International Finance Corporation

Second-Party Opinion — Social Bond Framework

Excellent | Good | Aligned | Not Aligned

Pillar	Alignment	Key Drivers
Use of Proceeds	Excellent	• Sustainable Fitch considers the use of proceeds (UoP) categories included in International Finance Corporation's (IFC) social bond framework to be aligned with the ICMA Social Bond Principles (SBP) 2023. • The framework covers six UoP categories that contribute to IFC's social objectives and development mandate. We positively assess the UoP categories' social impact and the identification of target populations for individual categories. The projects may fall under a wide range of activities, and the target populations are broadly defined.
Use of Proceeds – Other Information	Excellent	• IFC's exclusion list and related policies apply to the framework, banning financing of any activities involving child labour, weapons and munitions, alcohol and tobacco, and others. The issuer confirmed that the proceeds of bonds issued under this framework will only be allocated towards new projects, which maximises the social impact.
Evaluation and Selection	Excellent	• The clearly outlined evaluation and selection process is in line with external and internal guidelines, such as the ICMA SBP. • We view the process as multi-layered, with project selection led by a committee with representatives from the treasury, subject-matter experts from various departments and development impact specialists. Involving sector specialists improves the internal checks and balances, and provides a further degree of ESG expertise, which we assess as positive.
Management of Proceeds	Excellent	• IFC's proceeds management process is appropriate, with a dedicated sub-account within its treasury management system. Unallocated proceeds are invested in alignment with its treasury ESG screening policies, which we view positively.
Reporting and Transparency	Excellent	• The allocation and impact reporting will be available on an annual basis at the project portfolio level, although allocation to individual projects will not be tied to specific issuances. • The impact indicators are specifically measured and relevant, and referenced from the ICMA Harmonised Framework for Impact Reporting. IFC has not committed to obtaining an external review on its allocation or impact reporting.

Relevant UN Sustainable Development Goals

Framework Type		Social
Alignment	✓	Social Bond Principles 2023 (ICMA)
Date assigned		10 January 2025

See Appendix B for definitions.

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Use of Proceeds Summary – ICMA Categories

Social	Affordable basic infrastructure Access to essential services Affordable housing Employment generation Food security and sustainable food systems Socioeconomic advancement and empowerment

Source: IFC social bond framework 2024

Framework Highlights

We consider transactions under IFC's social bond framework to be aligned with the ICMA SBP 2023. Our view is that the framework's alignment with these principles is 'Excellent'.

IFC's core business activities focus on investing in private-sector growth in emerging markets with a focus on eradicating poverty and reducing inequality. The issuance of social bonds directly aligns with the institution's development mandate and enables the funding of socially impactful projects.

IFC has played a pioneering role in both the green and social bond markets as an issuer, investor and market builder. It has been at the forefront of developments in the green and social bond markets since it issued its first green bond in 2010. The organisation serves on the executive committee of the ICMA Green Bond Principles and SBP, which publishes widely accepted guidance for issuers and investors in the green, social, sustainability and sustainability–linked bond markets.

IFC first launched its social bond programme in 2017 and has since issued USD8.4 billion in social bonds as of June 2024. This updated framework builds on the 2017 framework by adding key components such as an exclusion list and granular description of its project evaluation and selection process.

The framework includes the four components recommended by the aforementioned principles and guidelines: UoP, process for project evaluation and selection, management of proceeds, and reporting and transparency.

Overall, the framework includes six UoP categories: affordable basic infrastructure, access to essential services, affordable housing, employment generation, food security and sustainable food systems, and socioeconomic advancement and empowerment. The eligible projects cover a wide spectrum of investments that aim to address critical funding gaps in emerging markets. We assumed an equal weighting between the eligible project categories for the purpose of this analysis.

The eligible project categories align with IFC's five interconnected development priorities: people, planet, prosperity, infrastructure, and digital transformation. This approach ensures that the selected projects have a significant social impact and contribute to sustainable development in emerging markets.

The project evaluation and selection process involves a cross-department committee and rigorous due diligence. Proceeds will be allocated to a portfolio of eligible projects on a rolling basis, and any unallocated proceeds will be incorporated into IFC's liquidity pool and managed by its treasury. The reporting will consist of annual reports detailing disbursement volumes, project descriptions and social KPIs.

The ICMA SBP recommend that eligible projects are clearly described in the legal documentation for transactions. We have only reviewed the social bond framework for this Second-Party Opinion and have not reviewed any transaction legal documents or marketing materials; however, the framework provides the description of projects.

