



OPEC FUND SDG BOND FRAMEWORK

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Table of contents

- 1. Introduction..... 3
 - 1.1 Context..... 3
 - 1.2 OPEC Fund Sustainability Strategy..... 4
 - 1.2.1 Agriculture: an emergency call..... 4
 - 1.2.2 Education: supporting access for all..... 5
 - 1.2.3 Energy: at the core of OPEC Fund’s strategy 5
 - 1.2.4 Financial: financing sustainable growth..... 6
 - 1.2.5 Health: promoting universal healthcare..... 7
 - 1.2.6 Transportation: towards green and inclusive mobility..... 7
 - 1.2.7 Water & Sanitization 8
 - 1.2.8 Multisector 8
- 2. The OPEC Fund and ESG 9
 - 2.1 A comprehensive ESG framework..... 9
 - 2.2 An integrated ESG policy 10
 - 2.3 A strong ESG Risk Governance..... 11
 - 2.4 Rationale for issuing SDG bonds 11
- 3. The SDG Bond Framework 12
 - 3.1 Use of Proceeds..... 12
 - 3.2 Process for Project Evaluation and Selection..... 16
 - 3.3 Management of proceeds..... 17
 - 3.4 Reporting..... 17
- 4. External Verification 19
 - 4.1 Second Party Opinion 19
 - 4.2 Post-issuance verification..... 19
- ANNEX 1: Environmental, Social and Governance Risk..... 20
- ANNEX 2: The OPEC Fund Exclusion List..... 21

Introduction

1.1 Context

Established by the member countries of OPEC in 1976, the OPEC Fund for International Development (OPEC Fund) is a multilateral development bank dedicated to delivering socio-economic impact to low-and middle-income countries.

The OPEC Fund's resources consist of voluntary contributions made by its 12 member countries (Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, United Arab Emirates and Venezuela). The latest replenishment was approved in 2011, when resources were agreed to be increased by US\$1 billion between 2013 and 2024.

Since its establishment, the organization has committed more than US\$22 billion to development projects in more than 125 countries and approved more than 4,000 projects across public and private sectors as well as through trade finance and grants.

The OPEC Fund's projects are aligned with the United Nations' Sustainable Development Goals (SDG)¹ and support the 2030 Agenda. The OPEC Fund operates in 11 sectors: agriculture, education, energy, financial, health, industry, infrastructure, telecommunications, transportation, water & sanitation and multisectoral.

The OPEC Fund's main consideration when selecting eligible projects is the social, economic, and environmental viability of the development project or program and its contribution to the sustainable development objectives of the partner country. The OPEC Fund often works in cooperation with developing country partners and the international donor community in this project identification phase, as well as later for their implementation.

The OPEC Fund's Headquarters is located in Vienna, Austria, and its supreme authority is its Ministerial Council, composed of finance ministers of the member countries. The Ministerial Council issues policy guidelines, approves the replenishment of resources, authorizes the administration of special funds and makes major policy decisions.

COVID-19 Response

In 2020, the OPEC Fund dedicated US\$1 billion to COVID-19 relief efforts to fund initiatives ranging from immediate and critical healthcare provisions to economic recovery efforts in developing countries to deal with the long-term economic and social effects of the pandemic. By the end of 2021, these funds were fully committed to projects and programs mainly located in Africa, Latin America and Asia.

¹ The SDGs were adopted in 2015, more information here: <https://sdgs.un.org/fr/goals>

1.2 OPEC Fund Sustainability Strategy

The OPEC Fund is committed to a multisectoral approach supporting sustainable development²:

Among the 11 sectors in which the OPEC Fund operates, there are seven focus areas that are prioritized to support global and inclusive growth around the world: agriculture, education, energy, financial, health, transportation and water & sanitation. In addition, aware of the interlinkage and interdependence of the different sectors, the OPEC Fund also considers multisectoral projects as a key area of engagement, since it includes all initiatives that directly affect more than one sector, and therefore, more than one SDG. Focusing in these areas allows the OPEC Fund to be more effective when tackling global challenges and inequalities when supporting impactful projects in low and middle income countries. Some of the challenges in these areas and the corresponding OPEC Fund's contributions are detailed hereafter:

1.2.1 Agriculture: an emergency call

As the world's population continues to grow, sustainable and inclusive food systems are becoming more critical to achieving the global goals. The world needs to increase agricultural production to meet population growth, decrease waste and improve food systems, in a sustainable manner.

Climate change, climate events such as droughts, as well as most recently global pandemics are further threats to agricultural output and food security. The OPEC Fund works to support SDG 2 (Zero Hunger) through promoting sustainable food production and resilient agriculture across the world.

The OPEC Fund's contribution: Since its inception, the OPEC Fund has committed a total amount of US\$2,540 million to agriculture projects. In 2021, the Fund committed US\$176 million to help finance climate resilience for agriculture, provide support to smallholders, improve irrigation systems and connect rural communities to local markets through access roads³.

