

Technical Proposal

SECOND PARTY OPINION (SPO) ON GREEN, SOCIAL
AND SUSTAINABILITY BOND FRAMEWORK

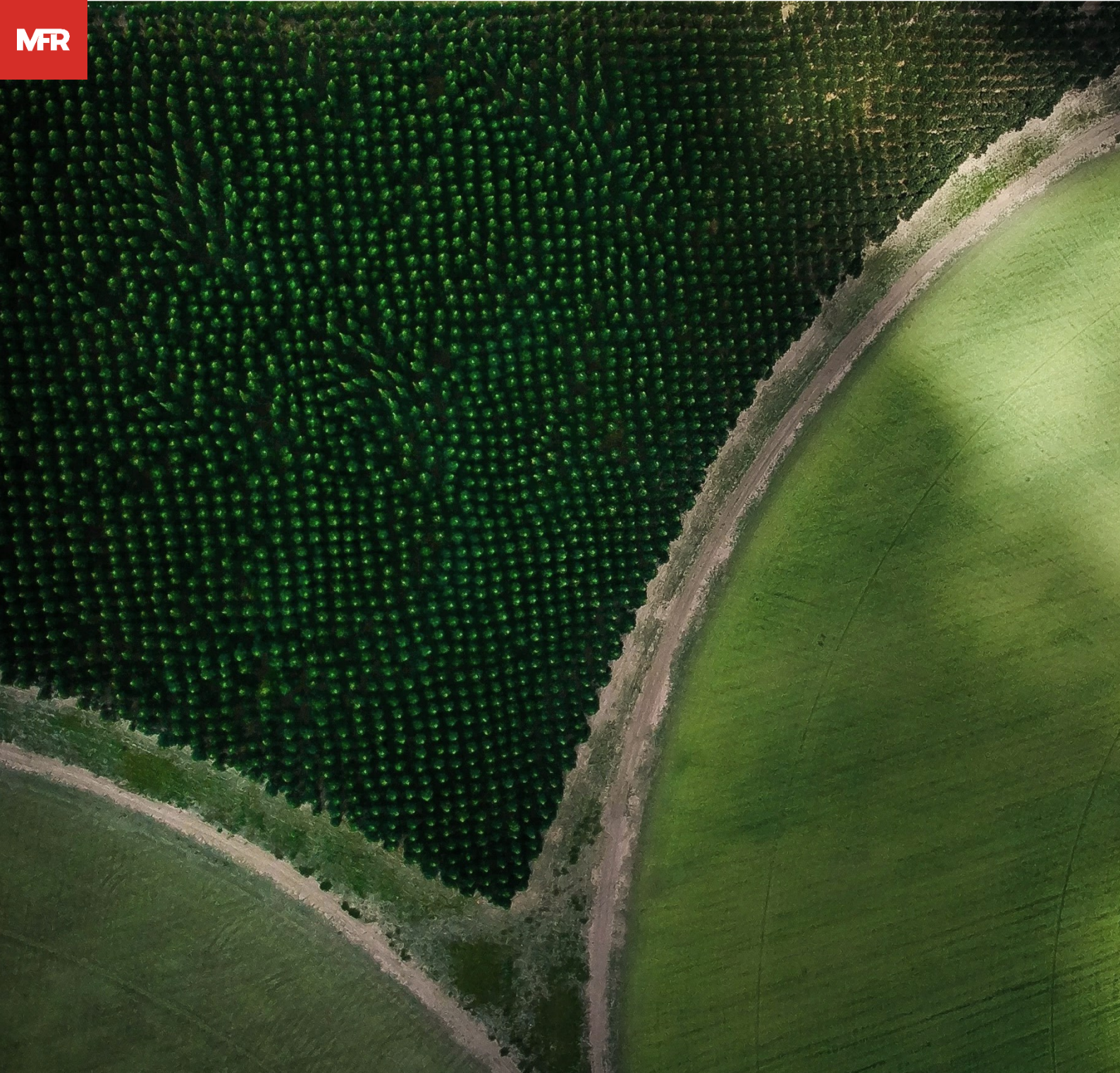
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Company Profile

We are the leading international rating agency
specialized in inclusive and sustainable finance

Company Profile

We believe in a transparent and sustainable future, where capital combines with purpose. Our mission is to generate independent opinions for the sustainable finance industry, based on verified information, to foster responsible investments.

