

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable and Positive Impact Finance Framework

Société Générale Madagasikara

3 April 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Sustainable and Positive Impact Instruments

Relevant standards

- International Capital Market Association (ICMA)'s Green Bond Principles (GBP) (as of June 2021 with June 2022 appendix 1), International Capital Market Association (ICMA)'s Social Bond Principles (SBP) (as of June 2023) and International Capital Market Association (ICMA)'s Sustainability Bond Guidelines (SBG) (as of June 2021)
- Loan Market Association (LMA)'s Green Loan Principles (GLP) (as of February 2023) and LMA Social Loan Principles (SLP) (as of February 2023)
- UN Principles for Positive Impact Finance (UN PPIF) (as of January 1, 2017)

Scope of verification

- Société Générale Madagasikara's Sustainable and Positive Impact Finance Framework (April 2, 2024)
- Société Générale Madagasikara's Eligibility Criteria (April 2, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

CONTENTS

SCOPE OF WORK.....	3
SOCIÉTÉ GÉNÉRALE MADAGASIKARA BUSINESS OVERVIEW.....	3
ASSESSMENT SUMMARY.....	4
SPO ASSESSMENT.....	7
PART IA: ALIGNMENT WITH THE ICMA’S GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES, AND THE LMA’S GREEN LOAN PRINCIPLES AND SOCIAL LOAN PRINCIPLES.....	7
PART IB: ALIGNMENT WITH THE UN PPIF.....	10
PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA.....	14
A. CONTRIBUTION OF THE SUSTAINABLE AND POSITIVE IMPACT INSTRUMENTS TO THE UN SDGs.....	14
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA.....	47
PART III: LINKING THE TRANSACTION(S) TO SOCIÉTÉ GÉNÉRALE MADAGASIKARA’S ESG PROFILE.....	53
A. CONSISTENCY OF SUSTAINABLE AND POSITIVE IMPACT INSTRUMENTS WITH SOCIÉTÉ GÉNÉRALE MADAGASIKARA’S SUSTAINABILITY STRATEGY.....	53
B. SOCIÉTÉ GÉNÉRALE’S BUSINESS EXPOSURE TO ESG RISKS.....	55
ANNEX 1: METHODOLOGY.....	59
ANNEX 2: ISS ESG CORPORATE RATING METHODOLOGY.....	59
ANNEX 3: QUALITY MANAGEMENT PROCESSES.....	60
About this SPO.....	61

SCOPE OF WORK

Société Générale Madagascar (“the Issuer”, “the Bank”, or “SGM”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Sustainable and Positive Impact Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. Société Générale Madagascar’s Sustainable and Positive Impact Finance Framework (April 2, 2024) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), the Loan Market Association’s (LMA) Green Loan Principles (GLP) and Social Loan Principles (SLP), and the UN Principles for Positive Impact Finance.
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction(s) to Société Générale Madagascar’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

SOCIÉTÉ GÉNÉRALE MADAGASIKARA BUSINESS OVERVIEW

Société Générale operates as a banking and financial institution. It is classified in the Commercial Banks & Capital Markets industry, as per ISS ESG’s sector classification.

Société Générale SA provides banking and financial services. It operates through the following business segments: French Retail Banking, International Retail Banking and Financial Services, and Global Banking and Investor Solutions. The French Retail Banking segment includes the domestic networks Société Générale and Boursobank. The International Retail Banking and Financial Services segment consists of international retail banking including consumer finance activities; financial services to corporate; and insurance activities. The Global Banking and Investor Solutions segment involves in global markets and investor services; financing and advisory; asset and wealth management. The company was founded on May 4, 1864 and is headquartered in Paris, France.

Société Générale Madagascar is a subsidiary of Société Générale Group since 1998. The Bank serves individual, corporate and institutional clients providing them with Banking and Financial services in Madagascar.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1a:</p> <p>Alignment with the ICMA’s GBP, SBP, SBG, and the LMA’s GLP and SLP</p>	<p>The Issuer has defined a formal concept for its Sustainable and Positive Impact Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBP, SBP and SBG, and the LMA GLP and SLP.</p> <p><i>* Certain criteria of Environmentally Sustainable Management of Living Natural Resources and Land Use², are assessed as providing no clear environmental and/or social benefits according to our methodology (cf. part II of this report). However, as there are currently several national and international initiatives and that the definition of green and/or social might vary depending on sector and geography, it is recognized that those categories might be considered as eligible green or social categories by investors.</i></p>	Aligned*
<p>Part 1b:</p> <p>Alignment with UN PPIF</p>	<p>The Issuer has defined a formal concept for its Sustainable and Positive Impact Instruments regarding Definition, Frameworks, Transparency, and Assessment. This concept is in line with the Principles for Positive Impact Finance.</p>	Aligned
<p>Part 2:</p> <p>Sustainability quality of the Eligibility Criteria</p>	<p>The Sustainable and Positive Impact Instruments will (re)finance eligible asset categories which include:</p> <p>Green categories: Renewable Energy, Green Buildings, Low Carbon Transport, Water Management and Water Treatment, Pollution Prevention and Control, Circular Economy, Energy Efficiencies, Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Climate Change Adaptation, Clean Energy Access and Efficiency of Transmission and Distribution.</p>	Positive

¹ The evaluation is based on the Société Générale Madagasikara’s Sustainable and Positive Impact Finance Framework (April 2, 2024 version), on the analysed Eligibility Criteria as received on the April 2, 2024, and on the ISS ESG Corporate Rating updated on the April 5, 2023 and applicable at the SPO delivery date.

² Financing or Refinancing of Organic Agriculture animal-based loans granted to farms certified in compliance with international organic farming regulation such as “Agriculture Biologique”, “Biocoherence”, and “Demeter” labels; to pure-players corporates (at least 90% of turn-over).

Social categories: Employment Generation and Preservation through SME Financing and Microfinance, Socioeconomic Advancement and Empowerment of Marginal/Disadvantaged Groups, Affordable Housing, Access to Education and Professional Training, Access to Healthcare, Affordable Basic Infrastructure, Food Security and Poverty Reduction.

Product and/or service-related use of proceeds categories³ individually contribute to one or more of the following SDGs:



And has an obstruction to the following SDGs:




Other use of proceed categories⁴ improve the operational impacts of The Bank’s borrower(s) and mitigate potential negative externalities of its sector/their sectors on one or more of the following SDGs:

³ Green categories: Renewable Energy, Green Buildings, Low Carbon Transport, Water Management and Water Treatment, Pollution Prevention and Control, Circular Economy, Energy Efficiencies, Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Climate Change Adaptation, Clean Energy Access and Efficiency of Transmission and Distribution.

Social categories: Employment Generation and Preservation through SME Financing and Microfinance, Socioeconomic Advancement and Empowerment of Marginal/Disadvantaged Groups, Affordable Housing, Access to Education and Professional Training, Access to Healthcare, Affordable Basic Infrastructure, Food Security and Poverty Reduction.

⁴ Green categories: Residential and Commercial Green Buildings, Terrestrial and Aquatic Biodiversity Conservation, Clean Energy Access and Efficiency of Transmission and Distribution Networks, Circular Economy, Environmentally Sustainable Management of Living Natural Resources and Land Use.

Social categories: Affordable Basic Infrastructure, Food Security and Poverty Reduction.

	 <p>For certain criteria of the categories Environmentally Sustainable Management of Living Natural Resources and Land Use⁵, there is no evidence of an environmental/social contribution or of an improvement on the Issuer and/or end users' potential negative externalities.</p> <p>The environmental and social risks associated with those use of proceeds categories are managed.</p>	
<p>Part 3: Linking the transaction(s) to Société Générale's ESG profile</p>	<p>The key sustainability objectives and the rationale for issuing Sustainable and Positive Impact Instruments are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, the Issuer no severe controversies have been identified.</p>	<p>Consistent with Issuer's sustainability strategy</p>

⁵ Financing or Refinancing of Organic Agriculture such as "Agriculture Biologique" and animal-based loans granted to farms certified in compliance with international organic farming regulation such as Agriculture Biologique",Biocohérence", and "Demeter" labels; to pure-players corporates (at least 90% of turn-over).

SPO ASSESSMENT

PART IA: ALIGNMENT WITH THE ICMA’S GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES, AND THE LMA’S GREEN LOAN PRINCIPLES AND SOCIAL LOAN PRINCIPLES

This section evaluates the alignment of the Société Générale Madagascar’s Sustainable and Positive Impact Finance Framework (April 2, 2024) with the ICMA’s GBP, SBP and SBG, and the LMA’s GLP and SLP.

GBP, SBP, SBG, GLP AND SLP	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓ *</p>	<p>The Use of Proceeds description provided by Société Générale Madagascar’s Sustainable and Positive Impact Finance Framework is aligned* with the ICMA’s GBP, SBP and SBG, and the LMA’s GLP and SLP.</p> <p>The Issuer’s green and social categories align with the project categories as proposed by the ICMA’s GBP, SBP and SBG, and the LMA’s GLP and SLP. Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental and social benefits are described.</p> <p>The Issuer defines projects will be refinanced as well as the exclusion criteria for harmful projects categories, in line with best market practices.</p> <p>However, there are potential negative externalities due to the increased interest rate that is provided to the borrowers as they are considered to be of higher lending risk.</p> <p><i>* Certain criteria of Environmentally Sustainable Management of Living Natural Resources and Land Use⁶, , are assessed as providing no clear</i></p>


⁶ Financing or Refinancing of Organic Agriculture and animal-based loans granted to farms certified in compliance with international organic farming regulation such as “Agriculture Biologique”, “Biocohérence”, and “Demeter” labels; to pure-players corporates (at least 90% of turn-over).

