

# Second-Party Opinion

## SFIL Group Green, Social & Sustainability Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the SFIL Group Green, Social & Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eight eligible categories<sup>1</sup> for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the investments in the eligible categories are expected to lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 3, 4, 6, 7, 8, 9, 11 and 12.



**PROJECT EVALUATION / SELECTION** SFIL Group's internal process in evaluating and selecting projects is managed by the Green, Social and Sustainability Bond Committee to ensure alignment with framework eligibility criteria. The committee comprises representatives from various different business divisions and departments.<sup>2</sup> SFIL evaluates environmental and social risks during the initiation of loans and ensures all projects go through an enforced due diligence process. Sustainalytics considers this process in line with market practice.



**MANAGEMENT OF PROCEEDS** SFIL will track proceeds internally through a register and the Financial Markets Department will be responsible for managing proceeds. Proceeds will be allocated within 24 months from issuance on a best-effort basis. Pending allocation, unallocated proceeds will be managed in accordance with SFIL's treasury policy. This is in line with market practice.



**REPORTING** SFIL Group intends to report on impact and allocation of proceeds on its website on an annual basis until full allocation and in case of material developments. Allocation reporting is expected to include metrics such as total proceeds allocated by eligible category and number of loans associated with each bond issuance. In addition, SFIL Group is committed to reporting on relevant impact metrics. Sustainalytics views SFIL Group's allocation and impact reporting as aligned with market practice.

**Evaluation date** October 07, 2022

**Issuer Location** Paris, France

### Report Sections

Introduction.....	2
Sustainalytics' Opinion .....	3
Appendices .....	17

**For inquiries, contact the Sustainable Finance Solutions project team:**

**John-Paul Iamonaco (Toronto)**  
Project Manager  
john-paul.iamonaco@sustainalytics.com  
(+1) 416 861 0403

**Sameen Ahmed (Toronto)**  
Project Support

**Lea Muething (London)**  
Project Support

**Prashant Pandey (Mumbai)**  
Project Support

**Abhishek Pruseth (Mumbai)**  
Project Support

**Kibii Sisulu (London)**  
Client Relations  
susfinance.emea@sustainalytics.com  
(+44) 20 3880 0193

<sup>1</sup> Territorial Mobility and Soft Urban Transport, Renewable Energy, Energy Efficiency of Construction and Urban Development, Sustainable Water and Sanitation, Waste Management and Valuation, Renewal and Cohesion of Territories, Access to Essential Services, and Affordable Basic Infrastructure.

<sup>2</sup> Asset and Liability Management and financial markets, funding & treasury, investor relations & sustainability, local public sector department, and export financing

## Introduction

SFIL Group (“SFIL”, the “Issuer” or the “Bank”) is a public development bank established in 2013 under authorization of the European Commission to provide financing for public sector investments in France and refinancing of French exports. SFIL is headquartered in the Paris region and operated with 394 employees as of December 2021.

SFIL has developed the SFIL Group Green, Social & Sustainability Bond Framework dated October 2022 (the “Framework”) under which it intends to issue green, social and sustainability bonds and use the proceeds to finance or refinance, in whole or in part, eligible projects that are intended to promote sustainable development in France. The Framework defines eligibility criteria in eight areas:

1. Territorial Mobility and Soft Urban Transport
2. Renewable Energy
3. Energy Efficiency of Construction and Urban Development
4. Sustainable Water and Sanitation
5. Waste Management and Valuation
6. Renewal and Cohesion of Territories
7. Access to Essential Services
8. Affordable Basic Infrastructure

SFIL engaged Sustainalytics to review the SFIL Group Green, Social & Sustainability Bond Framework and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), and Social Bond Principles 2021 (SBP).<sup>3</sup> The Framework has been published in a separate document.<sup>4</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.12, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of SFIL’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. SFIL representatives have confirmed (1) they understand it is the sole responsibility of SFIL to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and SFIL.

<sup>3</sup> The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>4</sup> The SFIL Group Green, Social & Sustainability Bond Framework is available on SFIL Group’s website at: <https://sfil.fr/en/sfil-group-investors/>

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, SFIL is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that SFIL has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the SFIL Group Green, Social & Sustainability Bond Framework

Sustainalytics is of the opinion that the SFIL Group Green, Social & Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of SFIL's Sustainability Bond Framework:

- Use of Proceeds:
  - The eligible categories – Territorial Mobility and Soft Urban Transport, Renewable Energy, Energy Efficiency of Construction and Urban Development, Sustainable Water and Sanitation, Waste Management and Valuation, Renewal and Cohesion of Territories, Access to Essential Services, and Affordable Basic Infrastructure – are aligned with those recognized by the GBP and SBP.
  - Instruments eligible under the Framework include covered bonds issued by CAFFIL as well as senior unsecured bonds issued by SFIL. SFIL defines a look-back period of 36 months for refinancing.
  - Under the Territorial Mobility and Soft Urban Transport category, SFIL will finance vehicles, rolling stock, vessels and infrastructure supporting low-carbon transportation. Assets financed will meet one of the following criteria:
    - Personal mobility devices (such as electric and conventional bicycles), motorbikes, passenger cars and light commercial vehicles with: i) zero tailpipe emissions; ii) an emissions threshold at or below 50 gCO<sub>2</sub>e/km until 2025, and 0 gCO<sub>2</sub>e/km from 2026 onwards; or iii) personal mobility devices propelled by physical activity, from a zero-emissions motor or both. Examples include electric and conventional bicycles. SFIL may also finance accessibility schemes such as public bicycles and electric vehicle sharing schemes.
    - Hybrid rolling stock for passenger and freight transport, including passenger and freight trains, wagons and coaches with zero direct (tailpipe) CO<sub>2</sub> emissions when operated on a track with necessary infrastructure, and conventional engines where such infrastructure is not available (bi-mode).
    - Road passenger vehicles with: i) zero tailpipe emissions; or ii) passenger road transport vehicles compliant with the EURO VI standard until 2025. Sustainalytics notes that the Issuer's criteria is aligned with EU Taxonomy Delegated act, where the EURO VI standards do not require vehicles to comply with CO<sub>2</sub> emissions thresholds.<sup>6</sup> Sustainalytics further notes that, emission intensity of the buses can go up to 60

<sup>6</sup> Sustainalytics considers 50 gCO<sub>2</sub>e/pkm for passenger rail, 25 gCO<sub>2</sub>e/tkm for freight rail, 75 gCO<sub>2</sub>e/pkm for road passenger vehicles and 25 gCO<sub>2</sub>e/tkm as in line with market practice.

gCO<sub>2</sub>e/p-km,<sup>7</sup> under 80% occupation ratio assumption, which is above the 50 gCO<sub>2</sub>e/p-km threshold, which Sustainalytics considers to be aligned with a credible threshold for passenger transport. In this context, Sustainalytics encourages SFIL to report on the emissions intensity per passenger basis of the financed fleet.

