports, will be published and made available on Promigas' website. Also, Promigas commits to annually engage an independent external reviewer to review the indicators included in the Allocation Report and Impact Report mentioned in section 4.4 of this Framework, until the total allocation of funds from Promigas' Social Bonds and Loans.

Aquiles Ignacio Mercado Gonzalez
Chief Financial Officer
Promigas S.A. E.S.P.
NIT 890105526-3

Social Finance Framework - DISCLAIMER

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