



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability Finance Framework

ECOWAS Bank for Investment and Development
2 February 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none"> ▪ Green and Social bonds/loans
Relevant standards	<ul style="list-style-type: none"> ▪ Green Bond Principles and Social Bond Principles as administered by the International Capital Market Association (ICMA)(as of June 2021 with June 2022 Appendix 1) ▪ Green Loan Principles and Social Loan Principles as administered by the Loan Market Association (LMA)(as of February 2021)
Scope of verification	<ul style="list-style-type: none"> ▪ EBID Sustainability Finance Framework (as of January 30, 2023) ▪ EBID’s selection criteria (as of January 30, 2023)
Lifecycle	<ul style="list-style-type: none"> ▪ Pre-issuance verification
Validity	<ul style="list-style-type: none"> ▪ As long as there is no material change to the framework.

CONTENTS

SCOPE OF WORK	3
EBID BUSINESS OVERVIEW.....	3
ASSESSMENT SUMMARY	4
SPO ASSESSMENT.....	6
PART I: ALIGNMENT WITH GBP, SBP, GLP, AND SLP	6
PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE	8
A. CONTRIBUTION OF THE GREEN AND SOCIAL BONDS/LOANS TO THE UN SDGs	8
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE SELECTION CRITERIA.....	15
PART III: LINKING THE TRANSACTIONS TO EBID’S ESG PROFILE	20
A. CONSISTENCY OF GREEN AND SOCIAL BONDS/LOANS WITH EBID’S SUSTAINABILITY STRATEGY.....	20
B. EBID’S BUSINESS EXPOSURE TO ESG RISKS.....	22
ANNEX 1: Methodology	26
ANNEX 2: Quality management processes	27
About this SPO	28

SCOPE OF WORK

ECOWAS Bank for Investment and Development (“the issuer” or “EBID”) commissioned ISS Corporate Solutions (ICS) to assist with its green and social bonds/loans by assessing three core elements to determine the sustainability quality of the instruments:

1. EBID’s Sustainability Finance Framework (as of January 30, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and Social Bond Principles (SBP), Loan Market Association’s (LMA) Green Loan Principles (GLP) and Social Loan Principles (SLP).
2. The selection criteria – whether the project categories contribute positively to the UN SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs) (see annex 1).
3. Linking the transactions to EBID’s overall ESG profile – drawing on the issuance-specific Use of Proceeds’ categories.

EBID BUSINESS OVERVIEW

EBID is a regional investment and development bank for the economic community of Western Africa and is classified under Development Bank as per ISS’s sector classification. It comprises fifteen member states, including Benin, Burkina Faso, Cape Verde, Côte d’Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

The bank grants loans and guarantees, mobilizes resources and provides technical assistance for the economic and social development of the member states in areas such as agriculture and rural development, urban planning, energy, mining and industries, transport, social sector, etc. The bank had an operating income of UA24.24 million and provided total loans and advances to customers worth UA715.63 million (as of 31st December, 2021).

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1: Alignment with the GBP/SBP/GLP/SLP</p>	<p>The issuer has defined a formal concept for its green and social bonds/loans regarding the Use of Proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles.</p>	<p>Aligned</p>
<p>Part 2: Sustainability quality of the selection criteria</p>	<p>The green and social bonds and loans will (re-)finance eligible asset categories which include: Renewable Energy, Energy Efficiency, Climate Change Adaptation, Sustainable Water and Wastewater Management, Support for Rural Areas and Regions Undergoing Structural Transformation, Access to Transportation Infrastructure, Access to Education and Training, Access to Basic Services, Access to Affordable Energy Supply, Equal Access to Financial Services and Food Security.</p> <p>Renewable Energy, Access to Affordable Energy Supply, and Energy Efficiency use of proceeds categories have a significant contribution to SDG 7 'Affordable and clean energy' and SDG 13 'Climate action'. Sustainable Water and Wastewater Management category has a significant contribution to SDG 6 'Clean water and sanitation'. Support for Rural Areas and Regions Undergoing Structural Transformation, Access to Basic Services, and Access to Affordable Energy Supply categories have a significant contribution to SDG 10 'Reduced inequalities'. Access to Education and Training category has a significant contribution to SDG 4 'Education'. Support for Rural Areas and Regions Undergoing Structural Transformation, and Equal Access to Financial Services categories have a significant contribution to SDG 8 'Decent work and economic growth'. Access to Basic Services category has a significant contribution to SDG 3 'Good health and wellbeing'.</p> <p>The remaining use of proceed categories improve the company's operational impacts and mitigate potential negative externalities of the issuer's sector on SDGs 2 'Zero hunger, SDG 10 'Reduced inequalities' and SDG 15 'Life on land' The environmental and social risks associated with those use of proceeds categories are well managed.</p>	<p>Positive</p>