Source: Sustainable Fitch, IFC social bond framework 2024, green bond and social bond impact report 2024, Paris alignment statement, SDG dashboard, other company material

Entity Highlights

IFC is a development finance institution that invests in private sector companies in the developing world. IFC is a member of the World Bank Group and is owned by its 186 member nations. IFC is the largest development finance institution, with an exclusive focus on private-sector investment in the developing world. The institution is headquartered in Washington, D.C., and had around 4,500 employees as of June 2024. IFC had around USD108.2 billion in balance sheet assets as of June 2024, including an investment portfolio of around USD58.7 billion.

IFC's development mandate centres around creating a world free of poverty on a liveable planet. Its strategic priorities include climate change, gender and inclusion, food security and health, fragility and digitalisation. IFC invests its own funds and mobilises funds from external parties to address development challenges and increase access to capital in under-developed markets. IFC deployed USD19 billion of financing from its own account in the financial year ending June 2024 (FY24), and mobilised another USD22.5 billion through syndications, anchor investments and other initiatives.

IFC integrated comprehensive ESG strategies into its operations, guided by its performance standards and sustainability framework. It set targets for improving the environmental profile of its investment portfolio by increasing the share of investments categorised as climate finance and committing to align 100% of its new investments with the Paris Agreement by 2025. These environmental goals complement the organisation’s core social mandate, which includes goals to end global extreme poverty by 2030 and to promote income growth for the bottom 40% of the population in developing countries.

IFC employs a comprehensive corporate governance methodology that incorporates environmental and social risk management. The organisation's project disclosure portal provides detailed descriptions of environmental and social risks for each investment project, along with risk categorisation and action plans for high-risk projects.

IFC's annual reports include updates on sustainability objectives, ESG initiatives, and detailed financial reporting. It has also prepared reports aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since 2018. These reports provide an additional level of transparency related to IFC’s climate finance metrics and forward-looking guidance regarding new strategic sustainability priorities.

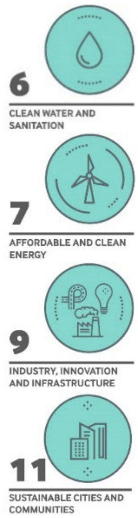
The organisation’s core development mandate is aligned with UN Sustainable Development Goals (SDGs) 1 (no poverty), 10 (reduced inequalities) and 13 (climate action). In addition to this fundamental alignment, IFC’s investment activities seek to directly contribute to several other SDGs. We consider IFC’s activities to most directly affect SDGs 8 (decent work and economic growth) and 17 (partnerships for the goals). We positively view this level of strategic and explicit alignment with the SDGs.

IFC integrates ESG considerations across the full range of its business activities and promotes sustainable investment practices across the capital markets in which it operates. We consider the policies, procedures and standards IFC employs to govern its ESG strategy as best practice.

Source: Sustainable Fitch; IFC annual report 2024; strategy and business outlook (FY24–FY26); performance standards on environmental and social sustainability 2012; Paris alignment statement; green bond and social bond impact report 2024; TCFD report 2023; diversity, equity and inclusion report 2023; SDG dashboard; other company material

Use of Proceeds – Eligible Projects — Alignment: Excellent

Company Material	Sustainable Fitch's View
Affordable basic infrastructure	
• Projects in this category include those that provide or promote access to clean drinking water, sanitation, transport, telecommunications or energy. • Project examples include investment projects that meet IFC's criteria for inclusive business, such as projects that provide first-time or improved connections or services for households or that expand or improve access in rural areas. • Target populations may include but are not limited to low-income populations, rural communities, and under-served areas in terms of access to infrastructure.	• This UoP category is aligned with the affordable basic infrastructure category of the ICMA SBP. • We consider the UoP to have a positive social impact, as it supports increasing public access to clean drinking water, sanitation, transport, telecommunications and energy in developing countries. • This UoP improves the quality of life for beneficiaries by providing essential services that are fundamental to health, economic participation and overall well-being. • There is a clear need for increased investment in basic infrastructure in developing countries, and IFC's projects in this area address critical funding gaps that are otherwise difficult for public or private investment to fill. • The UoP directly contributes to several SDGs, including SDGs 6 (clean water and sanitation), 7 (affordable and clean energy), 9 (industry, innovation and infrastructure) and 11 (sustainable cities and communities). IFC is addressing multiple critical development needs in its target markets by investing in a range of basic infrastructure facilities. • IFC identified low-income populations, rural communities and under-served areas as the target populations. We positively consider this in our analysis, as these populations are particularly affected by lack of access to critical infrastructure. • These target populations are broad and may not apply to all projects in the social bond portfolio. However, we consider IFC's investment and management processes to provide adequate assurance that projects will lead to quantifiable benefits for vulnerable groups. • The framework provides example projects for this UoP category. These projects have a clear target population of rural communities and align with IFC's criteria for inclusive business. • IFC's criteria for inclusive business focus on investing in businesses that provide market-based solutions to expand access and affordability for people in the low-income segment categorised as "base of the pyramid". This low-income segment comprises people who are economically vulnerable and live on less than USD8 a day.
Access to essential services	
• Projects in this category include those that provide access to education and vocational training, health, financing and other financial services. • Project examples include investment projects that promote inclusive business in health, education and microfinance, focusing on expanding access and affordability for under-served populations in low- and middle-income countries. These projects include initiatives in post-secondary education, technical training, health services and microenterprise financing, with an emphasis on leveraging technology to improve reach and impact. • Target populations include individuals and/or communities under-served in terms of access to finance, health and education; low-income individuals; and microentrepreneurs.	• This UoP category is aligned with the access to essential services category of the ICMA SBP. • Access to essential services remains a critical challenge in many developing countries, with significant portions of the population lacking adequate education, healthcare and financial inclusion. These gaps affect individual well-being and hinder overall economic development and social progress. • We view this UoP to have a positive social impact, as it addresses fundamental needs across multiple sectors. This UoP has the potential to significantly improve the lives of beneficiaries and contribute to broader societal development by providing more people with access to quality education, healthcare and financial services. It also aligns with IFC's mission to end extreme poverty and promote shared prosperity. • Access to financial services is similarly critical for the economic development of emerging markets. Populations in developing countries often do not have access to reliable or affordable credit, or other forms of financial services.