Helping smallholder farmers in Benin and Togo

In Benin and Togo, the OPEC Fund is working with International Fund for Agricultural Development (IFAD) and the governments of both countries to help strengthen agriculture and trade, and to sustainably increase income and food security of rural households. In support of the Regional Program for the Integration of Agricultural Markets (PRIMA), the OPEC Fund provided financing totaling US\$25 million. The OPEC Fund's loans will support market integration and rural entrepreneurship benefiting around 145,000 households. PRIMA places strong emphasis on creating jobs for women and youth and helps to increase regional integration by connecting smallholder

² The OPEC Fund website, <https://opecfund.org/>

³ OPEC Fund's Annual Report 2021: <https://bit.ly/OFAR21FI>

farmers to local markets through rural access roads. Additionally, it develops agricultural land for sustainable irrigation management, enabling family farmers to increase their production and resilience to climate change

1.2.2 Education: supporting access for all

In its latest report⁴ published in November 2021, UNESCO calls for a “new social contract” which would prioritize access to education for all. Indeed, according to the UN, the world is at a turning point and global disparities mean that education is not yet fulfilling its promise to help shape peaceful, just, and sustainable lives. High living standards coexist with gaping inequalities and, even though the public sector is largely active, “the fabric of civil society and democracy is fraying in many places around the world”, according to the report.

The OPEC Fund’s contribution: The OPEC Fund’s commitment to the education sector remains strong. Since its inception, it has committed a total amount of US\$1,022 million in investments to the sector. In 2021, the OPEC Fund approved a US\$50 million allocation in support of global education projects as part of the Smart Ed initiative - a new cooperation with other Arab Coordination Group (ACG) members and the Global Partnership for Education (GPE).

Lanzhou Vocational Education Project in China

During 2021, the OPEC Fund also approved a US\$20 million loan for the Lanzhou New District Campus of the Gansu Vocational and Technical College of Communication, a project that will include two new facilities: A 30,400 m² seven-story multipurpose building and a vocational training center. The project will offer young people increased access to a high quality and market-driven education and promote economic development in Lanzhou City and Gansu Province. The project is expected to benefit approximately 12,000 students per year.

1.2.3 Energy: at the core of OPEC Fund’s strategy

Energy challenges stand at the center of the OPEC Fund’s Strategic Framework 2030. In order to have the largest impact possible, the OPEC Fund developed an integrated approach to energy challenges, addressing them alongside food security and access to natural resources such as water. With this framework, the organization aims to ensure that the policies implemented in these three sectors are harmonized.

SDG 7 calls for ensuring access to reliable, sustainable and modern energy services at an affordable cost. While in the early days, OPEC Fund’s financing supported investments mainly in power generation as well as the construction and rehabilitation of transmission and distribution lines, the Fund has lately intensified its activities to find - and fund - comprehensive solutions on the ground to support energy access and transition.

⁴ <https://unesdoc.unesco.org/ark:/48223/pf0000379707/PDF/379707eng.pdf.multi>

Energy is one of the most powerful catalysts for development. Without energy, it is impossible to provide health care, education or clean water, increase food security and eliminate hunger and, ultimately, eradicate poverty. Access to energy is a true driver of development and impacts all other SDGs.⁵

The OPEC Fund's contribution: cumulative commitments to the energy sector add up to US\$3,483 million. In 2021, total commitments to the sector reached US\$153 million.

Electrifying Rwanda

In Rwanda, the electricity access rate in rural areas is around 15 percent, compared to around 76 percent in urban areas. The government's National Strategy for Transformation aims to make Rwanda among the first countries in Africa to achieve universal electrification. The OPEC Fund has extended a US\$20 million public sector loan to Rwanda to increase access to energy for around 270,000 people in the Muhanga, Kamonyi and Gakenke districts, which will almost double the electrification rates in the three target districts. The project is funded in partnership with the Saudi Fund for Development and other development institutions.

1.2.4 Financial: financing sustainable growth

The OPEC Fund finances operations that support decent work and economic growth, as well as industry, innovation and infrastructure (SDGs 8 and 9). The OPEC Fund is particularly keen to support micro, small and medium-sized enterprises, which often lack access to credit in emerging markets, but also form the backbone of those economies, providing jobs and helping to raise living standards.

The OPEC Fund's contribution: In 2021, the OPEC Fund committed US\$496 million to the financial sector, while cumulative commitments to the sector since its foundation amount to US\$1,696 million. From this amount, the quasi totality was evenly directed towards Africa, Asia and Latin America, mainly through private sector and trade finance operations.

Paraguay: Banco Regional

The OPEC Fund and Banco Regional of Paraguay expanded their cooperation in 2021 to provide funds for SMEs in agribusiness, a key driver of the country's economy. A US\$30 million loan provided by the OPEC Fund will be used for on-lending to small and medium-sized enterprises and support Paraguay's economic recovery after the COVID-19 pandemic.

