

## SECOND PARTY OPINION (SPO)

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

Société Générale Madagasikara

21 June 2024

### VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Sustainable and Positive Impact Instruments
- International Capital Market Association (ICMA)'s Green Bond Principles (GBP) (as of June 2021 with June 2022 appendix 1), Social Bond Principles (SBP) (as of June 2023) and Sustainability Bond Guidelines (SBG) (as of June 2021)

Relevant standards

- Loan Market Association (LMA)'s Green Loan Principles (GLP) (as of February 2023) and Social Loan Principles (SLP)
- UN Principles for Positive Impact Finance (UN PPIF) (as of Jan. 1, 2017)

Scope of verification

- Société Générale Madagasikara's Sustainable and Positive Impact Finance Framework (June 11, 2024)
- Société Générale Madagasikara's Eligibility Criteria (June 11, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

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## SCOPE OF WORK

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

1. Société Générale Madagasikara’s Sustainable and Positive Impact Finance Framework (June 11, 2024), benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), the Loan Market Association’s (LMA) Green Loan Principles (GLP) and Social Loan Principles (SLP), and the U.N. Principles for Positive Impact Finance.
2. The Eligibility Criteria — whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction(s) to Société Générale Madagasikara’s overall ESG profile, drawing on the issuance-specific Use of Proceeds (UoP) categories.


## SOCIÉTÉ GÉNÉRALE MADAGASIKARA BUSINESS OVERVIEW

Société Générale operates as a banking and financial institution. It is classified in the commercial banks and capital markets industry, as per ISS ESG’s sector classification.

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

Société Générale Madagasikara has been a subsidiary of Société Générale Group since 1998. The Bank provides individual, corporate and institutional clients with banking and financial services in Madagascar.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<p><b>Part 1a:</b></p> <p><b>Alignment with the ICMA’s GBP, SBP, SBG, and the LMA’s GLP and SLP</b></p>	<p>The Issuer has defined a formal concept for its Sustainable and Positive Impact Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP, SBP, SBG, GLP and SLP.</p>	<b>Aligned</b>
<p><b>Part 1b:</b></p> <p><b>Alignment with U.N. PPIF</b></p>	<p>The Issuer has defined a formal concept for its Sustainable and Positive Impact Instruments regarding definition, frameworks, transparency and assessment. This concept is in line with the U.N. PPIF.</p>	<b>Aligned</b>
<p><b>Part 2:</b></p> <p><b>Sustainability quality of the Eligibility Criteria</b></p>	<p>The Sustainable and Positive Impact Instruments will (re)finance eligible asset categories which include:</p> <p>Green categories: Renewable Energy, Transmission and Distribution</p> <p>Social categories: Employment Generation and Preservation through SME Financing and Microfinance</p> <p>Product and/or service-related use of proceeds categories<sup>2</sup> individually contribute to one or more of the following SDGs:</p> <div style="text-align: center;">  </div> <p>The environmental and social risks associated with the use of proceeds categories are managed.</p>	<b>Positive</b>

<sup>1</sup> The evaluation is based on Société Générale Madagascar’s Sustainable and Positive Impact Finance Framework (June 11, 2024, version), on the analysed Eligibility Criteria as received on June 11, 2024.

<sup>2</sup> Green categories: Renewable Energy, Transmission and Distribution.

Social categories: Employment Generation and Preservation through SME Financing and microfinance.

<p><b>Part 3:</b></p> <p><b>Linking the transaction(s) to Société Générale's ESG profile</b></p>	<p>The key sustainability objectives and the rationale for issuing Sustainable and Positive Impact Instruments are clearly described by the Issuer. All project categories considered are in line with the Issuer's sustainability objectives.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p><b>Consistent with Issuer's sustainability strategy</b></p>
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## SPO ASSESSMENT

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

This section evaluates the alignment of Société Générale Madagasikara’s Sustainable and Positive Impact Finance Framework (June 11, 2024) with the GBP, SBP, SBG, GLP and SLP.

