

# SECOND PARTY OPINION

## on the sustainability of the AFD's SDG Bond Framework

Vigeo Eiris is of the opinion that AFD's Framework is **aligned** with the four core components the Green Bond Principles 2018 ("GBP") and Social Bond Principles 2020 ("SBP") and in line with the **best practices** identified by VE



### Framework

Contribution to Sustainability:



- Advanced
- Limited
- Robust
- Weak

	Weak	Limited	Robust	Advanced
Expected impacts				
ESG risks management				

SDG Mapping



Characteristics

Green and Social Project Categories	Six transitions: energy, social and demographic, digital and technological, economic and financial, territorial and ecological, and political and citizen
Target Population	Defined for all Social Project categories
Project locations	Worldwide
Existence of framework	Yes
Share of refinancing	A majority of refinancing
Look back period	24 months (for issuances made after 2023)

### Issuer

ESG Performance as of September 2019



- Advanced
- Limited
- Robust
- Weak

	Weak	Limited	Robust	Advanced
Environment				
Social				
Governance				

Controversies

Number of controversies	3
Frequency	Occasional
Severity	High
Responsiveness	Remediative

Controversial Activities

The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology:

- Alcohol
- Animal welfare
- Cannabis
- Chemicals of concern
- Civilian firearms
- Fossil fuels industry
- Coal
- Gambling
- Genetic engineering
- High interest rate lending
- Human embryonic stem cells
- Military
- Nuclear power
- Pornography
- Reproductive medicine
- Tar sands and oil shale
- Tobacco

### Coherence

Coherent
Partially coherent
Not coherent

We are of the opinion that the contemplated Framework is coherent with the AFD's strategic sustainability priorities and sector issues, and that it contributes to achieving the Issuer's sustainability commitments.

## Keys findings

VE is of the opinion that the AFD's SDG Bond Framework is aligned with the four core components of the GBP & SBP and best practices identified by VE.

### Use of Proceeds

- Eligible projects are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, eligibility criteria, the target populations for social projects and the location of Eligible Projects.
- The environmental and social objectives are clearly defined, these are relevant for all the eligible projects and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental and Social Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for all the eligible projects in the reporting.
- The issuer has transparently communicated to Vigeo Eiris that, for each Bond issuance, there will be a majority of refinancing, with the proceeds financing disbursements for eligible loans. In addition, information on allocation of proceeds and dates of disbursement will be included in the annual reporting.
- The look-back period for refinanced eligible projects will be 24 months for issuances after 2023.

### Evaluation and Selection

- The process for project evaluation and selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation and monitoring of eligible projects).
- Eligibility criteria for project selection and exclusion have been clearly defined and detailed by the Issuer.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed and considered advanced.

### Management of Proceeds

- The process for the management and allocation of proceeds is clearly defined and is publicly available.
- The allocation period will be of 24 months or less.
- The net proceeds of the Bonds will be tracked by the Issuer in an appropriate manner and attested to in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that, as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the Framework within 24 months.

### Reporting

- The Issuer has committed to report on the Use of Proceeds annually, until bond maturity. The report will be publicly available until bond maturity.
- The reporting will cover relevant and exhaustive information related to the allocation of Bonds proceeds and to the expected sustainable benefits of the projects.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible projects will be disclosed publicly
- An external auditor will verify the tracking and allocation of funds to Eligible Projects until bond maturity.
- An external auditor will verify the Indicators used to report on environmental and social benefits of the eligible projects until bond maturity.

## Contact

Sustainable Finance Team | [VEsustainablefinance@vigeo-eiris.com](mailto:VEsustainablefinance@vigeo-eiris.com)

# SCOPE

---

Vigeo Eiris was commissioned to provide an independent opinion (hereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the SDG Bonds<sup>1</sup> (“Bonds”) to be issued by the Agence Française de Développement (the “AFD”, or the “Issuer”) in compliance with the SDG Framework (the “Framework”) created to govern their issuance.

Our opinion is established according to Vigeo Eiris’ Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the ICMA’s Green Bond Principles (“GBP”) - edited in June 2018 - and Social Bond Principles (“SBP”) - edited in June 2020 - voluntary guidelines (referred together as the “GBP & SBP”). Our opinion is built on the review of the following components:

- Issuance: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental and social commitments, the Bonds’ potential contribution to sustainability and their alignment with the four core components of the GBP & SBP.
- Issuer: we assessed the Issuer’s ESG performance, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities.

Our sources of information are multichanneled, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from Vigeo Eiris’ exclusive ESG rating database, and (iii) information provided by the Issuer, through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance, held via teleconference.

We carried out our due diligence assessment from September 3<sup>rd</sup> to October 9<sup>th</sup>, 2020. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

## Scope of External Reviews

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input checked="" type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

<sup>1</sup> The “SDG Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “SDG Bond” has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

# COHERENCE

Coherent	We are of the opinion that the contemplated Bonds are coherent with the AFD's strategic sustainability priorities and sector issues and that they contribute to achieving the Issuer's sustainability commitments.
Partially coherent	
Not coherent	

In 2015, the United Nations Member States adopted the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals (SDGs), recognising the urgent challenge of achieving sustainable development, including combating climate change. Reaching these goals requires the transition of all economic sectors towards sustainable development models, and the immediate action of all public and private actors. In particular, Public Development Banks have an important role to play in catalysing investments to environmental and social projects and in contributing to achieving the SDGs.

Lending is a key vehicle for policy change and promoting national and international goals. The main objectives of Public Development Banks are to promote local socio-economic development by financing investments, improving funding opportunities and enhancing employment in their countries of operations. These efforts provide a direct contribution to human development and social well-being, and more generally to the fundamental objectives underlined by the UN Sustainable Development Goals. Through the integration of environmental and social risks in the assessments of loans and project financing, as well as in investment activities, Development Banks can influence clients' behaviour towards more environmentally and socially friendly activities and products. In addition, as public institutions, Development Banks can develop channels to boost private sector investments in the green and social economy.