MFR is a global rating agency, providing assessments, data and technical expertise for the sustainable finance industry. Created in 2000 as a dedicated department of Microfinanza SRL, MFR was spun off as an independent Limited Liability Company in 2006.

Headquartered in Italy, MFR operates through a network of 5 regional offices (Ecuador, Mexico, Kenya, Kyrgyz Republic, and the Philippines) and 1 country office (Bolivia) across 4 continents, boasting the **largest global geographical coverage** among specialized rating agencies.

MFR leverages on a **well-founded credibility**. MFR was the first specialized rating agency to be licensed by a Supervisory Authority to carry out mandatory ratings (2007, in Ecuador) and it is currently the only one to be licensed in 2 countries (since 2014, also in Bolivia).

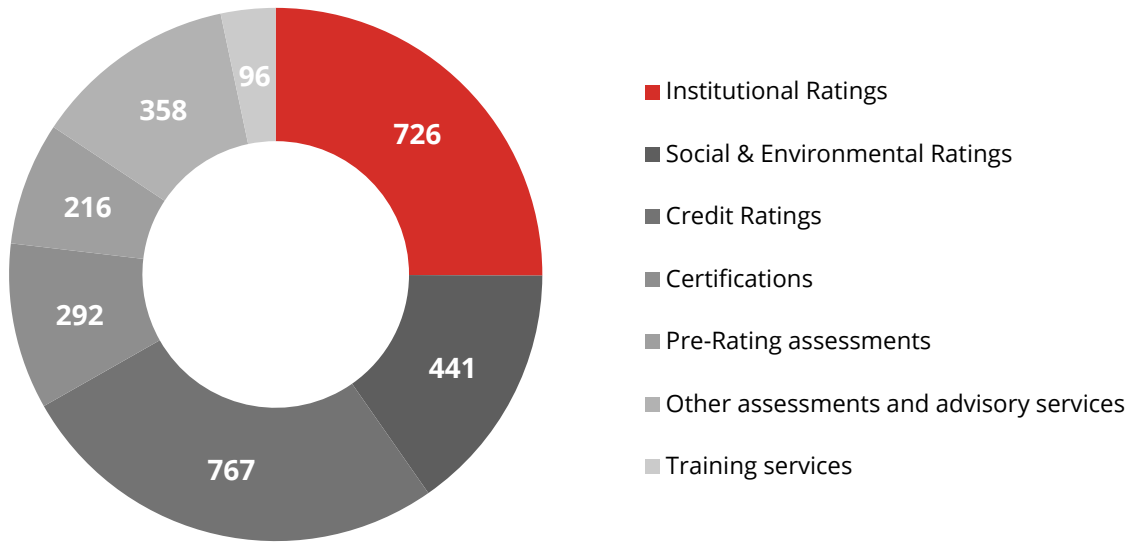
Over the years, MFR has been accredited by 2 global rating funds (RF I) and initiatives (Rating Initiative), and several regional funds (e.g. Latin America RF II, Moroccan APP) and initiatives (e.g. European Jasmine Initiative, EASI).

MFR is licensed by	To conduct
Ecuador Regulators (SBS, SEPS & SC)	Credit Rating of regulated financial institutions (FIs) and Issuance Rating
Bolivia Regulator (ASFI)	Credit Rating, Social Rating and Issuance Rating of regulated FIs
MFR is registered with	As
Philippines local central bank	Microfinance Institutions Rating Agency (MIRA)
ICMA	External reviewer for Green, Social, Sustainability Bonds
MFR is accredited by	To conduct
Smart Campaign/SPTF+CERISE	Client Protection Certification of FIs
European Commission	European Code of Good Conduct
Truelift	Truelift Assessment of FIs
CERISE+SPTF	SPI4 and SPI4 Alinus Social audits
MFJ/DFC	Rating of MSME funds, clean energy (PAYGO) funds, agricultural funds and housing funds
GOGLA	Consumer Protection Assessment of Off-grid Solar Companies