⁵ To be noted that, loans supporting upstream and downstream oil and gas projects, as well as fossil fuel-fired power generation projects are excluded from this SDG Bond Framework.

1.2.5 Health: promoting universal healthcare

The COVID-19 pandemic has demonstrated that the world needs to strengthen healthcare systems, to ensure preparedness as well as inclusive access to healthcare services for vulnerable populations, such as women and children.

The OPEC Fund focuses on global, regional and national health initiatives aimed at preventing and treating high-burden diseases such as HIV / AIDS, tuberculosis, malaria, neglected tropical diseases, and non-communicable diseases such as cancer and diabetes. The OPEC Fund's financing also helps the development of primary to tertiary healthcare and training facilities, manufacturing of medical supplies and increasing the number of hospital beds. This long-standing commitment is fully in line with SDG3 to "ensure healthy lives and promote well-being for all at all ages".

The OPEC Fund's contribution: In 2021, the OPEC Fund committed US\$15 million to the health sector. The total amount committed to this sector since the inception of the institution amounts to US\$1,135.90 million with most of the funds being directed towards Africa and Asia, through public sector projects.

1.2.6 Transportation: towards green and inclusive mobility

Sustainable transportation, addressed by the UN's Global Goals under SDG 9 on industry, innovation and infrastructure, is vital to ensure that rural communities are integrated. Safe and efficient transport connects people to healthcare, social services and job opportunities and facilitates regional, national and global trade.

The OPEC Fund's contribution: The OPEC Fund has long been committed to the transportation sector. In 2021, the OPEC Fund provided US\$205 million to support transport infrastructure, which helped increase connectivity in remote regions. Total cumulative commitments to development financing for transportation-related projects are US\$4,749 million, mainly through public sector projects in Africa, Asia, and Latin America and the Caribbean.

Improving Connectivity and Accessibility in Bangladesh

In Bangladesh, inadequate infrastructure holds back economic growth and limits employment opportunities in rural areas. The OPEC Fund is working with the government to improve the connectivity and accessibility between the rural southwest region and the capital Dhaka. A US\$75 million OPEC Fund loan will co-finance the construction of the Nalua-Baherchar bridge, spanning the Pandab-Paira River and the building of access roads. The development will facilitate the uninterrupted connectivity between the Barisal and Patukhali districts in the southwest and Dhaka - where agriculture and fishing are key economic activities. Reduced river crossing times and costs for nearly 1.6 million people, will enable agricultural produce to reach marketplaces faster.

1.2.7 Water & Sanitization

While the COVID-19 pandemic demonstrated that hand-washing is essential for hygiene, the challenges for water & sanitation remain huge. Worldwide, one in three people do not have access to safe drinking water, and two out of five people do not have a basic hand-washing facility with soap and water. In developing countries, more than one billion people still use a contaminated drinking water source, which puts them at risk of cholera, dysentery, typhoid and polio. The United Nations estimates that water scarcity affects more than 40 percent of the world population and that this figure is only expected to increase.

Water is interlinked with each and every development target and SDG 6 (Clean Water and Sanitation) calls to 'ensure access to water and sanitation for all'. The OPEC Fund is working with partners to ensure that more people have access to clean water, better water management systems and the necessary infrastructure for WASH (safely managed water, sanitation, and hygiene services).

The OPEC Fund's contribution: In 2021, the OPEC Fund committed US\$20 million to water & sanitation, while the total amount committed to this area has reached US\$1,437 million.

Sierra Leone:

A US\$20 million OPEC Fund loan aims to improve the socio-economic and environmental conditions and reduce waterborne diseases for around 1.4 million people in the capital Freetown under the 'Freetown WASH and Aquatic Environment Revamping Project.' The OPEC Fund's loan will finance the construction of water supply infrastructure including treatment plants, reservoirs, transmission and distribution networks.

1.2.8 Multisector

Recognizing that all 17 SDGs are interlinked, the OPEC Fund promotes a better understanding of interdependence within and across sectors. The OPEC Fund finances projects that 'cut across' more than one sector such as, for example, financial initiatives that support agriculture or education.