The AFD appears to acknowledge its mission in facing the aforementioned challenges and has formalised a strategy to contribute to the achievement of the SDGs.

The French government, via the Inter-ministerial Committee on Cooperation and Development (CICID for the French acronym), defines the general priorities of the international development and solidarity policy implemented by the AFD. The CICID has reaffirmed the general objective of contribute to achieving the SDGs and promoting sustainable development in all its dimensions: economic, social and environmental.

France has committed to align with the Agenda 2030 and the Addis Abeba Action Programme. As such, it has committed to the goal of directing finance flows to the implementation of the SDGs and has integrated specific Agenda 2030 targets in the strategies of the State and its operators, in particular the AFD.

The AFD is working on the notion of "Sustainable Development Investment", motivated by the observation that beyond additional investment to implement the SDGs, there is a need to transform and redirect existing investment towards sustainable development. Mobilising private sector investment is key to this mission, and is the purpose of Proparco, one of the arms of the AFD Group.

To ensure overall coherence of investments, and take into account the interrelation between SDGs and potential opposition between SDGs within a project the AFD has developed two strategies:

- 100% Paris Agreement: the aim to make all projects compatible with the Paris Climate Agreement and support low-carbon and resilient development
- 100% Social Connection: the aim to increase the wellbeing of populations and resilience of societies through two objectives: reduce wealth inequality and reinforce inclusion by better understanding local contexts.

The AFD's strategic vision translates the SDGs into six transitions, which are also used as a structure to the SDG Bond Framework analysed in this SPO: demographic and social transition, energy transition, territorial and ecological transition, digital and technological transition, economic and financial transition, and political and citizen transition.

# ISSUANCE

---

The Issuer has described the main characteristics of the Bonds within a formalized SDG Bond Framework which covers the four core components of the GBP 2018 and SBP 2020 (the last updated version was provided to Vigeo Eiris on October 09<sup>th</sup>, 2020). The Issuer has committed to make this document publicly accessible on the AFD's website<sup>2</sup>, in line with good market practices.

## Alignment with the Green Bond Principles and Social Bond Principles

### Use of Proceeds



The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under three Technical Eligibility Criteria ("Eligibility criteria"), covering six thematic categories ("Eligible Categories"), as indicated in Table 1.

- Eligible Projects are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, eligibility criteria, the target populations for social projects and the location of Eligible Projects.
- The environmental and social objectives are clearly defined, these are relevant for all the Eligible Projects and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental and Social Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for all the eligible projects in the reporting.
- The issuer has transparently communicated to Vigeo Eiris that, for each Bond issuance, there will be a majority of refinancing, with the proceeds financing disbursements for eligible loans. In addition, information on allocation of proceeds and dates of disbursement will be included in the annual reporting.
- The look-back period for refinanced eligible projects will be 24 months for issuances after 2023.

Of note, the Issuer has specified that due to the nature of its work, loans on a given project are disbursed over periods of 5 to 7 years. AFD aims to support its partners and beneficiaries in sustainable development, and thus projects can last several years, with long maturity of loans (up to 25 years). Although the portfolio of eligible projects will include disbursements older than 36 months for the first issuances, due to the structure of the AFD's portfolio and existing disbursements, the issuer has committed to include only disbursements that were made less than 24 months before each issuance starting from 2023.

The Use of Proceeds have the following Eligibility Criteria:

- SDG contribution: the project to be financed by the loan must be (i) contributing to at least one Sustainable Development Objective, (ii) responding to one of the six transitions of the AFD Group's strategic plan, and finally (iii) addressing one of the eligible categories of the ICMA's SBP/GBP/SBG.
- SDG interrelation: show no negative externality on other SDGs

---

<sup>2</sup> <https://www.afd.fr/fr/espace-investisseurs>

- Thematic and technical eligibility: fulfil one of the three technical eligibility criteria, which are:
  1. Thematic eligibility: for projects falling in specific eligible sectors and activities (analysis in table 1)
  2. Climate performance eligibility: for projects fulfilling climate performance criteria (analysis in table 2)
  3. Transformation eligibility: for projects fulfilling sustainable development targets

Nature of expenditures: AFD or Proparco loans granted to States, local authorities, NGOs, banks and financial intermediaries, and public and private companies.

Eligible Projects are located worldwide, in the geographical areas defined by the supervising Ministries.

For the transformation eligibility criteria, loans are eligible when the borrower has reached pre-determined targets. The targets must be linked to the SDGs and to one of the six transitions defined in the AFD's strategic plan. In addition, the AFD specifies that loans under this eligibility criteria have a particular monitoring that triggers disbursement, in order to ensure the correct implementation of actions and the positive environmental and social impacts. If the targets are not reached, the concerned loans are excluded from the portfolio of eligible loans, putting a focus and incentive on results.

Of note, as the Transformation eligibility must also contribute to one of the six transitions defined in AFD's strategic plan, the analysis of objectives and benefits is the same as for Thematic eligibility (table 1).

#### BEST PRACTICES

- ⇒ Content, eligibility and exclusion criteria are clear and in line with international standards for all categories
- ⇒ Relevant environmental and/or social benefits are identified and measurable for all project categories

Table 1. Vigeo Eiris' analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework for the Thematic Eligibility (technical eligibility criteria 1) and Transformation Eligibility (technical eligibility criteria 3)

ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	VIGEO EIRIS' ANALYSIS
Energy Transition	Energy Efficiency, Renewable Energy	Renewable Energy and Energy Efficiency Projects must fulfil the climate eligibility criteria	<p><b>Climate Mitigation</b></p> <p>GHG emissions reduction</p> <p>Increased access to sustainable electricity services</p> <p>New renewable energy installed capacity</p> <p>Energy savings</p>	<p>The definition of this category is clear and detailed, including the description and eligibility criteria.</p> <p>The intended environmental objective is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>
Demographic and Social Transition	Health	<p>Health infrastructure and services</p> <p>Financing of health care</p> <p>Fight against diseases and epidemics</p> <p>Training of health personnel</p> <p>Maternal and child health, nutrition</p> <p>Target population: People living below the poverty line, People with a lack of access to essential goods and services, Sick, elderly or vulnerable people, Women and/or sexual minorities</p>	<p><b>Access to basic services: health</b></p> <p>Increased access to healthcare</p> <p>Increased social protection</p>	<p>The definition of this category is clear and detailed, including the description and eligibility criteria. The target populations have been clearly identified.</p> <p>The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>

ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	VIGEO EIRIS' ANALYSIS
Demographic and Social Transition <i>(continued)</i>	Education and Professional Training	<p>School facilities</p> <p>Support to education programmes and policies</p> <p>Teacher training</p> <p>Professional training</p> <p>Research and higher education</p> <p>Support to decent work policies</p> <p>Support to the development of entrepreneurship</p> <p><b>Target population:</b> People living below the poverty line, People with a lack of access to essential goods and services, Under-educated people, Women and/or sexual minorities</p>	<p><b>Access to basic services: education</b></p> <p>Increased school attendance and achievement</p> <p><b>Socioeconomic advancement and empowerment</b></p> <p>Increased number of trained teachers</p>	<p>The definition of this category is clear and detailed, including the description and eligibility criteria. The target populations have been clearly identified.</p> <p>The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>
	Sports and culture	<p>Using sports for education/sensitization and to fight against inequalities</p> <p>Support to public policy</p> <p>Construction/refurbishment of infrastructure</p> <p><b>Target population:</b> People living below the poverty line, People with a lack of access to essential goods and services</p>	<p><b>Socioeconomic advancement and empowerment</b></p> <p>Increased access to sports infrastructure</p>	<p>The definition of this category is clear and detailed, including the description and eligibility criteria. The target populations have been clearly identified.</p> <p>The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>
Digital and Technological transition	Information and Communication Technologies and Telecommunications	<p>Develop high-speed telecommunications networks</p> <p>Improve access to telecommunications</p> <p>Support entrepreneurial innovation with digital technology</p> <p>Supporting the growth of digital startups with positive social and/or environmental impact</p> <p>Application of digital technology for the optimization of public action</p> <p><b>Target population:</b> Population suffering from a digital infrastructure deficit or in a situation of illiteracy</p>	<p><b>Access to basic infrastructure</b></p> <p><b>Access to essential services</b></p> <p><b>Socioeconomic advancement and empowerment</b></p> <p>Increased connectivity</p> <p>Increased opportunities for economic and professional development</p>	<p>The definition of this category is clear and detailed, including the description and eligibility criteria.</p> <p>The intended environmental objective is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>



ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	VIGEO EIRIS' ANALYSIS
Economic and Financial transition	Financial systems and services, productive systems	<p>Promotion of access to financial services</p> <p>Strengthening financial systems</p> <p>Development of entrepreneurial ecosystems</p> <p>Support of the transformation of productive models towards sustainable models</p> <p>Support to public authorities in the management of productive networks</p> <p><b>Target population:</b> People suffering from a lack of access to essential goods and services and to productive resources, persons excluded from economic activity</p>	<p><b>Access to essential services</b></p> <p><b>Socioeconomic advancement and empowerment</b></p> <p>Increased access to financial services</p> <p>Increased number and quality of jobs</p> <p>Increased access by women of financial services</p>	<p>The definition of this category is clear and detailed, including the description and eligibility criteria.</p> <p>The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>
Territorial and Ecological Transition	Water and Sanitation	<p>Access to drinking water</p> <p>Access to sanitation</p> <p>Prevention of floods</p> <p><b>Target population:</b> People suffering from a lack of access to essential goods, services and infrastructure, people living in areas subject to recurrent flooding.</p>	<p><b>Affordable basic infrastructure</b></p> <p>Increased access to drinking water and sanitation</p> <p>Decreased vulnerability to floods</p>	<p>The definition of this category is clear and detailed, including the description and eligibility criteria.</p> <p>The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>
	Infrastructure and urban development	<p>Access to affordable decent housing</p> <p>Waste collection and treatment</p> <p>Sustainable urban infrastructure</p> <p>Public Transport networks</p> <p>Support for low-carbon transport</p> <p>Sustainable food production systems</p> <p><b>Target population:</b> People suffering from a lack of access to essential goods, services and infrastructure, public spaces or socio-collective urban facilities, vulnerable rural population, family farms in conversion to agro-ecological systems.</p>	<p><b>Affordable housing</b></p> <p>Increased number of people living in decent housing</p> <p><b>Affordable basic infrastructure</b></p> <p>Increased access to public infrastructure</p> <p><b>Food security and sustainable food systems</b></p> <p>Increase in sustainable food production</p> <p><b>Climate Mitigation</b></p> <p>GHG emissions avoided or reduced</p>	<p>The definition of this category is clear and detailed, including the description and eligibility criteria.</p> <p>The intended environmental and social objectives are relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>










ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	VIGEO EIRIS' ANALYSIS
Political and Citizen Transition	State reform	<p>Digital transformation of the state (e-gov, dematerialisation, digital identity)</p> <p>Civil protection and natural and industrial disaster management (prevention and response)</p> <p><b>Target population:</b> people without access to just and efficient institutions</p>	<p><b>Access to access to emergency relief and government civil administration services</b></p> <p>Increased number of people gaining access to government emergency relief services</p> <p>Decreased response time of emergency services</p> <p>Decreased vulnerability to disasters</p>	<p>The definition of this category is clear and detailed, including the description and eligibility criteria.</p> <p>The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>
	Justice	<p>Access to justice for all (infrastructure, training, tools)</p> <p>Information and awareness of rights (proximity structures, e-justice, awareness and human rights campaigns)</p> <p><b>Target population:</b> people without access to just and efficient legal and judicial institutions</p>	<p><b>Access to justice</b></p> <p>Improved equal access to justice</p> <p>Increased awareness of rights</p>	<p>The definition of this category is clear and detailed, including the description and eligibility criteria.</p> <p>The intended environmental and social objectives are relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>