	• IFC lends extensively to financial institutions and other intermediaries in member countries, and these investments in turn improve access to financial services for target populations. This has a direct impact on economic activity and opportunity, and it empowers local populations to improve their standard of living. • The focus on health service providers, disease prevention, and emergency preparedness directly supports SDG 3's (good health and well-being) targets of universal health coverage and strengthening capacity for early warning and risk reduction. • Similarly, the emphasis on post-secondary education, vocational training and innovative educational technologies aligns with SDG 4's (quality education) goals of ensuring inclusive and quality education and promoting lifelong learning opportunities. • IFC identified target populations to include under-served individuals and communities in terms of access to finance, health and education; low-income individuals; and microentrepreneurs. This targeted approach ensures that the benefits of these investments reach vulnerable groups. • The example projects for this category focus on inclusive business, education, microfinance and healthcare in developing countries. The examples include specific target populations, such as lending to micro and small enterprises through the "base of the pyramid" envelope within IFC's microenterprise and SME finance platform.	
Affordable housing		
• This category includes housing finance, construction, renovation and/or other activities to expand access to affordable housing (eg, housing microfinance, global rent-to-own). • Project examples include investment projects that meet IFC's criteria for inclusive business for affordable housing for low-income or under-served populations, focusing on people at the "base of the pyramid", individuals qualified to participate in a government programme for low-income groups, or other similar populations. • Target populations may include, but are not limited to, low-income populations and individuals with limited access to housing.	• This UoP category is aligned with the affordable housing category of the ICMA SBP. • We view the UoP to have a positive social impact, as it addresses housing shortages and improves living conditions for target populations. • In many emerging markets, rapid urbanisation and population growth led to significant housing deficits. Affordable housing initiatives play a crucial role in addressing these challenges, often stimulating the construction sector, creating jobs and contributing to GDP growth in these developing economies. • The UoP supports SDGs 1 and 10, as it promotes financial stability and housing security, which are crucial elements in poverty reduction and the creation of inclusive, sustainable communities. • The issuer identified potential target populations including low-income populations and individuals with limited access to housing. These categories are broad, but they provide a level of assurance that the benefits will reach a significant portion of the population facing housing challenges. • The example projects included in the framework consist of investments that meet IFC's inclusive business criteria for the development of affordable housing. We positively consider the requirement of IFC's criteria for inclusive business; it cites multiple target populations for these projects. • This category supports IFC's role as the leading investor in housing finance in emerging markets, and supports its development of housing finance products for under-served populations. • IFC has committed more than USD7 billion to the housing sector since 2000 in order to address the financing gap limiting the availability of affordable housing in developing countries. It works with local developers, governments and industry groups to develop innovative solutions to housing	1 NO POVERTY 10 REDUCED INEQUALITIES