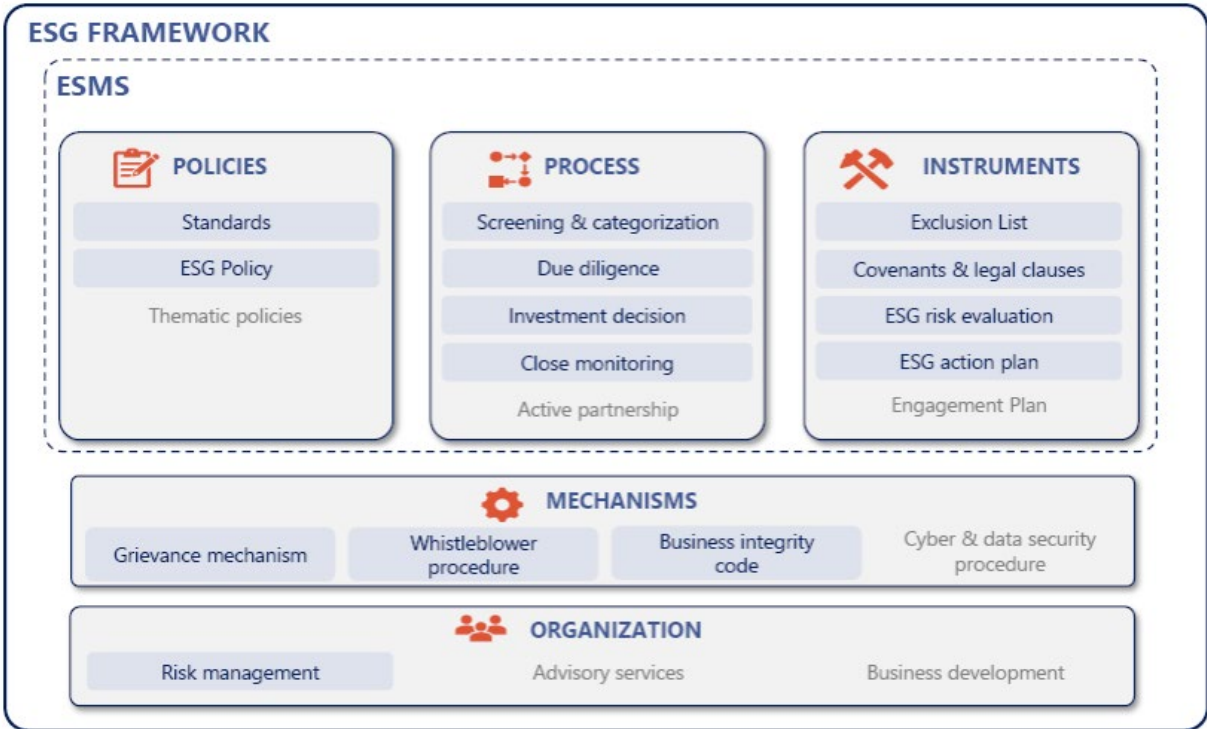
The OPEC Fund's contribution: The total amount committed to the sector since the Fund's inception is US\$1,395 million.

The OPEC Fund and ESG

The OPEC Fund, at the behest of its Governing Board, has developed an integrated ESG assessment approach.

2.1 A comprehensive ESG framework

The OPEC Fund has developed an E&S framework composed of a set of policies, standards, procedures, processes and requirements to manage and mitigate environmental, social and corporate governance risks (E&S risks) in its operations. The framework is the basis for the OPEC Fund’s efforts to assess and mitigate the E&S risks associated with its financing, and will be applied to all investments financed with Sustainable Bond proceeds. This will be achieved through the application of E&S procedures, processes, tools and mechanisms aligned with international best practices.



The OPEC Fund follows the internationally recognized classification method of E&S risk categories ranging from high risk (A), to medium risk (B) and low risk (C).

The ESG framework will follow Environmental and Social Standards of the World Bank (in case of public sector investments) and IFC (in case of private sector investments) and includes an Environmental and Social Exclusion List (ESEL). The E&S policy lays the foundation for an integrated risk management approach in managing E&S risks through intensive assessment and mitigation management measures. The main features are described in the section below.

2.2 An integrated ESG policy

The ESG policy defines the principles and standards for managing environmental and social (E&S) risks in OPEC Fund's operations and the requirements for both the OPEC Fund and its counterparts⁶. With the proceeds of the Sustainable Bond, the OPEC Fund will not finance any counterpart, company or organization involved in any activity on the exclusion list (see Appendix). Among other points, the ESG policy aims at:

- providing a comprehensive approach for the identification of E&S risks in OPEC Fund's operations and their value chains;
- following "best practice" standards (such as the World Bank Environmental and Social Standards for Public Sector, the IFC Performance Standards for Private Sector and the DFI Corporate Governance Development Framework); the E&S policies of the lead partner will be followed when co-financing, provided that their E&S standards are materially consistent with those of World Bank or IFC;
- ensuring that the ESG Policy is applied to OPEC Fund operations, in that either OPEC Fund or an eligible financing partner always:
 - a) Screens/has screened a potential operation for eligibility against E&S exclusion lists;
 - b) Classifies/has classified a potential operation on the E&S risk category for the counterpart's activities (in case of direct operations), or the activities of projects in the portfolio (in case of financial intermediary operations);
 - c) Assesses and evaluates/has assessed and evaluated the negative E&S impacts associated with the operation commensurate with the E&S risk category;
 - d) Defines/has defined mitigation measures to avoid or minimize E&S impacts to a risk level acceptable to the OPEC Fund's standards and risk appetite;
 - e) Considers/ has considered the findings and recommendations from the E&S due diligence as a key factor in investment decision-making;
 - f) Agrees/has agreed on an action plan with the counterpart describing clear measures to mitigate negative ESG impacts of its activities, when necessary;
 - g) Monitors/has monitored the counterpart's compliance with the E&S standards in general and the activities from the mutually agreed action plan in specific;

⁶ Counterparts are primarily sovereign states, private entities and NGOs that directly receive the capital from the OPEC Fund, either in the form of debt, private equity, project finance, grants or any other type of capital.