Table 2. Vigeo Eiris' analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework for the Climate Performance Eligibility (Eligibility criteria 2)

ELIGIBLE CATEGORY	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	VIGEO EIRIS' ANALYSIS
Climate Performance	<p>Climate mitigation projects fulfilling the minimum technical performance criteria:</p> <ul style="list-style-type: none"> <li>- Minimum reduction or avoidance of emissions of more than 10 000 tCO<sub>2</sub>eq/year in relation to the reference situation, or reduction in GHG emissions for public policy support projects</li> <li>- Improvement of the energy and environmental performance of buildings in comparison to the reference situation. For new construction, if it aims for reductions in relation to a reference scenario of at least 20% of GHG, 20% of energy consumption, and/or 20% of water consumption (minimum 2 out of 3 conditions must be met)</li> </ul>	<p><b>Climate Mitigation</b></p> <p>GHG emissions reduction</p> <p>Saved energy consumption</p>	<p>The definition of this category is clear and detailed, including the description and eligibility criteria.</p> <p>The intended environmental objective is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>

### SDG Contribution

The Eligible Categories are likely to contribute to all 17 of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
All Eligible Categories		The projects are likely to contribute to SDG 1, which consists in ending poverty in all its forms everywhere, in particular targets: 1.3, 1.5, 1.a and 1.b.
Territorial and Ecological Transition		SDG 2 which consists in ending hunger, achieve food security and improved nutrition and promote sustainable agriculture, in particular targets: 2.1, 2.4, and 2.a.
Demographic and Social Transition		The Projects are likely to contribute to SDG 3 which consists in ensuring healthy lives and promote well-being for all at all ages, in particular targets: 3.1, 3.2, 3.3, 3.8, and 3.c.
Demographic and Social Transition		SDG 4 consists in ensuring inclusive and quality education for all and promoting lifelong learning, in particular targets: 4.1, 4.3, 4.4, 4.6, and 4.c.
Demographic and Social Transition Political and Citizen Transition		SDG 5 consists in achieving gender equality and empowering all women and girls.
Territorial and Ecological Transition		SDG 6 consists in ensuring access to water and sanitation for all, in particular targets: 6.1, and 6.2
Energy Transition		SDG 7 consists in ensuring access to affordable, reliable, sustainable and modern energy for all, in particular targets: 7.1, 7.2, 7.3, and 7.a.
Economic and Financial transition		SDG 8 consists in promoting inclusive and sustainable economic growth, employment and decent work for all, in particular targets: 8.3, 8.4, and 8.10.
Digital and Technological transition		SDG 9 consists in building resilient infrastructure, promoting sustainable industrialization and fostering innovation, in particular targets: 9.1, 9.3, and 9.c.

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Demographic and Social Transition Digital and Technological transition Economic and Financial transition		SDG 10 consists in reducing inequality within and among countries, in particular targets: 10.2 and 10.b.
Territorial and Ecological Transition Political and Citizen Transition		SDG 11 consists in making cities inclusive, safe, resilient and sustainable, in particular targets: 11.2, 11.5, and 11.6.
Economic and Financial transition		SDG 12 consists in ensuring sustainable consumption and production patterns, in particular targets: 12.5, 12.6, and 12.a.
Energy Transition Climate Performance		SDG 13 consists in taking urgent action to combat climate change and its impacts, in particular targets: 13.a and 13.b.
Territorial and Ecological Transition		SDG 14 consists in conserving and sustainably using the oceans, seas and marine resources, in particular targets: 14.7, 14.a and 14.b.
Territorial and Ecological Transition		SDG 15 consists in sustainably managing forests, combating desertification, halting and reversing land degradation, halting biodiversity loss, in particular targets: 15.2, 15.9, and 15.a.
Political and Citizen Transition		SDG 16 consists in promoting just, peaceful and inclusive societies, in particular targets: 16.3, 16.6, 16.9, and 16.10.
All Eligible Categories		SDG 17 consists in strengthening the means of implementation and revitalizing the global partnership for sustainable development, in particular targets: 17.2, 17.7, 17.9, 17.14, 17.16, 17.17, 17.18 and 17.19.

## Evaluation and Selection of Eligible Projects



- The process for project evaluation and selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation and monitoring of eligible projects). The roles and responsibilities are clear and include relevant internal and external expertise. The process will be publicly disclosed in the Framework.
- Eligibility criteria for project selection and exclusion have been clearly defined and detailed by the Issuer.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed (in the herewith SPO and in the Framework) and is considered advanced: it combines monitoring, identification, and corrective and preventive measures for all projects (see detailed analysis on pages 21).

### Process for Project Evaluation and Selection

- For the purpose of the Bonds, a dedicated Thematic Bonds Committee ("the Committee") has been created. This Committee is composed of representatives of:
  - The Executive Financial Division (DEF for its French acronym);
  - The Operations Division (DOE for its French acronym);
  - The Strategy, Partnerships and Communication Division (SPC for its French acronym);
  - The Risk Division;
  - And Proparco.
- The Committee is responsible for:
  - Review and validate the eligibility of the loans included in the portfolio of eligible loans according to the contribution to SDG, thematic, and technical or "SDG interrelation" eligibility criteria as defined in the section "Use of Proceeds";
  - Validate the allocation of the Bonds proceeds to eligible loans;
  - Propose the replacement of loans that have to be taken out of the portfolio (either because they are repaid or because they no longer meet the eligibility criteria);
  - Manage any future updates of the Framework;
  - Review and validate the annual report communicated to investors.
- The traceability and verification of the selection and evaluation of the loans is ensured throughout the process:
  - The Committee will monitor the continued compliance of the Eligible Loans portfolio during the lifetime of the Bond. The Committee will be responsible for replacing loans that are no longer Eligible (either because they are repaid or because they no longer meet the eligibility criteria) with another Eligible one.
  - The Issuer reports that it will monitor potential ESG controversies associated with the projects financed by Eligible loans on an ongoing basis during the lifetime of the projects. In case of controversies

concerning a project financed by an Eligible Loan, the Committee will deliberate on the course of action (status quo, monitoring or exclusion).