	affordability and access challenges, including increasing homeownership rates for women.	
Employment generation		
• This category includes employment generation projects (including SME financing and microfinance) and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a "just transition". • Project examples include investment projects that meet IFC's inclusive business criteria for improving access to and quality of jobs for low-income, low-skilled workers by increasing their ability to participate and advance in the workforce. This includes creating job opportunities and targeting recruitment efforts for the target population by providing upskilling training or by offering expanded benefits to address the needs of low-income workers. • Target populations may include, but are not limited to, low-income populations, unemployed, microentrepreneurs and other vulnerable or under-represented workers.	• This UoP category is aligned with the employment generation category of the ICMA SBP. • We view this UoP to have a positive social impact, as it fosters employment opportunities and workforce development in IFC's target markets. • Many developing countries face challenges in creating quality employment opportunities, particularly for vulnerable populations. IFC's focus on inclusive business models and target populations aligns with national development goals aimed at reducing unemployment and improving economic resilience. • Financing for SMEs and microfinance institutions will also be eligible under this category. SMEs and microfinance institutions provide critical workforce development support in emerging markets, and they play a vital role in job creation and economic opportunity. • IFC has a long track record of providing financing to these kinds of businesses, and to developing financing solutions that expand access to financing for micro-, small- and medium-sized enterprises in developing countries. • This project category demonstrates its commitment to generating employment in under-developed areas. • We consider this UoP to contribute primarily to SDG 8, as it promotes development-oriented policies that support productive activities and decent job creation, and aim to achieve decent work for all. • Example projects for this category include improving access to and quality of jobs for low-income, low-skilled workers. • The potential target populations for these projects provide some assurance that the benefits of these investments reach those who face the greatest barriers to employment However, these categories are broad, and best practice would be to provide more detailed descriptions of target populations.	8 DECENT WORK AND ECONOMIC GROWTH
Food security and sustainable food systems		
• This category includes projects that provide or promote access to safe, nutritious and sufficient food; foster resilient agricultural practices; reduce food loss and waste; and improve productivity of small-scale producers. • Project examples include investment projects that promote inclusive business by integrating smallholder farmers into supply chains and improving their access to inputs and markets; and investments in projects that are part of IFC's global food security platform, which focuses on increasing efficient production of key elements of a balanced diet for emerging market consumers affected by the food crisis. • Target populations include, but are not limited to, smallholder farmers, low-income populations and under-served areas in emerging markets.	• This UoP category is aligned with the food security and sustainable food systems category of the ICMA SBP. • We view this UoP to have a positive social impact, as it supports projects that provide or promote access to safe, nutritious and sufficient food; reduce hunger and malnutrition; enhance the livelihoods and well-being of vulnerable populations; and improve productivity of small-scale producers across emerging markets. These projects are particularly impactful in developing countries where food access issues are more prevalent. • IFC has a long track record of supporting investments in agriculture, food security and sustainable food systems in developing countries. It launched initiatives such as the food systems development programme and the global agriculture and food security programme that bring together public and private financing in countries facing food insecurity, such as Bangladesh, Somalia and the Ivory Coast. • This UoP can further contribute to IFC's work in this sector by stimulating local economies by creating jobs and supporting smallholder farmers, which in turn promotes economic stability and growth. • The UoP supports SDG 2 (zero hunger), as the projects included aim to ensure stable access to nutritious food and improve health and well-being.	2 ZERO HUNGER 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

	• The target populations for these initiatives include, but are not limited to, smallholder farmers, low-income populations, and under-served areas in emerging markets. This focus ensures that the benefits reach those most in need and those who play a crucial role in local food systems but may lack resources or market access. • One of the examples in the framework consists of investment projects that are part of IFC's global food security platform. We positively view this example, as it has both short- and long-term goals built in, with the target population being emerging market consumers affected by the food crisis.
Socioeconomic advancement and empowerment	
• This category includes projects that provide or promote equitable access to and control over assets, services, resources and opportunities; and equitable participation and integration into the market and society, including reduction of income inequality. • Project examples include investment projects that promote gender equality by providing access to finance for women, enhancing women's inclusion in supply chains, and addressing barriers to women's employment and digital access; and investment in projects that meet IFC's criteria for inclusive business, such as those that provide or support livelihoods and work opportunities for low-income populations and microentrepreneurs. • Target populations include, but are not limited to, women, low-income populations, microentrepreneurs, under-served communities, and other vulnerable and/or excluded groups in emerging markets.	• This UoP category is aligned with the socioeconomic advancement and empowerment category of the ICMA SBP. • We view this UoP to have a positive social impact, as it addresses systemic barriers to economic participation and advancement, particularly for women and other under-served groups in IFC's target markets. • This UoP contributes to reducing income inequality and fostering more inclusive economic growth by promoting access to finance, inclusive supply chains and employment opportunities. • This UoP contributes primarily to SDGs 8 and 9, as it supports access to finance, inclusive supply chains and employment opportunities. The example projects cited in the UoP description also strongly support SDG 5 (gender equality). • IFC identifies possible target populations to include women, low-income populations, microentrepreneurs, under-served communities, and other vulnerable or excluded groups in emerging markets. These target populations ensure that the benefits of these investments reach those who face the greatest barriers to economic participation. • The framework includes examples of projects that may fall under this category. The examples suggest that this UoP category is destined largely for projects that promote access to finance for women or advance gender equality, such as the IFC's banking on women projects, where IFC lends to financial intermediaries with the requirement that proceeds of the loans be on-lent to women-owned enterprises. • Gender equality and economic inclusion are two of IFC's core development priorities. IFC developed a 2030 roadmap for gender and economic inclusion as part of the World Bank Group's broader gender strategy 2024-2030; this outlines the institution's commitments to leveraging public and private financing to address gender gaps in economic opportunity and well-being.
Source: IFC social bond framework 2024	Source: Sustainable Fitch