¹ ISS ESG's evaluation is based on EBID's Sustainability Finance Framework (January 2023 version), and on the ISS ESG Indicative Corporate Rating and on publicly available information.

<p>Part 3: Linking the transactions to EBID's overall ESG profile</p>	<p>The key sustainability objectives and the rationale for issuing green and social bonds and loans are clearly described by the issuer. The majority of the project categories financed are in line with the sustainability objectives of the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
---	--	--

SPO ASSESSMENT

PART I: ALIGNMENT WITH GBP, SBP, GLP, AND SLP

This section evaluates the alignment of the EBID's Sustainability Finance Framework (as of January 30, 2023) with the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles.

GBP, SBP, GLP, AND SLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds' description provided by EBID's Sustainability Finance Framework is aligned with the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles.</p> <p>The issuer's green and social categories align with the project categories as proposed by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category is provided and environmental and social benefits are described and quantified. The issuer defines exclusion criteria for harmful projects categories, which is in line with best market practice.</p>
2. Process for Project Evaluation and Selection	✓	<p>The process for project evaluation and selection description provided by EBID's Sustainability Finance Framework is aligned with the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles.</p> <p>The project selection process is defined and structured in a congruous manner. 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.</p> <p>The issuer involves various stakeholders in this process and clearly defines responsibilities in the project evaluation and selection process, in line with best market practice.</p>
3. Management of Proceeds	✓	<p>The management of proceeds proposed by EBID's Sustainability Finance Framework is aligned with the</p>

		<p>Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles.</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 and discloses the nature of temporary investments in line with best market practice.</p> <p>The issuer has defined an expected allocation period of 24 months, in line with best market practice.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting proposed by EBID’s Sustainability Finance Framework is aligned with the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles.</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. EBID explains the level of expected reporting and the type of information that will be reported. Moreover, the issuer commits to report annually until the proceeds have been fully allocated, and to get the allocation report audited by an external party, in line with best market practice.</p> <p>The issuer is transparent on the level of impact reporting and the information reported and further defines the duration, scope, and frequency of the impact reporting, in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN AND SOCIAL BONDS/LOANS TO THE UN SDGs²

Companies 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 financed 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 (re)financing 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 issuer'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 UoP categories for (re)financing specific products and services is displayed on 5-point scale (see annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
------------------------------------	--------------------------------	--------------------------	---------------------------------	-------------------------------------




Each of the green and social bonds/loans' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy <i>Development of hydroelectric infrastructure</i> <ul style="list-style-type: none"> • <i>Hydropower infrastructure (<10 MW)</i> 	Significant Contribution	 
Renewable Energy <ul style="list-style-type: none"> • <i>Hydropower infrastructure (>10 MW up to 1000 MW)</i> 	Limited Contribution	 

² 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.

<p>Renewable Energy</p> <p><i>Investment in solar energy</i></p>	<p>Significant Contribution</p>	
<p>Renewable Energy</p> <p><i>Development of offshore and onshore wind facilities</i></p>	<p>Significant Contribution</p>	
<p>Energy efficiency</p> <p><i>Enhancing electricity connectivity in the sub-region</i></p> <ul style="list-style-type: none"> <i>Extending electricity transmission and distribution to non-served and under-served communities</i> 	<p>Limited Contribution</p>	
<p>Energy Efficiency</p> <p><i>Implementation of smart energy grids and off-grid infrastructure that integrate renewable energy</i></p>	<p>Significant Contribution</p>	
<p>Energy Efficiency</p> <ul style="list-style-type: none"> <i>Smart meters</i> 	<p>Significant Contribution</p>	
<p>Climate Change Adaptation³</p> <p><i>Development of early-warning systems to help forecasting climate distress episodes including by investing research and development</i></p>	<p>Limited Contribution</p>	

³ Targeting and support the population most vulnerable to climate disruptions.