		<p><i>environmental and/or social benefits according to our methodology (cf. part II of this report). However, as there are currently several national and international initiatives and that the definition of green and/or social might vary depending on sector and geography, it is recognized that those categories might be considered as eligible green or social categories by investors.</i></p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Société Générale Madagascar’s Sustainable and Positive Impact Finance Framework is aligned with the ICMA’s GBP, SBP and SBG, and the LMA’s GLP and SLP.</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer and clearly show the intended benefit to the relevant population.</p> <p>The Issuer involves various stakeholders in this process and identifies alignment of their Green Bond framework and their green projects with official or market-wide taxonomies and to reference any green standards or certifications used, in line with best market practices.</p>
<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by Société Générale Madagascar’s Sustainable and Positive Impact Finance Framework is aligned with the ICMA’s GBP, SBP and SBG, and the LMA’s GLP and SLP.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are credited to a sub account and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>

		<p>The Issuer discloses ESG criteria for temporary investments and commits to segregate the proceeds collected by having them earmarked towards specific projects as a temporary measure, in line with best market practice.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by Société Générale Madagasikara’s Sustainable and Positive Impact Finance Framework is aligned with the ICMA’s GBP, SBP and SBG, and the LMA’s GLP and SLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Société Générale Madagasikara explains that the level of expected reporting will be at project category level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>The Issuer is transparent on the level, the frequency, the scope and the duration of impact reporting, as well as the information reported, in line with best market practices.</p> <p>The Issuer commits to get the allocation report audited by an external party, in line with best market practices.</p>

PART IB: ALIGNMENT WITH THE UN PPIF

This section evaluates the alignment of the Société Générale Madagasikara’s Sustainable and Positive Impact Finance Framework (April 2, 2024) with the UN Principles for Positive Impact Finance.

PPIF	ALIGNMENT	OPINION
<p>1. Principle One-- Definition</p>		<p>The projects categories description provided in the Sustainable and Positive Impact Finance Framework are aligned with the First Principle for Positive Impact Finance.</p> <p>The project selection process was defined and structured in a congruous manner, the criteria were clear and transparent, as set in the Framework. The impact categories delivered a positive contribution to one or more of the three pillars of sustainable development: social, environmental, and economic.</p> <p>The ESG risks associated with the project categories were identified and managed through an appropriate process and conducted using the EP guidelines.</p> <p>Every year, Société Générale publishes a report describing how the EP are implemented and providing a list of the projects that fall within the scope of the EP and in which the Group has been involved.⁷</p> <p>All the projects under this portfolio can be categorized between A and B. This categorization is based on the International Finance Corporation’s (IFC) environmental and social categorization process.⁸</p> <p>As part of the E&S Management System Plan requested to corporates, environmental and social impact assessments are conducted for every category. The Bank may thereafter classify</p>

⁷ Société Générale’s environmental and social policies are available at <https://www.societegenerale.com/en/measuring-our-performance/csr/responsible-finance>

⁸ International Finance Corporation’s (IFC) Environmental and Social categorization, <https://www.ifc.org/en/what-we-do/sector-expertise/sustainability/policies-and-standards/environmental-and-social-categorization>

the results as “positive”, “positive with condition” (which may relate to precedent, subsequent, representations & warranties, covenants, action plans, restrictions), or “negative” impact.

The management of every potential negative impact is evaluated and rated. Mitigation actions are proposed by the Bank’s 2nd line of defense (LOD2) in proportion to the residual risk identified. Depending on the severity of the negative impact and the company's ability to address it, the Bank may opt to close accounts. It is important to note that, for project finance, a comprehensive evaluation must ensure that no negative impact is overlooked. In addition, the Bank’s compliance expert applies due diligence processes encompassing technical, legal & compliance, financial, environmental & social, and insurance aspects. These are subsequently analyzed and validated by an independent professional from a legal firm. If approved, the public authority thereafter is in the position of granting a permit, license or authorization.

Moreover, Société Générale’s PIF portfolio contributes to the following Sustainable Development Goals (SDGs):



Certain criteria of Environmentally Sustainable Management of Living Natural Resources and Land Use⁹, has been assessed as “No Net Impact”

⁹ Financing or Refinancing of Organic Agriculture animal-based loans are granted to farms certified in compliance with international organic farming regulation such as “Agriculture Biologique”, “Biocohérence”, and “Demeter” labels; to pure-players corporates (at least 90% of turn-over).

		<p>according to our methodology (cf. Part II of this report).</p>
<p>2. Principle Two-- Framework</p>	<p>✓</p>	<p>The projects categories description provided in the Sustainable and Positive Impact Finance Framework are aligned with the Second Principle for Positive Impact Finance.</p> <p>The Issuer followed an adequate process, methodology and set of tools to identify and monitor the positive impact of the financed activities. The three-step approach consist of Identification of potential impacts on the three dimensions; Evaluation and assessment of the positive and negative E&S impact and assessment and mitigation of its risks; and Action directed towards the eligible activities. The portfolio is supported exclusively by dedicated transactions, only fully eligible financings in Positive impact sectors are included. The Issuer applied regular ESG risk management before determining Positive Impact eligibility and set specific criteria to monitor the achievement of the intended impacts. The Issuer addresses financial risks (e.g., credit risk, market risk) and non-financial risks (e.g., operational risk, regulatory risk) as well as ESG factors (e.g., carbon footprint accounting, climate change, environment, human rights, and fundamental freedoms).</p> <p>Moreover, the Issuer provides information on its internal policies and staff training by which they ensure adherence to the processes and commits to ongoing review and updates on the processes and methodologies to ensure adherence to the PPIF standards.</p> <p>The Issuer conducts Positive Impact analyses making use of existing and recognized tools, standards and initiatives where applicable, such as the Net-Zero Banking Alliance; the UN Global Compact CFO Principles on Integrated SDG Finance; the Principles for Responsible Banking and member of the Collective Commitment on</p>

		Climate; the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD), in line with best market practice.
3. Principle Three-- Transparency	✓	<p>The projects categories description provided in the Sustainable and Positive Impact Finance Framework are aligned with the Third Principle for Positive Impact Finance.</p> <p>The Issuer clearly described the tools and approaches chosen and referenced the sources of information used and explained the project’s intended positive impact. The Issuer provided-on the processes in place to determine eligibility, and the impacts achieved.</p> <p>In addition, the Issuer discloses the split between existing investments and/or future investments and will publish annually on its website, and until full maturity of the Positive Impact Bonds a reporting on the allocation of the net proceeds and positive impact of the eligible activities, in line with best market practice</p>
4. Principle Four-- Assessment	✓	<p>The projects categories description provided in the Sustainable and Positive Impact Finance Framework are aligned with the Fourth Principle for Positive Impact Finance.</p> <p>The Issuer involved a qualified third party to conduct an independent evaluation of the activities of the PIF Portfolio and their ESG impact through this report.</p>

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA A. CONTRIBUTION OF THE SUSTAINABLE AND POSITIVE IMPACT INSTRUMENTS TO THE UN SDGs¹⁰

Banks can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories invested in by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

1. Products and services


The assessment of UoP categories for investing in products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issue's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of the UoP categories for investing in specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Sustainable and Positive Impact Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

Green categories

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Renewable Energy</p> <p><i>Acquisition, conception, construction, development, and installation of renewable energy facilities operating at life-cycle emissions lower than 100g of CO₂/kWh, declining to 0g of CO₂/kWh by 2050:</i></p>	<p>Contribution</p>	

¹⁰ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

- *On-and offshore wind energy*
- *Solar – including PV and CSP projects*
- *Geothermal energy*

Renewable Energy

Acquisition, conception, construction, development and installation of bioenergy facilities fed by sustainable sources¹¹ of local raw material (such as organic waste) avoiding conflict of utilization of the resources, deforestation, and land use.

- *Anaerobic digestion of sewage sludge treatment facilities dedicated to biogas production used directly for the generation of electricity and/or heat or upgraded to bio-methane and equipped with a methane leakage monitoring measure*

Contribution



Renewable Energy

Hydropower facilities¹² operating at life cycle emissions lower than 100gCO₂e/kWh, declining to 0gCO₂e/kWh by 2050, excluding hydropower with capacity more than > 1000 MW meeting at least one of the following criteria:

- *=< 25 MW*
- *life-cycle carbon emissions intensity is below 100gCO₂e/kWh*
- *power density above 5W/m²*

Contribution



Renewable Energy

Manufacture of equipment for the production and use of green hydrogen and production of green hydrogen.

- *Green hydrogen will be exclusively produced by electrolysis powered by green local electricity coming renewable energy*

Contribution



¹¹ For biomass power plant, eligibility criteria exclude food and feed crops. Only waste from food crops, agricultural and forest residues, and certified wood chips wood-based biomass will be considered eligible under this category.

For biofuel production, eligibility criteria exclude food and feed crops. Only second-generation biofuel derived from lignocellulosic biomass, non-food crops feedstocks, agricultural and forest residues, industrial waste will be considered eligible under this category.

¹² Run-of-river hydropower will be prioritized, no large-scale reservoir dam will be considered, and any hydropower project will need to conduct an Environmental and social risk assessment.

sources¹³ with life-cycle emission less than 100g of CO₂/kWh

Renewable Energy

- *Ocean energy¹⁴ coming from offshore solar farms, tidal waves, ocean current, salt gradient, etc.*

Transmission and Distribution

Transmission¹⁵ and Distribution¹⁶ networks supporting renewable energy power generation such as Solar, Wind, Hydropower, Geothermal, Ocean Energy and with life cycle emissions lower than 100gCO₂e/kWh through direct connection.

The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria:

Transmission and distribution infrastructure or equipment that complies with at least one of the following criteria:

- *More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period*
- *the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period*
- *direct connection, or expansion of existing direct connection, of low carbon electricity*

Contribution



Contribution



¹³ Renewable energy sources include solar, wind, ocean energy, geothermal and hydropower. Other energy sources are excluded.

¹⁴ Tidal and wave energy facilities with fossil fuel back up can only be used for restart capability and monitoring, operating or resilience measures in the event of no power in the system.

¹⁵ Transport: operating of transmission systems from production units to distribution grid, generally on long distance through high voltage lines

¹⁶ Distribution of power from Renewable Energy sources: operating of distribution systems, i.e., power lines, substation, electric pylons, meters, cables, transporting energy from production unit or transport grids to the final customer

generation below the threshold of 100 gCO₂e/kWh measured on a life cycle basis to a substation or network

Residential and Commercial Green Buildings

Development of new buildings, acquisition of existing buildings, major renovations or restructuring of existing buildings certified under at least one of the following certifications:¹⁷

- *LEED "Gold" or above*
- *BREEAM "Good" or above*
- *Green Star 4 level or above*
- *Excellence in Design for Greater Efficiencies (EDGE) certified by the International Finance Corporation's ("IFC") EDGE partners*

Contribution



Low Carbon Transport

Conception, development, construction, acquisition and maintenance of low-carbon infrastructure or personal mobility:

- *Infrastructure that is required for zero tailpipe emissions personal mobility, including electric charging points, electricity grid connection upgrades, hydrogen refueling stations and or electric highways)*
- *Infrastructure and equipment (including fleets) for active mobility (walking, cycling, e-bikes and e-scooters)*

Contribution



Low Carbon Transport

- *Non-electrified rail infrastructure with an existing plan for electrification or use of alternatively powered trains for public transportation*
- *Low-carbon vessel for freight transport by rail if direct emissions meet the threshold of 25g CO₂e/p-km¹⁸*

Contribution



Low Carbon Transport

Contribution

¹⁷ Activities related to buildings directly involved in the exploration, extraction, refining and distribution of fossil fuels are excluded.