GBP, SBP, SBG, GLP AND SLP	ALIGNMENT	OPINION
<p><b>1. Use of Proceeds</b></p>	<p>✓</p>	<p>The Use of Proceeds description provided by Société Générale Madagasikara’s Sustainable and Positive Impact Finance Framework is <b>aligned</b> with the GBP, SBP, SBG, GLP and SLP.</p> <p>The Issuer’s green and social categories align with the project categories as proposed by the GBP, SBP, SBG, GLP and SLP. Criteria are defined clearly and transparently. Disclosure of an allocation period and commitment to report by project category has been provided, and environmental and social benefits are described.</p> <p>The Issuer defines the projects that will be refinanced and the exclusion criteria for harmful projects categories, in line with best market practices.</p>
<p><b>2. Process for Project Evaluation and Selection</b></p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Société Générale Madagasikara’s Sustainable and Positive Impact Finance Framework is <b>aligned</b> with the GBP, SBP, SBG, GLP and SLP.</p> <p>The project selection process is defined, and ESG risks associated with the project categories are identified and managed appropriately. Moreover, the projects selected are aligned with the Issuer’s sustainability strategy and clearly show the intended benefit to the relevant population.</p>

		<p>The Issuer involves various stakeholders in this process, identifies alignment of its Green Bond Framework and green projects with official or market-wide taxonomies, and references any green standards or certifications used, in line with best market practices.</p>
<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds provided by Société Générale Madagasikara’s Sustainable and Positive Impact Finance Framework is <b>aligned</b> with the GBP, SBP, SBG, GLP and SLP.</p> <p>The net proceeds collected will equal the amount allocated to eligible projects, with no exceptions. The net proceeds are credited to a subaccount and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple green bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer discloses ESG criteria for temporary investments and commits to separate the proceeds collected by having them earmarked towards specific projects as a temporary measure, in line with best market practice.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by Société Générale Madagasikara’s Sustainable and Positive Impact Finance Framework is <b>aligned</b> with the GBP, SBP, SBG, GLP and SLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report with appropriate frequency. The reporting will be publicly available on the Issuer’s website. Société Générale Madagasikara explains the type of information that will be reported and that the level of expected reporting will be at the project category level. Moreover, the Issuer commits to report annually until the bond matures.</p> <p>The Issuer is transparent on the level, frequency, scope and duration of impact reporting, as well</p>

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ISS-CORPORATE 

		<p>as the information reported, in line with best market practices.</p> <p>The Issuer commits to have the allocation report audited by an external party, in line with best market practices.</p>
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## PART IB: ALIGNMENT WITH THE U.N. Principles for Positive Impact Finance

This section evaluates the alignment of the Société Générale Madagasikara’s Sustainable and Positive Impact Finance Framework (June 11, 2024) with the U.N. PPIF.


PPIF	ALIGNMENT	OPINION
<p><b>1. Principle One-- Definition</b></p>		<p>The projects categories description provided in the Sustainable and Positive Impact Finance Framework are <b>aligned</b> with Principle One of the U.N. PPIF.</p> <p>The project selection process was defined and structured in a congruous manner, and the criteria were clear and transparent, as set in the Framework. The impact categories delivered a positive contribution to one or more of the three pillars of sustainable development: social, environmental and economic.</p> <p>The ESG risks associated with the project categories were identified and managed appropriately and conducted using EP guidelines.</p> <p>Every year, Société Générale publishes a report describing how the EP are implemented and provides a list of its projects that fall within the scope of the EP.<sup>3</sup></p> <p>All the projects under this portfolio can be categorized between A and B. This categorization is based on the International Finance Corporation’s (IFC) environmental and social categorization process.<sup>4</sup></p> <p>As part of the E&amp;S Management System Plan requested to corporates, environmental and social impact assessments are conducted for every category. The Bank may thereafter classify the results as “positive,” “positive with condition” (which may relate to precedent, subsequent,</p>

<sup>3</sup> Société Générale’s environmental and social policies: <https://www.societegenerale.com/en/measuring-our-performance/csr/responsible-finance>.

<sup>4</sup> International Finance Corporation’s (IFC) Environmental and Social categorization: <https://www.ifc.org/en/what-we-do/sector-expertise/sustainability/policies-and-standards/environmental-and-social-categorization>.

		<p>representations and warranties, covenants, action plans, restrictions), or “negative.”</p> <p>The management of every potential negative impact is evaluated and rated. Mitigation actions are proposed by the Bank’s second line of defense in proportion to the residual risk identified. Depending on the severity of the negative impact and the company's ability to address it, the Bank may opt to close accounts. For project finance, a comprehensive evaluation must ensure that no negative impact is overlooked. In addition, the Bank’s compliance expert applies due diligence processes encompassing technical, legal and compliance, financial, environmental and social, and insurance aspects. These are subsequently analyzed and validated by an independent legal professional. If approved, the public authority thereafter is in the position of granting a permit, license or authorization.</p> <p>Moreover, Société Générale’s PIF portfolio contributes to the following Sustainable Development Goals (SDGs):</p> 
<p>2. Principle Two-- Framework</p>	<p>✓</p>	<p>The projects categories description provided in the Sustainable and Positive Impact Finance Framework are <b>aligned</b> with Principle Two of the U.N. PPIF.</p> <p>The Issuer followed an adequate process, methodology and set of tools to identify and monitor the positive impact of the financed activities. The three-step approach consists of i) identification of potential impacts on the three dimensions, ii) evaluation and assessment of the positive and negative E&amp;S impact and assessment and mitigation of its risks, and iii) action directed towards the eligible activities. The</p>