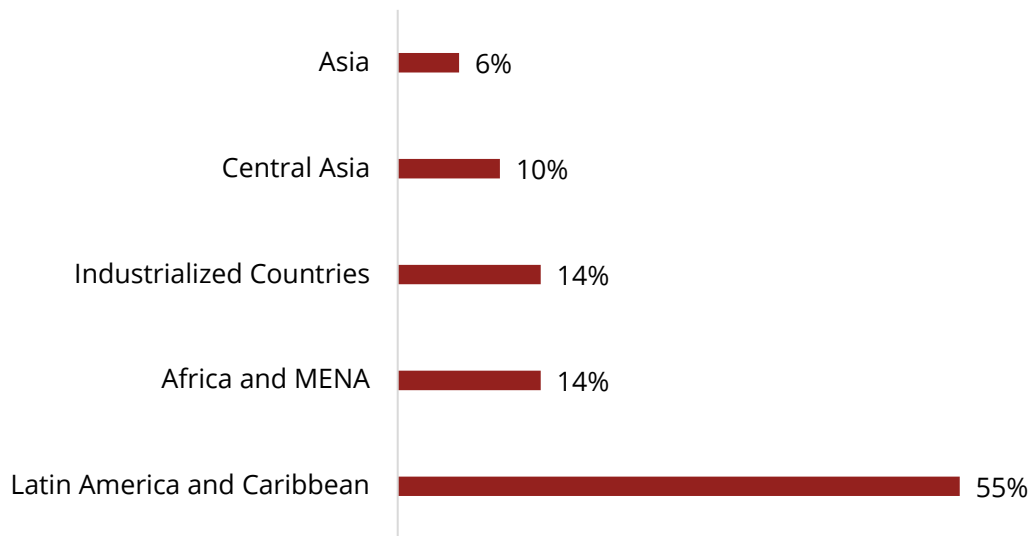
Its credibility and technical expertise are further proven by the **relations and partnerships** established with some of the leading private social investors and fund managers (e.g. ADA, responsAbility, OikoCredit, Blue Orchard, Incofin, Triple Jump, Symbiotics, Triodos etc.), DFIs (e.g. KfW, EBRD, EIB, IFC/WB, IFAD, FMO, IADB, UNDP/UNCDF, USAid, OPIC, AfD, CDC Group, etc.), and specialized hedging funds (e.g. TCX, MFX).

MFR has conducted **2,800+ assignments in 110+ countries worldwide** and holds **>70% of the global market share***.

Product diversification



Global outreach



* Number ratings and certifications conducted by MFR / total number ratings and certifications known to have been conducted by all rating agencies specialized in inclusive finance from 2014 to 2021

Experience with assessment of Social, Green and Sustainability investments

- Assessments of the **Green and Social performance of organizations targeting low-income customers and Micro, Small and Medium Enterprises (MSMEs) in emerging markets.** Through **400+ [Social and Environmental Ratings](#)**, conducted in **50+ countries**, MFR measures the capacity of an organization to achieve its social and environmental goals and to manage associated risks. Social and Environmental Ratings cover the following areas, similarly to the Second Party Opinion (SPO) on Green, Social and Sustainability Bond Framework, including:
 - Review of the green and social objectives and intended benefits of the organization: clear identification of SMART targets, including type of target population when applicable, to guide the lending or sale activity according to the intended green and social goals (**Use of Proceeds**).
 - Adequacy of the criteria to ensure that the projects and products financed are in line with the intended green and social goals, meet green and social eligibility criteria (e.g. exclusion list), and rely on systems to manage green and social risks (**Project Selection and Evaluation**).
 - Adequacy of the system to report on the projects and products financed, population reached, and green and social objectives achieved (**Reporting**).
 - Governance and strategy alignment to the green and social objectives (**Issuer Sustainability Strategy**).
- Assessment of the quality of an organization's **systems** to **minimize green** and **social risk** such as causing **harm** to **low-income clients** and causing **harm** to the **environment** through **e-waste**:
 - 130+ [Client Protection Certifications](#) of financial institutions
 - 71 [European Code of Good Conduct Evaluations](#) of financial institutions
 - 15 [GSMA Code of Conduct certifications](#) of Mobile Money Operators
 - 3 [Digital client protection assessments](#) of Fintech companies
 - 3 [GOGLA Consumer Protection third party assessments](#) of Off-grid Solar PAYGo companies
- Assessment of the **social impact** results and the **change in end-clients' lives** as part of 10+ [Impact assessments](#) of financial institutions serving MSMEs in emerging markets.
- Development of Guidelines on [Outcomes Management](#) for Impact Investors (2016), in partnership with the European Microfinance Platform (e-MFP) and the Social Performance Task Force (SPTF).
- Development of Guidelines to Assess the [Environmental and social performance of SME finance institutions](#) for **Impact investors**.