- h) Supports/has supported counterparts in their effort to bring their performance into compliance with required E&S standards;

2.3 A strong ESG Risk Governance

In order to achieve an efficient monitoring of the ESG procedure and policy, the OPEC Fund ensures that E&S risk management has a firm basis in the institution by dividing risk management responsibilities between different roles: Operations management, ESG team, compliance function, communications, internal audit, transaction management committees, risk management committee, audit and risk committee, and Governing Board.

2.4 Rationale for issuing SDG bonds

By issuing SDG bonds, the OPEC Fund aims to provide its stakeholders with information on how it contributes to the SDGs and to leverage its sustainable investment strategy in low and middle income countries into the sustainable finance markets.

The Fund also aims to support the further development of the sustainable bond market with the publication of its inaugural SDG bond framework.

3. The SDG Bond Framework

The OPEC Fund SDG bond framework aligns with the 2021 edition of the Social Bond Principles (SBP)⁷, the Green Bond Principles (GBP)⁸ and the Sustainability Bond Guidelines (SBG)⁹ and follows its four core components:

1. Use of proceeds,
2. Process for project evaluation and selection,
3. Management of proceeds,
4. Reporting.

3.1 Use of Proceeds

The OPEC Fund intends to issue SDG bonds under this framework targeting social projects and/or green projects. An amount equivalent to the net proceeds is applied to finance and/or refinance in whole or in part, new or existing “eligible SDG loans” contributing to the SDGs and with social and/or green benefits.

In selecting these eligible projects, the OPEC Fund will take into account several key social and/or green criteria in the development of countries such as the economic and geographical accessibility of basic services and infrastructure (financial services, healthcare, food security, energy accessibility, transport infrastructure, education).

This SDG bond framework will fund the OPEC Fund’s Ordinary Capital Resources (OCR) loans only.¹⁰ In particular, the OPEC Fund has eligible multi-sector assets that contribute to several SDGs. In the case of these multi-category assets, the OPEC Fund guarantees that the total funds allocated correspond to at least one of the criteria presented below.





⁷ The ICMA Social Bond Principles, 2022, https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Social-Bond-Principles_June-2022v3-020822.pdf

⁸ The ICMA Green Bond Principles, 2022 https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

⁹ The Sustainability Bond Guidelines (SBG) 2021, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

¹⁰ In 2021, OCR represented 86 percent of the commitments (agreements signed during 2021) of the OPEC Fund, historic data available in: <https://bit.ly/OFAR21OH>







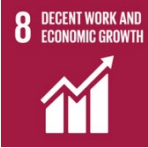
Eligible SDG loans under social categories

SDGs	Eligibility Criteria	Example of OPEC Funds' emblematic projects	ICMA Project categories
 	<p>Loans financing:</p> <ul style="list-style-type: none"> - Sustainable agriculture development, small-scale irrigation and agriculture value chain development, and provision of farm infrastructure, financial services and agricultural inputs such as non-GMO seeds, organic or natural pesticides and fertilizers, farm machinery, storage facilities and warehouses¹¹ for smallholder scale farmers, or, Medical nutrition projects for vulnerable groups <p>Target population: excluded and/or marginalized population and communities, people with low incomes, smallholder farmers, ageing populations, vulnerable youth, and victims of natural disasters. Projects aiming to improve sustainable productive practices, food security, or access to financial services and agricultural inputs directly target small sized farmers, and, indirectly, populations vulnerable to food insecurity.</p>	<p>US\$20m public sector loan agreement with Senegal to co-finance a project that will boost food security and incomes for around 300,000 people.</p>	<p>Access to essential services & food security.</p>
	<p>Loans financing¹²:</p> <ul style="list-style-type: none"> - Medical equipment, or - Vaccination campaigns, or - The development or expansion of health infrastructure - Capacity building¹³ <p>Target population: Excluded and/or marginalized populations and/or communities, people with disabilities, undereducated, people with low incomes, ageing populations and vulnerable youth.</p>	<p>US\$10m public sector loan to support Guatemala's COVID-19 emergency response and public health strategy.</p>	<p>Access to essential services: health & affordable basic infrastructure.</p>
	<p>Loans financing education infrastructure construction/expansion, refurbishment and</p>	<p>US\$30m public sector loan agreement with China to co-finance the 'Hubei Vocational Education Project', which will benefit more than 40,000 students, professionals and</p>	<p>Access to essential services: education.</p>

¹¹ Loans financing the use of synthetic/chemical fertilizers/ pesticides/ and mechanization primarily reliant on fossil fuels/ GMO seeds are excluded from this framework.