¹⁸ The category is in line with the Climate Bond Initiative (CBI) requirement for road transport. In addition, it will be updated to 25g CO₂e/p-km by 2030.

Conception, development, construction, acquisition and maintenance of low-carbon water transport infrastructure and assets including:

- *Infrastructure that is required for zero direct emissions water transport (e.g., batteries or hydrogen fueling facilities)*
- *Infrastructure dedicated to supporting the renewable energy sector*
- *Infrastructure that is fundamental to the operation of the transport service and is required for zero direct emissions water transport*



Low Carbon Transport

Financing of low-carbon vehicles including:

- *Low-carbon passenger cars and commercial vehicles with zero tailpipe emission including hydrogen, fuel cell or electric vehicles*

Contribution



Low Carbon Transport

Financing of low-carbon rolling stock vessels for public transportation including:

- *Light rail transit, metro, tram, trolley bus, bus and wagons for public transportation meeting direct emissions that are below 50g CO₂e/p-km (i.e., passenger rail, transport, public transport, interurban scheduled road transport)¹⁹*

Contribution



Low Carbon Transport

Financing of low-carbon rolling stock vessels for freight transportation including:²⁰

- *Low-carbon inland vessels for inland freight water transport, freight road transport meeting the applicable that meets the threshold of <50g CO₂e / p-km*
- *Freight transport by rail is eligible if direct emissions are below 25 gCO₂/t-km³*

Contribution



¹⁹ The category include hybrid or electric powered vehicles, conventional combustion engine, biofuel and fossil fuels transport are excluded.

²⁰ The financing will be for zero direct emission vehicle only, conventional combustion engine, infrastructure and vehicles dedicated to fossil fuels are excluded.

Water Management and Water Treatment

Development, construction, operation and upgrade of water management and water treatment projects including but not limited to Water collection, treatment and supply meeting one of the following criteria:

- *The front-to-end water supply system has a high degree of energy efficiency characterized by an average energy consumption of the system (including abstraction, treatment and distribution) of 0.5 kWh per cubic meter billed/unbilled authorized water supply or less*
- *The energy efficiency of the front-to-end water supply system is increased substantially by decreasing the average energy consumption of the system by at least 20% (including abstraction, treatment and distribution) or by closing the gap between the actual leakage of the water supply network and a given target value of low leakage by at least 20%*

Contribution



Water Management and Water Treatment

Development, construction, operation and upgrade of water management and water treatment projects including:

- *Centralized wastewater treatment systems (including collection and treatment) provided that the new wastewater treatment substitutes more GHG emission intensive wastewater treatment systems*
- *Water-saving systems and technologies (e.g., smart meters)*

Contribution



Water Management and Water Treatment

Development, construction, operation and upgrade of water management and water treatment projects including:

- *Desalination projects powered by renewable energy such as solar or wind or with average*

Contribution



carbon intensity of the electricity used for desalination is at or below 100gCO₂e/kWh

- *Desalination unit need to be directly connected to the renewable energy or connected to grid electric system with the average system grid emissions factor is below the threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period*
- *Specific exclusion: Desalination projects that do not have an environmental risk mitigation strategy to address brine management*

Pollution Prevention and Control

Development, construction, operation, and maintenance of waste management projects including but not limited to:

- *Separate collection and transport of non-hazardous waste in segregated fractions where source segregated waste is separately collected with the aim of preparing for reuse and/or recycling*
- *Composting of bio-waste when all the following criteria are met:*
 - *the bio-waste is source segregated and collected separately*
 - *anaerobic digestion*
 - *the compost produced is used as fertilizer/soil improver*

Pollution Prevention and Control

Development, construction, operation, and maintenance of waste management projects including but not limited to:

- *Waste-to-energy projects where most recyclables are separated before incineration with:*
 - *Plant efficiency >= 25%; AND Bottom ash recovery; AND >= 90% recovery of metal from ash; AND Average carbon intensity of electricity and/ or heat over*



the life of the plant <= waste management allowance; AND capacity of the plant does not exceed the calculated residual waste at any time in the plant's life

Pollution Prevention and Control

Activities to capture methane gas only be facilitated on non-operational/decommissioned landfill such as:

- *Gas capture efficiency of >=75% will need to be achieved AND gas used to generate electricity and input to the natural gas grid or used as vehicle fuel; AND the landfill is not accepting further waste (with the exception of restoration materials)*

Contribution



Pollution Prevention and Control

- *Financing of nature-based carbon capture and storage technologies and projects with carbon capture and storage benefits such as reforestation, afforestation, wetland and peatland conservation*
- *Contaminated industrial sites requiring decontamination actions. The sites may be former industrial complexes, medium-sized factories, gas stations or any other site whose activity may have resulted in soil pollution. The clean-up and redevelopment of these sites into liveable and/or commercial areas can reduce public health and environmental risks (as stated by the EIB)*

Contribution



Pollution Prevention and Control

- *Project management for soil and groundwater decontamination, asbestos removal and deconstruction of buildings, development of platforms for the site conversion project*

Contribution



Pollution Prevention and Control

- *Financing of nature-based carbon capture and storage technologies and projects with carbon and storage benefit such*

Contribution



reforestation, afforestation, marine, wetland and peatland conservation

Circular Economy

Development, construction, operation and maintenance of projects fostering the transition to a circular economy, including but not limited to:

- *Circular products: design, production or use-related projects meeting one of the following criteria:*
 - *reduce waste and improve materials recycling at the beginning of a product's lifecycle (e.g., design for modularity, easy disassembly and improved recyclability) must be certified with certification standard such as: Blue Angel, Nordic Swan, Cradle2Cradle*

Contribution



Energy Efficiencies²¹

Financing or refinancing of the manufacture and/or installation of components of smart grid technology²²

Contribution



Energy Efficiencies

Financing or refinancing of the manufacture and/or installation of components of or technologies that enable energy efficiencies apart from smart grids:

- *Energy efficient lighting and improve energy efficiency of public utilities including electricity, telecommunications, and water. (e.g., zoned thermostats, smart thermostat systems, sensing equipment, including motion and day light control, Building Energy Management Systems (BEMS), lighting control systems and Energy management systems (EMS), smart meter for gas, heat, cool and electricity, façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation.)*

Contribution



²¹ Projects powered by fossil fuel are excluded from the entire energy efficiencies category. Products or technology that improves the energy efficiency of fossil fuel production i.e., cleaner coal technology is excluded as well.

²² Smart-grids powered by fossil fuels are excluded from this category

- *Equipment to increase the controllability and observability of the electricity system and enable the development and integration of renewable energy sources*
- *Development/manufacture of energy efficiency technologies including LED lights, high efficiency building envelope materials and occupancy/daylight controls for lighting systems*

Energy Efficiencies²³

Fuel-switching investments to avoid/reduce the use of fossil fuels such as coal, oil, kerosene, diesel and gasoline. Or reduces the need for wood, coal, charcoal, or liquid fuel as a source of energy in the community, thereby reducing emissions. (e.g., bioenergy cookstove, solar cookstoves, improved cookstoves)²⁴

Contribution



Environmentally Sustainable Management of Living Natural Resources and Land Use

Sustainable and climate-smart agriculture²⁵

- *Financing or Refinancing of Organic Agriculture (plant-based): loans are granted to farms certified in compliance with international organic farming regulation, such as "Agriculture Biologique" "Biocohérence", and "Demeter" labels; to pure-players corporates (at least 90% of turn-over)^{26, 27}*

Contribution



²³ For these Use of Proceed categories, a limited contribution is given to reflect the fact that cooking stoves are fairly essential and provided that these are made accessible at no or low cost to populations which would not otherwise have access. While the Bank assess this as a social category, ISS considers it as a category with a green contribution.

²⁴ It concerns project that provide improved cookstoves at zero cost or low-cost for community by carbon finance or other financial mechanism. Cooking solutions are based on renewable energy from second generation biomass. Compared to traditional cookstoves or baseline technology, the improved cookstoves will raise energy efficiency by 30%, according to VCS, Gold Standards of CDM Methodologies, <https://verra.org/methodologies/vmr0006-methodology-for-installation-of-high-efficiency-firewood-cookstoves/> or https://goldstandard.cdn.prismic.io/goldstandard/0dcfaf2db-3200-4c10-a35e-e56786b086c6_ics_methodology_guidebook.pdf

²⁵ The climate smart agriculture includes using agricultural inputs, practices and systems that would result in: reduction of resource consumption (water, fertilizers, energy), increased yield/productivity, reduced GHG emission per unit of produce, or reduced crop losses/food losses.

²⁶ This category excludes small scale farms and the use of pesticides, in line with the Madagascar's Farming Regulation, 2020, <https://faolex.fao.org/docs/pdf/mad219771.pdf>. For more information, please refer to the Framework.

²⁷ The positive contribution to SDG 15 of this category is limited to the examples mentioned under the selection criteria.

**Environmentally Sustainable
Management of Living Natural
Resources and Land Use**

Sustainable and climate-smart agriculture²⁸

Financing or Refinancing of Organic Agriculture (animal-based) loans granted to farms certified in compliance with international organic farming regulation such as "Agriculture Biologique", "Biocohérence", and "Demeter" labels; to pure-players corporates (at least 90% of turn-over)

No Net Impact

**Environmentally Sustainable
Management of Living Natural
Resources and Land Use**

Sustainable forestry²⁹

- *Sustainable forest management activities that increase carbon stocks or reduce the impact of forested land*
- *Reforestation on previously forested land*
- *Afforestation on non-forested land and the preservation or restoration of the natural landscape*

Contribution



**Environmentally Sustainable
Management of Living Natural
Resources and Land Use**

Sustainable Aquaculture, fisheries and seafood such as³⁰:

- *Biodiversity-friendly fishing:*
 - *Repopulation of native species in rivers and other water bodies*
 - *Production, trade, or retail of seafood products meeting or exceeding best practice certification standards.*

Contribution



²⁸ The climate smart agriculture includes using agricultural inputs, practices and systems that would result in: reduction of resource consumption (water, fertilizers, energy), increased yield/productivity, reduced GHG emission per unit of produce, or reduced crop losses/food losses.

²⁹ E&S Impact Assessment Report will be performed to ensure that restoration projects will not be realized by the degrading entity.