- Inland as well as sea and coastal passenger and freight water vessels with zero direct tailpipe emissions.
- Infrastructure enabling low-carbon road, rail, water, personal mobility and cycling transport, including for:
  - (i) vehicles, personal mobility and vessels with zero direct tailpipe emissions, such as electric charging points, electricity grid connection upgrades, hydrogen fuelling stations, electric road systems, provision of shore-side electrical power to vessels at berth and port operations with zero direct emissions. Regarding port operations, SFIL has confirmed that such financing will exclusively relate to electric charging stations located in ports.
  - (ii) urban and inter-urban public road transport, such as bus stations, terminals, service facilities.
  - (iii) facilitating intermodal transport, such as platforms combining rail and road transport. Sustainalytics notes that such infrastructure will only be dedicated towards public transport and excludes intermodal freight transport.
  - (iv) rail transport, such as railways, tramways, subways, bridges, tunnels, stations, terminals and rail service facilities.
  - (v) personal mobility and cycling logistics, such as pavements, bike lanes and pedestrian zones.
  - (vi) for infrastructure enabling low-carbon public road and rail transport, Sustainalytics notes that SFIL intends to finance infrastructure that is not dedicated to low-carbon vehicles meeting the 50 gCO<sub>2</sub>e/pkm emissions threshold. Sustainalytics views this as a deviation from market practice and encourages SFIL to adopt a decarbonization plan for the fleet of the road and rail infrastructure investment. Sustainalytics notes that rolling stock, vessels, vehicles, and transportation infrastructure dedicated to the transportation and storage of fossil fuels will be excluded from financing.
- Under the Renewable Energy category, SFIL will finance renewable energy production and its transmission and distribution. Assets financed will meet one of the following criteria:
  - Electricity generation from solar power, wind power, ocean energy, hydropower, geothermal energy and bioenergy. Solar power includes photovoltaic as well as concentrated solar power (CSP). Sustainalytics notes that the Issuer has not communicated the portion of fossil fuel backup they are relying on. In case of CSP projects, Sustainalytics considers reliance on non-renewable energy backup limited at 15% of the facility's electricity production as market practice and recommends that SFIL report on the limit of use of non-solar energy (fossil fuel backup sources). Hydropower facilities will either be run-of-river plants without an artificial reservoir, have power density that is greater than 5 W/m<sup>2</sup>, or have an emissions threshold below 100 gCO<sub>2</sub>e/kWh. Sustainalytics notes that the issuer's eligibility criteria is aligned with EU Taxonomy Delegated Act, which defines the estimated reservoir emissions intensity threshold at below 100 gCO<sub>2</sub>e/kWh. However, considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for an extended period, favouring lower thresholds for new facilities. Sustainalytics encourages SFIL to favour projects constructed after 2019 with emissions intensities below the 50g CO<sub>2</sub>e/kWh threshold.
  - Projects involving geothermal energy will have an emissions threshold below 100 gCO<sub>2</sub>e/kWh.
  - Co-generation of heating and cooling with power and production of heating and cooling from solar energy, geothermal energy and bioenergy. Geothermal energy projects will have an emissions threshold below 100 gCO<sub>2</sub>e/kWh. SFIL has confirmed that biomass feedstock will be limited to agricultural and wood residues.

<sup>7</sup> This excludes advanced biofuels, the emissions threshold for which can go up to 75 gCO<sub>2</sub>e/p-km. Source: Intergovernmental Panel on Climate Change, "Climate Change 2022", at: [https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC\\_AR6\\_WGIII\\_Full\\_Report.pdf](https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Full_Report.pdf)

- Installation of electric heat pumps.
  - Transmission and distribution of renewable energy, green hydrogen or other low-carbon gases<sup>8</sup> and heating and cooling. Regarding renewable energy transmission and distribution, the following may be financed: (i) European interconnected systems, (ii) systems where the average grid emissions factor<sup>9</sup> is below 100 gCO<sub>2e</sub>/kWh, (iii) creating or extending direct connections to renewable energy generation facilities, or (iv) optimization of the electricity networks. Examples of expenditures for the latter include equipment targeted at increasing and integrating electricity from renewable energy, transmission and distribution transformers, smart metering systems, equipment to allow for exchange of specifically renewable electricity between users and interconnectors between transmission systems which connect to production plants with a GHG intensity at or below 100 gCO<sub>2e</sub>/kWh. Regarding European interconnected systems as a standalone criterion, Sustainalytics considers the expansion and maintenance of resilient electricity grids broadly to be supportive of positive environmental outcomes and recognizes SFIL's intent to largely align with the EU Taxonomy. Nevertheless, it has become common practice in the market to finance transmission and distribution of assets employed predominantly to transmit or enable the use of renewable energy. Therefore, not requiring that assets align with emissions intensity thresholds or transition trajectories represents a deviation from common practice that may allow for the financing of transmission of carbon-intensive energy.
  - Energy storage including pumped hydropower and hydrogen that returns either electricity or hydrogen at a later time. Example expenditures include construction and operations of hydrogen storage facilities and conversion of existing underground gas storage facilities into storage facilities dedicated to hydrogen-storage.
  - Manufacture of biogas, biofuels and bioliquids solely from agricultural and wood residues, as well as manufacture of hydrogen and equipment for the production and use of it. Expenditures may include financing of hydrogen electrolyzers, the conditioning process such as liquefaction of hydrogen, and the acquisition and manufacturing of equipment for the production, conditioning and use of hydrogen.
  - Sustainalytics notes that SFIL has confirmed that for all hydrogen-related projects, hydrogen will be produced through electrolysis using renewable energy.
- Under the Energy Efficiency of Construction and Urban Development category, SFIL intends to finance expenditures related to construction, refurbishment and acquisition of new or existing residential or non-residential buildings that meet one of the following criteria:
- (i) buildings that have achieved or are expected to achieve minimum standards of BREEAM<sup>10</sup> Excellent, HQE<sup>11</sup> Excellent and LEED<sup>12</sup> Platinum in green building certification schemes;
  - (ii) buildings that have or target to acquire the E+C- label with a minimum level of E2/C1 or BBCA;
  - (iii) buildings built before 31 December 2020 belonging either to the top 15% energy-efficient buildings of the national or regional building stock or with an energy performance certificate (EPC)<sup>13</sup> rating of at least A;
  - (iv) buildings built after December 31, 2020 with Primary Energy Demand (PED) equal to at least the relevant national threshold set forth for the Nearly Zero-Energy Building (NZEB)<sup>14</sup> requirements<sup>15</sup>, and with tests conducted post-construction for air-tightness, thermal integrity and global warming potential for buildings larger than 5,000 m<sup>2</sup> in size. Sustainalytics notes that it is market practice that buildings built after 31 December

<sup>8</sup> SFIL has confirmed to Sustainalytics that low-carbon gases will be limited to hydrogen or renewable-based biogas.

<sup>9</sup> Total annual emissions from power generation connected to the system divided by the total annual net electricity production in that system measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.

<sup>10</sup> BREEAM at: <https://bregroup.com/products/breem/>

<sup>11</sup> HQE, at: <https://www.behqe.com/cerway/essentials>

<sup>12</sup> LEED at: <https://www.usgbc.org/leed>

<sup>13</sup> EPC at: [https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/certificates-and-inspections\\_en](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/certificates-and-inspections_en)

<sup>14</sup> NZEB at: [https://ec.europa.eu/energy/eu-buildings-factsheets-topics-tree/nearly-zero-energy-buildings-and-their-energy-performance\\_en](https://ec.europa.eu/energy/eu-buildings-factsheets-topics-tree/nearly-zero-energy-buildings-and-their-energy-performance_en)

<sup>15</sup> For further information on primary energy requirements for single family houses and offices under NZEB in France, please see: [https://www.bpie.eu/wp-content/uploads/2021/06/Nearly-zero\\_EU-Member-State-Review-062021\\_Final.pdf.pdf](https://www.bpie.eu/wp-content/uploads/2021/06/Nearly-zero_EU-Member-State-Review-062021_Final.pdf.pdf)

- 2020 have a PED at least 10% lower than the requirement for NZEB and encourages SFIL to prioritize expenditures towards such buildings.
- SFIL may further finance renovation costs for existing residential or non-residential buildings that are expected to either: (i) achieve a minimum of 30% reduction in PED or comply with applicable requirements of the EU's Energy Performance of Buildings Directive (EPBD);<sup>16</sup> (ii) have achieved or target to achieve the aforementioned certification schemes. Financed expenditures under this sub-category may also include the renovation of public lighting systems, such as installation of LED lights and individual performance improvement measures aimed at improving energy efficiency of buildings,<sup>17</sup> such as insulation, replacement, repair or maintenance of doors, windows, HVAC, sanitary water fittings, thermostats and energy management systems (EMS).
  - The Bank has confirmed that investments in this category will exclude buildings dedicated to the production or storage of fossil fuels. Expenditures related to improving energy efficiency of buildings will exclude fossil fuel-based heating or cooling systems.
- Under the Sustainable Water and Sanitation category, SFIL may finance projects intended to: (i) improve water quality, efficiency and conservation; (ii) restore aquatic ecosystems, wetlands and woodlands; and (iii) build climate change resilience through flood prevention.
    - Under projects related to water quality, efficiency and conservation, the Bank may invest in water collection treatment and supply systems such as water supply networks and infrastructure, water treatment plants, rainwater collection and depollution network and infrastructure, wastewater transport and cleaning network and infrastructure, sanitation and dredging of water beds, and investment in water transfer and distribution systems to reduce water loss.
    - Regarding restoration of aquatic ecosystems, wetlands and woodlands, projects may include the redesign of fishways to preserve aquatic ecosystems in drainage basins, restoration of water courses and protection of wetlands.
    - For flood prevention, projects may include flood defence systems, hydraulic protection works, development of river basins, and development and maintenance of rivers, canals, lakes and water bodies. Sustainalytics also notes that the flood and stormwater projects will include appropriate vulnerability assessments and adaptation plans, as confirmed by the Bank, which is in line with market practice.
  - Under the Waste Management and Valuation category, SFIL may finance projects related to: i) energy-from-waste facilities for the generation of electricity or heat limited to facilities using feedstock from municipal solid waste and located in countries with public waste management systems; and ii) waste management supporting pollution control and resource efficiency which may include:
    - Collection, transport and treatment of municipal waste. SFIL has confirmed to Sustainalytics that intended projects will support segregation of waste at source, recovery, reuse and recycling of waste, and that collection vehicles will not be financed.
    - Design, construction, modernization, operation, acquisition, installation and maintenance of energy from waste facilities for the generation of electricity and heat.<sup>18</sup> Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine the objectives of achieving a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, in order to ensure low emissions intensity of such projects, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to current constraints of recycling in many parts of the world, energy from waste can offer a better residual waste management option than