¹² Includes interventions with Public healthcare facilities and services only.

¹³ The capacity building programmes will include training related to healthcare, such as healthcare worker training, training households on first aid, and safe water and sanitation practices.

	<p>capacity building ¹⁴for all types of education (early childhood, primary, secondary and higher education, as well as vocational training).¹⁵</p> <p><u>Target population:</u> Excluded and/or marginalized populations and/or communities, people with disabilities, undereducated, populations with low income.</p>	other people per year.	
    	<p>Loans financing basic infrastructure, such as:</p> <ul style="list-style-type: none"> - Water and sanitation projects such as construction, extension and operation of water collection, treatment and supply systems; - Transport projects such as construction or improvement of public transport infrastructure for better access to the entire territory or public transportation systems, including vehicles such as trams and buses; all vehicles financed will be electric or comply with local emissions requirements;¹⁶ - Transmission & Distribution related to energy projects will be limited to areas where there is no access to electricity or access is not stable. The transmission grids will not be dedicated to fossil fuel power plants. <p>Loans supporting fossil fuel (oil and gas extraction and refining, infrastructure used primarily for the transportation of fossil fuels etc.) and natural gas are excluded from this framework.</p> <p><u>Target population:</u> Underserved, owing to a lack of access or minimum quality access to essential goods and services.</p>	<p>US\$30m loan to finance improved access to clean potable water in Lesotho.</p> <p>US\$10m public sector loan agreement with Kyrgyzstan to co-finance the reconstruction of a key road.</p>	<p>Access to essential services and affordable basic infrastructure.</p>
 	<p>Loans to micro, small, medium-sized enterprises and job training to generate income for low-income people and vulnerable populations and fostering economic growth, social stability, and contributing to growth of a dynamic private sector.</p> <p><u>Target population:</u> Underserved micro, small and medium-sized enterprises, low-income and vulnerable populations.</p>	<p>US\$50m term loan in favor of Banco Davivienda in Colombia that will enable the bank to sustain the growth of its lending portfolio with a portion of these resources channeled to support women-owned, micro, small and medium-sized</p>	<p>Employment generation & socio-economic advancement and empowerment.</p>



¹⁴ Capacity building may include training related to education, such as staff training for all types of education, adoption and implementation of new technologies aimed at increasing the education coverage or the efficiency of how educational services are delivered, training related to institutional management.

¹⁵ Includes interventions with Public education only.

¹⁶ For construction of roads and bridges, eligible projects will be selected in countries with a Rural Access Index (RAI) less than or equal to 60% which reflects poor rural connectivity in LMICs. For countries above RAI 60%, OPEC Fund will target areas: (i) with no or inadequate connectivity; or (ii) regions with higher poverty rates or lower Human Development Index (HDI) than the country's average. Additionally, loans financing highways are excluded from this framework.

		enterprises in Colombia.	
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Eligible SDG loans under green categories

SDGs	Eligibility Criteria	Example of OPEC Funds' emblematic projects	ICMA Project categories
 	<p>Loans dedicated to Energy projects such as basic infrastructure for local low-carbon energy to ensure access to reliable, sustainable and modern energy services at an affordable cost.</p> <ul style="list-style-type: none"> Electricity generation using solar photovoltaic technology Electricity generation using concentrated solar power (CSP) technology Electricity generation from wind power Electricity generation from ocean energy technologies Electricity generation from hydropower¹⁷ <ul style="list-style-type: none"> <i>the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO₂e/kWh</i> <i>Maximum of 25MW in installed capacity</i> Electricity generation from geothermal energy <ul style="list-style-type: none"> <i>Geothermal power plants with direct emissions <100g CO₂/kWh</i> Electricity generation from bioenergy¹⁸ <ul style="list-style-type: none"> Bioenergy with 80% GHG emission reduction compared to fossil fuels, and sourced from sustainable feedstock Or, Biomass that does not deplete existing terrestrial carbon pools, does not compete with food production, not grown now or currently in areas of high biodiversity and in which facilities produce GHG emissions that are below 100gCO₂e/kWh 	<p>US\$30m loan to finance the development, construction, operation and decommissioning of a 200MW solar photovoltaic power plant. This project also includes the construction of a 4 km access road and a 220kV MV/HV substation to connect the project to the grid. The Project site is located about 60 km north of Aswan in Upper Egypt.</p>	<p>Renewable energy</p>

Loans supporting the following sectors will be excluded under this framework:

- fossil fuels (oil and gas extraction and refining, infrastructure used primarily for the transportation of fossil fuels etc.)