<p>Climate Change Adaptation⁴</p> <p><i>Investment in flood defense systems</i></p>	<p>Limited Contribution</p>	
<p>Climate Change Adaptation⁵</p> <p><i>Development of climate smart agriculture:</i></p> <ul style="list-style-type: none"> • <i>Financing organic certified products such as Rainforest Alliance, UTZ, RSPO, FSC, and PEFC.</i> 		<p>Limited Contribution</p>
<p>Sustainable Water and Wastewater Management</p> <p><i>Financing the building and the renovation of clean water distribution infrastructure</i></p> <ul style="list-style-type: none"> • <i>Investment in wastewater treatment infrastructure and water recycling facilities</i> 	<p>Significant Contribution</p>	
<p>Sustainable Water and Wastewater Management</p> <p><i>Financing the building and the renovation of clean water distribution infrastructure</i></p> <ul style="list-style-type: none"> • <i>Encouraging the development of the supply of potable water, water filters, and finance the services for disadvantaged, residential (through sovereign customers), or corporate customers.</i> 		<p>Limited Contribution</p>
<p>Support for Rural Areas and Regions Undergoing Structural Transformations</p> <ul style="list-style-type: none"> • <i>Production subsidies to climate-change vulnerable farmers</i> 	<p>Significant Contribution</p>	

⁴ Targeting and support the population most vulnerable to climate disruptions.

⁵ Targeting and support the population most vulnerable to climate disruptions.

Support for Rural Areas and Regions Undergoing Structural Transformations

- *Development of faire-trade certified farming*

Limited Contribution



Access to Transportation Infrastructure

Fostering the connectivity of the sub-region and insuring equal access to transportation infrastructure

- *Development of the multi-modal transportation network of the sub-region*
- *Investment in the new generation of hybrid vehicles, electric vehicles.*

Limited Contribution



Access to Education and Training

Investing in human capital enhancing projects

- *Investments in education and training programs*
- *Application of ICT in education in training in order to foster innovation*
- *Focus on STEM education promotion and investments*

Significant Contribution



Access to Basic Services

Aiming at providing access to basic services for the entire ECOWAS population

- *Promoting healthcare delivery, e.g. construction of healthcare facilities*

Limited Contribution



Access to Basic Services

Aiming at providing access to basic services for the entire ECOWAS population

Significant Contribution



- Promoting healthcare delivery, e.g. management of healthcare facilities, healthcare provision

Access to Basic Services

Aiming at providing access to basic services for the entire ECOWAS population

- Enhancing access to stand-alone sanitation through financing sanitary products, related technologies and systems

Limited Contribution



Access to affordable energy supply

Investment in cost-effective renewable energy projects like solar energy that will lead to a reduction in end-user tariffs for electricity consumers. EBID targets disadvantaged and historically underserved communities (concentrated areas of poverty, areas of high segregation and poverty, areas of low to moderate access to opportunities, communities of concern, disadvantaged communities, and low-income communities)

Significant Contribution



Access to affordable energy supply

Individual-level energy subsidies to support lower-income communities in powering their homes or small businesses using a small renewable energy system that is not connected to the electricity grid

Significant Contribution



Equal Access to Financial Services

Strengthening local financial institutions, by microfinancing to provide the needed financial backstopping to the real sector of ECOWAS member states

Significant Contribution

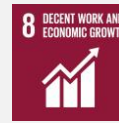


Equal Access to Financial Services

Financing of SMEs presenting liquidity difficulties

**Significant
Contribution**

**Limited
Contribution**





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.