		<p>portfolio is supported exclusively by dedicated transactions, and only fully eligible financings in positive impact sectors are included. The Issuer applied regular ESG risk management before determining positive impact eligibility and set specific criteria to monitor the achievement of the intended impacts. The Issuer addresses financial risks (e.g., credit risk, market risk) and non-financial risks (e.g., operational risk, regulatory risk) as well as ESG factors (e.g., carbon footprint accounting, climate change, environment, human rights and fundamental freedoms).</p> <p>Moreover, the Issuer provides information on its internal policies and staff training by which it ensures adherence to the processes and commits to ongoing reviews of and updates to the processes and methodologies to ensure adherence to PPIF standards.</p> <p>The Issuer conducts positive impact analyses making use of existing and recognized tools, standards and initiatives where applicable, such as the Net-Zero Banking Alliance, the U.N. Global Compact CFO Principles on Integrated SDG Finance, the Principles for Responsible Banking, the Collective Commitment to Climate Action, and the Task Force on Climate-Related Financial Disclosure, in line with best market practice.</p>
<p><b>3. Principle Three-- Transparency</b></p>	<p>✓</p>	<p>The projects categories description provided in the Sustainable and Positive Impact Finance Framework are <b>aligned</b> with Principle Three of the U.N. PPIF.</p> <p>The Issuer clearly described the tools and approaches chosen, referenced the sources of information used and explained the project's intended positive impact. The Issuer provided information on the processes in place to determine eligibility, and the impacts achieved.</p> <p>In addition, the Issuer discloses the split between existing investments and/or future investments</p>

		<p>and will annually publish on its website a reporting on the allocation of the net proceeds and positive impact of the eligible activities until full maturity of the positive impact bonds, in line with best market practice.</p>
<p><b>4. Principle Four-- Assessment</b></p>	<p style="text-align: center;"></p>	<p>The projects categories description provided in the Sustainable and Positive Impact Finance Framework are <b>aligned</b> with Principle Four of the U.N. PPIF.</p> <p>The Issuer involved a qualified third party to conduct an independent evaluation of the activities of the PIF Portfolio and its ESG impact through this report.</p>

**PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA**

**A. CONTRIBUTION OF THE SUSTAINABLE AND POSITIVE IMPACT INSTRUMENTS TO THE U.N. SDGs<sup>5</sup>**

Banks can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.



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

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



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

**Green categories**

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Renewable Energy</b></p> <p><i>Acquisition, conception, construction, development and installation of renewable energy facilities operating at life-cycle emissions lower than 100 gCO<sub>2</sub>/kWh, declining to 0 gCO<sub>2</sub>/kWh by 2050:</i></p> <ul style="list-style-type: none"> <li>▪ On- and offshore wind energy</li> <li>▪ Solar, including PV and CSP projects</li> <li>▪ Geothermal energy</li> </ul>	<p><b>Contribution</b></p>	
<p><b>Renewable Energy</b></p>	<p><b>Contribution</b></p>	

<sup>5</sup> The impact of the UoP categories on U.N. Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

*Acquisition, conception, construction, development and installation of bioenergy facilities fed by sustainable sources<sup>6</sup> of local raw material (e.g., organic waste), avoiding conflict of utilization of the resources, deforestation and land use.*

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

**Renewable Energy**

*Hydropower facilities<sup>7</sup> operating at life cycle emissions lower than 100 gCO<sub>2</sub>e/kWh, declining to 0 gCO<sub>2</sub>e/kWh by 2050, excluding hydropower with capacity of >1,000 MW meeting at least one of the following criteria:*

- *≤ 25 MW*
- *Life-cycle carbon emissions intensity below 100 gCO<sub>2</sub>e/kWh*
- *Power density above 5 W/m<sup>2</sup>*

**Renewable Energy**

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

- *Green hydrogen will be exclusively produced by electrolysis powered by green local electricity coming renewable energy sources<sup>8</sup> with life-cycle emission less than 100 gCO<sub>2</sub>/kWh*

**Renewable Energy**



<sup>6</sup> For biomass power plants, eligibility criteria exclude food and feed crops. Only waste from food crops, agricultural and forest residues, certified wood chips and wood-based biomass will be considered eligible under this category.