Use of Proceeds – Other Information	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
• The proceeds from social bonds issued by IFC are exclusively used to finance projects that address social issues, especially for target populations. • IFC has a cross-cutting focus on vulnerable and/or under-served populations, such as women, low-income populations, under-served communities, refugees and displaced persons, and other target populations included in the ICMA SBP. • While projects may align with more than one project category, projects are listed in the category that best fits their primary impact objective. • All projects must meet IFC's requirements on the Paris alignment. An exclusion policy is in place for projects that involve activities on IFC's exclusion list, such as forced or child labour, harmful substance dealings, destruction of vital habitats, and businesses engaged in tobacco, gambling or arms manufacturing.	• IFC confirmed that it intends to use the proceeds from the social bonds issued under this framework to exclusively finance new projects that address social issues. We consider new projects to have a higher degree of added value than projects that are refinanced. • The exclusion criteria are clearly defined and cover socially and environmentally sensitive sectors. • IFC excludes operations universally non-aligned with the Paris Agreement, namely the mining of thermal coal, electricity from coal, extraction of peat and peat-based electricity generation. Furthermore, IFC's green equity approach, updated in 2023, requires financial institution clients to commit to not finance any new coal projects, further reinforcing alignment with the Paris Agreement goals. • Since 2019, the World Bank Group, which includes IFC, no longer finances upstream oil and gas projects, and has not financed any oil pipelines since 2014. This exclusion significantly reduces the potential for social bonds to inadvertently support fossil fuel industries. • All social bond projects are subject to IFC's performance standards, which provide robust assurance that environmental and social risks are managed effectively. These standards guide clients on managing environmental and social risks and impacts sustainably, ensuring that every IFC project adheres to high sustainability benchmarks.
Source: IFC social bond framework 2024	Source: Sustainable Fitch

Evaluation and Selection	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
• Social bond eligible projects are selected from IFC's pool of committed projects by a cross-department committee consisting of representatives from treasury, subject-matter experts (eg, environmental and social policy and risk department, gender and economic inclusion department, industry specialists), and development impact and results measurement specialists, as relevant depending on the project. IFC social bond eligible projects may include IFC's investments in third-party social bonds. • IFC's appraisal and selection process includes an assessment of whether the project meets or is expected to meet all social and environmental requirements applicable to the project within a reasonable period of time, including IFC's performance standards, as specified in IFC's sustainability policy. IFC's performance standards establish requirements that the client is to meet throughout the life of an investment by IFC, including: assessment and management of environmental and social risks and impact, labour and working conditions, resource efficiency and pollution prevention, etc. • Corporate governance due diligence is conducted for all investments and is based on the IFC corporate governance methodology. The depth of due diligence is aligned with perceived corporate governance risks and can result in required actions or recommendations provided to the client. • IFC supervises all its investments, including those eligible for social bonds, to ensure adherence to the conditions outlined in the loan agreements. Companies are required to submit regular reports detailing their financial, social, and environmental performance, as well as any factors that could materially impact the enterprise. Through ongoing dialogue during supervision, IFC is able to support clients in resolving issues and identifying new opportunities. • Furthermore, IFC tracks each project's contribution to development against key indicators established at the beginning of the investment cycle. Specific monitoring and supervision requirements for investment projects include status updates on the environmental and social action plan and periodic site supervision visits. IFC also conducts regular evaluations of projects, with annual assessments based on a stratified	• We consider the evaluation and selection process for IFC's social bond projects to be excellent, as it provides a clear governance model and process for the eligible social assets to be financed. The requirements align with the ICMA SBP guidelines. • IFC established a multi-layered, cross-departmental committee for project selection. This committee includes representatives from treasury, subject-matter experts from various departments and development impact specialists. This diverse composition ensures a wide range of expertise is included in the selection process. • The evaluation process is thorough and follows a four-step approach: project identification by sector specialists, due diligence, impact evaluation using the anticipated impact measurement and management system, and final approval. This multi-layered selection process ensures projects are scrutinised from various perspectives, including financial viability, sector-specific considerations and developmental impact. • IFC will employ its anticipated impact measurement and management system in monitoring the projects. This system estimates the development impact of investments and provides a quantitative basis for project evaluation. • Further strengthening the evaluation and monitoring process is the involvement of the World Bank Group's independent evaluation group, which assesses the performance of around a fourth of the selected projects. The existence of an independent recourse mechanism through the office of the compliance advisor ombudsman adds an additional layer of accountability. • IFC confirmed that the third-party bonds included in its portfolio must adhere to the eligibility criteria of its social bond framework to receive funding. IFC applies the same screening mechanisms for investments in third-party social bonds as for all other projects. • Additionally, IFC mandates that investee companies provide regular reports on project activities and performance, which are continuously monitored through the investment life-cycle. It also commits to reporting on the impact of third-party social bonds in the same manner as for its other projects.