- The Committee will meet at least twice a year. The decision-making process will be documented by the meeting minutes of each committee session.

### Eligibility Criteria Selection

The process relies on explicit eligibility and exclusion criteria, relevant to the environmental and social objectives defined for the Eligible Categories.

- In order to be eligible, the loan must cumulatively satisfy the following two selection criteria and one exclusion criteria:
  - SDG contribution: the project to be financed by the loan must be (i) contributing to at least one Sustainable Development Objective, (ii) responding to one of the six transitions of the AFD Group's strategic plan, and finally (iii) addressing one of the eligible categories of the ICMA's SBP/GBP/SBG.
  - Thematic and technical eligibility: the loan must comply with at least one of the three technical eligibility criteria, which are:
    - o Thematic eligibility: projects dedicated to activities corresponding to one of the six transitions of the AFD Group's strategic plan.
    - o Climate eligibility: "Climate change mitigation/avoidance projects" to be financed by the eligible loans will have to meet relevant thresholds defined in terms of GHG reduction or energy efficiency improvement.
    - o Transformation eligibility: will be conditional on the achievement of sustainable development results according to the completion criteria detailed in the framework.
  - Interrelation between SDGs exclusion criteria: Eligible loans must also comply with general and sectoral exclusion lists and not have any negative assessment on the six dimensions of the sustainable development opinion (see details on the sustainable development opinion on page 21).

### BEST PRACTICES

- ⇒ Eligibility and exclusion criteria for project selection are clearly defined and detailed for all of the eligible projects
- ⇒ The Issuer reports that it will monitor compliance of selected projects with eligibility and exclusion criteria specified in the Framework throughout the life of the instrument and has provided details on content, frequency and duration, and on procedure adopted in case of non-compliance
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the projects throughout the life of the instrument and has provided details on frequency, content and procedures in case a controversy is found on a project

## Management of Proceeds



- The process for the management and allocation of proceeds is clearly defined and is publicly available in the Framework and hereby SPO.
- The allocation period will be of 24 months or less.
- The net proceeds of the Bonds will be tracked by the Issuer in an appropriate manner and attested to in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Bonds are outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the Framework within 24 months.

### Management Process

- The net proceeds of each Bond will be allocated to a dedicated SDG bond portfolio and an amount equivalent to the net proceeds of the Bond will be credited to the Eligible loans portfolio and will be managed by the AFD's Financing and Market Operations Division. The Group will ensure that the net proceeds of the SDG Bonds will never exceed the net proceeds of the portfolio of eligible loans during the life of the bonds.
- The issuer commits to allocating the proceeds within 24 months on a best-effort basis.
- Unallocated proceeds will be managed by the AFD treasury division in cash and monetary products and invested in responsible investment funds (SRI), on a best effort basis.

#### BEST PRACTICES

- ⇒ The allocation period is 24 months or less
- ⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities.
- ⇒ The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 24 months.



Monitoring & Reporting

Not Aligned      Partially Aligned      Aligned      **Best Practices**

- The Issuer has committed to report on the Use of Proceeds annually, until bond maturity. The report will be publicly available until bond maturity. The report will be externally verified and this verification will be made publicly available.
- The reporting will cover relevant and exhaustive information related to the allocation of Bonds proceeds and to the expected sustainable benefits of the projects. The Issuer has also committed to report on material changes as well as on material developments/issues/controversies related to the projects.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible projects will be disclosed publicly.
- An external auditor will verify the tracking and allocation of funds to Eligible Projects until bond maturity.
- An external auditor will verify the Indicators used to report on environmental and social benefits of the eligible projects until bond maturity.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive.

REPORTING INDICATORS
⇒ The aggregated amount of (re)allocated net proceeds to Eligible Projects
⇒ The distribution of allocated proceeds by year of signature
⇒ The distribution of allocated proceeds according to the eligibility criteria, relevant transition, and project theme
⇒ The share of disbursements made in the new calendar year vs. the stock of disbursements;
⇒ The share of assets that have been integrated into the asset portfolio
⇒ The proportion of co-financing
⇒ The distribution of allocated proceeds by geographical region
⇒ The balance of the unallocated proceeds and type of temporary placement (on a best effort basis)
⇒ The number of loans in the portfolio of eligible loans

- Environmental and social benefits: The indicators selected by the Issuer to report on the environmental and social benefits are clear, relevant and exhaustive. Of note, the AFD follows a number of indicators as part of its evaluation and monitoring policy and processes, and the indicators below are provided as an example.

ELIGIBLE CATEGORIES	ENVIRONMENTAL AND SOCIAL BENEFITS INDICATORS
	OUTPUTS, OUTCOMES AND IMPACT INDICATORS
Energy Transition	New renewable energy installed capacity (MW) Renewable or recovered energy power financed (MW) Energy Consumption saved Number of people gaining access to sustainable electricity services Number of people benefiting from improved electricity service quality Reduction in Greenhouse Gas emissions (Teq CO2/year)