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

<sup>7</sup> Run-of-river hydropower will be prioritized, no large-scale reservoir dam will be considered, and any hydropower project will need to conduct an environmental and social risk assessment.

<sup>8</sup> Renewable energy sources include solar, wind, ocean energy, geothermal and hydropower. Other energy sources are excluded.

- *Ocean energy<sup>9</sup> coming from offshore solar farms, tidal waves, ocean current, salt gradient, etc.*

**Transmission and Distribution**

*Transmission<sup>10</sup> and Distribution<sup>11</sup> networks supporting renewable energy power generation (e.g., solar, wind, hydropower, geothermal, and ocean energy) with life cycle emissions lower than 100 gCO<sub>2</sub>e/kWh through direct connection.*

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

- *More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.*
- *The average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.*
- *Direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis to a substation or network.*



Contribution



<sup>9</sup> Tidal and wave energy facilities with fossil fuel back up can only be used for restart capability and monitoring, operating or resilience measures in the event of no power in the system.

<sup>10</sup> Transport: operating of transmission systems from production units to distribution grid, generally on long distance through high voltage lines.

<sup>11</sup> Distribution of power from renewable energy sources: operating of distribution systems (i.e., power lines, substation, electric pylons, meters, cables, transporting energy from production unit or transport grids to the final customer).

**Social categories**

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Employment Generation and Preservation through SME Financing and Microfinance</b></p> <ul style="list-style-type: none"> <li>▪ <i>Financing or refinancing of any project that aims to increase the access of small-scale industrial and other enterprises to financial services, including affordable credit at preferential rates, payment and saving accounts</i></li> <li>▪ <i>Financing or refinancing of any project that aims to increase the access of small-scale industrial and other enterprises to financial services, including affordable credit at preferential rates, payment and saving accounts</i></li> <li>▪ <i>Financing or refinancing of any project that promotes the formalization and growth of MSMEs<sup>12</sup></i></li> <li>▪ <i>MSMEs located in Madagascar</i></li> <li>▪ <i>MSMEs impacted by the consequences of extreme events (e.g., natural disaster, extreme weather events, public health disaster)</i></li> <li>▪ <i>Meets the following loan size criteria at loan origination: (A) the loan size is less than USD 10,000 equivalent for a micro enterprise; (B) the loan size is less than USD 100,000 equivalent for a small enterprise; and (C) the loan size is less than USD 1 million equivalent for a medium enterprise</i></li> </ul> <p><i>Target: SMEs located in Madagascar, SMEs impacted by the consequences of extreme events</i></p>	<p><b>Contribution</b></p>	

<sup>12</sup> MSMEs are defined as follows: i) Enterprises that have fewer than 10 employees, and assets and annual sales of less than \$100,000 each, will be considered microenterprises; ii) Enterprises that have fewer than 50 employees, and assets and annual sales of less than \$3 million each, will be considered small enterprises; iii) Enterprises that have fewer than 300 employees, and assets and annual sales of less than \$15 million, each will be considered medium-sized enterprises.



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

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

### ASSESSMENT AGAINST KPIs

#### ESG guidelines into financing process

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

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

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

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

### Labor, Health and Safety



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

Madagascar has also signed the ILO core conventions.

### Biodiversity



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

SGM relies on National Legislation and Group Policy, particularly Law No. 90-033 of 21 December 1990 on the Malagasy Environment Charter, as amended and supplemented by Laws No. 97-012 of 6 June 1997 and No. 2004-015 of 19 August 2004: To better implement a sustainable national environment policy, this law requires that a conclusive Environmental Impact Assessment (EIA) be performed for public or private investment projects of any nature, carried out on the Malagasy territory and that might hurt the environment. SGM also relies on Decree No. 99-954 of 15 December 1999, as amended by Decree No. 2004-167 of 3 February 2004 on the compatibility of Investments with the Environment (MECIE). Pursuant to Article 10 of the Madagascar Environment Charter, the MECIE Decree sets forth the rules and procedures to be followed in conducting an EIA. It defines inter alia the contents of environmental assessment and public participation in such assessment. In addition, SGM cites Order No. 6830/2001, which sets forth conditions and procedures of public participation in environmental assessment in application of Decree MECIE above. Lastly, SGM uses Law No. 2015-005 of 26 February 2015 revamping the Protected Areas Management Code, and its decree of application No. 2017-415 du 30 May 2017 for the Protected Area Management Code.