<sup>16</sup> European Parliament, "Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency", (2018), at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3A0J.L\\_.2018.156.01.0075.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3A0J.L_.2018.156.01.0075.01.ENG)

<sup>17</sup> Eligible investments under the individual performance improvement measures aimed at improving energy efficiency of buildings may include investments aligned with the Technical Screening Criteria outlined under sections 7.3 to 7.6 of the EU Climate Delegated Act Annex 1, as available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R2139>

<sup>18</sup> SFIL's waste hierarchy principles prioritize waste prevention, reduction, reuse, and recycling prior to incineration to minimize waste disposal to landfills.

landfills in many cases. Sustainalytics recommends SFIL to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.

- Sorting, processing, and recycling facilities of non-hazardous waste and related infrastructure, which may include high-capacity recycling centres, and waste collection centres.
  - Biowaste composting facilities and related infrastructure, such as anaerobic digestion facilities.
  - SFIL commits to exclude financing and refinancing of activities related to waste landfills and waste from fossil fuels.
- Under the Renewal and Cohesion of Territories category, SFIL may finance the following:
- Projects supporting the development and renovation of subsidized social housing to disadvantaged populations at risk of housing exclusion guaranteed by French law<sup>19</sup> to ensure that 100% of housing funded will be rented to populations under resources ceilings. In France, social housing is restricted by the government for low-income individuals and families based on income ceilings (referred to as revenue ceilings under these programmes) that the government determines using two factors: i) the number of individuals in the household; and ii) the geographic area of social housing. These income ceilings differ across three social housing schemes: i) PLAI (rental loan assisted integration); ii) PLUS (rental loan for social use); and iii) PLS (social rental loan). More than 80% of social housing is governed by the PLUS scheme where annual income ceilings are: EUR 24,316 for Paris and EUR 21,139 for other metropolitan areas.<sup>20</sup> Sustainalytics notes that the average income for an individual (EUR 27,180 in Paris<sup>21</sup> and EUR 22,040 in other metropolitan areas)<sup>22</sup> is higher than the income ceilings under the social housing schemes,<sup>23</sup> and recognizes this as favourable for targeting vulnerable populations under the social housing category. Additionally, the rent caps under the social housing schemes of EUR 4.56/m<sup>2</sup> in metropolitan cities and EUR 6.70/m<sup>2</sup> in Paris,<sup>24,25</sup> are also lower when compared to rent prices between EUR 6.60/m<sup>2</sup> and EUR 14.70/m<sup>2</sup> in metropolitan areas, and between EUR 11.2/m<sup>2</sup> to EUR 31.00/m<sup>2</sup> in Paris, depending on the area. Sustainalytics notes that the capped affordable housing rent under the subsidy schemes are below the market rent rates in France, which is considered as a favourable approach for ensuring affordability for the target populations.
  - Projects supporting access to digital connectivity and inclusion for populations living in areas lacking connection to digital networks.<sup>26</sup> The projects may include the financing of broadband networks to create, extend or improve broadband coverage, in order to provide high-speed<sup>27</sup> internet access.
  - Projects supporting urban renewal and rural revitalization aimed at improving the living conditions of inhabitants of cities and rural areas to support public initiatives, such as *Quartiers prioritaires de la ville*,<sup>28</sup> *Nouveau Programme National de Renouvellement*

<sup>19</sup> Ibid.

<sup>20</sup> Agence Nationale pour l'Information sur le Logement (ANIL), "Logement social : plafonds de ressources", (2022) at: <https://www.anil.org/aj-plafonds-ressources-2022-logement-social/>

<sup>21</sup> Institut National de la Statistique et des études Economiques (INSEE), "L'Île-de-France est la région où les salaires versés sont les plus élevés", (2018) at:

[https://www.insee.fr/fr/statistiques/5650198#:~:text=En%202018%2C%20la%20moiti%C3%A9%20des%20salari%C3%A9s%20franciliens%20du%20priv%C3%A9%20per%C3%A7oivent,France%20\(1%20871%20euros\)](https://www.insee.fr/fr/statistiques/5650198#:~:text=En%202018%2C%20la%20moiti%C3%A9%20des%20salari%C3%A9s%20franciliens%20du%20priv%C3%A9%20per%C3%A7oivent,France%20(1%20871%20euros))

<sup>22</sup> INSEE, "Niveau de vie médian selon le statut d'activité en 2019", at: [https://www.insee.fr/fr/outil-interactif/5367857/details/30\\_RPC/31\\_RNP/31B\\_Figure2](https://www.insee.fr/fr/outil-interactif/5367857/details/30_RPC/31_RNP/31B_Figure2)

<sup>23</sup> Median income in France reflects income that is net of taxes, while the income ceilings determined by the government of France show pre-tax income levels.

<sup>24</sup> Government of France, Ministry of Ecological Transition and Territorial Cohesion, "Logement social (HLM) : définition, catégories, financement, attribution, acteurs", (2020) at: <https://www.ecologie.gouv.fr/logement-social-hlm-definition-categories-financement-attribution-acteurs>

<sup>25</sup> L'Union Sociale pour l'Habitat, "Les loyers Hlm", (2021) at: <https://www.union-habitat.org/union-data/les-hlm-en-chiffres/les-loyers-hlm>

<sup>26</sup> SFIL has informed Sustainalytics that these are rural areas at risk of digital exclusion, primarily where the deployment of optical fibre is not profitable because of low population density or deployment difficulties.

<sup>27</sup> Autorité de régulation des communications électroniques, des postes et de la distribution de la presse (Arcep), "La couverture internet fixe à haut et très haut débit", at: <https://www.arcep.fr/nos-sujets/la-couverture-internet-fixe-a-haut-et-tres-haut-debit.html>

<sup>28</sup> INSEE, "Quartiers prioritaires de la politique de la ville", at: <https://www.insee.fr/fr/metadonnees/definition/c2114>

*Urbain*,<sup>29</sup> *Opérations de revitalisation de territoire*<sup>30</sup>, *Action coeur de ville*,<sup>31</sup> and *Petites villes de demain*.<sup>32</sup> The French government prioritizes these initiatives for neighbourhoods based on the proportion of individuals with an annual income below EUR 11,250 in a given area, which corresponds to c.36% of the median salary after tax for France.