EBID finances operations/processes in third-party sectors which are not listed in the Issuer’s Framework. As such, ISS ESG is not in a position to display the exposure to negative externalities linked to the sector of the operations/processes financed. Negative externalities, if present, could have an impact on the overall sustainability quality of the issuance.

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 ⁶	SUSTAINABLE DEVELOPMENT GOALS
<p>Climate Change Adaptation⁷</p> <p><i>Development of climate-smart agriculture:</i></p> <ul style="list-style-type: none"> <i>Financing Green C certified products</i> 	✓	
<p>Food Security</p> <p><i>Improving food security and ending hunger by</i></p> <ul style="list-style-type: none"> <i>Promoting sustainable agriculture practices and ecosystem preservation</i> <i>Increasing resilience to climate change through promoting the adaptation of climate-resilient agricultural practices and production (e.g., RSPO certified palm oil production)</i> 	✓	

⁶ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

⁷ Targeting and support the population most vulnerable to climate disruptions.

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

The table below evaluates the selection criteria against issuance-specific KPIs. The entirety of the assets are and will be located in ECOWAS countries (Republic of Benin, Burkina Faso, Cabo Verde, the Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo).

ASSESSMENT AGAINST KPIs

ESG guidelines into lending process

EBID has its own Environmental and Social Management System (ESMS)⁸. All projects financed by the bank need to fully comply with all applicable E&S legislation and regulations as stipulated by the country in which a project is located. Depending on the project category, projects will be evaluated against and must comply with international best practice in E&S management⁹.

The ESMS includes the following procedure:

- Exclusion list: all projects received by the bank undergo a preliminary review to ensure that they fall within the bank's scope of operations and are not on the bank's exclusion list.
- Screening and categorization: in the initial analysis of the project any potential E&S risks and their relevance are flagged; after the screening, the E&S category of the project is determined.
- Scoping: after determining the E&S category of the project, the bank informs the borrower of various points including, among others, the project's E&S classification and requirements (list of required documents).
- Project evaluation: the categorization of the project determines the due diligence procedures.
- Project financing: E&S requirements need to be appropriately addressed in the loan agreement/contract document.
- Monitoring and supervision: monitoring of the borrower's E&S performance follows and compliance with contractual requirements and other E&S monitoring aspects.
- Project completion: a post-evaluation compliance audit is carried out.

The E&S Project Assessment Procedures (ESPAP) describes the procedure which applies when an ESG risk is identified.

- E&S risks and impacts are identified and assessed in the project's area of influence;
- Potential adverse impacts on workers, affected communities and the environment are avoided, or where avoidance is not possible, minimized, mitigated, or compensated for; and

⁸ The bank's ESMS comprises: (i) The Declaration of General Policy and Procedures for Lending, Investment and Guarantee; (ii) The Strategic Plan 2021-2025; (iii) EBID's Governance Policy; (iv) The policy and procedure on integrity, fraud prevention and anti-corruption; and (v) The Manuals of Procedures for Private and Public Sector Financing. Additionally, the ESMS includes E&S Policies and Procedures namely: (i) The Manual of Procedures for consideration of the Social & environmental criteria in Projects financing and (ii) The Policy on Social and Environmental Responsibility (both adopted in 2013). The E&S Project Assessment Procedures (ESPAP) build on the "Manual of Procedures for Private Sector Financing" and the "Manual of Procedures for the Preparation, Appraisal, Monitoring and Supervision of Public Sector Projects".

⁹ Depending on the project category, this includes the IFC Performance Standards, applicable World Bank Environmental, Health and Safety (EHS) Guidelines, and International Labor Organization (ILO) Core Labor Standards and Basic Terms and Conditions of Employment.

- E&S performance of EBID's borrowers is improved.

EBID has a mandate to contribute to the sustainable development of its member countries through financing of regional and national (public and private) projects.

Its scope covers the following areas: i. Infrastructure and basic amenities related to transport, energy and telecommunication; ii. Rural Development and environment (irrigation, flood control, rural water supply, agriculture, livestock, fisheries, ecosystem protection, renewable energy, capacity building); iii. Social sector (vocational training, education, health, support to decentralization, municipal facilities); iv. Industry (agro-industry, mining industry, other industries, technology transfer, technological innovation); and v. Services (financial services, services related to information technology, financial engineering, hotels, etc.).