- **Green finance** assignments with companies, investors, and standard setters, including:
 - Development of a strategy to **grow** the **green portfolio** of a **financial institution** serving MSMEs in Ivory Coast (e.g. renewable energy, agriculture value chain, energy efficiency, waste management, recycling), supported by EDFI.
 - Fine-tuning of indicators and schemes to measure **Off-grid Solar PAYGo companies' portfolio quality** and **financial performance** ([PAYGo PERFORM KPIs](#)), as well as to provide [Consumer Protection third party assessments](#) (GOGLA Consumer Protection code), supported by IFC Lightning Global, CGAP and GOGLA.
 - Development of **risk methodologies** for a **renewable energy fund** managed by [REEEP](#) targeting Off-grid Solar PAYGo companies, Min-grids and Productive Use.
 - Development of a **credit scoring** for a fund managed by Cordaid targeting **SMEs** in Africa in green sectors such as **clean energy** and **climate smart agriculture**.
 - Fine-tuning of the methodology to classify banks' portfolio according to Green, Social and Prosperity criteria as part of the [Global Alliance for Banking on Values](#) scorecard.
- Management of [ATLAS](#), a data platform centralizing green, social, governance and financial data of 3,000+ financial institutions serving MSMEs and renewable energy companies worldwide, for **benchmarking** purposes.
- Assessments and ratings of **funds**, investors and **holdings** working in financial inclusion and access to clean energy, including: FMO, Triple Jump, Promujer International, Microfinance Solidaire, Platcorp, SIMA, CoopMed, Zimbabwe Microfinance Fund.
- **Rating** of **Bonds** issued by financial institutions regulated by ASFI in Bolivia.

Partnerships established between MFR, investors and other stakeholders since 2000:



Experience in Senegal

- 10 assignments conducted in Senegal, including assessments and ratings of MSME Finance institutions (e.g. Baobab Senegal) as well and other stakeholders (e.g. UNCDF).
- Data of 10 MSME Finance institutions collected through the ATLAS data platform. Some of these institutions include: ACEP Senegal, PAMECAS, and Caurie.

ATLAS

MFR manages **ATLAS**, a data platform centralizing **financial** and **ESG data** of Financial Institutions and Renewable Energy Companies, in partnership with industry initiatives (CERISE+SPTF, GOGLA, GABV, MIMOSA, Factsheet). Since 2020, ATLAS has offered **data benchmarking, validation, portfolio monitoring** and **consolidation** services to impact investors.

ATLAS aims to increase the **quality** of financial and ESG data available to decision makers, through tailored solutions for investees to report investors more **efficiently**, and for the industry to be more **accountable**.

To date, ATLAS houses data from **1,500 organizations** with data in recent years, and 4,000 organizations with data in any year since the year 2000, covering 140 countries and 9,8M datapoints.

ATLAS data sources include: MFR ratings and certifications, public data reclassified by MFR, investor's portfolio data, association member's data (e.g. GOGLA; GABV, EMN), CERISE SPI data, and others. Twelve investors use ATLAS for portfolio monitoring or share the monitoring data they collect with the platform.

Data undergo consistency checks to address gross inconsistencies and uncoherent trends before being uploaded. A reliability score is assigned to the data uploaded depending on the degree of validation received at source. Additional data accuracy validation services are available on demand.

ATLAS achieved break-even after 2 years from launch. Currently, about 25 investors, research institutes and other entities subscribe ATLAS.

For more information, please visit <https://www.atlasdata.org/about>

Testimonials from our clients

MFR's Second Party Opinion was very useful for Baobab Senegal Sustainability Bond Framework. We particularly valued the several opportunities for exchange and comment, which helped us implementing the ICMA good practices in a way that is adapted to our goals and the financial inclusion sector.