- Under the Access to Essential Services category, SFIL may finance loans towards the development, renovation, purchase, installation, operation and maintenance<sup>33</sup> of facilities and equipment pertaining to healthcare, education and associated infrastructure for disadvantaged and underserved segments,<sup>34</sup> as well as the general public regardless of ability to pay, as per the following:
  - Projects related to education, such as public nurseries, daycare, pre-school, primary and secondary schools, universities, cafeterias, public professional training organizations,<sup>35</sup> adult learning and continuous education.<sup>36</sup> In addition, the Bank may also finance projects related to rolling stock for universally accessible school transfers for public educational institutions. Sustainalytics recognizes the social impact of rolling stock intended to improve universal accessibility for public educational institutions via school transfers, but notes that the rolling stock may not exclusively consist of a low-carbon fleet. Sustainalytics encourages SFIL to prioritize the financing of low-carbon vehicles under this category.
  - Projects related to sports, cultural facilities and open spaces, such as sport centres, parks, fields, libraries, museums, theatres, community centres<sup>37</sup> and multipurpose venues such as concert halls, where access to these sites will be free for all.
  - Regarding healthcare infrastructure and services, intended facilities may include public healthcare facilities and services, including hospitals,<sup>38</sup> medical centres and laboratories,<sup>39</sup> childcare facilities, and first-aid facilities. Furthermore, the Bank may also finance social and medico-social establishments,<sup>40</sup> including institutions managed by public entities or private non-profit entities (associations, foundations). SFIL communicated to Sustainalytics that total financial assistance for non-profit entities will be less than 10% of the total use of proceeds.
- Under the Affordable Basic Infrastructure category, SFIL may finance the following:
  - Projects supporting clean drinking water infrastructure to increase the capacity for production and storage of drinking water for underserved populations lacking access to clean water through the construction of new facilities as well as the rehabilitation and extension of existing facilities, including: water drilling, modern equipped wells, equipped water sources, rainwater collection, drinking water treatment plants, water

<sup>29</sup> Agence Nationale pour la Rénovation Urbaine, “Qu’est-ce que le Nouveau Programme National de Renouvellement Urbain ?”, at: <https://www.anru.fr/le-nouveau-programme-national-de-renouvellement-urbain-nprnu>

<sup>30</sup> Government of France, Ministry of Ecological Transition and Territorial Cohesion, “Opération de revitalisation de territoire (ORT)”, at: <https://agence-cohesion-territoires.gouv.fr/operations-de-revitalisation-de-territoire-ort-576>

<sup>31</sup> Agence Nationale de la Cohesion des Territoires, “Action coeur de ville”, at: <https://agence-cohesion-territoires.gouv.fr/action-coeur-de-ville-42>

<sup>32</sup> Agence Nationale de la Cohesion des Territoires, “Petites Villes de Demain”, at: <https://agence-cohesion-territoires.gouv.fr/petites-villes-de-demain-45>

<sup>33</sup> SFIL confirmed to Sustainalytics that loans towards operation and maintenance of infrastructure will not include administrative expenses, such as salaries for staff, teachers and others.

<sup>34</sup> SFIL communicated to Sustainalytics that financing under this category will be limited to target beneficiaries among disadvantaged and underserved segments, including people who are unemployed, holders of a solidarity employment contract, beneficiaries of the *Revenu minimum d'insertion* welfare programme, homeless people, young people aged 16 to 25 excluded from school and engaged in a process of professional integration, underserved populations with difficult access to essential goods and services, and the entire population in the catchment area of culture and sport facilities. In addition, this also includes professional training organizations which are publicly accessible.

<sup>35</sup> SFIL confirmed to Sustainalytics that it will provide financing for publicly accessible professional training infrastructure for the organizations working on skill development towards employment, and not for operating expenses of the organizations.

<sup>36</sup> SFIL confirmed to Sustainalytics that it will only finance the infrastructure necessary to support public adult learning and continuous education and not the courses themselves.

<sup>37</sup> Examples of community centres include *maisons des associations* and *maisons des quartiers*.

<sup>38</sup> SFIL confirmed to Sustainalytics that these are public hospitals located outside of France. SFIL provides financing support for French public hospitals through its Green, Social & Sustainability Bond Framework.

<sup>39</sup> SFIL confirmed to Sustainalytics that this only includes medical laboratories dedicated to patients' needs.

<sup>40</sup> SFIL confirmed to Sustainalytics that financing will be limited to institutions managed by public entities (CCAS/CIAS or local public establishments) or private non-profit entities (associations, foundations). Social and medico-social establishments (ESMS) are defined by the *Code de l'action sociale et des familles* (<https://www.legifrance.gouv.fr/codes/id/LEGISCTA000006174436/>) and include facilities such as *Centre Communal d'Action Sociale (CCAS)* and *Centre intercommunal d'action sociale (CIAS)*.

- towers and storage facilities, drinking water fountains and associated connections, supply and distribution pipes.
- Projects supporting access to domestic wastewater treatment and sanitation facilities and associated infrastructure, such as sewage networks for populations not connected to wastewater drainage and management networks.
  - Electricity transmission and distribution infrastructure to improve access in areas without access or where access is substantially inadequate, i.e. regions where less than 50% of the population have access to electricity. Financing may further take place where this is part of the public infrastructure development plan of a DAC country classified as least developed country, low-income country or lower middle-income country.
  - Road transportation infrastructure to improve connectivity to basic infrastructure such as hospitals and schools for rural populations living at more than 2 km away from an all-season road.<sup>41</sup> Equivalent criteria or financing may also take place where this is part of the public infrastructure development plan of a DAC country classified as least-developed country, low-income country or lower middle-income country. The financing will exclude the upkeep and upgrade of major roads and highways.
  - Sustainalytics notes that SFIL intends to pursue the financing of basic infrastructure based on a country-wide approach, with a focus on countries classified from least developed to lower-middle income countries. Sustainalytics considers impactful in the context of social finance to direct such investments to fill a gap in specific areas lacking access to electricity and connectivity, and notes that adopting a country-wide targeting may provide limited benefits and impact to areas and populations in need of such infrastructure. Sustainalytics further encourages SFIL to prioritize areas lacking these basic infrastructure and to report on the expected social impact.
- Project Evaluation and Selection:
    - All eligible loans to French local authorities originated by La Banque Postale and other partner banks are transferred to SFIL Group to be financed or refinanced through the issuance of green, social or sustainability bonds.
    - SFIL evaluates environmental and social risks during the loan initiation process and ensures that all projects go through an enforced due diligence and eligibility criteria assessment. Loans are also examined against the Bank’s governance guidelines, principles, and management system to ascertain and address corruption and money laundering issues.
    - After evaluation against the eligibility criteria, SFIL’s Green, Social and Sustainability Bond Committee (the “Committee”) determines final eligibility of the proposed projects and monitors the overall project evaluation and selection process. The Committee comprises the Head of Asset and Liability Management and financial markets, Head of funding & treasury, Head of investor relations & sustainability and a representative from the local public sector department as well as the export financing department.<sup>42</sup> In consultation with the Bank’s Export Credit Department, the Committee will also review eligible loans related to financing major export credit agreements.
    - Based on SFIL’s well-defined process for project evaluation and selection, and senior management’s participation in approval, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - SFIL’s Financial Markets department will be responsible for the management and allocation of proceeds. The Bank will use its internal systems to track the allocation of proceeds and has developed a register to monitor eligible loans. Each transaction will be allocated to a dedicated set of eligible green or social loans, which will then be flagged to a specific bond issuance and will remain associated to the specific issuance until full maturity. If any projects become

<sup>41</sup> An “all-season road” is defined as a road that is motorable year round by the prevailing means of rural transport (often a pick-up truck or a truck that does not have four-wheel drive), based on the World Bank definition of all-season road in the Rural Access Index.

The World Bank, Data Catalog, “Rural Access Index (RAI)” at: <https://datacatalog.worldbank.org/search/dataset/0038250>

<sup>42</sup> Representatives from local public sector department and export financing department are not SFIL employees. They are French government representatives from respective government bodies in the committee (i.e. Local public sector department and Export financing department).

- ineligible during the life of the bonds, SFIL Group will strive to remove the respective loans from the register and replace them as soon as practically feasible.
- The Bank intends to fully allocate all the proceeds within two years on a best effort basis. Pending full allocation, unallocated proceeds will be managed in accordance with SFIL's treasury policy.
  - SFIL will hire a third-party to verify allocation of bond proceeds with the procedures and processes outlined in the Framework, which Sustainalytics views as in line with market practice.
  - Reporting:
    - On an annual basis, until full allocation of proceeds or in case of material developments, allocation and impact reporting will be made available to investors on SFIL's website. The allocation reporting is expected to include total proceeds allocated to each bond, number of loans financed from each bond issuance, average tenure of loans, proportion of financed and refinanced projects, total amount of unallocated proceeds, and the geographical split of loans.
    - SFIL also intends to report on the environmental and social impact of financed activities, such as number of low-emission vehicles financed, number of education facilities built or upgraded, number of people provided access to clean and affordable energy. For a detailed list of impact indicators, please refer Appendix 1. In addition, subject to confidentiality, SFIL may provide examples of French local authority's investments or export credit financing or refinancing operations which benefited from the bond proceeds.
    - Furthermore, SFIL Group strives to align its reporting with reporting templates as suggested by the Harmonized Framework for Impact Reporting.<sup>43</sup> Sustainalytics notes that the allocation and impact reporting process is aligned with market practice.

### Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the SFIL Group Green, Social & Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information, please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Performance of SFIL

### Contribution of Framework to SFIL Group's sustainability strategy

SFIL was established in 2013 by the French government as a public development bank to provide long-term funding to the French public-sector following the 2008 financial crisis. SFIL operates under a specific public mandate to secure funding for: the French healthcare system, for social infrastructure investment requirements, and for financing green investments by local authorities and inter-municipal consortia. SFIL's strategic plan named #Objectif 2026 emphasizes three sustainability pillars: i) local public sector activity; ii) export credit activity; and iii) financing.<sup>44</sup> The Bank has set up a Climate Risk Committee which is chaired by the Chief Risk Officer and includes representatives from other divisions to understand and assess specific physical and transition risks.<sup>45</sup>

In 2021, the Bank granted EUR 680 million in green loans to local authorities representing 17% of its total loans as compared to 9% in 2020. Having set a target to reduce GHG emissions by at least 15% between 2018 and 2021, the Bank managed a 31% reduction in the period, consisting of 99% scope 3 emissions and 1% scope 2 emissions.<sup>46</sup> In 2018, SFIL set up a social issues programme to provide financing to the public hospital sector in France. In 2021, the distribution of loans to public hospitals represented 13% of SFIL's total EUR 4.9 billion loans distributed to the local public sector.<sup>47</sup> Moreover, in 2021 SFIL, in partnership with La Banque Postale, provided 20%<sup>48</sup> of the total financing extended to French local authorities and public health institutions, further highlighting the Bank's role in supporting France's social infrastructure.<sup>49</sup>

<sup>43</sup> International Capital Markets Association, "Harmonized Framework for Impact Reporting", (2022), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>

<sup>44</sup> SFIL, "Annual Financial Report 2021", p.12, (2022), at: <https://sfil.fr/en/wp-content/uploads/sites/2/2022/04/2021-Annual-Financial-Report.pdf>

<sup>45</sup> SFIL, "Annual Financial Report 2021", p.55, (2022), at: [https://sfil.fr/wp-content/uploads/2022/03/SFIL\\_Rapport\\_financier\\_annuel-2021v.pdf](https://sfil.fr/wp-content/uploads/2022/03/SFIL_Rapport_financier_annuel-2021v.pdf)

<sup>46</sup> SFIL, "CSR Report 2021", p.90, (2022), at: [https://sfil.fr/wp-content/uploads/2022/04/RSE-FR\\_2021.pdf](https://sfil.fr/wp-content/uploads/2022/04/RSE-FR_2021.pdf)

<sup>47</sup> SFIL, "Annual Financial Report 2021", p.7, (2022), at: <https://sfil.fr/en/wp-content/uploads/sites/2/2022/04/2021-Annual-Financial-Report.pdf>

<sup>48</sup> According to SFIL's internal calculation based on the market estimate in La Banque Postale's October 2021 economic report.

<sup>49</sup> SFIL, "Annual Financial Report 2021", p.4, (2022), at: <https://sfil.fr/en/wp-content/uploads/sites/2/2022/04/2021-Annual-Financial-Report.pdf>

Therefore, based on SFIL's mandate to secure funding for France's social and healthcare infrastructure, and for financing green investments by local authorities, Sustainalytics considers that the Bank is well positioned to issue green, social and sustainability bonds. Further, Sustainalytics is of the opinion that the SFIL Group Green, Social & Sustainability Bond Framework is aligned with its overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include issues involving climate risks (both physical and transition risks), environmental and biodiversity degradation, waste management, stakeholder relationships, occupational health and safety, and corporate governance.

Sustainalytics is of the opinion that SFIL is able to manage and mitigate potential risks through implementation of the following:

- SFIL has mapped climate risks by risk categories and has set up a climate risk committee which analyses both physical and transition risks periodically.<sup>50</sup>
  - For addressing physical risks, SFIL's risk division carried out a study in 2021 by simulating five major natural disasters and quantified the impact of the occurrence of certain acute physical risks on each local authority.<sup>51</sup> SFIL also mapped the results against a five-point scale to understand the intensity of impact in specific French departments. SFIL intends to continue this study in 2022 to incorporate chronic risk factors pertaining to environmental degradation.<sup>52</sup>
  - For transition risks, SFIL examined different scenarios to ascertain their impact on SFIL and investment needs of local bodies as part of the transition to a low-carbon economy.<sup>53</sup> The scenarios are aligned with France's National Low-Carbon Strategy and aim to reduce GHG emissions by 40% by 2030 compared to 1990 levels and achieve carbon neutrality by 2050.<sup>54</sup>
- France is a Designated Country<sup>55</sup> under the Equator principles,<sup>56</sup> indicating the presence of environmental and social governance, legislation systems and institutional capacity designed to protect people and the natural environment. In addition, the majority of SFIL's partner banks have committed to the Equator Principles<sup>57</sup> through their risk management frameworks to identify, assess and manage environmental and social risks when financing large infrastructure projects.
- To address risks related to environmental and biodiversity degradation, and waste management, SFIL follows the French Environmental Code,<sup>58</sup> which establishes rules and procedures regarding conservation of natural resources, supervision of hazardous activities and environmental assessments.<sup>59</sup> The French Environmental Code relies on the principle of preventive and corrective action and the "polluter pays" principle to mitigate environmental risks. In addition, the code also addresses stakeholder participation,<sup>60</sup> requiring citizen consultation for any activities that may have an impact on the environment and their livelihood.
- To address social risks pertaining to occupational health and safety, the French Ministry of Labour is responsible for the development and implementation of French occupational health and safety policy and manages cooperation with social partners in the Steering Committee on Working Conditions.<sup>61</sup> French

<sup>50</sup> SFIL, "Annual Financial Report 2021", p.54, (2022), at: [https://sfil.fr/wp-content/uploads/2022/03/SFIL\\_Rapport\\_financier\\_annuel-2021v.pdf](https://sfil.fr/wp-content/uploads/2022/03/SFIL_Rapport_financier_annuel-2021v.pdf)

<sup>51</sup> SFIL, "Annual Financial Report 2021", p.55, (2022), at: [https://sfil.fr/wp-content/uploads/2022/03/SFIL\\_Rapport\\_financier\\_annuel-2021v.pdf](https://sfil.fr/wp-content/uploads/2022/03/SFIL_Rapport_financier_annuel-2021v.pdf)

<sup>52</sup> Ibid.

<sup>53</sup> SFIL, "Annual Financial Report 2021", p.54, (2022), at: [https://sfil.fr/wp-content/uploads/2022/03/SFIL\\_Rapport\\_financier\\_annuel-2021v.pdf](https://sfil.fr/wp-content/uploads/2022/03/SFIL_Rapport_financier_annuel-2021v.pdf)

<sup>54</sup> Ibid.

<sup>55</sup> Equator Principles, "Designated and Non-Designated Countries", at: <https://equator-principles.com/about-the-equator-principles/designated-countries/>

<sup>56</sup> Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

<sup>57</sup> Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

<sup>58</sup> ICLG, "France: Environment & Climate Change Law 2019", (2022), at: <https://iclg.com/practice-areas/environment-and-climate-change-laws-and-regulations/france>

<sup>59</sup> Thomson Reuters Practical Law, "Environmental law and practice in France: overview", (2022), at: [https://uk.practicallaw.thomsonreuters.com/7-503-4572?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&bhcp=1](https://uk.practicallaw.thomsonreuters.com/7-503-4572?transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1)

<sup>60</sup> UNEG, "Principles for Stakeholder Engagement", (2022), at: <http://www.uneval.org/document/download/2790>

<sup>61</sup> OSHA, "France", (2022), at: <https://osha.europa.eu/en/about-eu-osha/national-focal-points/france>

law requires employee representation on health and safety issues.<sup>62</sup> In the case of the private sector, French legislation places responsibility of worker health and safety on employers, which is provided through the establishment of a social and economic committee within the respective company, a single body covering all areas where employees have representation rights.