¹⁷ For hydro power plants, it is expected that that there should be no significant controversy surrounding the project.

¹⁸ The feedstock for bioenergy production will not include food crops and that the feedstock is limited to forestry and agricultural wastes only. Peat, palm oil, non-certified food crops and wood pellets, and waste from non RSPO certified palm oil operations are not considered as sustainable sources of biomass for bioenergy production.

- mining
- nuclear
- alcohol
- tobacco
- gambling
- livestock management projects for industrial scale meat, or dairy farms and processing units

Projects with potentially negative environmental or social impact and/or no specific targeted populations (such as underserved or unemployed populations) will also be excluded.

3.2 Process for Project Evaluation and Selection

Potential eligible SDG loans are assessed against the OPEC Funds' regular selection process, which consists in selecting public sector, private sector and trade finance projects that have the potential to foster sustainable economic growth in low and middle income countries. All operations must have a clear development objective in line with Agenda 2030 and each project is subject to a thorough evaluation and due diligence process. Eligible projects will be analyzed through the conventional ESG procedure of OPEC Fund presented in section 2.2 of this Framework to identify and mitigate environmental and social risks.

Based on this project evaluation, a Committee will supervise, on an annual basis, the selection of the eligible SDG loans under this framework by selecting those contributing to the SDGs identified in the use of proceeds section after verifying that they are in full compliance with the OPEC Fund's ESG investment policy.

The Committee is a multidisciplinary team that will be led by the Strategic Planning & Economic Services department (SPES) and comprised of five representatives from the following departments:"

- Strategic Planning & Economic Services Department (2) - leads the committee (Head of Development Effectiveness Function and ESG);
- Financial Operations Department (1); (department managing the borrowed funds);
- Public Sector Operations Department representative (1);
- Private Sector Operations Department representative (1).

This committee will meet at least once a year to determine new eligible assets and review the assets already allocated (after issuance) to update the amount of eligible assets available and verify that the assets already assigned continue to comply with the criteria without facing major controversy.

The eligible SDG loans must also comply with the eligibility criteria and general exclusions described in the framework.

3.3 Management of proceeds

The OPEC Fund will manage the net proceeds of the bonds issued under this framework using a disbursement approach.

An amount equivalent to the net proceeds will be deposited in the OPEC Fund's general account and allocated directly to existing or new loans as they are disbursed. Eligible SDG loans would need to be aligned with the eligibility criteria set out in the use of proceeds section and the selection process described above. An internal tracking system will be established to help with such monitoring.

The OPEC Fund intends to allocate the proceeds of a given SDG bond issuance to eligible financed or refinanced SDG loans.

The OPEC Fund will strive to replace any loans that no longer align with the eligibility criteria set out in this framework with new eligible loans as feasible.

OPEC Fund intends to fully allocate the proceeds to eligible projects within 36 months of issuance.

Unallocated proceeds (if any), will be held in the OPEC Fund's treasury and invested according to its internal policies in cash or other short term and liquid instruments.






3.4 Reporting

The OPEC Fund is committed to providing investors with updates on the allocation of proceeds towards eligible SDG loans as well as reporting on the expected results of these loans that relate to the identified SDG until full allocation of the bond proceeds.

The following information will be provided on the eligible social and green loans financed in an allocation report:

- The allocation breakdown per SDG;
- The allocation breakdown per country;
- The allocation breakdown per year of disbursement;
- For each SDG: Distribution of proceeds by year of disbursement and per country.

The following information will be provided on the eligible social and green loans financed in an impact report:

Sustainable Development Goals	Potential metrics
	<ul style="list-style-type: none"> - Number of people (m/f) with improved production
	<ul style="list-style-type: none"> - Number of people reached with improved health care - Number of healthcare infrastructure assets built
	<ul style="list-style-type: none"> - Number of beneficiaries of improved education or education facilities
	<ul style="list-style-type: none"> - Number of infrastructure assets built - Number of people that benefit from the new infrastructure - Number of kWh produced <p>More detailed indicators:</p> <ul style="list-style-type: none"> - Number of new households' water connections - Number of new household power connections
	<ul style="list-style-type: none"> - Number of SME or microfinance loans - Number of loans to women-owned micro, small or medium-sized enterprises

The reporting methodology and assumptions used to report on social and green benefits of the eligible categories/assets will be disclosed at least annually in the OPEC Fund's Annual Report, its upcoming Development Effectiveness Report, or a dedicated impact report to investors/bondholders.

4. External Verification

4.1 Second Party Opinion

The OPEC Fund has engaged Sustainalytics, the largest independent provider of ESG research and ratings, to provide an independent second party opinion on the SDG bond framework prior to the first issuance of a bond under the framework. Second party opinion documents are available [here \(link\)](#).