In this context, the bank has developed and implemented an Environmental and Social Management System (ESMS) to ensure that environmental and social (E&S) risks and impacts are taken into account in the operations it finances.

ESG guidelines into financing process for forestry and agriculture

EBID has E&S Due Diligence Requirements (ESDD) for its investments in place. These can require from the borrower to provide Environmental and Social Impact Assessments (ESIA).

Specifically, it addresses forestry as part of its project exclusion list.

The ESPAP are applicable to all transactions financed by EBID and need to comply with the IFC Performance Standards to manage E&S risks and their impacts. These performance standards include forestry and agriculture specific risks. According to EBID's Environmental and Social Management System Manual, forestry, farmland, soil and ecosystems are part of the initial screening procedure.

The E&S Due Diligence Questionnaire for borrowers covers forestry and agriculture as well. However, the requirements for forestry and agriculture only apply to project categories A and B. Project category C only applies the exclusion list.

Labor, Health and Safety

- ✓ Depending on the project category, projects will be evaluated against the IFC Performance Standards and applicable World Bank Environmental, Health and Safety (EHS) Guidelines.

E&S due diligence requirements for direct¹⁰ and indirect¹¹ investments exist which specify the required labor, health, and safety standards a borrower has to fulfil.

For category A, B and C direct investments: The borrower undertakes to comply with the exclusion list, national laws and regulations, the IFC's Performance Standards [applicable for Category A and B only] the ILO Core Labor Standards and ILO Basic Terms and Conditions of Employment¹².

For category FI-A, FI-B, and FI-C indirect investments: The Borrower undertakes to comply with the exclusion list, national laws and regulations, the IFC Performance Standard 1 and 2, and the ILO Core Labor Standards and Basic Terms and Conditions of Employment¹³.

the ESMS could also be updated to reflect the revision of national environmental, health and safety legislation of the beneficiary ECOWAS member country, if the legislation is revised in a way to affect those involved in financed projects.

Biodiversity and Community Dialogue



The borrower undertakes to abide by the Global Framework for Managing Nature Through 2030 by United Nations Convention on Biological Diversity (CBD)¹⁴ ensuring that at least 30% of the terrestrial and marine areas, in areas of particular importance to biodiversity and its contributions to people, are conserved through protected area systems that are effectively and equitably managed, ecologically representative and well-connected, and other effective area-based conservation measures, and integrated into wider landscapes and seascapes.

E&S due diligence requirements for direct and indirect investments exist.

For category A, B and C direct investments: The borrower undertakes to comply with the exclusion list, national laws and regulations, the IFC's Performance Standards, which include Performance Standard 6 on Biodiversity Conservation and Sustainable Natural

¹⁰ Category A (High E&S Risk): Projects with significant adverse E&S impacts that are diverse, irrevocable, or unprecedented. These impacts cannot be mitigated or remedied or can only be so at significant cost.

Category B (Medium E&S risk): Projects with limited potential adverse E&S impacts that are site specific and can be easily minimized by mitigation measures.

Category C (Low E&S risk): Projects with minimal or no adverse E&S risks or impacts.

¹¹ FI-A: FIs with business activities and/or projects with significant potential adverse E&S risks and impacts. High risk sector (Category A) Activities exposure > 20%.

FI-B: FIs with business activities and/or projects with limited potential negative E&S risks and impacts that are few in number, generally site-specific, largely reversible and easily addressed by mitigation measures. High risk sector Activity exposure < 20%.

FI-C: FIs with business activities and/or projects with minimal or no adverse potential negative E&S risks and impacts. FIs with a predominant focus (>80%) on retail clients or micro-businesses.

¹² Basic Terms and Conditions of Employment refer to refer to wage, working hours, labor contract and occupational health & safety based upon relevant ILO conventions ratified by country.

¹³ Ibid.

¹⁴ A New Global Framework for Managing Nature Through 2030: 1st Detailed Draft Agreement Debuts, 12 July 2021, CBD.