- SFIL ensures that the investments financed by green and social loans comply with minimal social guarantees and the OECD Guidelines for Multinational Enterprises<sup>63</sup>. The Bank also adheres to the UN Guiding Principles on Business and Human Rights.<sup>64</sup>
- All potentially sensitive projects financed under the Framework are required to have a social and environmental impact assessment reviewed by BPI France Assurance Export (BPIAE)<sup>65</sup> according to OECD guidelines<sup>66</sup> and standards of the World Bank Group<sup>67</sup> and the International Financial Corporation (IFC).<sup>68</sup> SFIL also requires its debtors to meet BPIAE's requirements to mitigate environmental and social risks under penalty of suspension or termination of the export credit.
- To address risks arising from corporate governance, all eligible loans are evaluated against SFIL's governance guidelines, principles and management systems, which include mapping corruption risks and other preventive measures targeted at money laundering.<sup>69</sup>
- Due to the potentially large geographical scope of financing, Sustainalytics notes that the respective risk assessment associated with such financing is carried out by partner commercial banks which are all signatories to the Equator Principles as well as the French Export Credit Agency (BPI AE) in the case of the insurance scheme. The assessment varies depending on whether the envisioned financing will take place in a designated or non-designated country<sup>70</sup> of the Equator Principles.<sup>71</sup> In case of the latter, detailed analysis of social and environmental aspects is carried out and the assessment extends to potential human rights issues of prospective projects. Examples of aspects assessed include: (i) the consideration of actual or potential adverse human rights impacts and, if none were identified, an explanation of how the determination of the absence of human rights risks was reached, including which stakeholder groups and vulnerable populations (if present) were considered in their analysis; (ii) socio-economic impacts; (iii) land acquisition and involuntary resettlement; and (iv) labour issues (including the four core labour standards), and occupational health and safety.

Based on these policies, standards, and assessments, Sustainalytics is of the opinion that SFIL has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

#### Impact of financing clean transportation in France

Transport is responsible for almost 25% of GHG emissions in the European Union and is the main cause of air pollution in cities.<sup>72</sup> Under the European Green Deal, the EU aims to achieve 90% reduction in GHG emissions

<sup>62</sup> Worker Participation, "France: health and Safety Representation", (2022), at: OSHA, "France", (2019), at: <https://osha.europa.eu/en/about-eu-osha/national-focal-points/france>

<sup>17</sup> Worker Participation, "France: health and Safety Representation", (2022), at: <https://www.worker-participation.eu/National-Industrial-Relations/Countries/France/Health-and-Safety>

<sup>63</sup> OECD, "Guidelines for Multinational Enterprises", (2022), at: <https://www.oecd.org/employment/emp/guidelinesformultinationalenterprises.htm>

<sup>64</sup> UNGC, "Guiding Principles for Business and Human Rights 2011", (2022), at: <https://www.unglobalcompact.org/library/2>

<sup>65</sup> BPI (Banque publique d'investissement) France Assurance Export is the French Credit Export Agency which provides insurance solutions for French companies and banks with direct guarantee of the French State.

<sup>66</sup> OECD, "Recommendation of the Council on Common Approaches for officially supported export credits and environmental and social due diligence (the Common approaches)", (2022), at: <https://www.oecd.org/trade/topics/export-credits/environmental-and-social-due-diligence/>

<sup>67</sup> The World Bank, "Environmental and Social Policies", (2022), at: <https://www.worldbank.org/en/projects-operations/environmental-and-social-policies>

<sup>68</sup> IFC, "Environmental, Health, and Safety Guidelines", (2022), at:

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/ehs-guidelines](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines)

<sup>69</sup> SFIL, "Corporate Social Responsibility Report", at: [https://sfil.fr/en/wp-content/uploads/sites/2/2022/07/RSE-GB\\_10-06-2022.pdf](https://sfil.fr/en/wp-content/uploads/sites/2/2022/07/RSE-GB_10-06-2022.pdf)

<sup>70</sup> List of designated countries available at: <https://equator-principles.com/about-the-equator-principles/designated-countries/>

<sup>71</sup> More information available at: [https://equator-principles.com/app/uploads/The-Equator-Principles\\_EP4\\_July2020.pdf](https://equator-principles.com/app/uploads/The-Equator-Principles_EP4_July2020.pdf)

<sup>72</sup> European Commission, "Transport emissions-A European Strategy for low-emission mobility", (2022), at: [https://ec.europa.eu/clima/eu-action/transport-emissions\\_en](https://ec.europa.eu/clima/eu-action/transport-emissions_en)

from transport by 2050, compared with 1990 levels.<sup>73,74</sup> The EU White Paper on Transport<sup>75</sup> set a high-level target to achieve a 20% reduction in emissions by 2030, from a 2008 baseline, as well as a 60% reduction from 1990 levels by 2050, which was reaffirmed in the 2030 climate and energy framework.<sup>76</sup> The intended emissions reduction is part of the EU's efforts to reduce CO<sub>2</sub> emissions and achieve climate neutrality by 2050.<sup>77</sup> Unlike other economic sectors, transport-related emissions remain higher than 1990 levels<sup>78</sup> and are expected to increase by 32% by 2030.<sup>79</sup> Transport is the only sector where GHG emissions have surged in the past three decades, rising 33.5% between 1990 and 2019, which demonstrates the need to reduce emissions from transport-related activities.<sup>80</sup>

In 2019, road transport contributed to 72% of the EU's total domestic and international transport GHG emissions, while rail transport made up 0.5%.<sup>81</sup> As part of its Sustainable and Smart Mobility Strategy, the EU intends to double the number of high-speed trains by 2030 and triple it by 2050,<sup>82</sup> including expanding business sector use.<sup>83</sup> The EU also plans to replace the diesel running fleets with hydrogen-based trains, and in this regard the expansion of the rail network is seen as a significant step ahead in helping the EU meet its climate neutrality goals.<sup>84,85</sup> Achieving the EU's goal of climate neutrality will also require at least 30 million zero-emission vehicles by 2030.<sup>86</sup> With increasing numbers of plug-in electric vehicles (EVs) in Europe, the European Automobile Manufacturers Association estimates that the current number of 100,000 charging stations across Europe will need to increase by at least 20 times by 2025.<sup>87</sup>

In France, transport is responsible for nearly 27% of total GHG emissions and is the top emitting sector in the country.<sup>88</sup> In 2020, transport contributed to 32% of France's total energy consumption and a large share of air pollutant emissions.<sup>89</sup> France established the National Low-Carbon Strategy (*Stratégie Nationale Bas-Carbone*)<sup>90</sup> in 2015 outlining a plan to cut GHG emissions and the transition towards a low-carbon and net zero economy by 2050.<sup>91</sup> Emissions from transport and other key sectors have not declined in line with France's national targets,<sup>92</sup> so the National Low-Carbon Strategy requires strong medium-term actions to try to increase the rate of reduction in these sectors<sup>93</sup>. The French government has been taking various steps

<sup>73</sup> European Commission, "A European Green Deal", (2022), at: [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

<sup>74</sup> European Commission, "Transport and the Green Deal", (2022), at: [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/transport-and-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/transport-and-green-deal_en)

<sup>75</sup> European Commission, "White Paper on Transport", (2011), at: <https://op.europa.eu/en/publication-detail/-/publication/bfaa7afd-7d56-4a8d-b44d-2d1630448855/language-en>

<sup>76</sup> European Commission, "The 2030 climate and energy framework" (2022), at: <https://www.consilium.europa.eu/en/policies/climate-change/2030-climate-and-energy-framework/#:~:text=The%202030%20climate%20and%20energy%20framework%20was%20presented,at%20the%20end%20of%20the%20current%2020%20framework>

<sup>77</sup> European Parliament, "CO<sub>2</sub> emissions from cars: facts and figures (infographics)", (2022) at: <https://www.europarl.europa.eu/news/en/headlines/society/20190313ST031218/co2-emissions-from-cars-facts-and-figures-infographics>

<sup>78</sup> European Commission, "Transport Emissions", at: [https://ec.europa.eu/clima/eu-action/transport-emissions\\_en](https://ec.europa.eu/clima/eu-action/transport-emissions_en)

<sup>79</sup> European Energy Agency, "Greenhouse gas emissions from transport in Europe", at: <https://www.eea.europa.eu/data-and-maps/indicators/transport-emissions-of-greenhouse-gases-7/assessment>

<sup>80</sup> European Parliament, "CO<sub>2</sub> emissions from cars: facts and figures (infographics)", (2022) at:

<https://www.europarl.europa.eu/news/en/headlines/society/20190313ST031218/co2-emissions-from-cars-facts-and-figures-infographics>

<sup>81</sup> European Environment Agency, "Share of transport greenhouse gas emissions", at: <https://www.eea.europa.eu/data-and-maps/daviz/share-of-transport-ghg-emissions-2/#tab-dashboard-01>

<sup>82</sup> Telefonica, "Europe's commitment to trains, a clean and digitised means of transport", (2022), at: <https://www.telefonica.com/en/communication-room/blog/europes-commitment-to-trains-a-clean-and-digitised-means-of-transport/>

<sup>83</sup> Ibid.