Evaluation and Selection	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
random sample of projects that have reached early operating maturity, to enhance operational performance. • Compliance is assessed at the individual project level and through independent reviews of about a quarter of all projects. Portfolio teams carry out project-level reviews and environment and social supervision visits, and ensure financial management is in place with adequate controls and management capacity at the project level. • Each IFC project is supported by a lead environment and social specialist, and when necessary, additional experts such as social development, biodiversity or labour specialists. These specialists are overseen by ESG regional managers who, in turn, report to the regional directors. • When IFC invests in third-party social bonds, these bonds must align with the ICMA SBP and the issuer should be committed to publicly reporting the use of proceeds.	• The ICMA Guidance Handbook 2024 states that green, social and sustainability bbonds should not typically qualify as a UoP, other than for temporary management of proceeds purposes prior to allocation to eligible projects; however, we view IFC's screening and due diligence policies as sufficient to confirm alignment of those third-party social bonds with its framework criteria.
Source: IFC social bond framework 2024	Source: Sustainable Fitch

Management of Proceeds	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
• Upon issuance, the proceeds from IFC's social bonds are incorporated into IFC's general liquidity pool. IFC's treasury utilises a dedicated sub-account to manage and track all social bond proceeds. The sub-account balance is based on the difference between the outstanding amount of social bonds as compared to the outstanding amount of social bond-eligible loans. This is determined by tracking all active social loans and their disbursements in conjunction with social bond issuances and redemptions. • Funds for social bond-eligible projects are disbursed in stages, according to each project's specific disbursement schedule. As proceeds are disbursed to these projects, the balance of the sub-account is updated accordingly. • The management of IFC's general liquidity is governed by a set of policies and practices, including the General Investment Authorization sanctioned by IFC's board, the investment directives and IFC's treasury internal ESG risk screening approach. • Established in 2019, this rigorous ESG risk screening approach leverages external data and in-house software to assess the ESG profiles of issuers and identify any potential controversies. It is designed to ensure that involvement in activities listed on IFC's exclusion list, negative headlines or ESG rating downgrades prompt action from IFC's treasury portfolio managers, such as engaging with the issuer or divesting from those assets. Given the high quality of IFC's liquidity portfolio, such occurrences are rare.	• We view IFC's management of proceeds approach as excellent and aligning well with market standards. • IFC employs a dedicated sub-account within its treasury management system for social bond proceeds; we consider that this approach ensures clear traceability and segregation. This positively drives our analysis; however, we consider best practice to be the creation of a separate bank account for storing unallocated proceeds. • IFC implemented a process for disbursing funds to eligible projects in stages, in accordance with specific disbursement schedules. As disbursements occur, the sub-account is adjusted accordingly. This staged approach allows for efficient use of funds while maintaining flexibility to respond to project needs. • Unallocated funds are invested in line with the IFC treasury's internal risk screening approach, which incorporates a stringent ESG risk assessment. Due to IFC's exclusion list and the treasury's risk screening, we consider that this approach goes beyond basic compliance and contributes to maintaining the positive impact of the entire portfolio. • IFC tracks allocations and confirmed it may remove a project if it is no longer valid, potentially leading to divestment. We consider these removal criteria to be best practice. • The ongoing supervision process is robust, including regular reporting, monitoring, and compliance assessments. Each project is supported by environmental and social specialists, ensuring continued adherence to IFC's standards throughout the project life cycle.
Source: IFC social bond framework 2024	Source: Sustainable Fitch