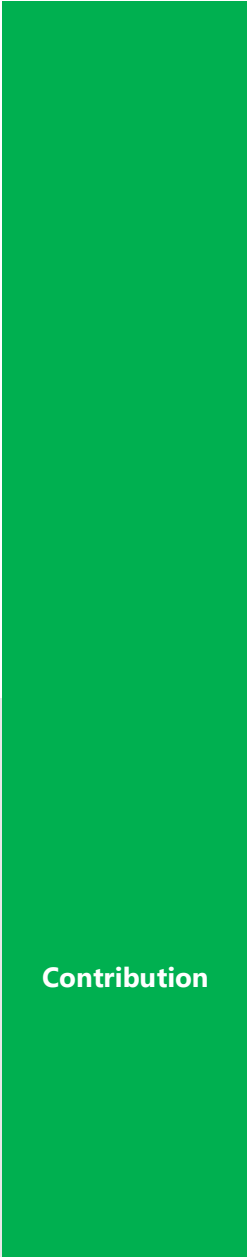
³⁰ Only projects and supply chains with the following certifications will be financed under this category: Aquaculture Stewardship Council standard, Marine Stewardship Council (MSC), IFOAM.

- *Sustainable aquaculture production: Aquaculture with a certification that confirms that the investment³¹ does not undermine the function and resilience of ecosystems, such as mangroves, salt marshes, seagrasses and critical habitats*
- *Regenerative (restorative) aquaculture production: Bivalves and seaweed to increase food production and restore ocean health*
- *Sustainable fisheries and fishery practices: Operations compliant with gear restrictions /modifications, offtake and sourcing procedures, and vessel modifications, and consistent with best practice for preventing fishery degradation (for example, reducing by-catch)*

Terrestrial and Aquatic Biodiversity Conservation

The conservation, preservation and/or restoration of nature and biodiversity, as well as natural habitats and ecosystems including, but not limited to, the following:

- *Conservation Land Use / Terrestrial Habitat Conservation:*
 - *Conservation of key biodiversity areas through the establishment of legally recognized protected areas³²*
 - *Conservation or restoration to create biodiversity credits for meeting*



³¹ Source: Biodiversity Finance Reference Guide, IFC (2023) Best practices for aquaculture investments include:

- Environmental practices: Mangrove and wetland conservation; effective effluent management and water quality control; sediment control and sludge management; soil and water conservation; efficient use of fishmeal and fish oil; responsible sourcing of broodstock and juvenile fish; control of escapes and minimizing biodiversity and wildlife impact.
- Community practices: Establish well-defined rights, aquaculture zones, and responsibilities for aquaculturists; regulatory compliance and effective enforcement; community involvement; worker safety, fair labor practices, and equitable compensation.
- Sustainable business and farm management practices: Effective biosecurity and disease control systems; minimal antibiotic and pharmaceutical use; microbial sanitation; maintain global standards for hygiene; efficient and humane harvest and transport; accountable record-keeping and traceability; profitability (<https://www.worldbank.org/en/topic/environment/brief/sustainable-aquaculture>).

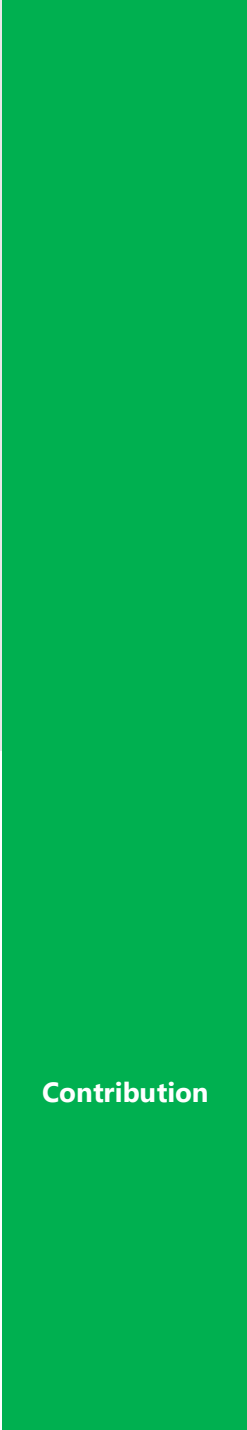
³² Areas as defined by IFC Performance Standard 6, particularly natural and critical habitats as well as habitats listed in IUCN Protected Area Categories, World Database of Key Biodiversity Areas, and IUCN Red List of Ecosystems.

mitigation requirements (for example, mitigation banking)³³

- *Conservation easements/servitudes/right of ways: Conservation easements earmark land for biodiversity conservation on private land while allowing owners to retain certain private property rights (some of these may be directly related to biodiversity credits/mitigation banking)*
- *Rewilding through creating and restoring habitats for wildlife, including developing biodiversity corridors*
- *Fire management/fire risk reduction programs that finance management and interventions that directly reduce fire threats and have demonstrated a benefit to biodiversity.*

Terrestrial and Aquatic Biodiversity Conservation

- *Freshwater And Marine Habitat Conservation:*
 - *Wetland conservation/restoration to provide and sustain ecosystem services.*
 - *Conservation and creation of wetlands to create biodiversity credits that establish wetland mitigation banks.*
 - *Conservation/restoration of marine areas (such as seagrass beds, coral, and mangroves) that protect important species, improve habitats, and provide services or important ecological functions. In some cases, these interventions can be designed to deliver*



³³ Source: Biodiversity Finance Reference Guide, IFC, (2023), Mitigation banking (conservation banking) is a system of credits and debits to ensure that ecological loss resulting from various development works is compensated by the preservation and restoration of similar habitats. An investor may acquire an area to conserve or restore and establish a system of credits based on government regulations (for example, number of habitat hectares). They will sell those credits to developers that need to compensate for impacts by ensuring conservation prior to license issuance. This system can also work where a company will commit to voluntary compensation/offsets, but it works best where developers are required to provide compensation for their impact on an ecosystem and investors can anticipate market demand.

carbon and biodiversity credits (marine habitat bank).

- *Provision of services for restoring natural habitats (for example, use of drones to plant mangroves, monitoring services to enforce fishing quotas, repopulation of native species in a landscape).*

Terrestrial and Aquatic Biodiversity Conservation

- *Nature-Based Solutions:*
 - *Natural or ecological infrastructure that prevents runoff of agrochemicals and sediment into rivers or coastal water basins (for example, swales, biofiltration).*
 - *Constructed wetlands for water treatment (primary through tertiary) provided that they do not interfere with, and ideally complement, any natural wetlands that are in the project's area of impact.*
 - *Watershed management practices to decrease runoff, sedimentation, and siltation, and increase recharge.*
 - *Natural infrastructure to reduce water temperatures of used water discharged into waterways.*
 - *Use of forest buffers, agricultural strips, swales, and other techniques to avoid runoff of nutrients and sediments.*

Terrestrial and Aquatic Biodiversity Conservation

- *Nature-Based solutions:*
 - *Green infrastructure such as green roofs*



Terrestrial and Aquatic Biodiversity Conservation

- *Nature-Based solutions:*
 - *Green/blue urban infrastructure such as green facades, permeable surfaces, rain gardens, bioswales, canals, and ponds to address the effects of drought, floods, and urban heat.*

Contribution



Terrestrial and Aquatic Biodiversity conservation

- *Nature-Based solutions:*
 - *Natural infrastructure or a combination of natural and grey infrastructure focused on managing stormwater and integrating conventional coastal and riverine flood protection infrastructure with ecological infrastructure (for example, mangroves with seawalls, and marshes with levees).*

Contribution



Terrestrial and Aquatic Biodiversity conservation

- *Nature-Based solutions:*
 - *Conservation or rehabilitation of wetlands to reduce flooding and soil/water salination.*
 - *Conservation or rehabilitation of mangroves to reduce flooding and soil erosion, increase coastal resilience, and sequester carbon.*
 - *Conservation or rehabilitation of coral reefs to reduce storm surges and flooding.*

Contribution



Climate Change Adaptation

Financing or refinancing of investments (i.e., assets, systems or activities) intended to address physical climate risk including floods, fires, storms, droughts, plague defence systems and related infrastructure, e.g., expansion or

Contribution



maintenance of flood defence systems and climate resilient infrastructure projects:

- *Must demonstrate an understanding of the climate risk faced by the asset, system or activity*
- *Must ensure proper risk reduction measures are in place along with flexible management plans that account for uncertainties*
- *Must demonstrate that regular revaluation of resilience benefits will be undertaken, and the results thereof will be addressed*

Clean Energy Access and Efficiency of Transmission and Distribution Networks

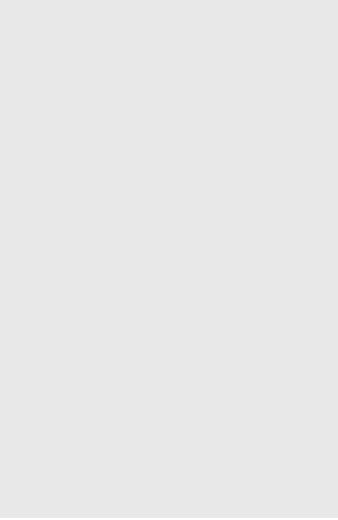
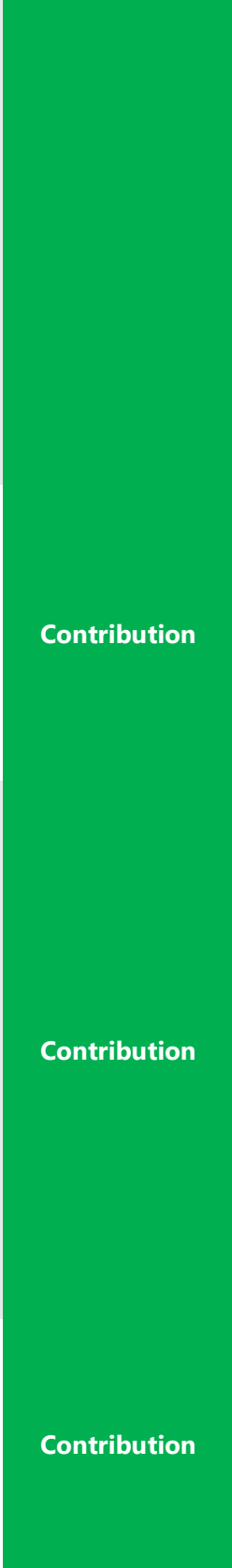
- *Financing or re-financing of any project that aims to improve existing systems to facilitate the integration of renewable energy sources into the grid*