<sup>84</sup> Bloomberg, "EU Wants a Rail Renaissance to Help De-Carbonize Transport", (2022), at: <https://www.bloomberg.com/news/articles/2021-12-14/eu-looks-to-a-rail-renaissance-to-help-de-carbonize-transport>

<sup>85</sup> Euro news, "Full steam ahead: hydrogen train boosted by EU climate goals 2020", (2022), at: <https://www.euronews.com/2020/07/22/full-steam-ahead-hydrogen-train-boosted-by-eu-climate-goals>

<sup>86</sup> Bloomberg, "EU Aims to Have 30 Million Electric Cars on the Road by 2030", (2020), at: <https://www.bloomberg.com/news/articles/2020-12-03/eu-aims-to-have-30-million-electric-cars-on-the-road-by-2030#xj4y7vzkg>

<sup>87</sup> Reuters, "Electric car sales in Europe jump, but still just 4% of market" (2020), at: <https://www.reuters.com/article/us-europe-autos-electric/electric-carsales-in-europe-jump-but-still-just-4-of-marketidUSKBN2202AR#:~:text=Electric%20car%20sales%20in%20the,%2C%20while%20Norway's%20declined%2012.4%25.>

<sup>88</sup> International Energy Agency, "France 2021 Energy Policy Review", P.56, at: <https://iea.blob.core.windows.net/assets/7b3b4b9d-6db3-4dcf-a0a5-a9993d7dd1d6/France2021.pdf>

<sup>89</sup> International Energy Agency, "France 2021 Energy Policy Review", P.48, at: <https://iea.blob.core.windows.net/assets/7b3b4b9d-6db3-4dcf-a0a5-a9993d7dd1d6/France2021.pdf>

<sup>90</sup> UNFCCC, "National Low-Carbon Strategy", (2022), at: [https://unfccc.int/sites/default/files/resource/National\\_Low\\_Carbon\\_Strategy\\_v2\\_EN.pdf](https://unfccc.int/sites/default/files/resource/National_Low_Carbon_Strategy_v2_EN.pdf)

<sup>91</sup> Ibid.

<sup>92</sup> Ibid.

<sup>93</sup> International Energy Agency, "France 2021 Energy Policy Review", P.56, at: <https://iea.blob.core.windows.net/assets/7b3b4b9d-6db3-4dcf-a0a5-a9993d7dd1d6/France2021.pdf>

(e.g. the Bonus-Malus incentive system,<sup>94</sup> French Recovery Plan<sup>95</sup>) to accelerate the electrification of the country's transport system, including supporting expansion of the electric charger network, the procurement of electric vehicles in public fleets,<sup>96</sup> and a proposed plan to end the sale of new light-duty vehicles using fossil fuels by 2040.<sup>97</sup> The French government's strategy to improve energy efficiency in the transport sector also relies on fiscal measures and recommends adopting low-emission and electric vehicles, strengthening related infrastructure, promoting clean mobility with the use of two and three-wheeled vehicles, in addition to supporting public transport, carpooling and bicycle infrastructure.<sup>98</sup>

SFIL's investments in territorial mobility and soft urban transport (clean transportation) are expected to increase the availability of and access to low-emission vehicles, passenger and freight trains with zero direct CO<sub>2</sub> emissions, including developing public transport, and can positively contribute to decarbonizing France's transport sector.

### Impact of financing access to education in France

The level of student learning in EU countries is high compared to other countries, but many education systems in the EU have become less successful in ensuring that all students acquire required skills in recent decades.<sup>99</sup> Education poverty and inequality have widened in the last 15 years in EU countries,<sup>100</sup> problems made worse by the closure of schools, universities and other places of learning during the pandemic.<sup>101,102,103</sup> This loss of schooling in vulnerable communities is likely to affect student's overall health, social mobility, job prospects and life expectancy,<sup>104,105</sup> with PISA scores in Europe reflecting consistent performance gaps between wealthier and poorer students.<sup>106</sup>

In France, higher education enrolment increased significantly over the past 10 years, but social and territorial inequalities still hinder equal access to higher education for all.<sup>107</sup> Specialized institutions are more concentrated in urban areas, especially around Paris and Lyon.<sup>108</sup> Economically disadvantaged students from regions lacking higher educational institutions have the hardest time accessing higher education and consequently improving their life prospects, further increasing regional vulnerabilities.<sup>109</sup> More than two-fifths of primary school leaders in France reported that insufficient Internet access affects their school's ability to provide adequate education and another 57% say digital equipment for teaching is insufficient or unsuitable in a 2018 survey.<sup>110</sup> In this scenario, facilitating access to lifelong learning for adults is one of the key educational challenges in France, which is why the French government sees investing in education as one of its highest priorities.<sup>111</sup>

<sup>94</sup> Model Laws for Deep Carbonization, "French Bonus-Malus Feebate Program", at: <https://lpdd.org/resources/french-bonus-malus-feebate-program/>

<sup>95</sup> Agence France Trésor, "French Recovery Plan", at: <https://www.aft.gouv.fr/en/french-recovery-plan>

<sup>96</sup> International Energy Agency, "France 2021 Energy Policy Review", at: <https://iea.blob.core.windows.net/assets/7b3b4b9d-6db3-4dcf-a0a5-a9993d7dd1d6/France2021.pdf>

<sup>97</sup> The International Council on Clean Transportation, "Action speak louder than words: The French commitment to electric vehicles", at: <https://theicct.org/actions-speak-louder-than-words-the-french-commitment-to-electric-vehicles/>

<sup>98</sup> International Energy Agency, "France 2021 Energy Policy Review", P.70, at: <https://iea.blob.core.windows.net/assets/7b3b4b9d-6db3-4dcf-a0a5-a9993d7dd1d6/France2021.pdf>

<sup>99</sup> World Bank Group, "Education in the EU: Diverging Learning Opportunities?", (2022), at: <https://thedocs.worldbank.org/en/doc/180421529688002726-0080022018/original/EUGUSkillSupplyfinal5302018.pdf>

<sup>100</sup> Ibid.

<sup>101</sup> Ibid.

<sup>102</sup> UNESCO website, "Startling digital divides in distance learning emerge", at: <https://en.unesco.org/news/startling-digital-divides-distance-learning-emerge>

<sup>103</sup> The Conversation, "Coronavirus school closures impact 1.3 billion children.", (2022), at: <https://theconversation.com/coronavirus-school-closures-impact-1-3-billion-children-and-remote-learning-is-increasing-inequality-138656#:~:text=It%20will%20inevitably%20lead%20to%20a%20greater%20disparity,may%20do%20some%20a%20great%20injustice.%20Alternative%20approaches>

<sup>104</sup> European Commission, "The likely impact of COVID-19 on education: Reflections based on the existing literature and recent international datasets", (2020), at: <https://publications.jrc.ec.europa.eu/repository/bitstream/JRC121071/jrc121071.pdf>

<sup>105</sup> Social Europe, "Must try harder: recovering from educational inequality (2021)", at: <https://socialeurope.eu/must-try-harder-recovering-from-educational-inequality>

<sup>106</sup> World Bank Group, "Education in the EU: Diverging Learning Opportunities?", (2022), at: <https://thedocs.worldbank.org/en/doc/180421529688002726-0080022018/original/EUGUSkillSupplyfinal5302018.pdf>

<sup>107</sup> Right to Education, "Threatened by inequalities: the right to higher education in France", (2022), at: <https://www.right-to-education.org/blog/threatened-inequalities-right-higher-education-france>

<sup>108</sup> Ibid.