ELIGIBLE CATEGORIES	ENVIRONMENTAL AND SOCIAL BENEFITS INDICATORS
	OUTPUTS, OUTCOMES AND IMPACT INDICATORS
Demographic and Social Transition	Number of children vaccinated Number of people with improved access to healthcare Number of people benefiting from better social protection Number of children completing primary school Number of girls enrolled in technical and vocational education Number of trainers and tutors trained (vocational training)
Digital and Technological transition	Number of people connected to a telecom network (internet, other) Number of people with access to an internet service
Economic and Financial transition	Number of beneficiaries of a local financial service Number of full-time equivalent (FTE) jobs supported by AFD Percentage of women with access to credit Number of individuals supported in their steps to create a business or self-entrepreneurship Number of direct full-time equivalent (FTE) jobs created or maintained by AFD (private sector and public enterprises)
Territorial and Ecological Transition	Additional availability of strategic food commodities in LDCs Areas benefiting from biodiversity conservation or restoration programs Number of people benefiting from improved essential services (water, sanitation, energy, waste management) Number of people benefiting from improved access to sustainable urban transportation Drinking water production capacity financed Number of transit passengers using public transit on funded sections
Political and Citizen Transition	Number of institutions that are beneficiaries of capacity building actions Number of partners from civil society, formal or informal, involved in the project Number of people newly registered in the civil registry Incidence of industrial accidents Response time of emergency services Number of disaster management plans designed and adopted

The Issuer states that in addition to these indicators, it can share examples of eligible loans. As part of the AFD's evaluation policy, several types of evaluations are carried out, such as project evaluations, wide-range evaluations and scientific impact evaluations, which can complement the Bond impact report.

#### BEST PRACTICES

- ⇒ The issuer report will be publicly available.
- ⇒ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the projects. The Issuer has also committed to report on material development related to the projects, including ESG controversies.
- ⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting.
- ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Categories.
- ⇒ The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible projects will be disclosed publicly.
- ⇒ External verification of E&S benefits & impacts until full allocation and in case of material changes

## Contribution to sustainability

### Expected Impacts

The potential positive Impact of the eligible projects on environmental and social objectives is considered to be **advanced**.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Energy Transition	ADVANCED	Climate mitigation is a worldwide priority, and the projects to be funded aim at increasing availability of renewable energy and at improving energy efficiency. The AFD operates in developing countries, where the need and impact of the energy transition are particularly important. The AFD has provided clear technical thresholds that projects must respect.
Demographic and Social Transition	ADVANCED	According to the UNSDSN SDG index, major challenges remain in health and education in the geographical zones where the AFD operates, and in particular in its priority countries. In addition, the AFD identifies relevant target populations and projects combine long-term improvement and empowerment.
Digital and Technological transition	ADVANCED	According to the UNSDSN SDG index, major challenges remain in access to the internet and other digital infrastructure in the geographical zones where the AFD operates, and in particular in its priority countries. ICT infrastructure is key to ensuring access to information and services, and as a lever for economic growth and entrepreneurship. The AFD has identified relevant target populations for the eligible projects.
Economic and Financial transition	ADVANCED	According to the UNSDSN SDG index, major or significant challenges remain in access to financial services in a majority of countries where the AFD operates, and in particular its priority countries. Strengthening financial systems for sustainable finance and supporting entrepreneurial ecosystems can have long-term and structural improvements.
Territorial and Ecological Transition	ADVANCED	The category covers many key social and environmental challenges: decent and affordable housing, sustainable urban infrastructure, food security and sustainable food systems, waste collection and treatment, and sustainable transport. Each of these issues are highly relevant, and the AFD's procedures ensure selection of projects with long-term positive environmental and social impacts.
Political and Citizen Transition	ADVANCED	According to the UNSDSN SDG index, major challenges remain in relation to justice and strong institutions, in particular in the geographical zones where the AFD operates. Information and awareness raising on rights is an empowering measure. These projects are expected to have long-term and structure positive impacts.
Climate Performance Eligibility	ADVANCED	Climate mitigation is a worldwide priority, and the projects to be funded aim at reducing GHG emissions and at improving energy efficiency. These have positive impacts on all relevant stakeholders. The AFD has provided clear technical thresholds that projects must respect.

## ESG Risks Identification and Management systems in place at project level

### ESG risks Materiality of and management

The identification and management of the environmental and social risks associated with the Eligible Categories are considered advanced.

AFD and Proparco's ESG risk identification and management process is structured around different stages, including internal and external expertise, from the pre-identification of eligible loans to project and programme closure.

Prior to the selection of eligible loans, the operational teams in charge of project analysis carry out an initial identification of potential ESG risks on the basis of AFD's general and sectoral exclusion lists. Vigeo Eiris considers these lists to be exhaustive and to address all relevant environmental, social and governance risks related to the Eligible Categories.

Based on this pre-analysis of ESG risks, a dedicated risk team is in charge of classifying the level of risk according to a scale ranging from A+ (high-impact risks with a high probability of occurrence) to C- (low-impact risks with a low probability of occurrence). Once this classification has been carried out, AFD teams will analyse the capacity of the counterparties of the project to mitigate and control these risks. When it appears necessary, additional impact studies and audits are carried out and a dedicated mitigation plan is prepared for implementation under the responsibility of the project supervisor.

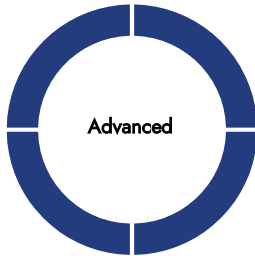
Finally, environmental, social and governance issues are the subject of dedicated clauses in contracts between the AFD and the counterparties financed. Regular controls are carried out throughout the life of projects and programmes to ensure that ESG obligations are met.

For AFD's eligible projects, this ESG risk analysis is completed prior to the selection of eligible loans through the "sustainable development analysis and advice" process (Analyse et avis développement durable – AADD in French) which aims to analyse sustainable development impacts of AFD's financing. The process is divided into two stages, with the project team conducting a sustainable development analysis to qualitatively assess the scope of the expected impacts as a first stage, followed by a sustainable development opinion (Avis de développement durable in French) issued by an independent team. The sustainable development analysis consists of a detailed description of the targeted impacts on each of AFD's six dimensions of sustainable development. Any loan that has received a negative rating on one of the six dimensions of sustainable development will not be eligible for the Bonds to be issued under the SDG Framework. This is explicitly integrated in the evaluation and selection process of the SDG Bonds, under the eligibility criteria "interrelation between SDGs", ensuring that no project has a harmful effect on any SDGs.