### Community Dialogue



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

SGM also checks borrowers' adherence and enforcement to the IFC Performance Standard via its E&S Management System and ESIA, and its annual report.

### **Responsible treatment of customers with debt repayment problems**



The Bank has two systems in place to responsibly deal with clients having debt repayment problems. First, its Credit Granting Policy prevents client debt repayment problems by limiting indebtedness based on gearing ratio, and loan-to-value ratios on real estate loans. SGM also complies with local banking laws and prudential regulations on concentration risk for one client or group of clients. The second system is its internal debt counseling services (recouvrement amiable/recouvrement contentieux). Moreover, customer consent in case of mortgage sale is required in compliance with local laws (Bankruptcy Law and Security Law). Request for special fees and higher interest rates are not compliant with bank procedures, and sales of collateral are made at market price determined by external experts.

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

### **Sales practices**



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

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

### Responsible marketing



The Issuer has measures in place concerning responsible marketing. SGM confirms its commitment to clear and correct pricing and to no hidden costs. Pricing of products is published on the Issuer's website, displayed on each branch's wall, and available as leaflet to clients. For credit requests, each client receives a notification letter of their line of credit with pricing. Additionally, small print is prohibited.

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

### Exclusion criteria

The Issuer's policies exclude companies operating in fossil fuels exploration, production, trade and transformation; power production from thermal coal and nuclear power; activities entailing destruction of high conservation value areas or with a negative impact on the outstanding universal value of a World Heritage site; production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans; production or trade in weapons and munitions; production or trade in alcoholic beverages (excluding beer and wine); production or trade in tobacco; gambling, casinos and equivalent enterprises; production or trade in radioactive materials; production or trade in unbonded asbestos fibers; drift net fishing in the marine environment using nets in excess of 2.5 kilometers in length; production or activities involving harmful or exploitative forms of forced labor/harmful child labor; commercial logging operations for use in primary tropical moist forest; production or trade in wood or other forestry products other than from sustainably managed forests.

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

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

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

#### *Key sustainability objectives and priorities defined by the Issuer*

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

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

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

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

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

#### *Rationale for issuance*

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

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

## SECOND PARTY OPINION

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

ISS-CORPORATE 

**Opinion:** *The key sustainability objectives and the rationale for issuing sustainable instruments are clearly described by the Issuer. All of the project categories financed are in line with the Issuer's sustainability objectives.*

## B. SOCIÉTÉ GÉNÉRALE’S BUSINESS EXPOSURE TO ESG RISKS

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

### *ESG risks associated with the Issuer’s industry*

The Issuer is classified in the commercial banks and capital markets industry, as per ISS ESG’s sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within that industry.

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

### *ESG performance of the Issuer*

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

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

### *Sustainability impact of products and services portfolio*

Leveraging ISS ESG’s Sustainability Solutions Assessment methodology, the contribution of the Issuer’s current products and services portfolio to the U.N. SDGs has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics of ISS-Corporate and does not include practices along the Issuer’s production process.

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

### *Breaches of international norms and ESG controversies*

#### At Issuer level

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

*At industry level*

Based on a review of controversies over a two-year period, the top three issues that have been reported against companies within the commercial banks and capital markets industry are: Failure to mitigate climate change impacts, financial market irregularities, and failure to prevent money laundering.

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



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## ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary methodology. For more information, please visit: <https://www.iss-corporate.com/file/publications/methodology/iss-corporate-green-social-and-sustainability-bond-loan-spo-methodology-summary.pdf>.

## ANNEX 2: QUALITY MANAGEMENT PROCESSES

### SCOPE

Société Générale Madagascar commissioned ISS-Corporate to compile a Sustainable and Positive Impact Instruments SPO. The second-party opinion process includes verifying whether the Sustainable and Positive Impact Finance Framework aligns with the GBP, SBP, SBG, GLP and SLP and assessing the sustainability credentials of its Sustainable and Positive Impact Instruments, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this second-party opinion:

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

### ISSUER'S RESPONSIBILITY

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

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

### ISS-CORPORATE'S VERIFICATION PROCESS

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

This independent second-party opinion of the Sustainable and Positive Impact Instruments to be issued by Société Générale Madagascar has been conducted based on a proprietary methodology and in line with the GBP, SBP, SBG, GLP and SLP.

The engagement with Société Générale Madagascar took place between October 2023 and June 2024.

### ISS-CORPORATE'S BUSINESS PRACTICES

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

## About this SPO

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

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

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

For more information on SPO services, please contact: [SPOsales@iss-corporate.com](mailto:SPOsales@iss-corporate.com)

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