<sup>109</sup> Ibid.

<sup>110</sup> Ibid.

<sup>111</sup> OECD, "Education Policy Outlook France", (2020), at: <https://www.oecd.org/education/policy-outlook/country-profile-France-2020.pdf>

In this context, SFIL's financing access to education, professional training and related infrastructure is expected to contribute to providing equitable and affordable education in France.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds issued under the SFIL Group Green, Social & Sustainability Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Territorial Mobility and Soft Urban Transport	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
	9. Industry, Innovation, and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Energy Efficiency of Construction and Urban Development	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation, and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Sustainable Water and Sanitation	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Waste Management and Valuation	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Renewal and cohesion of territories	1. No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new

	11. Sustainable Cities and Communities	<p>technology and financial services, including microfinance.</p> <p>11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p>
Access to Essential Services	<p>3. Good Health and Wellbeing</p> <p>4. Quality Education</p>	<p>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all</p> <p>4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.</p> <p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p>
Affordable Basic Infrastructure	<p>6. Clean Water and Sanitation</p> <p>7. Affordable and clean energy</p>	<p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all</p> <p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</p> <p>7.1 By 2030, ensure universal access to affordable, reliable and modern energy services</p>

## Conclusion

SFIL has developed the SFIL Group Green, Social & Sustainability Bond Framework under which it intends to issue green, social and sustainability bonds and use the proceeds to finance and refinance, in whole or in part, eligible projects that are intended to promote sustainable development in France.

The Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for SFIL to report on the allocation and impact of their use. Sustainalytics believes that the Framework is aligned with the Bank's sustainability strategy and that the eligible categories are expected to contribute to the advancement of the UN SDGs 1, 3, 4, 6, 7, 8, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that SFIL has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is of the opinion that SFIL is well positioned to issue green, social and sustainability bonds and that the SFIL Group Green, Social & Sustainability Bond Framework is robust, transparent and in alignment with the four core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021.

## Appendix

### Appendix 1: Examples of Impact Reporting Metrics

Eligible Green and Social Categories	Examples of Impact Reporting Metrics
Territorial Mobility and Soft Urban Transport	<p>Tonnes of CO<sub>2</sub>e avoided per year</p> <p>Avoided greenhouse gas emissions per EUR 1k invested (tonnes of CO<sub>2</sub>e/kEUR)</p> <p>Number of low-emissions vehicles financed</p> <p>Km of public transport lines created or maintained</p>
Renewable Energy	<p>Breakdown of Renewable Energy technology financed</p> <p>Installed renewable energy capacity (MW)</p> <p>Expected renewable energy production (Kwh)</p> <p>Tonnes of CO<sub>2</sub>e avoided per year</p> <p>Tonnes of CO<sub>2</sub>e avoided per financed MW (TCO<sub>2</sub>e/MW)</p> <p>Km of transmission lines network installed</p> <p>Renewable energy power connected to the network (MW)</p>
Energy Efficiency of Construction and Urban Development	<p>Tonnes of CO<sub>2</sub>e avoided per year (m<sup>2</sup> constructed)</p> <p>Tonnes of CO<sub>2</sub>e avoided per year (m<sup>2</sup> refurbished)</p> <p>Reduction of energy consumption (kWh/year)</p> <p>Energy saved (MWh/year).</p> <p>Tonnes of CO<sub>2</sub>e avoided per year</p> <p>Reduction of energy consumption (kWh/year)</p>
Sustainable Water and Sanitation	<p>Volume of sludge produced (tons of dry substance per year)</p> <p>Number of kilometres of wastewater network (added or renewed)</p> <p>Drinking water volume distributed (m<sup>3</sup>/year)</p>
Waste Management and Valuation	<p>Additional energy recovery capacity from waste</p> <p>Tonnes of waste managed or recycled or recovered per year by entities benefitting from green loans</p>
Renewal and cohesion of territories	<p>Number of dwellings financed</p> <p>Number of dwellings connected</p> <p>Share of coverage of <i>Réseaux d'Initiative Publique</i></p> <p>Number of inhabitants benefitting from revitalization programmes</p>
Access to Essential Services	<p>Number of education facilities built or upgraded</p>

	<p>Number of pupils benefitting from school transfer services</p> <p>Number of students</p> <p>Number of people trained</p> <p>Number of sport and culture facilities financed.</p> <p>Number of healthcare facilities built or upgraded</p> <p>Split by type of facility</p> <p>Number of patients benefitting from treatment</p>
<p>Affordable Basic Infrastructure</p>	<p>Number of beneficiaries</p> <p>Type of projects financed and number of projects supported</p> <p>Percentage/size of populations provided access to clean water and/or sanitation.</p> <p>Number of people provided access to clean and affordable energy</p> <p>Increased number or share of rural areas and households with access to electricity (clean, affordable energy)</p> <p>Kilometres of feeder roads rehabilitated or built</p>

## Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	SFIL Group
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b>	SFIL Group Green, Social & Sustainability Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	October 07, 2022
<b>Publication date of review publication:</b>	
<b>Original publication date [please fill this out for updates]:</b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                                |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Territorial Mobility & Soft Urban Transport, Renewable Energy, Energy Efficiency of Construction and Urban Development, Sustainable Water and Sanitation, Waste Management and Valuation, Renewal and Cohesion of Territories, Access to Essential Services and Affordable Basic Infrastructure – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 3, 4, 6, 7, 8, 9, 11 and 12.

### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation   |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input checked="" type="checkbox"/> Other (please specify): Waste management and valuation               |

If applicable please specify the environmental taxonomy, if other than GBPs:

### Use of proceeds categories as per SBP:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure   | <input checked="" type="checkbox"/> Access to essential services                                |
| <input type="checkbox"/> Affordable housing   | <input type="checkbox"/> Employment generation (through SME financing and microfinance)         |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment                              |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Renewal and cohesion of territories |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

SFIL Group's Green, Social and Sustainability Bond Committee manages the internal process for evaluating and selecting projects and ensuring alignment with the framework's eligibility criteria. The committee comprises representatives from Asset and Liability Management and financial markets, funding & treasury, investor relations & sustainability, local public sector department, and export financing. SFIL evaluates environmental and social risks during the initiation of loans and ensures all projects go through an enforced due diligence process. Sustainalytics considers the project selection process to be in line with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other (please specify):  |

#### Information on Responsibilities and Accountability

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |   |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

SFIL will track the bond proceeds internally through a register and the Financial Markets Department will be responsible for managing bond proceeds. Proceeds will be allocated within the 24 months of issuance on a best effort basis. Pending allocation, unallocated proceeds will be managed in accordance with SFIL's treasury policy. Sustainalytics considers this to be in line with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

#### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- |   |  |
|---|--|
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):                               |

**4. REPORTING**

Overall comment on section (if applicable):

SFIL Group intends to report on impact and allocation of proceeds on its website on an annual basis until full allocation and in case of material developments. Allocation reporting is expected to include metrics such as total proceeds allocated by eligible category and number of loans associated with each bond issuance. In addition, SFIL Group is committed to reporting on relevant impact metrics. Sustainalytics views SFIL Group’s allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- |   |  |
|---|--|
| <input type="checkbox"/> Project-by-project                       | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input checked="" type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |   |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported (expected or ex-post):**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings   |
| <input type="checkbox"/> Decrease in water use              | <input type="checkbox"/> Number of beneficiaries  |
| <input checked="" type="checkbox"/> Target populations      | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Please refer to Appendix 1 for a full list of ESG indicators |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
|--|--------------------------------------|

Other (please specify):

#### Means of Disclosure

- Information published in financial report       Information published in sustainability report
- Information published in ad hoc documents       Other (please specify): website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

#### USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

#### SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

##### Type(s) of Review provided:

- Consultancy (incl. 2<sup>nd</sup> opinion)       Certification
- Verification / Audit       Rating
- Other (please specify):

**Review provider(s):**

**Date of publication:**

#### ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

- 
- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

## Disclaimer

**Copyright ©2022 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [contact@sustainalytics.com](mailto:contact@sustainalytics.com)