Serigne Bamba Mbacke Diop, Deputy CEO

Baobab Senegal

Second Party Opinion



Technical Proposal

Our products have been designed to satisfy our clients' different needs

Technical Proposal

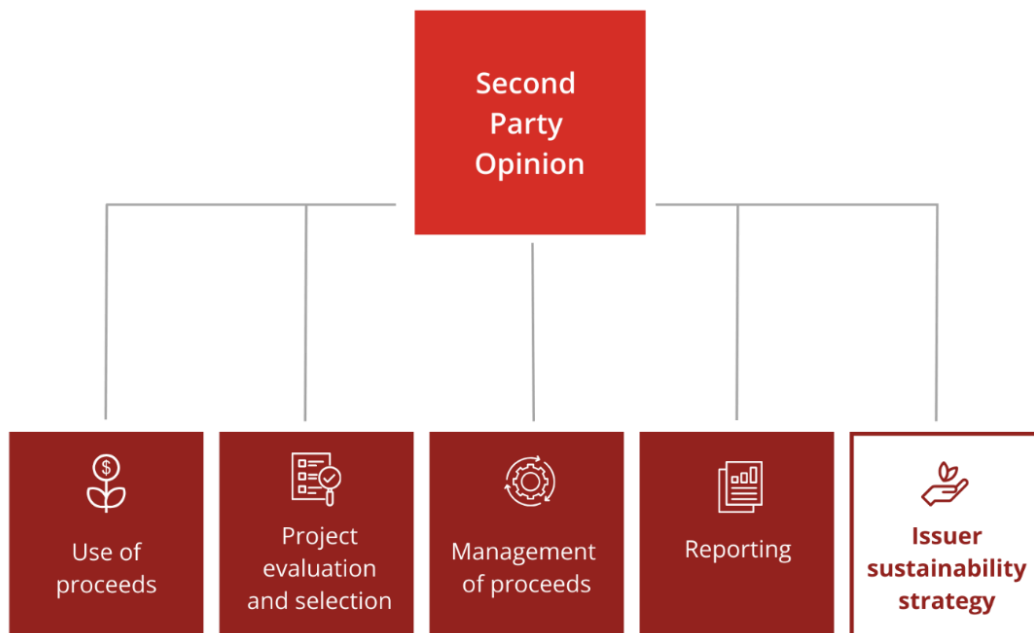
Second Party Opinion (SPO) on Green, Social and Sustainable Bond Framework

The Second Party Opinion (SPO) provides an expert assessment of a Green, Social, or Sustainability Bond framework against the International Capital Market Association (ICMA) principles.

MFR is an external reviewer recognized by [ICMA](#), enabling us to offer SPOs in accordance with ICMA guidelines. SPO service is available to investors, mature financial institutions, banks, development finance institutions and companies willing to issue green, social or sustainability bonds.

The evaluation enhances the issuer's credibility and increases the bond's appeal by demonstrating alignment with ICMA principles to investors and the market. Enhanced transparency facilitates the engagement between issuers and investors with shared impact goals.

The ICMA principles are structured into four core components:



Advantages of MFR's methodology

Our SPO includes:

- Evaluation of the alignment of the Bond Framework with the four core components of the **ICMA Principles**.

- Assessment of the **issuer's** overarching **Sustainability Strategy** alignment with the Bond Framework and rationale for Bond issuance.
- Mapping of the Use of Proceeds categories with the **UN Sustainable Development Goals**.
- Evaluation of the alignment of the Bond Framework with **ASEAN Standards** (if applicable).
- Analysis of the alignment of the Bond Framework with the **EU Taxonomy** (if applicable).

The SPO exercise provides ample space for interaction between the issuer and MFR, including opportunities to share experience of international good practices and reflect on how they may be applied in the specific context of the Issuer. This offers the issuer the option to use the recommendations to further strengthen the Bond Framework.

Second Party Opinion framework

The Second Party Opinion report provides:

- A concise opinion on the overall alignment of the Bond Framework to the ICMA principles.
- An in-depth assessment of the alignment of the Bond Framework to each one of the four ICMA core components, including strengths and opportunities for improvement: 1) Use of Proceeds; 2) Project Evaluation and Selection; 3) Management of Proceeds; and 4) Reporting.

The evidence used to generate the Second Party Opinion includes the following:

Evidence	Description
1. Document	<ul style="list-style-type: none"> ▪ Secondary sources on the specific market and sectors' context. ▪ Bond Framework document and Issuer publicly available information. ▪ Internal documents, policies, systems, and tools of the Issuer, of the Issuer partner organizations, and of the underlying borrowers (if already identified). ▪ MFR quantitative and qualitative experience of similar Use of Proceeds.
2. Interviews	<ul style="list-style-type: none"> ▪ Issuer key staff, management and BoD. ▪ Partner organizations contracted by the Issuer for all, or some bond management functions (e.g. portfolio management company). ▪ Underlying borrower organizations if already identified and applicable.

The Final Second Party Opinion Report is issued by the **Second Party Opinion Committee**, composed of senior MFR members. The Second Party Opinion Committee is responsible the review and approval of the Second Party Opinion, ensuring independence and high quality of the assessment process and outcome.

Timeline and Work Plan

The following work plan applies for the services presented in the current proposal.