<https://www.un.org/sustainabledevelopment/blog/2021/07/a-new-global-framework-for-managing-nature-through-2030-1st-detailed-draft-agreement-debuts/>

Resource Management, and are applicable for Category A and B only, the ILO Core Labor Standards and ILO Basic Terms and Conditions of Employment¹⁵.

For category FI-A, FI-B, and FI-C indirect investments: The borrower undertakes to comply with the exclusion list which addresses elements of biodiversity (please see exclusion criteria below), national laws and regulations, the IFC Performance Standard 1 and 2, and the ILO Core Labor Standards and Basic Terms and Conditions of Employment¹⁶.

Inclusion



The loans financed under this framework will be specifically targeted toward underserved, vulnerable and disadvantaged populations¹⁷. The borrower has further included a detailed questionnaire to check the inclusion aspects of the borrowers operations in its Environmental and Social Management System (ESMS)¹⁸.

Exclusion criteria

The EBID exclusion list defines the types of projects that EBID does not finance. EBID says that the exclusion list is aligned with the requirements of the World Bank (WB) and the European Development Finance Institutions (EDFI).

- Production or sale of any illegal product or unlawful activity under the laws of the host country or under international regulations, conventions and/or agreements
- Products or activities that use forced labor or child labor
- Trade in animals, plants or any natural products not complying with the provisions of the CITES convention
- Fishing activity using a drift net of more than 2.5km in length
- Any operation leading to or requiring the destruction of a critical habitat, or any forestry project which does not implement a plan for improvement and sustainable management
- Production, use or sale of any dangerous material such as asbestos or products containing PCBs
- Production, use or sale of pharmaceutical products, pesticides/herbicides, ozone layer depleting substances or any other dangerous substances that are banned or are being progressively phased out internationally
- Transboundary trade in wastes, except for those accepted by the Basel Convention and its underlying regulations
- Production or sale of arms and/or munitions, tobacco and strong alcohol intended for human consumption
- Gaming establishments, casinos or any equivalent undertaking
- Any trade related to pornography or prostitution

¹⁵ Ibid.

¹⁶ Basic Terms and Conditions of Employment refer to refer to wage, working hours, labor contract and occupational health & safety based upon relevant ILO conventions ratified by country.

¹⁷ concentrated areas of poverty, areas of high segregation and poverty, areas of low to moderate access to opportunities, communities of concern, disadvantaged communities, and low-income communities

¹⁸ Environmental And Social Management System Manual, EBID 2022. https://www.bidc-ebid.org/en/wp-content/uploads/EBID_Manuel_SGES2022_en.pdf

- Any activity leading to an irreversible modification or significant displacement of an element of culturally critical heritage
- Production and distribution, or investment in, media that are racist, antidemocratic or that advocate discrimination against a part of the population
- Exploitation of diamond mines and marketing of diamonds where the host country has not adhered to the Kimberley Process
- Any sector or any service subject to an embargo by the United Nations, European Union and/or host country and with no absolute or relative restriction regarding the amount

PART III: LINKING THE TRANSACTIONS TO EBID'S ESG PROFILE

A. CONSISTENCY OF GREEN AND SOCIAL BONDS/LOANS WITH EBID'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

In 2021, EBID introduced its sustainability strategic plan "Strategy 2025" for the 2021-2025 period. EBID's strategy is anchored on two pillars to help develop the SDGs. The first pillar is repositioning the bank to deliver on its value proposition, which reflects the bank's commitment to benefit from its position as a community-wide development finance institution that deals with the community's socio-economic challenge to promote resilient, inclusive and sustainable growth and development. As part of the second pillar, the bank has identified five objectives:

1. Investing in the growth poles of ECOWAS Member States¹⁹ to enable them to bounce back from widespread recession:
 - a. The bank targets to size its interventions according to the identified growth poles putting a peculiar attention on the changing structure of the ECOWAS economies, especially the transformation of the agricultural sector.
2. Promoting economic integration in the sub-region
 - a. The bank aims to finance both hard and soft infrastructure.
 - b. The bank aims to deliver multimodal transportation in order to facilitate cross-border carting of goods to sustain intra-regional supply chains.
 - c. The bank aims to support initiatives aimed at enhancing intra-ECOWAS trade.
 - d. The bank aims to deliver electricity connectivity to ensure that member states can develop the requisite infrastructure to export/procure excess power to/from other member states to accelerate their industrialization drive.
3. Promoting healthcare delivery
 - a. The bank aims to build requisite health care infrastructure and procure state-of-the-art equipment and consumables to provide adequate health care to their citizens.
 - b. The bank aims to focus on small-to-medium size healthcare units in order to ensure healthcare delivery in peripheral areas, as well as in urban centers.
4. Promoting social protection and climate resilience
 - a. The bank plans to support member states to pursue climate-friendly projects in order to avoid exacerbating the adverse climate events.
5. Investing in education
 - a. The bank commits to encouraging the adaptation of the educational system to foster to close the region's human capital gap, with a particular emphasis on digital literacy and science and technology education.

For all sustainability priorities, EBID defined specific sustainability objectives and activities, as well as a period of relevance of the objectives. EBID intends to increase the financing of tangible and soft infrastructure by 30% from 2023 to 2025 and up to 60% by 2030.

¹⁹ ECOWAS Member States are Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal and Togo.

Rationale for issuance

For the implementation of its Strategic Plan 2021-2025, EBID aims to increase its balance sheet size by 80% and requires a total financing of USD1.76 billion over a 5-year period. In line with this objective, the bank is issuing green and social bonds/loans.

Opinion: *The key sustainability objectives and the rationale for issuing green/social bonds/loans are clearly described by the issuer. The project categories financed are in line with the sustainability objectives of the issuer.*

B. EBID'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 Development Bank industry, 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
Climate Change and Related Risks
Goal-Oriented Promotion of Sustainability Issues
Labor Standards and Working Conditions
Sustainability Standards for Financial Products and Services

ESG strengths and points of attention related to the issuer's disclosures

Leveraging ISS ESG's Research, the following strengths and points of attention²⁰ have been identified:

STRENGTHS	POINTS OF ATTENTION
The bank has disclosed general environmental and social guidelines for its lending and investment activities. Additionally, it has defined the exclusions and does not invest or finance companies that are involved in the use/ production/ or sale of alcohol, gambling, weapons, ozone-depleting substances, illegal activities, and products, etc. Further, the bank is transparent about its lending activities such as loan amount, sector, project details, date of approval of loan, etc.	The bank integrates sustainability standards in its lending and investment banking; however, a list of inclusions of environmental and social guidelines is not available. Additionally, the lack of wider exclusion of mining beyond diamonds is a risk in this region, which is not adequately acknowledged or mitigated by the guidelines. Further, the bank's sustainability guidelines and application procedure such as risk and impact assessment, action plan and grievance mechanism for financial intermediaries, and equity investments are not sufficiently detailed.


²⁰ Please note that EBID is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Development Bank sector, based on publicly available information exclusively. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

<p>The bank contributes to the United Nations' Sustainable Development Goals in the social and environmental areas by financing healthcare provisions, sanitation, public transport infrastructure, and energy infrastructures. Additionally, it promotes employment and socio-economic development in low to low-middle-income group countries.</p>	<p>There is no indication of disclosure of a policy on responsible treatment of clients with debt repayment problems. Also, there is no disclosure of measures taken by the bank to ensure goal-oriented financial services such as monitoring and evaluation. Further, the bank's stand on offshore banking and tax compliance is missing as well.</p>
	<p>The bank has provided a general statement on climate change; however, its position and acknowledgment of responsibilities are not detailed. Further, there is no indication of disclosure on climate change risks and mitigation, carbon footprint, GHG emissions inventories, and reduction targets.</p>
	<p>The bank discloses the details of permanent employees; however, the measures taken by the bank to manage its employee relations and work environment remain unclear, especially management of issues such as employees' health & safety, mental health, and availability of workplace flexibility are not reported.</p>



Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part III.B 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 and does not include practices along the issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ²¹	DIRECTION OF IMPACT	UN SDGS
Financing of energy supply to underserved/disadvantaged residential customers	21.31%	Contribution	

²¹ Percentages presented in this table are not cumulative.