Clean Energy Access and Efficiency of Transmission and Distribution Networks

- *Financing or re-financing of any project that supports renewable off-grid electricity access and displaces fuel consumption (e.g., displacement of kerosene lamps or diesel generators through electrification), reduces the need for wood, coal or liquid fuel as a source of energy in the community, thereby reducing emissions such as solar, wind, mini-hydropower or small hydropower, bioenergy. It will exclude electricity coming from fossil fuel*

Clean Energy Access and Efficiency of Transmission and Distribution Networks

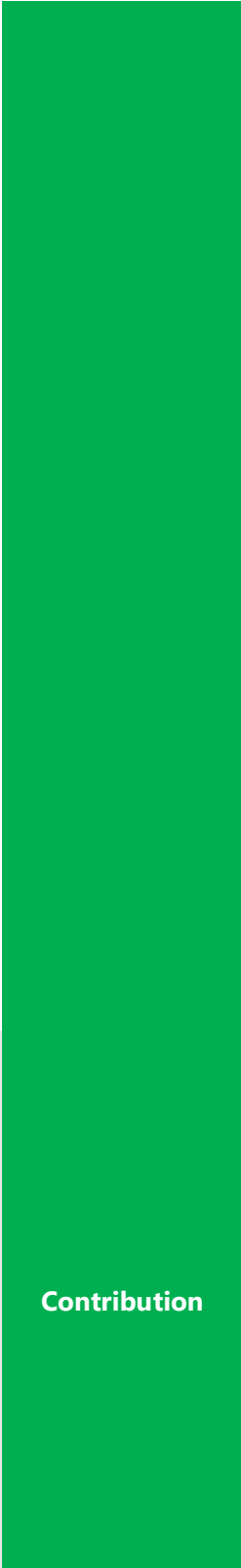
- *Energy storage including batteries, and pumped hydropower storage with electricity coming from either:*



- a system where more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period
- the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period
- direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO₂e/kWh measured on a life cycle basis to a substation or network
- Installation of batteries to exiting grid to support Renewable Energy integration into the existing grid

Clean Energy Access and Efficiency of Transmission and Distribution Networks

- Energy storage including hydrogen and flywheel storage with electricity coming from either:³⁴
 - a system where more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period




Contribution



³⁴ The hydrogen production is by electrolysis.

- *the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period*
- *direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO₂e/kWh measured on a life cycle basis to a substation or network*

Social categories

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Employment Generation and Preservation through SME Financing and Microfinance</p> <ul style="list-style-type: none"> ▪ <i>Financing or refinancing of any project that aims to increase the access of small-scale industrial and other enterprises to financial services, including affordable credit at preferential rates, payment and saving accounts.</i> ▪ <i>Financing or refinancing of any project that aims to increase the access of small-scale industrial and other enterprises to financial services, including affordable credit at preferential rates, payment and saving accounts.</i> ▪ <i>Financing or refinancing of any project that promotes the formalization and growth of MSMEs.³⁵</i> ▪ <i>MSMEs located in areas of Madagascar</i> ▪ <i>MSMEs impacted by the consequences of extreme events (e.g., natural disaster, extreme weather events, public health disaster)</i> ▪ <i>meets the following loan size criteria at loan origination: (A) the loan size is less than US\$10,000 equivalent for a micro enterprise; (B) the loan size is less than US\$100,000 equivalent for a small enterprise; and (C) the loan size is less than US\$1 million equivalent for a medium enterprise</i> <p><i>Target: SMEs located in Madagascar economic area, SMEs impacted by the consequences of extreme events</i></p>	<p>Contribution</p>	

³⁵ MSMEs are defined as follows: i) Enterprises that have fewer than ten employees, and assets and annual sales of less than \$100 000 each, will be considered micro enterprises; ii) Enterprises that have fewer than 50 employees, and assets and annual sales of less than \$3 million each, will be considered small enterprises; Enterprises that have fewer than 300 employees, and assets and annual sales of less than \$15 million, each will be considered medium-sized enterprises.

Socioeconomic Advancement and Empowerment of Marginal/Disadvantaged Groups

Companies aiming at contributing to socioeconomic advancement and empowerment, including:

Social and Solidarity Economy (SSE)³⁶ enterprises pursuing a social utility, i.e., enterprises whose corporate object satisfies at least one of the following conditions:

- Their objective is to provide, through their activity, support to vulnerable populations groups³⁷
- Their objective is to contribute to the fight against health, social, economic and cultural exclusions and inequalities

Target: SSE companies, Women-led business

Contribution



Socioeconomic Advancement and Empowerment of Marginal/Disadvantaged Groups

Companies aiming at contributing to socioeconomic advancement and empowerment, including:

Social and Solidarity Economy (SSE) enterprises pursuing a social utility, i.e., enterprises whose corporate object satisfies at least one of the following conditions: Their objective is to contribute to:

- to education for citizenship, through education for all

Target: SSE companies, Women-led business

Contribution



³⁶ SSE will respect MSMEs eligibility criteria.

³⁷ Financing of structures dedicated to the reception of elderly people (retirement homes), people with disabilities or reintegration (e.g., in France it would be, financing of ESAT (Etablissement et Service d'Aide par le Travail) or CAT (Centre d'Aide par le Travail). (E.g.: Home care activities for elderly and disabled people, Residential care activities for mental retardation, mental health and substance abuse, Social work activities without accommodation for elderly and disabled people, Other social activities without accommodation). Special education facilities, are excluded.

-Financing aid to the most disadvantaged/fight against exclusion, unemployment and poverty, entities recognized as being of public utility or general interest (attention: health/education to be excluded, to be reported in the ad hoc Education/Health lines). Cultural commitments will be considered if they contribute to social inclusion. Health and education are treated separately.

-Social impact funds investment and/or financing

-Financing contributing to power access (access to modern cooking equipment), to water and sanitation, culture, justice, to integrity and safety of people (mainly concerns emerging countries)

Socioeconomic Advancement and Empowerment of Marginal/Disadvantaged Groups

Companies aiming at contributing to socioeconomic advancement and empowerment, including:

Social and Solidarity Economy (SSE) enterprises pursuing a social utility, i.e., enterprises whose corporate object satisfies at least one of the following conditions: Their objective is to contribute to:

- Financing or refinancing of any projects that aim to provide women and Woman-Owned MSMEs (within developing economies) with access to financial services, including affordable credit, payment and saving accounts, and non-financial services, including financial literacy and business skill training.
 - Financing or refinancing of any MSME which qualifies as a woman-owned enterprise if it meets the following criteria:
 - 51% owned by a woman or women; or
 - 20% owned by a woman or women, and (i) with ≥1 women as CEO/COO/president/vice-president and (ii) with ≥30% of the board of directors composed of women, where a board exists

Target: SSE companies, Women-led business

Affordable Housing

- Development and construction of social housing projects accredited as such in the jurisdiction in which it operates for defined target populations.³⁸

Contribution



Contribution



³⁸ Social housing or low-cost housing managed by low-cost housing organization, public or private with a partial public funding or other public support. All financing dedicated to the maintenance and construction of low-cost housing will be considered. The financing can be attributed to public and/or private sector actors. Social accession loans or local equivalents (conventional or state-guaranteed loans dedicated to home ownership for low-income populations, subject to conditions on resources) are also included. Social housing financing will be directed to first-home buyer for main residence only, renovation and maintenance are dedicated to basic amenities only.

Target: Social housing organisations³⁹, Disadvantaged populations at risk of housing exclusion (low-income population, young people, elderly people, people with disabilities)

Affordable Housing

- *Renovation, maintenance and improvements of social housing projects*

Target: Social housing organisations⁴⁰, Disadvantaged populations at risk of housing exclusion (low-income population, young people, elderly people, people with disabilities)

Access to Education and Professional Training

Fostering the development, provision and access to education to all, notably through the following:

- *Financial support to access education (e.g., student loans)*
- *Financial support to professional training organizations including adult learning and continuing education*

Target: All pupils and students, Public education facilities (open to all population), Professional training organizations

Access to Education and Professional Training

Fostering the development, provision and access to education to all, notably through the following:





- *Construction, extension or refurbishment of infrastructures and equipment for public primary and secondary schools and universities*



³⁹ The category includes social housing or low-cost housing managed by low-cost housing organization, public or private with a partial public funding or other public support. All financing dedicated to the maintenance and construction of low-cost housing will be considered. The financing can be attributed to public and/or private sector actors. Social accession loans or local equivalents (conventional or state-guaranteed loans dedicated to home ownership for low-income populations, subject to conditions on resources) are also included. Social housing financing will be directed to first-home buyer for main residence only, renovation and maintenance are dedicated to basic amenities

⁴⁰ The category includes social housing or low-cost housing managed by low-cost housing organization, public or private with a partial public funding or other public support. All financing dedicated to the maintenance and construction of low-cost housing will be considered. The financing can be attributed to public and/or private sector actors. Social accession loans or local equivalents (conventional or state-guaranteed loans dedicated to home ownership for low-income populations, subject to conditions on resources) are also included. Social housing financing will be directed to first-home buyer for main residence only, renovation and maintenance are dedicated to basic amenities

<p><i>Target: All pupils and students, Public education facilities (open to all population), Professional training organizations</i></p>	<p>Contribution</p>	
<p>Access to Healthcare</p> <p><i>Fostering the development, provision and access to healthcare to all, notably through the following:</i></p> <ul style="list-style-type: none"> ▪ <i>Construction, extension or refurbishment of infrastructures and equipment for public health facilities and centres</i> ▪ <i>Provision of loans to health professionals to support the purchase of medical equipment</i> 		
<p>Access to Healthcare</p> <p><i>Fostering the development, provision and access to healthcare to all, notably through the following:</i></p> <ul style="list-style-type: none"> ▪ <i>Construction, extension or refurbishment of infrastructures and equipment for elderly care facilities</i> <p><i>Target: All people needing an access to healthcare, including the most vulnerable; Public hospitals and healthcare facilities (open to all population); elderly care facilities; Health professionals</i></p>		
<p>Affordable Basic Infrastructure</p> <p><i>Financing or refinancing of:</i></p> <ul style="list-style-type: none"> ▪ <i>Construction and maintenance of, and equipment for water supply infrastructure, e.g., pipework.</i> ▪ <i>Expansion of public access to safe and affordable drinking water, including construction of bulk infrastructure facilitated by private institutions, utility companies and municipalities.</i> <p><i>Target: General public particularly underserved, owing to a lack of quality access to essential goods and services; Rural population living at more than 2 km away from an all-season road; Unconnected or underserved population; Population non connected to the optic fiber in rural areas</i></p>		
<p>Affordable Basic Infrastructure</p>	<p>Contribution</p>	