Reporting and Transparency	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
• IFC's annual green and social bond impact report is grounded on the recommendations of the ICMA SBP's Harmonised Framework for Social Bond Impact Reporting. • The report includes the total annual commitment and disbursement volumes for social bond eligible projects, by region and by sector. Subject to confidentiality approvals, a detailed list of projects is provided that includes the following for each project: a brief description, eligible loan amount, a mapping to the most relevant SBP project category and the most relevant SDGs, and links to public project	• We view IFC's reporting transparency approach as excellent, and consider it to be well-aligned with market practices. • We positively view that IFC fully committed to publishing allocation and impact reporting on a yearly basis. IFC confirmed it will be providing these reports until bond proceeds are fully allocated, although it is not explicitly included in the framework. • Allocation and impact reporting will be available on a project portfolio basis for IFC's entire social bond programme. The full list of eligible projects will be disclosed on a portfolio basis; however, allocation to individual projects will not be mapped to individual bond issuances due

documents including environmental and social review summary documents. • Key baseline and target social impact indicators are included at an aggregate level for all eligible projects in the list, subject to confidentiality approvals. IFC primarily utilises sector specific outcome-level indicators from the Harmonized Indicators for Private Sector Operations — common indicators agreed upon by 26 international finance institutions — and incorporates additional indicators as needed based on the pool of social bond eligible projects. In addition to sector specific indicators, IFC reports on the anticipated total number of beneficiaries reached on an aggregate basis. • Impact indicators are tracked on a client-level basis, based on company-reported data, and are not prorated for the portion of IFC's contribution. If IFC has multiple social bond eligible projects with one client, indicators are only reported once to avoid double counting. • Impact indicators are ex-ante estimates, developed before project implementation, of expected annual results for a representative year once a project is complete and operating at normal capacity. The impact of indirect investments, such as through financial intermediaries, are conservatively estimated based on the likely allocation of the proceeds among the eligible project types. It is important to appreciate the limitations of data reported.	to the nature of IFC's disbursement schedule for eligible projects. We positively view this approach, though we consider linking reporting to individual issuances to be best practice. • The allocation report will include a region and sector breakdown, and project descriptions. IFC's project disclosure portal also includes detailed information on the full portfolio of the institution's approved projects, including those in the social bond portfolio. The disclosures on the portal are standard practice by IFC and not required by the framework. • The impact of social bonds is reported based on the ICMA SBP's Harmonised Framework for Impact Reporting for Social Bonds from June 2024. Impact indicators will be provided ex-ante, and the IFC clearly lists potential impact indicators in the social bond framework. Additionally, projects are mapped to relevant SDGs. It is positive that impact reporting is aligned with external standards, as this provides market participants with clear metrics and benchmarks against which the impact of eligible projects can be measured. • The issuer has not committed to including the percentage of unallocated proceeds in the annual reporting. However, the annual reports will include the total annual commitment and disbursement volumes for social bond eligible projects and IFC's total issuance volume for social bonds will be available, so the percentage of unallocated proceeds of the portfolio may be inferred; we positively consider this in our analysis. • IFC has not committed to third-party verification for allocation or impact reporting. The ICMA SBP recommends that issuers obtain an external review from a third party to verify proceeds were allocated to eligible projects under the framework. We consider obtaining external verification as best practice, as it provides an additional layer of assurance.
Source: IFC social bond framework 2024	Source: Sustainable Fitch

Relevant UN Sustainable Development Goals

• **1.3:** Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable. • **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 technology and financial services, including microfinance. • **1.a:** Ensure significant mobilization of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions.	1 NO POVERTY
• **2.1:** By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round. • **2.2:** By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.	2 ZERO HUNGER
• **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. • **3.c:** Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States.	3 GOOD HEALTH AND WELL-BEING
• **4.1:** By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes. • **4.2**: By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education. • **4.3**: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. • **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. • **4.5:** By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.	4 QUALITY EDUCATION
• **5.5:** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	5 GENDER EQUALITY
• **6.1:** By 2030, achieve universal and equitable access to safe and affordable drinking water for all. • **6.2:** By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations. • **6.b**: Support and strengthen the participation of local communities in improving water and sanitation management.	6 CLEAN WATER AND SANITATION
• **7.1:** By 2030, ensure universal access to affordable, reliable and modern energy services. • **7.b:** By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support.	7 AFFORDABLE AND CLEAN ENERGY

Relevant UN Sustainable Development Goals

• **8.3:** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services. • **8.5:** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. • **8.10:** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.	
• **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.	
• **10.2:** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	
• **11.1:** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums. • **11.3**: By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.	
• **12.3**: By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.	

Source: Sustainable Fitch, UN

Appendix A: Principles and Guidelines

Type of Instrument: Social

Four Pillars	
1) Use of Proceeds (UoP)	Yes
2) Project Evaluation & Selection	Yes
3) Management of Proceeds	Yes
4) Reporting	Yes

Independent External Review Provider	
Second-party opinion	Yes
Verification	No
Certification	No
Scoring/Rating	No
Other	n.a.

1) Use of Proceeds (UoP)

UoP as per Social Bond Principles (SBP)	
Affordable basic infrastructure	Yes
Access to essential services	Yes
Affordable housing	Yes
Employment generation/programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition project and/or other considerations for a "just transition"	Yes
Food security and sustainable food systems	Yes
Socioeconomic advancement and empowerment	Yes
Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP	No
Other	n.a.