For Proparco's eligible loans, a "DEV" rating enables the potential impact on development objectives to be measured through the evaluation of sub-criteria such as governance, effects on employment, social issues, gender or the environment. These DEV ratings are distributed on a scale of 1 to 6, with DEV 1 being the most positive in terms of impact on development. All loans eligible under the SDG framework will have a DEV 1 or DEV 2 rating.

In addition to these detailed measures, data protection is a relevant risk for projects under the thematic eligibility of state reform, concerning digital transformation (e-government). The AFD specified that the institutional framework and data protection are key issues integrated in project funding and management. The AFD has a data officer who acts as focus point for the group for the GDPR (General Data Protection Regulation, the European legal framework on data protection), and who is also involved in the identification and management of data protection risks in financed projects when relevant.

# ISSUER



Agence Française de Développement (AFD) is the French Development Agency implementing policy in the areas of development and international solidarity. AFD's mission is to contribute to the economic, social, and environmental progress of low and middle-income countries. This mission is carried out by providing loans, grants, expertise or technical assistance. AFD has a network of 85 agencies and representations worldwide. AFD was founded in 1941 and is headquartered in Paris.

## Level of ESG performance

The Issuer's ESG performance was assessed through a complete process of rating and benchmark.

As of September 2019, the AFD displays an overall advanced ESG performance, ranking 1st in our Specific Purpose Banks & Agencies sector which covers 20 companies.

DOMAIN	COMMENTS	OPINION
Environment	<p><b>AFD's performance in the Environmental pillar is considered advanced.</b></p> <p>AFD has issued a formalised commitment to environmental protection in its Environmental and Social Risk Management Policy, Climate and Development Strategy 2017-2022, Energy Transition Strategy 2019-2022, Biodiversity Action Plan 2019-2022 and CSR Policy 2018-2022, and has set specific standards in this regard, such as the target to ensure a 100% Paris Agreement-compatible activity. The institution commits to all its responsibilities in terms of environmental protection. The commitment applies throughout the institution, supported by senior management, with in addition a dedicated structure responsible for this issue. The company has allocated significant resources to environmental management, and comprehensive employees environmental engagement initiatives, including employees' incentives.</p> <p>The Institution commits to integrate environmental standards in its lending/financing process, by assessing the indirect environmental impacts of AFD's operations in terms of ecology (adverse effect on natural environments and biodiversity). In addition to assessing environmental risks and managing them, the bank is proactive in raising the awareness of its clients/ industrial sectors on sensitive environmental matters, also in cooperation with stakeholders.</p> <p>The AFD commits to reduce its energy consumption and CO2 emissions, and has processes to systematically consider climate risks in its financing activities and set up dedicated financing channels to support the energy transition. The share of approvals dedicated to "climate" financing on the total portfolio shows positive trend.</p> <p>Regarding the management of environmental impacts from transportation, the institution has set up all the relevant measures to reduce its environmental impacts related to the transport of its personnel, which are additionally innovative compared to its peers.</p>	<b>Advanced</b>
		Robust
		Limited
		Weak

Social	<p><b>AFD's performance in the Social pillar is considered advanced.</b></p> <p>AFD's performance in Human Rights is advanced in absolute terms. AFD has issued a formalised commitment to respect and promote human rights in its activities in its Environmental and Social Risk Management Policy, in its 2018-2022 Strategy, and in its CSR Policy, which addresses all of its responsibilities. The AFD conducts human rights risks assessments for all transactions. To strengthen the respect and promotion of Human rights in its activities, AFD has deployed its own complaint mechanism for stakeholders potentially harmed by its financing. In addition, Civil Society Organisations have participated in the elaboration of the Human Rights strategy and external review of the environmental and social risk approach was conducted since 2016. In addition, the AFD has issued a formalized commitment to non-discrimination, and has set up extensive measures to prevent discrimination and promote diversity, resulting in an increase in the share of women in management positions and employees with disabilities.</p> <p>AFD's performance in Human Resources is advanced in absolute terms. The Institution displays a solid framework to promote labour relation covering both the headquarter and foreign agencies. A formalised career management system covering also local employees is in place and effectiveness of training is monitored. AFD has established avoidance of overtime and work reorganisation measures and it describes efficient means to promote occupational health and safety, including the management of work-related stress and related indicators show stable trends. In addition, a new HR department "Quality of Work Life" has been established.</p> <p>AFD's performance in the Community Involvement domain is advanced in absolute terms, which is consistent with the previous review. Promoting social and economic development is the core mission of the Group. Proparco (AFD's private sector financing arm) has strengthened its 2020 objectives to triple its impacts on sustainable development (employment, climate, innovation, education, health and energy infrastructure). In addition, AFD discloses a policy with regard to its operations in Non-Cooperative Jurisdictions (NCJ) to ensure a responsible tax strategy. Finally, related KPIs show a positive trend.</p>	<p>Advanced</p> <hr/> <p>Robust</p> <hr/> <p>Limited</p> <hr/> <p>Weak</p>
Governance	<p><b>AFD's performance in the Governance pillar is considered advanced.</b></p> <p>AFD's performance in the Corporate Governance domain is advanced in absolute terms and has increased compared to the previous review. This improvement can be explained by the fact that in January 2019, AFD adopted a professional whistle-blowing system and there is more independency as regards to external auditors. The roles of Chairman and CEO are separated, the Board is composed by non-executives and display a robust diversity of skills and backgrounds. CSR issues are clearly integrated at governance level as a topic on the agenda of Board meetings and within the scope of internal controls. Moreover, the Institution evaluates the governance of customers it finances and commits to supporting counterparties in improving their governance framework. With regard to remuneration, AFD's executive officers do not receive variable compensation but CSR performance indicators are included in their objectives contract.</p> <p>The AFD has issued a formalised commitment to preventing corruption and money laundering for both in its internal operations and investee projects, notably in procurement, in its Anti-corruption Code of Conduct 2018, AFD and Proparco General Policy on Combating Corruption, Fraud, Anti-Competitive Practices, Money Laundering and Terrorist Financing, and in its Professional Ethics Charter, which address their main responsibilities, referring to recognized standards. The AFD has set up internal and external controls to prevent corruption, including a confidential reporting system. Robust procedures are disclosed to identify and manage business ethics risks. The AFD is registered on a Register of Interest Representatives and it has issued a formalised and accessible commitment to transparent and fair relations with public officials and stakeholders in its Transparency Policy.</p>	<p>Advanced</p> <hr/> <p>Robust</p> <hr/> <p>Limited</p> <hr/> <p>Weak</p>