<p><i>Financing or refinancing of:</i></p> <ul style="list-style-type: none"> ▪ <i>Providing access to adequate sanitation facilities including but not limited to building toilets and bulk sewerage infrastructure, among others</i> <p><i>Target: General public particularly underserved, owing to a lack of quality access to essential goods and services; Rural population living at more than 2 km away from an all-season road; Unconnected or underserved population; Population non connected to the optic fiber in rural areas</i></p>	<p>Contribution</p>	
<p>Affordable Basic Infrastructure</p> <ul style="list-style-type: none"> ▪ <i>Financing or refinancing of rural/feeder⁴¹ roads in areas that lack connectivity, or in areas lacking access to key social infrastructure (e.g., healthcare, schools)^{42,43}</i> <p><i>Target: Rural population living at more than 2 km away from an all-season road; Unconnected or underserved population</i></p>	<p>Obstruction</p>	  
<p>Affordable Basic Infrastructure</p> <ul style="list-style-type: none"> ▪ <i>Financing or refinancing of Projects that develop telecom network and related telecom infrastructure in order to create, extend or improve mobile coverage, and to provide Internet access in areas at risk of digital exclusion. Areas at risk of digital exclusion are defined as areas which are either unconnected or underserved</i> ▪ <i>Projects to create or extend optic fiber network in rural areas</i> ▪ <i>Financing or refinancing of Projects that develop electricity transmission and distribution infrastructure enabling</i> 	<p>Contribution</p>	

⁴¹ According to Climate Bonds Initiative Social & Sustainability Bond Database Methodology: For very low-intensity (GHG emission per capita), less-developed economies (GDP per capita), road infrastructure to allow access to basic amenities and services may be eligible. On a case-by-case basis, taking into account the Climate Resilience Principles developed by Climate Bonds. (See <https://www.climatebonds.net/climate-resilience-principles>).

⁴² Madagascar has one of the least developed road networks in the world. Road density is only 5.4 km per 100 km² of land, and most of its national and local roads are earth roads and in poor condition. The Rural Accessibility Index (RAI), measured by the share of the rural population who live within 2 km of an all-season road, is 11.4 percent – among the lowest globally – which means that 17 million rural residents are left unconnected (over a population of 28 million persons). (See: <https://datacatalog.worldbank.org/search/dataset/0038250>)

⁴³ Project financed need to align with Climate Resilience Principles of Climate Bond Initiative.

population located in areas with a low electricity connection rate to be connected to the grid

Target: General public particularly underserved, owing to a lack of quality access to essential goods and services; Rural population living at more than 2 km away from an all-season road; Unconnected or underserved population; Population non connected to the optic fiber in rural areas

Food Security and Poverty Reduction⁴⁴

Food security and poverty reduction activities (e.g., physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers).

Eligible activities include, but not limited to:

- *Improved agricultural productivity, enhanced livelihoods, food security and nutrition in poor rural communities e.g.: direct support such as providing seeds and/or training to farmers.*
- *Strengthening food security, expanding climate-smart agriculture⁴⁵ and environmentally sustainable livelihoods, and building household resilience to shocks by supporting improved rural and urban production, self-employment and paid employment, and entrepreneurship (add income diversification such as ecotourism, or other business activity not dependent on farming)*
- *Target: All people needing an access to sufficient food, including the most vulnerable*

Contribution



⁴⁴ The Issuer excludes water-polluting pesticides (WHO IA/IB)- aldicarb (IA), carbofuran (IB), water-polluting pesticides (WHO II or better) - atrazine, alachlor, chlorothalonil, ethylene dibromide (EDB), DCPA, 1,2-dichloropropane, nitrogen-based fertilizer or phosphate-based fertilizers. For animal husbandry cow, bull, goat, sheep, pigs are excluded.

⁴⁵ The climate smart agriculture includes using agricultural inputs, practices and systems that would result in: reduction of resource consumption (water, fertilizers, energy), increased yield/productivity, reduced GHG emission per unit of produce, or reduced crop losses/food losses.

Food Security and Poverty Reduction⁴⁶

Food security and poverty reduction activities (e.g., physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers).

Eligible activities include, but not limited to:

Food security and livelihoods programmes, ensuring access to food and the protection of livelihoods during and immediately after an emergency

Contribution



⁴⁶ The Issuer excludes water-polluting pesticides (WHO IA/IB)- aldicarb (IA), carbofuran (IB), water-polluting pesticides (WHO II or better) - atrazine, alachlor, chlorothalonil, ethylene dibromide (EDB), DCPA, 1,2-dichloropropane, nitrogen-based fertilizer or phosphate-based fertilizers. For animal husbandry cow, bull, goat, sheep, pigs are excluded.

2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer’s clients.

Société Générale Madagasikara finances operations/processes in a variety of third-party sectors. For clarity, ISS-Corporate does not display the exposure to negative externalities linked to the sectors of the operations/processes financed.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ⁴⁷	SUSTAINABLE DEVELOPMENT GOALS
<p>Affordable Basic Infrastructure</p> <p><i>Financing or refinancing of:</i></p> <ul style="list-style-type: none"> Installation or upgrade of water treatment infrastructure (excluding infrastructure associated with fossil fuel operations). 		
<p>Residential and Commercial Green Buildings</p> <p><i>Renovation of existing buildings⁴⁸ that achieve a minimum 20% improvement in energy efficiency, water efficiency or carbon emissions against the local building code</i></p>		
<p>Terrestrial and Aquatic Biodiversity Conservation</p> <p><i>Nature-based solutions for solar farms to cool solar panels and enhance their performance (for example, seeding with native grasses and flowers, agrivoltaics)</i></p>		
<p>Clean Energy Access and Efficiency of Transmission and Distribution Networks</p>		

⁴⁷ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

⁴⁸ Specific exclusion: activities related to buildings directly involved in the exploration, extraction, refining and distribution of fossil fuels are excluded

Financing or re-financing of any greenfield, or modernization that aims at retro-fitting transmission lines or substations to reduce energy use and/or technical losses by 15% and to avoid electricity cuts it could include Controls, computers, automation, sensors, smart meters, ICT platforms and technology that is dedicated to smart systems:



- *more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period*
- *the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period*
- *direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO₂e/kWh measured on a life cycle basis to a substation or network*

Circular Economy

Development, construction, operation and maintenance of projects fostering the transition to a circular economy, including but not limited to:

- *substitute virgin raw materials with secondary (recycled) materials originating from materials and resources recovery*
- *increase the value and use of a product during an extended life (e.g., through reuse/refurbishment/ repair/ remanufacture)*
- *projects that significantly improve effectiveness and efficiency of resources consumption, within a company's operations or along its supply chain such as:*



- *smart metre uses of AI-enabled image analysis to classify the contents of waste in order to induce behaviour change and waste reduction*
- *redesign of products so they can be refurbished and/or recycled through application of design heuristics (i.e., use as few materials as possible, use sustainable or recycled materials, and reversible connections) and advanced materials technology*
- *projects that aim to maximise recovery and recycling of a product after its end-of-life stage (e.g., material recovery from separately collected waste producing secondary raw materials suitable for substitution of virgin materials in production processes)*

Environmentally Sustainable Management of Living Natural Resources and Land Use

- *Projects that demonstrate a reduction in food and/or crop losses of at least 15% (improved storage, cold chain or improved packaging) ⁴⁹*
- *Increased crop productivity of at least 15% without increasing greenhouse gas (GHG) emissions, such as:*
 - *promote use of biofertilizer and other organic solutions (for example, composting)*
 - *Reduction in pesticide use by at least 20% on project implementation and promotion of biosolutions such as one of the following or a combination of them:⁵⁰*



⁴⁹ This category includes product certified with "Agriculture Biologique", national or international label such as IFOAM, Roundtable on Sustainable Biomaterials Standard, Roundtable on Responsible Soy Association Standard, Better Cotton Initiative, Bonsucro Production Standard, Fairtrade Standard for Small-Scale Producer Organizations, Rainforest Alliance - 2020 Sustainable Agriculture Standard, Cotton Made in Africa, Fairtrade Standard for Hired Labour, Friend of the Earth Standard for Sustainable Agriculture Products, Global G.A.P. Integrated Farm Assurance Standard. To be eligible the projects have to include one of the following: I) addition of organic material to soil (manure, crop residue/waste), (II) cover cropping, (III) agroforestry/regenerative/practices, (IV) change to reduced or no-tillage, and (V) reduced burning of crop residue/waste, etc.

⁵⁰ The use of biological pest control methods is based on natural enemies of pest species (ladybug for aphids) and it is part of Integrated pest management. The client commits to do ESIA and seek environmental permits, risk is identified by environmental due diligence notably ESIA and mitigated by ESMP (Environmental and Social Management Plan).

- Use of biological pest and disease control methods in the form of parasites or predators as natural enemies, as well as repellent plants and organic chemicals that are environment friendly
- Diversification by planting more than one crop type on the farm reduces the build-up of pests and diseases.
- Use of cultural pest and disease control methods through crop rotation and mulching in order to break the pest and disease cycle
- Planting of pest- and disease-resistant crop varieties
- Scouting and mechanical destruction of pest and disease infested plants or crops
- o Switching from monocropping to diversified cropping systems, including intercropping and use of cover crops to improve resilience to pest and diseases and soil quality.
- o Cultivation of native or naturalized species that can more readily adapt to variations in production cycles, water quality/quantity, and temperatures.

Environmentally Sustainable Management of Living Natural Resources and Land Use

- Animal waste treatment⁵¹



Environmentally Sustainable Management of Living Natural Resources and Land Use

Improving the energy efficiency of irrigation and other agriculture management processes, as well as tractor or equipment efficiency through fuel switching to low-carbon options⁵²



Environmentally Sustainable Management of Living Natural Resources and Land Use

Increased crop productivity of at least 15% without increasing greenhouse gas (GHG) emissions, such as:



⁵¹ Animal waste treatment occurs through biodigester or composting.

⁵² The energy efficiency is expected to improve by at least 20%.