Target Populations	
Living below the poverty line	Yes
Excluded and/or marginalised populations and/or communities	Yes
People with disabilities	Yes
Migrants and/or displaced persons	Yes
Undereducated	Yes
Under-served, owing to a lack of quality access to essential goods and services	Yes
Unemployed and/or workers affected by climate transition	Yes
Women and/or sexual and gender minorities	Yes
Aging populations and vulnerable youth	No
Other vulnerable groups, including as a result of natural disasters, climate change, and other climate transition projects that cause or exacerbate socioeconomic inequality	No
Other	Microentrepreneurs

2) Project Evaluation and Selection

Evaluation and Selection	
Credentials on the issuer's social and green objectives	Yes
Documented process to determine that projects fit within defined categories	Yes
Defined and transparent criteria for projects eligible for sustainability bond proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	n.a.

Evaluation and Selection, Responsibility and Accountability	
Evaluation and selection criteria subject to external advice or verification	No
In-house assessment	Yes
Other	n.a.

3) Management of Proceeds

Tracking of Proceeds	
Sustainability bond proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	Yes
Other	n.a.

Additional Disclosure	
Allocations to future investments only	Yes
Allocations to both existing and future investments	No
Allocation to individual disbursements	Yes
Allocation to a portfolio of disbursements	Yes
Disclosure of portfolio balance of unallocated proceeds	No
Other	n.a.

4) Reporting

UoP Reporting	
Project-by-project	Yes
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.

UoP Reporting/Information Reported	
Allocated amounts	Yes
Sustainability bond-financed share of total investment	No
Other	n.a.

UoP Reporting/Frequency	
Annual	Yes
Semi-annual	No
Other	n.a.

Impact Reporting	
Project-by-project	Yes
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.

Impact Reporting/Information Reported	
Number of beneficiaries	Yes
Target populations	Yes
Other ESG indicators	n.a.

Impact Reporting/Frequency	
Annual	Yes
Semi-annual	No
Other	n.a.

Means of Disclosure	
Information published in financial report	No
Information published in ad hoc documents	Yes
Information published in sustainability report	No
Reporting reviewed	No
Other	n.a.

Note: n.a. – not applicable.
Source: Sustainable Fitch, ICMA

Appendix B: Definitions

Term	Definition
Debt types	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability-linked Bond Principles or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
Standards	
ICMA	International Capital Market Association. In the Second-Party Opinion we refer to alignment with ICMA's Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked bonds.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). In the Second-Party Opinion we refer to alignment with Sustainable Finance Loan Principles: a series of principles and guidelines for green, social and sustainability-linked loans.
EU Green Bond Standard	A set of voluntary standards created by the EU to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".

Source: Sustainable Fitch, ICMA, UN, EU Technical Expert Group

Appendix C: Second-Party Opinion Methodology

Second-Party Opinion

Second-Party Opinions (SPO) are a way for issuers to obtain an independent external review on their green, social, sustainability and sustainability-linked instruments.

As per the ICMA Guidelines for External Reviewers, an SPO entails an assessment of the alignment of the issuer's green, social, sustainability or sustainability-linked bond or loan issuance, framework or programme with the relevant principles. For these purposes, "alignment" should refer to all core components of the relevant principles.

Sustainable Fitch analysts vary the analysis based on the type of instruments, to consider whether there are defined uses of proceeds or KPIs and sustainability performance targets. The analysis is done on a standalone basis, separate to the entity.

Analytical Process

The analysis considers all available relevant information (ESG and financial). The reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed. The ESG analysts working on an SPO will also engage directly with the issuer to acquire any additional relevant information not already in the public domain or in instrument-related documentation.

An important part of the analysis is the assessment of the E and S aspects of the use of proceeds. In addition to the alignment with ICMA Principle and Guidelines, the analysis may also refer to major taxonomies (e.g. the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects).

Once the analyst has completed the analysis, with commentary for the related SPO, it is submitted to the approval committee, which reviews it for accuracy and consistency. Based on issuer preference and mandate, an SPO can be monitored (annually or more frequently, if new information becomes available) or on a point-in-time basis.

Scale and Definitions

	ESG Framework
Excellent	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet excellent levels of rigour and transparency in all respects and are well in excess of the standards commonly followed by the market.
Good	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet good levels of rigour and transparency; in some instances, they go beyond the standards commonly followed by the market.
Aligned	Sustainable finance framework and/or debt instrument structure is aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet the minimum standards in terms of rigour and transparency commonly followed by the market.
Not Aligned	Sustainable finance framework and/or debt instrument structure is not aligned to relevant core international principles and guidelines. Practices inherent to the structure fall short of common market practice.

Source: Sustainable Fitch

SOLICITATION STATUS

The Second Party Opinion was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.