Interviews

1 week

- Interviews with key managers, directors, staff, and other relevant stakeholders
- Data cross-checked and verified
- Debriefing session with the issuer to share preliminary findings

Feedback

1 week

- Feedback on the draft report from the issuer

Desk review

2 weeks

- Coordination with the issuer
- Data and documents collection
- Desk analysis
- Interviews agenda

Draft Report and Quality Control

4 weeks

- Draft report
- Quality control

Final Report

1 week

- Reviewing the issuer's feedback
- Finalizing the report

Second Party Opinion Committee

MFR's Rating Committee members have extensive experience in the assessment of financial institutions at regional and global level. It is composed of the following people:

Ivan Sannino

Chairperson of MFR's Financial Rating Committee Unit since 2009, Ivan also oversees the Quality Control activities on financial assignments. Ivan chairs the Rating Committees for Financial and Credit Ratings worldwide and coordinates other senior members of the Rating and Quality Control Unit; overtime he has chaired more than 400 Committees.

As chair of the Credit Rating Committees for the regulated markets of Ecuador and Bolivia, Ivan is authorized by the respective Supervisory Bodies. As one of the most senior experts in the company, Ivan leads and coordinates training and coaching of rating analysts worldwide on financial and risk topics. He is also an active member of MFR's Technical Group and he is part of the Management Team. Ivan joined MFR in 2004 as Analyst, participating in over 130 assignments worldwide.

Before joining MFR, Ivan worked for 5 years in Latin America in the economic development field, carrying out evaluations, technical reviews and consulting activities in microfinance, rural finance and the MSMEs sector.

Ivan holds an MSc in Economics from Bocconi University (Italy). He is fluent in English, Spanish, Portuguese and is a native Italian speaker.

Joris Crisà

Joris chairs the Rating Committees for Social & Environmental Ratings and Client Protection Certifications worldwide and coordinates other senior members of the Rating and Quality Control Unit. Joris is also the Operations Director of MFR since June 2022 and was previously the Inclusive Finance in charge of the technical and business-related aspects of MFR's inclusive finance and social performance services and projects. He is based out of the Head Office in Milan, Italy.

He joined MFR in 2011 as an Analyst and carried out +80 ratings, assessments and client protection certifications, mainly in Africa, MENA and ECA regions, acquiring an extensive field experience as analyst and team leader. Before joining MFR, Joris was involved in different projects in the field of environmental impact assessments and social programs.

Joris also worked with the Cambodian Microfinance Association for a research study. Joris holds a Master degree in Sustainable Development from Paris-Dauphine University and an MA in European Microfinance from the Solvay Brussels School of Economics and Management. He is an Italian and French native speaker and is fluent in English.

Aldo Moauro

MFR's Managing Director & Founder, Aldo is also a shareholder and board member. Aldo leads MFR's Management Team, providing strategic guidance and supervision of operations and representing MFR at global level.

He sits in the Rating Committee Unit and systematically supervises all new issues of rating reports. Since the beginning of operations in 2000, Aldo has carried out 200+ rating and assessment missions.

Aldo has been an active member within the most relevant industry initiatives, including as a Board Member of SPTF, Board Member of African Microfinance Transparency and SMART Campaign Certification Committee member. Since 2008, Aldo is also a faculty member at the Boulder Microfinance Training Program.

Before joining MFR, Aldo worked at Banca Etica and ETIMOS, respectively a commercial bank and an international financial consortium, and was in charge of the microfinance investments portfolio. Aldo holds an MSc in Economics. He is fluent in English, Spanish, French and Italian (native).

Lucia Spaggiari

Business Development Director, in charge of the Innovation Committee's effort towards new business lines, partnerships and delivery channels.

Business Development Director since 2015, Lucia contributes to the development of new services and to the upgrade of MFR's methodologies. She is responsible for the Data Platform Project, for studies and research, and for the relationships with several investors and industry initiatives (e.g. contributing to SPTF and Smart Campaign methodologies evolutions). Lucia is a member of MFR's Management Team, Rating Committee Unit, Technical Group and Innovation committee. Lucia joined MFR in 2005 as analyst. Social Rating Director from 2010 to 2015, she was in charge of the issue of social ratings and client protection certifications. She acquired an extensive field experience with 90+ field assignments in 44 countries worldwide.

Lucia holds an MSc in Economics and Management of Public Administration and International Organizations from Bocconi University (Italy). She is fluent in English, French, Spanish and is an Italian native speaker.