- *Reduction in synthetic fertilizer use by at least 20% on project implementation to reduce downstream eutrophication and to promote use of biofertilizer and other organic solutions (for example, composting).*

Environmentally Sustainable Management of Living Natural Resources and Land Use

- *Reduction in at least 15% of energy use in agricultural traction (low or efficient tillage and other agricultural processes)*



Environmentally Sustainable Management of Living Natural Resources and Land Use

- *Reduction in water consumption of at least 15% per unit of product (drip irrigation, switching to less water-intensive crops, water harvest and storage facilities, water smart meter)*



Environmentally Sustainable Management of Living Natural Resources and Land Use

- *Improvement in existing carbon pools (reduced tillage, no-till farming, use of agricultural waste, rehabilitation of degraded land)*
- *Biological nitrogen fixation – reduction in at least 15% (per unit of product) of non-carbon dioxide GHG emissions from agricultural processes (e.g., N2O from fertiliser use)*
- *Biological nitrogen fixation – reduction in at least 15% (per unit of product) of non-carbon dioxide GHG emissions from agricultural processes (e.g., N2O from fertiliser use)*
- *Soil recovery and restoration of degraded pastureland*



Environmentally Sustainable Management of Living Natural Resources and Land Use

- *Reduction of at least 15% in food losses through efficient cold chain and storage for small- and medium-sized fishing with sustainable fishing quotas*
- *Investments to meet, keep or exceed the Marine Stewardship Council (MSC) certification standard*



for the Fishing Industry or Aquaculture Stewardship Council (ASC) for Aquaculture

- *Investments to implement a registered Fishery Improvement Project*
- *Traceability systems to ensure sustainability of operations, facilities and supply chain in the fishing industry (this investment should meet, keep or exceed the MSC certification or ASC certification for the chain of custody certification for suppliers of seafood products)*

Food Security and Poverty Reduction

Food security and poverty reduction activities (e.g., physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers).



Eligible activities include, but not limited to:

- *Modern technologies related to hydroponic farming/*

Target: All people needing an access to sufficient food, including the most vulnerable

Food Security and Poverty Reduction

Food security and poverty reduction activities (e.g., physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers).



Eligible activities include, but not limited to:

- *Modern technologies related organic farming methods⁵³*

⁵³ Organic farming will be certified by Agriculture Biologique with national and/or international label, IFOAM, Aquaculture Stewardship Council Standards for Farmed Seafood, Roundtable on Sustainable Biomaterials Standard, Roundtable on Responsible Soy Association Standard, Better Cotton Initiative, Bonsucro Production Standard, Fairtrade Standard for Small-Scale Producer Organizations, Rainforest Alliance 2020 Sustainable Agriculture Standard, IFOAM. Eligible with Conditions: Additional information to be collected to ensure that projects include one of the following: (i) addition of organic material to soil (manure, crop residues/waste), (ii) cover cropping, (iii) agroforestry/regenerative practices, (iv) change to reduced or no-tillage, and (v) reduced burning of crop residues/waste, etc. Cotton Made in Africa, Fairtrade Standard for Hired Labour, Friend of the Earth Standard for Sustainable Agriculture Products, Global G.A.P. Integrated Farm Assurance Standard

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainable and Positive Impact Finance Framework

ISS-CORPORATE 

*Target: All people needing an access to sufficient food,
including the most vulnerable*

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. The entirety of the assets are and will be located in Madagascar.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

Société Générale Madagasikara has Environmental and Social General Principles that apply to all countries where the Issuer has an impact on human rights or the environment and to all companies over which the Issuer exercises exclusive control. For this specific transaction, all products and borrowers-investees are located in Madagascar.

The two main risks identified by SGM are environmental risks and social and human rights risks. The first covers temporary or permanent changes to the environment caused by human activity. To tackle this risk, the Issuer takes the Rio Declaration on Environment and Development as a reference to identify the main issues related to the environment. The second kind of risk is more related to the workplace and impact workers and surrounding communities. To tackle this risk, the Issuer takes the Universal Declaration of Human Rights and the fundamental conventions of the International Labor Organization as a reference. The E&S Risk Managements is divided into two processes: a customer process and a transaction process. Both processes occur in three stages: risk identification, risk assessment, E&S action plan. When customers and transactions are assessed, the scope of customers and transactions affected by E&S Risk Management is defined. The scope of customer is defined at customer onboarding or during a periodic review of their status based on their risk notation; the scope of transactions is defined at loan request for a loan falling under the Equator Principles. An E&S opinion is then issued: positive (means no risk), positive with conditions (means that risk exists, so an action plan is provided to mitigate the risk), or negative (for clients or project with prohibited activities, exclusion list, etc.). If the assessment is negative, the Issuer will drop the client or the project. This Process is applicable Bank wide and SGM follows the process established by Société Générale Group (SG) for operations in Africa. The process entails screening clients as well as transactions based on the Group's exclusions and reputational risk, and it gives priority in assessing risks to clients and transactions in higher risk sectors, as defined in the E&S sector policies. The scope of the E&S Risk Management system gives further priority to Equator Principles (EP) transactions, structured finance transactions (non-EP), and transactions financed by International Financial Institutions (IFIs) with their respective E&S requirements. When a transaction does not fall within the scope of the evaluation of dedicated transactions, the client's evaluation is sufficient for decision-making.

The Issuer also considers governance and other ethical risks such as terrorism, corruption and bribery, data protection, and tax evasion as part of the ESG risks. These risks are managed in

dedicated internal processes based on principles of good business conduct and compliance with regulatory requirements.

ESG Guidelines into financing process for most sensitive sectors⁵⁴ financed under the Framework

As part of their risk assessment, environmental and social risks are required considerations. SGM's approach to environmental risk management addresses these risks through defined internal policies.

ESG Guidelines into financing process for Forestry/ Agriculture

The Bank has three types of application criteria to implement its E&S commitments: E&S exclusion criteria (to exclude certain types of corporates, dedicated transactions or services or products from the Issuer's activities), E&S priority evaluation criteria (criteria for which a specific and systematic answer is requested for evaluation. For dedicated transactions on projects, alignment with the criteria is expected; for dedicated advisory services, the client's commitment is evaluated. For client's evaluation, if the criteria are not fulfilled a positive evaluation can be formalized through action plans or contract clauses. Actions plans are agreed with the clients and are binding), and other E&S evaluation criteria (to identify additional risk factors of the sector). SGM will only work with clients within the implementation scope who meet or aim at meeting the applicable E&S criteria.

The Issuer has a specific commitment on deforestation and its negative impacts on local communities, water resources, biodiversity, and soil fertility. SGM recognizes that deforestation and forest degradation's main driver is the expansion of agricultural land, for this reason the Bank is targeting full traceability and requires that all its clients work towards this goal. The Issuer will engage with its existing corporate clients active in the most sensitive sectors as regards deforestation to assess their strategies to tackle deforestation.

ESG Guidelines into financing process for Fisheries / Aquaculture

The Bank recognizes that aquaculture and fisheries have a significant negative impact on the environment and local communities even if it is a vital source of income, employment and food security for millions of people. This is why the Issuer has defined this E&S category that is incorporated in the decision-making process when considering provision of banking and financial services in the aquaculture (raising/harvesting of aquatic organisms, it includes fish farming) and fisheries sectors (wild catch/harvesting of any marine or freshwater species).

When conducting a corporate E&S assessment of a client involved in this sector, the Bank considers the following criteria: whether the client has a E&S risk management measures in place addressing particularly topics such as overfishing, pollution and water contamination

⁵⁴ The categorization of a sector as 'most sensitive' follows an evaluation of the number of controversies prevalent in the context of the financing operations of a financial institution.

and illegal, unreported or unregulated fishing; whether the client company is involved under a credible certification scheme such as those defined in the UNEP "Certification and Sustainable Fisheries" guideline; and whether the client company has a sustainable sourcing policy regarding the food input for the aquaculture operation, with a goal to avoid wild fish as a primary food supply.

Labour, Health and Safety

✓ The Issuer adheres and is fully compliant with the OSH regulatory framework that is based on local customs and French law. Various documents regulate OSH, the main Act being the Labor Code, which includes all provisions of the Code of Hygiene, security and work environment. Additionally, various regulations lay down a number of other provisions concerning specific hazards and medical service. The Issuer also confirms compliance with IFC Performance Standards. SGM ensures compliance during the E&S Due Diligence and through the E&S risk management system. During the Due Diligence Process, external consultant could be involved if agreed between the Bank and the client.

Madagascar has also signed the ILO core conventions.

✓ The Issuer confirms compliance with IFC Performance Standards. SGM ensures compliance during the E&S Due Diligence and through the E&S risk management system. During the Due Diligence Process, external consultant could be involved if agreed between the Bank and the client. The Issuer also adheres and is fully compliant with the OSH regulatory framework that is based on local customs and French law. Various documents regulate OSH, the main Act being the Labor Code, which includes all provisions of the Code of Hygiene, security and work environment. Additionally, various regulations lay down a number of other provisions concerning specific hazards and medical service.

Biodiversity

The Bank ensures that biodiversity is part of the planning process through its E&S risk management system and check borrower's adherence and enforcement to the IFC Performance Standard via an E&S due diligence process which could be both internal or performed by independent consultants.

✓ SGM also relies on National Legislation and Group Policy. In particular on Law No. 90-033 of 21 December 1990 on the Malagasy Environment Charter, as amended and supplemented by Laws No. 97-012 of 6 June 1997 and No. 2004-015 of 19 August 2004: To better implement a sustainable national environment policy, this law requires that a conclusive Environmental Impact Assessment (EIA) be performed for public or private investment projects of any nature, carried out on the Malagasy territory and that might hurt the environment. Decree No. 99-954 of 15 December 1999, as amended by Decree No. 2004-167

of 3 February 2004 on the compatibility of Investments with the Environment (MECIE). Pursuant to Article 10 of the Madagascar Environment Charter, the MECIE Decree sets forth the rules and procedures to be followed in conducting an EIA. It defines inter alia the contents of environmental assessment and public participation in such assessment. Order No. 6830/2001 that sets forth conditions and procedures of public participation in environmental assessment in application of Decree MECIE Above. Law No. 2015-005 of 26 February 2015 revamping the Protected Areas Management Code, and its decree of application No. 2017- 415 du 30 May 2017 for the Protected Area Management Code.

Community Dialogue



The Issuer relies on National Legislation and Group policy for community dialogue. In particular to Decree MECIE and its application Order No 6830/2001 detailing conditions and procedures of public participation in Environment and Social Impact Assessment.

SGM also check borrower’s adherence and enforcement to the IFC Performance Standard via their E&S Management System and ESIA, and their annual report.