4.2 Post-issuance verification

The OPEC Fund will also appoint an independent third party to prepare an annual verification report of the information on the allocation of the proceeds to eligible expenditures contained in the published annual reports.

ANNEX 1: Environmental, Social and Governance Risk

The OPEC Fund recognizes Environmental, Social and Governance (ESG) risks, which are three key factors when measuring the sustainability and ethical impact of an activity. This table was created by the OPEC Fund to show a non-exhaustive list of indicators that are relevant to monitor the impact of projects or activities aimed at sustainable development.

ENVIRONMENT	SOCIAL			GOVERNANCE	
	OCCUPATIONAL HEALTH AND SAFETY	LABOUR AND WORKING CONDITIONS	COMMUNITY HEALTH AND SAFETY	CORPORATE GOVERNANCE	BUSINESS INTEGRITY
Environmental and Social Management System (ESMS)				Commitment to Corporate Governance	Business Integrity Management System (BIMS)
Emissions, Pollution and Waste	General Facility Design and Operation	Wages and Working Hours	Access to remedy / Grievance mechanism	Board Structure and Function	Anti-Bribery and Corruption (ABC) Management System
Resource Conservation and Efficiency	Communication and Training	Freedom of Association and Collective Bargaining	Land acquisition and involuntary resettlement	Control Environment, Cyber & Data Security, ESG Regulatory Compliance	Whistleblower system (int & ext)
Hazardous Materials Management	Hazards - Physical, Chemical, Biological, Radiological	Gender, Equal Opportunities and Non-Discrimination	Indigenous peoples	Transparency and Disclosure	
	Personal Protective Equipment (PPE)	Contractors, Third Parties, and Temporary Workers	Cultural heritage	Rights of Minority Shareholders	
	Special Hazard Environments			External Stakeholder Management	

ANNEX 2: The OPEC Fund Exclusion List

The OPEC Fund shall not, directly, or indirectly finance activity, production, use, distribution, business or trade involving:

- Activities deemed illegal under host country laws, international conventions and agreements, or subject to international phase-outs or bans, such as, but not limited to:
 - Ozone depleting substances, PCB's (Polychlorinated Biphenyls), hazardous pharmaceuticals, pesticides/herbicides;
 - Wildlife or regulated products under CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora);
 - Unsustainable fishing methods (such as blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km. in length);
- Forced labor¹⁹, harmful child labor²⁰;
- Weapons and munitions;
- Alcoholic beverages (including beer and wine);
- Tobacco;
- Gambling, casino and equivalent enterprises;
- Destruction²¹ of High Conservation Value areas²²;
- Wood or other forestry products other than from sustainably managed forests;
- Logging operations for use in primary tropical moist forest;
- Pornography or prostitution;
- Racist and/or anti-democratic media;
- Radioactive materials²³;
- Un-bonded asbestos fibers²⁴;
- Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.

¹⁹ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

²⁰ Harmful child labor means the employment of children that is economically exploitative, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

²¹ Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

²² High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <http://www.hcvnetwork.org>).

²³ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is understood to be trivial and/or adequately shielded.

²⁴ This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 percent.

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This SDG bond framework represents the current policy and intent of the OPEC Fund, is subject to change and is not intended nor can be relied on, to create legal relations, rights or obligations.

Any decision to purchase any OPEC Fund SDG bonds should be made solely on the basis of the information to be contained in any offering document or prospectus produced in connection with the offering of such bonds. Prospective investors are required to make their own independent investment decisions and seek their own professional advice.

No representation is made as to the suitability of any OPEC Fund SDG bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of OPEC Fund SDG bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such OPEC Fund SDG bonds regarding the use of proceeds and its purchase of OPEC Fund SDG bonds should be based upon such investigation as it deems necessary.

The OPEC Fund has set out its intended policy and actions in this SDG bond framework in respect of use of proceeds, project evaluation and selection, management of proceeds and investor reporting, in connection with OPEC Fund SDG bonds. However, it will not be an event of default or breach of contractual obligation under the terms and conditions of any OPEC Fund SDG bonds if the OPEC Fund

fails to adhere to this SDG bond framework, whether by failing to fund or complete eligible SDG loans or otherwise.

In addition, it should be noted that all of the expected benefits of the projects as described in this SDG bond framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy, changes in laws, rules or regulations, the lack of available suitable projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the anticipated benefits of these initiatives, including the funding and completion of eligible SDG loans. In addition, each environmentally focused potential purchaser of OPEC Fund SDG bonds should be aware that eligible SDG loans may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. On this basis, all and any liability, whether arising in tort, contract or otherwise which any purchaser of OPEC Fund SDG bonds or any other person might otherwise have in respect of this SDG bond framework or any OPEC Fund SDG bonds as a result of any failure to adhere to or comply with this SDG bond framework is hereby disclaimed to the fullest extent permitted by law.