## Management of ESG Controversies

As of today, the review conducted by Vigeo Eiris has found that Agence Française de Développement is involved in three controversies. Given their severity and frequency and considering Agence Française de Développement responsiveness, the issuer's ability to mitigate controversy risks is considered as robust. The three controversies are linked to two of the six domains we analyse:

- Environment, in the criteria of "Environmentally responsible financing" and "Climate change: indirect impacts".
- Human Rights, in the criteria of "Fundamental Human Rights".

Frequency: On average, the controversies are considered occasional, while the sector average is isolated.

Severity: On average, the level of severity is considered high, while the sector average is significant.

Responsiveness: AFD is overall remediative, in line with the sector.

## Involvement in Controversial Activities

The Issuer appear to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

# METHODOLOGY

---

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, Vigeo Eiris provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Project Manager, Quality Reviewer and final review and validation by a Senior Supervisor). A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, Vigeo Eiris' Scientific Council. All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

## COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

## ISSUANCE

### Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

*The Framework has been evaluated by Vigeo Eiris according to the ICMA's Green Bond Principles - June 2018 ("GBP") and the Social Bond Principles - June 2020 ("SBP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.*

### Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. Vigeo Eiris evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

### Process for evaluation and selection

The evaluation and selection process is assessed by Vigeo Eiris on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

### Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by Vigeo Eiris on their transparency, traceability and verification.

### Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by Vigeo Eiris on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).



## Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

Vigeo Eiris' assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

### Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;<sup>3</sup>
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

### Activities' ESG risk management

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of Vigeo Eiris' ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

## ISSUER

### Issuer's ESG performance

Scale of assessment of ESG performance: Weak, Limited, Robust, Advanced

*NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by Vigeo Eiris.*

The Issuer's ESG performance has been assessed by Vigeo Eiris on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Results: indicators, stakeholders' feedbacks and controversies.

### Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

<sup>3</sup> The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

### Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

### VIGEO EIRIS' ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. Reasonable level of risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of assurance of risk management is weak to very weak.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

# DISCLAIMER

---

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has carried out one audit mission for the AFD until now. No established relation (financial or commercial) exists between Vigeo Eiris and the Issuer. Vigeo Eiris' conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

Restriction on distribution and use of this opinion: The deliverables remain the property of Vigeo Eiris. The draft version of the Second Party Opinion by Vigeo Eiris is for information purpose only and shall not be disclosed by the client. Vigeo Eiris grants the Issuer/Borrower all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer/Borrower shall determine in a worldwide perimeter. The Issuer/Borrower has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond(s) issuance. The Issuer acknowledges and agrees that Vigeo Eiris reserves the right to publish the final version of the Second Party Opinion on Vigeo Eiris' website and on Vigeo Eiris' internal and external communication supporting documents.

© 2020 Vigeo SAS and/or its licensors and subsidiaries (collectively, "Vigeo Eiris"). All rights reserved.

Vigeo Eiris provides its customers with data, information, research, analyses, reports, quantitative model-based scores, assessments and/or other opinions (collectively, "Research") with respect to the environmental, social and/or governance ("ESG") attributes and/or performance of individual issuers or with respect to sectors, activities, regions, stakeholders, states or specific themes.

VIGEO EIRIS'S RESEARCH DOES NOT ADDRESS NON-ESG FACTORS AND/OR RISKS, INCLUDING BUT NOT LIMITED TO: CREDIT RISK, LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. VIGEO EIRIS'S RESEARCH DOES NOT CONSTITUTE STATEMENTS OF CURRENT OR HISTORICAL FACT. VIGEO EIRIS'S RESEARCH: (i) DOES NOT CONSTITUTE OR PROVIDE CREDIT RATINGS OR INVESTMENT OR FINANCIAL ADVICE; (ii) IS NOT AND DOES NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES; AND (iii) DOES NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. VIGEO EIRIS ISSUES ITS RESEARCH WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

VIGEO EIRIS'S RESEARCH IS NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE VIGEO EIRIS'S RESEARCH WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. VIGEO EIRIS'S RESEARCH IS NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT VIGEO EIRIS'S PRIOR WRITTEN CONSENT.

ALL INFORMATION CONTAINED HEREIN IS OBTAINED BY VIGEO EIRIS FROM SOURCES BELIEVED BY IT TO BE ACCURATE AND RELIABLE. BECAUSE OF THE POSSIBILITY OF HUMAN OR MECHANICAL ERROR AS WELL AS OTHER FACTORS, HOWEVER, ALL INFORMATION CONTAINED HEREIN IS PROVIDED "AS IS" WITHOUT WARRANTY, EXPRESS OR IMPLIED, OF ANY KIND, INCLUDING AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. VIGEO EIRIS IS NOT AN AUDITOR AND CANNOT IN EVERY INSTANCE INDEPENDENTLY VERIFY OR VALIDATE INFORMATION IT RECEIVES.

To the extent permitted by law, Vigeo Eiris and its directors, officers, employees, agents, representatives, licensors and suppliers (together, "Vigeo Parties") disclaim liability to any person or entity for any (a) indirect, special, consequential, or incidental losses or damages, and (b) direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded); on the part of, or any contingency within or beyond the control of any Vigeo Party, arising from or in connection with the information contained herein or the use of or inability to use any such information.