Inclusion



The Issuer has policies in place ensuring inclusion. SGM states that the activities such as education at all levels is free at primary level and subsidized at the other level. Health services are free at urgency level and at cost for the rest. This follow the local legislation, in particular for education ordonnance No.60-044 of 15 June 1960 stating primary education is free, the last law on education Law n°2022 – 018 portant orientation générale du système éducatif à Madagascar is with special mention of people with disability, vulnerable and disadvantaged. For Health law 2011-003 about Public Hospital Reform state and the Commitment of Malagasy State for National Health Urgency Fund of 15 October 2021 that make free the first urgency healthcare at public hospital level.

Moreover, the SGM has policies to ensure no discrimination based on gender, ethnic origin or religion.

Responsible treatment of customers with debt repayment problems



The Issuer has implemented various measures to deal responsibly with clients having debt repayment problems. In particular, the Bank has two systems in place: first, its Credit Granting Policy that prevent client debt repayment problem by limiting indebtedness based on gearing ratio, and loan to value ratios on real estate loan in particular. SGM also complies with local banking law and prudential regulation on concentration risk for one client or group of

clients. Second, its internal debt counselling services (recouvrement amiable/recouvrement contentieux). Moreover, customer consent in case of mortgage sale is required in compliance of local law (Bankruptcy Law and Security Law). Request for special fees and higher interest rates are not compliant to bank procedures, and sales of collateral is done at market price determined by external experts.

The Issuer also confirms to have educational programs for clients, covenants limiting indebtedness, a pro-active approach with customers potentially at risk, and responsible lending performance indicators and targets to reduce the number of clients with debt repayment problems. Moreover, SGM confirms to offer repayment holidays, reduced repayment amounts over an extended timeframe, debt consolidation, waiving financial covenants to enhance cash flow, debt for equity swaps (this is decided at the highest level of group), lowering of the effective interest rate, and interest and/or principal forgiveness.

Sales practices



The Issuer has measures in place to deal with responsible sales practices. SGM confirms to have an adequate reward system in place for sales that is based on objectives and bonuses. Bonuses are discretionary and not directly linked to targets. Variable pay is not directly linked to sales target attainment. The Issuer has also policies in place to set responsible targets and commissions, to regularly screen client's risk profiles against the risk profile of the investment, to evaluate agents' competences and sales practices (this happens twice a year), and to train them on responsible sales practices.

Moreover, SGM has customer surveys focusing on their post-sale understanding of products and services and monitors and assesses complaints received.

Responsible marketing



The Issuer has measures in place to deal with responsible marketing. SGM confirms its commitment to clear and correct pricing as well as to no hidden costs. Pricing of product are published on the Issuer's websites, displayed in each branches wall, and is available as leaflet to client yearlong. For credit request each client receives a notification letter of their line of credit with pricing. Additionally, small print is prohibited.

The Issuer also confirms to have policies in place to ensure transparency regarding product risks and to inform customers about the reasons leading to rejection.

Exclusion criteria

The Issuer policies exclude companies operating in fossil fuels exploration, production, trade and transformation; power production from thermal coal and nuclear power; activities entailing destruction of high conservation value areas or with a negative impact on the outstanding universal value of a World Heritage site; 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; 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; production or trade in unbonded asbestos fibers; drift net fishing in the marine environment using nets in excess of 2.5 km in length; production or activities involving harmful or exploitative forms of forced labor/harmful child labor; commercial logging operations for use in primary tropical moist forest; production or trade in wood or other forestry products other than from sustainably managed forests.

SGM also excludes projects fully financed by any other type of funding.

PART III: LINKING THE TRANSACTION(S) TO SOCIÉTÉ GÉNÉRALE MADAGASIKARA'S ESG PROFILE

A. CONSISTENCY OF SUSTAINABLE AND POSITIVE IMPACT INSTRUMENTS WITH SOCIÉTÉ GÉNÉRALE MADAGASIKARA'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Société Générale Madagasikara (SGM), as a subsidiary of Société Générale, is committed to aligning its operations with the overarching sustainability goals and principles established at Group level by Société Générale. Société Générale's strategy commits to align with global initiatives, such as the Paris Climate Agreement or the Net-Zero Banking Alliance (NZBA). This commitment is completed by a target set by Société Générale to aligning portfolios with trajectories for carbon neutrality by 2050.

Société Générale's sustainability approach is further detailed through the Group's strategic plan, 'Transform to Grow,' encompassing six core axes outlined in a materiality matrix. These axes span cross-business components such as customer satisfaction, ethics, governance, and responsible employment, alongside components focused on positive actions, including the fight against climate change, social trends and innovations, and the contribution to sustainable development in Africa.

Building on this strategic framework, Société Générale Madagasikara is aligned with the group's climate strategy, emphasizing three key priorities: managing climate-related risks, seizing climate-related opportunities, and mitigating the bank's impact on climate. Notably, SGM aligns with the Group commitment to reduce exposure to fossil fuels, announcing specific targets of reduction of absolute GHG emissions by 70% by 2030.

Also, SGM aims at contributing to the sustainable development of Africa, especially in Madagascar. Aligned with the Grow with Africa initiative, SGM supports African SMEs, promotes financial inclusion, and develops innovative financing solutions in agribusiness, the blue economy, and off-grid renewable energy.

To promote its sustainability strategy effectively Société Générale Madagascar is releasing its Sustainable Financing Framework and Positive Impact Finance Framework. These initiatives, managed by a dedicated Positive Impact Bond Committee, aim to underpin sustainable investment activities and perform the three-step Environmental and Social (E&S) risk management process to mitigate any material risks.

Rationale for issuance

Corresponding to this sustainable business model, Société Générale Madagascar established an equivalent funding strategy to support its sustainable investments in the region.

Through the publication of this Framework, SGM will be able to issue sustainable instruments to support the green energy transition in the region and invest in low-carbon energy technologies, support low-carbon transport, circular economy on the one hand and on the other hand support its social objectives of supporting the access to affordable basic infrastructure.

Opinion: *The key sustainability objectives and the rationale for issuing Sustainable Instruments are clearly described by the Issuer. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.*

B. SOCIÉTÉ GÉNÉRALE’S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer’s industry

The Issuer is classified in the Commercial Banks & Capital Markets, as per ISS ESG’s sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Business ethics
Labour standards and working conditions
Sustainable investment criteria
Customer and product responsibility
Sustainability impacts of lending and other financial services/ products

ESG performance of the Issuer

Leveraging ISS ESG’s Corporate Rating research, further information about the Issuer’s ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer’s sustainability strategy is further detailed in Part III.A of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG’s Sustainability Solutions Assessment methodology, the contribution of the Issuer’s current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics of ISS-Corporate and does not include practices along the Issuer’s production process.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Commercial Banks & Capital Markets industry are as follows: Failure to mitigate climate change impacts, financial market irregularities, and failure to prevent money laundering.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

DISCLAIMER

1. Validity of the Second Party Opinion (“SPO”): Valid as long as the cited Framework remains unchanged.
2. ISS Corporate Solutions, Inc. (“ISS-Corporate”), a wholly-owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells, prepares, and issues External Reviews, on the basis of ISS-Corporate’s proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
3. Second Party Opinions are based on data provided by the party to whom the Second Party Opinion is provided (“Recipient”). ISS-Corporate does not warrant that the information presented in this Second Party Opinion is complete, accurate or up to date. ISS-Corporate will not have any liability in connection with the use of these Second Party Opinions, or any information provided therein. If the External review is provided in English and other languages, in case of conflicts, the English version shall prevail.
4. Statements of opinion and value judgments given by ISS-Corporate are not investment recommendations and do not in any way constitute a recommendation for the purchase or sale of any financial instrument or asset. In particular, the Second Party Opinion is not an assessment of the economic profitability and creditworthiness of a financial instrument, but refers exclusively to the social and environmental criteria mentioned above.
5. This Second Party Opinion, certain images, text, and graphics contained therein, and the layout and company logo of ISS-Corporate, are the property of ISS-Corporate (or its licensors) and are protected under copyright and trademark law. Any use of such ISS-Corporate property requires the express prior written consent of ISS-Corporate. The use shall be deemed to refer in particular to the copying or duplication of the Second Party Opinion wholly or in part, the distribution of the Second Party Opinion, either free of charge or against payment, or the exploitation of this Second Party Opinion in any other conceivable manner.
6. Recipient’s distribution of this External Review is limited to third parties participating in the transaction contemplated within the Second Party Opinion, as set forth in terms and conditions of the agreement between ISS-Corporate and Recipient.

The Recipient that commissioned this Second Party Opinion may have purchased self-assessment tools and publications from ISS-Corporate or ISS-Corporate may have provided advisory or analytical services to the Recipient. If you are an institutional client of ISS, you may inquire about any Recipient’s use of products and services from ISS-Corporate by emailing disclosure@issgovernance.com.

This Second Party Opinion has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS-Corporate exercised due care in compiling this Second Party Opinion, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

The parent company of Institutional Shareholder Services (“ISS”), ISS HoldCo Inc., has since February 2021 been principally owned by Deutsche Börse AG (“DB”) with the remainder owned by Genstar Capital (“Genstar”) and ISS management. In April 2023, DB announced its intention

to combine ISS with Qontigo, another entity controlled by DB, with General Atlantic to become the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management's ownership of ISS are withdrawn.

© 2023 | Institutional Shareholder Services Inc. and/or its affiliates

ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology.

ANNEX 2: ISS ESG CORPORATE RATING METHODOLOGY

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 3: QUALITY MANAGEMENT PROCESSES

SCOPE

Société Générale Madagasikara's commissioned ISS-Corporate to compile a Sustainable and Positive Impact Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainable and Positive Impact Finance Framework aligns with the ICMA's GBP, SBP and SBG, and the LMA's GLP and SLP and to assess the sustainability credentials of its Sustainable and Positive Impact Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines
- LMA's Green Loan Principles and Social Loan Principles

ISSUER'S RESPONSIBILITY

Société Générale Madagasikara's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the framework level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Sustainable and Positive Impact Instruments to be issued by Société Générale Madagasikara has been conducted based on a proprietary methodology and in line with ICMA's GBP, SBP and SBG, and the LMA's GLP and SLP.

The engagement with Société Générale Madagasikara took place from October 2023 to April 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

Project team

Project lead

Orane Busto
Associate
Sustainable Finance Research

Project support

Marika Peressoni
Analyst
Sustainable Finance Research

Project support

Vittoria Favalaro
Analyst
Sustainable Finance Research

Project supervision

Marie-Bénédicte Beaudoin
Associate Director
Head of Sustainable Finance
Research