Financing of healthcare provision	3.74%	Contribution	
Financing of public transportation infrastructure	13.44%	Contribution	

Breaches of international norms and ESG controversies

At issuer level

At the date of publication and leveraging ISS ESG Research, no severe 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 Development Bank industry are as follows: failure to mitigate climate change impacts, failure to assess environmental impacts, and poor stakeholder consultation.

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. (“ICS”), a wholly-owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells/distributes Second Party Opinions which are prepared and issued by ISS ESG, the responsible investment arm of ISS, on the basis of ISS ESG’s proprietary methodology. In doing so, ISS adheres to standardized procedures to ensure consistent quality of responsibility research worldwide. Information on ISS’s methodology is available upon request.
3. Second Party Opinions are based on data provided by the party to whom the Second Party Opinion is provided (“Recipient”). ISS does not warrant that the information presented in this Second Party Opinion is complete, accurate or up to date. Neither ISS or ICS will have any liability in connection with the use of these Second Party Opinions, or any information provided therein.
4. Statements of opinion and value judgments given by ISS 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. Statements of opinion and value judgments given by ISS are based on the information provided by the Recipient during the preparation of the Second Party Opinion and may change in the future, depending on the development of market benchmarks, even if ISS is requested by the Recipient to provide another Second Party Opinion on the same scope of work.
5. This Second Party Opinion, certain images, text and graphics contained therein, and the layout and company logo of ICS, ISS ESG, and ISS are the property of ISS and are protected under copyright and trademark law. Any use of such ISS property shall require the express prior written consent of ISS. 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.

The Recipient that commissioned this report may have purchased self-assessment tools and publications from ICS or ICS may have provided advisory or analytical services to the Recipient. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any Recipient’s use of products and services from ICS by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, 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.

Deutsche Börse AG (“DB”) owns an approximate 80% stake in ISS HoldCo Inc., the holding company which wholly owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of Genstar Capital (“Genstar”) and ISS management. ISS has formally adopted policies on non-interference and potential conflicts of interest related to DB, Genstar, and the board of directors of ISS HoldCo Inc. These policies are intended to establish appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings produced by ISS and to safeguard the reputations of ISS and its owners. Further information regarding these policies is available at <https://www.issgovernance.com/compliance/due-diligence-materials>.

© 2023 | Institutional Shareholder Services and/or its affiliates

ANNEX 1: Methodology

Green and Social KPIs

The Green and Social Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of EBID’s green and social bonds/loans.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green and Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available or that the information provided did not fulfill the requirements of the Green and Social Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by EBID (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which EBID’s green and social bonds/loans contributes to related SDGs has been identified.

ANNEX 2: Quality management processes

SCOPE

EBID commissioned ICS to compile a Green and Social Bonds/Loans SPO. The Second Party Opinion process includes verifying whether the Sustainability Finance Framework aligns with the GBP/SBP/GLP/SLP and to assess the sustainability credentials of its Green and Social Bonds/Loans, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- Green Bond Principles and Social Bond Principles as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)
- Green Loan Principles and Social Loan Principles as administered by LMA (as of February 2021)
- Key Performance Indicators relevant for Use of Proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

EBID's responsibility was to provide information and documentation on:

- Framework
- Selection criteria
- Documentation of ESG risks management at framework level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG 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 green and social bonds/loans to be issued by EBID has been conducted based on a proprietary methodology and in line with the ICMA's Green Bond Principles and Social Bond Principles, as well as the LMA's Green Loan Principles and Social Loan Principles.

The engagement with EBID took place from October 2022 to February 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS 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

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

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.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Green and Social Bonds/Loans SPO, please contact: SPOOperations@iss-esg.com

Project team

Project lead

Ezgi Mangura
Analyst
ESG Consultant

Project support

Jolly Sinha
Senior Associate
ESG Consultant

Project supervision

Marie-Bénédicte Beaudoin
Associate Director
Head of ISS ESG SPO Operations